

Characteristics and peculiarities of marketing and logistics in the management of small and medium-sized enterprises

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Abstract. The article is devoted to the costs of small and medium-sized businesses in the global economic conditions. The entire article is about examining and evaluating the processes of marketing and logistics management in small and medium-sized enterprises, determining the potential for marketing and logistics processes of these business entities and evaluating the degree of influence of your activity on the economic situation. The authors examine the key objectives of marketing and logistics in small and medium-sized enterprises and ways to promote the business inexpensively. Small and medium-sized companies play the role of the basis of the market economy, connecting all its links, but unfortunately, the activity of small and medium-sized businesses is associated with a number of problems that significantly complicate their activities. These problems are discussed in the article and the practice for solving them is indicated.

1 Introduction

Small and medium-sized enterprises play an extremely important role in the economy of any country. They are entrusted with quite specific functions that are not performed or performed insufficiently by other business entities. They play the role of the basis of the market economy, connecting all its links. Another important function of small firms is maintaining competition, which is ensured by their multiplicity, flexibility and greater freedom of pricing policy. These enterprises accelerate the filling of the product market with goods needed by consumers and the introduction of scientific and technological achievements.

Small and medium enterprises represent 99.8% of all enterprises, both in Bulgaria and in the EU. Bulgarian SMEs create 65.3% of added value and 75% of jobs in the country, which is about 10 percentage points more than the EU average. On the other hand, the average productivity of Bulgarian SMEs is still significantly lower than the EU average. This is also one of the reasons why support for increasing the competitiveness of SMEs is key to economic development. Small and medium-sized enterprises represent 99.8% of all

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enterprises, both in Bulgaria and in the EU. Bulgarian SME create 65.3% of added value and 75% of jobs in the country, which is about 10 percentage points more than the EU average. On the other hand, the average productivity of Bulgarian SMEs is still significantly lower than the EU average. This is also one of the reasons why support for increasing the competitiveness of SMEs is key to economic development. Employment in SMEs has grown moderately, by 8.6% in recent years. Over the past year, the added value created by SMEs continued to grow at a strong rate of 15.0%, while employment in SMEs increased by 1.6%.

Unfortunately, the activity of small and medium-sized businesses is fraught with a number of problems that significantly complicate your activity. The main problems of small business representatives in one way or another are related to the great risks of instability of market positions and limited economic resources, including budgets for marketing and advertising activity, innovation, purchase of new production facilities, etc.

Regarding access to markets, SMEs do not have the necessary skills and competences to conduct market research for export, nor do they have the relevant financial and informational resources. SMEs are extremely sensitive to changes in the management conditions of enterprises and highly dependent on large ones. Problems also exist when working in conditions of uncertainty and caution of business partners, when concluding contracts, agreements, etc. [8,15,16]

The backwardness of Bulgaria in terms of ensuring market conditions, culture and institutions, the formation of human capital, the digitalization of business and society and the creation of knowledge and network modes of work, categorically slows down the development of SMEs. [7,19]

2 Marketing as a concept in SMEs

In modern market conditions, small and medium-sized businesses are an important lever for the growth of the national economy, a financial instrument that also contributes to the growth of the population's employment. An important requirement for the functioning of small and medium-sized businesses in market conditions is that they are protected from large companies seeking to monopolize the industry. In addition, it is necessary to increase the competitiveness of small businesses in their market niche. In such conditions, the main tool for the survival of small entrepreneurship is the introduction and development of its own marketing policy, because business success depends on marketing success. [3,4]

Marketing as a business management concept in the market environment that proclaims a focus on customer satisfaction can and should help SMEs not only stay afloat but also operate successfully in a competitive and market environment. [4]

Therefore, for SMEs, the problem of implementing marketing is urgent. The ability to create new products and services, find effective technological solutions and effectively manage companies in conditions of risk and uncertainty are the components of activities that are necessary to achieve positive business results. Small business marketing differs significantly from that of large businesses. In a small business, there is no opportunity to form special marketing departments, whose functions include researching consumers, competitors and markets, developing strategies for new market niches, creating advertising campaigns, promotions and improving sales policy. This leads us to the conclusion that small businesses need marketing solutions to keep their business profitable, but most don't know where to start or where to focus their efforts.

