UNIVERSITY OF STRATHCLYDE

Department of Marketing

Marketing strategies of small companies with particular reference to the textile industry in Egypt as an Islamic Developing Country.

(Two Volumes)

Volume One

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To My Wife Wafaa

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ABSTRACT

This study, in very broad terms, is concerned with the contribution of marketing to the success of small companies with particular reference to the textile industry in Egypt.

There is abundant evidence that marketing has a fundamental role to play in firms of every size, even in small companies with limited resources. Nevertheless, an examination of the literature reveals that the marketing concept was introduced as a concept applicable to big companies and little attention, therefore, has been paid to marketing in small companies, particularly in under-developed countries such as Egypt.

Small companies, however, cannot adopt the same marketing strategies as used by large ones. The study, therefore, examines possible marketing strategies for small companies with specific reference to Egypt. In addition to investigating the environmental factors prevailing in Egypt as a developing country and how these factors affect marketing development in small companies, it suggests that the analysis must be conducted in the light of Islamic teachings regarding marketing since Egypt is an Islamic country. These teachings, it is argued, are consistent with the societal marketing philosophy. However, it is suggested that there is a distinct lack of awareness and understanding of the Islamic marketing philosophy among the managers of Egyptian small companies - indeed of all Egyptian enterprises. It follows that linking the societal marketing concept to the Islamic doctrines may contribute to persuading the Egyptian management, with special reference to small companies' managers as exemplified by the textile industry, to adopt and implement the societal marketing approach in their business. In this regard, it may be useful to point out that the present study is the first attempt to deal with marketing strategies of Egyptian small companies on the one hand, and handling this problem within the framework of Islamic teaching and a developing economy on the other.

To achieve the ends specified above, a thorough examination of the literature relating to Islamic marketing teachings as well as the literature pertaining to the applicability of the societal marketing concept and marketing techniques to small companies in general and in Egypt in particular, was carried out and based upon this examination specific hypotheses have been formulated and tested.

The empirical investigation was undertaken in small Egyptian manufacturing textile companies in both the public and private sectors. The study was conducted using a sample of 5 public firms and 100 private companies representing the total number of firms working in this industry. Personal interviews employing three structured questionnaires was the method used for data collection from these companies.

The findings of the field work reveal that the managements of the two kinds of companies investigated for the most part pay only limited attention to marketing and consider the societal marketing concept irrelevant to their business. In addition, there is an association between the degree of marketing development and the specific environmental variables which have been suggested as influencing the status of marketing in these companies, namely:

1. The lack of awareness, understanding and adoption of the Islamic marketing doctrines.

2. The small size of companies.

3. Government control over the marketing mix elements and other areas of decision making.

4. The shortage of competent managerial know-how, particularly in the field of marketing.

5. The lack of competition in practical terms.

PART I

CHAPTER ONE

General Introduction: The Purpose and Significance of the Study

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Introduction

It is generally observed that attention has usually been given by both scholars and marketing practitioners to large companies which are considered to have a major role to play in developing the economy. However, as many studies and published research works[(1)] have concluded, for several reasons*, that small companies as well as large firms represent an important part of the economic life of any country, especially in developing societies such as Egypt. Thus, the role of small manufacturing firms in the Egyptian economy may now be more clearly understood. Their complementary role to that of the big corporations lies in the market for final consumer goods. In addition, it is maintained that the very large companies cannot as yet embark upon the production of certain goods because factor-prices and the size of market favour very labour intensive, small-scale production.[(2)] Furthermore, small companies, it is argued, must be an integral part of the Egyptian economy on Islamic grounds as well as through economic necessity.

Despite their importance, little attention has been paid to the marketing problems of small companies. The marketing concept, as Brannen[(3)] indicated, "was born as a concept for big businesses". Large companies, therefore, have provided the major focus for enquiry and research by both academics and researchers. Moreover, the generally accepted principles of management are based primarily on the experience of big firms. Thus, business administration including marketing management, is mainly a description applied to the methods that have worked in large concerns and it has been remarkably neglectful of the needs and activities of small companies.[(4)]

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* These reasons will be referred to in Chapter 3.

In practice, marketing is regarded by many businessmen as complicated and expensive and best left to the big corporations.[5] Historically, the production system of the late nineteenth century led to sales orientation which began to give way to marketing orientation in the 1950s. Not all firms have moved through these types of orientation at the same pace.[6] In this field the marketing concept has usually been adopted by large firms with considerable resources.

Although small businessmen have a great opportunity for financial reward, a marketing problem emerges - a problem that can be solved - but only a small percentage of today's small firms' marketers know the procedures required to achieve success.[7]

It is believed in this regard that the marketing strategies of small companies should be planned and undertaken under a set of rules somewhat different from those appropriate to large firms. More specifically, two considerations seem inescapable:[8]

1. To succeed, small businesses require not only a good understanding of marketing techniques as generally practised but also a thorough knowledge of size-related differences in marketing management practice.

2. Exploitation of size-related opportunities is as important to the small company as is the development of product advantages or operating efficiency.

In Egypt, even more than elsewhere, the problems involved in small companies' marketing are neglected or ignored at both academic and practical levels. An examination of the literature dealing with marketing in Egypt shows an almost complete neglect of marketing problems, particularly in small companies. The general approach of scholars has been to deal with these problems in general terms, laying greater emphasis on large rather than small size. It is also noticeable that the common attitude in marketing writings has been to consider Egypt simply as a developing country without giving attention to its Islamic features. As yet, this crucial characteristic of Egypt in its relationship to marketing has not appeared in the body of the literature produced by both academics and researchers.

It is suggested by the current study that there is a relationship between Islam and marketing,* and that Islamic doctrines provide a specific marketing philosophy and related objectives. Arguably, this Islamic marketing philosophy, if properly understood by the Egyptian management, will contribute to facilitating the adoption and implementation of modern marketing concepts and techniques. A major difficulty involved in transferring these concepts and techniques to Egyptian organisations is that too little or probably no attention has been given to exploring and establishing the Islamic marketing teachings and incorporating them into Egyptian marketing management thinking.

Another common aspect of the studies of marketing in Egypt, as in other developing countries, has been that they relate primarily to distribution systems. As El-Haddad(9) pointed out, all the research efforts are concerned with the activities of intermediaries and the term "marketing", used by researchers is best described as distribution. This is, of course, a myopic approach to marketing in that it is not dealt as a comprehensive philosophy or a set of integrated business activities.

For these reasons, the researcher believes that the present body of literature relating to marketing problems in Egypt does not realise the true marketing characteristics of Egypt as an Islamic developing country and the full meaning of marketing as a comprehensive business philosophy nor does it appreciate sufficiently the uniqueness of small companies.

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* The nature of the relationship between Islam and marketing will be established in the next chapter.

The present study therefore aims at examining the applicability and contribution of marketing to small firms in general, and the extent to which marketing concepts and modern marketing techniques have been adopted and implemented by small Egyptian manufacturing companies as evidenced in the textile industry. In this study, Egypt is considered as an Islamic developing country. Hence, we will deal with the topic in the light of Islamic doctrines as well as economic conditions. The study, therefore, is an exploratory attempt to diagnose the marketing problems of Egyptian small companies within this new framework which is believed to be more capable of reflecting the true marketing characteristics of Egypt than the common approach which considers Egypt simply as a developing country.

Significance of the Study

The present study is considered important for the following reasons:

(1) The importance of the small companies' sector to the national economy. The significance of this study derives from its concern with a sector of society which has a major role to play in the economic life of any country. This role is magnified in the Egyptian environment as a result of the ideological considerations as well as economic necessity.* Thus, the importance of small companies in Egypt can be understood not just in economic terms but also in terms of Islamic teaching.

(2) This study represents the first attempt to investigate the marketing problems of small companies in the Egyptian context, using a new approach which was followed throughout the study. It deals with the internal (within the company) and external factors, including Islamic doctrines, associated with the degree of marketing development in the firms studied. In this way, marketing of small companies can assume its proper function in improving performance of this important sector of the nation's economy.

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* This issue will be discussed in detail in Chapter 4.

(3) The present study was undertaken in the hope that it would help managers in Egyptian small companies to understand the applicability, necessity and contribution of marketing to their business. To achieve this purpose, in addition to establishing the validity and contribution of marketing to all companies regardless of size, it was planned in part to make clear the relevance of Islamic teachings to the marketing approach, and consequently to persuade the management of Egyptian small companies to adopt this approach as an Islamic requirement as well as an economic necessity.

Furthermore, the study recognises the uniqueness of small firms and hence accepts that a simple transfer of the marketing concepts and practices used by large companies is hardly likely to provide an appropriate approach. To perform more effectively, the managements of small companies must appreciate and consider size-related differences in their marketing strategies. As such, the study is further regarded as a form of research into the diffusion of marketing innovation into the Egyptian small companies. However, the important criterion in such diffusion is that of relevance, that is, marketers of small companies should examine the extent to which the direct transfer of marketing concepts and techniques used in their counterpart large firms would be valid in their business situation. In other words, they must judge the value of their contribution in terms of how much they actually assist in improving their performance.

(4) In addition to the body of literature surveyed, the present study provides information and suggests ways which can enable marketers of Egyptian small companies to conduct business in such a way as to take account of society's welfare as well as customer satisfaction and long-term well-being and the company's interests. Moreover, this study hopes to provide useful information to the Egyptian government, the Islamic developing countries and to foreign companies which operate or intend to operate in Egypt.

Organisation of the Study

The study is organised in five parts which, in turn, consist of ten chapters, the first of which is the Introduction.

Chapter Two is devoted to establishing an appropriate philosophical position for marketing to adopt in the Egyptian context so that the marketing problems of Egyptian small companies may be dealt with in their proper framework. It begins with an examination of the marketing characteristics of Egypt as an Islamic as well as a developing country. This is followed by a discussion of marketing concepts and techniques as a preamble to testing their relevance to Islamic doctrine. Thereafter, the place of marketing in Islamic doctrine is examined with a view to identifying how far the marketing approach is compatible with that doctrine. Finally, the status of marketing in Egypt is outlined in terms of its theoretical validity and the actual status of marketing in the country.

Chapter Three discusses the nature of small companies, with special reference to the Egyptian society. The chapter begins by providing definitions of small companies from different points of view, especially from the viewpoint of the Egyptian economy, with particular reference to the purpose of the present study. Then it examines the characteristics of small companies in general and in the Egyptian context in particular. It also identifies the ideological acceptability of small companies within society, especially from the Islamic point of view. The importance of small companies is then examined and assessed.

In Chapter Four an attempt is made to examine the status of management and marketing in small companies, with special reference to Egypt. First, the relationship between managerial climate and marketing status is outlined followed by discussion of management in relation to size of firm. Productivity and firm size and management culture in small companies are also briefly discussed. Then, an account of Egyptian management at both macro and micro levels is given and the implications for and influences on the marketing problem are outlined. Thereafter, the chapter includes an examination of the status of marketing in small firms. A number of specific points regarding this issue in general and in the Egyptian situation are dealt with. These deal with the scope and need for marketing, the marketing concept, firm size and the adoption and implementation of the marketing concept and marketing management and organisation - all in relation to small firms. Finally, the chapter concludes with a discussion of the place of marketing in Egyptian small companies.

Chapter Five is concerned with providing a conceptual framework for the marketing strategies of small companies. It begins with a definition of marketing strategy and its importance to the overall corporate strategy. Next, the applicability of the strategic approach in small companies is examined. The chapter also identifies the Islamic view of marketing strategies. Then, it proceeds to discuss marketing information and the marketing strategies of small companies. Finally, marketing research in small companies in terms of the Egyptian situation is examined.

Chapter Six examines target markets of small companies as main dimension of their marketing strategy. The Chapter begins with the definition of a market and the concept of a product-market. This is followed by discussing target market strategy for small companies. It also analyses target markets in the Egyptian environment, reviewing the structure and nature of the Egyptian markets and their implications for the target market strategy of small companies. The chapter ends with an examination of consumer behaviour in terms of small companies and in the light of Islamic thought.

Chapter Seven investigates the application of the marketing mix components in small companies in general and in the Egyptian context in particular. Here, the aspects pertaining to each component of the marketing mix, i.e. product, price, distribution, and promotion, and their applicability in small firms, together with the extent to which these are similar to or different from their application in large companies are discussed in the light of the characteristics of small companies and Islamic teachings regarding these components.

Chapter Eight reviews the design of the field work, and is a bridge between the theoretical framework and the empirical findings. It gives an account of the research problems and objectives, the formulation of hypotheses, the industry selected for the study, identification of the sample, development of the questionnaires, translation and pre-testing of the questionnaires and the interviewing carried out.

Chapter Nine is devoted to presenting a discussion of the field work findings together with the statistical techniques used in analysing the data.

Chapter Ten presents the contributions made by the study, discusses its limitations and, where possible, suggests areas for further research to be undertaken.

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CHAPTER TWO

The Search for an Appropriate Philosophical Position for Marketing in the Egyptian Context

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The Search for an Appropriate Philosophical Position for Marketing in the Egyptian Context

Introduction

This chapter will concern itself with the search for an appropriate approach to the purpose of the current study. So, since our thesis relates to the marketing problem of small companies in the Egyptian context, it would appear meaningful and logical to begin by identifying the marketing characteristics of Egypt in order to discover the appropriate marketing concepts and techniques that may cope with the Egyptian marketing environment.

In this regard, taking into account that Egypt is an Islamic country, any attempt at inquiring into such a problem must involve a consideration of what is the Islamic ideology and doctrine in terms of marketing. That is to say we must undertake the subject to be studied here in the light of Islam and under the umbrella of its doctrine to identify whether the modern marketing concepts and techniques might be consistent with Islamic doctrine and in what way.

Finally, to fulfil the purpose of the present chapter, it may be necessary and logical to identify the status of marketing in Egypt at the theoretical and real level.

The achievement of this goal is fundamental to developing and suggesting valid and usable marketing strategies for Egyptian small companies.

Regarding the basic aim of this chapter, the subsequent elements will be examined:

Section One: Marketing characteristics of Egypt.
Section Two: Conceptualising marketing.
Section Three: The place of marketing in Islamic doctrine.
Section Four: The status of marketing in Egypt.

Section One

Marketing Characteristics of Egypt

Introduction

According to the Egyptian code, the official religion of Egypt is Islam. And at least about 90 per cent of the Egyption people are Muslims and practice of this religion is widely observed. Of the remainder, about 7 per cent are coptic Christians, living mainly in the cities and towns, particularly those of upper Egypt. Other Christian denominations, mainly Orthodox, Roman Catholic and Anglican, account for about 1 per cent of the population. There is still a Jewish community but its numbers are insignificant. Freedom of worship is allowed[11]. There is also complete freedom to enter the business domain.

At the moment, Islamic doctrine is being incorporated into Egyptian legislation so that it will regulate Egyptian societal relationships and transactions. Thus, the inward conviction of the Egyptian people will be supported by outward expression in the communal activity.

Such being the case, the principal argument of this section is that Egypt possesses more of Islamic marketing features than purely developing or underdeveloped characteristics.

To examine such an argument and make it clear, we shall consider some relevant elements. These are:

- Religion and marketing;
- The concept of Islam;
- Islam and classification of the world market.

Religion and Marketing

It has been argued that religion has much to do with the marketing mix. The available literature suggests that religion has an effect on the product to be consumed and its advertising[2].

Some examples may illustrate this point. In Islamic countries, for instance, alcohol and some types of meat (e.g. pork) are prohibited. Thus, it is illegal to set up an enterprise to deal in such products in Saudi Arabia. In the Egyptian market, in respect of these products, it would be unwise to establish large-sized enterprises with big production capacity to produce and deal in such types of products.

Another example is the Indian market, where it would be unwise to deal in beef products with the Hindu people, since the cow is their sacred animal.

The impact of religion extends to include the content of the advertising message the consumer receives. There are many examples and writings of how religion affects advertising. Thus, Zeid[3] came to the conclusion that any manufacturer is advised to study carefully the religious values prevailing in a foreign market and have the ability to cope with these values if he wants to exploit the export opportunity prevailing in the market.

However, the relationship between Islam and marketing is not confined to the impact of religion on the type of product and its advertising. Such an approach would yield only a very narrow insight into the Islamic viewpoint. In fact, the impact of Islam on marketing is deeper and wider; it extends to include every aspect of marketing: concepts, planning, strategies and other relevant issues.

The Concept of Islam

In its literal meaning, "Islam" is an Arabic word and connotes submission, surrender, and obedience. As a religion, Islam stands for complete submission and obedience to 'ALLAH' and that is why it is called "ISLAM".

Another literal meaning of the word 'Islam' is 'peace' and this signifies that one can achieve real peace of body and of mind only through submission and obedience to "ALLAH". Such a life of obedience brings in peace of the heart and establishes real peace in society at large[4].

In his attempt to cite a comprehensive meaning of Islam, Maududi[5] has reported that 'the chief characteristic of Islamic ideology is that it does not admit a conflict, nay, not even a significant separation between life - spiritual and life - mundane. It does not confine itself merely to purifying the spiritual and the moral life of man in the limited sense of the word. Its domain extends to the entire gamut of life. It wants to mould individual life as well as the social order in healthy patterns.'

Along the same line of thought, Yusuf[6] pointed out that Islam is a comprehensive and corporate plan of life. It is the combination of economic, social, ethical, political and educational systems. To get its best fruits, we must undertake the application of its doctrines as a whole.

As Luqmani et al[7] put it, "a typical Islamic view of progress is that industrialization and modernization should occur in coherent, organized manner, joining the goal of economic development with an appreciation of the social and cultural context in which it occurs. More than a religion, Islam is a way of life with prescribed codes of everyday conduct. These sanctions and codes permeate the social, cultural, civil, and political fabric of all Islamic nations."

Taking into consideration the above-mentioned statements with respect to the concept of Islam, it can be argued that the Muslim society's view of Islamic doctrine is very similar to but perhaps broader than the terms 'culture and ideology' as they are understood and defined by Livingstone[8] when he defined culture as that body of economic, political and ethical doctrines which are adopted by a society or imposed on it by the ruling establishment.

Another definition of culture presented by Bennet and Kassarjian[9] defines culture as "a set of learned beliefs, values, attitudes, habits and forms of behaviour that are shared by a society and are transmitted from generation to generation within that society." Although many cultural variables may stem from this definition, one can suggest quite safely that Islamic doctrines allow, in distinct concepts, all these variables to lie within their boundaries.

But we must keep in mind that while non-Islamic culture "is based on the abstracted nonbiological conditions of human life, artifacts and sociofacts"(10), Islamic doctrines are godly facts imposed by 'ALLAH'. "The view point of Islam, however, is that this universe is the creation of God who is one. He created it and he alone is its unrivalled master, sovereign and sustainer ..... The correct course of life for man is to live in complete obedience to him (God). It is not for man to determine the mode of worship and obedience, it is for God to decide this."(11) And God has decided the whole Islamic economic, social, ethical, political, educational, moral .... doctrine. Thus, Islamic doctrine is not changeable whereas culture, as it was defined above, is changeable.

If the foregoing suggestion is postulated then the significant point about the Islamic world is not that it is economically under-developed or developed and technologically backward or advanced. Rather, it is culturally different from the other non-Islamic cultures. This leads us to discuss Islamic doctrine as a criterion for classifying world markets in the following paragraph.

Islam and Classification of World Markets

Several criteria have been used in order to classify world markets into economic groups, e.g. per capita generation of electricity, percentage urban population, manufacturing as a percentage of Gross National Production (GNP), as well as degree and type of industrialisation, availability and use of modern technology and the GNP and its annual rate of growth. According to these criteria world markets are classified into three main groups: developed, developing and under-developed markets.(12) Hence, some Islamic countries are grouped into developing countries and others into less developed ones.

Islamic doctrine has not been included as a criterion for categorising some markets (i.e. Islamic countries) as a distinct market with a particular characteristic and behaviour. Thus, one classification has been postulated.

If the situation is so, then some general assumptions (and consequent misunderstanding) might exist. Equally, some characteristics would be wrongly attributed to Islamic market. To illustrate, the following quotation concerning social and family responsibility, perhaps demonstrates the situation. "A characteristic of advanced industrial societies is that they combine a shrinking sense of family responsibility with an increasing sense of social responsibility. Thus Western society would expect parents to accept responsibility for their children in the early years, but only to a limited extent responsibility for aged parents, in the sense that the state will provide social security benefits, if not on a generous scale, at least sufficiently to ensure minimum comforts. So far as other family relationships are concerned they are almost non-existent in terms of social responsibility. Individuals have no legal responsibilities to brothers and sisters. And yet Western society would regard as appalling the idea that anyone should be allowed to starve to death on the street.

The moral imperatives may work in opposite directions in underdeveloped societies. The individual has responsibilities and rights not merely as far as his parents and children are concerned, but with every blood relation however remote. Conversely, however, he has no moral responsibility for anyone in society outside his family. While there may be personal merit in giving a coin to a beggar, there is no responsibility for starvelings in the community. This factor has been discussed in terms of finding posts for blood relations, but the whole issue may go much further in an under-developed society. 'Everybody's business is nobody's business' is a cliche in Western society. It may be a fact of life in other societies. Social issues, pollution, environmental considerations in building, siting advertisements, etc. are often much less of a problem for the enterprise in the under-developed economy than in the developed one. In a sense, nobody cares, because a community sense is under-developed relatively to family sense."(13)

In accordance with including the Islamic society in the under-developed societies group, then it is expected that individual Muslim has no moral responsibility for anyone in society outside his family. That is to say "while there may be personal merit in giving a coin to a beggar, there is no responsibility for starvelings in the community."

But as a matter of fact the nature of social and family responsibility in Islam is absolutely different. A detailed explanation of this point is beyond the scope of the current study and it is difficult for the researcher in this brief outline to review enough of the literature dealing with this topic. Here one must confine himself to some sayings (Hadith) of the Prophet - (may the blessings and peace of ALLAH be upon him) on the subject where he has said: "Whosoever removes a wordly grief from a believer, ALLAH (God) will remove from him one of the griefs of the day of judgment. Whosoever alleviates (the lot of) a needy person, ALLAH will alleviate (his lot) in this world and the next. Whosoever shields a Muslim, ALLAH will shield him in this world and the next. ALLAH will aid a servant (of his) so long so the servant aids his brother."(14) (i.e. brotherhood in Islam.)

The messenger of ALLAH (may the blessings and peace of ALLAH be upon him) has said also: "Let him who believes in ALLAH and the last day be generous to his neighbour, and let him who believes in ALLAH and the last day be generous to his guest."(15)

In another tradition, the Prophet (peace be upon him) has said that a man whose neighbour is not safe from his misdeeds is not a believer in Islam. Again, he (peace be upon him) says that a person who has a full meal while his neighbour is starving really possesses no faith in Islam.(16)

In effect, much emphasis has been laid on this virtue by the Prophet (peace be upon him). "In brief, Islam requires all neighbours (and the entire society) to be loving and co-operative with each other's sorrows and happiness. It enjoins that they should establish social relations in which one could depend upon the other and regard his life, honour and property as safe among his neighbour."(17)

According to the holy prophet's orders, one should postulate the argument indicating that the possession of basic morality by an individual or group is not in itself a blessing; in order that it may create bliss and righteousness, the force of basic human morality must be directed along right paths and it is Islam which accomplishes this task. The inevitable claim of the Islamic doctrine of the oneness of ALLAH (God) is that the sole purpose of all human endeavour, labour and struggles in this worldly life should be to win the favour of God. As a result of this fundamental reformation, basic human morality is channelled into the right path and the normal force of humanity which in every possible way is used for the glorification of self, family, nation or country is then harnessed by right means for promotion of purity and righteousness only.(18)

Briefly, the conclusion is that the Islamic society has a distinctive culture and ideology (i.e. Islamic doctrine). Therefore, including the Islamic countries in the under-developed market group on the basis of economic criteria in the real world, regardless of their own beliefs and values, may attribute to them some false characteristics and values in terms of comparative marketing. If this is the case, it is our contention that it might be fundamental to consider the Islamic doctrine as a basic criterion upon which the Islamic society has to be classified into a distinctive category based on a particular obligatory doctrine and possessing distinct market characteristics.

However, within the Islamic countries group, different market characteristics may exist due to the different economic situations of these countries. Apart from the marketing characteristics that are the result of religious and cultural influences, there are those that exist as a result of world pressures and the rapidly changing wealth of Islamic countries. As such, many of those countries have different growth rates, amount of financial, human and natural resources, and hence different market characteristics. In addition, the context for the marketing characteristics of the Islamic countries is complicated by the presence of problems common to many developing countries; for instance, bureaucratic mis-management and inefficiencies, bribery and corruption, undefined competitive environments, and political uncertainties.[19]

Recognising these constraints, the aim here is to make a broad overall evaluation. The general premise, as Luqmani et al[20] argued, "is that, apart from some dissimilarities, these markets have in common a unifying religion, a well-defined set of cultural values and traditions, and the goal of economic development."

Such an introductory statement, as Bartels[21] suggests, gives a sweeping view of marketing in its environment, indicates the role it plays, the stage of its development or its principal problems. It expresses the conceptual problem of which the comparative study should furnish some explanation.

In terms of the present study, such an explanation involves the examination and exploration of the relevant marketing concepts and strategies of the Egyptian marketing environment with due regard to the fact that Egypt is an Islamic society as well as a developing country.

The following pages will consider the relationship between marketing concepts and Islamic doctrine (i.e. the marketing philosophies relevant to Islamic values and beliefs). They are organised into two sections as follows:

- Conceptualising marketing.
- The place of marketing concepts (philosophies) in the Islamic doctrine.

Later, marketing strategies of Egyptian small companies in the light of Islamic doctrine will be considered.

SECTION TWO

Conceptualising Marketing

Introduction

The principal purpose of this section is to discuss marketing concepts and techniques as a basic stage in the testing of their relevance to Islamic doctrine.

In fact much has been written on the subject of marketing concepts and techniques. In the following paragraphs an attempt will be made very briefly to trace the stage of development of marketing thought so as to move on meaningfully and logically to the subsequent section that is devoted to identifying the place of modern marketing concepts in Islamic doctrine.

This section is organised into the following elements:

- The evolution of marketing thought.
- The definition of the marketing concept.
- The major tasks of marketing management.
- Criticisms of the marketing concept.
- The societal marketing concept.

The Evolution of Marketing Thought

It goes without saying that as a matter of fact, there is an evolutionary process involving several stages through which an organisation proceeds on its way to becoming marketing oriented, and 'that the general trend in the evolution is a general expansion of the scope of marketing'.[22]

With respect to this issue, Kinsey[23] has reported that marketing is both versatile and dynamic and through time its scope has widened considerably. The author examined the evolution of marketing in the West as an obvious illustration of how management orientations have changed and how new uses have been made of marketing in relation to wider economic development. Thus she pointed out that marketing management in the West has progressed from a production - to a sales - to a consumer orientation, as economic conditions have varied from demand being greater than supply to an era of abundance, to a situation where certain customer needs were satiated and buyer preferences changed. In a more exploratory manner, the author stated that adopting a generic view, marketing's evolution in the West has, therefore, progressed from a branch of applied economics devoted to the study of distribution channels to a management discipline concerned with increasing sales, to an applied behavioural science, directed at understanding consumer behaviour, to the disciplined task of creating and offering values to others for the purpose of achieving a desired response.

Similarly, Donnelly and Berry[(24)] noted that much of what is known stemmed from several manufacturer case histories reported in the literature in the late 1950s (Borch 1957, McKitterick 1957) and early 1960s (Keith 1960). In Keith's view, marketing evolved at the Pillsbury Company in four distinct eras:

1. The production era 1869-1930.
2. The sales era 1930-1950.
3. The marketing oriented era 1950-1958.
4. The marketing control era, from 1952. When Keith wrote his article in the late 1950s, Pillsbury was in the process of moving into the marketing control era. He felt that Pillsbury was changing from a company which practised the marketing concept to a marketing company. Hence, marketing's role in the company is very significant. Thus the author stated that whereas marketing had already established a short-term operating policy, it would in the course of time come to influence long-range policy more and more. Whereas research, production and promotion activities were already under the marketing umbrella, in the future, capital and financial planning and ten-year volume and profit goals would also come under marketing's aegis. More than any corporate function, marketing would be tied to top management. It would be the driving force for the entire organisation with every

activity in the company aimed at satisfying the needs and desires of customers.

Another classification has been adopted by Bartels[25] who suggested seven stages.

1. Marketing concerned with the distribution of products;
2. Marketing as the economics of distributive enterprises;
3. Marketing as management of distributive process;
4. Marketing as distributive managerial decision making;
5. Marketing as a social process;
6. Marketing as a societal process;
7. As a general function applicable to both business and non-business organisations.

It is not our intention to trace the stages of the development of marketing thought in detail. Henceforth, within the boundaries of the purpose of the current section indicated in the introduction, the discussion will concentrate on the stage of marketing orientation which was termed "the marketing concept" to determine what is meant by this term and reach a decision relating to the adoption and implementation of it, arguing some criticism of or objection to the concept.

The following paragraphs will pursue this aim.

<u>The Definition of the Marketing Concept</u>

"In recent years people have begun to raise a number of questions about the marketing concept", Kotler stated.[26]

Regarding this issue, Baker[27] reported that it is very important from the very outset that one should distinguish between the marketing concept and the marketing function. The author has suggested that the marketing concept is concerned primarily with exchange relationships in which the parties to the exchange are seeking to maximise their personal satisfaction. This proposition is fundamental to the discipline of economics, but goes beyond it in its emphasis upon subjective rather than the so-called rational objective measurement of satisfaction.

In the opinion of Hill and Hillier[28], the marketing concept calls for an extrovert approach to business. Expressed more specifically, it states that a customer orientation for a company, i.e. having a detailed understanding of the needs, wants and behaviour of customers and the integration of all corporate activities in the marketplace, are the key to more profitable sales. The authors go on to argue that the concept also implies that the profitability of a company's operations can be more effectively improved if top management concentrates a higher proportion of its efforts on overseeing the marketing activities rather than functional areas such as production, finance, purchasing or personnel.

Clearly, the definition concentrates on the customers' satisfaction where it calls for having a detailed understanding of needs, wants and behaviour of customers as the key to achieving more effectively improved profitability.

This view has been expressed by Baker and McTavish[29] when they indicated that "fundamental to the marketing concept is the belief that good marketing starts and ends with the customer and his needs. Accordingly, normative marketing practice recommends that one should commence by monitoring the nature of customer needs and then deploy one's resources in a manner which will best satisfy any identified need or needs in a manner consistent with maximising the return on the assets so employed."

Again, the focal idea in the authors' view is customer satisfaction where they consider customer needs as the beginning and end of good marketing.

The same view has been put forward by Levitt[30] in his article "Marketing Myopia", where he argued that an industry is a customer-satisfying process, not a goods-producing process and it is vital for all businessmen to understand this. An industry begins with the customer and his needs, not with a patent, a raw material or selling skill. To elaborate, given the customer's needs, Levitt suggests, the industry develops backwards, firstly, concerning itself with the physical delivery of customer satisfactions. Secondly, it moves back further to creating the things by which these satisfactions are in part achieved. How these materials are created is a matter of indifference to the customer, hence the particular form of manufacturing, processing or what have you cannot be considered as a vital aspect of the industry. Finally, the industry moves back still further to finding the raw materials necessary for making its products.

At this point it is sufficient to point out that while the foregoing definitions of the marketing concept concentrate on customer's satisfaction, further survey of the literature reveals other definitions that focus on the relation between customer interests and company profits and growth. Moreover, there is a third tendency; the integrative point of view. In addition to customer's interests and company's objectives, recognition of the marketing management and its manager's role within the internal organisational structure is considered.[31]

The nature of the balanced relationship between consumer satisfaction and a company's profit objectives may be conveyed in the following scholars' definitions.

Rodger[32], initially argued that there is now, probably, a measure of general agreement that marketing's principal concerns are the identification, creation and delivery of optimum customer values, i.e. maximum values at minimum costs, and the organisation of a firm's total resources and skills to achieve this at a profit. More specifically, the author indicated that the words "at a profit" are crucial. It is no part of marketing's job to seek to get the firm to satisfy customer's requirements at any cost irrespective of what the customer is able and willing to pay. On the other hand, marketing should not be seen by a firm's general management as a means of exploiting the customer for short-run profit gain at the expense of the customer's short-term and long-term interests.

Barksdale and Darden[33] support this opinion. They indicate that the marketing concept is based on two fundamental notions. First, the consumer is recognised as the focal point or pivot for all business activity; second, profit - rather than sales volume - is specified as the criterion for evaluating marketing activities.

The integrative point of view could be noted and derived from the following scholars' opinion:

In Arndt's[34] opinion, the marketing concept view positioned marketing firmly as a management discipline, aiming at integrating marketing decisions to enable the firm to reach its business goals, therefore, this level of consciousness might perhaps be more appropriately called the marketing management concept. Accordingly, the author suggested that a vital part of the master plan for marketing operation in the General Electric Company (which is usually given credit for being the first firm formalising its commitment to the new consumer-oriented concept just after the Second World War) was a recognition that marketing should be treated as an integrating function of business, concerned with the complete process of developing, producing and distributing products to satisfy consumer wants. To sum up, the author stated that the essence of the marketing concept is (1) emphasis on consumer wants, (2) profit rather than sales volume orientation, (3) integrated-analysis, planning, organisation and control for all elements of the marketing mix.

Bell and Emory[35] share the same opinion when they agree on the generally accepted meaning of the marketing concept stating that the concept has three basic elements:

1. Customer orientation. Knowledge of the customer, which requires a thorough understanding of his needs, wants, and behaviour should be the focal point of all marketing action.

2. Integrated Effort. Ultimately, the entire firm must be in tune with the market by placing emphasis on the integration of the marketing function with research, product management, sales and

advertising.to enhance the firm's total effectiveness.

3. Profit Direction. The marketing concept is intended to make money for the company by focusing attention on profit rather than sales volume.

Consistent with this view, Kotler[36] defined the marketing concept as "a management orientation that holds that the key to achieving organisational goals consists of the organisation's determining the needs and wants of target markets and adapting itself to delivering the desired satisfactions more effectively and efficiently than its competitors". This is the marketing philosophy that guides the marketing efforts. It is one of five alternative concepts under which business and other organisations can conduct their marketing activity[37]; i.e. the production concept, the product concept, the selling concept, the marketing concept, and the societal marketing concept.

Based on the idea is that marketing lies in exchange processes hence,the concept of marketing management can be postulated and defined in Kotler's[38] view as "the analysis, planning, implementation, and control of programmes designed to bring about desired exchanges with target audiences for the purpose of personal or mutual gain. It relies heavily on the adaptation and coordination of product, price, promotion, and place of achieving effective response." Thus, the author recommended that it is desirable that marketing activities be carried out within a clear concept of responsive and responsible marketing. Therefore, the marketing-management philosophies are presented and the marketing concept is one of them. This philosophy is proposed as being the answer to the central question related to the relative weight given to serving the interests of the organisation, the consumers, and society.[39]

It is Kotler[40] too who has defined the marketing concept as "a customer orientation backed by integrated marketing aimed at generating customer-satisfaction as the key to satisfying organisational goals."

The foregoing discussion leads us to the fundamental question related to the principal role or function of marketing management. This issue will now be considered.

The Major Tasks of Marketing Management

It has been stated that "in our modern sophisticated societies it has become necessary to develop a marketing function to bridge the gap which has developed between the two parties to an exchange-producer and consumer, or buyer and seller, or supplier and user and has grown up as a result of task specialisation, the division of labour and the application of technology to the production function".(41) In the context of this statement, the question of the principal tasks of marketing management can be considered.

Regarding this question, Kinsey(42) argued that "in its broadest sense marketing's function is to serve and satisfy human needs." This function could be sub-divided into:

(i) finding the shortest path to market, i.e. finding the most efficient way to match the supply of available products and customer needs;

(ii) bringing new products to market; and

(iii) bringing more people into the market economy.

More specifically, Kotler(43) pointed out that the marketer faces up to eight different types of demand situations and plans accordingly. If demand is negative, it must be disabused (conversional marketing); if non-existent, it must be created (stimulational marketing); if latent, it must be developed (developmental marketing); if faltering, it must be revitalised (remarketing); if irregular it must be synchronised (synchro marketing); if full, it must be maintained (maintenance marketing); if overfull, it must be reduced (demarketing); and finally, if unwholesome, it must be destroyed (counter marketing).

In his comment on this contention, El Haddad[44] argued that marketing should essentially be regarded as the problem of demand management rather than demand stimulation. Stimulation is a sub-function which is appropriate when a company has over-capacity, but marketing men face different marketing tasks and demand situations. Each task, as Kotler noted, calls for a specific type of problem-solving behaviour and specific concepts. Thus, by recognising marketing's goal of managing customer demand, the problems of shortage permeating the developing countries, will be taken into consideration when implementing marketing activity, i.e. the concept of marketing will be broadened to deal more closely with these problems. Consequently, marketing professionals will relate more closely to the problems of the developing world.

On the basis of Kotler's earlier demand situations, Kotler and Levy[45] advance the contention that "at times excess demand can characterise a whole economy, and at other times, only a limited number of firms. Even in the absence of a general scarcity economy, there are always individual sellers who are facing excess demand for one or more of their products. While most other companies may be looking for customers, these sellers face the need to discourage customers, at least temporarily. Their marketing stance may become one of indifference or of arrogance. In a responsible organisation, however, attempts are made to act in a framework that respects the marketing concept, i.e. the long-run aim of developing satisfied customers."

Finally, in this summary one may cite Baker[46] who expresses the central tasks of marketing best when he points out that "marketing's role is to ensure the continuance in growth of economies, and the individual's standard of living ..... the determination of needs and wants, backed up by purchasing power, must indicate how management is to deploy the resources entrusted to it so as to maximise satisfaction in the total sense. If management succeed in this, then human welfare will be optimised within the limitations imposed by the available resources. Not only that; by thinking ahead and predicting the future needs of people, action may be implemented now which will ensure their future satisfaction."

So far, the marketing concept has been reviewed in terms of its proponents. At this point, it is appropriate to discuss the views opposing the concept, then after which we shall turn to consider revision of the concept.

Criticisms of the Marketing Concept

Given the marketing concept, accordingly, companies must be "need oriented" when they choose a strategic philosophy.

The fact that,as Bennett and Cooper(47) reported,the marketing concept was pioneered by the General Electric Company after World War II, and Theodore Levitt's famous 1960 article "Marketing Myopia" cemented its acceptance as a corporate philosophy for business planning. Then in North America, as the authors stated, the marketing concept has been a way of life for large consumer goods companies, at least in the early sixties. But thirty years of experience provide ample evidence to subject the marketing concept to a rigorous critique. Thus, the marketing concept has been heralded by many companies and marketing scholars alike as the most advanced business philosophy. However, the questions considered by the authors were related to querying the possibility of any business philosophy being so perfect and whether it could really be a case of all roses and no thorns. Concerning these questions, they answered "surely not" and argued that it is time to take a second look with a particular focus on the negative aspects of this business philosophy. An attempt was made to examine the results of implementing the marketing concept, rather than the concept itself.

It is the contention of the authors that the marketing concept as defined by Kotler, McCarthy and others is very difficult to argue against, but that the true test of a philosophy lies in the results of its implementation, and the results of the use of the marketing concept have not been totally beneficial.

More specifically, the authors examined the implementation of the marketing concept in two key contexts: product innovation and business planning. The discussion on these elements argued that the idea of product and market dimensions as two routes to business development has been widely accepted. They make the point that any business strategy which is solely market oriented is only a partial model.

Thus, the authors defined the product by means of a four-dimensional vector, whose dimensions are

- the product's use,
- the product's customer,
- the product's technology, and
- the product's production process.

Any one or more of these dimensions can be selected as a growth dimension - that is, a dimension of synergy along which the company can seek new business opportunities.

The conclusion the authors came to with respect to the marketing concept is that it constitutes only one approach. A blind acceptance of this concept as the "one and only" guide could be just as dangerous as failing to heed the proponents of the philosophy.

It would seem apparent therefore from the above discussion that the marketing concept as a marketing management philosophy is vulnerable.

Moreover, as Dawson[48] indicated, there is a general recognition that "none of the other functional areas of business comes close to matching marketing as a target of criticism and source of controversy.... Even marketers themselves recognise the shaky base on which their discipline rests."

According to Dawson[49], illustration of two flaws may be possible. Firstly, the marketing concept focuses on research and long-run planning, but with an almost exclusive concentration on technological trends and product improvement. Secondly, the marketing concept satisfies "self interest" thereby becoming incompatible with an age in which society demands a higher degree of self-sacrifice on the part of its institutions and constituents.

However, the marketing concept philosophy is being criticised and challenged, as El Haddad[50] pointed out, "by new factors in the marketing environment. These factors constitute a new marketing environment and pose challenging questions about the appropriate character of effective and socially responsible marketing in the years ahead."

One of these new factors is 'consumerism' that was defined by Kotler[51] as "a social movement seeking to augment the rights and power of buyers in relation to sellers."

According to Drucker[52], consumerism is the shame of the total marketing concept. That is because the concept is not widely implemented. In Kotler's[53] view, however, even if the marketing concept, as currently understood, were widely implemented, there would still be a consumerist movement. Consumerism is a clarion call for a revised marketing concept. Thus, consumerism is regarded as one of the most fundamental weaknesses of the original marketing concept.

However, in Baker's[54] view "there is no fundamental conflict between consumerism and marketing - their basic objective is the same" since they both claim that their central aim is to maximise consumer satisfaction.

There is no room for contradiction between them or for consideration of consumerism as a threat - in fact it is an opportunity. Kotler[55] stressed this point when he stated that "the alert company will see consumerism as a new basis for achieving a differential competitive advantage in the marketplace. A concern for consumer well-being can be turned into a profitable opportunity in at least two ways: through the introduction of needed new products, and through the adoption of company-wide consumerist orientation."

The foregoing discussion of criticisms and objections to the original marketing concept makes it very clear that the fundamental problem is somehow to reconcile company profit, consumer desires, and consumer long-run interests. That is to say, the original marketing concept has to be broadened into "the societal marketing concept",[56] which will be the topic of the subsequent paragraph.

The Societal Marketing Concept

In reaction to the criticisms of and flaws in the marketing concept, some attempts have been made to answer the criticisms and claims on the one hand, and others to develop a new concept to revise or replace the traditional concept on the other.

In defense of the marketing concept Parasuraman[57] reported that "the marketing concept - properly understood is a source of strength to American industry." To explain, the author examined the real contribution of the marketing concept with reference to increased reliance on customers for new product ideas. He suggested that critics who say that this is the case are perhaps basing their arguments more on conjecture than on concrete evidence. More specifically, the author commented that critics appear to be oblivious to the distinction between (1) focusing new product planning on customer need satisfaction, and (2) actually asking customers to come up with new product ideas. Furthermore, he added that such critics appear to believe that the emphasis on satisfaction of customer needs will necessarily lead to the exclusion of R & D from the new product planning process.

On this view, the author's comment was "nothing could be more erroneous!" He presented some empirical cases through which he arrived at the conclusion that the marketing concept and R & D have the potential for a lot of synergism.

The successful firms of the future, he suggested, will be the ones which whole-heartedly subscribe to the principles of the marketing concept. The principle that "the customer is King (or Queen)" will be more important in the future than ever before. Therefore, marketers are asked to retain the marketing concept.

However, the wave of consumer protests starting in the late 1960s, still may serve as an indication to some people that there has been a failure to implement the marketing concept. Others go so far as to suggest that the traditional marketing concept is an operational philosophy which conflicts with a firm's social responsibility.[58]

In this respect, some attempts have been made in recent years by marketing scholars to go beyond the marketing concept, developing an alternative philosophical position for marketing in contemporary society.

In Stanton's[59] opinion, "the marketing concept and company's social responsibility can be quite compatible. They need not conflict. The key to this compatibility lies in extending the breadth and time dimensions in the definition of the marketing concept".

Other perspectives have been proposed in this regard - Dawson's[60] proposal "the human concept", Rothe's and Benson's[61] "intelligent consumption concept", Fisk's[62] "ecological imperative concept", Wills'[63] "social concept", Stidsen's and Schutte's[64] "communication-process concept", and Kotler's[65] "societal concept".

Despite the multiplicity of these perspectives proposed to revise the marketing concept, all of them in Kotler's[66] opinion, "get at different aspects of the same problem." That is the problem of reconciling company profit, consumer desires, and consumer long-run interests. In other words, Kotler[67] argued that the simple marketing concept has sidestepped the conflict between consumer wants, consumer interests, and long-run societal welfare. It has failed to distinguish consumer interest in the short-run from consumer welfare in the long-run. An answer to the dilemmas inherent in the simple marketing concept is the "societal marketing concept" proposed by Kotler[68] who defined it as "a management orientation that holds that the key task of the organisation is to determine the needs and wants of target markets and to adapt the organisation to delivery in the desired satisfactions more effectively and efficiently than its competitors in a way that preservices or enhances the consumers' and society's wellbeing." Thus, the societal marketing concept differs from the traditional marketing concept by adding two considerations. First, it calls upon the marketer to concentrate on the buyer's needs and interests as well as on their wants. Second, it lays emphasis on "long-run consumer and societal well being." Henceforward, the marketing concept involves four considerations in marketing decision making: consumer needs and wants, consumer interests, company interests, and society's interests.

Along the same line of thought, Stanton[69] argued that if the marketing concept and social responsibility are to be realistically compatible, management must strive for a balance over the long-run between (1) satisfying the wants of product-buying customers (2) satisfying the societal wants which are affected by the firm's activities and (3) meeting the company's profit goals.

Sweeney[70] offers a similar opinion. He suggests that those perspectives which consider the marketing concept as an organisational technology or as a distributive system are not adequate concepts with reference to the fundamental nature of marketing. The author argues that such perspectives view marketing as a semi-autonomous entity, having only economic ties to the society it serves. Hence, in the author's opinion, a broader, more comprehensive, and more robust concept of the nature of marketing could be provided by viewing marketing at the social system level of aggregation. From this point of view, marketing may be considered as a fundamental societal process which necessarily and inherently evolves within a society to facilitate the effective and efficient resolution of the society's needs for exchange of consumption values.

From the foregoing discussion, it becomes clear that the marketing concept has been defended in some instances, and revised at others by some marketing writers in order to develop alternative marketing philosophies for adoption and implementation. In this respect, many attempts have been made to replace the original marketing concept with some revised concepts. The societal marketing concept is the philosophy which may express and reflect these revised concepts most clearly and effectively.

At this point, it is worth mentioning that other attempts have been made to examine whether the marketing concept is a valid function and relevant discipline for non-business organisations as well as business bodies. That is the broadened concept of marketing.

Briefly, with reference to this point, the idea of broadening the marketing concept was first introduced by Kotler and Levy[71] in 1969 as they argued that "all organisations that can be said to have consumers and products and considerable marketing problems need the understanding of marketing." Hence, marketing principles are capable of being applied to services, persons and ideas.

This perspective represented the era of the emergence of broadening the concept of marketing. It is not the researcher's intention to examine Kotler's and Levy's idea in detail because it is not closely relevant to the purpose of the current chapter.

Therefore, in the next section we proceed to examine the relevance of the marketing concept to Islamic ideology and beliefs, that is, the place of the marketing concept in Islamic doctrine.

SECTION THREE

The Place of Marketing in Islamic Doctrine

Introduction

The key purpose of this section is to spell out whether modern marketing concepts are consistent with Islamic doctrine as a pre-requisite to adopting and implementing the marketing concept by an Islamic country (.e.g Egypt).

To this end it may be considered both necessary and logical to examine the following relevant elements:

- Islam and the relationship between sellers, buyers and outside parties.

- Islamic doctrine and the Golden Rule.

- The applicability of the societal marketing concept to the Islamic environment.

Islam and the Relationship among Sellers, Buyers, and Outside Parties

The main means of evaluating the relevance of the marketing concept to Islamic doctrine is to investigate and explore the nature of the relationship between the main parties of the marketing system (sellers, buyers, and outside parties) from the Islamic point of view; that is, to examine and find out how Islam arranges and controls this relationship and to what extent it achieves a balanced relationship among those principal parties of the marketing system.

The aim of the section is not only to assess whether the modern marketing concept is relevant to Islamic doctrines but also to clarify how Islam deals with some conflicts or shortcomings which might develop or be claimed to develop in the application of the marketing concept.

Taking into consideration that the main purpose of the current study is to research the marketing problem of small companies in the Egyptian context, the issue dealt with in this section will be examined briefly but cannot receive the treatment which it merits in its own right.

In this situation, irrespective of the perennial argument between those who believe that marketing concepts are usable only in developed countries and those who believe that these modern concepts are also capable of being applied to the developing countries, it is an important hypothesis of this thesis that modern marketing concepts quite frequently may be integrated into and be consistent with Islamic doctrines.

Again, what is really needed in dealing with this subject, is to explore the relevance between those two topics, i.e. Islam and modern marketing concepts.

Regarding this issue, Maududi[72] initially argued that Islam does not concern itself with particular time-related methods and techniques of economic production or with the details of the organisational pattern and mechanisms. Such methods are specific for every age and have evolved in accordance with the needs and requirements of the community and the exigencies of the economic situation. What Islam aims at is that whatever be the form or mechanism of economic activity, the principles prescribed by it should find a permanent and paramount place in such activities under all circumstances and in all ages.

Similarly, Yusuf[73] argued that any economic activity includes two aspects, technical and social. While Islam does not concern itself with the technical side, it absolutely organises the social aspect by determining its objectives and producers' (manufacturers, marketers, etc. ..) relationships with products and the state's role and relationship with the production, marketing and other economic activities.

However, in respect of the nature of the relationship among sellers, buyers, and outside parties, Islam established its base when it adopted "the middle course according to which the individual is first called upon, in the interest of the community, to accept certain restrictions, and is then left free to regulate his own affairs. He has freedom of enterprise and competition within a framework which guarantees the good of both the individual and the society."(74)

The researcher does not intend to present a detailed account of this subject but what should be mentioned here is that an individual "should deal fairly and honestly with those whom he brings into his relationship in trade, industry, or agriculture, with those whom he takes in his employment and with the government and the community at large"(75) (including his sellers and buyers).

In this respect, many documentary evidences could be drawn from the Prophet's sunna[1*] which is one of the two main sources for an understanding of Islam[2*]. (76)

Among these evidencws is the following Hadith: on the authority of Abu Said ibn Malik ibn sinan Al-Khudri (may ALLAH be pleased with him), the Messenger of ALLAH (may the blessings and peace of ALLAH be upon him) said: "There should be neither harming nor reciprocating harm."(77)

This Hadith establishes the public rule governing the relations of dealing among all the members of society on the basis of avoiding

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1* It is meant by the Prophet's sunna, the collection of the recorded words, actions, and sanctions of the Prophet Muhammad which make up the sunna and which are normally referred to as Hadith.
See: An-Nawanii's Forty Hadith, translated by Ezzeldin Ibrahim and Denys Johnson-Davies, the Holy Koran Publishing House, Damascus, third ed., 1977, p 7.

2* The two main sources for an understanding of Islam, are the Holy Koran and the Prophet's sunna (Hadith).

either "harming" or "reciprocating harm". Such a governing rule opens the door for constituting sound and balanced relationships protecting the interests of the parties involved.

More specifically, on the authority of Abu Huraira (may ALLAH be pleased with him), the Messenger of ALLAH (may the blessings and peace of ALLAH be upon him) said: "Do not envy one another; do not inflate prices one to another; do not hate one another; do not turn away from one another; and do not undercut one another; but be you, O servants of ALLAH, brothers. A Muslim is the brother of Muslim: he neither oppresses him nor does he fail him, he neither lies to him nor does he hold him in contempt. Piety is right here - and he pointed to his breast three times. It is evil enough for a man to hold his brother Muslim in contempt. The whole of a Muslim for another Muslim is inviolable; his blood, his property, and his honour."(78)

So far, the above-mentioned documentary evidences (Hadith) could be considered as negative provisions or preliminary "ground rules" to remove from the Islamic aura (or air of correctness) surrounding improper, or improperly thought out actions. These are important functions in their own right. They must be logically prior to the positive acts and provide standards or criteria for measuring acts.

Then, the foregoing Hadith were followed or completed by a positive obligatory Hadith which has informed us on the authority of Abu Hurairo (may ALLAH be pleased with him) that the Prophet (may the blessings and peace of ALLAH be upon him) said: "Whosoever removes a worldly grief from a beliver, ALLAH will remove from him one of the griefs of the day of Judgement. Whosoever alleviates (the lot of) a needy person, ALLAH will alleviate (his lot) in this world and the next. Whosoever shields a Muslim, ALLAH will shield him in this world and the next. ALLAH will aid a servant (of his) so long as the servant aids his brother."*(79)

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* It is meant by (brother), brother in Islam, i.e. any other Muslim. The Prophet (may the blessings and peace of ALLAH be upon him) said: A Muslim is a brother of Muslim. See: Yusuf I Yusuf, Strategy and Tactic of Economic Development in Islam, op.cit., pp 271-272.

More positively, emphasising the same order, another Hadith reported on the authority of Abu Hamaza Anas ibn Malik (may ALLAH be pleased with him), the servant of the Messenger of ALLAH (may the blessings and peace of ALLAH be upon him), that the Prophet (may the blessings and peace of ALLAH be upon him) said: "None of you (truly) believes until he wishes for his brother what he wishes for himself."(80)

It is needless to comment on this Hadith and the promised benefits to be gained in this world and the next by a helpful Muslim. It may nevertheless be necessary to mention that the statements drawn from the Hadith are but some exploratory examples. Any good form of help or co-operation could gain similar benefits.

The above-mentioned Hadith have been stated according to the sense of the saying of Allah in the Holy Koran "the believers, both men and women - they are close unto one another; they (all) enjoin the doing of what is right and forbid the doing of what is wrong"(81) in the Islamic view, and the meaning of his saying "All believers are but brethren. Hence (whenever they are at odds) make peace between your two brethren, and remain conscious of Good, so that you might be graced with his mercy."(82)

<u>Islamic Doctrine and the "Golden Rule"*</u>

It has been argued by Donaldson and Waller(83) that "to varying extents, acts of omission or commission can bring heavy costs to others, in terms of income (or poor quality), health, well-being or life. Current interest in 'The Quality of Working Life' could be indicative of some of these predicaments."

Though the authors were concerned with non-marketing problems, their argument for a set of criteria for an improvement based upon the traditional "golden rule", is to a great degree related to our

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* Most of the materials on the golden rule are taken from: John Donaldson and Mike Waller, Ethics and Organisation, <u>The Journal of Management Studies</u>, Vol. 17, No. 1, (February 1989), pp 34-55.

current research point. And it is the traditional "golden rule" which is suggested for establishing a sound ground for the proper conduct of relationships which may be, in the view of some people, as important as productivity and economic growth.

