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Business intelligence tools & trade marketing models to support SMEs development: MPHIM+ model.

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Abstract-Italiano

Le piccole e medie imprese (PMI) costituiscono un elemento distintivo dell'intero sistema produttivo sia italiano che europeo, alla base di questo studio vi è la consapevolezza di una serie di criticità che caratterizzano, su vari aspetti, le PMI.

Nella prima parte dell'elaborato si cercherà di analizzare le problematiche che portano le PMI ad avere difficoltà ad implementare i propri prodotti e servizi sul mercato: risorse limitate, inadeguata cultura d'impresa e approccio al marketing.

Le PMI oggi, hanno preso coscienza del contributo che possono fornire le attività di marketing, infatti, data questa diffusa consapevolezza, particolare attenzione nella stesura dell'elaborato, è stata rivolta a tanti degli aspetti afferenti al marketing.

In un periodo di grandi e repentini cambiamenti, l'obiettivo della crescita è, intimamente connesso al processo di digitalizzazione dell'impresa che deve necessariamente coinvolgere tutte le funzioni organizzative interne, nonché i clienti e la forza vendita, per garantire la reattività richiesta oggi dal mercato: capacità di negoziazione, gestione di sconti, incentivi alla forza vendite indiretta, offerte e omaggi in tempo reale sono le sfide che le PMI devono sapere raccogliere quotidianamente.

Durante il mio percorso di studio, indispensabile ai fini del presente lavoro, è stata l'esperienza di tirocinio maturata in "mphim+" la joint venture italo-svizzera che ha progettato e realizzato il Professional intelligence software C Smart.

Il software facilita le scelte inerenti al marketing operativo (canali di vendita, canale lungo/corto, pricing, commissioni massime sostenibili in caso di ricorso ad agenti/siti e-commerce esterni ecc..) nonché la sua gestione (elaborazione scheda prodotto, listino prezzi, scontistica, liquidazione provvigioni agenti su fattura, gestione delle trattative in real time, ecc..).

Mphim+ prende le mosse dalle difficoltà avvertite dalle PMI, il suo sviluppo infatti, è basato su i seguenti aspetti:

- fornire le PMI di uno strumento utile per l'implementazione del marketing operativo, adattabile con la loro organizzazione;
- favorire il passaggio delle PMI da una struttura imprenditoriale monocratica a una organizzazione di tipo ibrido nella quale le conoscenze, intuizioni e relazioni dell'imprenditore, vengono tradotti, in programmi, procedure e strumentazioni più efficaci ed efficienti;
- favorire la digitalizzazione delle imprese.

I capitoli successivi sono incentrati sulla segmentazione del mercato B2B, sul trade marketing e sul network marketing e di come, i relativi processi di implementazione, possono essere messi a punto attraverso l'utilizzo e l'ausilio di mphim+.

Anche la PMI, infatti, può e deve utilizzare tutte le opportunità offerte dai vari intermediari (rivenditori e agenti), questo è condizionato non solo dalla possibilità dell'impresa di assicurare loro i compensi e incentivi offerti dal mercato, ma anche dalla capacità di gestire il rapporto con essi.

A tal proposito, nel quinto capitolo viene descritto un modello di network marketing, elaborato dall'autore di mphim+, un modello che considera una rete di venditori ciascuno dei quali ha la possibilità di realizzare a sua volta una propria rete di vendita e di beneficiare degli indennizzi diretti e indiretti.

Solo dopo aver condotto verifiche e analisi riguardanti nello specifico: la segmentazione, prezzo di vendita previsto per il consumatore, prezzi e mark-up (ricarico) previsti per ciascun intermediario e sostenibilità delle commissioni agenti che hanno promosso le vendite nei confronti dei rivenditori, l'impresa sarà in grado di prendere delle decisioni di trade marketing: canali distributivi, clienti, prezzi, condizioni commerciali (ordine minimo, tempi di consegna, modalità di pagamento, ecc..), provvigioni agenti.

