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## **DEVELOPMENT AND PROMOTION OF NEW PRODUCT IN SMALL ENTERPRISES IN THE REPUBLIC OF MACEDONIA**

### **Abstract**

The dynamic changes in the market are the result of technological and competitive changes, as well as the change in customer preferences. In conditions of rapid market changes, in order to ensure successful market positioning, companies must constantly revise the design of the products in their production program.

Generally speaking, design and development of a new product should be considered as a crucial factor for the survival of every company on the market. Compared to the big enterprises, flexibility to market changes is a certain advantage for small enterprises. Namely, small enterprises are able to implement activities for introducing, modifying and promoting new products for a shorter period of time.

In this paper, a theoretical and empirical review of the introduction and promotion of new products in small enterprises has been made, as an important factor for intensifying their market activities. The results of the empirical research show that basic weaknesses in the implementation of this concept in the

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Republic of Macedonia are primarily connected with the specifics and limited resources in the operation of small enterprises.

**Key words: marketing, promotion, small enterprises**

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## **Introduction**

It is well known that growth, development and profit of the company, a large extent depend on the development and introduction of new products on the market. The process of research and development of new productions is a complex process. The product is the basic and most complex element for securing the market position of an enterprise. The development of new products for the company means strengthening and expanding the market, providing a competitive advantage, greater success and its survival on the market. Investing in new product development means that meeting customer needs and requirements is the main goal of any company. At the center of its attention is the consumer, as main subject of demand and main entity for defining the overall market offer.

Companies have to understand the needs and demands of their permanent and potential consumers, but also keep them informed of new products and market offer. In this sense, company must constantly and obligatory communicate with its customers. Modern technological advances allow constant changes in communication modes. In order to determine the situation with the introduction and promotion of new products in small enterprises in the Republic of Macedonia, a survey on sample of small enterprises on the whole territory of the country was conducted. The results of the survey shows that in this domain there are a number of weaknesses whose overcoming can be a direction for further successful implementation of the strategy of development and promotion of new products. This will for sure increase the competitiveness of Macedonian small enterprises on the domestic and foreign markets.

## **1. NEW PRODUCT DEVELOPMENT STRATEGY - A GENERAL OVERVIEW**

Given the intense competition, companies that fail to develop and place new products on the market face great risks for their survival. Over time, their existing products will fail meeting the changing needs and demands of consumers, and technology they own will not be ready to meet the challenges that appear on the market.

Technological and technological progress, and the dynamic change in the demands of consumers, relativize the position of the existing products in the production program. Accordingly, the need for its refreshment, through its improvement by modifying the characteristics of the existing products and finding new ways for their application is essential.

Development and introduction of new products, by itself, is the most responsible, complex and most effective aspect of the product strategy. When it comes to introducing new products on the market, companies should properly determine the activities that need to be undertaken for successful implementation of this strategy. In this sense, there are several guidelines for determining the basic activities for drafting the strategic plan when introducing new products on the market, as follows:<sup>1</sup>

- Identification of specific products, production lines and mix of production lines;
- Detection of products that meet same need on the market as well as their users;
- Forming compositions of multiple products or production lines that meet similar needs, but also have a similar marketing mix;
- Revision of the existing strategic scheme in order to determine whether it offers operational or strategic advantages;
- Establishment of an efficient system for managing the new product development process and application of the best analytical instruments and concepts.

The new product development process implies achievement of the previously defined goals, followed by undertaking strategic planning activities and defining goals and procedure for taking a product from idea to commercialisation. Strategic planning is a process that involves taking appropriate activities

<sup>1</sup> Петковска Мирчевска Татјана, „Менаџментот и маркетинг истражувањето на нови производи” Баухаус, 2001. pp. 130-135

for *situational analysis, mission and objectives development, determination of activities, strategic analysis, selection of activities, goals and strategy and preparation of the strategic plan*, as a base for the new product development process.<sup>2</sup> Good preparation of the strategic plan greatly determines the success of the new product development process, because it is a complex and especially risky process.