More specifically, it is believed that it is capable of answering someone who maintains that "justice is the interest of the stronger" or asks "why should I obey the moral law if I can get away with not doing so?"

With respect to this issue, Donaldson and Waller, pointed out that the traditional "golden rule" is still capable of providing a compelling answer to these questions. In order to show that this is so, the authors held that it is necessary to give a reminder of the nature of the "golden rule" and to draw out its main implications. The golden rule is of course, the injunction from the Sermon on the Mount: "Thou shalt Love thy neighbour as thyself". Kant's version is "I ought never to act except in such a way that I can also will that my maxim should become a universal law". The authors added a third statement of the "golden rule" taken from Thomas Hobbes, who expressed it as follows: "Do not that unto another which thou wouldst not have done to thyself."

In prosaic terms, the legitimacy of administrative acts and organisational codes is related in specific ways to the values of the persons concerned with them and to the arrangements for ensuring that these values are taken seriously and given due consideration.

So, as the nature of the "golden rule" is defined and expressed in prosaic terms, the authors came to the conclusion that the "golden rule" is implicit in most concepts of equity and justice and these are applicable to, and often drawn from, the currency of democratic practices, and are applicable to procedures for collective job regulation and collective bargaining. In short, the authors stated that the "golden rule" is the criterion for the evaluation of principles. It is the prescriptive ground rule. Whatever we call it, it should be recognised for what it is.

Regarding the above-mentioned discussion concerning the nature of the "golden rule", it is our argument that such a criterion is implicit originally in Islamic doctrine. This argument may be derived from the evidence taken from what has been revealed by the Prophet Muhammad (may blessings and peace of ALLAH be upon him) in accordance with the saying of ALLAH quoted above. The thesis runs as follows: since the golden rule asks everyone to love his neighbour as himself, that is to say one ought never to act except in such a way that he can also wish that this maxim should become a universal law. And it is the Islamic doctrine which reveals that believers are close unto one another: they all enjoin the doing of what is right and forbid the doing of what is wrong. It goes as far as to claim that no believer truly believes until he wishes for another believer what he wishes for himself*. If this situation prevails, it should be postulated that the golden rule is truly implicit in Islamic doctrine.

At this point, what remains to be considered is the implication of such a criterion and its application to marketing in the area of the relationships among its parties. In this respect, it is our belief that this criterion (the golden rule or whatever we call it) is an integral part of the marketing realm. Achieving an equilibrated relationship among sellers, buyers, and outside parties is the core of marketing. This meaning has been expressed by Green(84) who pointed out that the "marketing concept has been defined as a way of life in which all resources of an organisation are mobilised to create, stimulate, and satisfy the customer at a profit. Where this concept prevails, the organisation is future oriented, customer oriented, profit oriented."

This idea has been reported several times by many marketing writers. A striking example is to be found in Nickel's(85) emphasis that "profits are a basic goal of business, and marketing management

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* See pages 40-42 in the present section.

strives to serve consumer needs profitably in a manner consistent with long-run survival goals. It is becoming increasingly apparent, however, that a social orientation is also a necessary condition of survival in the long run." The author went on emphasising that "one of the greatest challenges to marketing in the future will be to balance the firm's responsibilities to its owners, managers, and employees with its responsibilities to customers, the community and society."

Not only is satisfaction of consumer's needs the purpose of business, but also providing a growth climate for employees and gaining profit sufficient to attract the necessary capital to the business.

In effect, these purposes are very closely related to one another. Adams(85) expressed this meaning when he stated that while the primary purpose of his company is to satisfy the needs of the customer, the more effective it is in providing a growth climate for its employees, the more effective it will also be in satisfying the customer's needs. The author went on to indicate that capital is essential for the business process because it lowers the cost of satisfying consumer's needs. So, the company must earn a rate of profit sufficient to attract the necessary capital to its business. Capital is necessary for the company's business and so is profit. But to say that profit is the company's purpose is no more correct than to say wages are the purpose of its business. Profit then, is a means to accomplish the company's purpose.

Along the same line of thought, Kotler(86) has proposed his conception of societal marketing which involves four considerations in marketing decision making: consumer needs and wants, consumer interests, company interests, and society's interests. The author tried at this point to approach the idea of the possibility of achieving these trade-off objectives when he posed a key question facing companies concerning the impact of societal marketing on their profitability. In this regard he stated that "fortunately there are many companies that have increased their profits by practising the societal marketing concept. To the extent that societal marketing appears profitable, companies can be expected to give it serious consideration."

Thus, the author indicates that practising the societal marketing concept has been profitable to make it clear that this marketing philosophy is concerned with company's profitability as well as consumers' and society's interests. It has been believed by some practitioners that considering consumers' and society's interests is at the expense of companys' profitability. Hence, the author has asserted practically that considering and implementing consumers' and society's interests guarantees companys' interests.

Stanton[87] shared the same idea emphasising that "it is becoming increasingly obvious that marketing executives must act in a socially responsible manner if they wish to succeed, or even survive in this era."

Similarly, Kelley and Kane[88] adopted a similar opinion when they stated that "the corporation has a responsibility to satisfy the social needs of all consumers, not just their own customers. Marketing objectives should be established with consideration for their impact on social problems. Objectives and programmes designed under the marketing concept orientation must satisfy consumer needs, while remaining consistent with the long-term profit objectives of the business." The authors held that marketing management in companies operating under the marketing concept must integrate three areas of organisational concern:

1. Customer satisfaction.

2. Company profit.

3. Social responsibility.

So, they defined the marketing concept "as a customer focused orientation that guides all business functions within the organisation toward the profitable achievement of corporate objectives through satisfaction of the economic and social needs of the customer citizen."[89]

Finally, Stanton[90] too concluded that if the marketing concept and social responsibility are to be realistically compatible, management must strive for a balance over the long run between (1) satisfying the wants of product-buying consumers, (2) satisfying the societal wants which are affected by the firm's activities, and (3) meeting the company's profit goals.*

At this stage, it could be argued that the golden rule can be adopted and implemented in the marketing domain in such a way that as to balance the relationship among the main parties of the marketing system (i.e. sellers, buyer and society). In other words, the interests of these three main parties in the marketing system have to be considered over the long run. It is the core of the traditional golden rule which is suggested for establishing a sound ground for the proper conduct of relationships which may be in some views as important as productivity and economic growth. Fortunately, it is a philosophy that is compatible with the Islamic teachings and it could be said that it is firmly rooted in the principles of Islam.

The Applicability of the Societal Marketing Concept to the Islamic Environment.

The preceding discussion suggests that the societal marketing concept, as indicated earlier, represents the modern philosophy that may be quite compatible with the Islamic doctrine and it should be applied to achieve marketing's role in ensuring "the continuance in growth of economies, and the individual's standard of living."[91]

Taking into consideration that we are dealing with the issue in principle, and other things being equal, it is our contention that the societal marketing concept may be more applicable to the truly Islamic environment (and in fact to any other religious context

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* It is worthy to mention that the arguments of Kotler and Stanton discussed here represent their opinions concerning the revision in marketing concept (i.e. the societal marketing concept) dealt with before.

which explicitly involves and prescribes the concept) than to other non-Islamic (and/or non-religious) societies.

To explain, it is known that the human thought is "vulnerable" and "corrigible", in so far as its appropriateness depends upon the extent to which it embodies basic and permanent principles. However, humanity has not reached the state of perfection yet. Hence, different schools of thought exist. According to Donaldson and Waller[92] "no human thought is sacrocant: any and all provisions are open at all times to revision." This argument in turn, is related to the extent to which the adoption and implementation of human thought might be expected to reach. The societal marketing concept as just a product of human thought, to a great degree, is no exception.

Thus, it is our belief that mere awareness of the usefulness of the societal marketing concept may not absolutely secure its implementation and encourage individual companies to behave in an acceptable manner.

But the situation would be rather different with the marketing discipline generated and developed in the light of Islamic doctrine for adoption and implementation by an Islamic society. Needless to say, it is postulated as possessing for Muslims an absolute validity in terms of Islamic doctrine and disciplines. Nevertheless, to make it clear, we must ask why anyone should be held to the bound by the practices of such disciplines: the ground for such obligation is obedience to God's rules.

In this regard, Maududi[93] has stated that "the correct course of life for man is to live in complete obedience to him (ALLAH). It is not for man to determine the mode of worship and obedience; it is for God to decide this ..... Man is answerable to God for all his actions in life." This is quite true in accordance with the Prophet's Hadith given on the authority of Abu Muhammad Abdullah the son of Amr ibn Al-As (may ALLAH be pleased with them both) who said: the Messenger of ALLAH (may the blessings and peace of ALLAH be upon him) said: "None of you (truly) believes. Until his inclination is in accordance with what I have brought."[94]

Thus, as Irving[95] mentioned, "everyone has obligations to his family, and we also have them towards society. Individual responsibility here becomes clear, since the commanding presence of God alone makes each one acutely aware of his duty throughout the world."

If this is the case,it is our contention that for an Islamic society, marketing concepts stemming from and consistent with Islamic doctrine will provide a particular approach that may secure the adoption and implementation of such concepts and disciplines. And in turn, it is our opinion that it is an integral part of the task of a study researching marketing problem in such an Islamic society to examine and point out the relevant relationship between the modern marketing thought and Islamic doctrine. Achieving this task is prerequisite to making the marketing concept more applicable to the Islamic society.

As a matter of fact, if the compatibility of modern marketing concepts and the Islamic doctrine is made clear to people in an Islamic society, they will be able to adopt and implement thse relevant marketing concepts and wish to do so.

However, before knowledge of this relevant relationship can become widespread, it must be thorougly understood and properly explained. This explanation could take many forms and operate at different levels. The process includes describing, analysing and identifying marketing at the level of concepts and strategies in the light of Islamic doctrine as well as having knowledge of the other environmental factors prevailing in the real life of the society.

Up to this point, the foregoing discussion has already dealt with the nature of the relationship between the marketing concept and Islamic thought.

It may be both meaningful and necessary to turn now to examine this research point in the context of Egyptian society. In other words, it is necessary at this stage to be more specific to proceed to research the status of marketing in Egypt.

SECTION FOUR

The Status of Marketing in Egypt

Introduction

It goes without saying that the current study is principally related to the Egyptian context in researching the marketing problem of small companies. Hence the fundamental goal of the present section is to spell out the status of marketing in Egypt. The section will treat this researching point at two levels; the level of theoretical validity and the level of the real status of marketing in the country.

To this end the subsequent discussion will be organised into the following elements:

- How valid is it to adopt and implement the marketing concept in Egypt.

- The place of marketing in the Egyptian economy.

How Valid is it to Adopt and Implement the Marketing Concept in Egypt

According to the popular classification in comparative marketing studies, Egypt is considered to be a developing country. Thus, it has been included in the discussion of the validity of the marketing concept for adoption and implementation in developing countries. Based on this consideration, a survey of the literature suggests that two schools of thought concerning the transferability of modern marketing concepts to developing countries have been found.

The first school to begin with, argued that the marketing concept is usable only in developed countries. This view has been based on the assumption that this business philosophy pursued by developed countries over the past decades can only be transferred where supply exceeds demand for most products, a condition which is not found in most developing countries.[96]

This trend of thought has been adopted by a number of marketing students, one of whom, Hirsch[97] argued that "it is more difficult to transmit skills in the techniques of marketing than it is to give aid in those aspects of production that are more concrete and less culture-bound."

Along the same line of thought, Attia[98] has conducted research to examine the impact of environmental factors, on the behaviour of marketing executives in planned development economies, concentrating mainly on how environment in these economies could affect the marketing behaviour of individual firms. He additionally aimed to explore the possibility that the required tools for resolving a marketing problem might differ according to differences in environmental conditions. The author concluded that "modern marketing concepts and techniques are largely invalid in planned developing economies where environmental limitations impede transferability of marketing know-how from advanced to developing economies. The planning process establishes certain constraints on the marketing phenomenon in the developing economy. Basic demand-supply relationships are determined by central planning decisions rather than by free working of market mechanisms. Therefore, the basic assumptions on which marketing concepts are established are largely invalid in a planned development economy". In other words, the environmental differences inhibit the universality of application of marketing concepts and techniques.

On the contrary, the second trend of thought is expressed by an increasing number of marketing scholars.

Baker[99] to begin with concluded the necessity of the adoption and implementation of the marketing concept when he indicated that "economics are concerned with maximising the satisfaction gained from the consumption of scarce resources." And it is the marketing concept (which is based on satisfying people's needs and wants) that attains the maximum satisfaction since it is the key to wise investment, production and source allocation decisions. Additionally, Baker[100] stated that "the marketing concept is universal to all stages of economic development, and to ignore it is to slow down the optimum rate of growth." At the level of application of the concept it is clear in the author's view, that "different marketing functions are more relevant in some situations than others."

Expressed in this way, Emlen[101] argued that "the adaptation of new marketing and distribution methods, so vital as productive capacity increases, will not only yield higher standards of living in developing countries, but also help to create an important source of investable capital to support industrialisation."

Samli[102] shared the same idea when he indicated that modern marketing concepts and knowledge are capable of being used as one of the most effective tools of economic growth in under-developed economies. However, it would be a delusion to think that all of today's advanced principles and techniques can be applied exactly as we know them.

El Haddad[103] summed up the situation when he concluded that "marketing concepts, and know-how are capable of being used as one of the most effective factors in stimulating the economic growth of developing countries. Concerning the transfer of these concepts and techniques, one source of confusion may be the failure of those studying the issue to realise that an unqualified transfer of modern marketing concepts and know-how, without due allowance for similarities and differences in the foreign environment, may be poor business practice. Thus, these concepts and techniques have to be applied in each country with due regard for prevailing circumstances."

At this point, the discussion is directed to Egypt in particular, as one of the developing countries.

According to the first view which believes that marketing is 'culture bound', the modern marketing concepts and know-how are not applicable to Egypt. The Egyptian environmental limitations impede transferability of marketing know-how from advanced countries to Egypt where there is excess of demand over supply of most products and little competition.

On the other hand, the second perspective suggests that modern marketing concepts and techniques can be effectively transferred to Egypt with some modifications to suit the new enviornment. Not only is this transferability possible but also it is necessary to stimulate the economic growth and produce the maximum satisfaction.

It seems clear from the above-mentioned discussion that no attention is paid to the Islamic doctrine in relation to the validity of marketing concepts and techniques being adopted and implemented. This is unfortunate. Yet, the fact that Egypt is an Islamic country has not been considered although this is the key factor to be taken into account in reaching a sound and just view concerning the issue under investigation, i.e. 'how valid is the marketing concept for adoption and implementation in Egypt?"

Once marketing is accepted as a societal concept, it is our contention that Islamic doctrine is quite consistent with and a measure of enhancing the concept. It provides the suitable cultural environment for adopting and implementing the modern marketing concepts that establish the balanced relationship among sellers, buyers and outside parties. Egypt as an Islamic society allows the societal marketing concept to apply as an effective factor in stimulating its economic growth and attaining the maximum satisfaction with due regard to its own environmental circumstances. Furthermore, the validity, even the necessity of such a concept for adoption and implementation in Egypt is, in most cases, guaranteed since Egypt is an Islamic country. The vital factor we need in this regard is to establish and diffuse the relevant relationship between Islamic doctrine and the societal marketing concept on the one hand and to consider Egypt as an Islamic country as well as a developing one on the other.

The Place of Marketing in the Egyptian Economy

An examination of the literature on marketing in the Egyptian economy suggests that marketing in Egypt is an under-developed activity, neglected in favour of manufacturing and construction.

This argument has been expressed by many marketing writers and researchers. Among them Boyd et al[(104)], in a purely descriptive approach, explained the background of the Egyptian economy. They argued that production is typically regarded as the major activity of management, while marketing is frequently associated with the work of the individual trader who is held in low regard because his services are thought of as being non-productive, indeed, parasitic. The authors suggested that almost no firm recognises its responsibility to be customer-oriented, and consequently scarce resources are not used properly - a waste Eqypt can ill afford. Thus, the authors recommended that Egypt must somehow take steps to incorporate the marketing concept into the thinking of management, as failure to do so, would prove increasingly costly and would minimise Egypt's chances of sustaining its economic development programme through earning much needed foreign exchange by the export of its manufactured goods.

Another study has been conducted by the same authors[(105)] in which they examined the channels of distribution for consumer goods in Egypt and concluded that Egyptian channels of distribution, with but few exception, are at about the same stage as were those of the U.S. in the early 1800s. Small-scale units prevailed at the level of the distributive process, with the result that high margins are necessary to offset the diseconomics of size and low turnover. Thus the retail stores are very small, carry poor assortments of goods of uncertain quality, lack sanitary facilities, and offer few services. At the same time, few functions are performed at the wholesale level. The main reason for the existence of many wholesalers is that they have strong financial resources and offer liberal credit. Therefore, many of them are more interested in the gains to be made from their lending operations than from their marketing activities. With reference to government policies, the authors argued that the sequestration policy, following the attack on Suez in 1956, caused many outstanding merchants to leave. Despite the fact that those merchants were too often interested in speculative profits, they represented a large part of merchandising know-how in Egypt.

However, as the authors indicated, it is hopeful that more and more wholesalers and large retailers would reach "back" to the manufacturer and request the production of certain goods to meet their specifications. Such movement, in the authors' view, would be a significant device for setting competitive forces in operation, especially in a country like Egypt where there is little competition at the producer's level to stimulate the provision of better products for the consumer.

The negligence of marketing was also confirmed by another empirical study. Gomaa[(106)] in his study concerning the textiles industry in Egypt supported the results of Boyd et al concerning the little regard which is paid to marketing in Egypt and the fact that production is revered by Egyptian management whereas marketing is too often viewed with disdain. The author reported that large numbers of managers did not believe in the marketing concept. Specifically, he stated that 77 per cent did not accept the concept and did not appreciate its merits and advantages. That was why they did not put it into practice in their firms. The only individuals in the management team who accepted the marketing concept were the marketing managers, whereas a large number of managers considered that production problems were the main obstacles and troubles in their companies. Marketing in their view, did not constitute any problem, since they work in a seller's market. So, they believed that production is the most important function of the firm and marketing is no more than a vehicle to distribute what has already been produced.

One of the main conclusions reached by the author was that the large and older established companies applied and utilised the marketing concept to a greater extent than the other firms. That was the case, even although the managers of those companies were far from completely convinced of the marketing concept.

Confirming the foregoing results, other attempts have been made to spell out the reasons underlying the undesirable status of marketing in Egypt.

Among them is Preston's[107] attempt in his article "Marketing organisation in Arab Socialism", where he argued that "until very recently, central planning authorities in the UAR (Egypt) were concerned almost exclusively with industrial investment and production. Except for ad hoc interventions in response to periodic crises in food suppliers or foreign exchange, marketing arrangements were left to work themselves out." The author added that Boyd and his associates noted that the 1960 Five Year Plan for Industrialisation and the 1961 Nationalisation Decrees would place a heavy burden on the present inefficient marketing system, and create a number of problems. One of the most important of these is the failure of the marketing system to keep pace with industrialisation. The author too indicated that Boyd et al noted that "few can argue that the Egyptian marketing system did not need substantial revision..... And it is apparent that the present marketing institutions cannot, at least in the short run, initiate the necessary changes." However, as the author argued, "it now appears that there is an increased recognition of the importance of marketing activity and of the seriousness of marketing problems in the Egyptian economy as well as an intention to expand public sector activity to deal with them."*

When he came to the conclusion of his article, the author reported that "increased recognition of the importance of marketing in the development programme of the UAR (Egypt) is being accompanied by increased centralisation and control of marketing activity ... The expanded public sector activity and specific policy measures adopted regardless of their appropriateness, are likely to become permanent.

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* It must be mentioned that the article was prepared prior to the Middle East War of June 1967.

And in the absence of corrective feedback, systematic de-control procedures, or market checks, the structure of prices, products, and marketing arrangements is likely to become increasingly out of balance with the needs and potentials of the UAR (Egypt) economy.

The unfortunate outcome is that the expansion of public sector marketing activity in Egypt may well prove a handicap, rather than a stimulus, to the development process." Specifically, the author reported that "most importantly in the long run, the elimination of a sizable and substantially independent group of decision-making units in marketing removes one of the essential elements of a market socialist economy. In the absence of the innovating and informational activities of such intermediaries, which by their activities make the market, the entire system will turn increasingly back to detailed planning and political decisions as the sole guides to economic performance."

Attia[108] shares the same viewpoint reporting that fundamental conditions for efficient marketing performance are lacking. Thus, management structure and managerial decision-making are not in a position to fulfil planned marketing targets. It is clear, however, that economic conditions and inflationary pressures and imposed constraints on macro-management make it easy for enterprise management to sell in the local market. Additionally, the expanding demand and the little attention given to marketing by control authorities, limit competition in the market, etc. and do not make management feel the nature of marketing problems.

On the whole, there has been an apparent neglect of marketing activity in Egypt. This situation which is basically production-oriented, as El Haddad[109] pointed out, may lead to a social waste resulting in the mis-allocation of scarce resources and the production of goods and services which do not match the market needs quantitively or qualitatively. However, now there is a new element in the Egyptian environment which makes marketing much more needed than ever before, that is the open-door policy. This policy has stimulated the formation of new companies to compete with the state-owned firms. It also has relaxed import controls and, consequently, created a rather competitive situation.

At this point, the key question concerns the contradiction between the validity and necessity of the adoption and implementation of the marketing philosophy, especially the societal marketing concept, in Egypt and its present lowly status there. The existence of such a problem may reveal the underlying reasons and the factors responsible for this contradictory situation existing at present in Egypt.

The factors that have been suggested as an explanation of the lack of marketing development in Egypt are many. Examples include the dominance of a seller's market, the lack of competition, the expanding of the public sector, the scarcity of marketing staff, the inefficient management structure and mis-managerial decision-making, and the difficulty in transferring and applying the modern marketing concepts and know-how in Egypt. Yet a crucial factor has not been identified. That is the lack of establishing a relevant relationship between Islamic doctrine and the modern marketing concepts and techniques. It is necessary to spell out the nature of the relevant linkage between the Egyptian culture and ideology (i.e. Islam) and the modern marketing philosophies, and incorporate it into management thinking. It is our contention that achieving this objective will expediate the adoption and implementation of the modern marketing concepts. In other words, what we need to facilitate the transferability of the modern marketing concepts and techniques to Egypt is to consider the Islamic values and beliefs as representing the most important environmental factor for the process of the marketing philosophy's adoption and implementation.

Henceforth, we should deal with the Egyptian marketing problem in the light of the Islamic doctrine. It is an appropriate approach that can contribute to a great extent to filling the gap between the validity and necessity of the adoption and implementation of the modern marketing concepts in Egypt and the lowly status of marketing in the country.

Conclusion and Summary

Throughout this chapter, an attempt was made to spell out an appropriate philosophical position for marketing in the Egyptian context. Our objective in this case, has been to try to build a valid and usable approach to marketing development in Egypt and consequently, to the treatment of the marketing problems of Egyptian small companies.

The discussion ran as follows: In section one, the character of Egypt in terms of marketing has been identified considering that Egypt is an Islamic country. Thus, some light was shed on religion and marketing, the concept of Islam, and Islam and classification of the world market leading to a contention that Islam provides some distinctive features to the Islamic countries. In future, therefore, it may be necessary to categorise these countries in a distinct market.

In the second section, an attempt was made briefly to conceptualise marketing, tracing the evolution of marketing thought, defining the marketing concept, reviewing the major tasks of marketing management, forming conclusions about criticisms and the need for revision of the marketing concept finally, coming to the societal marketing concept as an alternative marketing philosophy to be adopted and implemented.

Having done this, in section three, an assessment of the place of marketing in Islamic doctrine was undertaken. In this regard, Islam and the relationship among sellers, buyers and outside parties was discussed, the relationship between Islamic doctrine and the "golden rule" was identified, and the applicability of the societal marketing concept to the Islamic environment was spelled out.

Finally, in section four, attention was given to the status of marketing in Egypt. The discussion of this issue has thrown some light on the validity of modern marketing concepts for adoption and implementation in Egypt (i.e. theoretical level) and the place of marketing in the Egyptian economy (i.e. the actual status level).

One conclusion that could be derived from our discussion is that Islam provides a distinctive culture and ideology for the Muslim society. Hence it might be meaningful and logical in comparative marketing studies to consider the 'Islamic doctrine' as a basic criterion for categorising the Muslim society in a separate category with a particular doctrine and distinctive market. Having grouped these countries within the developing group, the danger resulting from neglecting the suggested Islamic criterion would be the possibility of drawing some wrong generalisations about the Islamic countries. Therefore the concept of 'Islamic country' is a worthwhile construct for marketing study, where marketers can make good use of the general features of the category of the 'Islamic society' in relation to modern marketing concepts and practices.

Another conclusion which emerges from the foregoing discussion is that the original marketing concept has been reviewed in a number of different perspectives that have shown three trends of marketing philosophies. These are consumer orientation, a balanced orientation between consumer satisfaction and firm's profits, and an integrative trend where the role of marketing management within the internal organisational structure, in addition to the rule of consumer satisfaction and firm's profit, has been recognised. However, the concept has been criticised by a number of marketing scholars and practitioners In reaction to this, a number of alternative concepts have been suggested. The societal marketing concept is the philosophy that best expresses the revised concept.

A third and important conclusion is that modern marketing concepts are consistent with the 'Islamic doctrine'. Once marketing is accepted as a societal concept, the 'Islamic doctrine' enhances that concept. It provides a suitable cultural environment for adopting and implementing the modern marketing concepts that set up a balanced relationship among sellers, buyers, and outside parties. Other things being equal, it might be claimed that the societal marketing concept is more applicable to the 'Islamic environment'.

Finally, and most importantly, the validity of modern marketing concepts and techniques to the 'Egyptian culture' has been proved at the theoretical level. But the real status of marketing in the Egyptian economy is contrary to what might therefore be expected. It has proved to be in an undesirable situation, neglected and disdained. A number of factors have been suggested, by many writers, to explain this contradictory situation, most of them economic factors. However, a crucial environmental factor has not yet been given attention by the scholars, that is, the relevant relationship between "Islamic doctrine" and marketing. It may be argued, therefore, that this relevancy, if properly understood by the Egyptian marketers, will aid in the adoption and implementation of modern marketing concepts and techniques. Hence, it must be established and incorporated into Egyptian management thinking.

Worthy of mention, however, is that Islam defines only the philosophy and objectives of the marketing system not the techniques to be used. Such techniques may vary in detail from one country to another and/or in one society from time to time and from one company to another. Therefore it is left to the people concerned to attempt to find out which might be the most suitable techniques for implementing the philosophy. In any event, Islamic thought does not accept every technique, but only the technique that aims to achieve the objectives of the Islamic philosophy of marketing.

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PART II

The Nature of Small Companies and Their Management and Marketing Status with Special Reference to the Egyptian Society.

CHAPTER THREE

The Nature of Small Companies with Particular Reference to the Egyptian Society: A General Overview

CHAPTER THREE

The Nature of Small Companies with Particular Reference to the Egyptian Society: A General Overview

Introduction

Before approaching some of the wider questions of the marketing problems of the Egyptian small companies which will be dealt with in the next chapters, it may be logical and meaningful to attempt to form a clear picture of the nature of the small enterprises to be studied.

A major assumption underlying this thesis is that marketing concepts and techniques must take into account the characteristics of small companies, their personnel and the environment in which they operate on the ground that these features may influence the marketing concepts and the techniques adopted for their application by small companies.

However, as one authority has remarked, "there are of course factors that small business and large have in common. Business policy is the study of the total business, and the techniques of analysis which are used do not vary with the size of business."(1)

In view of this, effective marketing management by any type of formal organisation, whether large or small involves the same basic managerial functions.

Consistent with this view is that of Cyert(2) who proposes that in all situations the same managerial functions necessarily operate, arguing that all organisations wish to produce goods and services in the most commercially effective way. Thus, it is necessary to identify the techniques for producing and distribuing these goods and services that will use the minimum of society's resources. The principles of management, and performance evaluation that have been effectively used by large organisations are of similar importance and applicable to the management of small organisations.

However, this is not to suggest that these principles and functions have to or can be applied to all forms of organisations using the same methods. Rather, they differ in accordance with the different circumstances underlying the organisations internally and externally.

The principal goal of the present chapter therefore, is to examine and define the nature of small firms in general and in the Egyptian economy in particular, in order to proceed to examine its influential power on the marketing concepts and techniques adopted by these companies.

To achieve this end, this chapter must include a discussion of the following related elements:

Section One: Developing the definition of small companies.

Section Two: Characteristics of small companies.

Section Three: The Ideological acceptability of small companies within society.

Section Four: The importance of small manufacturing companies.

SECTION ONE

Developing the Definition of Small Companies

Introduction

It has been argued that "although the definition of small firms is now accepted throughout the world, just what it should actually describe is still a matter for debate."[3] However, in view of the fact that the term 'small' is a relative one, it can be defined in various ways, depending on the context involved.

To illustrate this point, it may be both meaningful and necessary to review the issue in terms of sections of the international economy, i.e. to establish definitions according to the view of the United Nations, the views of Western developed economies such as the American and British and finally, the view of the Egyptian economy.

The Definition of Small Business in the United Nations' view

From research works conducted by the United Nations concerning small industries, one can readily establish that there is no generally accepted international criterion for defining the sectors of 'small' or 'small-scale' industries.

One piece of research work[4] suggests that the term 'small-scale' industry is invariably used to define all types of establishments operated on a small-scale. However, it is neither possible nor desirable to attempt to establish uniform international criteria to define the sectors of 'small' or 'small-scale' industries.

Nevertheless, the study argues that small plants can generally be distinguished from large plants by the smaller amount of capital employed and the absence of a middle management group.

Another study[5] conducted and published by the United Nations concerning small industries in Arab countries of the Middle East has pointed out that the "definition of small-scale industry presents a number of problems, some of which are crucial to the manner in which the subject is to be treated." Using a very broad criterion, the study suggested that "small-scale industries are distinguished from large industries on the one hand and from cottage industries and handicrafts on the other, not only because they account for a substantial proportion of employment and output, but also because they seem to have distinctive problems such a shortage of capital, inadequate levels of technological and managerial skills, the use of inefficient machinery and weakness of marketing and distribution methods, which can be attributed to the smallness of their size and of their scale of operation and which therefore invite special promotional measure and assistance."

The study argued that the common problems and distinctive role of small-scale industries must be taken as a guiding principle when the dividing line between small-scale and other industries is drawn.

From the above-mentioned examples, one can conclude that there is no standard, uniform international definition for the term 'small' or 'small-scale' industry and it is necessary for any individual or group conducting research work in the field of small firms to attempt to define at the outset what is meant by the phrase, i.e. the appropriate yardstick for determining the smallness of size and the characteristics and dimensions of the small companies to be studied.

The Definition of Small Business in The American Economy

A survey of the literature on the small business subject in the American economy reveals that the term 'small business' is so commonly used that its meaning is usually taken for granted. Yet it has a markedly different connotation for different people. The dividing line between 'large' business and 'small' business is, for instance, set higher for manufacturers than for distributors, higher for wholesalers than for retailers, higher for dealers in commodities than for dealers in services. So far, that is the situation since Kaplan[6] has suggested that "it is not possible to draw any mathematical boundary to take in all firms that could reasonably be classed as 'smaller' business as reasonably be classed as 'medium' or even as 'big'. We have to fall back on an assortment of criteria that provides elastic limits for small business."

Along the same line of thought, Hollander et al[7] in their study of the future of small business were mainly concerned with the function of small business within the economy and therefore, used a functional analytical definition of small business, rather than a quantitative, descriptive one. For this purpose, 'small business' in the author's view "refers mainly to enterprises that:

1. are businesses in the sense that they involve all or most of the business functions and decisions concerning production, marketing, financing and management, and

2. do not exceed a size which, considering the nature of the business, permits personalised management in the hands of one or a few executives, as opposed to institutional management characteristics of large enterprises.

This definition expresses the essential quality which differentiates small business as a component of the United States economy."

The authors went on to indicate that the definition used for their study applies to business of certain characteristics regardless of whether they are larger or smaller than other businesses in the same or other industries. Thus, the smallest firm in an industry of large firms (e.g. automobile manufacturing) may still be a large business and excluded by the present definition. Similarly, the largest firms in an industry of small firms might qualify as 'small' by this definition.

However, it has been estimated that 98 per cent of all manufacturers in the United States have been classified as small business - that is to say, they have 500 or fewer employees. This classification as spelled out by the Small Business Administration, indicates the dependence and importance of the small manufacturer to the industrial complex of the United States[8].

Small Business Defined in the British Economy

In terms of the British economy, what is a small firm? Several different approaches may be used to identify or define small firms, e.g. firms may be said to be small in terms of capital employed, sales turnover, physical size or even the quantity of production involved. All these approaches have their weaknesses as reported in the Bolton Report which is the most recent official review of the situation of the small firms in the economy.[9]

However, the term 'small' is a relative one, and the point at which any firm may justifiably be regarded as small will vary with the general pattern of size of firms within an industry.[10]

Thus, the Bolton Committee found it impossible to find quantitative indicators for the small firm defined in this way and, as a result, adopted a similar 'statistical definition' whose bases varied for different sectors. While the British Federation of Master Printers defines a small print firm as one employing not more than 25 people, the Bolton Report makes the point that in some areas of the manufacturing sector a firm employing 500 could still be regarded as small.[11] Thus, the Bolton Committee recognised that "no single quantifiable definition can ever be entirely satisfactory. Outside the manufacturing industries quite different definitions are necessary. For example, in retail distribution, a firm employing 200 people would typically have at least ten shops with a total turnover in excess of several million pounds and would be a very large organisation in terms of the distributive trades."[12]

Because of this recognition it became clear to the Bolton Committee that a small firm could not be adequately defined in terms of employment or assets, turnover, output or any other arbitrary single quantity, nor would the same definition be appropriate throughout the economy. The most appropriate definition was the definition that emphasised those characteristics of small firms which might be expected to make their performance and their problems significantly different from those of larger firms. Thus the committee concluded that three main characteristics had to be taken into account. Firstly, a small firm is one that has a relatively small share of its market. Secondly, it is managed by its owners or part-owners in a personalised way, and not through the medium of a formalised management structure. Thirdly, it is also independent in the sense that it does not form part of a larger enterprise and that the owner managers should be free from external control in taking their principal decisions. These three factors constitute what the committee called an 'economic definition'. Nevertheless, for practical purposes, the committee was obliged to use a 'statistical definition'.(13)

Egyptian Small Businesses Defined in Terms of the Present Study

In the course of defining a small business in the Egyptian economy in connection with the current study, the discussion, meaningfully, passes through two successive, yet equally important stages. These are:

(i) The possible alternative yardsticks for measuring the size of a company.

(ii) A small business as defined for the specific purpose of the present study.

(i) The possible alternative yardsticks for measuring the size of a company.

From the foregoing brief review of United Nations, American and British definitions of a small business, one can conclude that there is no uniformly established statistical criterion on which we may depend in defining, accurately, what is meant by the term 'small business'.

Again, the term 'small business' is a relative one, and the point at which any firm may be regarded as small in terms of number of employees, turnover, capital employed, and any other arbitrary single quantity, would vary from society to society and from area to area according to the general pattern of firms within an area or an industry.

Therefore, for the purpose of a study relating to small business companies in any society (as in the case of the current enquiry), it is necessary at the beginning to define exactly what we mean by the small company. That is to say, it is necessary to establish, what is the most appropriate yardstick for measuring the size of company in the Egyptian economy and consequently distinguishing the small firm from the large one. In other words, are the criteria used in the Western developed countries to identify and define small firms in these economies valid in the Egyptian context? To answer this question, it may be meaningful to assess the relevance of some of these suggested criteria, taking into consideration that the present study is mainly concerned with and confined to small firms within the manufacturing sector in Egypt.

Keeping this in mind, 'physical output', to begin with, has been regarded by Dean[14] as the most appropriate "measure which corresponds most closely to economic capacity."

However, the possibility of utilising this yardstick depends on the presence of some conditions such as the ability to give the size of production in terms of physical output and the homogeneity of the outputs of companies.

Unfortunately, this is not the situation in most cases in Egypt. Official records of production do not give size in terms of physical output, and output of establishments in many cases is not homogeneous but rather substantially heterogeneous.

Capital equipment, as argued by Metwally[15], is objected to as a measure of size because of the difficulties inherent in the valuation of capital, and the fact that whatever data on capital are available have shortcomings and vary significantly in their nature and coverage.

The most used yardstick for measuring size of establishment is the 'number of persons employed'.

In terms of the Western developed economy, this criterion has certain advantages in that "persons employed are more easily visualised as the unit of quantification than are values."(16) Moreover, the vast majority of enterprises in the manufacturing field employing a larger number of persons are on the whole associated with high capital investment, especially mechanisation. That is to say that the greater the investment per worker, in most cases, the larger the size of establishment in any industry. "Large plants can make fuller use of such instruments than small plants. In so far as fully used specialised instruments are economical, large plants will emerge and survive."(17)

The number of employees, however, is not an ideal indicator of size. It may be a paradoxial yardstick. The higher the number of persons employed may be the smaller the size of establishment and vice versa. There is the case of the large company which requires a high level of technology and turns increasingly to automation. Then, many replaced workers may find jobs with smaller firms. Small firms with low levels of technology depend largely on a large number of persons employed and in contrast, large companies "with highly efficient capital intensive methods of production can reduce employment with an increase in capacity."(18)

Another objection can be raised against using the number of employees as a yardstick for identifying the size of a firm. That is that this number may depend on the ability of each managing director. Thus, a well organised man with a capacity for hard work will be able to control, successfully, on his own, a larger firm than a man with less ability and industry.(19)

Regarding the Egyptian situation, 'number of employees' as an identification of size of establishment is increasingly objected to because of further reasons in addition to those already mentioned above.

Egypt is an over-populated country. Many establishments "may whenever technical conditions permit, substitute labour intensive methods for capital intensive methods since labour is abundant and (sometimes) cheap, and capital is scarce."[20] Thus, the employment criterion may in such cases over-estimate the size of a firm if used alone.

Additionally, and probably the most important factor is the government policy in the field of labour since the 1960s. The State has committed itself to employ high school and college graduates. According to this policy, public-sector companies have no complete discretion in their own labour-appointment policy. They are very often obliged to employ various types of workers appointed and allocated to them by the Ministry of Manpower, whether or not they need them to increase their production capacity. In fact, the pressure for jobs has been alleviated only by artificially expanding the already swollen public sector companies.

Apart from the governmental philosophy underlying this policy, it is very apparent that 'the number of persons employed' (which has been the most commonly used criterion for measuring size of firms by most censuses of production) over-estimates to quite an extent the size of enterprises in Egypt, particularly the over-manned companies.

In this context, for the definition of the public sector small companies in particular, it may be both meaningful and useful to adopt the view which suggests that any approach to a common denominator for the term 'small' should at least ideally include the following elements:

1. Turnover.

2. The number of employees.

3. The degree of devolution of management authorities.

4. Capital employed.

5. The area of operation.

This view is based on the belief that it is not wise to lay down specific quantitative criteria for the definition of a small company. Instead, it is more productive to consider the context and nature of small firm problems.[21]

In the view of comparative economic studies, one may reasonably suggest that 'a small business firm' is any firm smaller than the typical or representative-sized firm prevailing in the Western developed countries. This is in fact, an adequate and accurate yardstick but one that is not easy to apply. It requires determination of the typical size in each industry, a huge problem which lies certainly beyond the scope and purpose of the present study. Such a criterion can be used in practice if the researcher confines himself to one or a few industries for which 'a typical size' of company has already been identified.

In any case, it seems that this pure economic concept is not applicable to such a study as the present investigation which concerns itself basically with the marketing attitudes and practices of small companies in the Egyptian environment. Hence, in this regard, small companies should be defined not in comparison with the typical-sized companies prevailing in advanced countries, but in relation to their larger counterparts.

There is the additional possibility of regarding as 'small' a firm with a minimum economic-scale of production. This method also faces the same problem of identifying the minimum economic size within each industry. Even if we could make use of some industries which have already been examined and the minimum economic size of their establishments has been determined, a big question still exists in this context about companies which are of a size less than the minimum economic size. The significance of such a question is acknowledged in the Egyptian context at least with respect to some industries. An empirical study[22] which was conducted to investigate the relation between size of plant and size of market for manufacturers in Egypt, concluded that in some industries, the present size of the Egyptian domestic market is large enough to justify the establishment of one or even several plants of minimum economic scale of production. In most cases, however, the Egyptian market is too small to justify the establishment of even one plant of minimum economic size.

(ii) Small businesses defined for the purpose of the present study

Armed with insights derived from the above-mentioned analysis, one can reasonably accept the view which suggests that Egyptian small-scale businesses can be distinguished from large businesses on the one hand and from cottage industries and handicrafts on the other.

It is generally argued in this regard that by the standards of the Middle Eastern countries, any industrial establishment that uses modern technology and equipment and that employs 50 or more persons is usually considered large, an establishment which does not meet these criteria is considered to be small.[23]

However, an appropirate adjustment is required to produce the definition aimed at. Hence, our definition of a small business company for the purpose of the current study (in the light of the adopted criteria) will depend on the one hand on exactly the kind of industry (or industries) within the manufacturing sector whose firms we are going to study and on the other, on the nature of ownership of the firms in this industry.

The following points may explain this view.

a) Industrial sectors in Egypt

Egypt's industry was officially regrouped into five main sectors by law No. 111 of 1975 that replaced the 'Public Organisations' by 'Supreme Sectoral Councils'. Thus, the manufacturing industry consists of four main sectors as well as the mining sector, all affiliated to the Ministry of Industry and Mining. The five sectors are:

(1) The spinning, weaving and garments sector;

(2) The foodstuffs sector;

(3) The metallurgical industries and related products sector;

(4) The chemical sector;

(5) The mining sector.[24]

As a rule, the relative size of a small company (whether in terms of number of employees, capital employed and/or the like) varies from industry to industry.

b) The nature of ownership (public sector and private sector)

The Egyptian nationalisation movements of 1961 and 1962 made the public industrial sector the main force responsible for growth. State ownership at the moment accounts for 75 per cent of output, 50 per cent of employment and 90 per cent of all new investment in industry.[25]

Thus, as El-Haddad[26] reported, the public sector encompasses virtually all large and most medium-sized industrial companies. These firms number at least 200, and employ about 546,000 workers. The private sector on the other hand, is dominated by a large number of small companies. There are more than 150,000 private companies employing about 450,000 workers, but only 3% of these are factories with more than 50 employees (and consequently are regarded as large firms by the standards of the Middle Eastern countries). The degree of public sector domination in the major industries ranges from 73 per cent in textiles to 90 per cent in metallurgy. Only in the wood working and leather products sector are private enterprises dominant.

It is worth mentioning that the Ministry of Industry and Mining supervises the private industrial sector with regard to units with total capital exceeding L.E.5000 or with ten or more employees.

It is to be noted that the relative size of a small firm varies in the public sector and private sector companies. Hence, in addition to the type of industry, the definition of the small establishment will virtually rely on the sector (or sectors) within which the present investigation will be undertaken. In this regard, there are three possible alternative approaches to formulating a definition.

c) Methods of defining Egytian small manufacturing companies

Based on the foregoing discussion, one can consider a number of alternative methods of defining Egyptian small manufacturing companies. The alternatives are as follows:

1. Industrial private-sector companies

By this method, all manufacturing firms of the private sector, with the exception of cottage industries and handcrafts, are regarded as small companies in relation to the public-sector companies which are all deemed to be large companies.

This method is considered to be an appropriate yardstick for defining small companies within the Egyptian manufacturing sector. At the same time, it provides, in most cases, adequate criteria since the private sector companies, according to the approved standards of the Middle East countries, are small except a very small percentage (i.e. 3%) which were classified as large. To obtain more adequate criteria from this method, these large companies should be excluded from the population of the private-sector companies before sampling. However, in some specific industries such as the textile industry which is more heavily manned than other industries, private firms employing up to 100 workers could, reasonably be considered small companies.

This method, however, has serious disadvantages because of difficulty in getting reliable data and information for the study from the private sector units (or even from other potential sources of information). In Egypt, as in other under-developed countries, businessmen (in private sector companies) as suggested by Livingstone(27), "are secretive and highly suspicious of outside inquiries: they may refuse to co-operate, or may give rather unreliable information. Again in this situation an outright refusal is better than dubious information".

Above all, it is difficult to get the proper population relating to the private sector establishments from the official agencies (or from other potential bodies) since these agencies have no data except on establishments employing ten or more persons. Moreover, the data provided to the official agencies by the private sector companies which employ ten or more workers are probably dubious.

In addition, this approach disregards the public sector small companies which, of course, play an important role in the Egyptian economy.

Such an approach, therefore, seems to be impracticable and inconvenient in terms of the nature and the purpose of the current study.

2. Small firms within the industrial public sector

The second approach is to take the manufacturing public-sector companies and divide them into two groups (i.e. large firms and small firms) or three groups (i.e. large firms, medium firms and small firms).

Using this approach, of course, calls for deciding on the acceptable criteria for defining small companies within every field of the industrial public-sector. The appropriate yardstick may be a combination of two or three of the following elements:

(a) Number of employees.
(b) Capital employed.
(c) Turnover.

The main advantages of this method are believed to be:

- The government attitude toward all the firms in the public sector is almost the same. Hence, the problems faced by these companies with respect to government control over their marketing activities are expected to be of the same nature and degree. Some generalisation, in this regard, can be easily drawn within the limits of the public sector manufacturing companies.

- Good book-keeping and documentation in the public sector companies (compared with the private sector companies) may assist in obtaining the necessary and reliable data required for the study.

- To a great extent, reliable data and up-to-date information on the public sector companies can be obtained from the official agencies which have full statistical coverage of all the public sector enterprises operations. Such full coverage could aid in defining the small firms' population within the public sector based on acceptable criteria. In addition, it would also help in assessing the reliability and accuracy of the data to be collected in the fieldwork stage.

- It is supposed that the public sector firms because of their better resources (as compared with private sector companies) are able to apply the marketing concept and marketing techniques using a more formal method.

- With the permission of the government authorities, one can get the required data from the fieldwork at a considerable rate of response and in a reliable and proper form.

According to this method, one can depend upon all the manufacturing small companies of the public sector (i.e. textile, foodstuff, metallurgical and chemical industries) using a suitable sampling technique to design an appropriate respresentative sample. Another way is to take a certain manufacturing sector, e.g. the textile industry and divide it into large, medium and small sized companies, and sample the small size companies.

However, this approach, despite its several advantages, disregards the private small companies which, as will be explained later, represent an integral part of the Egyptian economy.

3. Mixed-sectors method

In this method, one uses a combination of the two previous methods (i.e. the industrial private sector method and the industrial public sector method) to identify the small companies.

Clearly, this method calls for using the criteria suggested for the second approach to define the public-sector small companies within every area of operation. It is also obvious that this approach has the advantages of both the private as well as the public sector approaches. However, it has the disadvantages related to the private sector approach in respect of the difficulties of getting reliable and sound data relating to the private sector companies. It is the researcher's view that such shortcomings can, to a certain degree, be tackled if the empirical investigation confines itself to one industry (or a few industries) which is (or are) thought to have reasonable sources of information regarding the private sector companies.

Based on this belief, the fieldwork of the current study, relating to one selected industry, i.e. the textile industry, will employ this approach in defining the population of small companies which is going to be empirically investigated in terms of marketing attitude and practices. Further explanation of this issue will be presented in chapter eight.

Worthy of emphasis at the end of this section is that the criteria suggested for defining small firms in the public sector in particular should be more than just the number of persons employed by a company. This, in the researcher's view is because government policy in the field of the public sector firms' labour which might force these companies to employ various kinds of labour regardless of the need for them. However, there is no proof that the government allocated or allocates the appointed workers proportionately in accordance with the relative size and capacity of every company.

In the next section, the characteristics of small companies will be discussed.

SECTION TWO

Characteristics of Small Companies

Introduction

The foregoing discussion considering the definition of small companies has attempted to clear up what we mean by the term 'small business' as a first stage in identifying the nature of small companies.

It is clear from the discussion that the dividing line between those who operate on a large scale and those who operate on a small scale is not clear-cut in many respects. The so-called bottom criterion, i.e. the number of people employed could, in many ways, be criticised, particularly in the Egyptian environment.

Pursuing the main objective of this chapter (i.e. the nature of small companies), it may however be more useful to shift our ground to the discussion of characteristics of small companies. In so doing, we briefly review the available literature on the subject with reference to developed countries and, later, to the Egyptian economy.

1. Characteristics of Small Companies in Advanced Economies

In American society, to begin with, one of several attempts to explore the characteristics of small firms is White's[28] attempt which was based on the Federal Reserve Bank definition of small business as "one which is independently owned and operated but is not dominant in its field." In this context, the author argued that "the man who risks, so that his customers and employees may be secure, well expresses the essential characteristic of small business owner-managers." He illustrated another further feature of American small firms concerning the kind of people who start their own business when he stated that there is a group of earnest men who have devoted years to the study of small business management. They are the staff and advisory members of the Small Business Administration and the U.S.

Department of Commerce. They are good to know whenever there is concern lest small business falter and fail. On a base of empirical study about what people start their own business, they cited the fact that women are demonstrating their ability and desire to start small business enterprises at a steadily increasing rate. A survey was made of the stores on Madison Avenue in mid-town New York, known as the creative centre of the world. More than 80 per cent of all the establishments were shown to be owned or controlled by women.

Prior to White's attempt to shed some light on the American small businesses characteristics was the statement of the Committee for Economic Development[29] concerning the issue. The Committee stated that a small business usually shows two or more of the following characteristics:

1. Management is independent. Usually the managers are also owners.

2. Capital is supplied and ownership held by an individual of small group.

3. The area of operations is mainly local. Workers and owners are in one home community. Markets need not be local.

4. Size within the industry is relative; the business is small when compared to the biggest unit in its field. The size of the top group varies greatly, so that what might seem large in one field would definitely be considered small in another.

In the opinion of Kelley et al[30], a qualitative definition such as that of the Committee for Economic Development is the most satisfactory. It was the four attributes therein cited - independent management, owner capital, local area of operations, and relative size within the industry - that gave rise to most of the problems and special needs of the small, as compared to the large, business unit.

In British society, the characteristics of small firms have been more fully expressed in the Bolton Report[31] which is the most recent official review of small firms in the British economy. The common characteristic of small firms described in the report "arise principally from:

(i) their legal status, ownership, management and organisation;

(ii) their financial structure;

(iii) their role as employers;

(iv) the motivations and social origins of their owners;

(v) their role in the community."

More specifically, the Bolton Committee saw the small firm as a socio-economic unit with the following characteristics:

1. Economically, a small firm is one that has a relatively small share of its market.

2. Managerially, the small firm is administered by its owners in a personalised way, rather than through the medium of a formalised management structure.

3. Finally, it is independent in the sense that it does not form part of a larger enterprise and owner-managers are free from outside control in making their principal decisions.[32]

The above-mentioned discussion suggests that the major characteristics of small companies in both American and British societies are similar to an extent that encourages us to generalise these characteristics of small companies throughout all developed countries which have, in fact, similar economic and social systems operating under similar ideological and cultural conditions.

2. The Main Characteristics of Small Firms in the Egyptian Economy

Having identified the characteristics of small enterprises in terms of developed economies as afore-mentioned, a principal question raised in the current section of the study is whether these characteristics can be attributed to the Egyptian small companies.

In this regard, one should mention that the economic conditions through which these companies operate in Egypt are not the same as those which prevail in the advanced countries. Thus, the nature of ownership and economic organisation in Egypt are considered to be influential factors in determining the characteristics of the Egyptian small enterprises in some respects.

By way of illustration, with the wave of nationalisation in the early 1960s, the state has begun to play a most significant role in the economy. Consequently, the pre-1952 capitalism was truly replaced by a large and powerful public sector which accounted for 90% of the total investment, some 75% of manufacturing value added, and almost the whole of foreign trade.(33) All large and most medium-sized industrial companies are dominated by the public sector. The private sector on the other hand, is dominated by a large number of small companies.

However, according to the previous analysis concerning the definition of Egyptian small companies and the criteria adopted to clarify and identify this sector in the Egyptian economy, many public-owned establishments that might be considered as medium or even large can be included in the small-companies sector. In this case, neither the ownership nor the management of such companies could be independent since they work under governmental control.

Considering small industrial firms within the private sector, management independence has not been guaranteed since the Ministry of Industry and Mining supervises those private industrial units with a total capital exceeding L.E.5000 or with ten or mor employees.

The dependent nature of such companies is a direct result of this supervision.

Within such a framework of the Egyptian economic organisation, the small firm has lost an integral part of the essential characteristics of those in Western societies like the USA or the UK, i.e. independence in terms of its management and ownership. It has been impossible for its management to secure an independent base of administration. Instead, it serves completely (in the case of public sector) or partly (in the case of private sector) at the discretion of the political elite.

However, after the adoption of the open-door policy which has been labelled "infitah", Law No. 111, 1975, brought an end to the public organisation system with the intention of re-establishing efficient management. A new organisational system was introduced, the effect of which so far has been to replace bureaucratic with political dominance.(34) The 'infitah' policy is aimed, among other things, at changing the climate for private enterprises. It is no exaggeration to say that before 'infitah' private enterprises (apart from agriculture) were strongly discriminated against and although some obstacles still exist (with regard, for instance, to import and credit availability), a radical change in opportunities for private entrepreneurship has certainly occurred. A striking manifestation of the 'infitah' is Law No. 43 of 1974, which provides for the establishment of joint ventures based on foreign and Egyptian capital and enjoying considerable tax and other concessions. A very considerable shift towards private investments has taken place as a result.(35)

Within such a climate, the situation seems to encourage us to conclude that a radical change in opportunities has occurred and promising conditions for the Egyptian small-companies sector have been created.

Though the Egyptian small business companies have, so far, lost some basic characteristics of small companies in Western societies, the contention raised by this section, however, is that the small companies in Egypt still have distinctive characteristics which distinguish them from their larger counterparts. Problems attributable to the smallness of their size and the scale of their operations as well as insufficient financial and other resources occur. It is therefore necessary to undertake research specifically related to investigating particular marketing problems faced by these small firms because of their size.

SECTION THREE

The Ideological Acceptability of Small Companies within Society

Capitalism versus Socialism

In his book "Small Businesses", Chesterman[(35)] raises a question about the historical and present-day position of small business. The question is whether small firms should be regarded as a purely transitional, if not already anachronisitc, phenomenon. In this respect, the author argues that this is more or less correct in some forms of Marxist thinking at least as regards manufacturing and other forms of commodity production.

The philosophical basis of this attitude as Marx and Engels[(37)] indicated, is that the continuance of small business stands in opposition to increasing concentration of productive capital within the hands of the ruling classes and the ever sharpening demarcations of labour and management from ownership.