Research shows that a large percentage of small businesses do not have a marketing plan for business development. [19]

The capabilities of SMEs do not allow them to spend a lot of money on advertising and marketing, similar to those of market giants with high turnover and gross profit. In this

regard, small businesses must constantly look for low-budget, inexpensive, but at the same time, most effective methods of advertising, promotion and search for new customers in order to maintain a stable position in the market. Currently, the concept of "guerrilla marketing" is increasingly included in the vocabulary of small business managers. [5]

Low-budget methods applied as "guerrilla marketing" are indicated in Fig.1

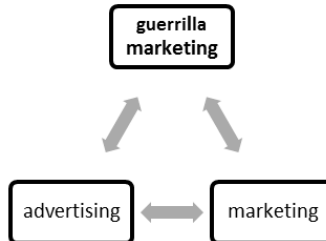


Fig.1. Guerrilla marketing [Sinyaeva I.M. Zemlyak S.V., Sinyaev V.V. Marketing in entrepreneurial activity. – M: Dashkov and Co., 2013.]

Low-budget methods allow to more effectively promote their products or services; attracting new customers and increasing their profit without investment or low investment of the activity. It is because of these arguments that "guerrilla marketing" is also called "low-budget marketing" or "profit marketing". It is logical in the conditions of this type of marketing to implement in practice less "painful" operations for the budget.[4,5]

The principle of marketing is such that all activities of the enterprise must be directed to the end user with the aim of customer satisfaction, ie. to be aimed at the buyer. For SMEs, it is recommended to introduce a marketing approach to business management, indicated in Fig.2

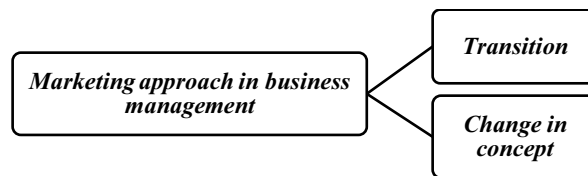


Fig.2. Marketing approach in business management [Kotler F., Basics of marketing/Per. from English - M: Progress, 2012]

Or a transition from production-oriented management to customer-oriented management and a change in the concept of "product" - a set of attributes that represent a solution to the user's problem in a given area, or the satisfaction of a desire or need in the case of a consumer product. In order to achieve the profit necessary for the existence of these enterprises, SMEs are recommended to focus on the development of a marketing strategy, in the concept of which includes the solution of the marketing tasks presented above. But the implementation of these activities is very conditional and individual for each enterprise. Depending on the amount of goods and services provided, the number of employees, the volume of the sales market, the type of enterprise, as well as the size of the business as a whole, the presented marketing tasks can be combined and partially performed to the extent required by a specific organization.[2,4]

To reduce the costs of advertising, research, promotion for companies, monitoring, the following actions/operations are applied in practice: transferring part of the marketing costs to the cost of the products; use of public funding, participation in grant and subsidy programs; applying dual performance analysis; implementation of incentive pay systems. [3]

The main lever in the implementation of the marketing policy of small enterprises is usually realized by two people: either directly by the manager, who is responsible for

making strategic decisions about the management and promotion of the enterprise and is the only one responsible for everything that happens in the present and the future, or through a hired marketing specialist, who must become a dedicated executor of the strategic ideas, performing the entire necessary set of ancillary work. Alternatively, provided the marketer is a proven and reliable employee and also demonstrates an appropriate level of ability, the leader may delegate to him the privilege of making decisions on strategically important matters either alone or collectively. [3,18]

The tasks of the marketing specialist of the enterprise are presented in Fig.3.

