Research on Cooperative Marketing Model of SME in China

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Abstract: A single SME (small and medium-sized enterprise) has the competitive disadvantages compared with large enterprises in the fiercely competitive market. In order to live and grow up, SMEs will focus on external complex business environment. They seek for external support through making full use of external resources. They create cooperative marketing models to increase capacity in domestic and international market. Based on the cooperative marketing theory, this paper analyzes the motive for SME’s cooperative marketing, puts forward the creative models of SME’s cooperative marketing in China.

Keywords: SME (small and medium-sized enterprise), cooperative marketing, model

1 Introduction

On June 29, 2002, <The Act on promotion of small and medium-sized enterprises> was issued by the National People's Congress of the People's Republic of China. 1 January 2003 formally implement. The National Development and Reform Commission according to the different characteristics of the industry as a standard, such as worker, sales, total assets, classified small and medium-sized enterprises and issued a formal definition and classification. After then, SMEs have made rapid development.

By the end of June 2009, there were 30.6 million SMEs in China (PRC, July 31, 2009.). The Minister of industry and information Mr. Li Yizhong mentioned that the number of SMEs accounted for 99% enterprises, contributed to 60% of the total of GDP, 50% of the tax and provided 80% of jobs (‘how cracked SMEs financing international Forum’, June 6, 2009).

SMEs have played an irreplaceable role in China's economic and social development. However, the development of SMEs is also facing a series of problems. They are that the financial crisis in global results economic growth slowing, the cost of raw materials and energy rising made the profit space be compressed, low labor cost advantage is weakened, the financing of small and medium-sized enterprises is difficult and capital chain faces great pressure, the lack of high-quality talents in SMEs, The homogeneity development of SMEs results malign competition, etc. Then, cooperation marketing may be a key to solve the problem of small and medium-sized enterprises.

The rise of cooperative marketing is closely related with the fierce competition of market and the rapid development of science and technology today. No one enterprise is impossible has the absolute advantages in all aspects facing many powerful opponents. Those enterprises which have complementary advantage would have combined to develop the new products and to share the talents and resources so as to reduce the risk of competition and to enhance enterprise strength. Those small and medium-sized enterprises which are weaker physique and lower anti-risk ability should search for the opportunity of cooperative marketing to stand on survival and development space.

2 The Analysis on the Motives of SME’s Cooperative Marketing

2.1 The connotation of cooperative marketing

In 1966, American management experts Adler put forward the concept of cooperative marketing, namely, two or more enterprises joint to develop a marketing cooperative. According to Dr ChengKai, the definition of cooperative marketing is a series of marketing activities which enterprises consciously carry out resources flowing among enterprises through specific organization and system arrangement to achieve the marketing competitiveness and improving performance. This can be obtained more value than two enterprises simple addition.
2.2 The motives of SME's cooperation marketing
2.2.1 Reduce risk to enter market
An individual SME must pay a huge cost to enter a new market, particularly international market. Due to it is lack of knowledge and the local business cultural. Then, if SME cooperate with local enterprises and use the existing market knowledge and experience of its partner, it would transcend all kinds of trade barriers and minimize entry market risk.
2.2.2 Seek for economies of scale and complementary advantages of resources
Each SME has its own some resources advantage. But in small scale, it cannot achieve benefits of scale. Cooperative marketing provides complementary opportunities for this kinds of enterprises to expand operation scale. This is called ‘1+1>2’economies of scale. For example, plutocrat Kuririn who was the Japanese cabinet minister in 1940, was responsible for a department store manager. He command his secretary to investigate which restaurant of curry taste better. Then invite the owner of that restaurant in a department store, please open a place sell on the market, give forty percent price subsidy to restaurant. Of course, the best taste than elsewhere curry and forty percent cheaper got orders the large customer. One year turnover increased five times than the previous year, turnover increased dozens of times in restaurant.
2.2.3 Reduce useless competition
Currently the competition is relatively fierce among SMEs. To gain absolute competitive advantage through beating competitive opponent is not reality, because cruel competition makes all SMEs suffer serious threat. Through cooperative marketing within the SMEs, combine the core superiority and the partner's unique ability to expand the market capacity. They can gain and create a bigger market share.
2.2.4 Reduce risky of technology and product innovation
It takes a lot of money and time to research new technology and develop new product. And the application of new technology and new product innovation process are influenced by various factors (such as consumer demand change, market uncertainty, the competitors’ status, etc.). Therefore, individual SME generally is unwilling to assume risk alone. Through mutual cooperation can apportion risks.
2.2.5 Share the benefits of policy in supporting SMEs
January 1, 2003, the Law of SME Promotion in People's Republic of China took effect. It support SMEs in capital, technical innovation, market development and social services aspects. According to the characteristics of the local governmental rules, this law help small and medium-sized enterprise to promote industrial structure adjustment and upgrading and share interests together.
Above all, searching for the feasible model of cooperative marketing will be the ultimate objective.