According to some surveys, the percentage of failure of new consumer products is 40%, for new industrial products 20%, and for new services 18%<sup>3</sup>. The failure of the new products can be result of many reasons and factors.<sup>4</sup>

For the successful planning and development of activities related to the new product development process, it is necessary to conceptualize a strategic plan. The strategic plan for the new product development implies a good *product definition*, i.e. an accurate description of the planned product and creation of an expert team for research and development of this process. It is also necessary to *identify the market needs*, that is, good knowledge of the target market and its needs, which is especially significant for the process of commercialization of new products. It is also necessary to *establish a time frame*, which means estimating adequate time for the development and introduction of new products on the market. Objectives behind the new product development will determine the accurate timeframes and deadlines for implementation. Since many tasks are involved in the new products development, it is necessary to *identify key issues and approaches*, that primarily depends on the nature of the company's functioning and the developmental idea.

The new products developing strategy has four basic goals:<sup>5</sup>

1. Focusing on team efforts-the process of matching differences in individual problem situations which are perceived by the team members, or of the different ways in which problems need to be addressed;
2. integration of all participants in the project-basis for involving many people in the project for new product development and introduction;
3. delegation of participants - each participant acts independently, effectively and efficiently, but basically belongs to the team;
4. preparing a strategy with active management-focusing on changes and opportunities.

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<sup>2</sup> *ibid*

<sup>3</sup> Kotler Philip, „Marketing Management: Analysis, Planning, Implementation and Control”, Prentice Hall, 1991, pp. 391-399

<sup>4</sup> *ibid*

<sup>5</sup> *ibid*

A well-established new products development strategy, enables product planning and research, acquisition of knowledge about the requirements and expectations of consumers and more precise resources planning as planning of the development process as a whole.

## **2. IMPORTANCE OF THE NEW PRODUCTS PROMOTION**

Promotion or communication is a way of successfully transmitting a message from one side to the other in order to be understood and, if necessary, to perform and act upon it. In this context, the notion of communication is receiving, selecting, forming and transmitting signs or words among people in order to create an opinion or representation of something that is at the same time the subject of communication.

Practice and scientific thought have formulated a number of different approaches to explain the specific marketing area that deals with the target consumer's/consumer's persuasion techniques. They are defined "promotional mix", "communication mix", and some even equate these two terms.

The term "communication" as a way of transmitting information is the most appropriate term that refers to the need to establish a two-way process among the participants in the communication. At the same time, this notion unites various forms and levels of communications, that is, internal communication (in the company), external communication (between the company and the environment) and interactive communication (communicating with receiving feedback).

The traditional role of communication is related to providing a mechanism in which the product or service will be most adequate and at the lowest cost promoted to existing and potential consumers'/service users. It is implemented with an appropriate promotional mix of elements in an optimal combination, aimed to present a specific brand of product/service.

In the most general definition, communication between the company and the consumer at the market, represents the relationship between the manufacturer and the product (or service) from one hand, and the buyer (or user of services) on the other.<sup>6</sup>

Marketing communication has many beneficial features for consumers and service users. Basically, this process enables consumers to know where to

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<sup>6</sup> Vracar D, „Strategija trzisnog komuniciranja”, Beograd, Ekonomski fakultet, 1999, p. 25

find products or services, who produces them, their trade mark or brand, what are the benefits of using the product/service, and so on.

A commonly accepted point of view for the promotion suggests that it represents a set of different activities through which the company seeks to make the products and services known to consumers, using communication media and means. The main goal of this communication is the demand that the company can satisfy.<sup>7</sup>

Promotion, as a communication tool within the marketing mix concept, has certain features:<sup>8</sup>

- It is the only instrument with a communication character from the aspect of marketing
- it is the most flexible element of marketing,
- it is an overflow effect instrument, that is, the effects of the promotion are effected most often through sales,
- it is an instrument that enables advancement of competitiveness from an international perspective, etc.

In the most general definition, integrated marketing communication is a concept under which the company carefully integrates and coordinates communication channels in order to deliver a clear, consistent and strong, competitive message for the company or for a particular product or service.<sup>9</sup>

According to one point of view, the operation of the modern market is primarily a communication activity, which is why it is necessary to coordinate, control and develop all communication activities in the company.<sup>10</sup> Communication includes activities and processes of informing and communicating on the market, that is, all means of marketing whose role is persuasive communication.