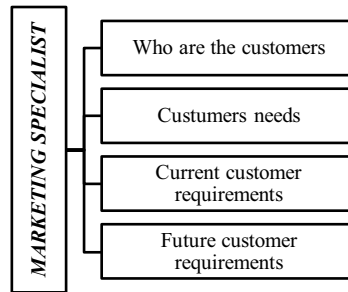


Fig. 3. Tasks of the marketing specialist [Egorov Y.N. Logistics and marketing in strategies for diversification of goods and services // Scientific Institute of Finance. Financial Journal. 2012. No. 2. P. 73-8]

The tasks of the marketing specialist of the enterprise is to clearly segment its customers. Information of this kind can be obtained only in one case - if the marketing specialist does it in a good interaction directly with sellers and buyers. The same can also partially perform the functions of a seller independently (for example, in personal negotiations with a potential buyer). Such participation allows to better understand the needs of the user, market trends and by developing solutions today, it is necessary to build a forecast for the future. [5,10]

Unlike large enterprises, where the main emphasis is on advertising, small and medium-sized businesses rely on personal sales, on personal contact with the buyer. Therefore, the salesperson must constantly communicate with the customer, thereby becoming a part-time "telephone operator" and salesperson. Individual service for each customer is a strong advantage for small businesses over their competitors. It should also not be forgotten that most of the business contacts (especially in the intermediate market) are tied in particular on a personal level, relying on the mutual respect of people for each other and the ability to find a common language. The consumer always seeks to be heard and, most importantly, is ready to pay the attention that the company shows to his problems and personal desires. [3,4]

The search for new customers is of no less importance for the enterprise, but it often threatens to deteriorate the service for those who have been working with the enterprise for several years. i.e. serving new customers is detrimental to serving the circle of regulars (product, price, place, promotion). [3,5]

Given that the majority of small and medium business owners do not have a marketing plan, an enterprise that uses one will have a colossal advantage in the market. [18,19] The fulfillment of these strategic objectives by SMEs is ensured by collecting and analyzing customer and market information. Based on the structure and character of buyers, the nomenclature and assortment of products is formed. As a rule, small businesses operate in a fairly narrow segment of the market. The main methods of obtaining information about the market will be the analysis of the market situation carried out through statistical and

forecast data, research of competitive conditions and comparative assessment of their own production capabilities. [10] However, when evaluating buyers, it is very important to identify their structure, including the analysis of purchase motives, the need for advice and services, the need for service (after-sales service). Under these circumstances, it is very important for the marketing plan to timely take into account changes in needs under the influence of certain factors (for example, preference for better quality goods, specific goods (preference for modern brands, preference for environmentally friendly products, etc.). When a comparative assessment and analysis of the small enterprise's own capabilities is made, it is necessary to highlight those key areas in which the enterprise will work to achieve specific competitive advantages. Such areas can be a set of products, conditions for their distribution, provision of additional services (installation, guarantees, service, etc.). A very important component of the company's marketing activity is the choice of the way of working in the market. To do this, it is necessary to choose the most effective methods of promoting the products, based on their specifics, as well as taking into account the limited financial resources. The ways that are known and applied in practice are: sales organization - personal sales, by phone or internet with or without consultation; advertisement - announcement in the press; method of distribution - including sale with home delivery, availability of branches that are maximally accessible to the buyer, etc [3,4]

In order to evaluate the effectiveness of current activities, the employer must use indicators such as: the degree of awareness of the company in the market, the image of the company and the position in the market. The key marketing tasks listed will create an opportunity to transform a small business into a machine for generating impressive profits. The introduction of a well-thought-out marketing policy in small and medium-sized companies will be a good rational decision that will shape the strategic potential of the enterprises with a view to its further future development. [5,10]

Fig. 4 shows the elements of the management and marketing management system and their relationships with the management elements - product value management and supply chains, which are in direct connection and influence integrated on the logistics processes.