3 The Model of SME’s Cooperative Marketing

3.1 Model a: manufacturing supplies and services
Many large companies have brand advantage and market position advantage. However, no one is everything, they need a lot of supporting and services, such as the related parts, some non-core parts. Small and medium-sized enterprises can complete the specialized production and service for large companies so as to improve their own strength.

3.2 Model b: original equipment manufacturer (OEM)
OEM refers to small and medium-sized enterprise accepting one or several large enterprise's long-term regular orders specializing in manufacturing products. The large companies entrust with SMEs to become a processing contracting units. Large enterprises have perfect sales network and the good prestige brand, through the order of similar manufacturers, and affix their brand trademark to enter their own sales network. Such as Nike has no direct product manufacture factory, but use their critical core technology responsible for design and development of new products, entrust other SMEs manufacturers, labeled "Nike" trademark. This operation style can save a lot of cost, greatly reduce the cost of sales enterprise. This model is suitable for small and medium-sized enterprises which has lack of
liquidity constraints.

### 3.3 Model c: cross-selling
Cross-selling refers to two or more goods and services having related relationships. Such as washing machine and washing powder are together with sales. When consumers buy one product, they can preferentially buy other related products. The small and medium-sized enterprises provide related products with large enterprise through cross-selling, which not only can share large enterprise sales team and distribution channels but also can strongly enhance enterprise brand joint so as to enhance the brands in the consumers' mind.

### 3.4 Model d: constructing Marketing association
Small and medium-sized enterprises can jointly establish marketing associations which operate sales channels and promotional activities as a consortium with contracts. Small and medium-sized enterprise marketing associations are either cooperation between competitive enterprises or cooperation between complementary enterprises. For example, in 2004, the domestic well-known companies Kerry oils & grains and famous cooker manufacturing enterprise Supor constructed a marketing association. They combine famous brand to creative gold arowana & supor holding promotion activities. Both sides of the cooperation pattern in marketing association can use core resources each other. It is suitable for small and medium-sized enterprises which have similar strengths.

### 3.5 Model e: building a virtual enterprise
The virtual enterprise is the jointed organization that can be consisted by several different scales or the expertise of the small enterprise or workshop with using information communication technology and network in order to develop a marketing opportunity. After finishing the task the organization is dissolved, and then again combination marketing opportunity in another development. Small and medium-sized enterprises can make up the lack of intellectual resources with the help of a virtual enterprise; It can improve the disadvantage department of enterprise with the help of a virtual external function and resources; Also, building virtual factory can be produce the production with entrusting other SME which relatively rich of human capital, low labor costs.

To build a virtual enterprise, on the one hand, the enterprise can make full use of the existing external resources, effectively avoid repetitive construction and reduce the cost, and every enterprise in the value chain of different activities that can greatly shorten the product time-to-market. On the other hand, can better meet individual consumption demand, because of the special problems to solve some customers will surpass one enterprise existing business ability, if combined with other enterprises, can make a problem is solved, cooperative enterprises can also achieve the win-win purpose.

### 3.6 Model f: Actively participate in industrial clusters which policies push forward
With the help of strategy for economic development in metropolis, SMEs try to find the development space through actively promoting the formation of the industry from concept of policy to actual. Such as 798 Art district and Nanluogu Lane Cultural & Art Regional gathered many enterprises after the policy which Beijing development of cultural and creative industries and modern service industry launched. With the help of local government support, small and medium-sized enterprise forming industrial clusters come true. Such as many SMEs have formed electric fittings industry in Wenzhou. These provide vast potential for future development.

### 4 Conclusion
Due to the small and medium-sized enterprise has an extensive definition, so there are a large number of SMEs and exist significant differences on scale. Small and medium-sized enterprises have to choose their cooperative marketing model.

The former three models are fit to small and medium-sized enterprise & big enterprise cooperation model. In spite of SMEs are lack in the capital, technology and marketing network, talents and
management experience etc, they would make use of large enterprises developing market demand, learning advanced management idea of big enterprise to increasing strength. The later three models are suited to small and medium-sized enterprise internal. SMEs pursue after win-win objectives with its unique complementary advantage.

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References