In Chesterman's view[(38)], these are all inevitable processes in the development of capitalism and on the whole, necessary preliminaries to revolution by the working class. It is thus not surprising that small firms are in decline and that the state, as an instrument of the ruling classes, does little to help them; in so far as they survive at all in the age of monopoly capital, it is only because historical development is always distinctly uneven. A Marxist view thus links three factors, namely the phenomenon of increasing concentration, the blurring of the functions of labour, management and capital in small firms, and the state's relative disinclination to give them special support.

On the other hand, to many non-Marxist thinkers, this analysis is faulty even as regards productive enterprise. They would say that small business in virtually all fields is an integral part of the capitalist system, even though this system is dominated by large-scale enterprises. Small business has important functions in this system, of which only some are economic. In particular, it is a seed-bed of large firms, an exploiter of opportunities not taken up by large firms, a stimulus to competition, an outlet for innate entrepreneurial desires and a bolster to the social institution of the family.[39]

It goes without saying that the different situations of small firms in both capitalist and socialist systems arise from the nature of ownership and the relationships in production operations within the two contrasting ideologies. Thus, public and state ownership in the socialistic system supports the establishment of public-owned large companies. Ideologically, individual ownership and management of the means of production is not allowed. Henceforth, the chance of constituting small independent companies does not exist since every small establishment is part or branch of a parent company which is, in turn, in the public domain.

By contrast, private ownership of the means of production within modern industrial capitalism allows small-sized firms to be established, operate and flourish. Moreover, owing to their important role in contributing to the improvement of life quality in many respects, government attitudes are in favour of small firms in many cases. The American Anti-trust legislation is an example of the government attitude against bigness and in favour of smallness in general. In the same spirit within the United Kingdom, supporting the continuance of small firms as a vital element in the economy has indeed received particular emphasis during the last six years or so. They form an important part of conservative ideology.[40]

Armed with the insights from the above discussion one can examine these issues in the Egyptian context. In so doing, we outline the background of the real setting of small companies in Egypt (i.e. the Egyptian political leaders' philosophy) over the past three decades since the 1952 revolution. Then, we identify the philosophy in relation to Islamic doctrine's view relating to the acceptability of small companies in the Egyptian society.

The Setting of Small Companies in the Egyptian Economy

In terms of the characteristics of small enterprises in developed economies, it can be remarked as mentioned earlier, that Egyptian small firms have lost many of their essential features since the independence of their management and ownership has been removed. Instead, they have served at the discretion of the government economic policy. This situation has been a result of the new economic philosophy (i.e. Arab Socialism) adopted by the new political leaders.

'Arab Socialism' was proclaimed the only way out of poverty and under-development. This was deemed necessary to achieve development, improve the standard of living, and ensure government control over the means of production.[41]

In terms of small companies however, governmental control has resulted in the absence of management and ownership independence. In this new context, one can conclude that the economic climate for small firms has been unpleasant, undesirable and unpromising. The economic philosophical atmosphere has seemed by and large to be derived from Marxist thinking. Within such a climate, Egyptian small companies have found themselves facing real, deep and diverse problems.

Small companies however, have not been abolished. They have lasted so in spite of the dominance of the large and powerful public sector and the diverse kinds of government interference. This phenomenon can be interpreted in terms of both the necessity of small companies to the Egyptian economy and the compatibility of their character with Islamic doctrine.

Moreover, after the advent of the open-door policy (by Law No 43 of 1974), circumstances began to operate in favour of the private sector (and consequent small companies). The major goals of this new doctrine as expressed in political leaders' announcements have been to attract foreign capital, improve the ailing public enterprise system, revive capitalism, and achieve a set of socio-economic goals.

Regardless of special problems related to the open-door policy concerning its provision of incentives to foreign investors without securing the advantages related to inflow of such capital and so forth,[42] the new doctrine has created the atmosphere for reviving private ownership. The private enterprises now operate under more favourable conditions than before. They are allowed to compete on equal terms with public enterprises. In its policies for promoting private business, the government has concentrated upon creating favourable conditions for joint ventures, Law No. 43 of 1974 being the fundamental piece of legislation for providing some support to very small private enterprises, the revived Industrial Development Bank (IDB) perhaps being the most conspicuous manifestation of such efforts. Larger, private, purely Egyptian enterprises do not seem to have attracted the attention and interest of the government although in some areas, for instance construction, they have proved to be remarkably dynamic.[43]

In the same spirit, more recently, presidential decrees have been issued concerning small and medium industries. For instance, on April 15, 1982, decree No. 172, 1982, was promulgated approving the loan and guarantee agreements signed on 26/1/1982 to finance part of the costs in foreign currencies required for small and medium companies. These agreements were signed between the Industrial Development Bank and the American Development Bank.[44] This was an attempt to implement the technical aid programmes for the sector of small and medium companies in Egypt through the borrowers, (IDB)[45].

However, it is worth mentioning that the unpredictable and unstable government policies over the past three decades have often resulted in the use of some illegal and dishonest practices by private or even public business firms. This can be explained as a reaction against the accumulated results of aggressive government policy against an aggrieved private ownership over the two decades prior to the promulgation of Law No. 43 of 1974 (i.e. the open-door policy).

Having outlined the real circumstances underlying the position of small firms in Egypt over the past three decades together with providing some evidence of the degree of acceptability of small firms as a part of the Egyptian economy, it may be useful at this stage to proceed to the discussion of the ideological acceptability of small companies in the country (i.e. from the point of view of Islamic doctrine). To this end, in the following pages, an attempt will be made to discuss Islamic doctrine in relation to small companies.

Islamic Doctrine in Relation to Small Companies

After the adoption of the open-door policy that has been labelled 'infitah', "it is clear by now that Egypt is truly witnessing a great transition into a mixed economy."(46)

A key factor to be decided on is the role played by the private and public sectors in the economy. It is to be noted in this regard that the question regarding the future of private and public sectors remains unanswered. Consequently, the future of small companies remains unclear since understanding of the extent to which they are accepted within the economy depends upon recognising the relative situations of both private and public sectors.

Theoretically, however, the situation of small firms in the Egyptian economy must be decided on in the light of the Islamic doctrine concerning the nature of ownership and management.

The core point to be discussed in this regard is related to the 'Arab Socialism' doctrine which was assumed to reconcile the demands of Islam and socialism.

However, its boundaries have never been operationally well defined. For instance, it was described as "a complex melange of Islamic egalitarianism, Eastern political tradition, modern social democracy, latter-day anti-colonialism and a dash of socialist orthodoxy."(47)

With respect to such a description of Arab socialism, one can go further to say that this new doctrine contains nothing derived from the Islamic doctrine. Rather, it has been a combination of the disadvantages of socialism and the disadvantages of capitalism since it was based upon a mixed economic system and did not have its own philosophy or ideology.[48] Hence, several different development plans were implemented over the past three decades based on 'Arab Socialism'. The failure of these plans resulted from the lack of clear ideology and the absence of policy guidelines.

Having judged against the 'Arab Socialism' in terms of the acceptability and the adoption of small companies, and it is not the doctrine claimed to be derived from the Islamic ideology or to be consistent with it, we turn to identify the nature of ownership in Islam as a means of assessment of the acceptability and the adoption of small companies in the Islamic doctrine and consequent in the Egyptian society.

In this respect, one can readily state that a private ownership is an original ownership in the Islamic doctrine and it is the Islam which protects this form of the ownership against all kinds of aggressions.[49]

As pointed out by Yusuf,[50] Islam realises that 'the essence of the economic activity of man is the exploitation and utilisation of the productive forces of nature with his intelligent labour. It follows that man needs primarily a share in the material resources as a free gift of nature to take off on the course of development.... Thus, an individual exercises the authority delegated to mankind in general by appropriating for himself a share in the total resources of the world offered as a free gift of nature. This is called private ownership." The author continued "from the Islamic point of view, the abolition of private property or its quantitative limitation by fixed ceiling is against human nature .... on the other hand, if the institution of private property were not regulated by considerations of economic justice, it would soon result in the concentration of wealth in fewer and fewer hands and callous exploitation of the rest. Islam, therefore, regulates the process, and specifies and defines the means of acquisition in such a way as to eliminate exploitation and chance. For example, 'riba' (i.e. usury) and all forms of gambling are declared unlawful."

However, private ownership in the Islamic view does not apply to all natural resources indiscriminately. It is confined to such natural resources as depend for their cultivation and growth on human skill and labour.

Thus, all the resources of nature which are meant for the common use and convenience of a particular community of people and which, if allowed to pass into private hands, would make it difficult for the community to stay together - all such resources are declared to be public property. The prophet named three things, viz; water, pasture and fire, not to exhaust the number but to indicate the character thereof.(51)

Another form of ownership in Islam is state property. Thus, "the state is entrusted with the dispensation of certain moneys and properties in the interests of public welfare."(52)

It is not our concern however, to discuss the nature of ownership in Islam in detail but the main point to be emphasised here is that private ownership is secured and protected in Islam, despite some practices which are pursued outwith Islamic doctrines.

The state in Islam, as Yusuf(53) pointed out, has no right to abolish private ownership. Rather, it is obliged to respect it and broaden its domain so as to enable it to play a significant role in achievement of economic development.

Concerning the size of privately-owned organisations there is unlimited scope for expansion in the size of commercial and industrial ventures. Phenomenal expansion has been taking place since the introduction of modern technology(54), but the expansion in size is restricted by considerations of economic justice and methods of acquisition are regulated in such a way as to eliminate exploitation.

It is the contention of the current discussion that since Islamic doctrine allows private enterprise to establish and broaden its domain, the likelihood of small companies being established will increase. Hence, the ideological acceptability of small companies in the Egyptian society is guaranteed since Egypt is an Islamic country. Small companies therefore, must remain an integral part of the Egyptian economy on ideological grounds as well as economic necessity.

SECTION FOUR

The Importance of Small Manufacturing Companies

Introduction

In most countries attention is usually paid to big corporations. The reason for this is that those corporations, which are very large, have a major role to play in developing the economy. Considering the manufacturing sector, Bain[55] remarked that while the importance of technical economies of scale as a determinant of industrial structure, and as a causal factor in the development of giant firms, may well have been exaggerated, the existence of such economies undoubtedly explains the unimportant role of small firms in a number of manufacturing industries. Thus, as Davies and Kelly[56] indicated, "in a large number of industries, technical economies of scale cannot be fully exploited in firms employing fewer than 200 persons."

This view has been emphasised by the contention of Galbraith[57] that industrial society is now dominated by "a few hundred technically dynamic, massively capitalised and highly organised corporations." Accordingly, nearly all communications, nearly all production and distribution of electric power, much transportation, most manufacturing and mining, a substantial share of retail trade and considerable amounts of entertainment are conducted or provided by large firms."[58]

However, studies and published research works have concluded that small companies as well as big ones, have an important role to play in the economy. In general terms, the reasons underlying this importance that can be drawn from the studies and research works are:

First - small businesses as a whole, (i.e. collectively not individually), represent an important part of the economic life of any country. "A dynamic economy is as much dependent on a multiplicity of vibrant small businesses as on large, established companies."[59]

Second: - A small company may grow in size and become a big one contributing even more to the economy. By way of illustration, Galbraith[60] pointed out that "a few years ago, the United States Department of Commerce, invading an activity hitherto reserved, at least in democratic administrations, to private enterprise, published a small pamphlet setting forth the blessings of capitalism. It illustrated these by describing the operations of a lemonade stand conducted by two children under a tree. This was in keeping with well-established practice in economic education which regularly holds that capitalism can best be understood by examining enterprises with little or not capital, guided by one person, without the complications of corporate structure and where there is not union." Galbraith concluded that "economic life began with small firms, with small capital, each under the guiding hand of a single master."

Third: - there are some sorts of business to which the small firms are most suitable and in which they are dominant. Examples include service industries, retailing trade and contact construction. In some cases such as household machine repairing shops, large companies cannot be economically justified.

Fourth: - within the framework of free enterprise economy, it has been argued that freedom and enterprise are inextricably linked and without a continuous flowering of new and robust small businesses, the whole of the free enterprise system - and with it other freedoms will be placed in jeopardy.[61]

Finally: - "the most effective way to increase long-term employment is for government to encourage the growth and expansion of small businesses."[62]

These reasons may indicate that small companies are important enough to the national economy to warrant investigation of their problems. Indeed, it might be reasonable to assume that they merit the expense and effort of research.

But it may be necessary and useful to go further afield to emphasise the importance of small companies in different economies.

In so doing, we review some writings on this issue concerning some developed and under-developed countries. Thereafter, our discussion will be devoted to the situation in Egypt.

A. Small Firms in the British Economy

Concerning the British economy, and on the basis of a purely statistical approach, Young[63] stated that the statistics for 1968, showed that 72.4% of all manufacturing establishments had less than 99 employees, while less than 1% had over 2,000 employees.

It may be that recent technological developments require firms to have a large capital backing, and that mergers and take-overs have been increasing the average size of firms, but comparison of the available figures suggests that these developments have not made a significant impact on the importance of small businesses in the national economy. Even when their importance is measured by the popular yardstick of numbers employed, small firms are still shown as an important force. In 1968, 2.7% of all employees in manufacturing industry in the United Kingdom worked in establishments employing less than 25 people, and 19.9% worked in establishments employing less than 99 people. In comparison, only 21.3% of all employees worked in establishments employing more than 2,000 people.

Moreover, the contribution made by small businesses to the vitality of society is, as Brown et al[64], suggested, inestimable. Thus, "The qualities of vigour, enterprise and ambition which characterise so many of them have made them natural community leaders and they have been benefactors to their localities, to the arts and in many other ways which help to make life meaningful and pleasant. Above all their spirit of independence is a strength to the nation, as deeply needed now as it has ever been."[65]

More specifically, Brown et al[66], argued that small companies contribute to consumer interests. This kind of contribution is established beyond question. Apart from increasing choice and providing essential local services, research has shown that more than

80% of creative inventions have come from small organisations or individuals. The authors added in this context that the small business record in the Queen's Award to Industry offers ample examples of the drive and flair of today's entrepreneurs.

With reference to U.K. exports, small firms have a major role to play in increasing exports. While it is easy to underestimate their contribution because of their size, small firms are scoring successes on numerous fronts. Many supply components for exported goods. Others export finished products through merchant and export houses. Additionally, small firms help significantly to boost invisible exports, the tourist trade being a prime example. (67)

In terms of innovation, Young(68) has argued that there is ample evidence to suggest that many new goods and services, and improvements to existing goods and services, begin their lives in small companies. Often, in fact, new products may be the creation of a single entrepreneur, who sets up a company in order to produce and distribute this product. The motor car and the jet engine, the hovercraft and polaroid camera, the wireless are all examples of important products which were first manufactured and developed in small companies.

While the argument of Young can be disputed in terms of statistical analysis, the important role played by small firms in innovation in the fields of goods and services can hardly be denied.

This issue will be dealt with in more detail when considering the product of small firms as an essential component of the marketing mix, but here mention is only made of a survey by Freeman(69) on the part played by small firms in innovation in the United Kingdom since 1950. The conclusion reached was that industries may be classified into two fairly clear-cut groups.

(i) Those in which small enterprises made little or no discernible contribution to innovation, either absolutely or relatively. These included aerospace, motor vehicles, dyes, pharmaceuticals, cement, glass, steel, aluminium, synthetic resins and shipbuilding, and in a special category, coal and gas. In this group small firms accounted for only 6 out of 479 innovations, or only just over 1 per cent.

(ii) Those in which small enterprises made a significant contribution to innovation in the industry concerned. These included scientific instruments, electronics, carpets, textiles, textile machinery, machine tools, mining and general machinery, paper and board, leather and footwear, timber and furniture, and construction. In this group small enterprises accounted for 103 out of 623 innovations, or about 17 per cent.

This situation may serve to indicate the wide variations in the importance of small firms, as indicated by their share of activity in different industries. Thus, as Davies and Kelly[70] indicated, in 1963 small establishments accounted for almost 80 per cent of net output in the leather, leather goods and fur group of industries, but only 6 per cent of net output in the vehicle group of industries.

B. Small Firms in the U.S. Economy

Another example of the importance of small companies within the developed economies is provided by U.S. small establishments.

In this regard, Steinhoff[71] suggested that "small business firms are an integral part of the total business scene in the United States and in most countries of the western world. In all major areas of business activity - manufacturing, wholesaling, retailing and service businesses - small businesses account for a large part of the total value sales.".

Thus, as Broom and Longenecker[72] stated, in 1967, figures show that about 95% of American establishments have less than 20 employees, while only 1% have over 100 employees.

Even when the importance of small firms is measured by the popular yardstick of number of person employed, they are still regarded as an important sector since establishments employing less than 100 persons represent 40% of all wage-earning and establishments employing less than 500 persons represent about 53%. Small companies therefore represent about 50% of the American labour force. However, the relative importance of small-sized companies is different among various sectors of the national economy. Thus, while small-sized companies are dominant in the fields of the service industry, wholesaling, and retailing, large-sized enterprises are dominant in the manufacturing and mining fields.

C. Small Firms in Under-developed Countries

In under-developed countries, however, the role of small businesses is enlarged in the areas of employment and the training of manpower, creating and advancing a class of businessmen and professional managers and contributing to the national income. Moreover, as reported by the United Nations Industrial Development Organisation, "they may also have a special role to play in the development of industry .... They can, for example, contribute to greater diversity of production and to greater specialisation in the typically small markets(73)" in such under-developed countries.

Taking India as an example in this group, a survey of the Indian literature on the role of small industries in the process of economic growth(74) was made in 1968. Some of its results revealed the rationale of small scale industries in India as being based on some factors which were deemed to be important. Examples included the strong demand for consumer goods, the small-scale sector having been selected as the most natural source of such goods, the area of employment, decentralisation in the various aspects of economic life such as geographic dispersion of plants, which could suggest the suitability of small unit development, cooperation by economic units, the justification for which were only in part economic, and the development of ancillaries as desirable adjuncts to large units. For these reasons, the significance of small-scale industries in the Indian economy is quite clear.

However, these reasons may be expected, on the whole to apply to other similarly under-developed countries, and consequently the importance of small establishments in these countries may obtain to the same degree and be of the same nature.

The firmest argument in favour of small-scale units in the under-developed countries, is that because of their relatively labour-intensive nature, they are especially suitable in an economy where unemployment is widespread.[75]

Having dealt with the relative importance of small companies in both advanced and developing countries, we have now to turn to consider the issue in terms of the Egyptian economy. To this end, the following pages will be devoted.

D. Small Firms in the Egyptian Economy

Here the question that must be considered again, is whether small businesses are important enough to the national economy to warrant investigation of their problems. If, as was expressed by Young,[76] "it was the case that such problems affected only a tiny number of firms in isolated concerns of the economy, and if these firms accounted for only a 'morsel' of the total goods and services provided, then it might be reasonable to assume that they were not worth the expense and effort of research." But according to the criteria adopted by this study for defining small firms, examination of available data shows very clearly, that this is not the case. Even if we confine ourselves to the very narrow definition of Egyptian small manufacturing firms as the establishments in which one to nine persons are engaged,[77] small-scale industries still have an important role to play in the Egyptian economy in many respects. The following analysis will deal with the issue from the two angles (i.e. in terms of the narrow as well as the adopted definition of the small companies).

1. The importance of small companies in terms of the narrow definition

A useful beginning to the discussion would be from the narrow standpoint related to small manufacturing establishments (i.e. the groups of manufacturing establishments in which one to nine persons are employed). Because of the lack of comprehensive, reliable and up-to-date information, the discussion of this point is based on the available comprehensive census of small-scale industrial production undertaken in Egypt CIP 1967 relating first the size of small-scale industries to the whole of the industrial sector. Employment and gross value-added shares of small-scale establishments in total manufacturing by branch of activity (1967) are shown in Table 3.1.

It seems from the Table that though small establishments employ almost one third of the manufacturing labour force, they generate less than 16 per cent of total gross value-added. Three industries however - wearing apparel, furniture, and wood - are predominantly small-scale. The small sector share of gross value-added is extremely small in three basic consumer-good industries - beverages, tobacco and textiles - and less surprisingly, in main producer-good industries such as chemical, paper and basic metals.

In some basic industrial branches, the contribution of small establishments to both employment and gross value-added is even greater than that of large companies.

As regards the gross value-added, small firms account for 78.4% of wearing apparel, 72.1% of furniture, 71.1% of wood and 56.4% of leather industries. In other branches of activity, the contribution of small firms to the gross value-added is sufficient to justify establishing them. Thus, small firms are responsible for 35.4% of metallic products, 33.6% of transport equipment, and 31.3% of miscellaneous industries.

With respect to employment, Table 3.2 shows that small firms account for 90.1% of those employed in the wearing apparel industry, 81.9% in the wood industry, 75.8% in the furniture industry, 53.4% in the leather industry, 52.1% in the metallic industry and 50.8% in miscellaneous industries. In other industrial sectors, the contribution of small enterprises is adequate. The percentages of

Table 3.1 Shares of small establishments in total manufacturing (gross value-added and employment) by branch of activity, 1967.

Code	Industry	Gross value added		Employment	
		£E(000s)	Share in total manufacturing %	Numbers	Share in total manufacturing %
20	Food	11287	25.7	38385	37.8
21	Beverages	108	2.8	257	4.3
22	Tobacco	251	1.8	216	1.7
23	Textiles	4180	3.5	31659	11.3
24	Wearing Apparel	1366	78.4	90705	90.1
25	Wood	2733	71.1	16148	81.9
26	Furniture	6668	72.1	27849	75.8
27	Paper	429	4.7	1067	7.3
28	Printing	989	13.8	3312	19.6
29	Leather	1385	56.4	3366	53.4
30	Rubber	76	2.6	293	6.6
31	Chemicals	433	1.1	921	1.9
32	Petroleum	1	0.0	10	0.1
33	Non-metallic Products	2735	17.5	8846	21.3
34	Basic metals	858	2.9	1186	4.9
35	Metallic products	5493	35.4	27706	52.1
36	Non-electric machinery	538	13.7	2441	21.4
37	Electric machinery	943	8.7	3825	25.4
38	Transport equipment	3284	33.6	18790	49.6
39	Miscellaneous	1595	31.3	6914	50.8
	Total small scale	57152	15.7	283900	32.7

Source: Robert Mabro and Samir Radwan, The Industrialisation of Egypt 1939-1973, Policy and Performance, Claredon Press, Oxford, 1976, p 121.

small firms' employees in the transport equipment, food and electric machines industries are 49.6%, 37.8% and 25.4% respectively.

Further analysis has been made by Mabro and Radwan.(78) They suggested that the industrial composition of small manufacturing is better analysed at the three-digit level. Table 3.2 has been taken from CIP by the authors to give data on employment, number of establishments and gross value added of the eight most important branches of small-scale manufacturing. Taken together they account for approximately 70 per cent of the sector. The authors have considered first, industries which supply basic consumer goods: clothes, shoes, and bread. Tailors do not seem to suffer from the competition of modern industry, whose share in the total output of clothes is surprisingly small and mainly composed of knitwear. Thus, mass production of suits and what are called "gallabyas", the traditional garments, are not common on the Egyptian scene.

Table 3.2 Employment, establishments and gross value-added in eight branches of small-scale manufacturing, 1967.

ISIC Code number	Description	Employment Nos.	Employment Rank	Establishments Nos.	Establishments Rank	Gross Value-added LE(000s)	Gross Value-added Rank
243	Clothes & garments	63,623	1	42,926	1	8,690	1
260	Furniture & fixtures	27,849	2	15,447	2	6,667	2
350	Metal products	27,706	3	13,404	3	5,493	4
231	Spinning & weaving	20,835	4	9,685	4	2,830	7
241	Shoes	18,874	5	9,693	5	3,702	5
206	Bakeries	14,258	6	2,955	8	5,625	3
205	Grain milling	14,222	7	3,747	7	2,972	6
384	Car repairs	12,213	8	4,749	6	2,214	8
		199,580		102,606		38,193	
Percentage of total		(70)		(71)		(67)	

Source: CIP, Part 1, Table 4. In: Robert Marbo and Samir Radwan, The Industrialisation of Egypt 1939-1973, op. cit., p 123.

Despite the secondary rank it occupies in relation to clothes, shoe-making remains an important small-scale activity, especially in the rural provinces.

Bread-making is an urban, typically small-scale industry in Egypt. The 'small' sector generates nearly 50 per cent of total value-added in this industry, and in the 'large' sector itself most bakeries are relatively small: the bulk fall within the 10-24 employment bracket.

The authors have added that adding the manufacturing of furniture would make the range of significant consumer goods is almost completely covered. An industry referred to as 'furniture and fixtures' ranks second in Table 3.2. The share of small sector in total valued-added for this industry is estimated for 1967 at 72 per cent. 'Furniture and fixtures' like clothes, are a privileged domain for small manufacturing.

Keeping in mind that the current analysis is based on the very narrow definition of small-scale industries (i.e. the 1-9 employment bracket), the authors have gone on to indicate that the remaining industries in the list may be divided into two groups: First, 'metal products' and 'car repairs'; second, 'spinning and weaving' and 'grain-milling'. The first group is of interest because it includes industries with forward linkages with other economic sectors and whose output mix contains modern types of product. The second group represents traditional, rural-based activities. 'Metal products' rank third in small-scale manufactures. The share of the 'small' sector in total value-added is large - some 35 per cent.

In Egypt, most car repairs are carried out in small establishments; they account for 65 per cent of the gross value-added generated by the industry. However, the rank in the Table may not reflect the true position of this industry; incomes are probably grossly understated by respondents consequently affecting the value-added total. But the number of establishments and employees may be fairly accurate.

With respect to the final group of small-scale manufacturing industries (i.e. 'grain milling' and 'spinning and weaving'), approximately one third of the grain-milling industry is small-scale, most of it in the rural provinces.

But the contribution of small-scale 'spinning and weaving' is exceedingly small; less than 3 per cent of the gross value-added generated by the industry. It may be necessary to emphasise that this very small contribution is because of the very narrow definition of the small-scale industries and hence only a small number of establishments fall within the bracket which accounts for this small gross value-added.

From the above discussion, the conclusion reached could be that the most interesting feature is the share of the 'small' sector in the total domestic production of certain goods and services: clothes, furniture, car repairs, and bread. In all these instances, the share of small manufacturing is as big as or greater than that of all large companies.

To interpret this situation and explain what determines this particular feature, Mabro and Radwan examined the economic factors behind the phenomenon. Thus, they suspected that in certain instances, the market is too small so that, although economies of large scale production may be potentially important they can not as yet be fully realised. In other cases, such as bread, these economies may not compensate for the extra costs of packaging, storage, and distribution that mass production entails. The small baker incurs few costs on these counts. The absence of serious competition from modern industry in relation to clothing is probably due to two factors; the price of labour and product differentiation. A ready-made garment is a close, but not perfect, substitute for the made-to -measure equivalent. The large-scale, more capital intensive factory production may not be sufficiently cheap on account of this very capital intensity to compensate the consumer for his loss of the made-to-measure advantage.

Thus, small-scale establishments and the characteristics of their operations seem to cater for the economic conditions of the population they serve.

In some instances, small establishments do not seem to contribute significantly to employment and the gross value-added, but they have a role to play as work force trainers. They account for a major part of the manpower training process sine "the work force in small manufacturing establishments composed of adult males (84.4 per cent). Children of both sexes - that is according to the census definition, all persons whose age is below 15 years - account for 6.1 per cent and adult females for 7.4 per cent of the work force."(79)

So far, we have examined the importance of small manufacturing establishments in Egypt within the limits of the restricted definition of a small firm as one in which 1-9 persons are engaged. It should be mentioned that the above analysis was based upon the rather out of date data which was available to the researcher. In fact, one of the main difficulties which faced and still faces researchers who studies or want to study any marketing or economic problem in Egypt is the lack of comprehensive, reliable and up-to-date data about the problem in question. This difficulty was remarked on in 1982 by the Mission of the International Labour Organisation to study "employment opportunities and equity in Egypt in the 1980s." This Mission was greatly hampered in its work by this difficulty. In its report, therefore, it presented some suggestions in this regard. Among them was that "industrial and agricultural censuses should be taken frequently and regularly for enterprises above a certain size, with matching surveys for small enterprises, publicly available with a minimum delay."(80)

Having made this point, the discussion turns now to examine the importance of the Egyptian small companies as defined by the current study.

2. The importance of small firms in view of the adopted definition

The above definition however, had some limitations as a measure of small size. Our definition of small establishments was based upon excluding handcrafts (which might fall in the 1-9 employees bracket) on the one hand, and broadening the definition to involve even what might be considered as large ones on the other. The justification for this perspective has been presented in the first section* of the present chapter, i.e. the over-populated country as well as the government manpower policies which result in very over-staffed companies.

In accordance with this definition, the role of the small establishments would be certainly magnified.

By way of illustration, depending upon the data derived from the four size classification adopted by Barbour[(81)] as representing all but very small establishments with fewer than ten workers, we can shed some light on the issue.

The author's four size classes are: 10-49 workers, 50-99 workers, 100-499 workers and 500 and over.

The national industrial structure, according to the above classification is shown in Table 3.3. What the Table tells us is the preponderance of small establishments in terms of their number and hence their percentage at the level of all Egyptian industries.

If the first two classes of size are considered as representing the small-sized company, small establishments obviously represent 82.5% of all Egyptian industries. In terms of persons employed, the contribution of small companies is 17%. Capital employed, however, is rather insignificant, its percentage being about 8.5%.

But the results will be different on the whole if the third class of size (100-499) is considered also as representing small enterprises. The national industrial structure according to this criterion is shown in Table 3.4. The Table indicates that small establishments make

* See: Section one of the present chapter, p.80

Table 3.3 Industrial Size Classes, All Egyptian Industries

Size Class	Factories Total	Factories Percent	Workers Total	Workers Percent	Capital(LE1000) Total	Capital(LE1000) Percent
I (10-49)	2,327	70.8	51,423	11.2	25,062	4.8
II (50-99)	384	11.7	26,605	5.8	18,152	3.6
III(100-499)	414	12.6	91,736	20.0	67,074	13.2
IV (500 +)	160	4.9	288,943	63.0	399,754	78.4
Total	3,285		458,707		510,042	

Source: K M Barbour, The Growth, Location and Structure of Industry in Egypt, Praeger Publishers, 1972, p 144.

Table 3.4 Industrial Size Classes, All Egyptian Industries

Size Class	Factories Total	Factories Percent	Workers Total	Workers Percent	Capital(LE1000) Total	Capital(LE1000) Percent
I (10-499)	3,125	95.1	169,769	37	110,288	21.6
II (500+)	160	4.9	288,943	63.0	399,754	78.4
Total	3,285		458,707		510,042	

Source: Compiled from data in K M Barbour, op. cit., p 144.

a sizable contribution to employment where their share of industrial workers is 37 per cent. Capital employed by them is not negligible. Its percentage is 21.6% of the total capital employed in all Egyptian industries.

These indices may indicate to what extent Egyptian small companies are important to the Egyptian economy in terms of employment as well as capital employed.

However, these are rough-and-ready indicators, since we realise that "all size structure of Egyptian industry varies substantially between types of manufacturing."(82) Hence, this figure must be regarded as merely the summary of a much more diverse situation that can be broken down in several ways.

Moreover, this analysis was based upon data derived from the documents of the Ministry of Industries in 1963. More recent data is required as a more adequate indicator for determining the relative importance of small establishments.

The available recent data, include the number of persons employed. They are classified principally under the headings of institutional (i.e. government sector, public enterprises, private sector, co-operative sector and the foreign and international sector).

A rough-and-ready analysis may consider the private sector as respresenting small establishments. However, a small number of the private sector companies must be considered large companies. On the other hand, a small number of the public sector companies must be considered small companies on all grounds. While there are some public establishments which can fall into the small category, the majority of the private establishments are in this category.

With respect to private establishments, Table 3.5 shows the situation in 1974. Of 116,926 private establishments recorded in the 1974 census with a total of 623,210 employees, 116,774 establishments had fewer than 100 employees, i.e. approximately 99.9% of total number of establishments and 116,916 establishments had fewer than 500 employees, i.e. almost 100% of the total employing 98.2% of total persons employed.

However, as explained before, the number of persons employed has not been rigidly determined as a measure of size within the manufacturing sector and for all industrial areas. Rather, it differs from industry to industry.

Thus, classification of small-sized and large-sized firms is in fact a matter of judgment. Nevertheless, number of employees used

Table 3.5 Employment and size characteristics of private sector establishments, 1974.

Size of Establishment by no. of employees	Establishment		Employees		Employees per Establishment
	Number	% of total	Number	% of total	
1- 9	113065	96.7	501100	80.4	4.4
10- 24	2572	2.2	39213	6.3	15.3
25- 49	923	0.8	30343	4.9	32.9
50- 99	214	0.2	14468	2.3	67.6
100-499	142	0.1	26902	4.3	189.4
500 +	10	-	11184	1.8	11184.4
Total	116926	100	623210	100	5.3

- = magnitude nil or negligible.

Source: CAPMAS, Establishment Census, 1974, in Bent Hansen and Samir Radwan, Employment Opportunities and Equity in Egypt, International Labour Organisation, Geneva, 1982, p 65.

Table 3.6 Distribution of employed population by institutional sector, 1976.

Institutional Sector	No. of persons ('000)	Sector Shares (%)
Government	1786.1	17.5
Public Enterprises	964.6	9.4
Private Sector	7335.8	71.8
Co-operative Sector	18.5	0.2
Foreign and International	5.0	0.0
Unspecified	100	1.0
Total	10210.0	100

Source: CAPMAS, Population Census, in Bent Hansen and Samir Radwan, op. cit., p 63.

here in general terms could be regarded as an approximate indicator of the situation.

According to the above criterion, using the number of persons employed as an indicator of the relative importance of small companies, Table 3.6 shows that public enterprises have accounted for only a small percentage (9.4%) of total employment while the private sector has accounted for the most significant share of employment in the total economic activity. This share has amounted to 71.8% in 1976. Government has accounted for 17.5%.

This is however, a very rough indicator of the importance of the private sector and hence of the small companies in terms of employed population. Therefore, a more detailed picture of public and private sectors is required. A breakdown of employment in the two sectors and by economic sectors is available for the year 1979. Table 3.7 shows that while the private sector dominates in agriculture, trade and finance and housing, and plays an important role in manufacturing and social services, the public sector dominates in mining, petroleum, manufacturing, electricity, construction, transportation and communications, public utilities and social services. For construction, however, the predominance of the public sector seems to depend upon sub-contracting being counted as public employment. Including sub-contracting, the private sector accounts for about two-thirds of the employment in construction.

With respect to the manufacturing sector which has been the primary concern of the present inquiry, it is noted that in 1979 the contribution of private firms to the number employed in this sector was 525,900, i.e. over 40% while the share of the public companies was 787,400, i.e. about 60%. Thus, the importance of the private sector and hence the small establishments within the manufacturing sector is quite considerable.

In general, the role of small manufacturing establishments may now be more clearly perceived. Their complementarity to the large companies is in the market for final consumer goods. The industrial structure of the small and large companies is related to the stage

Table 3.7 Public and private employment by economic sector, 1979 (thousands).

Economic Sector	Sector				
	Public	%	Private	%	Total
Agriculture	112.6		4051.3		4163.9
Mining	25.6		8.5		34.1
Petroleum	21.3		-		21.3
Manufacturing	787.4	60	525.9	40	1313.3
Electricity	60.2		-		60.2
Construction	528.3		100.9		629.2
Transport and Communication	352.8		153.3		506.1
Trade and Finance	172.7		979.3		1152.0
Housing	12.8		142.2		155.0
Public Utilities	64.0		-		64.0
Social Services	1750.0		845.4		2595.4
Total	3887.7		6806.8		10695.5

- = magnitude nil or negligible.

Apparently including all subcontracting from private sector.

Source: Ministry of Planning, Estimates, in Bent Hansen and Samir Radwan, op. cit., p 63.

of industrialisation attained, the market factors and the economic conditions under which the very large companies cannot as yet embark upon the production of certain goods because factor-prices and the size of market favour very labour-intensive, small-scale production. The existence of these small-scale activities bears witness to the significance of income constraints (which effect both relative factor prices and size of markets) on Egyptian industrialisation[83].

Moreover, since a main problem facing the Egyptian economy is the lack of foreign exchange where "the economy has been almost entirely dominated by foreign exchange shortages",[83] the contribution to exports is then needed to cover the deficit in the balance of goods and services and to service existing debt.

In this regard, the available data indicates that the contribution of the private establishments (and hence the small firms) to exports was L.E.44.2 million in 1978, while the share of the public-sector companies in the total exports value was L.E. 319.7 million in the same year.[85]

Thus, a relatively small but very important contribution is being made by the small establishments to the coverage of the growing deficit in the balance of goods and services.

A sustained expansion is now being made by the government in the private-sector area "because such firms have relatively greater potentitals than public sector companies for expansion of output at relatively modest national cost.... The government has announced that it is preparing to sell shares in selected public companies to the private investors".[86]

However, many of the foregoing claims are dubious, at the very least, and are expressive of opinions which are far from being commonly held. But they do point to some of the reasons why small firms in Egypt are important to the economy, and why their operations and problems are worthy of study.

Having identified the nature of small companies in Egypt in terms of their definition, characteristics, ideological-acceptability within society and importance to the economy, it is appropriate now to shift our ground to discussing marketing status within these companies. This will be the task of the next chapter that will be divided into two sections. These are:

1. Management status in Egyptian small firms, and

2. Marketing status in Egyptian small companies.

Summary and Conclusion

In this chapter, the discussion was mainly concerned with the nature of small companies in the Egyptian society. To do this, section one attempted to develop the definition of a small company. For this purpose, consideration was given to the definition of small companies with reference to the international point of view, i.e. according to the views of the United Nations and typical western advanced economies and finally, from the Egyptian point of view. However, this attempt suggested that the term 'small' is a relative one. There are no specific statistical criteria for the definition of small business. Moreover, it is not wise to lay down particular criteria. Instead, it is more productive to consider the context and nature of small firms.

The discussion therefore, extended, in section two to deal with the characteristics of small companies with reference to developed countries as well as the Egyptian economy.

The discussion included also the ideological acceptability of small companies within society and the importance of small manufacturing establishments to the economy.

With reference to the former point, section three referred briefly to the attitudes derived from Capitalism, Socialism and Islamic teachings.

The latter point was included in section four which dealt with advanced economies, under-developed economies and the Egyptian economy in particular.

By the end of the chapter, it can be concluded that one of the significant characteristics of small companies (i.e. management and ownership independence) has not been guaranteed for Egyptian small companies whether in the publicly-owned sector or in the private sector. However, after the adoption of the economic liberalisation policy (i.e. the economic open-door policy, by Law No. 43, 1974) leading to the re-distribution of economic organisations and relaxation of the control imposed on company managements, it seems that Egyptian small companies have been gradually regaining management independence.

Another conclusion derived from the discussion is that ideological acceptability of small companies within the Egyptian society has been secured since Egypt is an Islamic country. Small companies therefore, must be an integral part of the Egyptian economy on the grounds of ideological considerations as well as economic necessity. The small company sectors, especially the manufacturing establishments, have a significant part to play in the economic life of Egyptian society.

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CHAPTER FOUR

The Nature of Marketing in Small Companies: The Egyptian Situation

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Introduction

The main purpose of this chapter is to explore the status of marketing in small companies in general and in the Egyptian environment in particular.

In this connection it is acknowledged that since the status of of marketing in any firm, regardless of size, is, to a great extent closely related to management status, an investigation of such a subject requires taking into consideration the basic functional relationships between the marketing phenomenon and its managerial environment. In pursuing this aim, the discussion in this chapter will be dealt with in two sections.

The first section deals with management status in small firms in the Egyptian situation. A general overview of the position of management in small companies will be presented emphasising the nature of the problem in the Egyptian context at both the macro and micro levels.

The second section is devoted to a discussion of the status of marketing in small companies with particular reference to the Egyptian situation. It begins with a broad review of the issue in which the general theoretical dimensions of the subject are discussed. Finally, it deals with the question in relation to Egyptian small companies.

SECTION ONE

Management Status in Small Firms

Introduction

It has been argued that "the success of business depends upon the effectiveness of management decision making and action. Managers, and only managers, provide the required guidance and leadership."(1)

In considering small business establishments, though empirical evidence to prove that systematic management techniques enhance profitability is scarce, data on small business failure seem to indicate that this is caused by poor management including marketing management. For example, in 1977-78, 55 per cent of the small business failures in Canada were attributed to poor management, (particularly in the marketing area), i.e. deficient book-keeping, inadequate inventory control, and lack of market data. The result was that in 1980, 18 per cent of small firms in Canada were forced out of business.(2)

It follows that an understanding of the nature of management attitudes in small firms is essential for the proper examination of marketing status in these establishments.

The overall purpose of this section therefore is to investigate and explore the status of management in small companies in general and in the Egyptian environment in particular, bearing in mind that marketing management in any business enterprise is a major part of the management function which is affected by both the external and internal (within the firm) managerial climate, attitudes, and behaviour. This being so, the issue should be examined at two levels: the macro level, i.e. that of society or the economy as a whole, and the micro level, i.e. that of individual firms. Although the dicussion must be concerned chiefly with the problem in Egyptian small enterprises, the analysis should be comprehensive enough to admit some useful comparisons with the theoretical standards of the developed Western societies. We cannot however deal with the problem in detail here since detailed analysis of it is certainly beyond the limits of this thesis.

Nevertheless, the relationship of this issue to Egypt as an Islamic developing country will be concentrated on to some extent in accordance with the general spirit of this enquiry.

Consequently, this section has been organised to provide discussion of a number of points. Some of these points have dealt with some general theoretical dimensions as a logical and basic introduction to our main subject. These are:

1. Managerial climate and marketing status; to clarify the relationship between external and internal (within the firm), managerial climate and the status of marketing in any business establishment.

2. Management and firm size; touching on the need for effective management in different sizes of organisation.

3. Productivity and size of firm; examining the pattern of productivity in its relation to a firm's size.

4. Management culture (attitude) in small firms; as a central factor to which the performance is related and by which it is restricted.

Other points have to be dealt with relating to the managerial environment of the Egyptian small companies as they have been considered the final aim of this study. These additional points include:

5. The Egyptian management climate (a macro outlook); outlining the setting of management in Egypt at the macro level, in order to identify adverse factors as well as the favourable elements. Thereafter, the Islamic point of view will be considered.

6. Egyptian management (a micro outlook); examining the management situation at the micro level, i.e. individual Egyptian firms. In so doing, the discussion is concerned with the attitudes of management in Islamic firms in an attempt to determine their characteristics and provide a proper understanding of relevant Islamic teachings. Thereafter, the disucssion touches on the historical background of unskilled Egyptian management.

1. Managerial Climate and Marketing Status

Before dealing with the status of marketing in both small and large companies, management status in such companies should be examined. This sequence is adopted because the marketing problem in any business firm is related to a number of specific environmental factors and hence should be explained in relation to those specific variables, among which management status features prominently.

This view can be defended on the ground that the extent of the adoption of marketing in any country or a particular sector in that country, is a function of certain environmental factors prevaling within the country or a particular business section of the country. "Hence, there is a need for a comprehensive analysis of the functional relationships between the marketing phenomenon and its environment."[3]

In terms of the individual firms, every firm, in shaping its marketing strategies and policies is dominated by a number of internal and external factors. These factors as Wilson[4] suggests, are grouped into two categories namely, controllable factors and uncontrollable factors. The controllable factors "are termed 'strategies' and are dominated by management. A firm's pricing policy, the range of products it offers, and its forms of promotion are examples of such factors that are entirely within the control (subject to legal constraints) of the firm itself.

The uncontrollable factors are termed 'environments' or 'states of nature' and represent those variables that are independent of the firm's control (such as competitive actions, political events, movements in commodity prices, and so forth)."

Consistent with this view is Attia's[5] argument pointing out that "while the philosophy of marketing concept makes it a matter of survival for the firm to solve the problem of how to harmonize its objectives and resources with opportunities found in the market place, the nature of the marketing problem and the external environment of the enterprise impose certain constraints and make it more difficult for management to apply the marketing concept."

On this issue, Kotler[6] has more recently expressed the view that "no firm can afford to ignore the changing times. An organisation's performance in the market place is the matter of the degree of alignment between the organisation's environmental opportunities, objectives, marketing strategy, organisational structure, and management systems."

The managerial climate therefore may be considered as one of the direct influential factors in the creation of marketing problem and attitudes.

Among five factors claimed to produce the process of adoption (and consequently the adoption of modern marketing concepts and techniques), Abu Ismail[7] has identified four managerial variables in addition to the availability of innovation. These are:

First, "the compatibility of the organisational structure and the managerial procedures by which each new idea is conceived, evaluated and adopted or rejected.

Second, the tendency of top management to give sufficient consideration to the practices which enable the firm to cope with the ongoing changes in technology as well as in managerial techniques..... .

Third, the availability of an integrative system for co-ordinating the marketing and R & D activities; this system if used effectively enables a company to understand the users' needs and desires, devote greater resources to the aspects which enable it to meet these needs.

Fourth, the personality characteristics of decision makers and, in particular, the impact of creativity on rate of adoption of an innovation."

The quite direct relevance of marketing to management has been again expressed by Kotler[8] when he pointed out that "strategic marketing process must be seen today in the context of the strategic management process to describe the steps taken at the corporate and divisional levels to develop long-run master strategies for survival and growth. The term strategic marketing process will describe the steps taken at the product and/or market level to develop viable marketing positions and programmes. The strategic marketing process takes place within the larger strategic management process of the corporation."

It follows that the nature of the managerial climate in Egypt may be expected to exert its influence on the status of marketing in the country and hence, in the small companies in particular.

Having accepted the interdependence between the status of marketing and the managerial attitude within society and inside the firm, our analysis of the status of marketing in the Egyptian small companies is not concerned with this problem in isolation but also with the Egyptian management problem in general as a direct coherent element of the marketing infrastructure in Egypt as elsewhere.

2. Management and Firm Size

A definition of management is of urgent importance since too many people arguably have misconceptions concerning the nature of management deriving from several different sources. Hence, many attempts have been made to identify and define what might be meant by the term management.

Of several definitions presented by scholars, two definitions may suffice the purpose of this research.

In its popular and general meaning, management has been defined by Broom and Longenecker,[9] as the process that "consists of all activities undertaken to secure the accomplishment of work through the efforts of other people. Hence, it is an art, although it makes considerable use of scientific method in the analysis of current problems and in planning for the future of the business. The process of management consists of performance of certain essential functions. These are planning, organising and staffing, actuating work accomplishment and controlling."

Following a market orientation view, Kotler[10] defines management as "the entrepreneurial agent that interprets market needs and translates them into meaningful products and services. To do so, management goes through a strategic management process and a strategic marketing process. The strategic management process consists of the steps taken at the corporate and divisional levels to develop long-run strategies for survival and growth. This process provides the context for the strategic marketing process which consists of the steps taken at product and market level to develop viable marketing positions and programmes."

Good management, however conceived, is absolutely fundamental to successful business since much of the productivity problem is management's. In the late 1960s, a report entitled "The Technology Gap", argued that the answer lay not in a better labour force or more capital investment, but in the quality of top management.[11]

This requirement of good management applies equally to small and large concerns and is independent of a firm's scale of operations. Hence, the small entrepreneur must effectively perform the same general functions as the executive in a large firm.[12] All management functions are as necessary and, when well done, as effective as that done by big business.

However, as Steinoff[13] argues, although "the same principles of business management apply to the largest firms...... as well as to the smallest, this does not mean that a principle should be adopted uniformly in all cases, but that principles should be adapted to the particular needs of a firm." That is true provided the nature and scope of the problems are rather dissimilar.

"Nevertheless, the fundamental truths of business management must be recognised regardless of size. Division of labour and ability to delegate responsibility are cases in point."(14)

Armed with insights from the aforementioned discussion, one may reasonably argue that management functions and principles are as applicable to small firms as to big corporations. Good management is also of urgent importance to small enterprise so much so that a Small Business Administration (SBA) official in Boston was prompted to say "money is not the main problem any more, it is management assistance that is needed."(15)

Many small business failures may be attributed to causes associated with inadequate management. This, as Young(16) pointed out, "stresses the importance of management but it does not suggest that small businesses are necessarily less efficient (or productive) than big corporations."

3. Productivity and Size of Firm

Before deciding on the relationship between size and productivity it may be useful to outline briefly the way in which organisational productivity is conceptualised and hence measured. This however, varies considerably from one author to the next.

In the popular belief, productivity comprises two concepts: efficiency and effectiveness. This view is based on the perspective that differentiates between the concept of efficiency and the concept of effectiveness. In this regard, Drucker(17) believes that "efficiency is concerned with doing things rights" while "effectiveness is doing the right things."

Another view may see no great distinction between effectiveness and efficiency and hence productivity efficiency and effectiveness may be considered as synonymous.

In any event, the concept of producitivy is notoriously difficult to define in terms of the broad spectrum of economic behaviour. Hence, it is usual for one to choose a definition of productivity which is acceptable for a particular purpose.

However, only the criteria that seem to be consistent with the business philosophy adopted in the second chapter of this thesis will be dealt with here; that is the need for a balanced relationship among sellers, buyers and outside parties in addition to the employees.

According to the spirit of this philosophy, to become productive, an organisation must fulfil the needs and demands of its employees, its owners, its customers, and the relevant members of the society in which it operates.

The relative productivity of small companies

It has been reported that "in many parts of the business world there is a presumption that in some way 'bigness is better'. The long history of anti-trust legislation in the United States, and to a much more limited extent in Britain, would suggest that the proposition is far from being self-evident. If the economy as a whole has a given bundle of resources to allocate, then the question of relative efficiency (productivity) between large and small scale business is of crucial importance for economic policy."[18]

In this regard, Wittnebert[19] suggested "contrary to popular opinion, big business is no longer much more profitable than small business; since 1960 it has been fast losing its margin of superiority and has in fact already fallen behind small business in some respects."

Thus, based upon a single criterion, i.e. profit, which represents the onwership's view only, the author referred to data which suggested that large coprorations (on the basis of owned assets) have suffered declining profit performance since 1960, while smaller companies have enjoyed improving results whether judged by the criterion of return on sales or that of return on equity.

It seems that the criterion used by the author to assess the relative productivity of large and small companies might not be compatible with the business philosophy adopted by the current study, i.e. the philosophy which considers not only the organisation's interest but at the same time the interests of buyers and society as a whole.

However, profitability may be considered in the long-run as the result of attaining the goals of the adopted business philosophy. In other words, the right method for the organisation to achieve its objective in profit or any other objectives, is to generate customer satisfaction and long-run consumer and societal wellbeing as the key to satisfying organisational goals[20]. Profitability in the long-run for this reason may be looked at as roughly representative of our criteria in this study.

Another more recent empirical research effort concerning the size-efficiency relationship was conducted by Todd.[21] The study is specifically concerned with the relative efficiency of large and small scale business enterprises.

Based on profitability as a criterion for measuring a firm's productivity, the study summarises some evidence on the relationship between profitability and size of firm in both the United States and the United Kingdom. The conclusion reached in this regard is that "in almost every case the evidence seems to indicate that when deficit companies are included in the sample, then profitability and size of firms are independent or at least, if any association is found, then it is very weak. When positive income companies only are considered, then a weak inverse relationship between size and profitability is deserved. In all cases, the variability of profits is higher in the smaller size classes."

Having considered that the inclusion of deficit companies in the sample made it more representative, then the independence of profitability from a firm's scale of operations seems to suggest that size is not in itself a determinant of profitability and efficiency (productivity).

Based on criteria similar to those that were adopted for measuring a firm's productivity, an attempt was made by Lender and Pickle[22] to survey ninety-seven small business organisations and their relevant societal components in order to explore the extent to which the organisations fulfilled the needs of those components.

The findings of this study indicate that there are only a moderate number of relationships between the degree to which the organisation concurrently fulfills the needs of its internal sub-system components and the components of its larger society. Concurrent fulfilment of the needs of the five societal components is also of a rather low magnitude. Since the relationships between internal and external criteria of organisational effectiveness (productivity) were relatively weak, the relationships among the several external criteria were of interest, as well as those between external criteria and owner fulfilment and organisational size.

Perhaps one of the most direct links leading to goal attainment is that between the owner and customer of the organisation. Organisations in which owner needs are fulfilled are also those in which customer fulfilment is high. The tempting conclusion is that the successful organisation (for the owner) is one which satisfies customer needs also.

The key result utilised here is that the ability of an organisation to fulfil the needs of societal components is related to the size of the organisation. That is, the larger the organisation (in number of employees), the more likely it is to fulfil the needs of its community, its owner and its customers. On the other hand, the smaller the organisation (in number of employees), the less likely it is to fulfil the needs of its community, its owner and its customers.

However, the authors warn that one must consider this result within the selected limits of their study which was restricted to organisations with less than forty employees. In organisations with many more than forty employees, it is probable that the size-fulfilment relationship becomes asymptotic. Similarly, increments in size may produce decreasing gains in societal fulfilment.

Crystallising size-productivity relationship

On the whole, the foregoing discussion suggests that size-productivity relationship can be regarded as following one or other of three trends:

First, a positive, uniform, relationship between productivity (efficiency) and firm size; that is the trend of productivity is closely related to the size of firm. In other words, the larger the company the more likely it is to be productive.

Second, an inverse relationship between productivity and size; that is, the smaller the company the more likely it is to achieve greater productivity.

Third, the trend that suggests a neutral relationship between size and productivity; that is to say productivity and size of firm are independent, or at least, if any association is found, it is very weak.

The researcher tends to believe in the third trend and hence argues that size is not in itself a determinant of a company's productivity.

This argument has been pointed out even by some presenters of the second trend that suggests an inverse figure of relationship between size and productivity.

In this respect, Wittnebert(23) has concluded his article 'Bigness versus Profitability', by stating "yet this discussion does not point to corporate size by itself as the decisive factor in profitability" (and consequently, productivity). Thus, the author does not think that the conclusion can be so simple and definite. Rather, the key question seems to him to be how a corporation operates and is structured.

This again emphasises the crucial significance of good management to all sizes of companies.

What is really needed

Having accepted the importance of good management for the success of any size of company, the central question that arises relates to the main factors that lead to effective management.

In considering American management productivity, McNamara[24] recently attempted to deal with this question by pointing out that the "central need is not to fine tune an existing management system with cosmetic improvements, but to change both management-worker relationship and overall company culture."

The author added that "what is clearly required is an overall philosophy and management system to help ensure a more rational and disciplined methodology for allocating managerial resources at the operational level."

Given then the significance of management culture as a key to changing a company's performance and to increasing overall management productivity, what particular management culture is likely to be found in small firms that points to the problem of the management attitude in small companies?

