Reproduced from Small and Medium Business Improvement in the ASEAN Region: Marketing Factors edited by Kenneth James and Narongchai Akrasanee (Singapore: Institute of Southeast Asian Studies, 1988). This version was obtained electronically direct from the publisher on condition that copyright is not infringed. No part of this publication may be reproduced without the prior permission of the Institute of Southeast Asian Studies. Individual articles are available at < http://bookshop.iseas.edu.sg >

# SMALL AND MEDIUM BUSINESS IMPROVEMENT IN THE ASEAN REGION Marketing Factors

Edited by

KENNETH JAMES Institute of Southeast Asian Studies

and

NARONGCHAI AKRASANEE

Industrial Management Co. Ltd., Bangkok

Field Report Series No. 20 ASEAN ECONOMIC RESEARCH UNIT INSTITUTE OF SOUTHEAST ASIAN STUDIES 1988 The Institute of Southeast Asian Studies was established as an autonomous organization in May 1968. It is a regional research centre for scholars and other specialists concerned with modern Southeast Asia, particularly the multi-faceted problems of stability and security, economic development, and political and social change.

The Institute is governed by a twenty-two member Board of Trustees comprising nominees from the Singapore Government, the National University of Singapore, the various Chambers of Commerce, and professional and civic organizations. A ten-man Executive Committee oversees day-to-day operations; it is chaired by the Director, the Institute's chief academic and administrative officer.

The ASEAN Economic Research Unit is an integral part of the Institute, coming under the overall supervision of the Director who is also the Chairman of its Management Committee. The Unit was formed in 1979 in response to the need to deepen understanding of economic change and political developments in ASEAN. The day-to-day operations of the Unit are the responsibility of the Co-ordinator. A Regional Advisory Committee, consisting of a senior economist from each of the ASEAN countries, guides the work of the Unit. Published by Institute of Southeast Asian Studies Heng Mui Keng Terrace Pasir Panjang Singapore 0511

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the Institute of Southeast Asian Studies.

© 1988 Institute of Southeast Asian Studies

The responsibility for facts and opinions expressed in this publication rests exclusively with the authors, and their interpretations do not necessarily reflect the views or the policy of the Institute or its supporters.

#### **Cataloguing in Publication Data**

Small and medium business improvement in the ASEAN region: marketing factors / editors, Kenneth James and Narongchai Akrasanee. (Field report series / Institute of Southeast Asian Studies; no. 20)

- 1. Small business -- ASEAN.
- 2. Marketing -- ASEAN.
- I. James, Kenneth George.
- II. Narongchai Akrasanee.
- III. Institute of Southeast Asian Studies. ASEAN Economic Research Unit. IV. Series.

DS501 I594 no. 20 1988

ISBN 9971-988-86-0 ISSN 0217-7099

Printed in Singapore by Fong and Sons Printers Pte Ltd

List of Tables iv List of Figures ix Contributors x Preface xi

- I Marketing Factors Affecting Small and Medium Businesses in the ASEAN Region: An Overview 1 Kenneth James
- II Marketing Problems of Small and Medium Businesses in Indonesia 19
  M. Dawam Rahardjo
- III Marketing Issues of Small and Medium Businesses in Malaysia: Practices, Problems, and Assistance 67 Sieh Lee Mei Ling
- IV Marketing Factors and Small and Medium Enterprises in the Philippines 137 Melito S. Salazar, Jr. et al.
- V Marketing Factors and Small and Medium Enterprise Improvement in Singapore 204 Ch'ng Hak Kee and Kau Ah Keng
- VI Marketing Factors Relating to Small and Medium Business Improvement in Thailand 253 Narongchai Akrasanee, Preeyanuch Apibunyopas, and Thitiraht Chudasring

1.1	Type of Marketing System, by Proportion of Firms	12
2.1	Development of Industry in Daerah Istimewah Yogyakarta, 1979/80 to 1983/84	21
2.2	Number of Licensed and Registered Small-Scale/ Handicraft Industrial Businesses in Daerah Istimewah Yogyakarta, 1979/80 to 1983/84	23
2.3	Provision of Small Investment Credit (KIK) in the Industrial Sector in Daerah Istimewah Yogyakarta, 1977-83	24
2.4	Provision of Permanent Working Capital Credit (KMKP) in the Industrial Sector in Daerah Istimewah Yogyakarta, 1977-83	24
2.5	Small and Larger Industries in Daerah Istimewah Yogyakarta, 1983/84	27
2.6	Number of Companies by Commodities of Respondents in Daerah Istimewah Yogyakarta, 1985	29
2.7	Type of Firms	31
2.8	Length of Time Respondent Companies Have Been in Business	33
2.9	Products Produced by Respondent Companies	34
2.10	Kinds of Goods Produced by Respondent Companies	37