In the last decades, companies around the world are mostly oriented towards perfecting the “art of mass communication” that means selling standardized products and services to the global market.<sup>11</sup> In this process, they create highly developed mass communication techniques as part of integrated

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<sup>7</sup> Rocco F., „Osnove trzisnog poslovanja”, Informator, Zagreb, 1974, str. 66

<sup>8</sup> Петковска Б.Т., „Неценовните фактори на конкурентноста на македонското стопанство”, Економски институт, Скопје, 1999, pp. 107-109

<sup>9</sup> Kotler P., Wong V., Saunders J., Armstrong G., „Principles of Marketing”, P.H. London, 2005, p. 726

<sup>10</sup> Sudar J., Keller Goroslav, „Promocija”, Informator, Zagreb, 1991, p. 330

<sup>11</sup> Kotler P., Wong V., Saunders J., Armstrong G., cit. trud, p. 720

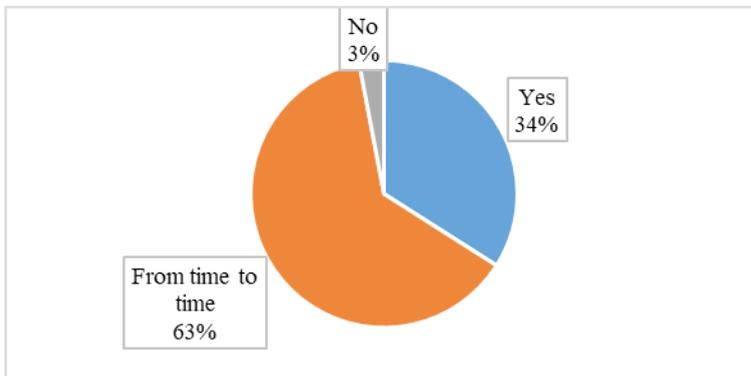
communication strategies that have also become an important segment in creating marketing strategies for market entry.

### **3. DEVELOPMENT AND PROMOTION OF NEW PRODUCT IN SMALL ENTERPRISES IN THE REPUBLIC OF MACEDONIA**

In order to determine the activities that are used for development and promotion of new products on the market in small enterprises in the Republic of Macedonia, a survey of small and micro enterprises on the territory of the country was conducted. The questionnaire consisted of several questions related to the introduction, promotion, standardization and significance of the new products development, especially in regard to the export activities of enterprises. The sample of the survey was made up of 32 companies from 17 cities and 8 regions of the country and was conducted in the period August-December 2016.

Regarding the issue of new products introduction, one third of enterprises declared that they regularly introduce new products in their production program, while 3% do not introduce new products. Almost two-thirds of enterprises introduce new products from time to time (Graph 1).

**Graph 1:** Are you introducing new products into your product line?

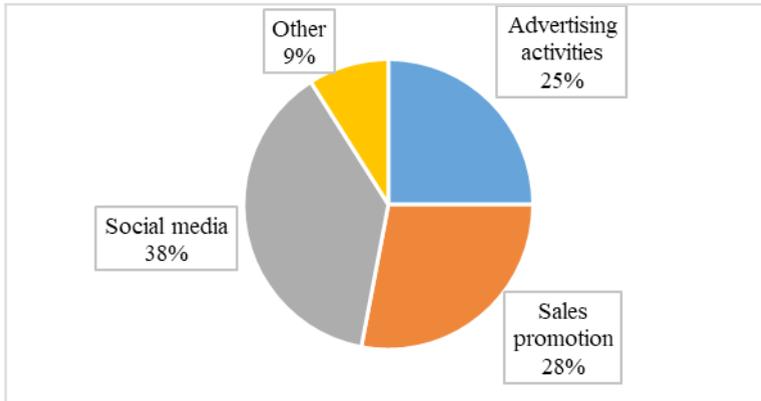


Source: Survey results

Asked about the mode they use for new products promotion; majority of the enterprises chooses to promote new products mostly through social media. With an almost similar application, sales promotion and advertising activities are used for new products promotion. Some of the enterprises also use other

promotional methods, i.e., as they stated, “direct communication”, “personal meetings” and “personal communication” (see Graph 2).