La conduzione di queste verifiche e analisi implica l'acquisizione di una capacità specifica da parte dell'impresa: quella di elaborare calcoli simultanei e complessi che possano fornire le informazioni necessarie per soddisfare i parametri richiesti dal mercato.

Ed è proprio questo l'obiettivo primario di mphim+, quello di favorire la crescita della PMI, sia sul mercato nazionale che internazionale, attraverso uno strumento di business intelligence che sia di ausilio alle verifiche ed analisi sopra dettagliate, permettendo alla stessa impresa di avviare quel percorso conoscitivo indispensabile per acquisire la necessaria consapevolezza strategica per proporsi sul mercato in maniera adeguata.

Nell'ultima parte dell'elaborato, viene analizzato un caso reale di utilizzo del modello, viene rilevata la situazione di partenza e quella successiva all'applicazione dei processi richiesti da mphim+.

L'indagine prosegue con un'analisi qualitativa effettuata mediante un'intervista all'impresa analizzata sul software.

Per mezzo del monitoraggio delle PMI utenti, si vuole porre particolare attenzione alla misurazione delle performance qualitative, mettendo in risalto il feedback dell'utente che attualmente utilizza il software, verificandone, qualora fosse possibile i risultati *economici* derivanti dall'applicazione del modello. Alla luce di quanto detto sopra lo scopo del presente lavoro è analizzare nel dettaglio le maggiori difficoltà delle PMI:

- PER LA DISTRIBUZIONE: la scelta dei canali e le politiche di incentivazione;
- PER IL PREZZO: l'assenza di logiche strutturate di calcolo dei prezzi e del costing;
- PER IL PRODOTTO: la messa a punto degli attributi del sistema "prodotto";
- PER LA PROMOZIONE: la gestione della forza vendita, la messa a punto dei contenuti e la pianificazione delle iniziative.

Vedremo, poi, come Mphim+ permette alle PMI di dotarsi di uno strumento utile che riesce a intervenire, al contempo, sia sulle capacità strategiche dell'impresa che organizzative, il software, infatti, può essere considerato, a tutti gli effetti:

- **un modello strategico:** in quanto consente di analizzare i risvolti economici delle scelte di trade marketing operative.
- **un modello organizzativo:** in quanto prevede l'insieme delle attività da realizzare, dei soggetti coinvolti.
- **un modello documentale:** le scelte di marketing sono dettagliate nei documenti su cui si baserà tutta la politica commerciale dell'azienda.
- **un modello matematico:** mphim+ è inoltre un modello economico di vendita basato su una serie di elaborazioni e di concetti puramente matematici.

Inoltre, è necessario sottolineare i maggiori vantaggi riscontrati dall'analisi qualitativi del software (come verranno poi riportati alla fine dell'elaborato):

- ✓ il valore dell'informazione circa la redditività generata dal prodotto rispetto ai prezzi praticati. durante l'implementazione del sistema mphim+, in sede di utilizzo del dispositivo, l'utente intervistato ha dichiarato di non essersi reso conto che il prezzo prescelto non avrebbe consentito a priori una adeguata redditività, risultando, peraltro, spesso disallineato rispetto al mercato ove i prodotti dello stesso segmento venivano offerti a prezzi più alti
- ✓ la capacità del software di "sintetizzare" in modo rapido e tempestivo gli elementi essenziali di ciascuna trattativa commerciale (prezzi, quantità, eventuali costi connessi al venditore, ecc...) fornendo, in tempo reale, i risultati economici realizzabili.
- ✓ le sezioni meramente compilative del software, dedicate al product, alla segmentazione b2b e alla promotion hanno trovato riscontri positivi nei feedback forniti dagli utenti.

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Introduction

1. Critical elements in SMEs, especially focused on marketing aspects:

Small and medium-sized enterprises (SMEs) are a distinctive element of the entire Italian and European production system. The basis of this study is the awareness of several critical issues that characterize, on various aspects, SMEs.