2.11	Product Durability of Respondent Companies	38
2.12	Quality of Goods Produced According to Respondents	39
2.13	Standardization Basis Used by Respondent Companies	40
2.14	Stock of Goods in Respondent Companies	43
2.15	Period between Time Good Is Produced and Time Good Is Sold	44
2.16	Method of Calculating Selling Price	46
2.17	Method of Payment by Buyer	47
2.18	Method of Marketing	48
2.19	Marketing Territory and Type of Goods	50
2.20	Distribution Pattern According to Industrial Sector	56
2.21	Percentage of Commodities Produced and Patterns of Distribution	58
2.22	Inclination of <b>Respondent</b> Companies in Selecting Buyers/Clients	61
2.23	<b>Respondent Company Becoming Foster Child of Big Company</b>	63
2.24	Type of Co-operation between Respondent Companies and Foster Parents	64
3.1	Distribution of SMBs by Main Industry, Race, and Size	71
3.2	Proportion of Personnel in Marketing by Industry and Marketing Distribution System	75
3.3	Extent of Marketing Planning by Size, Industry, and Marketing Distribution System	77
3.4	Number of Major Product Lines by Main Industry, Marketing Distribution System, Size, and Race	81

## vi List of Tables

3.5	Marketing Distribution System by Main Industry	84
3.6	Final Outlet Type by Industry and by Marketing Distribution System	86
3.7	Most Important Promotion Method and Proportion of Cost Spent on Advertising by Main Industry and by Marketing Distribution System	88
3.8	SMBs' Largest Customer Type by Industry and by Marketing Distribution System	94
3.9	Difficulties in Deciding Product Strategy	99
3.10	Problems of Pricing	102
3.11	Problems of Distribution and Final Selling	104
3.12	Economic Problems	111
3.13	Political, Government, and Legal Problems	111
3.14	Problems of Technology, Finance, Suppliers, and Distributors	113
3.15	Differences between Awareness and Usage of Specific Marketing Assistance	126
4.1	NCSO Listing of SMIs in Regions II, IV, NCR, and VII	140
4.2	Targeted and Actual Respondents	141
4.3	Asset Size	147
4.4	Employment Size	148
4.5	Marketing Objectives	156
4.6	Achievement of Marketing Objectives	157
4.7	Marketing Arrangements	159
4.8	Market Coverage	166

4.9	Pricing Objectives of SMEs	172
4.10	Pricing Strategies	173
4.11	Marketing Problems Faced by SMEs	181
5.1	Percentage Distribution of Responding Firms	217
5.2	Source of Finance	219
5.3	Comparison of Product Characteristics with Those of Closest Competitors	224
5.4	Extent of Product Changes	226
5.5	Methods of Promotion	229
5.6	Methods of Selling Overseas	234
5.7	Strength of Marketing Mix in Export Markets	236
5.8	Problems in Export Marketing	237
5.9	Factors Influencing Export Development	238
5.10	Usage of Marketing Systems by Firms	240
5.11	Organization of Functions	242
6.1	Number of SMBs under IFCT's Credit Financing by Type of Industries from April 1984 to August 1985	257
6.2	Size of SMB Employment under IFCT's Credit Financing, 1985	257
6.3	Distribution of SMBs under IFCT's Credit Financing, 1985	258
6.4	Sampled Firms: Number of Responding Firms Classified by Manufacturing Sectors and Size of Work-Force, 1979	266
6.5	Details of SMB Management under IFCT's Credit Financing, 1985	267

### viii List of Tables

6.6	Composition of Goods in Manufacturing Production by Size of Employment, 1983	268
6.7	Origin of Buyers for Products Produced in Selected Industries, 1982	271
6.8	Types of Sales Channel of Selected Rural Town-Based Industries, 1982	272
6.9	Promotional Methods Used by Selected Rural Town- Based Industries, 1982	274
6.10	Sampled Firms: Number of Firms Classified by Type of Industries and Marketing System Presently Adopted, 1985	275
6.11	Market Areas of Small-Scale Industry Products Surveyed in Chiengmai-Lampang-Lampoon, Nakhon Rajsima-Khon Kaen Provinces, 1985	277
6.12	Marketing Intermediaries of Village-Based and Town- Based Industry Products Surveyed in Chiengmai- Lampang-Lampoon, Nakhon Rajsima-Khon Kaen Provinces, 1985	279
6.13	Percentage Distribution of Firms with Changes in Sales Volume Classified by Marketing Models and Type of Industries, 1985	292
6.14	Marketing Model and Type of Industries Classified by Location, 1985	294
6.15	Marketing Models Preferred by Firms Classified by Type of Industries, 1985	296