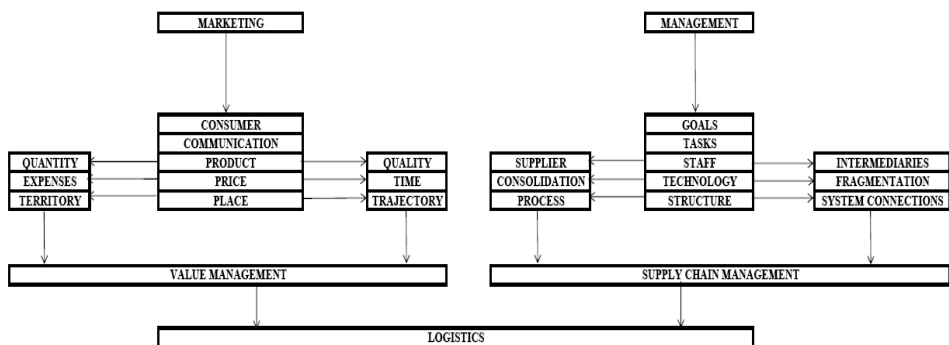


Fig. 4. Diagram of the interrelationships of the elements in production management [Christopher, M. Marketing logistics / M. Christopher, H. Peck. - Moscow: Technologies Publishing House, 2005 - 200 pages].

3 Logistics as a concept in SMEs

Logistics plays an increasingly important role not only for the functioning of individual enterprises and the entire economy, but also for improving the quality of life of society and ensuring its sustainable development through better coordination and integration of functions, processes and the type of activity of all participants in the logistics chains. There

are many definitions of logistics, reflecting different perspectives of researchers and specialists who define the specialization or detailing of its constituent elements. The most popular definition of logistics is: "logistics is the process of planning, controlling and storing a flow of raw materials at an optimal cost , creating an inventory of finished goods and related information to meet customer needs from *the point of transit to the point of consumption* "[6,8] Another polar definition is: "organization in space and time of material flows with minimal consumption of resources, which will ensure maximum satisfaction of consumer needs"

The competitiveness of businesses or organizations relies heavily on the ability to anticipate market demands earlier than competitors and build long-term relationships with customers and suppliers. The ability to navigate the market situation implies not only active marketing, but also effective logistics. The goal of any organization is to create a group of regular customers, as well as actively work with new potential customers. The need to effectively solve the problems of interaction between enterprises (organizations) and customers predetermines the use of logistics on an increasingly large scale.[8,14,15] Logistics activity in SMEs affects almost all divisions of enterprises, intermediaries, customers. Therefore, the logistics system in management occupies a key place, as it includes the management of the movement of goods along the stages of the supply chain. Currently, logistics is primarily focused on customer satisfaction, that is, it covers a wide range of activities in the field of streaming processes for the promotion of materials and goods, information and various auxiliary processes that cannot be effectively implemented without proper management.[12,13] This requires managers to be able to perform the functions of planning and decision-making, organization, leadership and control in order to integrate logistics activities into the overall economic system of enterprises. This means that logistics management should not be seen as an isolated process, but rather as a subsystem that unites all the enterprises and organizations that are part of the regional, national and global logistics system.[7,16] Effective management increases the competitiveness of the logistics system, which is achieved through a high level of interaction between the structural elements of the system, as well as through the application of optimal delivery methods and high-quality customer service. (Fig. 1)

Logistics activities in small and medium-sized businesses have their own characteristics and differences. In most cases, businesses solve the following tasks: customer service, processing, packaging, order fulfillment, returns/complaints handling, demand forecasting, supply processes, transportation activities, storage and control, inventory, cost management. The main tasks include: logistics activities meeting the requirements of the served customers, synchronizing the flows of materials, raw materials for production and finished products, and reducing costs to promote the logistics flow [3,13]. The specificity of modern market relations is: the transition from the market of "sellers" to the market of "buyers". Nowadays, it is not so important "what the company does", but "how it does it". Therefore, management determines how an enterprise's business processes meet market requirements and whether they are competitive. [3,10]

For SMEs, combining specific logistics management skills with knowledge in related fields is an important competitive advantage. Large enterprises, in which logistics activities are formalized and structured, have no problems with this. They have departments dedicated to specific functions, staffed with qualified personnel using proven procedures, methods and techniques. This usually creates an efficient, organized system that also requires continuous improvement. As a result of the cooperation between specialists with different qualifications, skills and educational levels, a synergistic effect is created. Their knowledge potential is enormous and provides businesses with a dynamic balance with the environment. For small and medium-sized enterprises, the logistics problem looks a little different. In the initial period of work, there is no place for this, since entrepreneurs are

mainly focused on organizing the production process or providing services and performing current tasks, such as accounting, control and sales. [13,17]

