Exploring The Critical Success Factors in Micro Enterprises of Practicing Direct Marketing

3 authors, including:

Sri Gunawan
Airlangga University
45 PUBLICATIONS   **327** CITATIONS

Some of the authors of this publication are also working on these related projects:

Do brand credibility View project

A Structural Model of Service Quality, Hotel Image, Perceived Value, Satisfaction and Intention Loyalty in Hotel Industry View project

EXPLODING THE CRITICAL SUCCESS FACTORS IN MICRO-ENTERPRISES OF PRACTICING DIRECT MARKETING

S. GUNAWAN[a], C.-J. SHIEH[b], C. C. CHIANG[c]*

[a]*Department of Management, Faculty of Economic and Business, Airlangga University, 4 Jalan Airlangga Street, 60 286 Surabaya, Indonesia*
E-mail: *sgunawan@feb.unair.ac.id*
[b]*Department of International Business, Chang Jung Christian University, 1 Changda Rd., Gueiren District, 71 101 Tainan City, Taiwan*
E-mail: *charles@mail.cjcu.edu.tw*
[c]*Department of Business Administration, Far East University, 49 Chung Hua Rd., Hsin-Shih, Tainan City 744, Taiwan, ROC*
E-mail: *ba123@cc.feu.edu.tw*

Abstract. Under unfavourable economic outlook, the promotion of personal economy is the mostly concerned issue of the public. Some people are satisfied with just having a job, while the others select to start a business. Micro-entrepreneurs therefore are currently the most popular topic. There are certain risks in starting a business. Effective communication with purchasers via direct marketing and having consumers respond to advertisement through various media are critical for micro-enterprises. Not only is the restriction of space and time broken, without being affected by traditional stores, but transaction could also be preceded by staying at home for 24 h. Favourable communication and long-term relationships with customers could be established through media, such as TV, broadcast, cable TV, personal and family computers, and Internet in order to become a successful entrepreneur. These are the key points in this study. Leng Tih Tang bakery is discussed as the research subject in this study. Total 150 copies of questionnaires are distributed, and 86 valid copies are retrieved, with the retrieval rate 57%. The research result shows the top five evaluation criteria, within 10 criteria, emphasised by the experts as external factor (weighted 0.217), product characteristics (weighted 0.174), managerial factor (weighted 0.116), demographic variables (weighted 0.098), and marketing skills (weighted 0.086).

Keywords: micro-enterprises, direct marketing, critical success factors, marketing skills, professional knowledge.

AIMS AND BACKGROUND

The constantly changeable economy has caused the high unemployment rate in modern society that people can hardly find jobs in the fierce competition[1]. Some people who luckily keep the jobs are facing the difficulty of reducing salary and

---

* For correspondence.

increasing workload[2,3]. Starting a business or joining in franchises becomes the second spring for many people. People who graduate from schools within 5 years receive the average monthly wage no more than NT 25 000 in Taiwan. A lot of people could not accept low high salary or esteem after the higher education[4]. They therefore choose to start their own businesses with their own ideas. Various services and products are required in the diverse society that modern entrepreneurs with rich imagination and diverse thinking could create astonishing emerging businesses. Such micro-enterprises therefore are researched in this study.

There are distinct definitions of micro-enterprises, which are mostly defined by the number of employees. OECD defines micro-enterprises with the number of employees less than 20; 15 people are the upper limit in Mexico; and, other international development organizations or academic institutes divide the number of employees less than 10 or 5 into micro-enterprises and small enterprises. Micro-enterprises have not been officially defined in Taiwan. A 'small-scale enterprise' in Standards for Identifying Small and Medium-sized Enterprises is a manufacturing enterprise with the employees less than 20 or a service enterprise with the employees less than 5. Micro-enterprises were defined in APEC in 2002 as a small enterprise, either a one-person enterprise, personal atelier, sole proprietorship, or partnership, with less than 5 people[5,6].

A small enterprise is regulated in Article 3 of Standards for Identifying Small and Medium-sized Enterprises as a manufacturing, construction, mining, or quarrying enterprise with regular employees less than 20 or an agricultural, forest, livestock, water, electricity, gas, commercial, transportation, warehouse, commercial service, social service, and individual service enterprise with regular employees less than 5. Micro-enterprises are defined in Micro-business Start-up Loan of Small and Medium Enterprise Administration, Ministry of Economic Affairs, as a business with the employees less than 5 and the scale is smaller than a small enterprise. Such enterprises become more apparent in Taiwan. Such well-developed smaller enterprises feature of the employees less than 5 that they are called micro-enterprises.