The first part of this paper aimed to analyze the problems that lead SMEs to have difficulty implementing their products and services on the market: limited resources, inadequate corporate culture and marketing approach.

Nowadays, the increasing of globalization has destroyed the concept of regional and national market, where SMEs have always competed. It has led SMEs to face new challenges and new competitors ready to compete in an global market.

In order to keep their competitiveness and avoid of being wipe out of the market, SMEs have to necessarily began a digitalization process involving all internal organizational functions, as well as customers and sales force, to ensure the reactivity and flexibility required by the market today: negotiation skills, discounts management, indirect sales force incentives, offers and gifts in real time are the challenges that SMEs need to address in order to not be cannibalized by market giant.

During my master's degree, essential for the purposes of this work, was the experience gained in "mphim +" the Italian-Swiss joint venture that designed and implemented the B Smart business intelligence software.

The software facilitates the choices related to operational marketing (sales channels, long / short channel, pricing, maximum sustainable commissions in case of recourse to external agents / e-commerce sites, etc.) as well as its management (processing of the product sheet, price list prices, discounts, commission payments on invoice, management of negotiations in real time, etc. ..).

Mphim + is built on the difficulties experienced by SMEs, as matter of fact, its development is based on the following aspects:

- Providing an instrument for the implementation of operating marketing, suitable with SMEs' needs.
- Providing the possibility to switch from a monocratic structure to an hybrid one in which entrepreneur's relations, knowledges and intuitions are translated in programs, procedures and optimal results.
- Providing a digitalization of firm, not only looking to communication aspects.

Following chapters are focused on the B2B market segmentation, trade marketing and network marketing.

Indeed, only after having carried out checks and analyzes concerning specifically: segmentation, expected selling price for the consumer, prices and mark-up provided for each intermediary and sustainability of the commissions agents that have promoted sales to dealers, the company will be able to make trade marketing decisions: distribution channels, customers, prices, commercial conditions (minimum order, delivery times, payment methods, etc.), agent commissions.

In order to do what I described above, it's necessary the acquisition of a specific capability by the company of elaborating simultaneous and complex calculations that can provide the information necessary to satisfy the parameters required by the market.

It's the main purpose of MPHIM+, making SMEs aware of strategic issues to face and providing an instrument to make them competitive in a national and international market through a business intelligence software.

In the last part of the paper, some real cases are analyzed, the starting situation and the one following the application of the processes requested by mphim + are explained.

Moreover, we perform a qualitative analysis carried out through interviews with companies that currently use the software.

Through the monitoring of SME users, we want to pay particular attention to the measurement of qualitative performance, highlighting the user feedback that currently uses the software, verifying, if possible, the economic results deriving from the application of the model.

2. Assumptions and solutions to critical elements that affect SMEs' marketing:

Small-Medium Enterprises (SMEs) represents a distinctive element of production system (Marchini, 1985). They are a fundamental part of that system either at national and European level.

Despite what we said above, we cannot fail to point out the extreme vulnerability that characterizes SMEs, also due to the difficulty of addressing the market, difficulties that often lead to unsustainable profitable scenario.

The small size is one of the main issues, most of these companies can never take off completely because of their fragility: the market is large and often the small entrepreneur is inadequate in terms of organization (Kotler, 2012). Often, SMEs are simultaneously family firms which are characterized by a lack of specialized division/professional figure able to handle challenges generated by the new global market, instead small entrepreneurs have multifunctional role inside their firm.

Other important frictions to the growth and development of small businesses are generated by the lack of resources; small and medium-sized enterprises, given their small size, have limited resources and often they also have a lack of useful instrument to raised additional funds out entrepreneurs' ones.

Among the main strengths of a firm, there's the capacity to combine and employed different assets, both tangible and intangible to reach desired purposes.

Concerning these resources are also included the so-called "*distinctive capabilities*" (Simons, 2004), so specific resources that a company holds, skills and competences acquired on the basis of experience, which are transferred to the products and services made, helping to distinguish it from competitors' products.