Logistics in SMEs is generally considered an important tool for cost management, most often associated with the performance of transport and warehouse functions. The problems in the functioning of small and medium-sized enterprises are primarily caused by the lack of appropriately educated personnel, specialized in certain areas of management, who know the market, competition and changes in the environment, as well as the methods of effective management of the modern enterprise. [17,19]

Due to the fact that the manager, as a rule, does not have special knowledge in the field of logistics, at a certain stage it becomes necessary either to supplement them through training or to use logistics consulting (outsourcing). With the expansion of the enterprise, this need becomes a necessity, which leads to the appointment of a logistics specialist or even to the creation of a department of specialists in this field. [2,7] This is particularly important for small businesses, where enterprise fragmentation is increasingly seen as the result of a functional approach to management. Focusing on individual functions makes it difficult to optimize them together, increases task duration, increases costs, and reduces flexibility in responding to environmental factors. And the logistics processes that are part of the logistics of delivery, production or distribution can also be outsourced. In small businesses, target segments are usually small, so quickly meeting customer needs and quickly responding to changes in demand are top priorities in their business. [12,14]. A high level of customer service and the establishment of long-term relationships with them can be achieved by applying the concept of customer relationship management. In an increasingly saturated market, competition for a new customer requires an integrated approach to service, openness to change and the ability to react to it. The dynamic development of modern technologies provides new tools to improve and automate customer service processes and to monitor the employees who perform these tasks. The development of technology and the adaptation of mobile applications provide customer service through smartphones and tablets. The strategic position of social networks in the service and the importance of analytical services and tools is also growing. These are the most important economic and economic management trends in the customer service market that can be used by small and medium-sized enterprises. [7,11,12]

The majority of SMEs in practice combine the methods of purchase (outsourcing of transport) and use (own vehicle fleet) in the transport organization. However, studies of logistics processes show that smaller companies are more likely to use their own fleet, while larger companies are much more likely in practice to use the services of transport and forwarding companies [19,20]. Small businesses have a relatively simple supply chain, in which case they use courier companies or rent garages or warehouses. Large logistics operators serve large customers, offering them not only transport services, but also storage, packaging, sorting, etc. Small companies cannot afford such solutions and often do all the work themselves. Experts and specialists in logistics and warehousing have estimated that the costs of organizing transport processes often represent a large part of the total logistics costs. [12,13] To improve the performance of these processes, small businesses can use solutions such as outsourcing of logistics services including transport or storage. There are also other innovative solutions, such as cooperation between companies from the same region in organizing separate logistics processes with the support of modern information technologies. [7,12]

Another important problem for SMEs is the implementation of interconnected processes related to the storage and management of goods and materials. The challenge of managing goods and materials in a small business is how to reduce storage costs. The presence of large available reserves implies a capital freeze. Insufficient availability of goods and materials may in turn cause disruptions in production and/or service. [2,13]

The best-known method for optimizing the availability of goods and materials in the enterprise is shown in Fig.5.