4. Small Firms Management Culture (Attitude)

In its simple meaning, culture is defined as "the behaviour patterns and values of a social group. These are patterns of belief and behaviour that have been learned from other members of society ..... culture is often described as custom and it includes not only actions but also ideas and manufactured objects called artefacts."[25]

In the context of that definition, some people consider that a good culture is lacking in small companies. Most small company failures are related to weaknesses in basic management culture rather than to other technical or financial factors.

Thus, small companies in Foster's[26] view, do not fail through lack of efficient techniques or non-availability of funds so much as through totally misplaced basic attitude.

The problem of 'attitudes' as Young[27] suggests, "looms large in small business literature. There is a general acceptance by writers that the prevailing culture - that of a 'day-to-day' attitude of mind - is not conducive to survival and success."

This suggests that management time and ability are absorbed by daily affairs, but does not mean that their long-range problems are not pressing. Many owner/managers have no great wish to delegate some of their authority or responsibility to some of their qualified assistants. A management hierarchy in this context "may mean that 'outsiders' have to be trusted with the performance of tasks traditionally carried out by the owner himself who will then concern himself more with co-ordination of the efforts of the various people operating in management positions."[28]

However, the problem of management attitudes looms large even in literature about big corporations in some respect or other. Subordinates' attitudes as well as the manager's behaviour and attitude are important in successful delegation of authority.[29]

Management attitude and behaviour are derived from management philosophy which is looked at as that which "comprises a set of guiding principles which, in turn, provide a basis for managerial thinking and decision making. From it derive mangement's objectives. Policies and enterprise strategy must then be formulated by the entrepreneur for attainment of these objectives.

Since a management philosophy depends upon a manager's personal beliefs, the entrepreneur must create his own philosophy. Only then will it be truly meaningful for him."[30]

In this regard, the owner/manager of the small firm in Western societies has been characterised by much of the writing in the field of management as an archetypal capitalist, holding a strong belief in the values of the Protestant Ethic, whereas research in the United States suggests that only approximately 10% of all owner/managers conform to this stereotype.[31]

However, the management problem in Egyptian small companies appears to be rather different from that in the West whose conditions have been dealt with in the earlier discussion. Apart from the general dimensions of the problem, there are extra dimensions created by the environmental factors prevailing in Egyptian society. These factors were considered as exerting their adverse effects on the problem within small companies (as well as large corporations). This issue will now be dealt with at the macro and micro levels.

5. The Egyptian Management Climate (A macro outlook)

So far, we have dealt with some general theoretical, standard dimensions of the phenomenon under investigation, i.e. management status in small companies.

Examining the issue in the Egyptian context, one is required to realise that comparative management, as Donnelly[32] reported, deals with problems of management in various countries seeking to "detect, identify, classify, measure and interpret similarities and differences."

In this regard, several scholars have attempted to develop models for the analysis of management, taking into consideration the influence of the external environment.

The external cultural environments have been recognised as influences on the practice of management. Thus, the model developed by Farmer and Richman[33] has attempted to identify the effect of cultural factors on the various management functions. The authors have divided the external and environmental constraints into four classes: educational, sociological-cultural, legal-political and economic.

The comparative method, as Boddewyn[34] pointed out, focuses essentially on how things are, rather than on how things could be (as in policy making) or on how they should be, the 'principles' approach.

However, to be meaningful in our view, the analysis here must be comprehensive enough to include not only reference to the practical situation of Egyptian management but also consideration of how it could and/or should be.

The discussion will extend to involve the two levels: the macro and micro levels since we are aware on the one hand of the interplay between the management position in individual companies and the national managerial climate and on the other, of the interdependence between them and marketing status.

It is worth pointing out that the relevance of this analysis is not confined to a particular size of firm. It is mostly independent of a firm's scale of operation so that it is applicable to both large and small-sized firms.

The situation

There is some evidence that Egypt has had a prominent role in management since the dawn of history and some scholars have given examples of the emergence of managerial practices initiated by some Egyptians in the field.

For example, Steinmentz and Todd[35] reported that "some of earliest records of supervision are those made by the builders of ancient monuments in Egypt."

Though the authors pointed out that "the origin of supervisory thinking at least as it relates to the behavioural side of managing people, can not be dated", they suggested that "certainly when the Egyptians were building pyramids, ..., the people who were responsible for constructing these monuments had supervisory and motivational problems."

In today's Egypt however, there is ample evidence that Egyptians have never utilised the management heritage developed by their ancestors. That can be illustrated from the available literature dealing with the management setting in Egypt where the transformation to the so-called 'Arab Socialism' is said to have produced "ideological ambiguities, constant political shifts and unfavourable economic and social conditions impose severe limitations on the role of managment."(36)

However, it is not possible to go into excessive detail about these problems. However, even although such issues are beyond the scope of the current research, it may be considered that the ideological ambiguity of 'Arab Socialism' is worth at least noting in view of the fact that it represents a key management problem, in many cases responsible for other problems to some degree or other.

Ideological ambiguities were introduced at the very beginning of the formulation by the revolution leadership in 1952 of the new economic and social doctrine, i.e. the 'Arab Socialism'.

The new doctrine was so ambiguous that it was described as "a complex melange of Islamic egalitarianism, Eastern political tradition, modern social democracy, latter day anti-colonialism, and a dash of socialist orthodoxy."(37) Its boundaries in fact, have never been operationally specified. In this respect, perhaps the best way to describe the ambiguity of Egypt's road to 'Arab Socialism' as Rachid(38) suggests, is to quote President Nasser's words: "we have no written book entitled the Socialist Democratic Co-operative Society, it develops as the years and days pass by."

"The problem, however, is that this ambiguity has become an integral part of Egyptian political thinking."(39)

Within this context it has been impossible for political leadership and hence for managers to have clear viewpoints, strategies and policies which are predetermined by a clear and distinctive ideology. Additionally, the ideology must be consistent with people's beliefs and faiths. This is an effective tool by means of which managers can stimulate their subordinates and get their cooperation in the implementation of work planned in the light of the people's ideology.

In fact, 'Arab Socialism' was not different from socialism professed by most under-developed nations in so far as it meant public ownership of the means of production. Even if we ignore its ideological ambiguities and their unfavourable results, 'Arab Socialism' still suffers from severe problems in practice regarding management and efficiency of production. That is the problem of most under-developed nations practising socialism.

In this respect, Livingstone[40] stated that "few, however, practise socialism very successfully, in terms of efficient production.... The hard fact, however, is that it is exceedingly difficult to run efficiently the vast machinery of control and planning on which public ownership depends, and this difficulty is greatest when, as in most under-developed countries, the administrative machine is relatively primitive."

To the previous conditions some characteristics of Egyptian management are attributed. Among its most significant features are the following:[41]

1. Bureaucratic. This is perhaps the best known of all features. Daily newspapers and magazines are filled with stories about delay in making simple decisions. Political leadership was confronted by a severe shortage of well trained, yet loyal managers to run the newly created public organisations. Thus, some bureaucrats from government were selected to assume managerial positions in industry and government sectors.

2. Ill-trained. Lack of proper training caused the Egyptian manager to be subjective and opinionated and this reinforced his bureaucratic tendency. Also, it led to many problems in setting production and pricing policies in a wide range of activities.

3. Disoriented. An everchanging priority system, combined with the absence of a long-range vision of the country's future, and the relative instability of government policies, contribute greatly to the disorientation of management.

4. Neglect of human resources. Though Egypt's labour force is relatively better skilled than those of most Arab and Third World countries and hence represents a great asset for development, several studies have concluded that management pays little or no attention to the industrial relations function in their organisations.[42]

Thus, Egyptian industry, with its two types of companies, namely: large and small as defined earlier, met its fate. Bureaucratic management mentality, ill-trained staff, disorientation in planning, and neglect of human resources proved to be fatal,to the Egyptian economy.

Three main problems are still worth pointing out. One of them has been hinted at earlier under the subtitle 'bureaucratic', i.e. unskilled managers. The second problem is related to the economic organisations. The third is overstaffing.

1. Unskilled management. This is perhaps the earliest result of the practice of 'Arab Socialism'. The outcome of socialism as practised in Egypt and elsewhere was witnessed by the creation of public organisations (public ownership). "The result is that such organisations (in Egypt and the other countries practising socialism) have been run by executives who, while acceptable to the political group in power, may have little real grasp of what, for example, marketing is all about."[43]

The bureaucratic management mentality which had been introduced into public organisations proved to be fatal to the economic order. Thus, the problem of unskilled management is considered to be of the utmost importance. It may be the most significant factor in the shaping of managements' position in Egypt today.

Worthy of mention, in this regard, is Livingstone's[44] example of today's management situation in Egypt. After suggesting that the major problem with nationalisation movements is frankly a matter of personnel, where managerial talent in particular is in short supply and such talent as there is may not be experienced or suitable, he exemplified the situation best by stating that "one example may illustrate the point. At the time of take-over of power by President Nasser in Egypt in the early 1950s Egyptian industry was small and privately owned. One of the first moves in the new Arab Socialism was the virtual expropriation of these companies and the expulsion of the owner managers. Where then to find any managerial talent? There were two sources: the small group of intellectuals mostly in education who sympathised with the new ideas, and the Army which had overthrown the former King and his immediate successor. If anything the intellectuals were even worse suited to run competitive industry than the officers. Soon there were tales, hilarious or tragic depending on one's point of view, of some of the new executives. One Colonel of Artillery, it was alleged, was promoted, retired and appointed to run a newly nationalised factory. He spent most mornings of his adult life inspecting his guns: now he inspected his machines and disciplined workers who had contrived to get them dirty. It is not surprising that President Nasser's successor discretely reversed his economic policy."

2. Economic organisations. These organisations introduced a multiplicity of controls within and without individual companies. This was reflected in the hierarchy which prevailed prior to 1975. Thus, "public enterprises in Egypt were from 1961 to 1975 subordinated to 38 general organisations (generally in accordance with the category of product) which closely supervised and controlled each single enterprise down to the most minute details. This period witnessed an overall collapse of management efficiency in the public sector (and also in the private sector), with government bureacracy increasingly restraining and substituting enterprise management proper."(45)

After the adoption of the open door economic policy, a new organisational system was introduced under law No. 111, 1975. The purpose was to re-establish efficient management. The 'general organisations' were redistributed into 23 sectors.

Each sector is headed by a higher council made up of Ministry and company officials and outside experts. The main function of the council is to provide overall planning and co-ordination while leaving decisions regarding production, investment and the like (e.g. marketing functions) to the Boards of Companies.[46]

3. Overstaffing. The Egyptian public sector has been plagued by overstaffed organisations since the 1960s.

A study by the General Agency for Organisation and Administration (GAOA) found that about 450,000, i.e. 2/3 of government employees have little or nothing to do.[47]

Despite indications of some improvement during the past few years, overstaffing remains a serious problem.

Although available data do not permit comparative studies of productivity in large and small enterprises, a special study of public enterprises in the textile industry (the Warner Report) demonstrated that, using mills in Europe with machinery of an age and type equivalent to that in Egyptian mills as the standard of comparisons, Egyptian public enterprises operated with excess labour of about 80 per cent in spinning, weaving and knitting, 70 per cent in finishing and 80 per cent in making up. Machine productivity was also low by European standards and improvements of 15 per cent in spinning, 20 per cent in weaving and knitting, 30 per cent in finishing and 50 per cent in making up were thought feasible. This indicates that the problem relates less to technical management side than to personnel.

The very low labour productivity is, of course, partly related to the lower educational and training standards in Egypt, but much of the problem is probably due to overstaffing forced upon the enterprises by government policies of the past.[48]

The significant challenge presented by the problem suggests that unless it is tackled in many ways, e.g. wage reform, retraining programmes for government employees and reform of the education system it is hard to see how the country can continue to live with the employment guarantee for graduates in force.[49]

Despite the previous evidence, overstaffing, as viewed by some, was not considered a manpower problem. In this regard, Ashmawey[50] argued that manpower in Egypt is not a problem of surplus or shortage. Rather, it is essentially a problem of improper preparation, estimation, distribution, and use, and here lies a great task for the Egyptian manager.

However, one can hardly deny that new measures and policies were required to deal with the previously mentioned problems to promote management improvement and efficiency in production. So, it is not surprising to see some evidence that public enterprises have performed reasonably well under the new economic open door policy. This suggests that the efficiency problems of public enterprises have in the past been the consquence of specific controls and regulations imposed upon enterprises by the government for macro-economic purposes, such as budgetary expediency involving political and bureaucratic interference with daily management, and continuously changing organisational and legal prescriptions for management. With such obstacles to efficient management removed and allowed to compete on equal terms, there is no reason why Egyptian public enterprises (and private firms) should not be able to compete with foreign business.[51]

This was probably a hard fact kept in the mind of the new political leadership. Hence, the economic open door policy had to be continued. In his first speech to the Parliament after being sworn in, President Mubark gave explicit assurances to continue the 'open-door' economic policy and stressed the need for more productive investments.[52]

It may appear that the foregoing discussion has dealt with the management problem in its relation to the public sector companies in particular. However, private sector companies have experienced several severe problems resulting from many governmental measures and regulations imposed upon them, deriving from an unfavourable government atttitude towards these enterprises, thus creating an undesirable managerial and operational climate.

Implication

On the whole, the key question to be asked is related to the implication of the managerial environment in Egypt in terms of marketing. As mentioned earlier, elements of the marketing problem of small companies (as of those of large corporations) are affected by the interplay between individual firms and the managerial environment.

Since General Organisations in Egypt has closely supervised and controlled each single enterprise down to the most minute detail and tended to emphasise centralised decision making where all decisions regarding production, investment, pricing and the like were the responsibilities of the General Organisations, the scope and content of the controllable factors were reduced. Most elements of the management problem were transferred to macro managerial authorities (the General Organisations). This situation continued to exist even after the introduction of Law No. 111, 1975 which introduced a new organisational system with the intention of re-establishing efficient management. Accordingly companies' managements have in principle all the authority needed to perform the functions which are required to achieve the firms' objectives. In practice, however, intervention on the part of the government for the purposes of the macro-economic policy has deprived public enterprises of most of their autonomy in respect of pricing and production, investment and the like.[53] The marketing problem in particular was very much affected by this interdependence because marketing problems are highly inter-related with the external environment. They have strong relationships with the conditions of the business environments, and hence, they were only minor managerial functions within individual firms (whether large or small) since they were supervised or transferred to the General Organisations.[54]

Furthermore, there is evidence that both micro and macro-managerial authorities have paid little or no attention to marketing. They tend to neglect it in favour of production and investment.

In the second section of the present chapter, the status of marketing in the Egyptian small companies will be investigated in order to establish how these enterprises received and reacted to marketing concepts and techniques.

Before proceeding to discuss this subject, it is necessary to outline the Islamic point of view regarding the Egyptian management to indicate what the tendency ought to be. Then, the issue will be reviewed at the micro level in order to identify management attitude and behaviour in individual Islamic firms. In this respect, the available literature on management behaviour and mentality in Islamic firms in Egypt and elsewhere will be reviewed and the situation will be interpreted by providing some reasons for the phenomenon as well as presenting the Islamic point of view.

Egyptian Management: The Islamic Point of View

In considering the Islamic point of view, it can be argued that the economic ideology (i.e. Arab Socialism) and the events which followed its introduction produced a situation in which the managerial and organisational systems prevailing in Egypt prior to 1975, were far from meeting the guidelines provided by the Islamic doctrines. This ideology was discussed in some detail in the previous chapter*. It appeared that the ideology was not related to the premises of the Islamic teachings. Additionally, it was concluded in the aforementioned discussion in the current section that the managerial climate created by the ideology and its implications was found to be unfavourable and caused serious problems.

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* See Chapter Three, pp. 97-102

Hence, another consequent argument to be raised in this context is that re-distributing managerial elements at the macro-level in accordance with the Islamic doctrines may contribute to the creation of favourable management conditions which in turn would contribute to raising the status of marketing.

In this regard, the new open-door economic policy and the re-establishment of organisational system may be considered, in principle, as a first step in this tendency. Further steps are required to capture the Islamisation of the economy. Thus, more managerial freedom and development in individual firms, favourable governmental attitude towards private-sector companies, and first of all, an appreciation for marketing concepts and techniques are urgently requested.

6. Egyptian Management (A micro outlook)

For the purpose of the current inquiry, Egypt has been considered as one of the Islamic developing countries which possess distinctive marketing characteristics. This is not the first time that Egypt and other Islamic countries have been regarded in terms of a separate market category.

To illustrate this point, Islamic countries within the context of international business, have been viewed collectively by a number of scholars as constituting a separate market with specific characteristics reflected by particular attitudes and behaviour.

The management of Islamic firms, according to this view has specific attitudes and behaviour which can be described in a specific way.[(55)]

Moreover, to other , Arab countries can be considered within the Islamic countries group as a special group with specific cultural traits,[(56)] and hence specific market behaviour.

It follows that it may be meaningful and necessary to examine the attitude of Egyptian managers to the idea of regarding their companies as Islamic firms.

Management Attitude in Islamic Firms*

It has been argued that the "Moslem mentality" is rather different from its Western counterpart. As a consequence, individual attitudes and behaviour in Islamic organisations tend to differ from their Western counterparts in several important areas.[57]

Here, we summarise the important findings of a study concerning this argument and discuss them with an Islamic emphasis by considering the aspects attributed to Islamic beliefs.

Before discussing the aspects attributed to Islamic firms, two points must be stressed.

First, the elements investigated in the study have not been subjected to practical examination. Rather, it seems that the findings have been based upon personal observations of some individual cases. For this reason, the author did not hesitate to state that "in such discussions, generalities are stated that do not apply in all cases."[58]

Therefore, it could not be claimed that its findings have been proved or supported to such an extent as to justify generalisations which would apply in all or even many similar cases.

Second, these aspects seem in many cases to represent the real life of the firms' management. Because of the nature of these aspects, Islamic firms are, in practice, ill managed and poorly organised. The reasons behind this situation as will be shown can be attributed, in some cases, to widespread misunderstandings of Islamic teachings and in others, to the historical background in the management field and lack of management know-how (Egypt is a case in point).

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* In discussing this problem, we depend heavily on materials drawn from P Wright, Organisational Behaviour in Islamic Firms, Management International Review, Vol. 21, 1981/2, pp86-94.

The marketing function is very much affected by ill management and poor organisation because marketing problems, as mentioned earlier, are highly inter-related with the surrounding environments, particularly the business administration and behavioural aspects. The influence is quite strong in small companies since their organisations tend to be built around people to a greater extent than the hierarchies of big companies are. Hence, changes in marketing orientation must be made through people by changing their attitudes and philosophies, organisational relationships and duties.[(59)]

Having considered the above points, we can turn now to discuss the arguments related to aspects of the management of Islamic firms, and their peoples attitudes and behaviour, and assess them in relation to Islamic doctrines.

1. <u>Perception and decision perspectives</u>

It has been argued that "systems thinking for the Islamic executive takes on broader perspectives. The Moslem manager believes decisions should be made while perceiving inter-relationship between worldly incidents as well as meta-physical events. Hence, while a U.S. superior may be hesitant to terminate the services of an elderly employee because it may be bad for organisational morale and that it would be 'a shame' (to discharge a person with long years of excellent service), the Moslem manager would share the feelings of hesitancy but because it would be a 'sin'! The Lord would not be pleased with ungentle treatment of a senior citizen."[(60)]

It appears that such argument is utterly foreign to Islamic teachings even if some managers in Islamic firms have practised this attitude and behaviour.

To illustrate the point, we start with a hard fact, stating that Islam is "neither a mystical doctrine nor a philosophy. It is simply a programme of life according to the rules of nature which God has decreed upon His creation; and its supreme achievement is the complete co-ordination of the spiritual and the material aspects of human life..... It is to be found in the fact that Islam, as a teaching, undertakes to define not only the metaphysical relations between man and his Creator but also - and with scarcely less insistence - the earthly relations between the individual and his social surroundings."(61)

That is the fundamental approach to perception in Islam concerning the relation between individuals and their social environment where "the worldly life is not regarded as a mere empty shell, as a meaningless shadow of the hereafter that is to come, but as a self-contained, positive entity."(62)

In this context, the Islamic approach to perception and decision perspectives must be realised in the light of Islamic teachings in each field.

Deciding on the relationship between individuals (whether managers or employees) and their organisations, Islam provides a general rule to achieve a balance in a specific manner.

Thus, "in the collective sphere (small or large organisations) it arranges things in such a way that all the social forces of society are directed towards the enhancement of progress and civilization in accordance with its basic outlook upon life and in such a way that the balance between the constituent units and the whole, between the individuals and community, is established."(63) In this way, Islam neither neglects the individuals nor the organisations. Rather, "it establishes a harmony and balance between the two and assigns to each its proper due."(64)

More specifically, "to set into proper perspective the rights of the individual vis-a-vis other individuals and society, the jurists have agreed upon the following basic principles:

(1) The larger interest of society takes precedence over the interest of the individual .....

(2) A bigger loss can not be inflicted to relieve a smaller loss or a bigger benefit can not be sacrificed for a smaller one."[65]

In this context, decision-makers can make decisions which attain Islamic objectives in this area of relationships which are considered to be in favour of the organisation rather than individuals.

Realising the nature of this relationship will help us understand other organisational aspects in their right positions.

2. Promotion

The argument here is that "the Moslem employee seems to know that, in addition to being religious, it is necessary to cultivate the 'right' people, particularly his immediate superior, to have a successful career. And the subordinate tends to be aware that the typical Islamic executive values personal loyalty and goodwill (over and above competence)."[65] Most likely it is a system of interpersonal relationships extending from the lowest to the highest levels of the corporate structure which influences upward mobility.[67]

While this may be the setting in some Islamic firms where the Islamic manager values loyalty and goodwill more than competence, the typical Islamic teachings require the efficient performance of the function for which one has been employed. The prophet exhorted: "God has made beneficence obligatory upon you and that God loves that when any one of you does a job, he does it perfectly."[68] The Qur'an says that the best person any one can hire is the strong (competent) and the honest person.[69]

3. Authority vs. Accountability

In Islamic organisation, accountability is demanded by superiors from subordinates although authority is rarely delegated.[70] The result is that with the exception of the very top managers, all other executives are left with little authority. In this context, rarely would Moslem employees initiate any activities.[71]

On this point, Islamic teachings are very clear. They hold that responsibility lies on everyone in every field and at every level.

In stating this principle, the Holy Prophet said: "Everyone of you is a keeper or a shepherd and will be questioned about the well-being of his fold. So, the Head of the State will be questioned about the well-being of the people of the State. Every man is a shepherd to his family and will be answerable about every member of it. Every woman is a shepherd to the family of her husband and will be accountable for every member of it. And every servant is a shepherd to his master and will be questioned about the property of his master." On the other hand Islam guarantees the fundamental rights of the individual and does not permit anyone to tamper with them.[72]

Thus, while Islam stresses spreading responsibilities throughout the organisation, it guarantees the fundamental rights (authorities) of individuals. That is the responsibility/authority equilibrium.

4. Departmentalisation and Specialisation vs. Personalisation

It has been held that "the corporate entity in Islamic markets is prized mainly as a vehicle for promotion of the interests of the individual as well as the interests of the family members and friends. Needless to say, such an approach to organisations would not significantly contribute to productivity. Even Moslem entrepreneurs and small business people hardly ever display an overriding concern with productivity per se."

The approach to the management of large Islamic organisations is also through personalisation - not departmentalisation or specialisation.[73]

This situation is clearly foreign to Islamic teaching. As mentioned earlier, Islam organises things, in the collective sphere, in a way that directs all forces of society towards the enhancement of progress and civilisation according to its basic principles. And the relationship between individuals and organisations has been designed in Islam in favour of organisational interests in which the larger interest of society takes precedence over the interest of the individual. Hence, the approach to the management of Islamic firms must be through departmentalisation and specialisation not personalisation.

5. Organisational Perspective and Corporate Planning

It has been argued that "Islamic mentality primarily dwells on the past, with some emphasis on the present and practically no concern with the future."[74] This argument was based on the common stereotype of a Muslim as a fatalist. Thus, as Wright[75] suggested, "nearly all Moslems believe in predestination. That is, they believe that the affairs of the world, nations, organisations, individuals and all else have been worked out by the heavens. Nothing can be done to alter fate."

The people of Islam as well as the developing world mainly can look back to hectic, random, revolutionary changes in their nations as well as in their organisations.[76]

This being the case, Moslems find it almost futile to be concerned with the future.

Our discussion of such arguments, therefore, must aim to establish two significant points: time orientation in Islamic teachings and Islamic attitudes towards corporate planning.

Considering time orientation, there are many evidences that Islam is concerned with the future rather than the past and present.

Islamic concern with the past is confined to making use of what it indicates for the future. Thus "The Holy Qur'an treats the events of the past not only to revive them in our memory, but to make them meaningful for us..... This attitude of Islam towards historical knowledge is of great significance in human understanding."(77)

Therefore, Muslim managers must use the same approach in the treatment of the affairs of their organisations. They must approach the past as a historical record of data that might be analysed and used in dealing with the future, i.e. for planning.

The rationale of this approach can be realised in the context that while a devout Muslim believes that one's fate is preordained, this does not mean one has fore-knowledge of that fate. In this way, when a Muslim marketing administrator is asked if sales goals for the year will be met, the reply may be "inshallah" 'if God wills'. Much has been made of this attitude, which has been interpreted to mean the manager is fatalistic. Starting a new venture, a Muslim may say "Bismillah" (being in the name of God). These are common forms of religious expression that should not be interpreted as meaning that the speaker is fatalistic.(78)

Islamic teachings stress the significance of the future in many places. For example, an Islamic logion states: "do for your secular affairs of life believing that you have eternal life, and do for the hereafter believing that you will die tomorrow."

Thus, as Luqmani et al(79) reported, "Islam encourages initiative and respects those who strive to better themselves. However, if the outcome of a particular undertaking is not successful, one is expected to accept it pragmatically and cope with the situation realistically."

Hence, in dealing with their life affiras, Moslems are required to think of the future. Moslem management, therefore, must look to the future when directing their organisations' affairs. They must utilise past experiences and carefully consider the route from the present to the future.

While the Moslems are required to believe that the affairs of the world, nations, organisations, individuals and all else have been worked out by the Heavens, they also are strongly ordered to do their best since "man shall have nothing but what he strives for."[80]

The Holy Qur'an stresses this meaning in many other places. Examples include the following verses: "God does not change the condition of a people unless they first change that which is in their hearts."[81] "For each is that which he has earned and against each is only that which he has deserved."[82] "And whatever suffering ye suffer, it is what your hands have wrought."[83]

Thus, these evidencesestablish the need to be future oriented in the Islamic organisations.

The second point to be discussed here is the Moslem executives' attitudes towards corporate planning. The futuristic attitude of Islamic doctrine requires Moslem managers to consider and utilise planning activities in their organisations. Corporate planning, in this regard, appears to be the approach adopted by Islam. Islam as a total system comprises a number of sub-systems, for instance, economic, social, financial etc. All of them must be dealt with as a part or sub-system of the total Islamic system in accordance with its basic outlook upon life.[84] It follows that planning any activity inside the organisation must be in the light of and in relation to other plans of other activities, that is the corporate planning concept.

On the whole, management attitudes and behaviour in Islamic countries are likely to be different from their Western counterparts in many respects. Hence, Moslem executives do not often utilise western oriented management principles in several areas in order to improve performance in their organisations.

Many aspects of management deficiencies have been caused by misunderstanding of some Islamic beliefs and teachings whether by executives or by their subordinates. The problem is that the results of such misunderstanding have become an integral part of Egyptian management thinking.

It can be argued therefore, that clarifying the proper Islamic teachings relating to management as a whole and marketing in particular and introducing them into Moslem managers' minds is likely to contribute to making use of management and marketing principles thereby improving performance.

However, unskilled management which arises in part from the adverse historical background in the management field, represents a further source of problems related to management. Below, we touch on the management background in Egypt during the period of the British occupation.

<u>Unskilled management: A historical outlook</u>

There is some evidence that the management system and policy prevailing in Egypt within the period of the British Occupation constitute the causes that led to the management deficiency in Egypt. They also contributed to the creation of current management attitudes and behaviour.

With reference to this point, Berger[85] conducted an empirical study in 1957 to examine "Bureaucracy and society in modern Egypt." At the very beginning, the author pointed out that "Egypt does not lack a long bureaucratic history. This history has been, most of the time, one of what Max Weber has called an administrative system based upon 'traditional authority' rather than upon 'legal authority'."[86] Then, the author reported the findings of the study's questionnaire survey which confirm that "the Egyptian civil servant (whether he is manager or subordinate) is a rather timid official fearful of his superior and unwilling to use even such personal initiative as is permitted (even if not encouraged)."

To explain this situation, the author pointed out that "we have sought to find the historical roots of this quality in the fact of foreign domination and the nature and aims of those who dominated."(87)

In support of this statement, the author commented that "many observers, British as well as Egyptian, agree that little was done to develop the capacity of self-government ..... the number of British officials in Egyptian civil administration was steadily increasing. By World War 1 it had grown enormously. In 1920 the Milner mission found Egyptians in less than one quarter of the higher posts."(88)

Additionally, in the education field, "the public schools have become mere factories, as it is usually phrased, for the production of government servants."(89)

In such a context, it can be argued that management skills could hardly be developed. Some of the historical aspects are still reflected in the present situations.

At the end of this section, it may be meaningful to mention that while marketing is strongly influenced by the managerial environment, marketing on the other hand may be considered the key to organisational effectiveness.

In the context of this argument, we may turn now to the analysis of the status of marketing in small companies with particular reference to the Egyptian position. This is the theme of the following section.

SECTION TWO

The Status of Marketing in Small Companies

Introduction

An attempt will be made in the present section to outline marketing attitudes in small companies with special reference to the Egyptian situation. In so doing, the section begins by outlining the status of marketing in small companies in general. Then, the discussion moves to examine the problem within the special environmental position of Egyptian small firms.

The issue here is restricted to consideration of the broad lines of marketing attitudes and behaviour rather than becoming involved with the details of implementing the marketing concept, i.e. marketing management or marketing strategies in small companies, discussion of which is kept for the next chapter.

Henceforth, the issue will be organised in this section as follows:

1. The scope and need for marketing in small companies.

2. The marketing concept in small firms.

3. Firm size and the adoption and implementation of the marketing concept.

4. Marketing management and organisation in small companies.

5. The place of marketing in Egyptian small firms.

1. The Scope and Need for Marketing in Small Companies

The adoption of the marketing concept has usually been related to large companies with considerable resources. The marketing concept, as Brannen[90] indicated, "was born as a concept for big businesses .... It may even be possible that some small firms did not do any marketing because of some resource limitation such as unadaptable people who would find it impossible to move from their present orientation to a marketing orientation. However for that vast number of firms who do not suffer from such limitations, the acceptance (both adoption and implementation) of the marketing concept offers great rewards." That is true in the view of those who see that the marketing concept is, in the end, a business orientation that can be translated into an effective business strategy even by small firms with limited financial resources.

This view has been expressed several times by some marketing specialists. For instance, Strange and Littlefield[91] argued that product planning can be performed by a single man who is consumer oriented. Although twenty men could probably do a better job, one man is an improvement over no planning at all. More specifically, fifty thousand dollars can probably be better on market information than five hundred. But five hundred dollars, well spent, can provide better guidance than no marketing information at all.

Along the same line of thought, emphasising the significant role of marketing in small companies, Lace[92] argued that "apart from the expertise required to create a product or service, management of smaller business in particular terms is based on two disciplines: finance and marketing. There is plenty of help available on financial matters; accountants and bank managers are easily accessible to provide the small business owner and manager with day to day support and particular advice. Not so with marketing."

In this view however, in addition to the significant role of marketing, it seems that marketing problems loom large in the smaller firms.

Prior to Lace's argument was Blois's[93] contention in his article "Developing a marketing policy for the small firm" where he suggested that a problem facing many small and medium size firms is that, although they are well aware of a need to develop a marketing policy, they are too small to support even a small Marketing Department and cannot afford the services of a consultant. Thus, although the management may be quite genuine in its desire to implement ideas it has met at conferences and in journals, it cannot see how, with its present facilities, to begin. Hence, a fair criticism of a great deal of the teaching of marketing is that it too often seems relevant to the larger companies rather than the smaller ones.

On the same point, Newlands[94] argued that marketing is regarded by many businessmen as complicated and expensive and best left to the bigger firms. The author commented "This is a pity" and argued that once marketing is stripped of its technical jargon and pretentious claims, it can be seen to be a comparatively simple and creative activity which need not cost the earth. He went to the extent of saying that many of the best practitioners of marketing are to be found in quite small firms, at a level of efficiency which is the envy of their large competitors.

In effect, the contribution of marketing may even be greater to management of small firms since such firms have fewer capital assets to call upon to correct mistakes made because of an inaccurate concept of the consumers' needs. So, as Alalouff[95] commented, although a small firm manager/owner may not be able to carry out essential marketing activity, he can and must establish the guide-lines upon which the business is to develop. He must be responsible for the marketing mix. And it is in the composition of the marketing mix that the small firm is so easily distinguishable from its larger brother. In Chapter Seven, the marketing mix of small companies will be under investigation.

With the validity and necessity of marketing to small companies argued, the following pages are devoted to examining the extent to which small firms have adopted and implemented the marketing concept.

2. The marketing concept in small firms

Here, we attempt to examine the marketing concept in terms of small companies. That is we try to establish how these companies view the concept to assess the influence of size on how far this concept is recognised.

At the very start it is important to keep in mind the difference between the marketing concept and marketing strategy. The marketing concept involves orientation of the firm's outlook towards its market environment and the wishes of the consumer as the logical basis for all the firm's decisions, taking into consideration the achievement of the firm's objectives, while marketing strategy involves the degree of concentration on or coverage of the various segments of the market.

Armed with insights from this recognition one can advocate that not only is it desirable that the marketing concept should be used by all structures and all sizes of business organisations, but that it is essential to do so. It is the marketing strategy chosen by the firm that is dependent upon the organisational structure and not the concept. Hence, it can be said that it is not the marketing concept that is inappropriate to all forms and sizes of organisations bu the marketing strategy the firm may adopt.

There are some scholars who believe that the full application of the marketing concept involves responding to every change in the market environment regardless of the cost incurred by the firm. This view of the marketing concept is criticised on the ground that it ignores costs associated with organisational change and reaction to market environment changes.(95)

This view however, does not express the proper meaning of the marketing concept. Rather it reflects the consumer-orientation stage from which the emphasis has shifted to a balance between consumer satisfaction and a company's interests. Hence, the marketing concept stresses the firm's objectives as well as consumer satisfaction.

The employment of the marketing concept therefore is to enable one to identify profitable segments of the market and does not involve ignorance of all costs. In this condition it does not mean that one tries to satisfy completely every customer at any price. Its use is designed to ensure that one is adequately satisfying a large enough number of customers in order to achieve the objective of one's organisation with regard to profit, turnover or whatever criteria have been previously determined. Hence, the proper choice for the firm is not to enter production in all market segments at high costs but to monitor the total market. Then if the occasion arises, after allowing for organisational upheaval, it could be more profitably engaged in another segment. Recognition of this will have been made using the marketing concept as a logical basis for all its decisions. (97)

For small companies with limited resources, this concept is very important where good marketing strategies are based upon the selection of target markets. Since "there is neither a single national market nor a mass market of any dimension, most small companies managers are, and inherently should be, target marketers rather than mass marketers."(98)

After that conceptualising, hopefully we can see that the marketing concept for small companies is similar to the concept introduced for industrial business companies. That is, it is "a total business philosophy aimed at improving profit performance (or any other firm's objective) by identifying the needs of each key customer group and the designing and producing a product/service package that will enable the company to serve selected groups more effectively than does its competition.(99)

In addition to the general dimensions of the marketing concept, the definition develops a very useful dimension related to small firms since it stresses selecting customer or consumer groups for whom small company managers can develop a competitive edge. A small company cannot strive to be all things to all consumers. The more selective companies earn better profits, for they concentrate their limited resources on filling specialised product needs for consumers who will pay for value.

Having identified the marketing concept in terms of small companies, we turn now to examine the adoption and implementation of the concept according to size of firm.

3. Firm Size and the Adoption and Implementation of the Marketing Concept

In relation to its size, the purpose of this sub-section is to assess a firm's marketing attitude and behaviour as reflected by adoption and implementation of the marketing concept. It aims in particular to examine the extent to which the concept, as a business philosophy has been accepted and implemented by small companies.

A literature survey indicates that, as mentioned earlier, while practitioners and scholars agreed almost unanimously that the marketing concept is equally convenient to large and small companies, and some of them expressed the view that the marketing concept is more significant for small firms than large corporations, many firms, particularly small ones, still do not appreciate this philosophy.

To make this clear, we review some empirical studies on the issue.

Barksdale and Darden[100] conducted a nationwide survey of 203 executives and 132 educators to measure their current attitudes toward the marketing concept and to explore its validity for both large and small companies.

On the concept dimensions and adequacy, the results were as follows: the majority of respondents agreed with the textbook definition of the marketing concept. From the comments of those who disagreed or were uncertain about the definition, lack of agreement seemed to centre around the dual objectives of consumer orientation and profit motivation.

The critical point to be utilised for our purpose here is that both executives and educators agreed almost unanimously that the marketing concept is equally valid for large and small companies. Some respondents reported that there is often greater reliance on short-run strategies in smaller companies, explaining that problems of immediate survival may preclude implementation of the concept. Others expressed the opinion that the marketing concept is more important for smaller firms than larger organisations. (Table 4.1 illustrates exactly the results relating to the concept dimensions and adequacy).

The results enabled the authors to conclude that the marketing concept is a powerful and viable idea that has influenced management philosophy and thought. That is true however, in terms of both large and small companies.

On the adoption and implementation of the marketing concept, an empirical study has been undertaken by Hise.[101] The methodology of the study indicated three main variables to be examined in a smaple of 273 industrial companies. These main variables were: (1) customer orientation; (2) profitability; (3) the organisational structure of the marketing department.

The study produced very important results with reference to the adoption of the marketing concept in its relationship to firm size when it concluded that:

1. both large and medium manfuacturing firms, to a large extent, have adopted the marketing concept;

2. it would appear that the marketing programmes of the firms dealt with in this survey, e.g. those conducting marketing research to identify and discover customer needs and wants,

Table 4.1 Concept Dimensions and Adequacy.

Statements	Respondents	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
		Level of Agreement				
1. Stated simply, the marketing concept holds (1) that all business decisions including marketing decisions must be consumer oriented, and profits rather than sales should be the standard for evaluating marketing performance.	Executives (203) Educators (132) Total (335)	.5% 3.8% 1.8%	6.9% 6.8% 6.9%	4.9% 3.8% 4.5%	45.8% 43.2% 44.8%	41.9% 42.4% 42.1%
2. The basic ideas of marketing are equally valid for both large and smaller business firms.	Executives Educators Total	.0% .0% .0%	4.9% .8% 3.3%	3.0% 3.0% 3.0%	55.7% 43.2% 50.7%	36.5% 53.0% 43.0%
3. The marketing concept is an academic idea that works better in theory than in practice.	Executives Educators Total	19.2% 16.7% 18.2%	58.6% 51.6% 55.8%	4.4% 9.8% 6.6%	16.3% 18.9% 17.3%	1.5% 3.0% 2.1%
4. The notion of consumer orientation is so general and vague that it is inadequate as a decision criterion in the day-to-day management of marketing activities.	Executives Educators Total	9.4% 9.1% 9.3%	52.2% 56.8% 54.0%	12.3% 6.1% 9.9%	24.6% 23.5% 24.2%	1.5% 4.5% 2.7%
5. In actual practice, there are frequent conflicts between consumer orientation and profit objectives.	Executives Educators Total	6.4% 5.3% 6.0%	32.0% 21.2% 27.8%	8.4% 10.6% 9.3%	49.3% 49.2% 49.3%	3.9% 13.6% 7.8%
6. In the event of conflict between consumer orientation and profit objectives, profit would be the overriding consideration.	Executives Educators	3.4% 4.5%	29.1% 19.7%	25.6% 29.5%	36.9% 37.1%	4.9% 9.1%

Source: Hiram C Barksdale and Bill Darden, Marketers Attitudes Toward Marketing Concept, Journal of Marketing, Vol. 35, (October 1971), p 32.

are extensively customer-oriented;

3. the survey revealed that the majority of both large and medium firms accorded the top marketing man the same position in the company's hierarchy as that given to the chief manufacturing executive;

4. finally, it was found that large firms were more fully committed to the marketing concept than medium ones. This result suggests that the extent of the adoption and implementation of the marketing concept within the manufacturing sector depends to some degree on the size of firm so that a positive relationship exists between the size of firm and the adoption of the concept as a management philosophy. This relationship indicates that the larger the company, the more readily the marketing concept is adopted.

Another empirical research project, was carried out by McNamara[102] in 1969 to examine the relative incidence of adoption and implementation of the marketing concept by U.S. large companies, medium companies, and small companies within both consumer-goods companies and industrial-goods companies. The random sample of 1,492 companies involved 500 large, 494 medium-sized, and 498 small companies.

The methodology of the study differentiated between two main dimensions of the marketing concept: (1) adoption of the concept, i.e. belief in its philosophical implications for business management; (2) implementation of the concept with reference to specific organisational methods for using the philosophy in actual business practice.

Two main hypotheses were put by the author at the beginning. These are (1) consumer goods companies have tended to accept the marketing concept to a greater extent than industrial corporations. (2) Large corporations have tended to accept the concept to a greater degree than have medium and small-sized companies.

The empirical results of the study clearly supported the hypotheses mentioned above.

On the first hypothesis, the study reported that:

(1) In the consumer-goods companies, top marketing executives are accorded higher status committee membership than in industrial-goods companies.

(2) Top management in consumer goods firms had a stronger marketing background than those of industrial-goods companies.

On the second hypothesis, the study revealed that:

(1) Large corporations utilise university executive development programmes to a greater extent than do medium or small-sized companies.

(2) Medium and small companies tended to incorporate the marketing department, whereas large companies tended to include the marketing organisation at the product division level.

However, the study revealed some similarities among small, medium and large companies in the field of communication when it reported that "although there are several exceptions, the patterns of communication used by large, medium, and small companies are relatively similar."

Thus, we have just reviewed three empirical studies on the relation between firm size and the marketing concept in its two dimensions, i.e. the marketing concept validity and adoption and implementation of the concept. It is evident from some of these studies that the marketing concept as a business philosophy has been deemed valid and even necessary for all sizes of firms. Some responses revealed that the concept is more necessary for the smaller companies than for their large brothers. On the adoption and implementation dimension however, the results revealed that large companies have moved towards the adoption and implementation of the concept more readily than medium and small companies.

However as Hussein[103] reported referring to some empirical studies, there are many companies which still have not recognised the philosophy. Yet the proper application of the marketing concept even when it is accepted, has not been practised by many firms whether large or small. This suggests that there is a gap between the concept as a business philosophy and its adoption and implementation in practice. The major question that emerges in this respect is related to what marketers must understand in connection with the marketing concept.

With reference to this problem, Baker[104] in his article "Maxims for Marketing in the Eighties" suggests that "marketing is both a philosophy of business and a business function." He adds that many of the difficulties which hinder understanding and acceptance of the marketing concept derive from a failure to distinguish between marketing as a state of mind concerning the optimum approach to business and the activities whereby such ideas are translated into practice. In addition to recognising that success depends upon having the right goods at the right price at the right place at the right time, more important still for successful entrepreneurs is recognition of the fact that what is right depends upon the consumer, for it is he who casts his money notes in the market place and thereby exercises his sovereignty. In this sense it is probably true to say that successful entrepreneurs have always been marketing orientated.

Thus, businessmen are required to recognise the proper meaning of marketing as both a philosophy of business and a business function. Having realised this concept, they would be able to bridge the gap between the theoretical validity of the marketing concept and its adoption and implementation. This requirement is rather significant for the small firms' owners/managers if such firms are too far removed from the practice of the marketing concept at recognition of the validity and necessity of the marketing concept for their companies.

It follows that a particular type of organisation and management process in marketing must be arranged and implemented in small companies. In other words, since the major difficulties have been in connection with implementation, the small firm's management needs to know exactly how to adopt and apply the marketing concept to its particular business.

The following pages outline the issue which will receive a more comprehensive treatment throughout the following chapters.

4. Marketing Management and Organisation in Small Companies

According to the marketing concept as fully understood, business organisations should try to satisfy consumers' needs and wants through a co-ordinated set of activities that allows the organisations to achieve their goals.

Thus, management process in marketing as Brannen[105] indicated, "consists of the following three tasks: (1) planning, (2) execution, and (3) control..... The marketing manager plans, executes and controls the elements of the marketing mix toward the satisfaction of the target customers within the limitations of the environment. This management job is done with the profit objectives (or any other goals) of the firm in mind."

The author emphasised that success depends basically on the continuous job of management in these three areas of activity. However, he pointed out that the planning and control functions are too often neglected in small firms in favour of execution function. This situation refers clearly to the lack of proper marketing management in these firms.

Considering the organisational implications of marketing management for small firms one can recognise that "organisation is a necessary condition for proper implementation of the philosophy of the marketing concept. It is unlikely that the marketing concept will be fully implemented in the absence of favourable organisational structure."[105]

However, since the organisation structure of a business is only a means to an end, it is clear as Baker[107] stated, that "there is no single organisational structure of universal applicability." Nevertheless, for a business company to realise the full benefits of the marketing concept, the philosophy must be translated into action. This means that (1) the marketing activities in a firm must be better co-ordinated and managed, and (2) the chief marketing executive must be accorded a more important role in company planning.[108] Thus, as Kotler[109] pointed out, "at the centre of any marketing system stands the company." In some companies, there are marketing departments each of which consists of a number of sub-departments, e.g. sales, advertising, and marketing research. Not every organisation will have these marketing operations. Some organisations, especially small organisations, will not even have a marketing department or marketing manager. However, as the author suggested, "all organisations engage in marketing activities whether or not they are recognised as such or are carried out by people who are called marketing managers."

Thus, despite its great importance, organisation structure by itself does not guarantee that the marketing concept is in operation. More important still, substantive marketing must be ensured by a change in attitude throughout the organisation.[110] For small companies, this implication is rather significant if, as is sometimes the case, the company does not have a marketing department for the activities of which the company's president is responsible.

In this context, as Brannan[111] indicated, an organisation structure which reflects the change to marketing orientation will vary from big business to small business. In this regard the author argued some organisational implications as follows:

1. Since small business organisations tend to be built around people to a greater extent than big business hierarchies are, changes to the marketing orientation must be made through people.

2. Since organisation structure is less of a problem for small businesses than creation of sales, all organisational efforts and resulting structures should not dilute the inherent advantages that small businesses possess - such as closeness to its customers by all parts of the small business organisation and an ability to rely more heavily on informal organisation than would be possible in a big business.

3. Although small companies should not make a fetish of organisational simplicity by refusing to take advantage of justifiable specialisation of effort, such specialisation may emerge in different organisational forms. For example, consensus decision making from committees (ad hoc or standing) may replace objective decision making by line and staff groups in big business. Therefore, in small businesses, membership and leadership of key committees may take on additional importance.

4. The short-range planning emphasis of small business as opposed to the long-range emphasis of big business suggests that the organisational problems of implementing the marketing management concept will differ in small business as opposed to big business. The flexibility and informality associated with small businesses may even make it more difficult at times to bring about such a change. This is because flexibility and informality do not lend themselves to the employment of the rigid methods and procedures spelled out in a big business operating manual.

The above however, as the author stated, are undoubtedly only a few of the more important organisational implications of marketing management for small companies. Other implications can be added derived from the particular characteristics of small business companies.

For example, since small firms depend heavily on personal selling in their marketing practice, individuals with a personal selling background must hold key positions in companies' marketing activities rather than those possessing other marketing backgrounds. This may specially be true in very small companies which depend heavily upon personal selling rather than other promotional activities.

So far, we have outlined the status of marketing in small companies in general, in terms of the essential role of marketing, the particular recognition of the marketing concept, the adoption and implementation of the philosophy, and finally, marketing management and organisation.

Considering that the marketing problem in Egyptian small companies is the main theme of the present thesis, the benefits provided by the above-mentioned theoretical concepts may be increased if examined in the Egyptian context in particular.

In view of the beliefs that these theoretical concepts can be implemented in practice in Egypt as elsewhere, we shall deal with the question in terms of its setting, irrespective of to what extent the concept should or could be implemented. Within these limits, we now proceed to examine the place of marketing in Egyptian small companies.

5. The Place of Marketing in the Egyptian Small Companies

Taking into consideration that the foregoing analysis concerning marketing status in small companies is applicable to Egyptian firms, the place of marketing in these companies can be fully assessed by examining the available literature and empirical evidence relating to this particular question. Thus, the following pages will be devoted to this task.

A literature survey reveals that the size of firms is a decisive factor leading to the adoption and implementation of the marketing concept. Though the general scenario of business orientation in Egypt is a non-marketing one, large companies have tended to adopt and implement the concept to a greater degree than small firms. Another conclusion that can be derived from the available literature is that state marketing attitudes have been affected, in some respect, by the typically small size of firms in Egypt in comparison with western standards.

By way of illustration, it has been generally recognised that the Egyptian business attitude is non-marketing oriented. Despite the key role of marketing in economic reform, too little attention has been devoted by the Egyptian policy makers and executives to this role in the Egyptian economy. Thus, the general attitude of planners and managers has been production and investment oriented. Among the many reasons that have been adduced to explain this situation, the small size of firms by the western standards was predominant.

This view can be supported by a number of studies concerning the marketing problem in the emerging countries in general and in Egypt in particular.

Boyd and his associates[(112)], for example, published their article "On the Use of Marketing Research in the Emerging Economies", indicating that there is little evidence that marketing research is being used to any extent in under-developed countries. The authors pointed out that the reasons for this situation are: Firstly, the wrong attitude of government administrators towards business marketing. Secondly, the typical industry organisation found in emerging nations which does not encourage competition because of the low demand. Thirdly, the lack of managerial talent. Fourthly, the small size of firms by U.S. standards. Fifthly, few people are qualified to undertake marketing research in under-developed countries.

With respect to the small size of companies, in particular, in these countries, the authors argued that the survival motive is inevitably linked with a desire to perpetuate the family's control over the enterprise. This means that many companies do not want to expand or change and that their objective is primarily to maintain the status quo. While this attitude is changing gradually, there is little to indicate that the change will generate interest in marketing research, if only because of the small size of the firms.

What is true of marketing research in this regard is also true of the whole range of marketing activities.

Egypt, in this respect, is by no means an exception to the pattern in emerging economies. Hence, what is true of these economies is particularly true of Egypt.

This was confirmed by another simultaneous study undertaken by Boyd et al(113), concerning the channels of distribution for consumer goods in Egypt. The study indicated that the distribution units which prevail in Egypt are too small to support appropriate marketing activities. Thus, the retail stores are very small, carry poor assortments of goods of uncertain quality, lack sanitary facilities and offer few services. At the same time, few marketing functions are performed at the wholesale level.

In the industrial sector, one of the main conclusions reached by Gomaa(114) through his empirical study of the textile industry in Egypt was, as mentioned in Chapter Two*, that large and old companies applied and utilised the marketing concept to a greater extent than the others.

Nevertheless, in terms of organisational structure, there was a documentary study(115) which, at first glance revealed, on the contrary, that for marketing in particular, it seemed that a proper attention has been given by less capital intensive smaller plant size industries such as food and textiles. Thus, though food industries are known for their less capital intensive production

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* See Chapter Two, p.55

techniques, they have specialised departments for marketing while consumer durables and heavy industries which are characterised by their large size of plant and high capital intensity, do not have such specialised marketing organisations.

However, this argument did not, in fact, suggest that there is an inverse relationship between firms' size and marketing orientation in terms of organisational structure. The proper interpretation of the data concerning marketing organisation is that business orientation is related to the nature and kind of industry rather than size of company. Thus, as the author suggested, only industries with highly consumer-oriented demand (such as food and textiles) do pay special attention to marketing. The author added the suggestion that management attitude is more significant in deciding the importance of marketing in the firm rather than size of establishment. That may be true but this is not to suggest however that there is no relationship between firm size and marketing attitude.

In terms of the adoption process, Abu-Ismail[116] presented an empirical case study on the adoption of managerial training programmes in Egypt in nearly 75% of the firms in the public sector. Three groups of the adopter firms have been categorized, the early adopter firms, the follower adopter firms, and the laggard firms.

The early adopters were found to be among firms which have certain specific characteristics, one of which, as the author reported was greater size in general (e.g. employing a greater number of persons).

Other special characteristics were attributed to the follower adopter firms. Among these features, was the fact that, as the author expressed it, "mostly these firms were characterised by their medium size if compared with earlier adopters."

Those classified as laggards were not related to a specific size of firms.

Though definitions of the afore-mentioned greater and medium size firms were not presented and though the laggards were not related to a special size of firm, this case study revealed that there was a positive relationship between firms' size and marketing orientation in terms of the adoption process. That was clearly established since the large sized firms were found among the early adopters whereas the medium size firms were found among the follower adopter firms.

More recently, in 1982 a further empirical evidence was presented by Hassan[117] on marketing management in Egypt through his study of the Egyptian practices in tourism businesses.

For the purpose of obtaining an overview of the marketing practices in a sample of 21 tourism business firms in Egypt, the author conducted a number of interviews which began with a discussion of the marketing management in these firms including the firm's marketing objectives, strategies, marketing planning and organising the marketing activities and control. The marketing concept and marketing information systems were also included in the questions.

The sample firms included a number of foreign tourism firms working in Egypt as well as the Egyptian ones. The national firms were stratified into large, medium and small size firms. The size of firms was decided according to their capital whereby firms with capital from E.£50,000 - that is, the minimum capital according to law - up to E.£100,000 were categorised as small firms, while firms with capital of more than E.£100,000 up to E.£200,000 were regarded as of medium size and firms with capital of more than E.£200,000 were classified as large companies.

The results derived from the study, based upon the afore-mentioned methodology, were found to indicate that:

1. Foreign companies working in Egypt - as exemplified in the sample firms - were found to apply and utilise the marketing management

principles to a greater extent than the Egyptian companies which lagged behind in the application of such principles.

The main reason for the neglect of these management principles by the Egyptian companies in the author's view, was the lack of American marketing management know-how.

The second result produced by the study, however, revealed a further main reason for the neglect of the principles, namely the small size of the firms.

2. Within the national companies category, while the large firms were found to utilise the marketing management principles at least to some extent, the medium and especially the small size firms, did not make use of such principles.

The small size of the firm was quite clearly the main reasons for neglect of a marketing information system which was absolutely neglected by the Egyptian medium and small firms while the large firms utilised it to a great extent. The results were: 75 per cent of large firms used marketing research while no medium or small firms did so.