The distinctive capabilities are basically the value added by the firm for its customers. Usually, SMEs operate in a traditional business, in these cases we can find a wide range of competitors offering the same product (high degree of competition). In this scenario, the smart combination and of tangible and intangible resources available for the company become fundamental.

Another limit that is found in small Italian companies is given by an inadequate business culture, the small entrepreneur almost always fails to have a significant strategic orientation.

Planning is often absent or marginal, strategies emerge from the company's experience (Ferro, 2013), given these pure adaptive behavior, SMEs are not able to prevent and react quickly to market's changes compromising their survival.

Inadequate corporate culture, in small businesses, is also reflected by the entrepreneurship-managerial relationship. Entrepreneurship refers to the ability to implement new entrepreneurial and successful formulas (business idea) within a company; however, for managerial skills, we mean the ability to improve levels of effectiveness and efficiency of performances to ensure positive results for the firms (Depperu e Capello, 1990). Let's think about big companies where we always can find a separation between ownership and management.

The entrepreneur of these small companies, on the other hand, has a strong emotional attachment to his business (Gianfelici, 2009), so he has great difficulty sharing the company management with others, it compromise the business development because the single entrepreneur may not have the managerial skills required to lead the firm through difficult moments or to develop correctly business ideas.

Marketing is certainly another problem that involves these types of companies, it was observed in Italy (Marchini, 1995), how complex is the relationship that exists between marketing and small business. Marketing is an important resource that favors growth, but often it is perceived simply as an operating activity often confused with advertising, poor marketing, not very reactive and intuitive (Mattiacci and Ceccotti, 2005).

It may be useful focus our attention on an empirical study conducted by Fortezza (2006) on 40 SMEs operating in the business-to-business (B2B) sector of the province of Modena, Reggio Emilia and Bologna.

The main purpose of the analysis is understanding the mechanism of business management, their attitude towards the market and their propensity for marketing.

The majority of these companies, has shown to be aware of the importance of marketing activities, in fact, 57.5% of the sample recognizes that its activity requires tools, both analytical and decision-making, that allow them to acquire "greater strategic awareness in order to more effectively monitor the new critical factors of success and to integrate in a more orderly and purposeful manner within the markets served".¹ Despite, this high percentage of awareness only the 8% is able to perform a consistent and successful marketing strategy.

¹ Fortezza F. Ferrero G. (2006), *Importanza ed elementi di criticità del marketing strategico nelle PMI*, Urbino