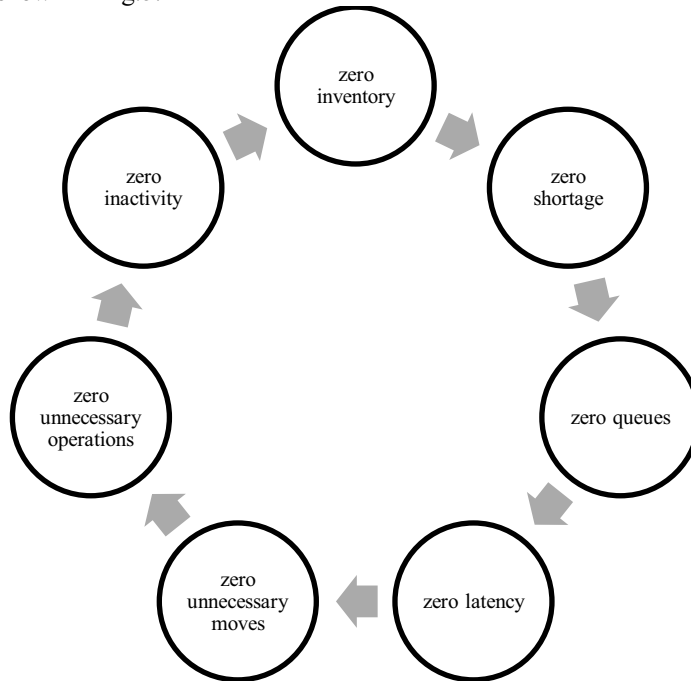


Fig. 5. Concept of exact time [Dybskaya, V. V. Storage management in supply chains - M.: Alfa-Press, 2009. - 720 pages.]

Applying this concept places certain demands on employees. Discipline, responsibility for the quality of the work performed, a certain level of qualification in terms of techniques and work skills are required from the employees. All this allows to perform the set tasks while minimizing the available ones. [2]

More and more modern solutions are appearing in the logistics of SMEs, which allow them to compete effectively with large businesses. Adequate information support is necessary for the execution of most logistics processes. It is not always possible and necessary to expand the organizational structure by creating an IT department. [7,12] For SMEs, it would be better to outsource these functions as professional services to IT firms. For SMEs, it would be better to outsource these functions as professional services to IT firms. Solving complex logistics problems can be simplified through the use of information and communication technologies and software that meet the requirements of the enterprise. [1,11]

When using an IT system, it must be closely connected with the enterprise's logistics management system, such an information system is shown in Fig.6.

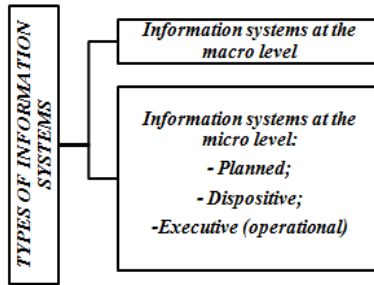


Fig. 6. Types of information systems [1]

4 Conclusions

The conditions in which modern SMEs operate remain quite difficult and problematic. In order for the individual subsystems, including marketing and logistics, they must meet the expectations of the business. To be effective, good and effective management is necessary. The marketing and logistics system must play a special role, since they connect almost all areas of activity within the enterprise. Achieving the goals of enterprises requires a change in the organizational culture, especially the awareness and attitude to innovation, both among the management and among the employees. In small business, logistics innovation is still undervalued. Meanwhile, the key to success must be not only technical and technological, but also in organizational and managerial innovation. Real success in logistics, as well as in the functioning of SMEs, will be achieved when management is based on knowledge and modern information technology.

Small business survival is possible through the introduction and development of its own marketing policy. Marketing as a concept for managing an enterprise in a market environment that proclaims a focus on customer satisfaction can and should help small companies not only stay afloat but also operate successfully in a market environment.

All these strategies must be integrated into a comprehensive marketing strategy of the enterprise, the proposed development procedure of which will significantly increase the efficiency of enterprises and facilitate the process of achieving the market goals set before it.

In order to fully evaluate the effectiveness of marketing activities in small and medium-sized enterprises, it is necessary to use a combination of several evaluation methods, to integrate best practices, in other words, to apply an integrated approach, as in the planning stage, as well as at the performance evaluation monitoring stage.

Summarizing the results of this work, it can be concluded that the marketing and logistics activity in the enterprise for small and medium-sized businesses plays an important role in ensuring the successful functioning, making a profit and ensuring the competitiveness of the enterprise, as it connects almost all areas of activity within the enterprise.

Achieving the goals of SMEs requires a change in the organizational culture, especially the awareness and attitude towards innovation, both among the management and among the employees. True success in logistics, as well as in the functioning of the entire small enterprise, will be achieved when management is based on knowledge and the application of modern information technologies.

An important conclusion that can be made is that the introduction of a well-thought-out marketing policy in the company will be a rational decision that forms the strategic potential of the company for the purpose of its further development.

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