#### **LIST OF FIGURES**

2.1	Pattern of Distribution Employed by Company Respondents	52
6.1	Map of Thailand with Study Areas Identified	256
6.2	Model of a Marketing System	259
6.3	Marketing Channel of Embroidered/Ready-Made Garments in Chiengmai Province, 1985	280
6.4	Marketing Channel of Silk in Nakhon Rajsima Province, 1985	282
6.5	Marketing Channel of Noodles, 1985	282
6.6	Marketing Channel of Wood Products and Lacquer Ware, 1985	283
6.7	Marketing Development Network of SMBs	300
6.8	Proposed Inter-Market Linkages under the Sub- contracting System	303

Ch'ng Hak Kee is Senior Lecturer at the School of Management, National University of Singapore.

Kau Ah Keng, Ph.D., is Associate Professor at the School of Management, National University of Singapore.

Kenneth James, Ph.D., is a Fellow with the Institute of Southeast Asian Studies.

Narongchai Akrasanee, Ph.D., is Managing Director of the Industrial Management Co. Ltd., Thailand, and Senior Vice-President of the Industrial Finance Corporation of Thailand.

M. Dawam Rahardjo is Director (Special Programmes and Consultancy), Lembaga Penelitian, Pendidikan Penerangan Ekonomi dan Sosial (LP3ES).

Melito S. Salazar, Jr., is Director of the Institute of Small-Scale Industries, University of the Philippines.

Sieh Lee Mei Ling, Ph.D., is Associate Professor, Faculty of Economics and Administration, University of Malaya.

Preeyanuch Apibunyopas is Consultant to the Industrial Management Co. Ltd., Thailand.

Thitiraht Chudasring is Project Co-ordinator with the Industrial Management Co. Ltd., Thailand.

Development policies in the countries of the ASEAN region have in recent years reflected an increasing awareness of the significance of the small and medium-sized business enterprise in economic development. This has manifested in official action, initially hesistant but now increasingly vigorous, to develop and support small and medium businesses (SMBs), financially and otherwise.

The ASEAN Small and Medium Business Improvement project seeks to contribute to this awareness of the significance of SMBs in a direct and practical manner: through the examination of SMBs at ground level, and the dissemination of findings for policy action. The project is the collaborative effort of research teams in each of the ASEAN countries (except Brunei; the project was formulated before that country joined ASEAN), co-ordinated centrally at the Institute of Southeast Asian Studies (ISEAS). The general objectives of the project are:

- (1) to collect, develop, and organize information relating to the role and potential of small and medium-scale enterprises in GNP formation, employment creation, and industrial growth;
- (2) through overall analysis of problems involved, as determined through primary (field surveys and case studies) and secondary research, to identify and recommend economic policies and measures (institutional, educational, and commercial) geared to the improvement of the small and medium business sector in ASEAN countries;
- (3) to disseminate the findings and recommendations of the project in a readable and easily comprehensible form.

The first phase of the project focused on financial (including fiscal) factors affecting the improvement of ASEAN SMBs. In the second phase, the participating research teams studied issues and problems relating to the marketing of SMB products. As with the first phase, the research teams in each country obtained primary data from surveys they carried out, and supplemented this with relevant secondary information from published and unpublished sources. Early drafts of the country studies were revised in the light of valuable feedback from several experts in SMB marketing, from both the public and private sectors. This interaction between academicians and practitioners helped ensure that recommendations were as realistic as they were innovative.

The present volume is the distillation of the substantial output from the second phase. (Readers interested in the original papers should contact the respective writers.) The country studies are preceded by an Overview chapter which describes the analytical framework followed by the research teams, looks at similarities and differences in findings, and summarizes the conclusions and recommendations. We hope that this publication, and its companion volumes on Financial Factors and Production Management, will contribute to an increased understanding of SMBs and their potentially powerful role in the economic development of the region.

The editors are grateful to the ISEAS Publications Unit, in particular Miss Tan Kim Keow and Mrs Triena Ong, for their unflagging efforts and unfailing good humour under occasionally testing circumstances; and to Miss Nurul Ithnin, who typed the several drafts. ISEAS Director Prof. K.S. Sandhu was, as always, a constant source of support.

All three phases of the ASEAN Small and Medium Business Improvement Project were supported by the United States Agency for International Development (USAID). ISEAS would like to thank USAID for this most welcome and timely assistance. However, the conclusions of the present study remain the responsibility of the authors and their views do not necessarily reflect those of USAID or ISEAS.

May 1988

Kenneth James Narongchai Akrasanee