DIRECT MARKETING

Quoted from Direct Marketing Association (DMA), Kotler[7] defined direct marketing as an interactive marketing to influence consumers through one or more advertising media so as to acquire the measurable reaction or transaction. Direct marketing is defined on the website of Direct Marketing Association as directly communicating with consumers or enterprises, intending to directly receive responses. Chou and Du[8] regarded direct marketing as delivering product and service information through non-human media, while customers ordering goods, including clothes, shoes, books, magazines, tapes, consumer electronic products, and services (e.g.

insurance) through telephones, fax machines, Internet, or letters. Direct marketing, as an interactive marketing system[9,10], breaks the restriction of retail stores, precisely measures the number of targeted customers with niche communication[11], or has the salespeople actively visiting customers[12], delivers commercial information to potential consumers[13] with customised sales[14], and completely controls customer demands and product circulatory system. Vander et al.[15] considered that the rapid development of networking and the completeness of computer database accelerated data management and developed the networking era to develop direct marketing towards diversification. Consumers used to purchase products or receive services in shops[16]. With the prosperity of economy and the advance of technology, Guido and Prete[17] mentioned the increase of shopping at home, in which direct letters, telephone marketing, catalog and mail order, electronic retails, cable TV, newspapers, magazines, broadcast, electronic catalogs, and other media were applied to making orders. Four popular techniques are described as below.

(1) Catalog and mail order. Consumers could purchase the favourable products through acquired catalogs. Annually more than 13 billion catalogs are mailed in the US, and averagely 4–5 days would a family receive a catalog.

(2) CD-ROM publishing. People could store various media with CDs, such as books, encyclopedia, games, product catalogs, education, or entertainment.

(3) Cable TV marketing. A business allows the consumers directly purchasing through cable TV, and consumers could completely understand the products through shopping channels.

(4) Electronic catalogs. Base on World Wide Web (www), a company can provide a new market channel through an open networking[18], like Internet, to sell the products and services[19,20]. From the aspect of customers, Avery et al.[21] considered that electronic catalogs could offer the products and services in present markets, the providers of products and services, the places to purchase the required products and services, and the dynamic update of product database to satisfy consumers inquiries.

Homer, Engel and Blackwell[22] indicated that consumers would perceive various types of risks when making purchase decisions and consumers perceived higher risks with Non-store Shopping through catalogs, DM, or telephones than with Store Shopping. Akaah and Korgaonkar[23] pointed out 8 approaches to eliminate consumers' risks in non-store shopping purchase, including: (i) guarantee refund of dissatisfaction; (ii) product manufacturer with awareness; (iii) low product price; (iv) mail order company with awareness; (v) free samples and trial products; (vi) recommendation from famous people or experts; (vii) products with brand benefit, and (viii) new product. 'Guarantee refund of dissatisfaction' appeared the highest importance in customers evaluation.

The Delphi method. The Delphi method, originated in 1948, when the opinions of national defense and military experts were integrated by RAND Corporation to

judge the number of atomic bombs to paralyse the US in a war, aimed to acquire consistent and reliable opinions from experts[24].

Aiming at specific issues, the experts opinions are gathered through writing; with the experiences and knowledge, the experts are repeatedly surveyed for several rounds in order to reinforce the communication and avoid personal prejudice; with statistical analyses, the participants opinions are objectively presented[25–27]. The Delphi method shows the results made by group decisions, rather than collecting large quantity of samples; however, the samples should reveal representative and the prediction is made by experts instinctive and subjective judgment[27–32]. In this case, the explanation appears single and non-comprehensive characteristics; nevertheless, the Delphi method could comprehend the group decisions and calculate most experts opinions, rather than the single observation of a researcher[33]. In the research process, reliable and consistent opinions of the experts are acquired with anonymous discussions through writings[24,32,33].

Critical success factors in direct marketing. Wunderman[34] regarded the activities of direct marketing as the providers practicing and completing marketing tasks, aiming at the users, in which Managerial Factor, External Factor, Professional Knowledge, and Channel were emphasised by Provider; Media, Product Characteristics, and Marketing Skills were considered in Task; and, User Demographic Variables, Professional Financial Knowledge, and Attitude and Experience were taken into account. The following critical success factors were organised by the experts through the Delphi method[35].

(1) Provider

– managerial factor, including face-to-face, establishment of long-term relationship with customers, and activeness;

– external factor, containing convenience, quality of service and product, service process, reputation and reliability, interaction with individual, and security;

– professional knowledge, covering integration, management, and technology (e-service);

– channel. Jay[36] pointed out direct marketing in financial service industry as directly transacting with consumers, without going through intermediate traders, agents, and wholesalers. Cheverton[37] indicated that consumers could directly transact with lenders through direct marketing providers in the complex financial loan market.