The reason for this neglect of marketing information systems was reported by these firms to be their small size which, from their point of view, did not require such techniques. Therefore, they believed that these systems are only required by big firms. This opinion, in turn, reflected a lack of American marketing know-how.

However, in terms of the adoption and implementation of marketing concepts and techniques, the small size of firms still proved to be a fundamental reason for Egyptian companies neglecting such concepts and techniques. Despite the vital role of marketing for both large and smaller companies in Egypt (as elsewhere), there was no evidence that small companies in particular have utilised modern marketing concepts and techniques.

This indicated that using marketing concepts and tools is not simply a matter of know-how and conviction in the American management philosophy, as concluded by the author[118], but is also influenced by the size of a firm.

By way of illustration, we draw upon the results reached by the author himself when he came to investigate marketing research in the sample firms.

The reasons for the neglect of marketing research, as reported by the author[119], were:

"a) The small size of firms.

b) Research costs were too expensive to be afforded by the firms.

c) The lack of knowledge of this advanced marketing technique and its importance to a firm.

d) The unenthusiastic attitudes of management towards marketing research."

Thus, the small size of firms ranked first among these four reasons. Moreover, the second reason might well be regarded as a result of the small size of firms which could not afford marketing research since it was considered to be too expensive.

Summary and Conclusion

In this chapter, the discussion was concerned with the nature of marketing in small companies with particular reference to the Egyptian situation. To deal with this subject, the chapter was divided into two main sections.

In the first section, considerable attention was paid to the management status in Egyptian small companies by reviewing the theoretical dimensions of the issue and focusing on its special setting in the Egyptian context. Its implication for and influence on the marketing problem was briefly outlined.

The second section entailed an examination of the status of marketing in small companies. The problem was outlined in a number of specific points dealing with marketing status in small firms in general. Then, the Egyptian situation was dealt with.

By the end of the chapter, a conclusion that emerged was that it would appear from the literature that the management situation in Eygpt has hindered small companies from performing effectively and efficiently. The general opinion was that most elements of decision making concerning production, investment, marketing and the like, were transferred from firms to the General Organisations. Additionally, managerial attitudes and behaviour in individual firms did not give the impression that these companies have been managed with the help of the scientific techniques used within the American management philosophy. The marketing function has been greatly affected by the poor management and weak organisation, especially in small companies. Moreover, the management setting in Egypt was found to be outwith the context of appropriate Islamic teachings. These teachings therefore, should be studied and applied to Egyptian management.

Another conclusion can be reached regarding the status of marketing in small companies. Though it was evident that the marketing concept is valid and fundamental to both large and smaller firms, empirical evidences indicated that smaller firms in particular failed to recognise how important the philosophy is to their business success and, hence, neglected the adoption and implementation of the concept. In Egypt, size of firm was found to be a decisive factor in the adoption and implementation processes. The attitude of state businesses, which was found to be non-marketing oriented, was affected also, to some extent by the typical small size of firms set against American standards.

Two suggestions are put forward for consideration. Firstly, at the very start, recognition of the marketing concept by small companies must be based on realising the full meaning and the value of the proper application of the philosophy, and the special position in business of small companies. Secondly, there must be recognition of the fact that marketing is both a philosophy of business and a business function.

The major difficulties still remain in terms of implementation. The managements of small companies need to know exactly how to adopt and apply the marketing concept to their particular businesses.

The next chapters will attempt to solve this problem by dealing with "marketing strategies of small companies in the Egyptian context." It is hoped that when this thesis is completed that managements of small companies in Egypt will be provided with an answer to the question of how to implement the marketing concept.

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PART III

Marketing Strategies for Small
Companies: A General Overview.

PART III

Marketing Strategies of Small Companies: A General Overview

Introduction

The preceding chapter was concerned with examining the nature of marketing in small companies with particular reference to the Egyptian situation. The chapter concluded that, based on some empirical evidence, small firms have failed to realise how important the marketing philosophy is for their business and hence, have neglected to adopt and implement the marketing concept.

Moreover, marketing is both a philosophy and a business function.

Given, in this context, that managements of small companies accept the necessity of introducing the marketing concept into their companies, the major difficulties are related to its application, i.e. as in Baker's[1] words, "how one does translate concept into practice?" In other words, the managements of small companies need to know how to apply the marketing philosophy to their particular businesses.

In this chapter,

In the current part, an attempt is made to resolve this problem through an investigation into the nature of this application. The attempt aims, as well, at exploring the contribution which a tailored marketing application may make towards improving performance in ~~small companies~~. Additionally, consideration of the similarities and/or differences between large companies and small companies, with respect to such application, will be included.

As such, the main goal of the present part is to investigate the marketing strategies of small companies. References will be made, when necessary, to the Egyptian situation.

The two main dimensions of marketing strategy to be considered in the discussion are: (i) target market or target markets of small companies, (ii) the marketing mix or programmes of small companies.

Thus, the discussion will be organised in this part as follows:

Chapter Five: A conceptual Framework for Marketing Strategies of Small Companies.

Chapter Six: Market Target(s) of Small Companies.

Chapter Seven: The Marketing Mix of Small Companies.

CHAPTER FIVE

A Conceptual Framework for Marketing Strategies of Small Companies

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A Conceptual Framework for Marketing Strategies of Small Companies

Introduction

It could be argued that in the quest for an efficient marketing system for small companies, the foremost concern should be with the establishment of effective marketing strategies well tailored to the particular needs and characteristics of such companies in order to achieve their objectives.

In the course of conceptualising a framework for marketing strategies of small companies, the following main points will be dealt with:

1. Marketing strategies defined;
2. The importance of marketing strategy to the overall corporate strategy;
3. The applicability of the strategic approach in small companies;
4. Strategic approach: An Islamic view of marketing strategies;
5. Marketing information and marketing strategies of small companies;
6. Marketing research in small companies; the Egyptian situation.

The Definition of Marketing Strategy

It has been argued that a final aspect of management that is typical of marketing is its strategic character. The term 'strategy' has been frequently used in marketing in recent decades and illustrates the current popular approach to an understanding of the marketing manager's role.[2] Hence, "the key to understanding marketing today is an understanding of strategy."[3]

An examination of the available literature however, reveals that several definitions have been suggested for the term 'marketing strategy'. Thus, depending on the purpose for which the definition was designed, marketing strategy could be defined in a number of ways.

Kotler,[4] for example, has defined marketing strategy as "a set of objectives, policies and rules that guides over time the firm's marketing effort - its level, mix, and allocation - partly independently and partly in response to changing environmental and competitive conditions."

In another place, the author proposed another inclusive definition when he wrote "a marketing strategy is a consistent appropriate and feasible set of principles through which a particular company hopes to achieve its long-run customer and profit objectives in a particular competitive environment." Thus, as the author explained, the definition suggests that marketing strategy will have to take several factors into account:

(a) the company's competitive size and position in the market;

(b) the company's resources, objective and policies;

(c) the competitor's marketing strategies;

(d) the target market buying behaviour;

(e) the stage of the product life cycle;

(f) and the character of the company.[5]

In Hughes'[6] definition, marketing strategy is "the path through which marketing resources are matched to market opportunities and problems."

Specifically, Bell[7] has described strategy as a two-step process, first, the identification of market targets, and second, the development of a marketing plan designed to attain the marketing objective. This strategic plan is often called the marketing mix.

A similar description has been given by McCarthy[8] who suggested that developing a marketing strategy includes two successive and yet related steps. These are:

(a) Selecting a target market or target markets in which the company is to operate, and

(b) developing a marketing mix for each target market selected.

Finally, David Kollat et al[9] included marketing objectives in the master marketing strategy as described by McCarthy. They pointed out that a master marketing strategy normally includes three basic dimensions; firstly, marketing objectives; secondly, the specification of a specific market target; and finally, a general marketing strategy. In some instance, it involves marketing policies.

The above definitions of the term "marketing strategy" may provide some insight into the various connotations the term holds for different people.

The current inquiry into the marketing strategies of small comapnies adopted the very specific definition of marketing strategy given by McCarthy and hence will be devoted to the two main aspects of the matter namely:

(1) the identification of target market or target markets, and

(2) the development of a marketing programme or mix.

The discussion of the two basic components of marketing strategy with respect to the small companies, will be kept for Chapter Six and the subsequent cbapter.

In the remainder of the current chapter, the importance of marketing strategy and the applicability of the strategic approach to small companies will be discussed.

The Importance of Marketing Strategy to the Overall Corporate Strategy

In a speech at the plenary session of the American Marketing Association's Educators' Meeting, Harrell[10] said, "the marketing manager is the most functional contributor to strategic planning process, with leadership roles in defining the business mission, analysis of the environmental, competitive and business situations, developing objectives, goals, and strategies, and defining product, market, distribution, and quality plans to implement the business' strategies. This involvement extends to the development of programmes and operating plans that are fully linked with the strategic plan."

The truth of Harrell's statement could be realised in practice as long as a master marketing strategy, as Kollat et al[11] pointed out, provided the linkage between the strategic plan and specific marketing programmes. On the one hand, the authors explained, it should be consistent with, and contribute to the achievement of the objectives specified in strategic plan. Simultaneously, it should provide an integrative focus and direction for all marketing activities.

Thus, as strategic planning is one of the most exciting and widely discussed topics in business practice today, strategic marketing is about strategic planning and marketing. In his book "Strategic Marketing", Cravens[12] indicated that there have been some influences which have pushed strategic planning into the centre of attention. The first and most important reason referred to is survival of the enterprise. This is dramatically illustrated by examining corporate successes and failures during the 1970s. Along with the realisation of strategic planning's crucial role in corporate success is, as stated by the author, the recognition of the central position of the market and marketing strategies in shaping strategic plans.

Arguably, it could be said therefore that marketing's strategic planning responsibility involves two separate yet related tasks. These are:

(1) participating in corporate strategic analysis and strategy formulation;

(2) development of marketing strategies in accordance with corporate priorities.

In that matter, Drucker[13] pointed out that marketing is so basic that it cannot be considered as a separate skill or operation within the business on a par with other functions. It requires separate work, and distinct group of activities. But it is, first, a central dimension of the entire business. It is the whole business seen from the point of view of its final result, that is, from the customer's point of view. Hence, concern and responsibility for marketing must permeate all areas of an enterprise.

Based on such an argument, strategic planning should have begun with the marketer in the driver's seat. In practice however, this does not appear to be so. As already noted, the difficult environment of the early 1970s forced management to try to organise strategy development formally. In this respect, according to Jain[14], it so happened that the pioneering frameworks of strategic planning focused on finance. Certainly, as the author argued, the frameworks required marketing inputs which were gathered as needed or simply assumed. But the financial bias of strategic planning systems demoted marketing to something as necessary but not important to the long-term perspective of the corporation.

In a few years, as strategic planning was established, management began to recognise that there was a missing link in the planning process. Empirical evidence of that has been presented by Jain from interviews with nine companies. Seven of the nine companies interviewed indicated that they were disillusioned by the lack of marketing orientation in their strategic planning system. Interestingly, three of these are firms that would traditionally be referred to as truly marketing oriented. The conclusion was reached that the role of strategic marketing in the corporate setting vis-a-vis strategic planning is still emerging.

To conclude, Wind and Robertson[15] argued that marketing strategy focuses explicitly on the quest for long-run competitive and consumer advantage. As such, it has a high degree of overlap with business strategy in the perspective of which it can be viewed, therefore, as an integral part.

By and large, it could be argued that if the marketing concept should be considered the core of the overall corporate business philosophy, marketing strategy must occupy the central position in shaping the strategic corporate plan.

The Applicability of Strategic Approach in Small Companies

As previously mentioned, the marketing strategist is involved in the strategic planning process in some important ways: (i) he participates in strategic planning for the overall enterprise, and (ii) he develops and executes strategic marketing plans for the business unit.

With respect to these two main tasks of the makreting strategist, an investigation into the available literature reveals that although there is a great deal of literature centred on strategic planning, most of this literature deals with strategic planning of large corporations rather than of small establishments.[16]

As far as implementation is concerned, it was found that "while some successful corporations, such as General Electric and Proctor & Gamble, have long recognized the essential role of strategic marketing decisions, many small, medium sized, and even large firms such as American Telephone and Telegraph are currently directing much more attention toward marketing strategy. And, the managements of some firms such as Chrysler Corporation, the Singer Company, and A & P may have waited too long as the future of those firms in 1980 were uncertain."[17]

Thus, even in the very advanced American economy, some writers argued that one of the most serious operational problems for small business firms is lack of effective formal, strategic planning. The seriousness of this problem is underlined by the number of small firm failures every year. According to the Small Business Administration, in 1971, a typical year, there were approximately twenty thousand small business failures with an estimated loss of over three billion dollars. Dun & Bradstreet indicate that about 90% of these failures could be traced to a lack of planning, inexperience, or inadequate managerial competence. The remaining 10% are accounted for by neglect, fraud, and disaster.[18]

However, there is no such universal planning system that fits all types of firms either in the formulation of corporate strategy or in the creation of unit business strategy (e.g. marketing strategy), since they might differ in various aspects such as size, diversity of operations, the way they are organised, and the type of management style and philosophy as well as specific environmental factors. Thus, the effective planning system, (consequently, corporate and marketing strategies), is required to be "situational designed" to take into account the companies' situation, particularly the dimensions of size and diversity.[19]

To make the argument clear-cut, one should differentiate between the concept and the manner in which it is applied. Thus, strategic marketing differs from the strategic marketing planning system.

Cravens[20] defines strategic marketing "as a process of:

-Strategically analysing environmental, competitive, and business factors affecting business units and forecasting future trends in business areas of interest to the enterprise.

-Participating in setting objectives and formulating corporate and business unit strategies.

-Selecting target market strategies for the product-markets in each business unit, establishing marketing objectives, and developing, implementing, and managing marketing programme positioning strategies for meeting target market needs."

Presumably, the concept should be common to all types of firms regardless of various aspects such as size, diversity of operations, and the way they are organised.

But how to make the concept work operationally is a different matter. It may differ from one company to another in response to its particular aspects, particularly size and diversity of operations. For instance, how a company assigns planning responsibility for the afore-mentioned stages of the strategic marketing process varies from one firm to another in accordance with the said various aspects.

The main concern of the current research area lies with the problem of the application of a strategic approach in small companies. That is, how to make the concept work in such companies. Based on the afore-mentioned strategic marketing concept and its integral role in formulating a whole corporate strategy, this task may be accomplished by developing some managerial approaches to strategic planning in small companies.

The Major Approaches to Strategic Planning for Small Companies

According to Henderson,[21] most if not all large firms started as small companies. Then, they developed into large corporations. This idea might lead to the assumption that differences between small firms and large ones may be considered as a matter of degree of emphasis rather than of nature or kind.

Regarding this assumption, the process of applying some of the strategic planning approaches of big firms to the management of marketing in small firms with respect to the main dimensions related to small businesses might be facilitated.

Thus, before the discussion of such strategic planning approaches, some considerations should be taken into account. Among them are:

1. Organisational dimensions

One important planning issue, as referred to by Cravens[22] is, "how do strategic plans from different levels in a company fit together?" Normally, several planning levels exist within a business firm. Planning levels in a multi-business company involve typically:

- Corporate strategic plan level,
- business unit strategic plan level,
- strategic marketing plan level, and
- short-term marketing plan level.

Regarding the issue of how a company assigns planning responsibility for the above types of plans, Cravens argued that this process may vary considerably in accordance with firm size, planning complexity and management's preferences. Thus, in some companies the business unit and strategic marketing plan are combined. In small or single business companies, the top three planning levels (i.e. corporate, business unit, and strategic marketing plan) are sometimes combined into one strategic plan.

The reason behind this organisational position of small business firms in the matter of strategic planning might be quite clear. Although small business management, as argued by Golde[23], "must handle almost all of the functional areas which exist in large organizations, yet the size of a small company does not permit hiring even one man for each function. It is rare to find small firms with top management fat in it".

Small companies, therefore, do not have planning departments or operations research groups, and cannot afford to engage in planning research. Nevertheless, as Gilmore[24] pointed out, "this does not mean that the managers of such companies can afford to neglect their planning responsibilities. Today's widespread adoption of strategic planning will not permit such a course."

Lorange and Vancil[25] in their article "How to Design a Strategic Planning System" in the HBR, discussed six issues with reference to large companies and small firms. Most of these issues could be traced to the organisational factor. In small companies, they are dealt with in different ways from those prevailing in large companies.

In short, the strategic planning system is affected by the organisational problem which could be defined as the need to develop "procedural systems to ensure that the fully concurred marketing inputs are correctly timed in the overall budgetary/planning process"[26]. The organisational problem within the system, in turn, may differ considerably between large companies and small companies.

2. <u>Time Horizon</u>

Creating an integrated structure of plans has both a time perspective and a functional-operational perspective.

The time perspective is concerned with systematically structured plans, integrating long-, medium-, and short-range plans. An organisation's long-range or strategic plan forms the framework for the development of more detailed medium-range plans that in turn provide a basis for short-range operational planning.

In small companies, the time horizon of long-range plans tends to be considerably shorter than in large corporations. Thus, while long-range strategic plans in big corporations may cover five years or more, in small firms a time scale of two years may constitute a long-range plan.

Young[27] explained the situation when he stated that long-range planning, and projecting into the future has not at present caught on in the world of the small firm. Arguably, he said "by undertaking long-term planning and sophisticated control methods, a small firm would be prejudicing its chances of survival by limiting its own flexibility and adaptability, its main tools of success". Long range strategic planning, as the author pointed out, "requires a commitment to a particular course of action, whether it is the field of manufacture, of sales, of dimensions of output or of product. A slight change in the market might invalidate the planning of small firms."

Furthermore, the financial limitations of a small company exert some influence over the time scale of long-range planning in such a company. As Golde[28] indicated, they pose a severe problem of resource allocation and this includes management time and talent. Thus, the impact of short-run problems in a small business is heightened by the usual tightness of money. Hence, the small businessman typically feels himself at the whim of the market, unable to exert any control over far future events in the industry.

In short, the short-term planning emphasis of small business as opposed to the long-range emphasis of big business suggests that the problem of implementing the strategic marketing concept will differ between small firms and large firms.[29]

3. Informality

A problem facing many small firms is that, although they might be well aware of the need to develop strategic plans, they are too small to support even a small planning department, operations research groups, or large-scale computing capacity and cannot afford to engage in planning research, whether it is in the area of corporate strategy, of marketing, of production or of finance. Thus, although the management may be quite genuine in its desire to carry out a corporate strategy or a marketing strategy, it cannot with its present facilities see how to begin.

Such a problem presents a challenge for a typical small company in attempting to formalise its planning process.

According to Golde,[30] insofar as a small firm does plan, the keynote is informality. Details are fuzzy and not pinned down. Thus, most companies, for example, have little written communication and use word of mouth instead. Control procedures are usually informal and ad hoc. Part of the tendency toward informality is explained simply by the fact that writing things down and figuring out details takes time, which may be well worth expending in the long-run planning process that is found in a large corporation, but which can appear extravagant in the short-run planning process which is usually practised in a typical small firm.

In constituting a marketing plan, there is within most firms a great deal of information available about customers, both actual and potential. Such information, however, as Blois[31] pointed out, is not in a readily available form and much of it in the average small firm, will be carried in the minds of the personnel. Hence, some problems are likely to present themselves to a person responsible for the planning process. The first problem is in extracting information from personnel in the firm and this can be a difficult task as significant information becomes common place to a person familiar with a situation. The second problem to be met, identified by Blois, is that some of the information presented by personnel in the firm will be biased and some simply untrue.

However, the problem of informality exists even in large corporations. Management science for strategic purposes seems of limited use in large companies so that informality will have its place in such big corporations. Strategy is not yet a science even in large companies, despite recent developments in management science and the application of computers. But for small companies who cannot afford operations research, planning departments, or large-scale computer capacity, etc., the task is likely to remain an art rather than a science during the foreseeable future. In such circumstances, judgement, experience, intuition, and well-guided discussions are the key to success, not staff work and rigid formal models.(32)

Having specified some of the considerations to be taken into account in developing suitable approaches to strategic planning for small businesses, the main approaches which might be followed are now discussed.

In the context of the strategic marketing concept adopted by the current study, the issue will be examined in terms of overall strategic planning.

Thus, the two main approaches* to the strategic planning process for small companies could be: (i) the traditional approach (ii) the advanced approach.(33)

(i) The Traditional Approach

This traditional approach developed during the period between World Wars I and II, when unpredictable and violent fluctuations (in the business environment) meant adaptation or failure.(34)

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* In discussing the two main approaches, the discussion draws heavily on Frank F Gilmore, "Formulating Strategy in Smaller Companies", HBR, May-July 1971, pp 71-81.

Through this approach the top management of small firms (normally the owner or chief executive officer) determined the situation of the firm as a whole. Therefore, top management developed the strategic planning of the firm based on simple tools and techniques. The approach depended upon one powerful person's opinions and interests. This person set the company's objectives and established the methods of achieving them.

The process required to reach a diagnosis of the company's prospects and problems runs as follows:(35)

1. An analysis is made of the firm as a whole. Its components are analysed, i.e. the competitive situation and of the various functions. Consideration of these two areas often provided measuring sticks or raised pertinent questions that served to sharpen the analysis of other functional areas.

2. Under each area in the breakdown, significant findings could be noted and classified, and an effort made to reach a conclusion on each major area.

3. The separate conclusions were then combined, and an attempt made to arrive, inductively, at an overall diagnosis. Particular attention had to be paid to interrelationships that might be significant for the company as a whole.

This inductive process constitutes the basis for determining objectives for the future. The objectives could then provide direction and unity of purpose for the development of a course of action covering the various areas of activity in the company. Thus, the chief executive faces the task of deciding on a programme of action and, in the light of the objectives, choosing between alternative ways of solving the problem diagnosed in the analysis.(36)

By virtue of this traditional approach, functional goal-setting is a top-down process. The functional managers are ready to propose action programmes, but the president with his business-wide perspective determines the programmes and goals for his functional subordinates. Thus, until the chairman has decided on the programme, no functional manager can set goals for the area of activity delegated to him.(37)

The backgrounds of the top management of small companies, therefore, are a decisive factor in applying the marketing philosophy in such companies, and making use of the ideas and contribution of the marketing executive officer - if any - to the whole corporate strategy in response to the new strategic marketing concept.

The traditional approach might have the following advantages:

1. It is an easy method of starting planning since it is simple;

2. It provides better understanding of the firm's strategic factors;

3. It helps concentration on the problems and the key factors for the future; and

4. It may be used as a method for introducing two-way information through a firm's departments and employees. For small companies which, in many cases, cannot afford such planning departments, operations research groups, or large-scale computing capacity, so that the required information is, usually, carried in the minds of personnel, the interacting of information through their departments and employees will become beneficial and helpful.

However, the application of this approach in the past decades revealed its incompleteness. This was true "since the process remained open-ended. In addition, there was a definite tendency for top management to size up the situation, starting at the very base, formulate objectives and programmes of action, organize to carry out the plans, and exercise executive control, but then drift along until serious problems made it necessary to size up the situation again."(38)

Thus, a new approach to strategy formulation was needed.

(ii) The advanced approach

In keeping with Drucker's advice in the early 1950s, management attention has been focused more on the discovery of opportunities than on the solution of problems.(39) As a result, one of the most comprehensive approaches to strategic planning for small business was developed during what is called the Cornell Research Project (CRP). Through this approach, the relationship between the company and its competitive environment is expressed in the company strategy. The strategic planning under this concept, therefore, might include three basic components:

1. Economic mission. This is concerned with the kind of business the company should be in, and what its performance objectives should be. The corporate mission and objectives may, over the time, be changed to respond to the findings of the situation analysis.(40)

2. Competitive approach. This deals with finding the product-market-sales approach that will accomplish the economic mission, and with deriving pertinent goals in the various areas of business.

3. Programme of action. This aims at a search for efficient means of implementing the competitive approach.

In short, the process works as follows. Current strategy is reappraised from time to time in the light of internal operating results, economic trends, competitors' actions and technological developments. Thus, 'this approach is based on the continuous evaluation and updating the current strategy of the firm through the feed-back process and required corrective actions that are taken by the management.

In accordance with this approach, many suggestions have been proposed involving some basic steps and models through which the approach could be successfully utilised by small companies. Examples include the suggestions of Cooper[41], Nagel[42], Linnemand and Kannell[43], Golde[44], Lorange and Vancil[45], Forbes[46], Shuman[47], Foster[48], Woodward[49], and Bamberger[50].

However, while such models provide some guidelines for designing strategic planning systems, it must be considered that generalisations involved in the suggested methods and models can be unreliable. Therefore, it is not possible to prescribe a strategic planning system for a specific organisation. Every company must do its own tailoring.

Some Examples of Appropriate Strategies for Small Businesses

A number of examples of appropriate strategies for small companies, especially in the field of marketing, could be exemplified. The following is a brief summary of such strategies.

Innovation. Although an innovation strategy is applicable to all business, it may be easily implemented in small businesses, particularly entrepreneurial businesses. The small company that catches the headlines for being successful against the odds and achieving tremendous growth is an extreme example of the innovation strategy. Apple Computer, Inc., manufacturing personal computers, provides an excellent illustration. Much is know about innovators, entrepreneurs, and their favoured environment. An innovation strategy, therefore is only recommended after a very thorough self-appraisal has been made. Innovation and firm size will, however, be dicusssed in some detail when examining new product strategy for small companies.

<u>Opportunism</u>. This is a much more common strategy for small business. It consists of maintaining awareness of the environment in which the business operates, especially the changing needs of customers, and responding to those changes quickly in order to gain competitive advantage. It is often practised in the consumer-goods and consumer-services industries, especially the fashion-conscious sectors. The widespread use of opportunism strategy in small businesses is understandable in the light of their great sensitivity to changes in consumer attitudes and their ability to respond quickly. This is of significant importance in the context of a rapidly changing business environment which dictates closer attention to strategic planning of marketing and requires the flexibility necessary to modify quickly in accordance with rapid environment changes. As Cravens(51) observed, "there is one important difference between the contemporary business environment and that of the 1970s. Thus, while a rapidly changing business environment was expected after the oil embargo and other events of the 1970s, the nature and scope of changes have been far beyond those anticipated .... A major distinction between the last decade and the next decade is marketing's new and rapidly expanding and demanding strategic role."

Clearly, it may not be possible for small businesses to develop long-range product plans, but it is possible to develop a strategy plan based on opportunism and to ensure that corporate resources are devoted to implementing it.

The company's sales staff and manufacturer's representatives are instructed to seek out opportunities for sale of the measuring instruments in other industries based on the fundamental technology rather than on the instrument design. However, these opportunistic products are not designed until an order for them is received.

Customer-efficiency Strategy. The objective of this strategy is to understand the customers' business thoroughly and to offer products and services that can improve the efficiency of their operations. The greatest success is achieved when the product or service brings about a structural improvement in the customer's business, not just an increase in manufacturing efficiency. Structural improvements can be achieved by offering a product or service that reduces or eliminates complex scheduling of the sort that occurs on a production line which makes products with different sets of characteristic features. This strategy is similar to opportunism since it requires a detailed understanding of the customers' needs. However, it does not require the rapid response that the opportunism strategy does.[52]

In summary, strategic marketing decisions are necessary for small business as well as for large business since they are a central dimmension of the entire business and since they have become an important tool by means of which the small business marketer can cope with the uncertain, dynamic, and rapidly-changeable environment. But the approaches to strategic decisions of the small business - whether in marketing planning or in corporate planning - must take into consideration particular characteristics of the business.

Therefore, strategic marketing planning systems for small business should differ from such systems for large business in a number of aspects. Among them are:

1. The organisational structure of small business may make it necessary that the business unit and strategic marketing plans are combined into one strategic plan.

2. Informality could be considered one of the organisational dimensions of small business. As a result, judgement, experiences, intuition, and well guided discussions are the key to success, not a rigid formal model.

3. The time scale of strategic planning tends to be considerably shorter in small companies than in large companies. This being the case, the problem of operating the strategic marketing concept will be different in small firms as opposed to large firms.

4. Finally, the techniques used in strategic marketing planning for small companies should be much more simple than those used in big corporations. Small companies, unlike large companies, cannot, often, afford operations research groups, or large scale computer capacity and the like.

Strategic Approach: An Islamic View on the Marketing Strategies

In Chapter Four, time orientation in Islamic teachings has been discussed. It was evident from this discussion that the Islamic thought recognises the significance of the future and emphasises this significance in many Islamic teaching sources.

Islam is also concerned with the past in order to make good use of its indications for the future. Thus, the treatment of events of the past is not intended just to revive them in the people's memory, but to make them meaningful for the future of these people.

Muslim managers, therefore, must look to the future in directing their organisations' affairs. They must utilise past experiences and dwell on the route from the present to the future.

Accordingly, it could be argued that the logic of the strategic approach is compatible with the Islamic teachings in their dealing with events since the main feature of the strategic process is its emphasis on the future.

Moreover, the strategic decisions' philosophy, like the Islamic doctrines, draws upon past experiences making good use of them in formulating organisations' strategies for future operations.

Unfortunately, in real life, the situation of the management of Islamic companies seems to be rather different from the above. This contradiction may be traced to a number of environmental factors among which misunderstanding of the Islamic teachings by Muslim managers may be a prominent feature.

With respect to the marketing strategy in the light of the Islamic thought, it should be stressed, as mentioned in Chapter Two, that Islam defines only the philosophy and the objectives of marketing systems, not the techniques to be used. The establishment of such techniques has been left to the people who interpret how the philosophy should be implemented.

Thus, Islamic teachings do not state a specific technique with regard to marketing strategies whether in target market specification or in the formulation of the marketing mix. This implies that Islamic thought accepts only the techniques that aim at implementing the objectives of the Islamic philisophy of marketing. Therefore, any technique is found to be valid if it aids the achievment of the objectives of the philosophy espoused by the Islamic doctrines.

Keeping this statement in mind, it may be useful to remember that the appropriate philosophical position for marketing in the Islamic context has been found to be the societal marketing concept.* According to this concept, the objective of the marketing strategy should be threefold. It must aim at the satisfaction of customers' needs and wants as well as maintaining their long-run interest, the achievement of the organisation's goals and the attainment of the societal welfare.

Within the boundaries of this philosophy, the study continues to examine the major tool to be used by the management of small companies to aid in the problem solving, that is, the achievement of these threefold objectives. Such an instrument should be ideally acceptable in terms of the Islamic doctrine.

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* See Chapter Two.

However, any attempt at strategic decision making must be based on information. And since the main concern here is with the relationship of strategic decisions to marketing strategies of small companies, the place of marketing information in these marketing strategies will now be discussed.

Marketing Information and Marketing Strategies of Small Companies

Having established the significance of marketing strategies to the overall corporate strategy of the small companies, and outlined the main approaches to the strategic decisions process, a central question remains to be answered regarding the role of marketing information in marketing strategy formulation. In other words, the importance of marketing information to the formulation and implementation of marketing strategies within small companies still needs to be reviewed.

As pointed out by El-Sahn(53), the first step in the adoption of the marketing approach should be finding out what people want. The small companies, therefore, must have sufficient information about their customers' needs and wants, who and where they are, and their purchasing habits. Also they must gather information about their competitors' customer image, the political, social and other relevant issues.

Such information could be considered the basic tool in formulating their marketing strategies effectively in order to obtain a competitively advantageous position amongst their competitors and to achieve their rate of profit or growth targets.

The reason for that may be easily recognised. As stated by the United Nations' experts(54), the concept of marketing is rather simple, being based on the fact that no matter how excellent the product, it will not sell unless there is a demand for it. Thus, experience shows that many expensively produced commodities have failed to sell simply because they were not in demand or sufficiently appealing to potential customers or users.

Marketing strategies, therefore, must be based on sufficient information about the actual and potential characteristics of the market. That kind of information serves as the cornerstone of the societal marketing concept. A marketing orientation without marketing information is impossible.

Thus, marketing information will aid the small business marketer in identifying problems and making decisions about the elements of the marketing mix. Good decision making whether in the overall small-business marketing mix or in each element of the mix requires good marketing information.

Information, therefore, should be managed in such a way that it is in the best or most usable form for proper marketing decisions. As Harper(55) expressed it "to manage a business well is to manage its future, and to manage the future is to manage information".

Such being the case, the development of an efficient marketing information system is a must for effective marketing-information management and, in turn, for the successful marketing of any company.

Stanton(56) emphasises the importance of the presence of such a system when he says "a marketing information system is the major tool used by management to aid in problem solving and decision making, and marketing research is a major component in a marketing information system."

But, to what extent is the marketing information system (MIS) relevant to small-business companies? The discussion will now concern itself with this issue.

Marketing Information Systems and Small Business Companies

Several definitions have been suggested for the term 'marketing information system'(57).

Brien and Stafford(58) among others, define the term as "a structured, interacting complex for persons, machines and procedures designed to generate an orderly flow of pertinent information collected from both intra- and extra-firm sources, for use as the basis for decision making in specified responsibility areas of marketing management."

In that case, such a system calls for the full use of computer technology and other data processing equipment as a marketing apparatus within an effective marketing information system, a situation which seems to be much more relevant to large companies than small enterprises.

However, though the marketing information system has, in recent years, been the most up-to-date approach in very large companies, it has not yet been universally accepted in all of them.

Thus, as Kotler[59] pointed out, most business firms do not operate at a high level of information sophistication. It is, hence, normal to find that many firms do not have a marketing research department. Many other firms have small marketing research departments whose work is limited to routine forecasting, sales analysis, and occasional surveys. Only a few firms have advanced marketing information systems which provide company management with up-to-date marketing information and analysis.

Such being the case, the technique seems to be irrelevant to the small companies which cannot afford a large-scale computing capacity or other data processing equipment as a major tool within an effective marketing information system.

However, this does not exclude the marketing information system approach from being viable in at least some small businesses. Thus, mini-computers and mini-information systems are changing the cost and attitude perspectives of some small business firms.[60]

Other small firms, as Brannen[61] argued, "are plugging into the systems of suppliers, trade associations, and other suprafirm organisations."

At all events, the major tool in marketing information for small business companies is marketing research which is the method by which knowledge may be used in constructive management.

Marketing Research and Small Companies

It has, recently, been argued that little attention has been devoted to the strategic information needs of chief executives of small companies in which the costs of a fully developed management information system would be prohibitive, and the system unnecessarily cumbersome[62].

In that case, perhaps marketing research itself can provide total marketing information for small companies.

By definition, marketing research, as referred to by Baker[63] "is concerned with all those factors which impinge upon the marketing of goods and services, and so includes the study of advertising effectiveness, distributive channels, competitive products and marketing policies and the whole field of consumer behaviour."

In fact, much has been written on the marketing research function, such as its scope, its organisation, its role, and its planning and execution and the other relevant issues. The discussion is concentrated here on how relevant the function is to the particular needs of small business companies.

In this regard, it is appropriate to argue that every company should use marketing research and intelligence regardless of size. Even the small companies must use it for the central role it can play in their success. However, marketing research must be closely adapted to the specific needs of different companies, and will, therefore, vary according to their size.

As Brannen[64] put it, "since big business and small business often differ in their characteristics, one would expect the research function to vary by size of business." For example, the cost of research for a small firm, compared with the value of information produced, is normally higher than for a large company, thus limiting the frequency of its use. Consequently, research in the small companies is more likely to be used for strategic entry decisions, such as what business to enter or where to locate a store, than for tactical decisions.

Since the small companies cannot attain economies of scale in spreading research costs over many units of output, they must learn to do research for themselves or hire consultants to help them to do it.

Given that the small business marketer is going to hire a consultant to undertake all or part of the research for the company, he needs to know (i) which marketing research services he really needs and (ii) which marketing researcher or consultant he should hire[(65)].

In any case, as the above discussion suggests, as well as for aiding the implementation of the societal marketing concept, marketing information must be considered a fundamental tool in formulating effective marketing strategies for small companies as well as large enterprises.

Fortunately, the small companies have the advantage of obtaining direct primary information about customers due to being in closer contact with each other. Thus, as Kotler[(66)] pointed out, a small manufacturer can personally visit prospective and current customers and gather their reactions. In this case, marketing information can be picked up just by being around people, observing them, and asking them questions.

The major technique in marketing information for small companies is marketing research which should be able to adapt to their particular needs.

Nevertheless, the value of marketing research for the small companies may be denied by some of them. Others admit its value but have doubts about its feasibility for their particular requirements[67].

The problem of marketing information in small companies may have further dimensions in the Egyptian economy due to some environmental factors prevailing in the country. Since the marketing information system is not well-known in the Egyptian establishments, it may be appropriate to deal with the problem in terms of marketing research.

Marketing Research in Small
Companies: The Egyptian Position

As in all countries, there is a fundamental need for small companies as well as large companies in Egypt for comprehensive information about customers needs and wants, both current, previous and prospective, and product-market structure, size, and behaviour and other relevant issues, so that they may direct the available limited production capacity to the optimal economic use.

Nevertheless, the limited production capacity together with the unfavourable management attitude towards marketing might be one of the most influential factors responsible for the neglect of marketing research.

Thus, the production-oriented management, particularly in the small companies, has neglected marketing research as one of advanced marketing techniques.

In a study on the industrial-sector companies in Egypt, El-Haddad[68] found that quite a large percentage (40%) of all companies visited did not undertake any marketing research at all. In an abbreviated form the main reasons reported by these companies for not doing marketing research were:

(1) Competition was not heavy.

(2) Lack of commercial research facilities.

(3) The limited availability of managerial talents and, in particular, marketing research specialist staff.

Further reasons have been reported in a meeting at Stanford University, International Centre for the Advanced Management Education (ICAME)[69]. The aim of the meeting was to identify the obstacles to marketing research in developing countries which include Egypt. The obstacles were found to be:

(1) The first obstacle is the negative attitudes of business and government administrators towards marketing.

(2) The production-oriented economies of developing nations.

(3) The policy of a government which does not encourage - deliberately - any competition due to the scarce economic resources available.

(4) The limited availability of managerial talents in most firms and, in particular, marketing research skills.

(5) The small size of firms in developing countries by the United States standards.

(6) The lower status of marketing as an occupation in any of the emerging nations.

(7) Problems of a technical nature, such as:

(i) Difficulties of collecting data because of bad communication and transportation services.

(ii) Difficulties in probability sampling.

(iii) The problem of respondents not being at home.

(iv) The non-availability of published information about the marketing activity.

Another empirical evidence on marketing research in Egypt was presented by Hassan[70] when he reported the reasons for the neglect of such a technique in the tourism businesses. The reasons, as referred to in Chapter Four, were found to be:

(a) The small size of firms.

(b) Research costs were too expensive to be afforded by the firms.

(c) The lack of knowledge of this advanced marketing technique and its importance to a firm.

(d) The unenthusiastic attitudes of management towards marketing research.

In this case, the small size of firms in Egypt, associated with the other environmental factors, has proved an obstacle to marketing research in the Egyptian companies.

Nevertheless, one must be careful in the interpretation of these figures and the findings of the studies. Thus while the first study has been conducted on a sample of the whole industrial-public sector in Egypt, and the second study has dealt with the problem in developing countries, the third study has dealt empirically with a sample of the tourism businesses working in Egypt. Hence, the findings of these studies should be interpreted only within the premises of this consideration.

An inquiry into the small companies in particular may reveal further dimensions of the problem arising from their particular characteristics and needs.

To recapitulate, marketing research is lacking in both large and small Egyptian companies. Such companies are used to producing all they could, not worrying about marketing the resulting outputs. In such circumstances, the problem of limited production capacity was to become more serious. This problem has had a much greater effect on small companies with limited production capacity.

If management is to learn the lesson, it must keep in mind that the problem of scarcity has never been solved by the neglect of marketing research. Instead, it has been enlarged and deepened. Use of marketing research, on the other hand, may aid in problem solving by directing the limited resources available to optimal economic use and towards the satisfaction of the identified needs and wants of buyers in response to the societal marketing concept and consequently, the Islamic teachings.

Conclusion

In this chapter, the discussion was mainly concerned with the search for an appropriate conceptual framework for marketing strategies of small companies. Towards this end, the definition of marketing strategy and its relationship and importance to the overall corporate strategy was outlined. Then, the application of the strategic approach in small companies was highlighted. Also, the Islamic view on the strategic approach in the context of marketing strategy was discussed. In addition, marketing information in relation to the marketing strategy of small companies with reference to the Egyptian situation was reviewed.

Several conclusions may be drawn from the discussion.

(1) Throughout the review of the literature, it appears that strategic marketing decisions are of equal relevance to both small and large companies. In addition, it may be argued that the application of the strategic approach can contribute to improving the performance of small companies and help them to achieve success.

(2) Because small companies, in general, possess certain distinguishing characteristics, the task of developing strategic marketing decisions in small companies may be different from that of large companies in such aspects as the organisational structure, the time scale involved, the degree of formality, and the simplicity of techniques used.

(3) Another conclusion is that the logic of the strategic approach is consistent with the Islamic teachings in their approach to dealing with events as they emphasise the future and draw upon past experience. So, the small company's Muslim marketer must adopt the strategic approach in dealing with his marketing problems.

(4) The contradiction which exists between the attitude of Islamic teachings towards marketing strategies and the real life of Islamic firms (small and large) is an indication of poor understanding of Islamic doctrines in relation to marketing.

(5) Despite its vital role in formulating marketing strategies of small companies, marketing research may be neglected or overlooked by many of them. In the Egyptian context, it is evident that this activity is neglected in many companies especially in the small ones. There are several environmental factors responsible for this neglect one of which is the small size of firms, which was reported by an empirical study to be the most important.

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CHAPTER SIX

Target Markets of Small Companies

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Introduction

Formulating an overall marketing strategy of a small company calls for operating within the framework of the controllable variables, viz., the elements of the marketing mix and the uncontrollable variables, that is, "the important forces emanating from the market which bear upon the marketing operations of an enterprise."(1) However, the central focus of the small business marketer, as Brannen(2) suggested, "is always the objective(s) to be achieved. These objectives can usually also be stated in terms of the target markets (customers) to be served."

In practice, it has also been observed that the management of successful companies normally make use of target market(s) strategies. Thus, when the corporate and marketing strategies of such companies are analysed, one feature stands out. Each had a market strategy that proved to be a major factor in gaining a strong market position for the company. It is worth noting that this characteristic cuts across all firms regardless of kind or size.(3)

Hence, for most small business firms working in Egypt, the fact that the total Egyptian consumer market is composed of more than 45 million people is a rather useless statistic. Equally useless statistics regarding the total size of the intermediate market may be available. What the small businesses management really wants, in most cases is a much more detailed picture of smaller target markets, both consumer and industrial.

The target market decision was defined by Cravens(4) as "the choice of what people or organisations in a product-market toward which a firm will aim its marketing programme positioning strategy." In this regard the small company management decides whether it should attempt to serve all that are willing and able to buy or selectively centre around one or more sub-groups.

Therefore, understanding of a market or a product-market is essential to recognising the target market and hence making the appropriate decision.

In the course of the current chapter, target market strategy for small companies will be discussed in general terms and in the view of the ~~Egyptian~~ environment. In so doing, the discussion will deal with the following points:

1. The definition of a market.

2. Target market strategy for small companies.

3. Target market analysis: The Egyptian situation.

4. Consumer behaviour and small companies.

The Definition of a Market

There are some differences in the ways that analysts operationally define the term 'market'. Thus, as Kotler stated, "the term has acquired many usages over the years."[5]

Some scholars[6] indicated, therefore, that "the concept of a market is sometimes confusing", since numerous meanings and shades of meaning for the term 'market' are usually ready to come to mind.[7] There is a stock market and an automobile market, and a retail market for textiles and the like. A market may be referred to as a place in such an expression as, "I am going to the market." In another case the word 'market' may refer to price rather than place.

The above meanings of the term market do not include all the meanings that could be proposed for the term 'market'.

However, Kotler[8] grouped the usages acquired by the term over the years into three categories as follows:

1. A physical place. In one of the earliest usages, a market refers to a physical place where buyers and sellers meet to exchange goods and services.

2. The economic theory definition. To an economist, a market consists of all buyers and sellers involved in actual or potential transactions regarding some good or service. The concern of the economist is in describing and evaluating the structure, conduct and performance of the market.

3. Marketers' definition. To a marketer, a market is the set of all actual and potential buyers of a product or service. Thus, in the marketer's perspective, market is limited to meaning the buyer side of the economist's definition of a market. Several things about the market concern the marketers. Examples includes size of market, purchasing power, needs and preferences.

In their attempts to attain a concretely defined term 'market', marketing scholars selected the last perspective which limits market to meaning only the buyer side.

Stanton(9), to begin with, defines market as "People with needs to satisfy, the money to spend, and the willingness to spend it."

Similar to this definition of market is the definition suggested by Brannen(10), according to whom "a market is composed of (1) people with (2) money (purchasing power) and (3) a willingness to spend that money for satisfaction." Although some definitional differences do exist, most scholars basically agree that a market consists of people, with money to spend, and a willingness to spend it.

In any event, the definition draws essentially on "the definition of the term 'buyer'." A buyer, in turn, can be defined as "someone who is potentially willing and able to buy."(11)

The Concept of Product-market

Additionally, the concept of a product-market has existed in the marketing literature. As one authority[12] remarked, " a product-market is a matching of people with needs leading to demand and certain product benefits that satisfy those needs, unless product benefits are available, only people with needs exist, not markets. Likewise, people must have demand for what product(s) can do in order for there to be product benefits of value. A product-market then is a matching of product benefits to market needs leading to demand." This perspective holds that markets should be defined based on needs substitutability between products and brands, and on differences in the ways in which people want to satisfy needs.

Thus, a product-market has been defined by Day et al[13], "as the set of products judged to be substitutes, within those usages situations in which similar patterns of benefits are sought, and the customers for whom such usages are relevant."

The above discussion, with respect to the definition of market or of product-market, suggests, that in order for there to be market, people must have demand for product(s) or service(s). That, in turn, may mean that people are aware of the existence of product(s) or service(s) which would satisfy their well-defined needs and wants.

However, there may be the consumer with a vague want who is unaware of the existence of a product or service which would satisfy his ill-defined want. In such a case, as Baker[14] pointed out, "if the manufacturer produces a product which he feels should satisfy the need, he will wish to bring it to the attention of those with latent demand for it. Alternatively, if a manufacturer does not produce a product which should satisfy a known latent demand but is able to specify what the characteristics of such a product would be, then the latent demand becomes a marketing opportunity which he may wish to exploit."

This view expresses, nicely, the positive role of the marketer in relation to the present external environment. It might tell him not to accept the unfavourable conditions of the market as they are. Instead, he should attempt to identify and monitor these conditions so as to achieve both the company's interests as well as consumers' satisfaction and welfare together with the societal well-being. As such, the marketer would be attempting to put the societal marketing concept into practice.

Target Market Strategy for Small Companies

As mentioned before, the target market decision is the choice made by individuals and/or organisations concerning the target towards which a company will aim its marketing programme positioning strategy.

In theory, however, the possibilities for selecting the firm's target people or organisations range from attempting to appeal to most of the people in the market (i.e. a mass market approach) to concentrating on one or more niches (i.e. niche market approach), within the market[15].

Thus, two target market strategies could be identified. These are:

(a) Mass target market strategy. This strategy assumes that all actual and potential buyers in a product market are sufficiently similar in their responsiveness to one offer and marketing mix[16]. The strategy is referred to as "undifferentiated marketing"[17] since the firm, in such a case, is aiming one marketing programme at all buyers rather than going after one or more subgroups within the product-market using a different marketing mix for each subgroup[18].

(b) Niche target market strategy. Under this strategy buyers are assumed to vary as to their responsiveness to any marketing programme positioning strategy. Based on this assumption, the company can implement a niche strategy in one of two ways.

(i) It might decide to go after a narrow market segment and design the most appropriate marketing programme. This may be called "concentrated marketing"[19].

(ii) Using the other method, the company may identify several market segments, designing a separate marketing programme for each. This could be characterised as "differentiated marketing."[20]

In the light of the aforementioned concepts regarding target markets strategies, what the small business marketer wants to know is: what is the profile of his specific target market? How to answer this problem is one of the marketer's most demanding challenges. As Brannen[21] stated, "the most basic and most important strategic marketing problem facing the small business marketer is the proper definition or selection of each of his target markets."

In general, it is usually inadvisable for the small business marketer to follow the crowd.

This calls for two distinct and yet related steps. The first is market segmentation. The second is target marketing.

Market Segmentation

The origins of market segmentation could be traced to Robinson, but the acknowledged father of the strategy was really Wendel Smith[22] who introduced the concept into the marketing literature in 1956. Market segmentation was defined by Smith[23] in this way: "Segmentation is disaggregative in its effect and tends to bring about recognition of several demand schedules where only one was recognised before .... market segmentation ... consists of viewing a heterogeneous market as a number of smaller homogeneous markets in response to differing product preferences among important market segments."

It may seem apparent that the concept was originally defined as an extension of the economic theory of imperfect competition which recognised "heterogeneity in individual demand as a result of product differences."[(24)]

In fact, much has been written on the issue in the last three decades. At present, market segmentation, as a concept and procedure, stands out in the marketing literature. It "represents an important recent advance in marketing thinking and strategy",[(25)] since it is a marketing tool by which marketers could identify customers' needs in a sub-market. Thereafter, they design a product and/or a marketing mix to capture that sub-market and satisfy those needs[(26)].

The concept has developed out of a number of key premises. As argued by Yankelovich[(27)], the fundamental boundaries are:

(a) In today's economy, each brand appears to sell effectively to only certain segments of any market and not to the whole market.

(b) Sound marketing objectives (and programmes) depend on knowledge of how segments which produce the most customers for a company's brands differ in requirements and susceptibilities from the segments which produce the largest number of customers for competitive brands.

Thus, customers differ in their needs for a given product by amount, size, culture, disposable income, taste characteristics, etc. A firm, therefore, attempts to find out a subgroup that is sufficiently homogeneous in its needs yet different enough from the whole group (market). Then, differential product, promotional, price, and distribution strategies can be efficiently developed and directed to the target subgroup[(28)].

However, the available literature may reveal another perspective with respect to the problem in question.

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In this regard, Reynolds[29] has argued that much of what passes for market segmentation is not more than an application of what might be called the 'variety' strategy. Instead of seeking to exploit differences among people, the variety strategy considers the market as relatively uniform. People across the country are looked on as pretty much the same. In this counterpart to the pure concept of market segmentation, the author went on to say that one of the many characteristics people share is that they shift from one brand to another from time to time. Another is that they are susceptible to being attracted to new brands and new products.

However, it seems that the author aimed his argument at large companies rather than small enterprises which have no choice but to operate a market segmentation strategy because they cannot do otherwise. Thus, a small company, as the author pointed out, may not have the financial strength to attack directly a product firmly entrenched in the mass market. Its only alternative may be to exploit the fringe markets disdained by the giant, or in which it may have a competitive advantage to offer.

Nevertheless, there is ample evidence showing that market segmentation (along with the marketing concept) has been primarily a concept of big business. Quite often, when the small business marketer has practised market segmentation, he has done so unknowingly and perhaps unwillingly rather than as a planned basis for a sound marketing strategy[30].

To be much more beneficial, market segmentation has been revised in one respect or another.

For example, a recent article written by Winter[31] indicated that when Smith referred to the disaggregation of demand in his original definition of market segmentation, he really meant demand schedules (or responses of the market to variables, such as price, advertising, or product features). As such, the definition is still valid today. Unfortunately, as the author stated, for many years marketing segmentation was synonymous with the search for identifying characteristics of the "heavy half", those with a higher demand level (i.e. the important market segment(s)). But defining bases by the demand level, as Winter argued, is not as appropriate or as useful, as looking at the priority of price, special features, service offered, and so forth involved in the buying decision.

Therefore, a more recent definition was advanced by Winter(32) in 1979. The definition embodies the concept of "cost-benefit segmentation".

Market segmentation according to this definition is "the recognition that groups or subsegments differ with respect to properties which suggest that different marketing mixes might be used to appeal to the different groups. These subsegments may then be aggregated if the reduction in cost exceeds the reduction in benefits (revenues). This aggregation is based on the fact that both subsegments respond most to the same marketing mix", and the fact that "although benefits (for example, revenues) increase as more marketing mixes are offered, multiple marketing mixes also mean higher inventory, administrative, promotion, and production costs."

However, though the concept of cost benefit segmentation is common to all business companies regardless of size, it may seem that it is of more importance to be recognised by the large companies rather than small firms. Because a large company may have sufficient financial strength to serve a large share of the market, the aggregation process, then, could have more significance for it. A small company, on the other hand, due to its financial limits, seeks to work in a corner of the market employing one marketing mix to meet the needs of subsegments of the market without going through the aggregation process.

Other attempts have been made to refine the market segmentation procedure. The hope was to explore useful applications of the concept "based on the proposition that once you discovered the most useful ways of segmenting a market, you have produced the beginnings of a sound market strategy."(33)

These approaches have identified some common misapplications of market segmentation which could be revised and replaced by other beneficial methods.

For example, traditional demographic methods of segmenting a market have been found not "likely to provide as much direction for marketing strategy as management requires." Therefore, markets should be scrutinized for important differences in buyer attitudes, motivations, usage patterns, aesthetic preferences, or degree of susceptibility."[34] ~~In some cases, "omitted-variables having to do with religious convictions and interests are all important."~~[35]

It has also been found that a typical practice was to put heavy users in one segment and contrast them with light users. In this way, a marketer would be more efficient if he or she targeted efforts toward heavy users. The implication was that marketers ignored the potential for increased usage by the light users or non-users; although, in some cases, the potential market share enjoyed in this forgotten part of the market might be considerably promising[36].

Marketing efforts, for that reason, should not discard the light users' segment which might constitute the potential for increased usage and significant growth. Honda is a case in point. "In their initial entry into the motor cycle market, Honda concentrated on the non-user, leaving the current user to Harley Davidson. The market share of Honda was exceptionally high within this new segment which has experienced significant growth."[37]

For small companies, the issue is more relevant. While the heavy user segments may be attractive to large companies, the light user segments can be opportunities for small business firms. As stated by Brannen[38], "limited markets are opportunities for small business but not for big business .... The point is that either because of existing natural size limitations or because of purposeful and successful market segmentation, the small business marketer may profitably serve markets that are too limited to be of interest to big business."

He, as Bigelow[39] noted, "can be more flexible, can move more quickly, and concentrate on smaller segments of markets."

Target Marketing

With the market segmentation task completed, the next step, for a small business marketer, is to be concerned with target market strategy, "the act of evaluating, selecting, and concentrating on those market segments that the company can serve effectively."[40]

The importance of the target market definition has been expressed by some marketing scholars and practitioners.

