



Palestine Economic Policy Research Institute (MAS)

Marketing Products of Palestinian Micro, Small and Medium Enterprises

Anton Sabella

2009



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The Palestine Economic Policy Research Institute (MAS)

Founded in Jerusalem in 1994 as an independent, non-profit institution to contribute to the policy-making process by conducting economic and social policy research. MAS is governed by a Board of Trustees consisting of prominent academics, businessmen and distinguished personalities from Palestine and the Arab Countries.

Mission

MAS is dedicated to producing sound and innovative policy research, relevant to economic and social development in Palestine, with the aim of assisting policy-makers and fostering public participation in the formulation of economic and social policies.

Strategic Objectives

- ◆ Promoting knowledge-based policy formulation by conducting economic and social policy research in accordance with the expressed priorities and needs of decision-makers.
- ◆ Evaluating economic and social policies and their impact at different levels for correction and review of existing policies.
- ◆ Providing a forum for free, open and democratic public debate among all stakeholders on the socio-economic policy-making process.
- ◆ Disseminating up-to-date socio-economic information and research results.
- ◆ Providing technical support and expert advice to PNA bodies, the private sector, and NGOs to enhance their engagement and participation in policy formulation.
- ◆ Strengthening economic and social policy research capabilities and resources in Palestine.

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Palestine Economic Policy Research Institute (MAS)
Jerusalem and Ramallah

Foreword

In October 2008, the Palestine Economic Policy Research Institute (MAS), in conjunction with the International Development Research Center-Canada (IRDC), began a two year Research Programme on Micro, Small, Medium Enterprises (MSMEs) in the Palestinian Territories. The programme aims to examine the state of MSMEs and evaluate their role in the Palestinian economy in terms of valued added, employment and export. In doing so, the Programme seeks to highlight possible problems confronting MSMEs and to recommend measures that would create a more enabling environment for development.

At the beginning of 2009, MAS produced three studies in connection with this programme: “Evaluation of the Legal Environment of Micro, Small, and Medium Enterprises in Palestine”, “International Experiences in Supporting MSMEs: Lessons for Palestine”, and "Problems of Micro, Small, and Medium Enterprises in Palestine”.

In this intermediary phase of the programme, MAS is publishing four additional studies: “Enabling Palestinian Micro, Small and Medium Enterprises to Meet International Product Standards”, “Irrigated Agriculture as Business Enterprise in Palestine”, “Marketing Products of Palestinian Micro, Small and Medium Enterprises”, and “Review of Draft Law of Micro, Small and Medium Enterprises”.

MAS’s interest in MSMEs is based on an understanding that they are the foundation of the Palestinian private sector, as reflected by their contribution to employment, output and export. The future of MSMEs remains inextricably linked to the quality of life in the Palestinian Territories. Research into this sector and analysis of current problems will aide policymakers in their efforts to help foster a more conducive environment for MSMEs to flourish and stimulate further growth.

I, on behalf of MAS, would like to express my gratitude to the IDRC-Canada for funding this Research Programme.

Numan Kanafani
Director General

Executive Summary

Relatively recently, the Micro, Small, and Medium Enterprises sector (hereafter MSMEs), has assumed a more substantive and significant role in developing domestic economies by providing opportunities for employment and boosting the Gross Domestic Product (GDP). Since MSMEs constitute the majority of enterprises in the Palestinian Territories, it has become increasingly important for those managing MSMEs, supporting organizations, and legislators, to put forth all possible efforts and to advance the performance and development of MSMEs in terms of both the quantity and quality of their marketing initiatives. In view of the fact that marketing constitutes an essential function in the performance of any organization, including MSMEs, marketing has become synonymous with opening up new markets and developing products and services that better suit the needs and wants of the customer.

This study explores the current marketing situation in MSMEs within the Palestinian Territories and to what extent different marketing techniques or tools are deployed. In addition to recognizing the level of awareness towards marketing in these enterprises, the study aims at exploring the quality and different types of support rendered to MSMEs from supporting organizations, in particular, those related to marketing. The study goes on to suggest a series of recommendations capable of developing the marketing efforts of MSMEs which will in turn expand the MSMEs market coverage, and improve their innovation and competitive abilities.

The current situation of MSMEs in the Palestinian territories

According to the study, many MSMEs managers are not aware of the importance of marketing and few consequentially use any marketing tool thereof. Most MSMEs managers do not develop any marketing plans for their enterprises with clear objectives and moreover the majority, with only a small exception, does not have a marketing department. This was also indicated in the result of the unwillingness of managers to consider creating a marketing department in the future. The analysis of the respondents' answers furthermore signifies those enterprises who deploy marketing tools as being the largest in size and inhabiting districts that are economically more active such as Nablus, Hebron, and Ramallah. However, in those enterprises personal selling and building strong relationships through effective interactions with customers were ranked the highest tools being used; tools that represent no actual outlay of money.

The study highlights the importance of MSMEs focusing on the needs of the customer as opposed to the actual product. This will enable the enterprises to produce better products that matches customer needs and be capable of self-promotion. It also suggests that those who are unable to establish a marketing department within their enterprises should try to obtain the services of marketing experts to help them in developing effective marketing plans, including budgets and activities, which correspond to their needs and capabilities. Additionally, branding was viewed as a key factor in the positioning of the product in the consumers' mind and must be continuously managed and maintained. This can be achieved through effective promotion and advertising using different media vehicles like bill boards, newspapers, radio and television etc.

The obstacles facing Palestinian MSMEs in marketing

MSMEs face several obstacles and difficulties in marketing their products. The most commonly stated obstacle was the orientation of the management of the enterprise and their approach towards marketing which is invariably considered as a peripheral concern. It was also found that the lack of awareness and knowledge about marketing in those enterprises represents another major obstacle in addition to political and financial complications. For some, the financial situation of the enterprise constitutes a major problem for the development of any marketing plan and using any techniques or tools thereof. Competition, on the other hand, was not seen as an obstacle; to the contrary, it is seen as conducive to the development of the enterprise in all aspects.

The role of supporting organizations in developing MSMEs in the Palestinian Territories

The role played by the supporting organizations is minimal. This was indicated in the respondents' answers to not knowing of the existence of such organizations and acknowledging their ineffective role – most of which did not receive any service or benefit. However, those who received some kind of assistance have expressed their satisfaction with the performance of supporting organizations be it managerial assistance or a training course. The level of satisfaction seemed to decrease when asking the respondents to express their satisfaction with the support of such organizations in the marketing field (increasing the awareness of marketing, identifying available tools, and promoting MSMEs products).

Against this backdrop, the study suggests that supporting organizations should consider developing nation-wide marketing awareness programs addressing specific marketing concepts. For these programs to be

successful, they have to be tailored according to different sectors or more specifically according to the needs and capabilities of every beneficiary group. Also, these programs, to enhance their effectiveness, should be spread across various districts and cities, particularly marginal ones. To strengthen the role of supporting organizations, they need to work with MSMEs in marketing their products in foreign markets through establishing contacts with sister organizations in those markets and participating in international and regional trade shows.

Networking and MSMEs in the Palestinian territories

Networking is considered a very useful tool at the disposal of MSMEs to build, manage, and maintain relationships with large enterprises, suppliers, and distributors. The study showed that the managers of MSMEs are keen on developing strong personal and professional relationships with individuals in large enterprises, competing firms, and suppliers. The study also showed a discrepancy amongst the different respondents in expressing their reluctance to developing relationships with competitors and large enterprises. Conversely, most of the respondents do not believe in the positive influence of their relationships on their performance. This is also in relation with the respondents' perception of the importance of professional relationships over personal ones.