(2) Task

– media, including non-store and reliability;

– product characteristics, covering individualisation, higher costs, non-obvious, not easily being sold out, detailed description, being creative, and being intangible;

– marketing skills. Cheverton et al.[37] pointed out the complexity of financial products which required highly close cooperation between buyers and sellers

through providing professional and detailed descriptions to satisfy all consumers demands.

(3) User

– demographic variables, containing gender, income, education, age, living style, and time;

– professional knowledge, including educational background, occupation, and knowledge of product;

– attitude and experience, covering the past experiences in direct marketing, emphasised risks, and privacy[35].

RESEARCH FRAMEWORK AND SUBJECT

Research framework. Figure 1 shows the research framework revised with the Delphi method.
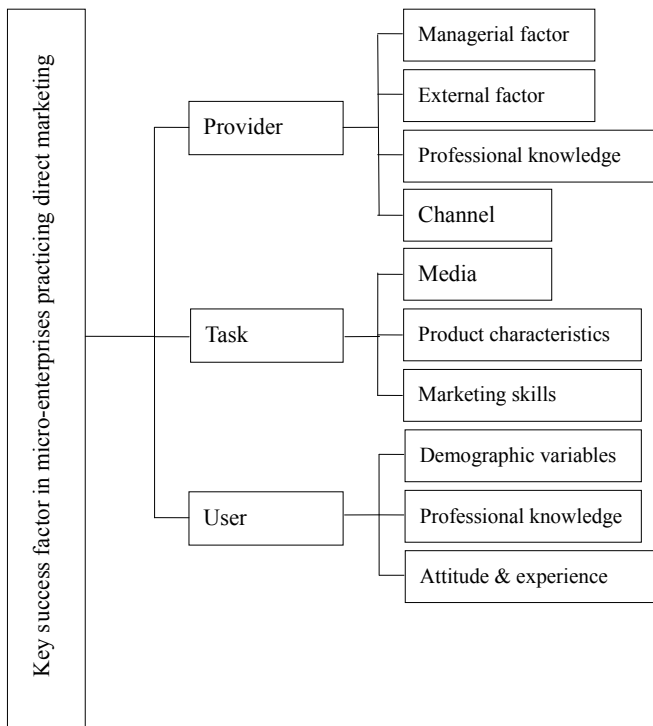
Fig. 1. Research framework

Research subject. The Leng Tih Tang bakery, a small wooden shop located in a small alley, was selected as the research subject. Insisting on traditional hand-made Senbei with an ancient machine, the package and flavour in the Leng Tih

1362

Tang bakery are completely different from mass-production ones. In face of the impact of western cookies, the Leng Tih Tang bakery constantly develops various cookies to make the sales achieve more than 60 kg per day. Among customers are distributed 150 copies of questionnaires, and 86 valid copies are retrieved, with a retrieval rate of 57%.

RESULTS

Having completed all hierarchical weights, the relative importance of the criteria in the hierarchies is distributed to show the importance of a criterion in the entire evaluation system as well as to generate the global priority of the critical success factors in the micro-enterprise practicing direct marketing (Table 1).

Table 1. Global priority in the micro-enterprise practicing direct marketing

	Evaluation criteria in hierarchy 2 (hierarchical weight)	Evaluation criteria in hierarchy 3 (hierarchical weight)	Global priority	Overall ranking
Critical success factors in the micro-enterprise practicing direct marketing	provider (0.361)	managerial factor	0.116	3
		external factor	0.217	1
		professional knowledge	0.036	10
		channel	0.081	6
	task (0.342)	media	0.074	7
		product characteristics	0.174	2
		marketing skills	0.086	5
	user (0.297)	demographic variables	0.098	4
		professional knowledge	0.062	8
		attitude and experience	0.056	9

The questionnaire analyses are organised in Table 1 and concluded as follows. Provider, weighted 0.361, is mostly emphasised in hierarchy 2, about 36.1% of global priority, followed by task (weighted 0.342) and user (weighted 0.297). The investigation results show that provider is the most important critical success factors in the micro-enterprise practicing direct marketing. In regard to the global priority, external factor, weighted 0.217, is mostly emphasised, followed by product characteristics (weighted 0.174), managerial factor (weighted 0.116), demographic variables (weighted 0.098), and marketing skills (weighted 0.086).