Pegram and Bailey[41], remarked that a marketing manager outlined a major operation faced by his firm. "Internally, in the succeeding five years we shall have to devise a procedure to evaluate our customers and markets from a profitability viewpoint and externally seek those markets and customers who offer us the greatest possible return on employed capital .... We must direct our marketing efforts to selective selling."

In McCarthy's view[42], marketing oriented businessmen practise target market selection recognising that potential customers do have different demands so that different marketing mixes may be required for alternative target markets. Such a marketing manager, as the author indicated, would select his market segments.

Webster[43] showed the same view when he suggested that defining target markets is the most critical decision made by marketing management. And it is a decision which requires careful analysis and a high order of creativity.

In considering target markets for small business companies, Brannen[44] argued that many market segments are targets for both big and small businesses.

Thus, in some cases, big business and small business might be found directly competing for the same market segment, or in other cases might be noticed cooperating as members of a channel of distribution geared towards a specific segment. However, as the author pointed out, there are some markets and conditions under which specific market segments are more or less attractive to both big business companies and/or small business companies.

These conditions could be related to particular characteristics of the seller (or the producer), the product, or the market. Such characteristics serve to constrain and narrow the actual choice of a target market strategy[45].

The first factor refers to company size which is reflected in its resources. With respect to this factor, Kotler[46] stated that "where the firm's resources are too limited to permit complete coverage of the market, its only realistic choice is concentrated marketing." Thus, the firm should go after a narrow market segment and develop the ideal marketing programme.

In the same context, Hammermesh et al[47], argued that a low market share company must compete in the segments in which its own strength will be most highly valued and where its large competitors will be most unlikely to compete.

Thus, with limited resources and with low market share both of which are associated with small size firms, a niche strategy is essential. A small company can often strengthen its position over competition by targeting a niche where it has a differential advantage.

Kotler[48] again explained the situation when he discussed market-niche strategies. In this respect, it was argued that every industry involves a number of minor firms which operate in some part of the market and try to avoid clashing with the majors. These smaller firms attempt to occupy market niches which they can serve effectively through specialisation. It is to be noted that these market niches may be overlooked or even completely ignored by the large firms. The author continued by saying that the salvation of the smaller firms lies in finding one or more market niches that are safe and profitable. The requirements of safety and profitability can be secured by the existence of an ideal niche or niches which would have the following characteristics:

(1) sufficient size and purchasing power to be profitable,

(2) growth potential,

(3) bypassed or neglected by major competitors,

(4) the firm has superior competencies to serve the niche effectively, and

(5) the firm can protect its situation against an attacking major because of the goodwill it has built up.

Another attempt has been made by Brannen[(49)] to identify the principles of selecting target market strategy by the small business marketer. In this regard, two related principles have been suggested. The first one was called 'market simplication for small business", according to which the small business marketer should define the total market differently than the big business would. The small business in any event, must be much less preoccupied with the total market than the big business. Thus, what is most important to the small business marketer, in the author's view, is not how large the total market is, but how large the particular market segments are for which he is developing the ideal marketing mix. The second principle was called 'market dominance for small business'. In accordance with this principle, the small business marketer must be concerned with the question of how large a share of a particular market segment he should strive to attain. Thus, the principle basically states that within any given market segment selected by the small business marketer as a target market, it should be ensured that he can command enough sales in order to exercise some degree of market dominance over that segment of the total market.

In short, although the determination of which market segments are the best or most appropriate target markets for a particular small business marketer is a subjective process, target market strategy for the small business can be guided in the light of some general principles related to the particular characteristics of small companies. The principles reveal that the small business marketer must be a 'market nicher'. It can be said in general that he should not follow the total market.

Target Market Analysis: The Egyptian Situation

Armed with the insights provided by the forgoing analysis of the concepts of market segmentation and market targeting, the study will proceed to examine the problem in the Egyptian context.

In so doing, an analysis of the structure and nature of the Egyptian market will precede a study of Egyptian buyers' behaviour in the light of Islamic teachings.

The Structure and Nature of the Egyptian Markets*

As mentioned in the introduction to the current chapter, the whole picture of the total consumer and intermediate markets provides rather unusable statistics, especially for small companies' management. What the small business marketer really wants is a much more detailed picture of smaller target markets, both consumer and industrial.

The current study is restricted to the consumer markets only. Hence, the structure and nature of these markets are its main concern.

In this regard, in 1964, an attempt was made by El-Sherbini(50) to identify the basic characteristics of the Egyptian markets

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* Much of the material on this point has been taken from: Abdel-Aziz El-Sherbini, "Some Basic Characteristics of Egyptian Markets", Cairo, N.I.M.D., 1964, Memo No. 7.

approaching the problem from the consumer's angle. This study reported some findings explaining the structure and nature of the Egyptian consumer markets and distinguishing it from Western European and American markets. The basic characteristic in this respect was the absence of a national market. Rarely, with the exception of few commodities, was the market homogeneous and continuous throughout the country. Besides the wide disparities among the different sectors of the economy, it was, in many cases, geographically segmented as a result of the lack of effective means of transport and communication.

Thus, the entire market could be divided into two broad categories - metropolitan markets and non-metropolitan markets. The latter category, in turn, could be divided into three sub-categories: (i) town markets, (ii) rural town markets, (iii) isolated rural markets.

Metropolitan markets are of crucial importance to the students of the Egyptian markets. This importance stems from the following factors:

(1) The bulk of effective demand for manufactured goods is centred in metropolitan markets, which includes Cairo, Alexandria, and the Suez cities.

(2) Metropolitan markets have a strategic role as a major shopping centre. The customers of the metropolitan shopping centre fall into two types: the local household shoppers and the visiting shoppers from outside the city who often make regular trips to obtain their supplies of basic foods and household products.

(3) They are also subject to constant change and strong cross-currents. People in these markets are in frequent contact with western cultures and mode of living. However, the different degrees of exposure and acceptance of western values and styles of life have resulted in a considerable hetero-

geneity of tastes which represent a real problem and challenge to domestic manufacturers.

(4) Metropolitan markets could also be considered as experimental markets where new products and brands of established products are usually tasted first. Their customers, therefore, represent the early adopters.

The town markets, on the other hand, consist of the capital of all the governorates as well as any other town with a relatively important industrial population. The rural town markets involve all other small towns. The isolated rural markets cover all rural areas and scattered villages lacking any reasonable degree of urbanisation.

The aforementioned summarised description of the Egyptian markets structure and nature revealed the diversity between metropolitan markets and non-metropolitan markets. Moreover, diversity between the non-metropolitan market areas themselves was also suggested by that description. This diversity can be explained in the light of a number of elements which have tended over time to widen the gap between metropolitan and non-metropolitan markets.

On the other hand, however, some elements of market homogeneity can be found.

Thus, as the study suggested concerning the factors of the market homogeneity, some of the seeds required for the growth of such markets are in existence. These are:

(1) The people speak the same language. The existence of one uniform means of communication could be helpful to marketers assuming the availability of an adequate national media system.

(2) A considerable degree of social fluidity. Thus, Egyptian society has not yet produced social barriers resembling the class stratifaction which exists in some other countries.

In addition, it could be argued that the degree of social fluidity may be enhanced in recent years as a result of "the emigration of thousands of the Egyptian professionals and skilled workers to the petroleum Arab States where they earn a high income level, which substantially raises their standard of living in Egypt as well as their purchasing power"(51) and hence assists them in transferring from one social class to another.

However, this factor, in turn, as the study argued, has contributed partly to market heterogeneity. This was because of the continuous movement in and out of every social class of people with varying backgrounds and attitudes.

Another factor which it could be argued contributes to market homogeneity in Egypt is the existence of the Islamic religion. It is estimated that at least 90% of the Egyptian people are Muslim, a factor which will be helpful in providing the people with the same background and attitude.

Regarding the elements of market heterogeneity, the study argued that while the elements of market homogeneity are few, elements of diversity are numerous, strong, and deep-rooted. The following environmental factors have been identified in this respect:

(1) Per capita income is higher in the metropolis than in the rest of the country. This, in turn, has imposed great limitations on the scope, variety, and quantity of goods consumed by non-metropolitan markets.

(2) The level of literacy is much lower in rural areas than in the metropolis. Thus, the high level of illiteracy in the rural sector, combined with a very low per capita income might make it very difficult to find suitable media to communicate with the masses in these markets.

(3) The family structure in the rural areas, in contrast to that of the metropolis, is probably the basic factor behind differences

in the two sets of markets.

(4) The cultural heterogeneity which is manifestly exhibited in four broad social classes: (a) real estate and landowners; (b) bourgeoisi; (c) petty bourgeoisie; and (d) town workers.

Thus, as the elements of diversity are stronger and deeper than the elements of homogeneity, the market is segmented into a large number of small but heterogeneous markets.

It is necessary however, to be cautious in depending on the figures and the findings of such a study which was conducted in 1964 due to the continuous changes in environment. Nevertheless, it could be said that the afore-mentioned study is appropriate to today's situation in the Egyptian market which still lacks the essential prerequisites for constituting a national market. For example, as stated by Rice(52) in 1984, "the pervasive impression is that the physical infrastructure in Egypt is seriously underdeveloped." Thus, as Attia(53) pointed out, "the market is segmented in terms of geographical structure because basic requirements for establishing a national market do not exist." On the other hand, he stated that "the effective market represented by the high-income section of the population is concentrated in urban regions especially in metropolitan areas."

In this context, the real opportunities for marketers frequently lie in regional and cultural segments rather than in thinking about a broad national market opportunity. For example, the market for most consumer and durable goods is concentrated in Cairo, Alexandria, and to some extent, Port Said and other cities around the Suez Canal. In the last ten years, however, the government has been attempting to decentralise governmental authority in order to weaken this market concentration and develop the more rural areas of Egypt. Little change has been achieved.(54)

In terms of target market strategy, what do these figures say to the small establishment marketers? And what should small companies' marketers consider when formulating their target markets strategies? Answers to such questions will now be considered.

Target Market Strategy: Implications of Heterogeneity for Small Companies

Within the context of discontinuity and heterogeneity in both metropolitan and non-metropolitan markets, modern large scale establishments are confronted with a serious problem. Modern large companies depend basically on a mass market. So, the current situation shows an environment favourable to the small companies compared with large companies operating in the country.

Small companies, as stated by Kotler[55], tend to work in small market segments which they hope will not attract the interests of the larger companies.

With respect to the suitable target market strategy, it may be convenient to the Egyptian large companies to choose between two alternatives (i) undifferentiated marketing strategy; (ii) differentiated marketing strategy.

In the case of undifferentiated marketing strategy which may be called 'product differentiation'[56] strategy, the company can develop a marketing programme to minimise variations in the demands of individual customers, "focusing on what is common in the needs of the people rather than on what is different."[57]

In the case of differentiated marketing strategy, the firm accepts market heterogeneity as a basic characteristic feature of the Egyptian markets and hence, designs appropriate product lines and marketing programmes.

Here, an important point to be considered must be that the concept of a market should not be reviewed in isolation. It must be understood in relation to a specific product. Thus, the concept of product-market exists, and a big obstacle facing large companies in Egypt in following the differentiated marketing strategy, with respect to some types of products, as El Sherbini[58] referred to it, is the thinness of the Egyptian product-markets.

The situation, therefore, remains in favour of small companies. These companies which, in any case, cannot afford to follow the undifferentiated marketing strategy, can conveniently adopt the niche marketing strategy. Accordingly, they can identify one or a few market segments within the product-market so that the segment or segments will respond similarly to a marketing offer designed to meet their special needs and wants.

However, it must be stressed again that the choice of which market segment(s) is or are the best for a specific small company is a subjective function. Thus, the small company's marketer must do this for himself in the light of the various points made in the foregoing discussion.

In addition, the problem may differ between the public sector small companies and the privately owned small companies because of the differences in the relative size, resources, management skills and style, workers skills, and governmental attitudes and policies towards them.

Despite the brevity of the discussion on target markets for small companies, it is felt that the effect of consumer behaviour should now be considered.

Consumer Behaviour and Small Companies

Consumer behaviour has been defined by Engel, Blackwell and Kollat[59] as "those acts of individuals directly involved in obtaining and using economic goods and services, including the decision processes that precede and determine these acts."

In economics, it is conventional to base theories on a number of assumptions, one of which is that consumers behave in an economically rational way. Thus, the theory is that every buying decision is determined only by financial considerations[60]. Accordingly, the "consumer is assumed to be 'homo-economicus' whose ultimate objective is to maximise his consumption utility function of goods and services."[61]

The theory, whilst having its uses for economists, just doesn't hold if applied to real life marketing. The differences between the economic model and the real marketing world suggest that consumer behaviour is affected also by other individual influences and by environmental influences. It is affected by the consumer's own attitude, and his (or her) cultural and social influences. As such, many purchases are rooted in status or self-image. Others are affected by family pressure or by ethnic and religious influences. Labour-saving devices, food toiletries, and fashion can all play a role[62].

It is impossible within the scope of the current study to go into the details of all these complex behavioural influences. The study, therefore, does not attempt to contribute to the discussion of the nature and types of these influences - an enormous volume of work has already been written in this area, and this work will be utilised here.

Firstly, it is essential for the small business marketer to recognise that the consumer, like the marketer himself, is also a strategist. His (or her) strategy formulation is affected by individual influences and by environmental influences. Thus, as Brannen[63] pointed out, in addition to knowing who the market is, the small business marketer will want to answer such questions as when, what, where, how, and last but not least, why. He also suggested that the consumers patronising large companies and small companies are often the same people. Their basic human behaviour (and consumer behaviour) does not differ from large businesses to small businesses. Thus, even though some non-basic differences may exist, the framework for understanding consumer behaviour is equally applicable to both large firms and small firms.

Within the limits of the individual and environmental behavioural influences, the purchase strategy used by the consumer to find solutions to consumption problems involves two types of purchase decisions[(64)]:

(1) Assortment decisions: These are a group of decisions, necessary to determine the particular group of products and services which the consumer wishes to consume.

(2) Market-related decisions: These are a group of decisions regarding the specific actions taken by the consumer in the marketplace to provide products for the assortment.

The small business marketer (like the large business marketer) wants to know how the consumer sets, implements, and controls purchase strategy since this knowledge will help the marketer to achieve his or her objectives while at the same time enabling the small business to serve that target market at a profit with due consideration given to the societal interests. In this way, to understand consumer behaviour allows the societal marketing concept to be put into practice.

Consumer Behaviour in Islamic Thought

It has been stated that "ethical values are thought of as having impacts on consumer behaviour and as influencing the satisfaction he seeks to maximise."[(65)] As such, a consumer like a marketer, must have social responsibility and a considerable regard for the interest of the surrounding society.

Looking at the consumer from the viewpoint of Islamic social ethics would transfer him from a 'homo-economicus' into a 'homo-Islamicus'[(66)], whose actions are in line with Islamic ethical values with respect to purchase strategy. Thus, in his (or her) strategy formulation, implementation, and control, the consumer in Islamic society is dominated by a number of factors among which is the concept of moderation that affects the purchase strategy in one respect or another. This concept provides different premises for analysis of consumer behaviour and consequently purchase strategy. The analysis of consumer behaviour under this concept will often be different from the theories that secular economists propound.

By way of illustration, according to the concept of moderation, a Muslim consumer must maintain balanced relationships among various economic decisions such as:[67]

(i) Spending on secular purposes to maximise life utility and spending on social-caring purposes.

A Muslim consumer in an Islamic society, as Khan[68] pointed out, is supposed to undertake two types of spending:

(1) To meet his (or his family's) material needs.

(2) To meet the need of others (for the sake of ALLAH).

It is left to human discretion to allocate income between these two types of spending. Human behaviour, however, is guided behaviour for a Muslim - a person is advised to be God-conscious or God-fearing. Thus, as Khan suggested, allocation between the two types of spending will be determined by:

(a) Some of the parameters that determine the consumption pattern of a rational consumer as outlined by economics.

(b) A degree of God-fearingness or God consciousness.

(ii) Spending on consumption and spending on investment. Spending to achieve satisfaction in this world involves: (a) present consumption, and (b) savings/investment for consumption in future[69]. The consumer is required to achieve a reasonable relationship between these two types of spending[70].

(iii) Spending on necessities and spending on luxury. Extravagance is condemned in Islamic doctrine and spending on luxury goods, though it is not forbidden, is restricted. However, determining whether goods are in the luxury category or otherwise differs from time to time and from one society to another. Various criteria could be used in judging the situation, such as the standard of living, the pattern of distribution of income and the generally acceptable conventions in a society at a particular time.

(iv) Spending on consumable goods and services. In this matter, the Muslim consumer should adopt a moderate approach to the pattern of his consumption. He must be generous, but not extravagant, to himself, his family and dependents.

The level of consumption is divided by Muslim scholars into four: (i) necessary, i.e. the fundamental principles of life which cover the basic physio-sociological needs, (ii) less necessary but still basic, (iii) moderate, and (iv) extravagant. Subject to income availability, the consumer should be concerned firstly with spending on the necessary level until he reaches the second level, (i.e. the less necessary). Then, he is required to spend on the second level unitl he reaches the level which might include luxury goods. The fourth level (i.e. extravagant) is forbidden in Islamic teachings[71].

It might be argued that there is no need for this regulation since the consumer will have to spend firstly on the basic physio-sociological needs in order to survive, thereafter, going through the other levels. But in the context that the Muslim consumer is not responsible only for himself but also for his family and dependents, the need for this regulation becomes clear[72].

The criteria of determining the various levels of consumption would vary from one society to another and in any given society from time to time. Thus what is considered as less necessary in a society (or at a certain period of time) might be regarded as moderate or necessary, in another (or at different periods of time). Clothing, feeding, entertainment and education are some examples[73].

A central question regarding the Islamic premises within which a Muslim's consumer behaviour is determined is related to the application of these premises for purchase strategy.

As previously mentioned, purchase strategy involves two types of purchase decisions, namely; (i) assortment decisions which are necessary to determine the particular group of products and services wished to be consumed by the consumer, and (ii) market related decisions which are related to the specific actions taken by the consumer in the marketplace to provide products and services for the assortment.

The premises provided by the concept of moderation for monitoring the Muslim consumer's behaviour, as indicated before, are related only to the first type of purchase decisions, i.e. the assortment decisions. Thus, in determining the goods and services desired (i.e. the target assortment decisions), the consumer through Islamic social ethics is required to achieve balanced relationships between spending on secular purposes and spending on social-caring purposes, spending on immediate consumption and spending on investment, and spending on necessities and spending on luxuries. The muslim consumer must espouse a moderate approach to the pattern of his consumption. And he should go through the various levels of consumption specified by Muslim scholars, starting gradually with the necessary, passing to the less necessary and then the moderate. Extravagant consumption is prohibited in Islamic doctrine.

While target assortment decisions are regulated by Islamic teachings in this way, market related decisions regarding the specific actions to provide the assortment are left to the consumer's discretion. It is up to the consumer to decide how to relate to the market in order to obtain the goods and services desired.

The small business marketer (as well as the large business marketer) in the Islamic society is required to know the nature of the consumer purchase strategy within the concept of moderation in order to aid in the achievement of his goals while at the same time enabling the marketer to serve that target market at a profit as well as in keeping with the societal welfare. In this way, the societal marketing concept (and hence the Islamic philosophy of marketing) may be put into practice.

Conclusion

The present chapter has attempted to explore target market strategy of small companies (with reference to the Egyptian position) as the first stage of their total marketing strategy. It began by developing definitions of the terms 'market' and 'product-market'. Then, target market strategy for small companies, in general, was reviewed in terms of market segmentation and market targeting. Attention was given to the question of target market of small companies in the Egyptian context. In this regard, the structure and the nature of the Egyptian markets, and their implications for small companies have been outlined. In addition, the chapter referred to consumer behaviour as a question relating to target market strategy for small companies. This has been dealt with in general and in terms of Islamic thought.

The following conclusions may be drawn from this examination:

(1) Throughout the review of the literature, it seems that determination of most convenient target markets for a particular small business marketer is in the end, a subjective function. However, target market strategy for small companies can be guided in the light of some general principles which reveal that the marketer of a small business company should not, in general, follow the total market. He must be a 'market niche strategist'.

(2) It is evident from our review of the literature that Egyptian markets are, basically, characterised as heterogenous markets. They can be divided into very small product-market segments. As a consequence, it can be argued that Egyptian small business

companies, in a sense are working in a more favourable product-market (and hence target market strategy) domestic environment compared with their larger competitors.

(3) Finally, in the course of target market strategy, it is essential for the small business marketer to recognise consumer behaviour since the consumer, like the marketer himself, is also a strategist. Additionally, to understand consumer behaviour is to put the societal marketing concept into practice. In an Islamic society, like Egypt, marketers should recognise the nature of the consumer purchase strategy in the light of the concept of 'moderation' which holds that a Muslim consumer must maintain balanced relationships among various spending decisions as mentioned in the analysis. This recognition is equally applicable to large as well as small firms. Worthy of mention is that the present conclusion describes the theoretical situation related to the behaviour of both consumer and marketer as required by Islamic teachings, i.e. the situation as it is supposed to be. However, with some Islamic firms, the behaviour of marketers as well as of Muslim consumers, may be different from and inconsistent with these Islamic principles and obligations.

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CHAPTER SEVEN

The Marketing Mix of Small Companies

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Introduction

This chapter is considered to be the most important in that the small business marketer has control over the marketing mix of controllable variables which are evaluated singly and as an integrated whole in the quest for successful marketing programmes.

After having determined a target market, the small business marketer organises and controls a number of variables in such a way as to facilitate the relationship he is seeking with his target market. Thus the marketer makes a particular combination of the controllable marketing variables and uses it to appeal to a particular market segment. This technique is well-known among marketing scholars as the 'marketing mix'.

The idea of a 'mix' of marketing functions is based upon the notion that the societal marketing philosophy may be achieved through the optimum integration of a number of controllable variables. It is the judicious and well-balanced mixing of these variables which, ultimately, would achieve consumer satisfaction and well-being as well as society's welfare together with the organisation's interests.

In the course of this chapter, the application of the marketing mix components and the contribution they can make to improve performance in small companies will be discussed. The discussion will be presented as follows:

Section One: The Concept of the Marketing Mix.
Section Two: Product Strategy for Small Companies.
Section Three: Price Decisions in Small Companies.
Section Four: Place strategy for small Companies.
Section Five: Promotion Strategy for Small Companies.

SECTION ONE

The Concept of the Marketing Mix

The marketing mix is a concept that is well-known among marketers as a particular combination of marketing variables which are controllable by an enterprise and which are used to appeal to a particular market segment.

This section is devoted to discussing this concept; its origins and development, applicability in small companies, and its nature in the Islamic context.

The Origins and Development of the Marketing Mix Concept

Perhaps the origins of the marketing mix concept go back to James W Culliton, but the acknowledged father of the concept was Neil H Borden.

In a 1948 Harvard Research Bulletin, Culliton(1) described the marketing executive as a "decider", an "artist", and "a mixer of ingredients" who sometimes follows a recipe prepared by others, sometimes prepares his own recipe as he goes along, sometimes adapts a recipe to the ingredients immediately available, and sometimes experiments with or develops ingredients no one else has yet tried.

After receiving the description of a marketing administrator as a mixer of ingredients, Borden(2) soon began to use the term "marketing mix" to describe the results. He stated that he liked Culliton's idea of "calling a marketing executive 'a mixer of ingredients', one who is constantly engaged in fashioning creatively a mix of marketing procedures and policies in his efforts to produce a profitable enterprise". Thus, as Borden(3) suggested, if the marketing manager "was 'a mixer of ingredients', what he designed was 'a marketing mix'". In this way, the concept could have come into being.

Borden's(4) definition of the concept was "a schematic plan to guide analysis of marketing problems through utilisation of:

(a) a list of the important forces emanating from the market which bear upon the marketing operations of an enterprise;

(b) a list of elements (procedures and policies) of marketing programmes.

The marketing mix refers to the apportionment of effort, the combination, the designing, and the integration of the elements of marketing into a programme or "mix" which on the basis of an appraisal of the market forces, will best achieve the objectives of an enterprise at a given time."

As such, the concept is of significant importance in the marketing scene. It "provides a basis for a logical, coherent, and orderly analysis of the activities which bear upon the marketing operations of a firm. .... The marketing mix concept has added to the understanding of the marketing process in several areas. One of its major contributions is that it has helped change the concentration of marketing scholars and practitioners from a predominant concentration on the marketing variables themselves to a concentration on the results of such operations."(5) It is a system concept aimed at integrated effort for meeting predetermined market needs while making profit.

Variations in the Marketing Mix

Since its development, most marketing publications have used some variation of the concept of the marketing mix. Many checklists and guides featuring different elements of the marketing mix have been proposed.

As Borden(6) pointed out, various marketers did break down the classification of the mix differently. Thus, the list can be long or short, depending on how far one wishes to go on in his classification of the marketing procedures and policies with which marketing officers deal when developing marketing programmes. In such an environment, the classifications of the marketing mix components range from the narrow classification (e.g. two-way classification) to the broadest one, (that is, the twelve-way classification).

Frey,[7] for example suggests two dimensions: the offering (e.g. product, package and the like), and tools (e.g. advertising, personal selling, and the like).

Lazer[8], and Lazer, Staudt and Culley[9], use a three-fold classification as follows:

(1) The product and service mix, which involves several elements such as the brand name, colour, design, package, price, service, style, warranties and guarantees as well as the product line variety.

(2) The distribution mix, which includes two major components: physical distribution and distribution channels.

(3) The communications mix, the category which is composed of the combination of advertising, personal selling, sales promotion, publicity, public relations and other promotional tools in communicating with and persuading the target customer.

Lipson and Darling[10], Stanton[11], and McCarthy[12], among others, use the four-way classification, namely, product, price, place and promotion.

Lipson and Darling[13], for instance, categorise the marketing mix into four major components, each of which is composed of four dimensions as follows:

(1) The product component mix, which includes physical product, product services, brand and package.

(2) The terms of sale component mix, which is a combination of basic price, price relationships, credit and transportation and handling terms.

(3) The distribution component mix, which is the combination of marketing channels, storage facilities, inventory control procedures and shipping facilities.

(4) The communication components mix, which consists of a combination of advertisements, personal sales presentations, special promotions, and public relations activities.

The actual combination varies from offering to offering and may include all or any portion of these four major elements and their dimensions.

Stanton[14] nominates the various variables from which to blend a marketing mix as follows: the product, the price structure, the promotional activities, and the distribution system. Each of the four, as the author indicates, contains countless sub-variables.

In the same system of the marketing mix classification (i.e. the four-way classification), McCarthy[15] popularised a four-factor classification called the four Ps: product, place, promotion and price. He stated that it is useful to reduce the number of variables in the marketing mix to these four basic ones. However, each of the four involves a number of sub-variables which make up the major component.

The aforementioned systems of classification have been recommended in the literature because they are easily remembered. Perhaps a major contribution of these systems is the broadening of each component into a more explicit statement of the specific dimensions which make up the marketing mix. They can also be systematically diagrammed[16]. Among these systems, however, McCarthy's classificiation seems to be the most advantageous one from a memory point of view since it centres around the "four Ps" (i.e. product, place, promotion and price). It helps to think of the four major parts of a marketing mix as the "four Ps".

In the broadest way, Borden[17] originally put forward the twelve-way classification of the marketing mix. He suggested the following twelve major classifications (along with sub-classifications) as the elements of the marketing mix of manufacturers:

1. Merchandising - Product Planning - policies and procedures relating to:

(a) Determination of product lines to be offered - qualities, design, etc.

(b) Determination of the marketing research programme (e.g. markets to sell-to whom, where, when and in what quantity).

(c) Determination of new product policy - research and development programme.

2. Pricing

(a) Determination of price level.

(b) Determination of specifications to adopt - odd, even, etc.

(c) Determination of pricing policy - one price or varying price, use of price maintenance, use of list prices, etc.

(d) Determination of margins: freedom in setting these.

3. Branding - policies and procedures relating to:

(a) Selection of trade marks.

(b) Determination of brand policy, e.g. individual brand or family brand.

(c) Sales under private label or unbranded.

4. Channels of Distribution

(a) Determination of channels to use between plant and consumer.

(b) Determination of degree of selectivity among dealers.

(c) Devising of programmes to secure channel co-operation.

5. Personal Selling

(a) Determination of burden to be placed on personal selling and the methods to be employed in:

(i) Manufacturer's organisations.
(ii) Wholesalers
(iii) Retailers.

(b) Organisation, selection, training and guidance of sales force at various levels of distribution.

6. Advertising

(a) Determination of amount to spend - i.e. the burden to be placed on advertising.

(b) Determination of copy policy.

(c) Determination of advertising mix: (i) to trade; (ii) to consumer.

(d) Determination of media.

7. Promotions

(a) Determination of burden to place on special selling plans or devices directed at:
(i) Trade
(ii) Consumers.

(b) Formulation of these devices:

  (i) For trade promotions.

  (ii) For consumer promotions.

8. <u>Packaging</u>

(a) Determination of importance of packing and formulation of package and label.

9. <u>Display</u>

(a) Determination of importance and devising of procedures.

10. <u>Servicing</u>

(a) Determination of importance and devising of procedures.

11. <u>Physical Handling</u> - policies and procedures relating to:

(a) Warehousing.
(b) Transportation.
(c) Inventories.

12. <u>Fact-finding and Analysis</u> - Marketing Research.

Looking back to Borden's definition of the marketing mix concept, one can readily recognise that beside a list of elements of marketing programmes, the definition involves also utilisation of a list of the important forces emanating from the market which bear upon the marketing operations of an enterprise. In his opinion, these forces govern the mixing of marketing elements and both this list of the forces and that of the elements, taken together, provide a visual presentation of the concept of the marketing mix. The market forces were listed by Borden under four categories: consumer buying behaviour, trade attitudes and methods, competitors' position and behaviour and government controls over marketing. Here again, other marketers use different categories.

The foregoing systems of classification of the marketing mix ingredients are examples of the different approaches to the marketing mix variables. These different approaches suggest that there is no system which will fully explain what is involved in implementing the marketing mix concept in a real business setting, nor can such a system be expected. Since firms deal with dynamic and complex objects, it may be impossible to construct deterministic models for analysis. Thus, as already mentioned, there are many classifications, ranging from the narrow classification - the two-way classification to the broadest one - the twelve-way classification.

The great varieties in marketing mixes of companies can be traced to an extent, to the diversities of business areas in which companies work. Thus, Lazer and Kelley(18), for example, in looking at a marketing mix for retailers, state that the retailing mix consists of three sub-mixes, namely, a goods and services mix, a communication mix, and a distribution mix, while Borden's twelve-way classification pertains to the marketing mix of manufacturers. The varieties are reflected in the firms' operating statements.

As such, proprietary medicine manufacturers often have no sales force at all. Advertising is used to sell the product to consumers and advertising literally "pulls" the product through the channels of distribution. At retail level, however, little or no effort is made to secure selling support(19).

Within the manufacturing companies, a tremendous variation in their marketing mixes may exist. Heavy machinery manufacturers, for instance, often put relatively little of the burden of selling upon advertising and rely primarly on the "push" of personal selling. In contrast, for manufacturers of cosmetics, advertising may be so important that it deserves classification as a separate marketing activity.

Even among businesses operating in the same industry, there is little uniformity. Such diversity, as Lazer et al(20) argued, "is accounted for largely by the fact that products, sales volumes and target markets for businesses tend to be unique and constantly changing." This argument reveals the variations in the marketing mix between large companies on the one hand and small companies on the other.

In summary, despite the validity of the marketing mix variables in most situations, these variables and their relative importance differ from industry to industry, and in the same industry according to the particular needs of the marketplace. Even within the same market, it is likely that businesses will change their marketing mix in order to adapt to changing market forces.

The Application of the Marketing Mix in the Small Companies

In the course of the current study, an important question arises regarding whether the marketing mix of large companies is similar to or different from the marketing mix of small companies.

As mentioned before in Chapter Five, differences between small firms and large ones should be considered in terms of degree rather than of nature. It can be argued, therefore, that the same concepts and techniques of the marketing mix can be applied to both of them.

Thus, for both marketers of large companies and small companies, developing a marketing programme should be centred, basically, around the major controllable elements which make up the marketing mix as introduced in the preceding examples of marketing mix classifications. Taking the four-way classification, both types of marketers have to develop and introduce the right product, at the right place, at a convenient price, by using good promotional methods.

However, at the operational level, because of the unique characteristics and problems of the small companies, the application of these concepts and techniques in these companies may differ by emphasising those important to the particular situation, and de-emphasising others in accordance with the unique aspects and problems they have.

In this regard, Borden[21] pointed out that the marketing manager of a small company must fashion his mix to fit his respective resources when he said "if his firm is small, he must judge the response of consumers, trade and competition in light of his position and resources and the influence that he can exert in the market. He must look for special opportunities in product or method of operation. The small firm cannot employ the procedures of the big firm. Though he may sell the same kind of product as the big firm, his strategy is likely to be widely different in many respects." The author went on to cite some instances of this fact. In the industrial goods field, for example, "small firms often seek to build sales on a limited and highly specialised line, whereas industry leaders seek patronage for full lines ... The company of limited resources often elects to limit its production and sales to products whose potential is too small to attract the big fellow." At the level of promotional effort, companies with small resources in the cosmetic field, for instance, "not infrequently have set up introductory marketing programmes employing aggressive personal selling and a "push" strategy with distribution limited to leading department stores. Their initially small advertising funds have been directed through these selected retail outlets, with the offering of the products and their story told over the signatures of the store."

Many additional examples of the varying strategy of the marketing mix employed by small versus large companies might be cited.

Again, it appears that the unique characteristics of small companies call for new marketing functions to be performed to overcome the problems associated with these characteristics.

For example, because people in small companies have an effective role in producing and marketing the products, the small firm should have an internal marketing function relating to its employees (i.e. people strategies). In other words, people of the small company may be considered so important that they may deserve classification as separate marketing activity, or separate variable of the marketing mix which is unique to the small versus the large company. In the latter, people are also present, but as a part of a bureaucratic hierarchy. In Brannen's[22] view, employing and managing the right people in small companies is as important as promoting the right amount of the right product, at the right place, at the right time, at the right price. By people strategies is meant such areas as investment in people and their development, organisation, motivation, and other personnel matters that can, if viewed as part of the marketing strategy, give the alert small business marketer a differential advantage.

The Marketing Mix in the Islamic Context

As previously suggested, the philosophy of the marketing concept is of significant importance. As Kotler[23] put it, it "is one of the key concepts in modern marketing theory."

There are a considerable number of marketing techniques which a company can utilise to achieve the societal marketing philosophy. One of the most important techniques is the marketing mix which is a "logical basis for developing marketing strategies that meet the needs of specific target market"[24] in such a way as to stimulate them to purchase its products as well as to satisfy the consumers' needs and wants.

In the Islamic context, it may be useful to remind ourselves that the Muslim marketer, in implementing marketing strategies, is not required to act according to any specific technique (or techniques) but only that technique (or those techniques) which can fulfil the Islamic marketing philosophy and objectives.

As such, it can be argued that in addition to the importance given to the marketing mix concept as a main marketing tool to meet consumers needs, it may have an additional importance in the Islamic marketing scene.

This argument is based on the fact that the concept can, if used effectively, contribute to a great extent to the achievement of the aims of the societal marketing concept philosophy which has been found to be compatible with the Islamic marketing philosophy.

To be sufficient to achieve the aims of this philosophy in terms of the Islamic society, the purpose of the marketing programme or mix must be twofold:

Firstly, to serve as a means of meeting needs of specific target markets.

Secondly, and at the same level of importance, to serve as a tool for monitoring consumer behaviour in such a way as to direct it according to the Islamic concepts reviewed before. A co-ordinate mix of sound marketing activities is required to communicate and achieve this task as well as the first traditional task.

The study will now examine the application of the marketing mix components, namely, product, price, distribution and promotion to small companies in accordance with their unique characteristics and problems.

SECTION TWO

Product Strategy in Small Companies

Introduction

Product policy is a marketing strategy question, but it is also an overall company strategy question. Management's strategic decisions about the products to be offered are among the most important of those affecting the future of a company. No other strategic decision has such widespread impact, cutting across every functional area and affecting all the levels of organisation. This key strategic role should not come as a surprise since product is the firm's reason for coming into existence. It is the medium through which the businessmen have to take pains to achieve their threefold objectives of maximising and balancing both consumer and society well-being together with maintaining the companies interests. Hence, the first concern of any businessman is "what business should his company be in?" In other words, "what target market(s) should it attempt to serve and what product offerings should be employed in order to accomplish this?" Thus, fundamental product strategy derives from the fundamental goals of the company. This explains, in general, the overriding importance of the product as an interface with the market.

Moreover, the importance of the product is attributable, in some respect or other, to the fact that, for any company, acquiring a desirable advantage over its competition usually occurs in the marketing sector of the firm's activities. Within the marketing sector the advantages sought are in the form of observable differences in the product or the marketing functions of the firm. If these differences are of sufficient character and quality to give the firm a preferred position in the consumer's acquisition of products, then this difference which can be called "a differential advantage"[~~52~~] 25 gives a tool for avoiding the worst excess of price competition. Thus, if the first commandment in marketing is "Know thy customer", then the second is "Know thy product".[26]

Acceptance of this importance of the product "recognises that the firm's ultimate success .... is largely dependent upon its product policy."[27]

Based on the above, coupled with the belief that product strategy decisions are as significant to a small as to a large company, this section attempts to examine the application of product strategies in the small companies and how this can be adjusted to their particular needs and characteristics. The meaning of product, in general and in terms of the Islamic context in particular, however, should first be dealt with.

The Meaning of Product

A number of definitions and approaches related to the concept of a product both in a narrow and a broad sense appear in the marketing literature.

Within the context of the marketing concept however, it surely makes sense to use customer orientation when defining such a term.

Through this approach, Stanton[28] among others views a product as "a set of tangible and intangible attributes." He indicates that the term includes packaging, colour, price, manufacturer's prestige, retailer's prestige, and manufacturer's and retailer's services, which the buyer may accept as offering satisfaction of wants or needs. Consumers, he says, are buying more than a set of chemical and physical attributes. Basically, they are buying want satisfactions. The definition as such, considers the importance of consumer orientation when planning product policy.

Along the same line of thought, another definition is offered by Kotler[29] when he defines the word 'product' in its broadest sense as "anything that can be offered to a market for attention, acquisition, use, or consumption. He details the total set of offerings into physical objects, services, personalities, organisations, and ideas.

Such a conceptualisation is closely similar to those suggested by Pride and Ferrel[30], Nickles[31], Wilson and West[32], and Brannen[33] among others.

Pride and Ferrell[34], for example, understand the product as "everything that one receives in an exchange transaction". In their opinion, a complex of tangible and intangible attributes, including functional, social and psychological utilities or benefits may be a part of the product.

A similar definition is proposed by Nickles[35] when he defines the product as "an intangible sense of the value that a consumer perceives when he or she weighs the benefits and drawbacks of making an exchange."

From the same angle and under the marketing concept, Brannen[36] views the term "product" as "the total dynamic goods/services combination of features and attributes offered by the firm and purchased by the customer to provide for or enhance the capacity for satisfaction, use, or profit."

The key ideas rendered from this definition together with the above-mentioned definitions which broadly define the product are as follows:

First: The product is the total offering. It is a goods/service combination (or the bundle of benefits) composed of features and attributes. These attributes can be physical or non-physical as they relate to goods and/or services. Examples include packing, branding, warranty service, installation, delivery, credit, attachments and accessories, and the entire range of possible physical features and customer services.

Second: The purpose of the product is to produce or enhance buyer satisfaction, utility or profit. The buyer in effect, is not buying a physical item. He is buying what that item can do for him. The same is true if he is buying a service. For instance, the driver purchasing gasoline is not buying a set of chemical and physical attributes for its own sake. He is buying the continued capacity of the auto to perform as desired. According to Stanton[37] "customers are buying more than a set of chemical and physical attributes. Fundamentally they are buying want satisfaction."

As a consequence, the marketer's job is to sell product benefit rather than just the product. Accepting this, the seller would be able to realise that, for example, the lipstick manufacturer sells hope rather than the product's chemical and physical elements. A travel agency does not sell a two week American cruise, but romance, glamour, rest, and the opportunity to meet people.

It leads the marketer to look at the buyer's perspective - the way in which the purchaser of a product perceives it. As El-Sahn[38] points out, "the product is what the buyer perceives it to be". Thus, "people buy things not only for what they can do, but also for what they mean."[39] Such being the case, psychological symbols of personal attributes, goals, and social patterns are sold as well as the product.

<u>Third</u>: The product is dynamic in the nature of its features and attributes. This dynamism, as Brannen[40] indicates, means that the offering of the firm is changing in response to the needs of the market. As such, the ratio of goods to services contained in the product may be changing and the combination of features and attributes as part of the product may be changing. The concept of the product life-cycle indicates the dynamic nature of the product.

It is widely maintained now that "customer orientation" is looked at as the cornerstone of the current trend towards defining 'product'. This gives us the impression that product definition within this trend is derived from the original marketing concept. Under this concept the key task of the organisation is to determine the needs and wants of customers and to adapt the organisation to the purpose of delivering the desired satisfaction more effectively and efficiently than its competitors[41]. Thus, the main concern of the organisation is with its consumers' needs and wants. It is believed that this is the right way towards achieving the organisation's objectives in the long run.

Product Definition in Terms of the Current Study

1. Although the marketing philosophy espoused by the present study is considered to be consistent with the Islamic teaching regarding marketing operations, it is not explicitly considered by the current trend to define the product with respect to the societal dimension involved in that philosophy. For the purpose of this study, this dimension should be regarded as an integral part when defining product. So, society's interests should be borne in mind in the product definition together with consumer interests as well as the organisation's objectives.

2. Additionally, since this study is being conducted in the context of an Islamic country (i.e. Egypt), it is meaningful to state that the product manufactured by a Moslem or Moslems, whether it is a good or a service, should not be prohibited by Islamic teachings. In principle, this premise must be taken into consideration at the very outset when defining 'product' in the environment of Islamic societies.

Having defined the noun 'product' in terms of this study, the discussion proceeds to analyse the applicability of product principles and strategies in small companies.

The Application of Product Principles and Strategies in Small Companies

In the light of the idea that product principles and strategy decisions which apply to large companies are of equal importance and relevance to small companies, the ways in which these principles and strategies are applied will now be considered. In so doing, some of the product strategy decisions will be discussed briefly with special reference to the small companies.

Before proceeding to an examination of the various decisions that make up a product strategy for the small companies, it is necessary to discuss some points which must be considered in planning and developing the product strategy in these companies.

Firstly: For more than one reason, the time horizon of strategic long-range planning in the small companies tends to be considerably shorter than that in large companies.

In some respects, long-range strategic marketing planning calls for a commitment to a particular course of action, whether it relates to sales, dimension of output, or product. A slight change in the market might invalidate the planning of the small companies. Thus, while long-range plans in the big corporations cover five years or more, in the small companies a time scale of two years may constitute a long-range plan.

This situation suggests that the problems of implementing the strategic marketing concept will be different in small and large companies.

Secondly: A problem facing many small firms, is that, although they might be well aware of the need to develop strategic marketing plans, they are too small to support even a small planning department, operations research groups, or large-scale computer capacity and cannot afford to engage in planning research, whether it is in the area of product, of pricing, of promotion, or of channels of distribution. Such being the case, with its present facilities, the management cannot see how to begin. Such a problem represents a challenge for a typical small company in setting out the formal procedures of its planning processes. In so far as a small firm does plan, the keynote is informality. As a consequence, judgement, experience, intuition and well-guided discussions are the key to success, not staff work and the use of rigid formal models.

However, the problem of informality exists even in large corporations. As the potential of management science for strategic purposes is considered to be of limited use in large companies, informality will have to replace its function there. But for the small companies the task is likely to remain an art during the foreseeable future.

In the context of this premise, the most important factor to be considered is to what extent and in what ways small companies are using and applying marketing tools and techniques.

Thirdly: Since the current thesis is being conducted within the boundaries of the Islamic teachings and thought, it may be helpful to stress frequently that the Islamic doctrines do not require the use of a specific technique (or techniques) in relation to marketing strategies. Nevertheless, the technique to be used should aid the attainment of the Islamic objectives related to marketing. This general guideline must be kept in the mind by the managements of small companies when planning product strategy.

Finally: While products are necessary for the execution of business purposes, they alone cannot guarantee business success. Product must be matched with market needs and then corporate and marketing strategies must be developed to meet the needs selected by management.

Based on and related to the above points and within the boundaries of Islamic premises concerned with the product concept, some important generalisations related to small companies' product strategies can be considered.

Several types of market segments have been recommended by the literature as attractive target markets for small companies. In relation to the product component of the marketing mix, the following could be identified (a) products with a high proportion of services and a low proportion of goods, (b) unique services such as special customer service, (c) new products when development time is short, (d) a narrow and distinctive line of products and (e) perishable products either from a physical or a fashion point of view[42]. Such a list is only a partial one, but it suggests that product strategy for small companies flows directly from the identification of market targets. The following are the American Management Association's suggestions on product strategy direction for small company marketers considering some innovation in their existing product strategy(43):

- A small company makes its living by filling needs the big company cannot afford to fill (by producing products in response to variables inimical to large-scale production, such as short delivery time or provision of custom features).

- The small company does best with its products or services in a market that is stable.

- The small company is favoured by products that have short production runs.

- Great variability of demand, seasonally or volumetrically, favours small company operations.

- Small companies should look for products that are required to be of high quality.

- Small companies should strive for recognised degrees of exclusivity for their products because of their investment capacity limits.

- Small companies are favoured when their products or services cannot easily be combined with other products or services.

- Small companies should resist having a full product line when it reduces the advantage of having a distinctive line.

- Small companies that risk a large proportion of their resources in new projects which do not offer the possibility of establishing timeously whether the innovation will be successful, engage in unjustifiable and, possible, deadly risks.

- Opportunities for small companies relate to the stage of maturity of the industry or product involved. They tend to be important producers or suppliers of components of products in early stages of development.

Those general guidelines can be related easily to target market strategy and to the general advantages of a company. Moreover, such generalisations could be modified and expanded in order to reflect the environmental variables within which the company operates. They could also be altered in response to the goal and the specific differential advantages of the firm.

This having been identified, product strategy procedures (i.e. the "how to" of product strategy planning) for small companies will be examined. Firstly, what does a product strategy mean?

In a comprehensive perspective Cravens[(44)] indicates that "a product strategy consists of:

- Deciding how to position a business unit's product offering (specific product, line or mix) to serve its target market(s).

- Setting strategic objectives for the product planning.

- Selecting a branding strategy.

- Developing and implementing a management strategy for new and existing products."

The above definition covers some aspects of product strategy, and the author argues, these aspects are:

Firstly: A product strategy is deciding how to position each product or combination of products against competition by stating quality and features to be offered. This decision establishes the key guidelines for product development and product improvement activities.

<u>Secondly</u>: It is important early in the development of product strategy to specify what management expects products to accomplish. Product objectives may be used to achieve a variety of purposes for the entire firm or a business unit. Examples involve market penetration, profit maximisation and establishing a reputation for quality.

Moreover, a product policy, as Kline[(45)] argues, "guides and directs the activities of the whole organisation toward a single goal. Only rarely are product decisions made solely by top executives. Such decisions commonly, call for the specialised knowledge of experts in many fields."

<u>Thirdly</u>: In selecting a branding strategy, management in manufacturing firms has several alternatives recommended in the marketing literature such as using the brand name of marketing intermediaries, manufacturing products for other companies with their private brands affixed to products, building brand identity by applying the corporate name to the entire mix, or establishing brand names for lines of products or for specific products. One or more of these alternatives might be used.

<u>Finally</u>: The development and implementation of management strategies for new and existing products are essential to guiding product planning and controlling activities over the life cycle of each product.

However, as Brannen[(46)] argues, there is one strategy area which is a core strategy within the entire field of product strategy. All other product strategy areas are supporting strategies. The core strategy area is the product-market matching strategy.

In formulating his product-market matching strategy, the small company marketer is faced with four possible product strategies, namely[(47)]:

1. Market penetration, by selling more of one's present products to one's present customers.

2. Market development, by entering into an existing market new to the firm.

3. Product development, by adding a new complementary product.

4. Diversification, by developing a new market through the introduction of a totally new product.

The problem of product-market matching strategy could be approached in another way. As reviewed earlier, the possibilities for selecting the firm's target people or organisations in a product market range from attempting to appeal to most of the people in the market to concentrating on one or more market segments. Thus, we could identify the following possible strategic alternatives the marketer can use for responding to the revealed market structure:

1. Mass target market strategy (or undifferentiated marketing) i.e. deciding to go after the largest part of the market with one offer and marketing mix.

2. Niche target market strategy which can assume one of two forms:

   (i) Differentiated marketing, i.e. deciding to go after several market segments, developing an effective offer and marketing programme for each.

   (ii) Concentrated marketing, i.e. deciding to go after one or two narrow market segments and designing the most convenient marketing programme.

The latter is most relevant to the small business company. The small company marketer should not follow the crowd. Rather, he or she must be a "market-nicher strategist".

It means that the product-market matching strategy of the small company marketer would almost always be one of target marketing which results in differentiated marketing, or concentrated marketing, or in extreme cases, customised marketing[48].

In any event, due to the central role played by new products in helping enterprises to survive and prosper regardless of their type or size, the strategy of new product development and improvements (despite the risks involved) must be the centre of attention in formulating the entire product strategy for any size of company. New products are just as important to the small company as to the big company. For both of them, to stay competitive in an increasingly complex environment, characterised by dynamic markets, decreasing life cycle of products and processes and rapid changes in consumer needs and preferences requires an innovative capacity for creating, developing or adopting new products[49].

Similarly, the improvement of existing products and the elimination of unwanted unprofitable products are also fundamental goals.

The following pages will be devoted to the discussion of new product development strategy in the context of small companies. The concern is not to examine the way in which the small companies are using and applying the well-known procedures and stages recommended in the marketing literature relating to the introduction of new products[50]. However, two considerations deemed to be of significant importance when planning the introduction of new products must be remarked upon. These are:[51]

(i) Generating a stream of new product ideas that will satisfy management's requirements for new products.

(ii) Establishing procedures and methods for evaluating new product ideas as they move through the planning stages.

It is proposed to examine the new product development strategy in the environment of small companies. In so doing, two related points will be subsequently discussed, namely: (i) the status of industrial innovation in small companies, and (ii) the application of new product development strategy in small companies.

The Status of Industrial Innovation in Small Companies

A great deal has been written concerning the status of industrial innovation in small companies in comparison with their larger counterparts. And it is, of course, a matter of debate.

Generally speaking, as Rothwell(52) points out, on the one hand, it has been argued that, because of certain behavioural and organisational factors, small firms are better adapted to the creation of major innovations, while on the other hand, it has been argued that large size and monopoly power are pre-requisites for economic progress by means of technological change.

In support of the former argument, Longenecker(53) indicates that one of the most conductive channels for industrial innovation is the small firm. Much innovation, he argues, "has occurred in the small business sector, to the extent that small firms serve as innovators, therefore, they contribute significantly to the nation's economic health."

The tenet of this argument can be factually supported by a survey conducted in 1976 by the United States National Science Foundation(54) which underlines the importance of small and medium sized firms in the innovative process by showing that out of 380 "major innovations launched in the US during the period 1953-1973, 48 per cent came from small and medium sized firms with less than 1,000 employees. Moreover, the results of the survey reveal that the productivity of these firms (based on a comparison of their innovation rate with their expenditure on research and development) was four times greater than of firms with over 1,000 employees. As such, the survey serves as factual evidence of the actual and potential role of small business companies as industrial innovators.

On the other hand, there is growing evidence to suggest that the potential innovation capacity of small firms in other countries is less impressive.

According to Adams[55], the situation in the United Kingdom suggests "that government industrial policy must stimulate and promote the innovation tendencies of small firms in order to create a more conducive environment to technological innovation." This argument is based upon some empirical studies which indicate the relative minor role of small firms in UK (and in some other Western European countries) in industrial innovations.

For example, a study by Freeman[56] for the Bolton Committee examined this role between 1945 and 1970 and found that small firms (less than 200 employees) contributed about 10% of the total innovations record. However, this was less than their contribution to employment (25%) and net output (21%) in the median year, 1958.

Another study by Arthur D Little Ltd.[57] for the Anglo-German Foundation adds further supportive evidence of a fairly insignificant role for small technology-based companies in the UK as well as in the Federal Republic of Germany. New technology-based firms, as the study reports, play a relatively minor role in the national economy of both the UK and the Federal Republic. They are also small in number and small in size. There are probably only about 200 firms which qualify as true new technology-based firms in the UK.

Finally, in comparison with the US small companies, the aforementioned National Science Foundation study[58] indicates the relative role played by the small companies in some Western European countries in the innovation process. The study reports that small firms' contribution was highest in the US (35%) and France (31%), followed by West Germany (26%) and the UK (23%).

This situation can be explained in some respect or other, as Rothwell[59] indicates, in the light of the fact that in most developed countries the bulk of government funds for industrial R & D went to a few relatively large companies during the 1960s and 1970s. More recently, however, he says, attempts by governments are being made to redress this imbalance to make a shift in favour of the small companies' innovativeness since "innovations are generally the result of R and D endeavour."[60]

However, there is a favoured middle point of view, which advocates that both large and small firms, with regard to industrial innovation, are complementary to each other, rather than alternatives.

Rothwell[61], among others, takes this view and gives some supportive instances. For example, small companies which must always adopt target market strategies can innovate in order to fill such narrow niches as are deemed too small by their larger counterparts, or can develop customer-specific "add-ons" to large companies' products, and large modern corporations cannot effectively survive without an appropriate 'hinterland' of small subcontractors and suppliers.

A further, and rather crucial point argued by the author, is that the relative importance of different sized firms to innovation in a particular industry might depend upon the age of that industry. Additionally, the type of innovations typically produced by large and small firms at different stages in the industry cycle might vary also, i.e. product or process innovations. It is necessary for that reason to adopt a dynamic view of the nature of the role of different sized firms in innovation.

Neither small firms nor large firms, therefore, enjoy clear-cut advantages across the board. Hence, as the author points out, it is not a question of either the large or the small firm; the innovatory efforts of both are essential and desirable.

In the above discussion, the small firms sector was dealt with as a homogeneous grouping of firms. However, the share of small companies in innovation, as mentioned in Chapter Three, would vary a great deal from industry to industry. As a rule, while small companies appear to make a major contribution in the areas where capital costs are relatively small, in those areas which require high capital costs, the contribution of small companies is small[62].

Having said this, it will be useful to review, briefly, some specific impediments said to be faced by the small innovative firms wherever they are located.