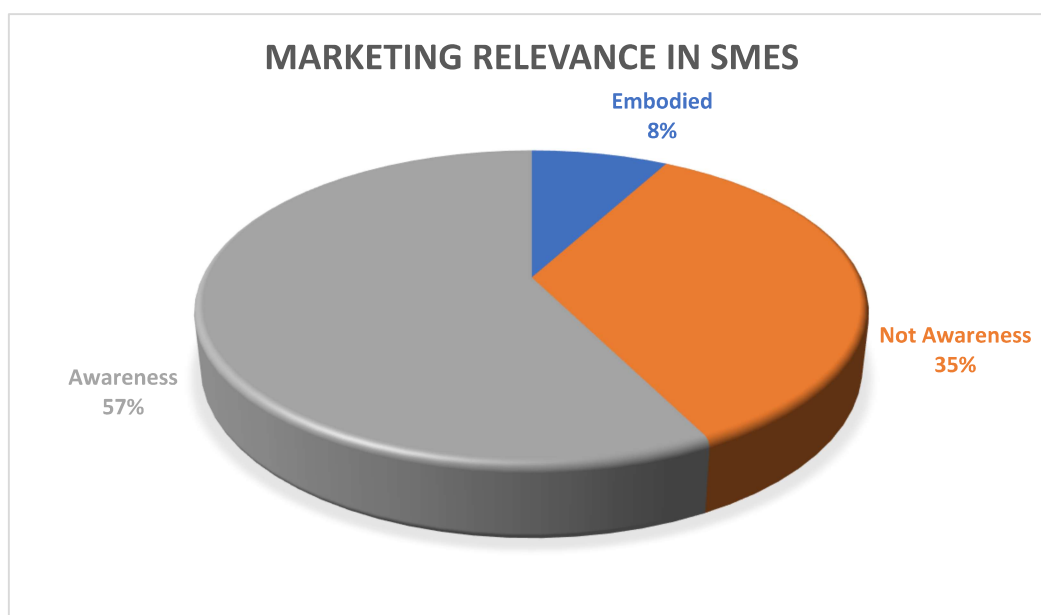


Figure 1 – Fortezza’s Survey results.

Difficulties of SMEs in their marketing approach are also certified by a survey conducted within the European project “TRUEFOOD” (Traditional United Europe Food) financed by European Commission.² The objective of the work is to evaluate the marketing skills of SMEs operating in the Community food industry by referring to the stages of the marketing management process. The empirical survey was conducted in ten European countries and the sample analyzed is represented by 468 companies operating in the traditional food sector. The work is organized as follows: first of all, the phases of the marketing management process are summarized as a conceptual framework; therefore, the results of the survey relating to the marketing capacities of SMEs are analyzed and, finally, some synthesis considerations are proposed.

Referring to the Kotler’s approach (2004) on the strategic planning of marketing activities, the marketing management process represents a set of operations and procedures that encompass the analysis of the market in which the company is inserted, the determination of a specific strategy and, of course the evaluation of the results achieved. Elements such as product differentiation and price fixing are part of this process, within a set of "phases". In particular, the marketing management process can be divided into four main phases (Kotler, 2004, Bagozzi, 2001):

- Market research and analysis.
- Marketing strategy (based on the result of previous point).
- Planning and implementation of activities.
- Measurement, control and results’ monitoring.

² <https://agrireunionieuropa.univpm.it/en/content/article/31/23/le-attivita-di-marketing-nelle-piccole-e-medie-imprese-unindagine>

Study objectives of the first phase are: the competitive environment in which the firm compete (competitors' activities, dominant design and technology used to catch customers), customers behavior habits with a particular focus on "large retailers".

Starting from results obtained in the previous phase, the second one aim to develop strategies that allows firm to reach a specified customers segment. In the marketing strategy, the objectives to be achieved are first and foremost set, then the type of product differentiation is decided, and then the other elements of the marketing mix are defined, the price, distribution and communication choices.

The third phase is represented by the planning and implementation of actions to implement the established strategy. At this stage all the operational aspects of marketing activities are decided, such as the organization of commercial channels, the planning of promotional actions, adaptations to market changes.

Finally, the fourth phase is aimed at checking the results achieved, in order to highlight whether they are satisfactory or whether it is necessary to apply corrective actions. Then, through an evaluation of the results, feedback is obtained on the adopted strategy (Padberg. 1997).

It has to be noticed that marketing management is a really complex and time-consuming process, firm's dimension may really affect this process because of the lack of financial and human resources (McCartan-Quinn e Carson, 2003). According Kotler opinion in SME the marketing management process could be never achieved completely and so affects negatively SME's profitability.

The survey used a questionnaire formulated "ad hoc" and published on the web, with the aim of allowing a "self-evaluation" of the company participating in the analysis. The questionnaire was divided into a series of specific questions related to the different stages of marketing management, with scores based on a Likert-scale from 1 to 5. At the end of the compilation, the company received an e-mail containing a report containing the scores obtained and the comparison with the sample mean, as a reference benchmark.

86.3% of the sample is made up of small and medium enterprises of which: micro (less than 10 employees) 26.7%, small (from 10 to 49 employees) 30.1% and medium (from 50 to 249 employees) 29.5%.