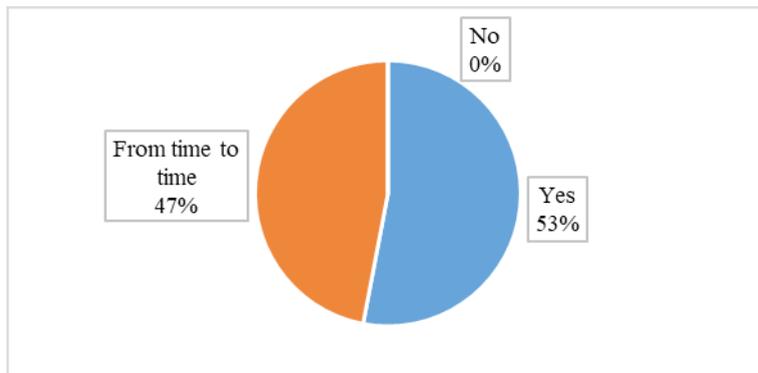
**Chart 2:** If you are introducing new products and services, how do you promote them?



Source: Survey results

As for the quality of products and services, the surveyed companies declare that they work on improvement of the quality of their products and services. A little more than half (53%) say that they do it consistently, while 47% say they do it occasionally (Graph 3).

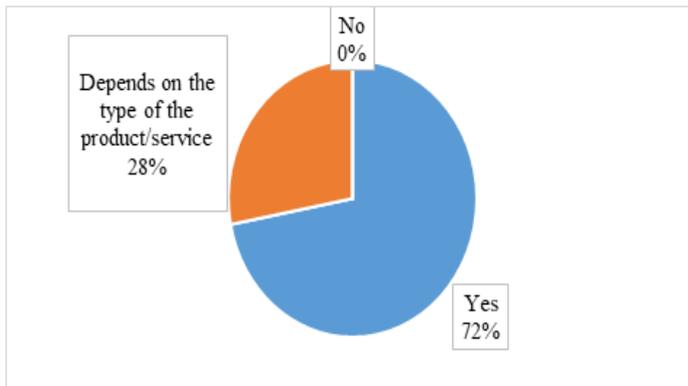
**Graph 3:** Do you improve the quality of your products/services?



Source: Survey results

Regarding the importance of quality improvement and standardization for greater competitiveness on the market, almost three quarters of enterprises (72%) believe that the improvement of quality and standardization are important for greater competitiveness on the market of their products and services. A smaller proportion of them (28%) think that this depends on the type of the product or service, while among the responders, there are no such who do not recognize the meaning of the question (Graph 4).

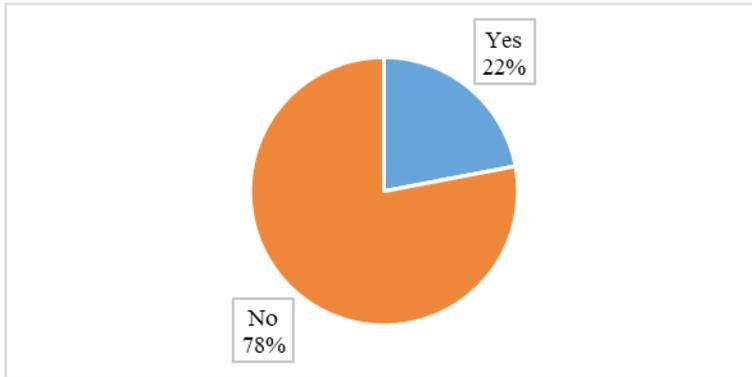
**Graph 4:** Do you consider that quality improvement and standardization are important for greater competitiveness of your products/services on the market?



Source: Survey results

On the question about their export orientation, only 22% of enterprises responded that they export their products and services, and the majority of them (78%) sales products and services on the domestic market (Graph 5).