In this regard, Cooper[63], in an early article identified some major problems such as:

1. Inability to recruit and retain the services of staff with considerable education and unusual abilities.

2. The lack of the benefits of "team research".

3. Insufficient financial resources.

4. The likelihood of facing formidable competition from the large companies which enter the field.

Adams,[64] among others, has undertaken another but recent study to analyse the factors which inhibit or retard industrial innovation in small manufacturing firms. The study has centred upon the recent findings of the University of Manchester Institute of Science and Technology's comprehensive empirical research study of the product innovation behaviour of small manufacturing companies.

The results of the study, relating to the impediments experienced by the small innovative firms, were:

Firstly: Small firms find it difficult to recruit the sort of high calibre staff required for innovation, particularly during the early phases of R & D.

Secondly: Small firms face considerable disadvantages related to scale, and must, therefore, have ready access to external sources of aid and information to overcome this scarcity of the necessary resources and skills.

Finally: The informal management structure of small companies invariably results in a lack of experience and ability in the marketing and management function.

What is evident from the findings of the above two studies, is the lack of resources and skills in small companies, needed to undertake an effective technical innovation process. Most, if not all, aspects of the problem facing small companies in marketing activities in general (and hence in technological innovation) stem from their limited access to financial resources and consequently to the high calibre of staff required.

In the Egyptian environment in particular, there is no empirical evidence of the status of industrial innovation in small sized manufacturing companies as compared with their larger counterparts. As yet, a study of this subject has not appeared in the marketing literature. The available literature analyses the problem in terms of the Egyptian manufacturing companies in general regardless of size, and it seems from this analysis that most industrial companies are imitative rather than innovative. Many Egyptian companies have allowed their sense of purpose to be governed by economies of scale and the need to achieve efficiency in production to the extent of pushing innovation and customer satisfaction effects into the shade[(65)].

This situation can be attributed to a great extent to Egyptian managements' attitudes toward the marketing function and role on the one hand, and the government economic policy which prevailed until recently, on the other.

As Boyd et al[(66)] stated, production is typically regarded as the major activity of management. Historically, management has concerned itself almost exclusively with production and has delegated the sales function to the wholesaler. With this attitude, Egyptians have little regard for marketing, and most marketing jobs, until very recently, were performed by foreigners. With reference to government policy, the authors indicated that the government - motivated by a strong drive to industrialise rapidly and to conserve its foreign exchange holdings - protected most local companies from foreign competition through either an import embargo or extremely high import duties. In these circumstances, many companies have been founded in such stable industries as textiles and food processing with a view to replacing imports under tariff protection, thus creating situations that cause the firm's management to feel that marketing activities and tools are relatively unimportant. Management is, in particular, relieved from market pressures for new product development and product improvement.

As might be expected, due to the attitudes of management and government policy, marketing has almost no part to play in new product development. Such an activity is thought to be the exclusive responsibility of the production unit. This state of affairs can be obviously explained in the light of the fact that most enterprises are followers and not leaders in the field of new product development. Typically, Egyptian management looks abroad for new product ideas and standards, and tends almost totally, to divorce product design and development from the needs of the local market.

The same conclusion has been reached by an empirical research study conducted by El-Haddad[67]. Concerning product strategy in the Egyptian publicly-owned manufacturing companies, he concluded that "there is an apparent lack of emphasis, in the innovation effort of the majority of firms, on the development of new products and new processes." There is a tendency to rely heavily on existing products and old markets.

In any event, the data regarding the status of new product development strategy, especially technical innovation efforts, in the Egyptian small industrial firms in comparison with their larger counterparts, is lacking. Therefore, it is difficult to argue whether these small companies have a relatively big or small share in the potential innovation capacity.

However, it may be logical, based on observation, to assume that the aforementioned third point of view, (which holds that both large and small companies, with respect to industrial innovation, are complementary to each other rather than alternatives), is applicable in the Egyptian context.

The Applicability of New Product Development Strategy in Small Companies

The processes of new product development, as Brannen[68] argues, are much the same for both large corporations and small firms, at least in the sequence of the necessary stages required for the introduction of new products. However, implementation of individual stages may vary considerably in accordance with company size. And new product strategy will also vary by company size.

In operating a policy of new product development, a small firm could not hope to match the sophistication of its larger counterpart. However, a carefully planned and monitored marketing approach to business will help ensure a firm gets the most from its new product introduction[69].

Broadly speaking, for a small company, launching a new product is typically a more hazardous step. According to Broom and Longenecker[70], avoidance of costly errors calls for careful attention to several factors among which are the small companies' limitations and strengths. The limitations can be traced, as mentioned before, to limited financial resources and hence limited access to the high calibre of staff required. On the other side, the strengths are related to "people embodied" that results in flexibility, ready response to change, and willingness to accept financial, technological and marketing risks[71].

Specifically, in conjunction with the aspects unique to small business companies, two further considerations have been suggested by the American Management Association study[72].

Based on a survey of presidents of small companies (defined as having annual sales of from $2 million to $10 million) and large companies (annual sales from $80 million to $600 million), Cohn and Lindberg produced two dozen conclusions, among which are two conclusions concerned with new product strategy for small business firms relating to the technical side and from the viewpoint of the manufacturers, namely:

1. Because the risks of failure of original products are great and can cause more serious losses for small companies than for large companies, small firms should lean more towards evolution than invention in product development.

   This conclusion may well be understandable in the light of the fact that, as Cooper[73] points out, while a small company may be lucky in that some of its early efforts to develop advanced new products may be fruitful, it can seldom afford to undertake very many such projects due to the lack of resources required to support a "run of bad luck". The risks in this kind of activity are enormous for the small company.

2. When small firms must risk their future on new products (not externally available), they should aim at radical development: many of the greatest product innovations have come from small firms.

However, there is empirical evidence from the European context which shows that small companies play a relatively minor role in radical innovations. "A recent study of 50 or so post-war innovations in the European textile machinery industry has shown that the size of firms successfully producing technically radical innovations was about three times that of firms producing non-radical incremental innovations."[74]

Finally, in a more specific way, and regardless of the actual new product development and planning process used, Brannen[75] outlines some of the new product strategy issues and suggestions unique to small companies which in his opinion should help small companies' marketers towards successful new products. These are:

1. The path for successful introduction of a new product should be shorter for small companies. This is because fewer people are involved and the channels of communication among these people are shorter. However, such direct communication is not automatic.

2. In undertaking a new product development, the element of risk is proportionately greater for small firms than for large firms since the necessary amount of committed capital and other resources is proportionately greater for small firms. The small firm's marketer should therefore attempt to minimise such risks to the greatest possible extent.

3. The small firm's marketer must be sure to plan before embarking on development. He should not ignore planning.

4. As a planning device, budgeting must be considered as one of the most important tools available to the small business marketer.

5. A commitment by the people of the small business firm to participate in the new product programme is essential for success. This may involve people from all parts of the firm. A single individual, reporting to a major executive, should be given full-time responsibility for the new product programme. An unassigned task is seldom accomplished.

6. The small business firm should avoid the trap of developing and introducing technically sound new products that it cannot afford to market because of lack of marketing resources.

7. The small business marketer who is currently enjoying success with present products is in a better position to undertake a new products programme than he may be in the future.

8. It should be regarded that coordinating the new product programme is not necessarily less difficult for small firms than for large firms. So, an entrepreneural type who can eagerly devote all his time to the new product development programme should be appointed to coordinate the people and resources of the small business firm.

9. When operating test marketing, the small business marketer must do it in a scientific rather than a haphazard manner.

10. The small business marketer must make sure that he has proper and sufficient marketing support behind the new product to be marketed.

11. In the actual market introduction, the small business marketer should usually endeavour to achieve almost instantaneous distribution in each market he enters. This is understandable in the light of the fact that delays apart from anything else; may drain the limited capital and other resources of the small business firm.

12. Finally, the author concludes his suggestions by stating that the second new product development programme (and all succeeding ones) of the small business marketer will be easier than the first.

On the whole, new products are more or less equally important for both large companies and small companies. In the long run, survival and prosperity prove the worth of the axiom "innovate or die." To this end, innovative capacity for creating, developing, or adopting new products is a crucial requirement. Moreoever, the quest for innovation is part and parcel of the company's being marketing oriented.

As regards to whether or not small firms are inherently more innovative than their larger counterparts, though it is a matter for debate, it is better to adopt the viewpoint which holds that both large and small firms are necessary complements to each other rather than alternatives. This, presumably, may be pretty much the same for the Egyptian industry although there is no evidence to indicate the relative status of technical innovation in the small companies in comparison with the larger companies.

The new products development strategy for the small company must be adjusted to its particular characteristics and needs in such a way as to take into account both its limitations and its strengths.

Managing Existing Products in Small Companies

Having discussed the principal role of new products and the proper new product strategy in the context of small companies, it is now intended to outline, briefly, existing products strategy for a small firm which results in either the improvement of their performance, in some respect or other, or the elimination of unwanted, unprofitable product offerings.

Operating this strategy, as Cravens[(76)] indicates, requires evaluating the performance of the products in the mix. To do so, management must first establish the criteria and level of performance "in terms of sales, profits, and so forth."[(77)] This, in turn, calls for a good information system and careful analysis by management to establish a product review and evaluation system that will spot problem products so that management can select a strategy for eliminating the problem, either by reducing costs, improving the product, changing marketing strategy, or, in an extreme case, dropping the product.

To establish a procedure for routine review of the product range, one possibility as Avlonitis[(78)] suggests is the formation of a product review committee which in the smaller companies with narrow product lines would be a small committee composed of the chief executive and representatives of the marketing and finance functions. This committee should sit in judgement over the product range at least annually, at the budget time. However, as Brannen[(79)] indicates such judgement should always be used from the marketing systems perspective in order to avoid eliminating products that are critical to the total marketing effort.

With respect to product elimination in particular, it has been argued that although product-line pruning must be considered as a problem on par with product improvement and new product development, product elimination tends to be neglected in companies of all sizes. Yet most managements have no systematic procedure for pruning weaker products; these products often linger in the mix until they just fade away[80].

Regardless of the reasons for neglecting the product elimination problem and therefore formal product elimination programmes, it seems that there is much less pressure on the small company marketer to follow the formal procedures recommended in the marketing literature concerned with pruning his products lines than there is on the large company marketer.

This argument is supported by the findings of an empirically based research work conducted by Avlonitis[81] to investigate the product elimination decision-making behaviour as evidenced in the UK engineering companies. The study reported that "size of company was found to be a significant factor with respect to variations in the duration of the product elimination process and the behaviour characteristics pertaining to the 'weak product revitalization' routine and the decision-making entity of the product elimination process." Thus, it was stated that while formal product elimination programmes are generally more useful in the larger companies which offer large product assortments, in the smaller companies where relatively fewer products lines are offered, the need for formal product dropping programmes is less pressing.

However, a small company should have a periodic review of all products and lines in order to state the desirability of each components of the product mix. It is also required to have a product elimination strategy which reflects its overall product strategy.

In this regard, there could be identified, briefly, some alternative product elimination strategies dealing with the product lines and individual products within a line, namely:(82)

1. Prune the product line by selectively eliminating products from the line.

2. Phase out by annoucing a product's ultimate elimination and by giving customers the opportuntity to buy in limited quantities until the actual date of termination.

3. The run-out or limited offering may be used to remove active marketing support from the product while continuing to permit customers to purchase it.

4. Manufacture and/or market on a contract basis only.

5. Abandon the product by selling or licensing it to someone else or simply by dropping it where there is no other acceptable alternative.

The management of small companies may wish to consider the merits of each of these strategic alternatives once a decision to eliminate has been made. It must make such a decision in accordnace with its own situation and in the light of its overall product strategy.

Thus, while, at the strategic level, the concept of existing product strategy should be of equal relevance to the small companies as well as the large conglomerates, at the tactical level, however, some adjustments must be made in the procedures and stages used by the management of small companies in order to reflect their particular environment and needs.

With regard to the existing products strategy in the context of the Egyptian industry, there is no mention about the procedures used either by the large corporations or by the small companies whether in the area of product development or in the area of product elimination.

Taking the above into consideration, it is one of the ultimate objectives of the current study to explore and analyse, practically, the nature of product policies in the context of the Egyptian manufacturing small companies. It is hoped by this exploration and analysis to find out the benefits these companies may gain by following the monitored marketing approach relating to the product element.

SECTION THREE

Pricing Strategy in Small Companies

Introduction

The previous section examined the essential activities that marketers in small companies undertake in making product decisions. Applying this approach, it can be truthfully said now that they select products in such a way as to avoid the worst results of price competition and base their marketing strategies on non-price competition methods. In this context, pricing policy might be "relegated to a secondary role"[83] while non-price factors have a significant role in competitive strategy. This might be borne out by the findings of some empirical research works[84] which revealed that pricing was not considered to be one of the five most important policy areas in the firms' marketing success.

In a sense, the minor role of pricing policy in marketing can be understood in the light of the fact that although economic theory, in which price has a cardinal role to play in determining the market transaction appears to provide us with a precise rule for deciding a pricing strategy, i.e. to maximise profit, set the price so that marginal revenue equals marginal cost. This ideal model, however, can serve only as a guide in the real world of marketing for many reasons which have arisen more recently including: Firstly, there are many strategic goals other than profit. Thus, in addition to a firm's economic goals, price related decisions are designed to meet their social and environmental objectives. Secondly, the problem associated with joint costs and joint revenues may make it impossible to estimate the marginal costs and marginal revenue for a single product. Finally, the model does not take into account competitive effects, public policy, and channel reactions[85].

Thus, while the non-price factors grew relatively more important in the 1950s and 1960s, price gained a far more active role in the strategy during the turbulent 1970s and is now viewed by many marketers as the most important component in the marketing mix after the product[86].

This section is allocated to the discussion of the importance of pricing strategy in small companies and the way in which such companies can apply successfully the principles of this strategy with reference to the Egyptian position. To begin with, price in the Islamic context will be briefly considered.

Price in Islamic Society

According to the Islamic precepts and teachings, determination of price is arranged essentially by mutual agreements between both seller and buyer in their own right. That is the market price where it is fixed by the ineraction of demand and supply. This general rule was set by the Holy Prophet when he was informed during a famine in Medina, that prices were soaring and was asked to impose official control. He declined, saying I want to meet my Lord God in such a state that there is no complaint of injustice against me from a single soul.

However, the freedom of both seller and buyer in determining price is conditioned by the moral behaviour ordained by Islam. The morality developed in man by the Islamic precepts rests on the bed-rock of the fear of God's displeasure and the sense of responsibility to Him. Thus, instead of the offical control of prices in the said case, the Holy Prophet devoted his efforts to the moral reform of businessmen, and by continuous preaching, he achieved the desired effect of lower prices[87].

Moreover, in accordance with the precepts of the Holy Qur'an, dealers are prohibited from devouring another person's possessions wrongfully even if that other person - being the weaker party - agrees to such a deprivation or exploitation under the stress of circumstances. In this regard, Qur'an says "O you who have attained to faith: do not devour one another's possessions wrongfully - not even by way of trade based on mutual agreement."[88] This is emphasised by the Prophet's comprehensive precept which holds that "those should be neither harming nor reciprocating harm"[89] and hence, one must "not inflate prices to another"[90], especially in an exceptional state of affairs. The reverse is also equally true, namely, one must not lower prices to another.

Price therefore, should be fixed by the natural and sound interaction of demand and supply.

To conclude, pricing in Islam is a twofold strategy resulting chiefly from the interaction of both seller and buyer behaviours. The two parties, however, are required to behave in such a manner as to produce the price which reflects the sound value of the product dealt in, i.e. "the benefits offered by the 'bundle' of attributes represented by the 'extended' product and its supporting service."[91]

The scope of coverage in the current section will be a less than complete investigation of the twofold pricing strategy. It will be confined to the seller side leaving the buyer side so that it can be dealt with elsewhere.

How Applicable is Pricing Strategy to Small Companies

It has been argued that "a surprisingly small percentage of firms in all size categories have well-defined pricing strategies."[92] This is possibly because of the difficulty of dealing with the price. As Oxenfeldt[93] pointed out, of all the areas of executive decision, pricing is perhaps the most fuzzy. Thus, whenever a price problem is discussed by a committee, divergent figures are likely to be recommended without a semblance of consensus.

Albaum[94], formerly advanced the same view when he argued that whereas the gap which exists between cost and value makes it possible to have a pricing strategy, observation of pricing practices suggests that in many cases companies are not using price as a component in the strategy by which they plan to attain certain defined objectives.

However, based on the findings of some sophisticated and extensive field research into the firm's pricing objectives, there is another view which tends to believe that companies, especially the large ones, have their own pricing strategy as they do establish pricing objectives, even though they may not be stated explicitly.[95] According to this view, "the pricing policies are in almost every case equivalent to a company policy that represents an order of priorities and choice among competing objectives rather than policies tested by any simple concept of profit maximisation."[96] So, as Baker[97] indicated, frequently pricing objectives are implicit in the company's overall objectives.

In any event, small companies as well as large companies should be convinced of the need for a pricing strategy because of the significant role price plays as the only element in the marketing mix that creates sales revenue. As stated by Albaum[98], to forego pricing as an element in a company's grand strategy is to forfeit the most powerful weapon available in a marketplace economy.

However, room for differences exists regarding pricing strategies of small companies and large companies. By way of illustration, differences generally exist in their pricing objetives particularly in the area of those pricing objectives relating to profitability. In this regard, as Brannen[99] argued, perhaps large companies should aim for 'satisfactory' or 'level' profits, but profit maximisation seems to be a meaningful objective for most small business firms.

The differences between pricing decisions of small companies and those of large companies can be further illustrated by giving a list of the parties included in the pricing function, and examining the extent to which each of these parties is involved in that function. As suggested by Oxenfeldt[100], in most situations the parties include:

(1) The various individuals and departments within the executive's own firm who are directly and indirectly involved in pricing, sales and sales promotion.

(2) The ultimate customers for the product.

(3) Rival sellers.

(4) Potential rivals.

(5) Resellers.

(6) Suppliers.

(7) The government.

On the part of the executive's own firm, Kotler[101] argued that the pricing function is handled in a variety of ways in different companies (e.g. different size categories). Thus in small companies, pricing is often a decision of top management and may be out of the hands of the marketing or sales department. In large companies, determination of price is typically the responsibility of divisional and product line managers. Even here, as the author indicated, top management sets the general pricing objectives and policies and often have to approve the price proposed by lower levels of management.

Such being the case, it could be argued that the differences between small companies and large companies with respect to the extent of the involvement of the executive's own firm in the pricing process may be more a matter of degree rather than kind.

In the light of this argument, one can understand Brannen's[102] view concerned with the parties involved in the pricing process. In this regard, he argued that the pricing problems and decisions facing small companies are similar in many ways to those facing large companies. Thus, the suggested seven parties may be involved to a different extent in the small companies pricing process, but they are usually involved to some extent. The author continues by saying that small business firms do have some discretion in the pricing process, that is they employ administered prices which are not - and never were - the sole property of large companies. This is opposed to the claim that administered prices are only the prices of big business and that small business use some other kind of price making. This claim is false since all kinds and sizes of industries and firms, in some respect or other, can make use of administered pricing[103].

Now that the management of small companies might be convinced of the need to deal with the pricing function and of the applicability of a pricing strategy to their companies, one may look briefly at some general guidelines and criteria put forward to aid the marketer of a small company in shaping his pricing strategy properly.

Guide to Pricing Strategy Planning in Small Companies

In his study, "What is the Best Price?" conducted for Small Business Administration, Lennon[104] gave good general advice to the small company marketer when planning his own pricing strategy. In this respect, he argued that the 'best' price for a product is not necessarily the price that will sell the most units, nor is it always the price that will bring in the greatest number of sales money units. Rather, the 'best' price is one that will maximise the profits of the company. The 'best' selling price should be cost oriented and market oriented. As such, it should be high enough to cover the company costs and help it to make a profit. It should also be low enough to attract customers and build sales volume.

Worthy of mention here is that, as this view considers the interests of both the seller and buyer, it is compatible with the Islamic point of view concerned with price determination in such a way as to reflect the real and sound value of the product transacted.

Brannen[105] too, presented some general criteria for setting prices as shown in Table 7.1. In the author's view, there does

Table 7.1 Criteria for Setting Prices

Low Price When	Pricing Criteria	High Price When
1. Little	1. Promotion	1. Much
2. Commodity	2. Product type	2. Proprietary
3. Mass-produced	3. Manufacture	3. Custom-made
4. Intensive	4. Market coverage	4. Selective
5. Long-lived	5. Product Obsolescence	5. Short-lived
6. Slow	6. Technological change	6. Rapid
7. Capital-intensive	7. Production	7. Labour-intensive
8. Large	8. Market share	8. Small
9. Short	9. Channels of distribution	9. Long
10. Mature	10. Stage of market	10. New or declining
11. Long-term	11. Profit perspective	11. Short-term
12. Single-use	12. Product versatility	12. Multiple-use
13. Much	13. Promotional contribution to line	13. Little
14. Few or None	14. Ancillary services	14. Many
15. Short	15. Product life in use	15. Long
16. Fast	16. Turnover	16 Slow

Source: William H Brannen, Successful Marketing for your Small Business, Prentice Hall, Inc., Englewood Cliffs, New Jersey, 1978, p 237.

seem to be some logic around which the small company marketer can begin to build his own pricing strategy. As noted in Table 7.1, the pricing criteria listed in the centre column tend to indicate either a low price or a high price depending on the marketing characteristics involved. For instance, he said, a product with fast turnover tends to be priced low, and a product with slow turnover tends to be priced high. In a particular pricing situation, the small business marketer, (like the large business marketer), should simultaneously consider all pricing criteria. In other words, pricing in any market is a complex juggling act requiring an understanding of all criteria (i.e. the criteria included in Table 7.1 and the like), and how they affect that particular product and market. It is important to state here that pricing policy cannot work in a vacuum. So, as Cravens[106] pointed out, the strategies selected by management (whether in small or large companies) often define the arena within which a price strategy is developed. Such factors as product quality and features, type of channels of distribution, margin requirements of intermediaries, end users served, and designated functions of intermediaries all tend to establish a price range that is appropriate in a given situation.

Thus, in setting their pricing policies, business companies - whether they are small or large - are conditioned by internal and external factors with which pricing policies should be compatible. The first are subject to the company's control, and may include its own definition of the business it is in, pricing objectives, costs, and the nature and extent of its corporate resources. The second form the framework within which its products with all their attributes including price, must fit, and may include the structure of the market in which the firm is selling its output, elasticity of demand, and the government regulation relating to price[107].

In addition to the above guidelines and pricing policies determinants, it may be useful to look, briefly, at some practical pricing issues of special interest to small business companies. The following is a brief summary of these problems.

a) Competition and Collusion

Because he wishes to exercise control over the setting of his product's prices, the small business marketer usually prefers to be competitive on a non-price basis. Thus, as is noted by Brannen[108], collusion among small business companies is not uncommon in order to avoid direct price competition which might be ruinous. Most small business companies, both as individuals and when in collusion with each other, do not exert much market power. For this reason, price collusion among these companies has different social implications than would collusion among large companies. Additionally, because enforcement would be nearly impossible, price collusion is rarely a legal concern among small business companies. Moreover, it has been pointed out that price collusion among small business companies is necessary in many situations. As Buskirk and Vaughan[109] argued, the reason for such collusion is easy to understand. In most instances, the small businessman views his market as inelastic; there is only so much volume that can be done in the territory and lowering price does not increase it sufficiently to offset the loss of margin. So the businessman feels very strongly that he must protect the price structure for the goods he sells.

This argument is supported by the findings of an empirical study[110] which reported that a larger percentage of the smaller firms (53%) perceived the market as being price-inelastic, while this attitude was shared by 40% of respondents in the medium and large firms.

b) Price Cutting and Price Wars

Another issue of special interest to small business companies is that related to price-cutting and price wars.

In this regard, Brannen[111], pointed out that price cutting as a marketing tool is not often associated with small business companies. And if it is used, it is often secret rather than open price cutting. The simple fact, as the author stated, is that small business companies do not have the financial resources needed to give them staying power to survive a potential price war. Consequently, small companies, particularly if they know what is good for them, usually do not start price wars.

However, small business companies - as well as large companies - may be forced to cut their prices, and participate in price wars or suffer the loss of much of their sales volume. Kotler[(112)] in this connection, argued that several circumstances may lead a firm to consider cutting its price even though such a move may threaten industrial harmony and provoke a price war. One circumstance, which was found to be relevant to the small companies' attitude towards price cutting, is 'excess capacity'. By way of illustration, the author referred to two consecutive periods reflecting two different responses to the 'excess capacity' variable. Thus in the mid-1970s prices remained remarkably sticky in spite of widespread over-capacity, showing that firms preferred high margins on low sales to low margins on higher sales. But in the late 1970s, various companies, particularly small ones, began to break the ranks of "follow the leader pricing" and turned to 'flexible pricing' to gain as much as they could.

In any event, small business companies should not knowingly initiate a price cutting strategy and must avoid picking a fight with their larger counterparts. They can only participate but not undercut.

Pricing Approaches

Theoretically, approaches to pricing are either cost-oriented, demand-oriented or a combination of the two. Below is a brief outline of these approaches in relation to small business firms.

(1) Cost-Oriented Approach

A cost-oriented pricing approach is based essentially on the total cost related to the product plus the desired profit. The most obvious examples of this approach are 'markup' pricing and 'cost-plus' pricing. In both cases price is fixed by adding a pre-set margin to the full cost of the item in question without reference to prevailing market demand conditions. According to this approach, "businesses have to base their decisions on internal considerations and on profitability."(113)

Searching into the literature(114) suggests that the cost-oriented approach is what does predominate in practice. The approach is mostly employed by retailers and wholesalers where fixed costs are relatively static. The simplicity of use is a definite advantage.

In terms of small companies in particular, it can be argued that the rationale for this approach may be traced to its emphasis on profit maximisation rather than sales volume enlargement. As mentioned earlier, the best price is that which brings in maximum total contribution to profit; not necessarily the one that means the greatest sales volume and it is rarely the highest price.

However, the approach has some serious limitations and flaws. Firstly, manufacturing firms find that the biggest problem comes with determining costs. Tools such as break-even charts and formula may be helpful, but they contain limiting assumptions; for example, not all costs are either fixed or variable. Secondly, methods such as cost-plus-markup may make sense, especially to wholesalers and retailers selling products that lack great exclusiveness. Finally, and this is the most serious flaw, the firm using a cost approach never knows how much the customer might be willing to pay.(115) Such being the case, this firm should be considered non-marketing oriented as it disregards the customer interests which are the cornerstone in the traditional marketing concept. This issue is of special relevance to small business companies. As recommended before concerning prices in these companies, the correct price should be low enough to attract customers and build sales volume as well as being high enough to aid in making profit. This idea is much stressed in the context of Islam. In the Islamic view, as stated earlier, pricing is regarded as a twofold strategy resulting basically from the interactive behaviour of both seller and buyer concerned with price determination. Hence, customer willingness should, of course, be taken into consideration when approaching price fixing. This opens the way to the second approach to pricing.

(2) Market-Oriented Approach

According to the market demand-oriented approach, determination of price depends essentially on customer perception and demand intensity rather than full unit cost. This demand relies on the nature of the market, the position of the company within the market, the characteristics of product, the income of buyers, and the strength of direct and indirect competition.

The rationale for this approach can be realised in the light of the fact that what the market will bear is a sound method of judging price. In practice as Lace[116] indicated, many small firms find themselves in a market where the price is firmly set by a dominant leader, or by the trade in general. Others will have to set a price using available information provided by customers through controlled research. Another method is to experiment by setting a minimum price thereafter increasing it until there is an unacceptable reduction in sales and profit contribution.

However, the complexity of establishing a sound level of price, depending only on market forces, makes the use of this technique difficult. In addition, while this approach considers customer willingness and perception, the opportunity to cover costs and make profit may be taken.

(3) Cost and Market Approach

Because of the deficiencies in the two preceding approaches to pricing, many small firms may decide that pricing determination is not just dependent upon either cost consideration or market forces. Consequently, they will employ the cost and market approach whereby determination of prices is based on a combination of both cost and market factors.

In practical terms, Brannen[117] indicated that the small business marketer is often left with what amounts to a trial and error method of pricing which employs some concept of cost as the floor and some concept of demand as the ceiling for price.

Lace[118] too, claimed that most smaller businesses base price determination on a combination of 'what a market will bear' and 'cost-plus'. He added that the emphasis will depend on objectives: whether the businessman decides to skim the market or whether he seeks to penetrate it. In the first case, price may be set solely on what the market will bear. In the second, price will be cut right back and much more attention paid to costs and marginal profits. In general, a small businessman will establish a minimum price based on the full unit cost and profit, below which it is not worth operating. He must find cut how much customers will benefit from using their products and establish how much they would be willing to pay. Studying the competition is useful, but it is important to account for even the slightest product differences.

Price in the Small Companies' Marketing Mix

As stated before, pricing cannot be done in a vacuum. It works, together with the other elements of the marketing mix of small companies in a synergetic fashion to produce a consistent unified effect. At best, that is the way it is supposed to operate.

Based on this maxim, price in small companies (as large companies) may be used to reinforce other marketing programme activities. The role of price may often depend upon how other marketing mix variables are used. For instance, as Cravens[119] indicated, price can be used as an incentive to intermediaries and company sales people, and as the focus of promotional strategy. It can also be used as a substitute for advertising and product quality. In other words, price affects and is affected by other elements (product, place, promotion and people) of the small companies' marketing mix. A change in one element will often call for a change in the other elements. Thus, for example, as Brannen[120] pointed out, a physical product improvement may be accompanies by a price increase and very intensive advertising may make feasible and necessary an increase in price in order to cover costs. On the other side, a prestige price may require prestige distribution, employing prestige-type people.

The role of price in the marketing mix will vary according to the types of situations in which pricing decisions are made. In this regard, Kotler[121] listed four general types of situations in which pricing is of great importance, namely: (a) when a firm must set a price for the first time; (b) when circumstances lead a firm to consider initiating a price change; (c) when competition initiates a price change; and (d) when the company produces several products that have interrelated demands and/or costs.

Rathmell[122] described various roles for pricing in the marketing mix according to specific situations as follows:

First, it is suggested that whether pricing is stressed or de-emphasised depends basically on the business philosophy of the firm.

Second, price can be used to influence demand over time, as with seasonal discounts.

Third, pricing can be used to adapt to a geographic advantage or disadvantage.

Fourth, through the discount structure, pricing can be used to employ multiple channels of distribution effectively.

Fifth, price deals are a timely means for meeting a rapidly evolving competitive situation.

Finally, price adjustment can be made on a selective basis for individual customers. Small business companies can sometimes do this more easily than their large company competitors.

In any case, the relative importance of pricing in the marketing mix, as Brannen[123] stated, is ultimately determined by the importance attributed to price by the target customers of a small business company. Their response to price, in combination with product, place and promotion, is what counts. In fact, prices are probably not as important to most consumers as they are generally believed to be.

Pricing Decisions in Small Companies: The Egyptian Situation

After having reviewed pricing strategy for small business companies in principle, it is now meaningful to outline the actual Egyptian situation with reference to that topic. In this connection, the following points will be briefly discussed.

Background

It goes without saying that prices have a significant role to play in a low per capita income country like Egypt, where prices may be a key factor affecting the purchasing power of the disposable income of consumers, the profitability of firms, and the volume of economic activities.

Prices in Egypt's industries are administered prices, and therefore pricing issues are not decisions to be made by the enterprises' management but in association with different planning and control authorities.(124) Thus, fundamental policy questions on prices are determined at high level in the government. Firms (large and small) have little or no freedom on prices which are fixed or administered by other bodies outside the company. Consequently, the price system insulates these firms, to a great extent, from the market. However, the background data for recommended pricing policies as well as pricing proposals are generally prepared and produced by the management of the firms. But the need to secure government approval puts limits on a firm's price flexibility. The government has often forced price reductions through subsidies in order to secure lower income families minimum subsistence quantities of necessary items on favourable terms at subsidised low prices(125). This tendency of the government policy was not necessarily sacrosanct. Other considerations had to be emphasised with respect to pricing decisions. Thus, as recently reported(126), the Cabinet decided in 1975 that economic considerations should take precendence in arriving at all decisions concerning public enterprises, and this is usually taken to mean that profitability should be a primary consideration for public enterprise management. In practice, however, intervention on the part of the government for macro-economic policy purposes has deprived public enterprises of most of their autonomy in regard to pricing and production. To illustrate this, in 1978 and 1979 many public enterprises embarked upon a policy of increasing prices in line with costs to preserve profits, but this enterprise policy was banned by the government, and the practice pursued now is that no public enterprise can decide upon a price increase without prior consent from a ministerial committee or even the Cabinet.

Pricing decisions in manufacturing industries are made by three organisations, namely:

(1) The Ministry of Industry (or Ministry of Supply in some cases).

(2) Different Supreme Sectoral Councils which control the manufacturing sector and replaced the Public Organisations in 1975.

(3) Enterprise management.

The procedures of pricing follow a circular process which begins with enterprise management, proceeding then to the Supreme Sectoral Council and thereafter to the pricing authorities in the Ministry. Finally, decisions are sent to the producing firms which have to apply the determined prices. Prices are fixed therefore by final decisions made by the Minister in charge. In this way, the main role of producers is to propose and recommend certain pricing policies or decisions and prepare pricing proposals for each product. Nevertheless enterprise management plays a significant part in the pricing decisions but in an indirect way because its pricing proposals form the basis for pricing decisions[127].

The main disadvantage in this procedure lies in the inflexibility which may arise because of the rigidity of the organisational structure by which price decisions are made. The final price is introduced to the market after passing through a long channel of bureaucratic decisions, and it is known that decisions proceed in this system of bureaucracy very slowly[128]. Pricing decisions therefore, as Attia[129] pointed out, are likely to result in out-of-date prices. In other words, the slow movement of price decisions will not make prices a proper indicator of the changing situation in the market. The problem is likely to be more serious if one adds that the common attitude of higher authorities for pricing is usually against raising prices. Rather, it encourages reducing prices as a socialist policy aiming at the welfare of consumers. However, these price reductions have had side effects on the Egyptian economy as stated by Boyd[130] when he mentioned that "such reductions have usually been accompanied by an increase in demand, although sometimes the consumer in anticipation of further price decline, has postponed buying. The forced reduction in price even with the presence of subsidies have caused managements to be caught in a price squeeze despite increased sales."

Government intervention in favour of price reductions is particularly marked in the public sector companies but also occurs in the private sector companies. It is mostly the result of political objectives which, in many cases are not fully known by most, if any of the firms' managers. Notwithstanding these price reductions in both private and public sector products which have taken place up to the present time, some firms in both sectors have managed to keep their profit level as they were before price reductions. In the private sector enterprises, this has been achieved partly through quality deterioration, and the public sector companies are frequently accused of reducing the quality of their products to stay within their prescribed price structure[131]. In some cases, the seriousness of such behaviour reached a point where, in the shoe industry, as reported by Preston[132], "official retail margins were supposed to be about 30 per cent over cost, but enquiry revealed margins up to 100 per cent of cost, partly as a result of quality deterioration."

Having outlined the pricing environment and the conditions in which the Egyptian companies work, the discussion continues to examine the actual pricing strategy in such an environment with reference to small companies. Below is a brief review of the literature related to the main points associated with that topic.

(a) Pricing Approaches

An investigation into the available literature related to pricing approaches in the Egyptian economy reveals that Egypt's comapnies in general base their products' prices upon cost considerations rather than market factors. A first look at this literature give the impression that these enterprises are more cost orientated in price setting than market orientated.

In this connection, El-Haddad[(133)], in his empirical research work undertaken to investigate the contribution of marketing to economic growth in developing countries as evidenced in the Egyptian public sector manufacturing enterprises, reported that cost considerations were generally the basis of prices in most firms under investigation. Market factors are almost neglected in price setting by the majority of companies. They attach little or no significance to the willingness of customers to purchase and their ability to pay. The author added that the government has created a new organisation for price planning. Most of the work carried out in this organisation relates to the study of costs, presumably because it is regarded as the important factor in the determination of prices.

While the present writer appreciates the value of the study's findings, he does not accept the conclusion of the author relating to the attitude of the central pricing authority (i.e. the new organisation for price planning) which suggested that this authority tends to consider costs as the important factor in price fixing. As stated before, the common attitude of the higher pricing authorities is usually against raising prices, while they enforce price reductions in keeping with socialist policy aiming at the welfare of consumers. Thus, while cost considerations have been regarded as the dominant factor in price determination by the Egyptian manufacturing firms, customers willingness and their ability to pay have been considered a major force in that field in the eyes of the central pricing authorities. These factors have always determined the main objective of the system of fixing prices which has protected the minimum standards of living of the poor for 30 or 40 years. As El-Haddad's[134] study itself mentioned, the clumsy attempt to tinker with this system was one of the major causes of the January 1977 riots. Regardless of whether this system is convenient or inconvenient in terms of marketing and economics, it reveals that market considerations have been incorporated into the minds of the Egyptian macro management in relation to making price decisions.

However, at the level of companies, notably the small sized firms, the most important factor considered in the pricing process is costs. This argument is supported by a further empirical research work conducted in 1982 by Hassan[135] to examine the status of marketing in developing countries as exemplified by the Egyptian practices in the tourism businesses. Based on the capital employed, the author classified the sample firms into large, medium, and small. As shown in Table 7.2, the most important factor considered by all the firms in establishing prices was the costs, where 76 per cent of the sample firms reported that the main factor considered in setting their prices was the cost plus profit margin. The remainder firms, i.e. 24 per cent of the sample firms, reported that as they based their prices on cost plus profit margin they considered competitors' prices in their decisions.

In the small firms which determined the pattern for the majority of the sample firms, the table shows that 86 per cent of these firms in the sample adopted the cost plus profit margin as a basis for their pricing decisions, while 14 per cent only of the small firms considered competition in their pricing in addition to the cost factor. The same study added that this neglect of competitors' prices in the majority of the firms was not an unexpected result. And this is understandable in the light of the fact that many of the small sized firms' managers and individual traders in the Islamic countries in the Middle East do not consider competition in their pricing decisions because if they were asked why, the answer would be that 'God' in Islam grants everybody his share of profit, that profit which is

Table 7.2 Major factors considered in pricing decisions according to firm size

Factors	Total % (n=21)	Large firms % (n=4)	Medium firms % (n=3)	Small firms % (n=14)
Cost plus profit margin	76	25	100	86
Cost plus profit considering competition	24	75	-	14
What customers can pay	-	-	-	-
Other factors	-	-	-	-
Total	100	100	100	100

Source: Ezzat F Hassan, Marketing in Developing Countries: The Egyptian Practices in Tourism Businesses, Ph.D. Thesis, Department of Business Adminstration and Accountancy, Cardiff University, 1982, p 382.

equally divided between human beings. This is a part of the Islamic belief.

However, this does not represent a proper understanding of the Islamic belief and teachings on that topic. Rather, it is a very bad and greed-inspired application of this part of the Islamic belief. As stated before in Chapter Four, the sound understanding of the Islamic doctrines concerning planning activities dictates that while Moslems are required to believe that the affairs of the world, nations, organisations, individuals and all else have been worked out by the Heavens, they are also firmly ordered to try their best since "man shall have nothing but what he strives for."[136] It follows that the Muslim marketer must make use of the best technique in making price decisions. And the best technique may take into account market forces, including competition, as well as cost considerations. However, if the outcome of a particular undertaking is not successful he is expected to accept it pragmatically and cope with the situation realistically.

In the large companies, it was reported by Hassan's study that most of them (75%) considered competition in addition to cost considerations in setting their prices. In the medium sized firms, none of them considered competitors' prices as all of these companies based their pricing on the cost plus profit factor.

(b) Pricing Objectives

As indicated by the literature dealing with firms' pricing objectives, the most typical objectives are: (i) pricing to achieve a target return on investment, (ii) pricing to maximise profit, (iii) pricing to counter competition, and (iv) pricing to realise a target market. Additionally, covering the fully allocated costs as quickly as possible, stabilisation of price and margin, monitoring demand and the like may be regarded as different types of pricing objectives.

An empirical research piece[137] regarding price objectives in the Egyptian public sector manufacturing firms reported that the prime objective of pricing was to cover costs as quickly as possible. And this attitude reflected once again the neglect of market factors and laid more stress on the cost considerations.

Another part of an empirical study[138] on that topic in the Egyptian tourism businesses aimed (i) to examine whether such enterprises, according to size, have or do not have pricing objectives, and (ii) to investigate what type of pricing objectives are adopted by the firms which have objectives for their pricing process.

With respect to the first aim, the results indicated that 75 per cent of the large companies were found to have pricing objectives, while this result was found to be the case in only 33 per cent of the medium size firms, and little as only 4 per cent of the small size enterprises.

With reference to the second aim, the findings of the study were as follows: penetration of the market was the typical pricing objectve in 14 per cent of the whole sample of firms, while profit maximisation was the pricing objective in 5 per cent of the sample firms, and skimming the market was also the pricing goal of 5 per cent.

(c) Evaluation of Pricing Decisions

Searching into the available literature concerned with pricing decision evaluation in the Egyptian companies indicates that this technique might be more frequently and more successfully used than other pricing techniques.

In this regard, El-Haddad[(139)], empirically stated that most companies review their prices regularly, or usually do so. Nevertheless, as he pointed out, it was found that the reasons for price revision is chiefly costs increases reflecting once again a more cost orientation towards setting prices.

However, the small companies attitude seems not to be compatible with the whole picture with respect to price revision.

In this connection, in accordance with size, the findings of Hassan's[(140)] empirical study reported that all large companies evaluated their pricing decisions. In the medium sized firms, only one third of them evaluated their pricing decisions. The small companies were the companies less likely to use the evaluation technique as 86 per cent of them stated that they did not have any evaluation for their pricing decisions, while 14 per cent only conducted such evaluation.

This attitude can be understood in the light of the fact that the ability of small enterprises to initiate a price increase, which is often suggested by the price revision process, is less than that of their larger counterparts. Thus, as Brannen[(141)] indicated, although a large company may utilise advance announcement of a price increase (or a forecast of a price increase), this does not usually apply to a small company.

To conclude, government control of prices in Egypt puts, to a great degree, limits on price flexibility, and causes most companies to disregard pricing as a major element in their marketing strategy. Moreover, there is recent evidence that Egyptian small companies are much more backward in utilising pricing technique as a main tool in shaping their marketing mix or programme, compared with their larger counterparts. This is not only due to the governmental administration of prices, but also to the fact that the small company is seldom a price leader.

SECTION FOUR

Place Strategy for Small Companies

Introduction

Place strategy is the controllable variable of the marketing mix which is usually characterised as distribution strategy. It deals with distribution decisions of where, when and by whom the products will be marketed in such a way as to increase their availability and convenience. Physical distribution systems including the transportation and storage functions are also a part of place strategy.

Place strategy is considered to be a central factor in the whole of a small firm's marketing strategy since it provides time and place utility to the products by making them available at the appropriate time and location.

This section focuses on place strategy for small firms in terms of channel and physical distribution decisions. However, firstly it may be convenient to review briefly the importance of place strategy to the small enterprises' marketing mix as established in the available literature concerned with that topic.

The Role and Importance of Place Strategy to the Small Companies Marketing Mix

As to the marketers of large companies the problem of effective distribution is of prime importance to those of small companies. It is also of the same nature and has the same aim. Both types of organisations seek to design and manage a distribution strategy which makes the products available to as many prospective customers as possible at a convenient location and time, and which will maximise the company's profit position in the long run.

Lace[(142)] lent credence to this view and asserted the central role of effective distribution for small enterprises. In this connection, he stated that through distribution, goods and services can be made available to potential customers, and, in most cases, be sold. Furthermore, he stated that "because potential customers are normally such a diverse lot and spoilt for choice, the role of effective distribution is a vital one for all smaller businesses."

Further reasons given to explain why place strategy is of sufficient importance to all marketers were provided by Baker(143). On the part of producers, irrespective of their firms' size, he pointed out that under "the competitive pressures attributable to escalating costs, ... and the threat of product obsolescence inherent in accelerating technological innovation, it is clear that distribution policy has become a question of acute importance to the marketer."

In terms of small companies in particular, according to Brannen(144) the importance of place strategy in the small companies marketing mix is emphasised by the following two factors:

(i) The impact of place on the other marketing mix elements. In this respect, it is considered that the task of the small enterprise marketer is to match his place offering with the desires of his target market(s). In order to do this, place strategy must be a planned part of the small business marketing strategy. Though place strategy decisions do not necessarily come prior to decisions in other areas, their interdependence is almost obvious. For example, a manufacturer who has decided to follow a certain method of distribution must set his prices and discount structure accordingly.

(ii) The long term nature of important place decisions. Not all place strategy decisions are long-term decisions, but the important ones, i.e. the core strategy decisions, tend to be long-term decisions. Examples include the selection of a new store site, and the relationship with both suppliers and customers. The point to be considered here is that, although small business companies usually tend to emphasise short-term planning, in the case of core strategy decisions regarding place, the small enterprise marketer is forced to think in terms of a long run.

Channel Strategy for Small Companies

As a prime purpose of the current section is to examine the appropriate channel of distribution strategy for small firms, the discussion will therefore deal with this theme which is considered as being helpful to the small company's marketer in attaining the ideal place objective. To start with, the concept of channel of distribution will be outlined.

a) The Concept of Channel of Distribution

According to Stern and El-Ansary[145] "a marketing channel may be defined as an interorganisational system made up of a set of interdependent institutions and agencies involved with the task of moving things of value (ideas, products, services) from points of conception, extraction, or production to points of consumption."

Similar to this definition is that of the American Marketing Association[146] which defines a channel of distribution as "the structure of intra-company organisation units and extra-company agents and dealers, wholesale and retail, through which commodity, product or service is marketed."

The concept of a channel of distribution was considered in another acceptable definition provided by Cox and Schutte[147] who defined it as "an organised network of agencies and institutions which, in combination, perform all the activities required to link producers with users and users with producers in order to accomplish the marketing task." Thus, in addition to the middlemen, the channel is usually thought of as involving the producers and users since they also take part in performing marketing activities.

The concept, as such, is based upon functional specialisation. From a functionalist point of view, Mallen[148] summarised the underlying principles of the channel of distribution concept as follows:

1. Marketing functions are the various types of job tasks which channel members undertake.

2. The functions can be allocated in different mixes to different channel members.

3. The functional mixes will be patterned in a way which provides the greatest profit either to the consumer (in the form of lower prices and/or more convenience) or to the channel members with the most power.

4. Should one or more channel members see an opportunity to change the functional mix of the channel in order to increase his profits, he will attempt to do so.

5. Should the attempt be successful, and if the functional mix change is big enough, it will change the institutional arrangement in the channel, i.e. the channel structure.

As regards to channel strategy for small companies, the implementation of the marketing concept requires the management in these enterprises to take into account the above channel concept and principles, and adopt the overall channel point of view. Channel of distribution strategy, as Brannen(149) stated, is similar to the other marketing components over which the small company's marketer has some control. Consequently, it can be manipulated in order to enhance the small firm marketing mix.

Discussion can now be undertaken of channel design in the context of small business companies.

b) Channel Design in Small Companies

The formulation of the best channel or channels strategy is regarded "a complex, often critical, and always fundamental decision for the smaller business."[150]

As indicated by Brannen[151], important channel strategy questions demanding the major attention of the small business marketer, particularly in manufacturing companies, are:

1. What market coverage, in terms of selectivity and intensity, does the small business management desire in order to best serve his target market(s) at a profit?

2. Should the small firm market directly to the consumer or user, or should it market to them indirectly through the use of middlemen?

3. How many channel alternatives (dual or multiple distribution) and which types of middlemen should be employed?

4. What methods and criteria of selection should be employed in choosing specific channel members, i.e. individual middlemen?

5. What should be the role of the small business management in the channel distribution regarding such important issues as channel conflict and cooperation, channel control, leadership and so forth?

6. Whether or not, and if so, when, should changes in channels of distribution strategy be made by the small business management?

7. Finally, special brief attention is addressed to the questions regarding channels of distribution for new small business firms or for new products of established small business firms.

In the course of the current analysis of the channel design in small business companies, the discussion will fall, basically, under two main headings, namely:

(i) Methods of distribution (policies).
(ii) Vertical marketing systems.

(i) Methods of Distribution

Traditionally, the possible alternative methods of distribution available to the small enterprise marketer are classified, in a broad sense, into two categories, (i) direct method, and (ii) indirect method.

In the direct method, goods and services are transferred directly from producers to users. Local service, mail order, commercial supplies, industrial components, are examples included in this method.

On the other hand, in the indirect method, distribution is achieved through one or more intermediaries, such as wholesalers, retailers, agents, industrial distributors, and/or brokers.

A search of the marketing literature indicates that by following the direct distribution method, a firm is likely to have a number of competitive advantages. The most obvious advantages are:

(1) The firm has direct control over all selling activities and can therefore plan more easily.

(2) Profits are not dissipated through intermediaries. In other words, the firm can save the sometimes considerable profit margins made by intermediaries.

(3) The firm does not have to persuade another to merchandise its products; and it can more easily control the service provided to customers[152].

However, as Lace[153] pointed out, it is not always possible for a small business company to use direct means to distribute its goods and services even if logically that would be the best option. An obvious example is when there are many consumers spread over a large geographical area. In such a case, the resources required to reach the market effectively are normally outside the means of a small company. Also many intermediaries possess specialist skills in marketing which cannot be matched by any manufacturer.

This view was formerly supported by empirical evidence provided by Diamond[154]. In his survey undertaken to investigate the relative importance of alternate channels of distribution for industrial goods, he reported that this relative importance tends to vary according to company size. Specifically, the author stated that manufacturers' sales branches are of only minor importance as secondary channels for small business manufacturers. Most industrial manufacturers simply do not have sales branches.

Other findings of the Diamond survey indicated the following tendencies:

1. Small business manufacturers (under $1,000,000 annual sales) tended to make greater use of manufacturers' agents. This is a substitute for sales branches or a factory sales force selling to industrial distributors. This channel enables a small producer with limited financial resources to sell in wide geographical markets.

2. The agent is used primarily by the small business firm in selling to distributors who in turn sell to users.

3. Industrial distributors are extremely important to the small business manufacturers. It is estimated that industrial distributors are involved in the sales of more than 87% of the primary channels of the small business companies.

4. For large manufacturing companies, on the other hand, manufacturers' agents were often secondary channels.

5. Small companies attempt to secure more aggressive promotion on the part of distributors for products that are less well known in the trade. Also they may require the distributor to perform additional functions.

6. In general, large manufacturers make greater use of direct distribution than do small manufacturers. An explanation of this may be, as Kotler[(155)] indicated, that the company's overall size determines the extent of its market, the size of its larger accounts, and its ability to secure the cooperation of the intermediaries it elects to use. Its financial resources determine which marketing functions it can handle and which ones to delegate to intermediaries. Thus, a financially weak company (i.e. the small company) tends to employ commission methods of distribution and tries to use intermediaries who are able and willing to absorb some of the storage, transit, and customer-financing costs.

Therefore, the small business manufacturer should examine the costs and alternatives very carefully before deciding to market directly. However, the question of directness or indirectness need not be an all-or-nothing choice. Cravens et al[(156)] provided the characteristics favourable to the use of direct distribution as listed below in Table 7.3. The small business marketer with limited financial and other resources should pay attention to these characteristics before deciding on direct distribution. Particularly, he must recognise that channel organisation and design is only one aspect of marketing strategy. Consequently, at the outset of the channel planning process, he must acknowledge the important interrelationship between channel design and all other elements of the marketing mix[(157)]. And as one of the basic marketing plans, the channel design, in common with other marketing activities, should be re-examined regularly.

Table 7.3 Characteristics Favourable to Use of a Direct Distribution Approach.

Type of Factor	Illustrative Characteristics
Market Targets	Relatively few customers comprise the target market. Size of purchase in terms of quantity or unit price is large. Customers tend to be concentrated geographically. Sufficient margin exists to support personal selling or mail contact efforts. Purchase decisions represents a major, long-term commitment by the buyer.
Marketing Programmes	Personal selling is a major components of the marketing programme. Intermediary functions are not needed (e.g. storage, local credit, inventory, packaging, etc.) or can be efficiently performed by the manufacturer. Marketing strategy favours a direct marketing approach (e.g. qualified intermediaries are not available).
Product/Service Characteristics	Product complexity requires use of manufacturer's personnel in selling and service (e.g. computer sales and service). Width of product line sufficient to support direct marketing approach (e.g. Avon products, Fuller Brush). Product application assistance is required (e.g. steam turbines). Product technology changing rapidly.
Corporate Capabilities	Resources are available to support a direct marketing approach (e.g. establishment of a sales force). Firm has experience in marketing similar products to comparable market targets (e.g. direct channel exist). Sufficient time is available to develop needed direct marketing channels before potential competition becomes a threat (e.g. patent protection).

Source: David W Cravens, Gerald E Hills, and Robert B Woodruff, Marketing Decision Making: Concepts and Strategy, (Homewood, Illinois, Richard D Irwin, Inc., 1976),p 532.

Unfortunately, as Lace[158] indicated, the choice of the best channel or channels of distribution is one that comes low on the list of priorities for many small business companies. He stated that although there is usually an accepted method of distribution for most products, many firms if they looked, would discover alternative channels which might be used in place of the traditional method, or in addition to it.

In any event, as pointed out by Stern and El-Ansary[159], the starting point in designing a channel is the ultimate consumer. Knowledge about what consumers need, where consumers buy, why they buy from certain outlets, when they buy, and how they buy is critical.

(ii) Vertical Marketing Systems

Channels of distribution may be classified into other grouping as follows:

(1) Conventional marketing channel systems which can frequently be described as "a piecemeal coalition of independently owned and managed institutions, each of which is prompted by the profit motive with little concern about what goes on before or after it in the distributive sequence."[160]

As Diamond[161] noted, conventional channel systems are "those fragmented networks in which loosely aligned and relatively autonomous manufacturers, wholesalers, and retailers have customarily bargained aggressively with each other, established trade relationships on an individual transaction basis, served business relationships arbitrarily with impunity, and otherwise behaved independently."

In this context, coordination among channel members is basically achieved through bargaining and negotiation. Furthermore, "each stage of production and marketing is entrusted to independent decision-making managerial units; products and services are transferred from one stage of production or marketing to another through intermediary markets using pricing and related operational modes of the market mechanism."[162] Such being the case, the independent units are almost self-oriented as they pursue their goals. In other words, "there is little or no prescribed systemwide orientation of the member"[163] units.

(2) Vertical marketing systems which, in contrast with the conventional channel systems, can be described as "professionally managed and centrally programmed networks (that are) pre-engineered to achieve operating economies and maximum market impact. Stated alternatively .... vertical marketing systems are rationalised and capital intensive networks designed to achieve technological, managerial and promotional economies through the integration, coordination, and synchronisation of marketing flows from points of production to points of ultimate use."[164]

Another acceptable definition of vertical marketing systems was provided by Diamond when he viewed the systems as consisting of "horizontally coordinated and vertically aligned establishments which are managed as a system."[165]

The vertical marketing systems, as Kotler[166] argued, offer effective competition to conventional marketing channels because they achieve impressive scale economies through size, bargaining power, and elimination of duplicated services."