CONCLUSIONS

According to the empirical analyses, the following conclusions are proposed. From the global priority of the critical success factors in the micro-enterprise practicing direct marketing, the top five criteria contain external factor (weighted 0.217), product characteristics (weighted 0.174), managerial factor (weighted

0.116), demographic variables (weighted 0.098), and marketing skills (weighted 0.086). the results also show external factor of convenience, quality of product and service, reputation and reliability, interaction with individuals, and security, in which the studied consumers consider reputation and reliability as the key external factor. Besides, the products can be ordered through the Internet that the customers could transact or inquire about the products at home. It is closer to the living of the public that consumers emphases on external factor in direct marketing are enhanced. Product characteristics cover individualisation, higher costs, non-obvious, not easily being sold out, detailed description, being creative, and being intangible; apparently, the bakery could enhance consumers purchase intention by promoting products with highly individual characteristics and personal demands. Managerial factor contains face-to-face, establishment of long-term relationship with customers, and activeness; apparently, establishing long-term relationship with customers could assist in the commitment, enhance the common profits, and satisfy the company and customer demands. The bakery could enhance the consumers attention by permanently keeping in touch with customers or actively contacting the customers with new products.

RECOMMENDATIONS

According to the above results, the following suggestions are proposed in this study.

(1) Establishing a brand to satisfy individual consumer demands
A micro-enterprise must confirm the target market and establish a brand as the major marketing target. With advertisement, especially on the Internet, including the advertisement on the access to websites and the ones with equivalent value and large flow, the message boards, topics related to the micro-enterprise could be produced to arouse the discussion trend and create the awareness. The Internet users are likely to get lost in the broad Internet that a micro-enterprise could attract the online users focus to even consume the products. In fact, a micro-enterprise should present the specialty and numerous products, satisfy individual consumer demands, offer individualised services, and strongly affect the consumers repurchase intention through the satisfaction with the consumption process and the after-sale services. In this case, a precise and stable distribution system is necessary.

(2) Customer relationship management
A micro-enterprise should present favourable Customer relationship management and focus on database marketing to segment the market with consumers for more efficient business management with fewer costs. As a result, customer relationship management of a micro-enterprise is better than general businesses with stores. Based on the convenience of technology, a micro-enterprise could present better customer relationship management without more costs on manpower as well as

promote reputation and reliability in external factor and establish long-term relationship with customers in managerial factor for direct marketing.

(3) Reducing risks of food safety hazard

A micro-enterprise could manage consumers through communities to enhance the brand loyalty and repurchase ratio. For instance, GiftNet allows consumers making discussions on the Internet and responding to others statement so that consumers are not merely related to the business, but could interact with other consumers. Currently, a lot of professional businesses without perfunctory, with which consumers present higher product identity and rely more on the professional services, appear in the markets with direct marketing.

REFERENCES

1. H. LI: Economic Transition and Returns to Education in China. Econ Educ Rev, **22**, 317 (2003).
2. C. SAKELLARIOU: Rates of Return to Investments in Formal and Technical/Vocational Education in Singapore. Educ Econ, 1173 (2003).
3. P. S. MARTINS, P. T. PEREIRA: Does Education Reduce Wage Inequality? Quantile Regression Evidence from 16 Countries. Labour Econ, **11**, 355 (2004).
4. T. H. GINDLING, W. SUN: Higher Education Planning and the Wages of Workers with Higher Education in Taiwan. Econ Educ Rev, **21**, 153 (2002).
5. D. AGYAPONG: Micro, Small and Medium Enterprises' Activities, Income Level and Poverty Reduction in Ghana–A Synthesis of Related Literature. Int J Business Manage, **5** (12), 196 (2010).
6. K. L. HSU: Study of Dynamic Processes in Opportunities, Resources and New Value Creation of Micro-business Entrepreneurs in Taiwan. Published Master Dissertation, Graduate Institute of Technology and Innovation Management, National Chengchi University, 2006.
7. P. KOTLER: Marketing Management. Millennium ed. 2000.
8. T.-H. CHOU, F.-Y. DU: Retail Management. Hua Tai Books, 1997, p. 46.
9. V. SHANKAR, A. VENKATESH, C. HOFACKER, P. NAIK: Mobile Marketing in the Retailing Environment: Current Insights and Future Research Avenues. J Interactive Market, **24** (2), 111 (2010).
10. F.-R. LI: Successful Marketing to the Heart. Job Winner, **63**, 46 (2010).
11. T.-H. LI: New Marketing Field—Emergence of Personal Marketing. Brain, **227**, 98 (2009).
12. C.-H. HUANG, S.-F. YU: Direct Marketing of Consumer Loan. Business Report, 2009.
13. C.-C. CHENG: Analysis of Internet Application and Development. Inform Comput, **187**, 54 (2009).
14. P. KOLTER: Marketing Management Analysis, Planning, Implementation and Control. 6th ed. Prentice-Hall, New Jersey NJ, 1995.
15. S. VANDER, A. BRIAN T. W. AURAND: Direct Marketing and Distribution: The Case of Redbox. Iacovelli, Jennifer; Jednoroz, Jerry; Bergren, Jeffrey; Keller, Lisa; Taylor, Matthew. J Acad Business Educ, **13**, 137 (2012).
16. S. KAPIKI: Implementing Sustainable Practices in Greek Eco-friendly Hotels. J Environ Prot Ecol, **13** (2A), 1117 (2012).
17. G. GUIDO, M. I. PRETE: Targeting Direct Marketing Campaigns by Neural Networks. J Market Manage, **27** (9/10), 992 (2011).