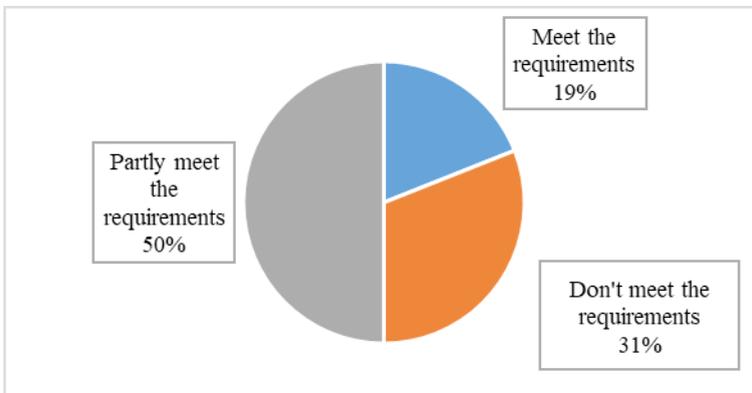
**Graph 5:** Do you export your products/services?



Source: Survey results

When asked about the competitive ability of the exporting companies, one-third consider that they do not meet the requirements of the foreign market, and half of them think that they meet these requirements only partially. Those who consider that they do not meet the requirements are 19% of enterprises (Graph 6).

**Graph 6:** If you export, assess the competitiveness of your enterprise on the foreign market:



Source: Survey results

From the analysis of the obtained data from the survey, it can be concluded that majority of small enterprises regularly or occasionally introduce

new products that are most often promoted through social media. Most of them believe that the improvement of quality and standardization are important for greater competitiveness on the market.

However, only a small proportion of export-oriented enterprises consider that they meet the requirements of the foreign market, which points to the low competitive ability of these enterprises and the need for a strategy for the development and promotion of new products in small businesses.

## **Conclusion**

In conditions of rapid development of science and technology, the provision, maintenance and retention of market competitiveness depends on many factors. The greatest importance has the influence of the company's capabilities and ability to develop new products and continuous improvement of the characteristics of existing products. New products development means strengthening and expanding the market, providing a competitive advantage, greater success and survival of the company in the market. Investing in new product development implies that the company is meeting the needs and demands of consumers as the main goal, that center of its attention is the consumer as main subject of demand and main entity for defining the overall market offer.

New products development process implies the achievement of the previously defined objectives and undertaking activities in that direction. This points to the need for strategic planning and defining goals, before starting the new products development process. Only with well-planned and adopted strategy, the development process can be properly and successfully realized.

For the prosperity and development of a company, regardless of its size, it is necessary to do more than simply monitoring of the competition. Basically it is necessary to ensure the leading market position that presupposes innovation and application of the process of research and development.

From consumers'/service users point of view, different opinions prevail for the same product/service. Promotion (advertisement) is one of the basic ways and mechanisms of action through which they create a mental image of a particular product/service.

The strategic decision for the promotional mix is complex due to the existence of interdependence between the individual forms of promotion, the complexity of the relationship between the promotional mix and the marketing mix, the impact of the factors of the promotion, and the difficulties for precisely

perceiving the costs. All promotion instruments must be coordinated. It is a path to ensure maximum positive synergy.

In its essence, the promotion is communication with a convincing character and it is always projected to build or modify the attitudes and behavior of customers'/service users in the direction of creating loyal consumers/users.

Promotional or communication mix is based upon the idea that promotional instruments are interchangeable without restriction, but with some promotional element desired goals are achieved better. An exceptional challenge is the selection of an optimal combination of instruments-combination that will be the most efficient and most effective in obtaining results.

Small enterprises in the Republic of Macedonia, that regularly or occasionally introduce new products, most often promote them through social media as a more accessible and cheaper way of communicating with the target consumers. Although they believe that quality improvement and standardization are important for greater market competitiveness, a small proportion of them are export-oriented and not competitive enough on foreign markets, which points to the need to create a more consistent and efficient strategy for the development and promotion of new products in small businesses in the Republic of Macedonia.

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