Furthermore, the emergence of these systems "implies the existence of a power locus in the system that provides for channel leadership, role specification, conflict management and control"[167].

In the context of the vertical marketing systems, what should be the role of the small company's marketer in the channel of distribution with respect to such issues as channel conflict and cooperation, channel control, leadership and so forth?

As regards conflict and cooperation, there are two common strategy approaches used by manufacturers to secure channel cooperation, namely: "push" and "pull" strategies. As mentioned by Brannen(168), a push strategy employs personal selling and advertising to the channel members to gain their cooperation. On the other hand, a pull strategy circumvents the channel members by going to the final consumers through advertisers, coupons, samples, and the like. In this way, as Brannen indicated, the final consumers "pull" the product through the channel by forcing distribution at the retail store and subsequently at the wholesale level.

Moreover, both push and pull strategies may be considered as methods of channel control as well as methods of channel cooperation. By way of illustration, one can pay heed to the dual impact of such methods as cooperative advertising allowances, push money, dealer contests, display allowances, free goods, guaranteed sales, automatic order systems, training programmes for store personnel, business gifts, and so forth. Control and cooperation can be seen in each of these practices(169).

With respect to channel leadership, it is generally observed that small companies do not play the role of channel leader. In most cases, they are relegated to a follower role. This is because channel leadership is based upon power and position within the channel.

In this connection, McVey(170), regarding medium-size and small companies in the American marketing systems, observed "as to the many thousands of middle-size and small companies that truly characterise American marketing, the power position is speculative, vacillating and ephemeral. Strength in certain market areas, the temporary success of a product, ability to perform a certain needed type of financing or promotional effort - these and similar factors enable companies to assume power. On the other hand, financial reverses, an unfortunate sales campaign, or even the lack of accurate market news - these factors can shift power elsewhere, possibly to another link in the channel or to another firm in the same link. In any case, the opportunity of any firm is contingent upon the willingness of others to use it as a link in the channel."

However, in the context of the vertical marketing systems, the small companies are likely to exert a marked influence on the leadership. In the vertical marketing systems, the power is concentrated in the combination of wholesaler and retailer. However, the manufacturer is also included at times.

Regarding this combination which is sometimes known as a multi-level merchandiser (MLM), Little[171] stated that most MLM establiments are large enough to have considerable economic power. Additionally, their position affords them access to large markets. Furthermore, they are in a position to provide market information. Certainly, they can be considered as potential channel leaders.

As for the small business manufacturer in particular, he is a potential channel leader if he has a good product. Brannen[172] stated that, although the differential advantage of a good product may not of course, be permanent, a strong consumer franchise, however, if properly maintained, should enable the small business manufacturer to enjoy his leadership role into the market maturity stage of the product life cycle.

In short, since vertical marketing systems with affliated and combined members have emerged in place of traditional channels composed of small independent units, one may conclude that manufacturers (both large and small) and multi-level merchandiser organisations are potential leaders of marketing channels.

Physical Distribution and Small Companies

According to Stern and El-Ansary[173], the term "physical distribution" is the one most commonly applied to describe, generically, the task of sustaining a physical flow of materials and products from their points of extraction or production to their points of final consumption" to meet the needs of customers at a profit. As such, the main activities of physical distribution are transportation and storage. In addition, it involves materials handling, inventory management and order processing.

The function of physical distribution is considered "an area of high potential cost savings, improved customer satisfaction, and competitive effectiveness."[174] Therefore, to the small firm marketer, efficient and effective management of this portion of the place strategy as an active component in the marketing mix is critical to the profitability, and is a strategic determinant in the success or failure of his company.

Additionally, physical distribution is regarded as a two-edged marketing weapon, and the small company's markerter should learn to use both edges. One edge is the supplying and servicing of demand created by the marketing mix. This is the demand-servicing edge. The other one is the demand-obtaining edge[175]. Using both edges is likely to contribute to realising improved customer satisfaction, and, at the same time, high potential cost savings. The key approach in this connection, is "to minimise the costs consistent with constraints imposed by the desired level of customer service and other constraints imposed outside the firm's control by competitors."[176]

As Kotler[177] suggested, from the customer's view, the dimensions of customer service are:

1. The speed of filling and delivering normal orders (i.e. order cycle time).

2. The supplier's willingness to meet emergency merchandise needs of the customer.

3. The care with which merchandise is delivered, so that it arrives in good condition.

4. The readiness of the supplier to take back defective products and resupply quickly.

5. The availability of installation and repair services and parts from the supplier.

6. The number of options on shipment loads and carriers.

7. The willingness of the supplier to carry inventory to the customer.

8. Finally, the service charge, i.e. whether the services are "free" or separately priced.

In this connection, Brannen[178] argued that the selection of the service level is the strategic decision for the small firm's marketer. Thus, he should actively make such a decision, not merely imitate the service level of competitors. Brannen continued to establish that because of the unique resources of the small business company, its marketer can often provide a service level which is both desired by the target market and not easily duplicated by large companies'competitors. In this way, he can obtain a differential advantage. Thus, the strategic problem regarding physical distribution for the small company marketer is selecting the right service level for the target market. At the operational level, the problem is achieving that service level at the least total cost of physical distribution.

Accordingly, it may be argued that considering the physical distribution concept as a major ingredient incorporated into the marketing programme of small companies is one more method by which the small firm's marketer can achieve the marketing concept.

Place Strategy for Small Companies: The Egyptian Situation

Thus far, the analysis has dealt with place strategy for small companies in general without particular reference to the actual Egyptian marketing environment. It is now convenient to examine the literature concerned with the Egyptian position regarding place strategy for small companies in terms of channel and physical distribution decisions.

However, at the very outset, it is necessary to state that the available literature which dealt with this subject did so for the most part in general terms, irrespective of company size. Accordingly, it may be a tentative argument to assume that the place strategy generalisations which might be taken from the literature are, even to some extent, relevant to small companies as well as large firms. However, it is hoped that through the field research of the current study, the place strategy for the small companies, in particular, will be empirically clarified.

Prior to the investigation of the actual Egyptian situation with respect to the place strategy for small companies, it will be helpful to examine the Islamic doctrines regarding distribution and the status it must occupy in the Islamic (and consequently in the Egyptian small companies) management thinking.

Distribution and Islamic Doctrines

Throughout this thesis, it is considered to be essential to emphasise continually that Islam defines only the philosophy and the objectives of the marketing systems not the techniques to be used. The techniques may vary in detail and, at the tactical level, amongst societies and organisations in accordance with the variety of the environmental factors and the distinguishing characteristics. However, as stated, Islamic doctrines accept only those techniques which aid and enhance the implementation of the Islamic philosophy goals regarding marketing. This proviso applies with equal force to the setting of distribution strategy.

Here, the Islamic teachings lay down certain instructions with respect to product availability and convenience. According to these percepts, businessmen in the Islamic society are required to behave in such a way as to increase a product's availability and convenience. Stated alternatively, they must provide time and place utility to products by making them available at the appropriate time and location. In so doing, the products should be transferred from the places where they are produced to the places where they are consumed or used, and marketed at convenient times and outlets.

In this regard, the precepts provided by the Prophet are obviously firm in indicating that the one who fetches or procures the products for the purpose of merchandising them at the right place and time will prosper and be blessed by God. On the other hand, the one who hoards or withholds the products from the market in order to affect supply conditions and produces an unwarranted shortage of goods in the market, and then realises huge profits, is cursed, i.e. God's curse is upon him.[179].

As such, management of all companies (both large and small) in the Egyptian context must design and operate their place strategy in such a way as to achieve the Islamic cardinal objectives with respect to distribution, that is, to attain place and time utility for products by making them available at the place and time desired by customers or users.

However, the actual situation in the Egyptian business world might reveal another view of distribution in Egypt and in the individual small companies. Below is a brief review of the distribution problem in Egypt in practical terms.

Background

In the Egyptian context, a principal marketing problem is that of distribution, and in this case marketing strategy is primarily one of making the product readily available to the maximum number of prospective buyers.

As Attia[180] indicated, to the typical Egyptian executive, marketing means distribution and in their thinking, is simply a process of the physical flow of goods from producers to users. Such a way of thinking, as the author suggested, is an indication of the total attitude of management towards marketing and its role in business activities. Distribution decision, similar to other decisions concerning marketing, are not based on proper research or planning, nor made within the framework of an integrated and comprehensive marketing strategy. Thus, in the individual companies (whether small or large), such decisions are taken on a short-term basis and in haphazard ways. There are several reasons and causes for such a situation whether on channel decisions or physical distribution decisions. The two dimensions of the problem are reviewed briefly below.

Channels of Distribution

The organisation of the distribution sector in Egypt could cause marketing control problems for the management of individual companies. Under the 1961 "Socialist Laws", there was a substantial expansion of the distribution activities in the public sector and of direct control over marketing activity. This expansion, as Preston[181] pointed out, was not primarily motivated by ideological considerations but was officially justified by reference to two points:

- Continuing shortage of essential goods, which resulted in black-market activities and other undesirable practices between wholesalers and retailers or industrial users.

- Persistence of semi-monopolistic wholesalers in certain lines and areas, said to result both in a fragmented and inefficient distribution structure and in the pursuit of traditional merchant goals of high margins on small volume transactions. In effect, a combination of fear and the fact that privately operated wholesaling conflicts seriously with welfare and development goals was leading to an expansion of public activity in marketing.

Thus, in the context of the 'Socialist Laws', the organisational structure of distribution channels in public activity regarding domestic consumer goods involved two agencies; namely:

i) The Egyptian General Organisation of Consumption, which includes twenty companies comprising all large department stores and other major non-food retailers.

ii) The Egyptian General Consumption Cooperative Organisation which deals primarily in foods and related products.

Both of these organisations were assigned to the Ministry of Supply, which was also the agency responsible for domestic price control and rationing. Other important marketing decisions rested with the Ministry of Agriculture, its subsidiary organisations and producers' cooperatives and with the Ministry of Industry. It was estimated that between 80-90 per cent of the wholesale trade was transferred into the public sector.

In his article, "Marketing Management in Egypt", Rise(182) provided a whole picture of the organisation of distribution channels in the country. In general, he indicated that Egypt's retail trade is dominated by a large number of small privately owned shops and vendors. The wholesale and distribution operations tend to be carried out by vertically integrated merchants or public sector trading companies. The generally small size of firms and limited market opportunities (for example, because of low levels of consumer expenditure) often lead to local competition and long channels of distribution. The latter effect gives the distributor a predominant role.

In practice, there is a kind of indirect planning; a degree of informal centralisation in channel decisions. In this respect, firms' freedom of choice is limited by the available distribution system in the country. Specifically, as Attia[183] pointed out, producers' freedom in channel choice and design was affected by socialist laws and regulations of the sector of distribution in a number of ways. The change in organisation of the distribution sector affected producers because of the emergence of the following goals:

1) The need to supply government distributive trade with certain quantities of products.

2) Organisation of exports by 'The Organisation of Foreign Trade' made it a matter of procedure that export transactions be arranged through this body which stands as a liaison between local producers and foreign markets and customers.

3) Producers of rationed goods have to sell to specified distribution channels.

The selection of distribution channels for the remaining quantity of production is supposed to be freely decided by enterprise management. Nevertheless, this freedom is limited and channel decisions are still informally affected by selling to public sector distributive firms.

The problem of distribution is likely to be more serious if one adds that the government's sequestration policy following the attack on the Suez Canal in 1956 and the nationalisation laws that followed caused many outstanding merchants to leave. Despite the fact that such persons were too often interested in speculative profits, they represented a large part of the merchandising know-how of Egypt[184].

Through the loss of producing firms' freedom of channel choice in this way, channel design decisions are not of course based on scientific research. Therefore, costs and benefits of alternative methods of distribution are not known to decision-makers, particularly in small companies. The result is usually a channel policy far from being optimum which caused many kinds of conflicts among different partner units of the marketing channel[185].

Some major manufacturers, however, have freedom in their distribution channel system. For example, the major producer of electric refrigerators has opened several retail outlets of its own, and also sells through independent retailers. Also, automobile dealers had been independent. But since the imports of cars were completely stopped, the dealers were taken over by the government's Nasr Car Co. Independent textile shops are numerous, but the major department stores are now government-owned. Furthermore, close control is exerted over many privately owned systems of distribution structures[186].

In the public sector companies' channels in particular, government control has caused these firms a lot of trouble, that is, they have no freedom regarding the services offered to intermediaries especially in terms of credit and profit margins. After the Open-Door Policy, however, import restrictions were relaxed and new firms were established to compete with the state-owned firms. As such, more and more wholesalers and large retailers are beginning to operate and request the import and the production of certain goods to meet their specification. As Boyd et al[187] suggested, this is an important device for setting competitive forces in operation and is especially important in a country like Egypt where there is little competition at the producer's level to provide better products for the consumer. Additionally, long credit periods and high profit margins offered to middlemen by importers and private firms are considerably higher than that offered by the public sector companies. The outcome is that importers' and private companies' products are preferred to that of public sector companies[188], so theat the government-public enterprises relationship with reference to the distribution system should be revised.

In summary, as central control and government's activity in marketing was substantially increased after the 'Socialist Laws', firms' freedom in channel design and motivation was greatly limited by the available distribution system in the country. In general, it may be argued that small companies were more affected by this situation than their larger counterparts because while the small companies might be severely financially restricted, the large companies, within the limited freedom they possess in this respect, might have sufficient finance and other resources necessary either to open their own retail outlets, or to develop particular independent channels and motivate them. The above-mentioned situation of the electric refrigerator manufacturer is a case in point.

Physical Distribution

In their discussion of marketing infrastructures, Douglas and Craig[(189)] identified "integrative networks" which affect the feasibility or desirability of utilising specific types of marketing programmes and strategies. Integrative networks include a variety of factors such as the availability of supermarkets, television advertising, the development of the transportation network and the communication system as well as storage facilities (the physical infrastructure).

The general impression to any observer is that the physical infra-structure in Egypt is seriously underdeveloped[(190)]. Thus, physical flow of the Egyptian companies' products is not in a better position than that of their distribution channels or methods. The distribution of output is hindered in many cases by the lack of required facilities for the function of physical flow or distribution. For example, there are obvious shortages of available transportation and insufficient or inadequate facilities for storage.

Specifically, it was reported in 1966[(191)] (the latest available published information) that modern storage facilities were badly lacking for most of the manufacturing firms and particularly for the new firms. Modern warehouses equipped with modern storing techniques or specially designed buildings were not established in most of the enterprises, especially the smaller companies. Additionally, there was a clear lack of efficient physical distribution management to plan and control inventory in a proper way. However, later in mid-1960s, most of the firms realised the seriousness of the problem and started to establish modern storage facilities. Though there is no data about small companies compared with large firms regarding the adequacy of storage facilities, it is known that small companies are less well provided with modern warehouses operating modern storage techniques or with specially designed buildings.

As regards to the transportation facilities problem, it was considered a critical problem facing the distribution process. Neither producers nor distributors have sufficient transport facilities. Consequently, transport of raw materials and final output was a serious problem for both producers and distributors. The result was almost a total dependence on the available transport services. The net effect was further pressure on the transport network in the country which was not in a position to cope with the rapidly increasing demand for the service[192].

The problem of transport and inventory management is likely to be more complicated if one adds that at present, the telecommunications network in the country has become totally inadequate for the needs of the economy. Thus, Egypt's density of 1.34 telephones per 100 of the population is significantly lower than that of other middle eastern countries. The telephone density in Cairo is about 5.0 and in Alexandria 3.4, compared with Algiers, 9.5 and Teheran, 8.2. As many as 1000 villages in Egypt do not have even primary access to the telephone service. There are also problems within the existing telephone system. For instance, it was estimated that in Cairo, 50 per cent of the telephone lines can be out of service at the same time and 75 per cent of all dialled calls fail to get through on the first attempt. Perhaps in no other sphere, however, has there been such a marked improvement in services as in telecommunications over the last seven years. Thus, the long-term goal of Areto (the telephone organisation) is to provide a fully comprehensive telephone system by the turn of the century[193].

Another serious problem reported regarding the physical flow process in the Egyptian companies was the inconvenient location of warehouses and retailing units. Thus, a typical phenomenon was the concentration of supply of goods in certain market areas because of availability of storage facilities in these areas. Therefore, while there was excess supply in some areas of the national market, other areas used to suffer from shortage[194].

In the meantime, it is well-known to many observers that this phenomenon still prevails in the country. It is normal for the supply of goods to be more concentrated in the main cities such as Cairo and Alexandria rather than in the small towns and the rural areas.

To the individual small companies'marketers (like those of large companies), the net effect of these problems, as Attia[195] suggested, is the creation of a less competitive market structure. The lack of such physical infrastructure will further hinder the application of certain elements of the marketing mix (e.g. the inability to use nationwide advertising campaigns). Then, in general, improvement in the performance of commodity flows would reduce prices, enlarge the market, inject some dynamic variables of competition into the market structure, and improve marketing performance.

SECTION FIVE

Promotion Strategy in Small Companies

Introduction

Promotion represents the various activities performed by the marketer to communicate information and to persuade the target people and organisations concerning the total product offering of the firm. Through promotion, the small firm marketer can make all participants aware that the right product is available in the right place, at the right price, from the right people. It is considered somewhat unique among the components of the marketing mix in that its major purpose is to call attention to and generate interest in one or more of the other elements of the mix. Thus, the importance of promotion is apparent. It is that informative and persuasive communication by which the marketer makes the target market aware of the rest of the marketing mix.

This communication may be divided into the following major areas: (a) advertising, (b) personal selling, and (c) sales promotion. Increasingly, marketing management is finding it profitable to combine these ingredients into an integrated promotion strategy of communicating with buyers and others involved in making purchasing decisions.

Since each type of promotion has certain strengths and shortcomings, the strategy adopted should capitalise upon the advantages of every element in shaping a cost-effective communication mix[196]. In addition, it must be determined for a particular business situation. For example, a promotion mix in a small firm must be different from that of a large company.

So, in this section, an attempt will be made to highlight the promotional mix strategy of small companies, and to explore the role of promotion activities, i.e. advertising, personal selling, and sales promotion in such companies with reference to the Egyptian situation.

Before proceeding further, it will be useful briefly to take note of promotion strategy in the Islamic context.

Promotion Strategy in Islamic Context

It can be stated that although it is not their concern to nominate a specific promotional technique or techniques to be used, Islamic teachings establish some principles and conditions concerning communication strategy. Accordingly, marketers in the Islamic society are required to base their promotion strategy upon some essential factors and rules, among which one can identify the following precepts:

(i) Tell the Truth. In his promotional message, whether it is advertising, personal selling, or sales promotion, the Muslim marketer is forced to tell the truth with regard to the product promoted- its ingredients, quality, performance, and so forth. Thus, he must focus on demonstrating clearly the sound satisfaction and benefits to be derived from the product as well as on persuading customers to purchase. In other words, his promotion strategy must be fully informative and correctly persuasive.

(ii) Avoid harming other competitors: According to the Islamic doctrines, competition should be based only upon presenting the best product offerings as possible. And "to that, then, let all such aspire as aspire to things of high accounts."(197) As such, in his communication programme, the Muslim marketer should not try, directly or indirectly, to attack his competitors' products in some respect or other. Stated more clearly, this precept, as one of the Islamic scholars(198) pointed out, pertains to and stems from a general Islamic principle indicated by the Prophet Mohammed when he said "there should be neither harming nor reciprocating harm."(199) Hence, in any area of marketing activities, particularly when undertaking promotional programme, marketers must avoid denigrating each others products.

(iii) Monitor demand and guide consumption: This rule is of special importance in case of shortage of products which may occur in society from time to time. In such an event, promotion is required by the Islamic doctrines, as by the societal marketing philosophy, to help in monitoring demand as well as in guiding and correcting consumption. For example, it can and should provide consumers with the reasons of shortage so they may appreciate the difficulties and hence control their demand for the product in question accordingly. At the same time, promotion can give them advice as how to ration their consumption of the product. In addition, it can help teach consumers the most economic use of the product, and inform them about substitutes for the product which are available in the market.

From the above discussion, it appears that the Islamic promotional principles enjoy remarkable consistency with the societal marketing philosophy. It would be reasonable to assume that the principles will increasingly be achieved as the Muslim marketers adopt and implement the societal marketing concept espoused by the current thesis.

The Promotion Mix Strategy of Small Companies

Promotion mix strategy concerns itself with establishing the mix of communications components, i.e. selecting specific strategies for advertising, sales force, sales promotion, and publicity (and public relations), and combining them into an integrated promotion strategy.

It is generally argued that the optimum promotional mix for small companies often involves a different combination than that for the larger competitors. This is to be expected since the marketer of the small companies will be directing their promotion to different target markets in some cases, since their product offering will be different, since the channel of distribution is likely to be different, and so forth. Also, among the small business firms, the optimal promotional mix varies from firm to firm, according to such factors as target customers, product type, channels of distribution used, company image, retail store location, funds available, and the like[200].

Thus, as Brannen[201] indicated in general terms, advertising tends to be most important in the promotional mix of consumer marketers, while personal selling tends to be most important for industrial marketers. Sales promotion is usually considered to be of equal (but lesser) importance in both markets. Publicity usually plays an equal (but even lesser) role in both markets. These statements, as the author pointed out, are generalisations. Hence, the promotional mix should be uniquely suited to the target market at which it is directed. It will be the result of building up a blend around the specific tasks and overall objectives the marketer wishes to accomplish.

In any event, the choice of promotion mix in a small firm is particularly challenging due to the firm's resource limitations. The small budget for promotion may place some restrictions on the small company marketer. Nevertheless, the range of alternatives from which to choose is still great.

An examination of the available literature provides some examples which can demonstrate how promotion mix is determined for a particular business situation, and illustrate some alternative promotional mixes in the small companies.

Cravens[202] to begin with, considered for example, Mercury Savings and Loan Association, located in southern California. Founded in 1964 by Leonard Shane, Mercury's assets had grown to $850 million by 1981. By industry standards, Shane developed an unusual promotional mix. A description of his strategy was presented by the author as follows:

- The target market consisted of suburban households, thus concentrating Mercury's operations away from major financial centres where the large and strong financial institutions were heavily concentrated.

- Shane decided to use door-to-door contact as the firm's major promotion component, a rare practice in an industry where advertising accounts for a major part of the marketing budget.

- Part-time school teachers were trained to call upon households in each branch trading area, informing people about the association and inviting them to come by the branch for their free personalised memo sheets.

- Savings counsellors were carefully trained to provide prompt and friendly services to customers and prospects.

- Mercury also encouraged community groups to use its meeting-room for luncheon meetings, hosted by the association. The only promotional effort by Mercury consisted of the offer to make memo sheets for everyone.

While there are many other specific features of Mercury's marketing and promotion strategy, from this brief description one can easily see the main components of the communication mix. Perhaps the best statement of the strategy is in Shane's own words: "we will not meet the giants on their battlefield using their weapons; rather we will seek our own arena and fashion our own tools." This statement is the essence of a sound marketing programme positioning strategy. Mercury's management developed an effective way to communicate with its target customers. It should be emphasised that Mercury's choice of direct contact rather than heavy use of advertising media, is not a promotion strategy appropriate for all firms. Rather, the example highlights the importance of selecting the promotion mix for a given business situation.

Another example was provided by McCarthy[203] which suggested that a small budget need not limit a firm to personal selling. Sales promotion, public relations, and direct mail are attractive possibilities. In this connection, a small tyre manufacturer who wanted to tell potential dealers about his product and was not in a position to compete with the big tyremakers' promotion programmes decided instead to use direct mail. His carefully targetted campaign was extremely successful, yielding $196 in new business for every dollar invested. A direct-mail expenditure of $1,861 brought in 101 new dealers and more than $360,000 of new business.

The third example was presented by Tate et al[204]. It shows how sales doubled in two years by a change in the promotional mix combined with a change in the distribution system. Thus, in the manufacture of a line of good-quality costume jewellery sold to retail jewellery stores, the owner wanted his company to grow faster. The company had been advertising in monthly trade magazines, using no sales representative but employing order-takers, attending trade shows, and having good services, pricing and packaging. The owner studied the company sales volumes for each area of the country over a three-year period. The south-eastern area sales were lagging. Then, a decision was made to use a new marketing mix where advertising outlays were reduced in the south eastern area, and a sales representative was hired for this area. As a result, sales in the south eastern area began growing more rapidly than in any other area of the country. The sale representative concentrated her efforts on retail jewellery stores that had the largest growth potentials. Different types of point-of-purchase displays and advertising mats for retailers were developed. More sales representatives were hired.

Finally, in his article "Promotional Strategy in a High Technology Industry", Schlissel[205] gives another case in point - the peripheral data-processing equipment manufacturing industry. It is an industry rather than a single firm example. In 1970, the industry was composed of about 650 small firms, most of whom regarded

IBM as their primary competitor. Product innovation (compatible with IBM equipment) was the major competitive strength of most of the small firms. A promotional strategy encompassing the marketing concept was absent in many small firms. A comparison of the promotion activities of the more successful firms with those of the less successful firms suggests a preferred promotional strategy for the small firms of the industry. Thus, inasmuch as the more successful firms appear on the whole to have a larger share of the market, it suggests that strategies of promotion similar to theirs may be better for firms in this industry to follow and possibly for firms in similar industries. The strategy of this group may be summed up. Personal selling is employed as the major promotional tactic, with an allocation of 80 per cent of the promotion budget. The sales force is organised along product lines so that salesmen may develop skill in selling a highly technical product. Advertising, trade shows, and publicity are used in minor supporting roles, probably with the objective of stimultating market awareness. Product quality is used as the major customer appeal, with price in a secondary position, and new product development and service in supporting roles.

The reason for the major role of personal selling in the promotional mix strategy of the case in question may to some extent be attributed in the present writer's opinion, in some respect, to the nature of the market and the characteristics of the product. It is generally argued that in the case of an industrial market in which the product is complex, requiring the tailoring of communication to individual customers, as in the example of the peripheral data processing manufacturing industry, personal selling dominates and ranks ahead of advertising and other components of promotional mix strategy.

From the above examples of promotion mix strategy in small companies, it appears that the range of alternatives from which a selection may be made is great, and the communication mix is determined for a particular business situation. This is a natural consequence since the conditions under which the marketer is operating influence the relative importance of the elements of the promotional mix.

Having established that, the discussion continues by examining the role of promotion components, i.e. advertising, personal selling, and sales promotion in small companies both in general terms and in the Egyptian context.

Advertising

It is generally accepted that advertising can be favourably used when the following conditions exist:(206)

(1) When the primary demand for the product tends to be increasing,

(2) When there is considerable opportunity to differentiate the product from others that are available on the market.

(3) When the product has hidden qualities.

(4) Where powerful emotional buying motives exist in favour of the product. Buying action is thus encouraged by means of the stimulation of these motives.

(5) Where the company has sufficient funds to carry out such an advertising programme.

It is rather obvious, from the above conditions, that the small company marketer does not always find himself in the ideal circumstances to employ advertising. However, as indicated by Karp(207) the following lists of what advertising can and cannot achieve give the small firm marketer a realistic idea of what to expect:

- Advertising has two top objectives: to draw in new customers, and to help hold the old ones.

- Advertising can also identify a business with the goods or service it offers.

- It can build confidence in a business.

- It can create goodwill.

- It can increase sales and speed turnover.

- It can reduce expenses by spreading them over a larger volume. On the other hand, there are a number of things advertising cannot do.

- Advertising cannot make a business prosper if that business offers only a poor product or an inferior kind of service.

- Advertising cannot lead to sales if the prospects that it brings in are ignored or poorly treated.

- Advertising cannot create traffic overnight or increase sales with a single advertisement (unfortunately, many smaller companies follow this kind of touch-and-go advertising policy).

- Advertising that is untruthful or misleading will not build confidence in the business that sponsors it.

In any case, there are some strategic decision areas within advertising such as:

1) which and how important is the role it is to play in the overall promotion strategy;

2) determination of the advertising objectives in terms of desired responses;

3) the message to be communicated in order to accomplish the advertising objectives.

However, as Brannen[208] indicated, tasks which small firms advertisers assign to advertising vary according to the type of business, promotion objectives and other factors. For example, the small business industrial advertiser may advertise in order to generate leads, to pave the way for the sales force, to announce new products, to create an image, and so forth; whereas retail advertising may be used to bring customers into the store, to help sell the promoted product, to create an image and to let the customer know where the product is available.

Whatever the differences, some major areas of concern for the small firm marketer (as for the large firm marketer) will be advertising objectives, advertising budgeting, and measuring the effectiveness of advertising.

Advertising and Egyptian Small Companies

In the Egyptian context, the researcher was unable to find sufficient studies which dealt with small firms exclusively. Most of the available literature concerned with the advertising problem was in general terms regardless of company size. So, the following attempt to highlight the problem in different enterprises should be regarded as generalisations to the terms of which some small companies may prove to be exceptions, in some respect or other.

However, an examination of some aspects of the problem with special reference to small companies will be made when possible. And it is hoped that through the field research of this study recognition of the status of advertising in these firms will be, exclusively, achieved. Thus, the discussion will now continue as follows:

The Status of Advertising in Different Egyptian Companies

As established by Attia[209], similar to all other constituent parts of the marketing mix, conditions of advertising are affected and determined by some environmental as well as internal (within firms) factors.

In general, advertising is assigned a secondary role in the overall marketing strategy. Moreover, it matters little in promotion policies and programmes.

There are a number of factors which may hinder the development of advertising in Egyptian industrial society. These factors may be outlined as follows:

1) The scarcity of some products especially consumer goods. This might lead to the belief that advertising (and other forms of promotion) is a waste of resources and of little value in achieving sales[210]. However, in cases of shortages advertising can still teach consumers how to ration their consumption of scarce products and inform them about alternative products which can be used in place of the scarce ones.

2) The process of development in a less-developed country like Egypt usually requires a restriction of consumption to achieve higher saving rates. Therefore, planners always control the supply of consumer goods and advertising is not encouraged[211]. This particularly applies to and affects public-sector companies' advertising.

3) Failure of advertising may take place in Egypt because the receiver may not take the action wished by the sender because the appropriate action may not be feasible despite the willingness of the receiver to respond. This is the case when the product is not available to the receiver or he lacks money or credit to buy the product. Such a situation occurs - from time to time - in Egypt. For example, advertisements for washing powder are published in the media and shown on television even though, at the same time, consumers cannot find any washing powder in the marketplace. On the other hand, television and newspaper advertisements tempt consumers to buy durable goods while many of them lack money and credit to

buy such products[212].

4) Too frequently, advertising is tailored to fit into national political events[213]. In general, it is not mainly a commercial function in the economy. It is political rather than commercial. Until Nasser began his efforts to industrialise Egypt, almost all manufactured products were imported, and those made in Egypt tended to be inferior. Promotion was thus used to support the locally manufactured products as a major method of building self respect which had been lacking among the Egyptian people[214].

5) Advertising may fail in many firms due to lack of research. Management usually knows little about the market and does not have the scientific means to undertake proper market research. Therefore essential research on sophisticated aspects such as buyers' motivations and various necessary research projects relating to advertising campaigns could not be undertaken[215]. In general, the availability of outside information is not easy as it requires expenditure and research facilities which are beyond the capabilities of many firms, especially the smaller ones. By the same token, feedback may fail as it needs information to assess the results compared with the planned advertising objectives.

6) As competition among firms, particularly the publicly-owned enterprises, is controlled, the need for promotional activities by such firms is considered to be irrelevant. Thus, as El-Haddad[216] stated, the general organisations' management, under which the economy was administered from the early 1960s until 1975, exerted pressure to reduce brand competition because it seemed wasteful in an industry sense. Furthermore, advertising is directly controlled by several governmental laws and regulations restricting its use, the most important of which is the law instructing the companies to reduce the amount of finance appropriated for the advertising budget by nearly one-half. Generally, "financial problems of enterprises are the main area under control of supervising authori-

ties which do not encourage spending on advertising. This restricts the freedom of enterprise management to spend much on advertising."(217)

Finally, it is observed that the existing organisational structure for different firms has some particular unfavourable effects on the use of advertising as a promotional tool. The tendency, in public-sector companies, is to separate advertising from marketing. In many cases, the board of directors, or the president of the company himself assumes the responsibility of all advertising decisions(218). In other cases, advertising is regarded as a public relations activity. Therefore, publicity and public relations departments are usually the authorities mainly responsible for planning and undertaking advertising campaigns(219). Again, this tendency may explain, in some respect, why advertising objectives are not always pure commercial ones, but mixed with political and social purposes.

The above review of the place of advertising in different Egyptian companies reveals, in general, the limited role played by this promotional tool in marketing decisions of producers, irrespective of the size or kind of company. For several reasons mentioned in the discussion, this role is restricted and forced to occupy a secondary status in the total marketing strategy.

Advertising in Small Companies

It seems that advertising matters even much less in the marketing strategy of Egyptian small firms than in that of their large counterparts. Because of insufficient financial resources for these firms, advertising has a very small part to play in their promotion strategy.

As evidenced in a piece of an empirical research, employing advertising on a systematic basis was lacking in small companies in particular. Hassan(220), in his investigation of marketing practices in tourism business establishments working in Egypt, aimed to identify whether these firms advertise their products, and the extent to which their advertising is used systematically through an overall advertising plan. Thus, he administered interviews with the executives of twenty one tourism firms in Cairo, among which fourteen firms (67 per cent) were considered small enterprises. (The size of firms was decided according to capital employed).

The results showed that 71 per cent of the firms visited generally undertook advertising. Specifically, 28 per cent of the sample size advertised according to an overall advertising plan, while the majority (43 per cent of the sample) advertised casually whenever they felt they needed to advertise, but not on a systematic basis.

Moreover, the findings showed that 29 per cent of the sample firms did not advertise at all. All these firms which did not undertake any advertising were small Egyptian firms. The main reason for not advertising was found to be the lack of sufficient funds to cover its cost which was regarded as expensive.

This figure may lead one to argue that utilising advertising as a promotional tool in the marketing strategy of the Egyptian small companies is less prevalent than in the larger companies. This argument is based on the fact that some of the small companies failed to employ advertising even haphazardly from time to time whenever they felt they needed it.

However, the scope and the level of advertising in different Egyptian companies may be more properly evaluated in the light of their advertising objectives, the methods they use for setting advertising budgets, and the extent to which they measure and evaluate advertising effectiveness.

As such, the discussion will now deal with these topics with reference to the small companies.

Advertising Objectives

It has been argued that the oft-quoted statement "half of my advertising is wasted, the trouble is I do not know which half" may be attributed to the failure to take the time and trouble to establish adequate objectives[221].

This emphasises the significant importance of having specific and clear objectives when undertaking any advertising campaign in different companies, particularly in the small ones. And realising this concept will aid the management of these enterprises in designing the proper advertising message to be communicated as well as selecting the appropriate media to be used in order to accomplish the specified advertising objectives. It could also provide a basis for evaluating advertising efforts. However these objectives vary among companies according to several factors, among which is the firm size. Thus, as Wedding[222] indicated, the advertising objectives of a relatively small manufacturing firm with a single brand product distributed in a limited territory may be quite different from those of a large, diversified, multi-divisional company with a large number of brands.

Whatever the differences, there is a number of general advertising objectives which can be aimed at by advertising campaigns of all firms irrespective of kind or size. The most basic general objectives are:

a) To help customers in locating the suitable products for their needs and bring them to their attention.

b) To announce new products.

c) To increase sales.

d) To counteract competition.

e) To improve image.

f) To maintain brand loyalty.

In the Egyptian context, most of the available literature related to advertising objectives is in general terms, and concerned, particularly with public sector companies. The general conclusion revealed by this literature is that advertising objectives are mainly informative rather than persuasive.

In this regard, Attia[223], in his investigation of the nature of marketing in development policies in U.A.R. (Egypt), noticed that the use of advertising as a tool of promotion for Egyptian enterprises is not strictly confined to the promotion of products, or to establishing a commercial image for the firm, but rather it is devoted to achieving wider goals. According to this author, most advertising is not purely commercial nor persuasive in nature since:

(1) Management wants, in the first place, to produce its own advertisements and publicise the importance of the company for the national economy, rather than project the commercial image of the company.

(2) Advertising is less directly related to products of firms. Most of the firms carry out their advertising on political, religious and social occasions, rather than seasonally, or with the intention of promoting a particular product image.

This conclusion is confirmed by an advertising survey conducted in Egypt by Bazaraa[224]. He pointed out, in agreement with Attia, that in the practices of advertising in Egypt, the majority of public-sector companies management showed the same preference for 'informative' over 'persuasive' advertising. The following are some of the possible objectives he identified:

- To provide information to customers considering the characteristics of the products relating to, how, where, and when they can use the products.

- To announce new products.

- To produce national celebration advertising.

- To increase sales.

El-Haddad[225], too, reached the same conclusion in his empirical study to investigate the contribution of marketing to economic growth as evidenced in the Egyptian public-sector industrial companies. He reported that in the majority of firms he visited, advertising objectives were not persuasive in nature - they were mainly informative.

Finally, Hassan[226] found out, in line with the same conclusion, that advertising in the firms under his investigation was obviously informative and not persuasive or convincing. This was because the management in these firms believed that advertising might not directly influence their sales.

The importance of the conclusion of this writer to the current point of the thesis stems from the structure of his sample, of which about 67 per cent were considered to be small firms. As mentioned before, it was found that 29 per cent of the sample firms did not undertake any advertising at all, and all of them were small companies. Despite this, the small companies which carried out advertising represented 38 per cent of the total sample firms, and 54 per cent of the firms which employed advertising as a promotional tool in their marketing strategy. So, the results could, specifically, give empirical evidence of the nature of advertising objectives in the Egyptian small companies. Accordingly, it may be argued that advertising in the small companies which employ advertising in their marketing strategy, in keeping with the general figure prevailing in the country, is informative and not convincing or persuasive.

Advertising Budget

After having established objectives, it is necessary to decide how much to spend on advertising. Towards this end, an advertising budget should be developed. In the context of small business companies, as indicated by Broom and Longenecker[227], this is clearly shown by the fact that there is no small firm (indeed no large company) which has unlimited funds to spend for advertising. Consequently, the outlay of funds for advertising must be wisely planned. Insofar as the small firm has money to spend on advertising, it should be guided by the standard ratios for the appropriate line of business or type of industry. In addition, spending must vary with the type of product, the location, age, and prestige of the firm, the extent of its market, the media used, the current business cycle position, and the amount of advertising by competitors.

In any case, when the management of a company wants to develop its advertising budget, techniques which might be employed range from the arbitrary method, i.e. spend all you can afford, to scientific methods such as the task and objective method.

In the Egyptian environment, evidence in support of the tendency of the small companies' management not to employ the more scientific methods in allocating advertising budget is to be found in the literature. In addition, the available studies reveal that different Egyptian companies, in general, tend to appropriate small amounts of finance for advertising. This tendency may be attributed firstly to the small size of the firms, and secondly to the negative attitudes of firms' executives towards advertising.

As regards the volume of advertising expenditure, Bazaraa[228], in his investigation of advertising practices in Egypt concluded that the percentage of gross sales revenue allocated to advertising and sales promotion of the firms in his investigation ranged from 0.01 per cent to 5 per cent.

Hassan[229], too reached more or less the same conclusion when he reported that advertising expenditure in the Egyptian tourism business firms which agreed to provide him with responses, ranged from 0.05 to 1.5 per cent of their gross sales with an average of 1 per cent. In this writer's opinion, there are two explanations for this very low advertising expenditure compared with industrial countries where firms spend millions of dollars on advertising. The first explanation is the small size of the firms visited, accordingly providing them with poor financial capabilities. Secondly, the negative attitudes of the firms' executives towards advertising which was considered by many of them as a waste of money.

Though these explanations have been based solely on discussion with the firms' executives whom the author visited, and the findings were based on an inadequate sampling method and concerned with just one economic sector, i.e. the tourism business, nevertheless, they roughly outline the situation. The position as such suggests that small companies in Egypt tend to allocate small amounts of finance to advertising compared with their larger competitors.

With respect to the methods employed in developing an advertising budget, El-Haddad[230], with reference to all the Egyptian public-sector industrial companies, concluded that the majority of firms in the study determine their advertising budget by methods far removed from the application of the marketing concept. This conclusion is based on the findings of his investigation which showed that the majority of the firms he visited followed a more or less non-scientific approach (i.e. the arbitrary method and percentage of sales) in allocating advertising expenditure.

Hassan[231], in line with El-Haddad, indicated results which were mainly similar. In his empirical study of the tourism businesses operating in Egypt, he found that the first major approach used by the Egyptian companies in allocating their advertising expenditure was the arbitrary method which was employed by six firms out of thirteen with a percentage of 47 per cent. The percentage-of-sales method ranked number two as five companies out of thirteen used this approach with a percentage of 38 per cent, while only two Egyptian firms applied the task and objective method with a percentage of 15 per cent.

Specifically, in connection with the size of firms, Hassan reported that in the sample firms, all the big firms used the percentage of sales approach more frequently than the medium and the small size firms, while the medium size firms used the three methods (i.e. the arbitrary method, the percentage of sales method, and the task and objective method) evenly. Small enterprises put more emphasis on the arbitrary method as five out of eight employed this approach compared with only two firms which used the percentage of sales method, while only one small firm adopted the task and objective approach.

This figure suggests that Egyptian small companies, compared with their larger counterparts, make much less use of the application of the marketing concept with regard to the techniques used in determining their advertising budget, which have mostly been based on more or less non-scientific methods.

Evaluating the Effectiveness of Advertising

Though extremely difficult, it is important that the sales impact of each advertising effort be checked as closely as possible. As pointed out by Broom and Longenecker[232], analysis of advertising results is complicated by a number of factors. Consider the time element, for example. Some sales may be generated immediately, but other sales may result a month or a year after the advertisement. In addition, the customer is subject to numerous changing forces affecting his behaviour in addition to the advertising.

Thus, it seems that evaluation of advertising effectiveness is a universally complicated problem even in advanced countries. But it seems, too, that this is the only way by which the advertiser can know whether his advertising money is being well spent, and this is particularly important to small companies with limited financial capabilities.

In the Egyptian context, there was no available study which dealt, exclusively, with small companies regarding the evaluation of advertising effectiveness. Surveying the available literature reveals that the majority of companies which advertise, irrespective of size, do not measure their advertising effectiveness.

Bazaraa[(233)], to start with, in his investigation of advertising practices in Egypt, concluded that the majority of public sector companies did not evaluate their advertising effectiveness. This conclusion was based on the results reported by the management of the advertising companies in his study which showed that only 36 per cent evaluated their advertising effectiveness, while 64 per cent did not.

El-Haddad[(234)], too, found out mostly the same results in his investigation into marketing practices in the Egyptian public sector industrial companies. He reported that the majority of the companies which used advertising (61.5%) did not evaluate their advertising effectiveness. In his opinion, this was mainly because of some environmental factors, namely:

- Lack of knowledge regarding these concepts.

- Lack of determination of measurable objectives.

- Lack of adequate records.

- Management scepticism regarding the possibility of measuring advertising effectiveness.

- Lack of professional staff in this field.

Moreover, the study revealed that the most widely used method in the companies which evaluated their advertising effectivness, was just to compare sales volume before and after advertising. Other individual methods used were observation, reaction of customers and the like, but carrying out research to evaluate advertising effectiveness was almost non-existent.

A third pice of evidence in support of these results was found in Hassan's[235] study of marketing practices in tourism businesses in Egypt. The findings of this study reported that only 40 per cent of the advertising companies analysed their advertising results, while the rest, 60 per cent, did not evaluate their advertising effectiveness.

As regards the methods used in assessing advertising effectiveness, it was found that the only method used was the sales results which was reported to be used by all the firms which assessed their advertising effectiveness.

Since the available studies were conducted in general terms, the above figures of results, to which some small companies might prove to be exceptions could be considered as applicable to both large and small companies.

However, as frequently stated, it is hoped that the empirical investigation of the present study will provide empirically based results appropriate to small companies in particular.

Personal Selling

Personal selling is an important promotional tool by which the salesman can make each sales situation unique by adapting the sales message to the message receiver. All other methods of communication can communicate a product to customers, but it is usually the salesman who explains the product in detail. Personal contact can also be rather effective in providing two-way communication, that is, the salesman can bring information back to the company.

It is generally argued that personal selling tends to play a more important role in the promotion mix under such circumstances as the following:(236)

1. The management philosophy of the company has, by choice and over a long period of time, preferred personal selling.

2. The nature of the product favours personal selling because of complex features, installation, customisation, need for demonstration, and so forth.

3. When the firm may have insufficient financial resources to carry out an adequate advertising programme.

4. When a trade-in, price bargaining, and so forth are involved.

5. The product has high unit value and the sale provides a sufficient margin.

6. The needs of the buyer are not well-defined in the buyer's mind, or perhaps not even present in his mind.

7. Other situations, such as a concentrated market, the lack of good advertising media, and the use of "push" oriented channels of distribution.

It is rather obvious that most of the above conditions favourable to personal selling as a promotional tool are not subject to the size of firm. The small company marketer, therefore, may or may not find himself in the appropriate or the ideal circumstances to depend, heavily on personal selling in his promotional strategy. However, some of these conditions, that is, the insufficient financial resources, and the concentrated market (or a small number of potential buyers), seem to be more related to small rather than large companies. Such conditions which are relevant in particular to the small companies may recommend personal selling to be to some extent the "centre of gravity" in the promotional mix of small companies.

With reference to who performs the selling tasks, a major difference may exist between large companies and small companies. Thus, the small company may find it more necessary or at least more beneficial to use a series of middlemen in the channel of distribution. This is because many times, as pointed out by Brannen[(237)], they provide the strong personal selling support needed by the small business manufacturer, since the pay-as-you-go advantage of using commission middlemen lets him know that sales expenses will vary almost directly with sales.

In the Egyptian environment, an examination of the status of personal selling in small companies in particular has not yet appeared. The available literature deals with the problem in general irrespective of size. As such, it provides some generalisations which might be applicable to large as well as small companies.

In this context, reviewing the literature reveals that personal selling is in no better a position than other components of promotion mix. Though it could be more useful compared with other promotional activities in the Egyptian environment, management failed, in many cases, to employ it properly.

To begin with, Boyd et al[(238)], stated that personal selling as a part of promotion is relatively unimportant to most companies except for a few large ones that sell such products as soap, beer, sweets and certain food specialities. The problem of disposing of the company's entire output is frequently delegated to agents. Even when the company sells through wholesalers, only a small sales force is involved since wholesalers are expected either to order by telephone or send their representatives to place the order and pick up the merchandise. Additionally, selling to the ultimate consumer is limited. A few manufacturers set up their own branches or stores, usually to facilitate the introduction of new items. Such outlets, therefore, are conceived of mainly as demonstration centres.

El-Haddad[239], through his empirically based study, confirmed this conclusion when he reported that personal selling is the least popular promotion technique used in the Egyptian companies. This conclusion was based upon some findings reported in his study as follows:

- In the majority of firms visited, the main activity of salesmen is to take regular orders from customers. Thus, they are not order-getters but order-takers.

- Most firms do not employ an objective method in recruiting salesmen; few have a job description. Before a person becomes a salesman, he serves as an assistant salesman on a part-time basis.

- Little attention is paid to establishing sales territories and setting quotas.

Attia[240], pointed out, in line with El-Haddad, that the sales force in the Egyptian firms is usually very limited in number and lacks proper training in the field of selling. Moreover, salesmen occupy an inferior position in managerial structure and have little say in business policy-making. In addition, the lack of basic market research makes it difficult to have a well-trained sales force. In this writer's opinion the lack of efforts to employ personal selling as a basic promotional tool in the Egyptian companies has no justification within the framework of the dominant environmental circumstances. Hence, if properly planned and adequately carried out, personal selling may be more effective than other promotional efforts, for the following reasons:

- The effects of environmental limitations on personal selling effectiveness is much less than the effects of these limitations on other promotional areas. Consider for example, advertising which requires some basic environmental conditions to be effective. Such conditions might not exist to a sufficient degree.

- Personal selling has the advantage of being based on direct personal contact between buyers and sellers, and under social conditions in a society where social relations are strong, personal selling is likely to be a strong method of persuasion.

In the present writer's opinion, the latter may be of particular relevance to small companies, especially in the private sector, which quite often serve smaller segments of society, and which might be found, therefore, in closer and stronger relations with their societies, in comparison with large companies. Added to this is the suggestion that advertising is not the ideal promotional tool for the Egyptian small companies, particularly due to the insufficient financial resources to cover the high cost of this technique. For these reasons, personal selling should matter a great deal in the promotional strategy of Egyptian small companies.

Sales Promotion

Sales promotion encompasses special types of activities which are calculated to make mass advertising and personal selling more effective in stimulating buying action. As such, it cannot do the job alone, but it is "something special" which is communicated via advertising and/or personal selling.

Sales promotion can be directed to three major audiences, namely;

(i) Consumers, to increase buying response, by such means as samples, coupons, money refund offers, prices-off, premium, contests, trading stamps, demonstrations, and the like.

(ii) The middlemen of the trade, to encourage special dealer selling effort, by such means as buying allowances, free goods, merchandise allowances, push money, dealer sales contests, and so forth.

(iii) The firm's own sales force; to increase selling efforts and intensity, by such tools as bonuses, contests, sales rallies, and the like.

It is to be noted that sales promotion represents an opportunity for the small firm marketer to do something different from what his competitors are doing. And because of their quick response, individual sales promotion tools can be employed tactically rather than strategically. However, this employment of tactics should be within a strategic planning framework that has properly defined the roles and objectives of sales promotion. Thus, the small company marketer should plan sales promotion as a regular part of his promtoion strategy[241].

In the Egyptian society, it is generally observed that little has been written on the use of sales promotion as a component of communication by different Egyptian companies. And it has been presented in general terms without reference to the size of firms. As a consequence, the researcher was unable to find any data relating to small companies in particular with reference to sales promotion.

In this context, the only one empirical study available to the researcher revealed that some forms of sales promotion as an element of communication are popularly known and used by the Egyptian public-sector companies.

El-Haddad[242], in his investigation of the contribution of marketing to economic growth as evidenced in the Egyptian public-sector industrial companies, indicated that most companies reported including sales promotion in their promotional mix, and in some firms, sales promotion was the only ingredient of the promotional strategy. Specifically, participation in fairs and exhibitions was the most commonly used sales promotion technique. Twenty-six out of thirty companies in the sample have taken part in domestic and/or international fairs and exhibitions. Calendars were also considered one of the most important elements in sales promotion as nineteen out of thirty companies in the sample employed them as one component of sales promotion activity. Free samples were used by half of the firms visited, while posters and leaflets were used by eleven out of the thirty firms in the sample. Finally, delivery to customers ranked at the bottom of the scale with only six out of thirty firms visited (20%) reporting that they engaged in this type of activity.

As yet, there has not been empirical evidence of the status of sales promotion, specifically in the promotion strategy of Egypt's small companies. The above empirical study, the only one available concerned with sales promotion in the Egyptian context, dealt with the problem without concerning itself with getting comparative results according to the size of companies, such a treatment being beyond its scope.

However, it may be assumed at this stage, based on the general results of the said study, that sales promotion, in some form or other, is known and used by small as well as large companies. And hopefully, evidence of the status of sales promotion in the promotional mix of small companies will be provided empirically by the end of the current study.

Conclusion

Throughout this chapter, an attempt has been made to examine the relevancy, the importance, and the applicability of the well-known marketing mix elements to small business companies with reference to the Egyptian situation either on the theoretical level represented by the Islamic point of view, or on the actucal operating level as carried out in practice. In addition, the similarieites and/or the differences between large companies and small companies with respect to the application of the marketing mix ingredients have been considered.

Several conclusions may be drawn from this examination as follows:

(1) In general, the marketing mix concept, techniques, and principles have proved to be useful and applicable to large as well as small companies. Additionally, it can be argued that the application of these marketing techniques and principles may improve the performance of the small business firms and contribute to their success.

However, at the operational level, because of the unique characteristics and problems of the small companies, the application of these techniques and principles by them may differ by emphasising those considered to be important in a particular situation, and de-emphasising others in accordnace with the unique aspects of the companies and the problems they face.

(2) In an Islamic society like Egypt, in planning and operating his marketing strategies, the Muslim marketer is not required by the Islamic teaching to utilise any specific techniques, but only the technique which can aid in achieving the Islamic marketing philosophy and objectives. Islamic marketing philosophy holds that customer satisfaction as well as long-run consumer and societal well-being, together with the business company's goal (interests) are all equal factors influencing a company's strategies and decision making. In the light of this philosophy, some obligatory conditions regarding the elements of the marketing mix have been stated by the Islamic doctrine as mentioned in the discussion. Such being the case, Islamic teachings encourage and increase the trend to use the modern marketing principles and techniques in such a way as to implement the societal marketing concept.

(3) Though extremely important from both Islamic and economic points of view, the application of marketing principles related to different marketing mix components have been generally neglected or overlooked by the Egyptian small companies. It seems reasonable to assume, therefore, that these companies can improve their performance if they apply scientifically the well-

known modern marketing principles and techniques. Reasons for this neglect can be traced to internal (within firms) as well as environmental factors as follows:

(a) Insufficient financial as well as other resources which to a great extent put limits on the ability of small companies to employ the well-known modern marketing principles and techniques.

(b) Government control over the marketing mix elements (i.e. product, pricing, distribution, and promotion) affects flexibility and decision making discretion, and makes it difficult to plan and implement marketing strategies in accordance with the conditions of the business environment.

(c) Another environmental factor contributing to the neglect of utilising the marketing mix principles in Egyptian small companies is the lack of sufficient basic marketing infrastructure and facilities. Physical infrastructure in Egypt is seriously under-developed and this affects the feasibility or desirability of utilising specific marketing strategies. Examples include transportation networks, communication systems, marketing research agencies, advertising media, and so forth.

(d) Last and not least, the lack of proper understanding of Islamic teachings regarding the elements of the marketing mix by the management of Egyptian small companies. This factor, however, has not yet received sufficient attention in the marketing literature, in which little attempt has been made to explore the relationship between Islamic teachings and marketing principles related to the ingre- dients of the marketing mix.

Specifically, in the Egyptian context, there has not, so far, been any empirical investigation of the nature of understanding of the relationship between Islamic doctrines and marketing activities. Nevertheless, it is the researcher's view that, to a great extent, there is misconception of the Islamic teachings regarding marketing by the Egyptian small companies' marketers and this, in turn, is one of the reasons for neglect or mis-application of the marketing mix principles and techniques by these companies.

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