18. Z. ANDREOPOULOU, G. TSEKOUROPOILOS, T. H. PAVLIDIS: Adoption and Perspectives of Network Technologies and E-marketing in Skiing Centres Websites in the Internet. J Environ Prot Ecol, **13** (4), 2416 (2012).
19. A. B. I. HASOUNEH, M. A. ALQEED: Measuring the Effectiveness of E-mail Direct Marketing in Building Customer Relationship. Int J Market Studies, **2** (1), 48 (2010).
20. M. C. TERZI, D. P. SAKAS, D. VLACHOS: Marketing Dynamic Simulation Modeling in High Tech Laboratories. Key Eng Mat, **495**, 23 (2012).
21. J. AVERY, T. J. STEENBURGH, J. DEIGHTON, M. CARAVELLA: Adding Bricks to Clicks: Predicting the Patterns of Cross-channel Elasticities over Time. J Market, **76** (3), 96 (2012).
22. E. S. HOMER, J. F. ENGEL, R. D. BLACKWELL: Perceived Risk in Mail-order and Retail Store Buying. J Market Res, **7**, 377 (1970).
23. I. P. AKAAH, P. K. KORGAONKAR: A Conjoint Investigation of Relative Importance of Risk Relievers in Direct Marketing. J Advertising Res, **28**, 38 (1988).
24. N. DALKEY, O. HELMER: An Experimental Application of the Delphi: Method to the Use of Experts. Manag Sci, **9** (3), 458 (1963).
25. F. L. ULSCHAK: Human Resource Development: The Theory and Practice of Need Assessment. Reston Publishing Company Inc., Reston, VA, 1983.
26. M. TUROFF, S. R. HILTZ: Computer Based Delphi Process. In: Gazing into the Oracle: The Delphi Method and Its Application to Social Policy and Public Health (Eds M. Adler, E. Ziglio). Jessica Kingsley Publishers, London, 1996, 56–88.
27. B. LUDWIG: Predicting the Future: Have You Considered Using the Delphi Methodology? Journal of Extension, **35** (5), 1 (1997).
28. F. R. CYPHERT, W. L. GANT: The Delphi Technique: A Case Study. Phi Delta Kappan, **52**, 272 (1971).
29. K. W. BROOKS: Delphi Technique: Expanding Applications. N Central Association Quarterly, **54** (3), 377 (1979).
30. B. G. LUDWIG: Internationalizing Extension: An Exploration of the Characteristics Evident in a State University Extension System that Achieves Internationalization. Unpublished Ph. D. Thesis, The Ohio State University, Columbus, 1994.
31. R. L. CUSTER, J. A.SCARCELLA, B. R. STEWART: The Modified Delphi Technique: A Rotational Modification. J Vocat Tech Educ, **15** (2), 1 (1999).
32. M. D. SHARMA, C. STEWART, R. WILSON, M. S. GOKALP: Can a Syllabus Change Impact on Students' Perceptions of Science? Fragmented and Cohesive Conceptions of Physics. Eurasia J Math Sci Technol Educ, **9** (1), 33 (2013).
33. W.-J. SONG: Application of Delphi Method, a Qualitative and Quantitative Analysis, to the Healthcare Management. J Healthcare Manage, **2** (2), 11 (2010).
34. L. WUNDERMAN: Direct Hit, Taipei. Business Weekly Publishing, 1997.
35. A. AKYOL: A Marketing Approach to Environmental Issues: Improving Social and Environmental Orientation as a Philosophy. J Environ Prot Ecol, **3** (4), 923 (2002).
36. R. JAY: Profitable Direct Marketing. International Thomson Business, Boston, Mass., 1998.
37. P. CHEVERTON, T. HUGHES, B. FOSS, M. STONE: Key Account Management in Financial Services: Tools and Techniques for Building Strong Relationships with Major Clients. Kogan Page, London, 2004.