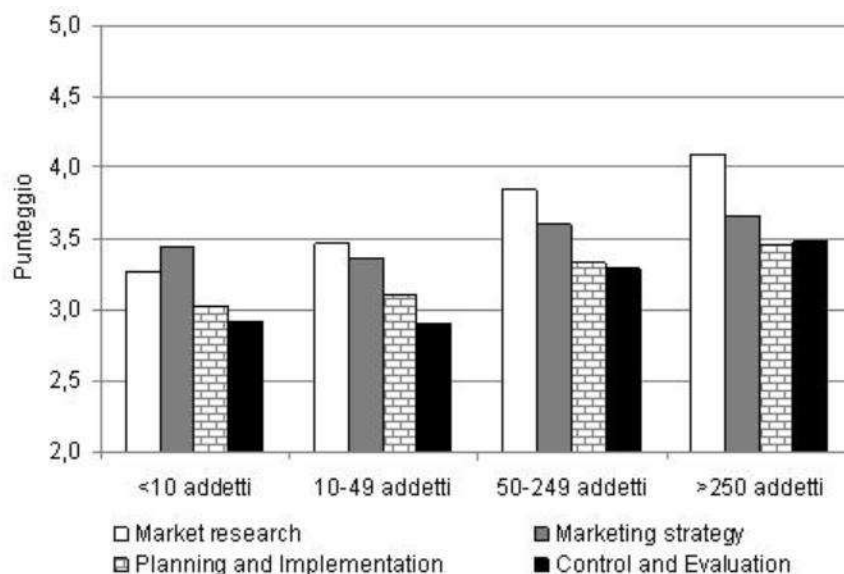


Figure 2- Survey's Results

The survey was conducted across several EU countries (Austria, Belgium, France, Greece, Italy, Norway, Czech Republic, Spain, Turkey and Hungary). Further paramount results to underline are: large retailers play a central role in all European countries, representing the main customer for 41.2% of the sample units. The other channels assume a decidedly inferior importance, among which the specialized traditional retailers are chosen by 16.9% of the companies considered. Direct sales are used by 15.4% of companies. the survey also investigated the extent to which SMEs are able to influence the price of products, or, on the contrary, suffer price constraints. The analysis revealed, in general, a low ability to influence the price, mainly due to the limited size of the companies and, therefore, to their reduced bargaining power. As was said, the ability to act as a price maker was negatively correlated with the sale to large retailers, denoting how the strong market power exercised by the distribution limits the scope of the SMEs with regard to the price.

A significant part of the sample companies can be considered market oriented, as these companies, regardless of size, exhibit high scores at all stages of the marketing management process.

The most problematic phases of this process are those that require a higher organizational effort, namely the planning and implementation of the operational activities of marketing, on the one hand, and the control and evaluation of the results achieved, on the other.

In order to improve the competitive position, SMEs should try to move from a product-oriented logic, common among traditional food producers, to a consumer-oriented one. A crucial aspect that emerges in the survey concerns the low ability of SMEs to act as a price maker, as these companies are frequently subject to the vertical competition exercised by the distribution. However, the positive relationship between market analysis and price-determining abilities indicates how knowledge of the competitive environment and demand allows companies to be more consumer-oriented and have greater scope for price action.

It is possible to identify three different interpretations for marketing in SMEs (Mauri, 1997):

1. Given the lack of a solid organizational structure with specialized organizational division attention on marketing aspects is really low in SMEs, it is not taken into consideration by small entrepreneurs.
2. Marketing has to be adapted to the small size of the firm, usually small entrepreneurs based their marketing on the imitation of competitors' behavior (e.g. pricing choices).
3. We must consider a specific marketing and therefore different from that of large companies, each company is different from the others.

One of the main issues is to make SMEs willing to a different kind of approach they used to perform: The operative marketing, which encompass all those activities systematically organized by firms finalized to distribution, sale and product placement in the market. It is the crucial aspect in which SMEs need to be educated for.

Operational marketing is a classic approach focused on the creation of the marketing mix, the "4Ps" theorized in 1960 by Jerome McCarthy.

According the classic definition: "the marketing mix is the combination of controllable variables that companies can use to influence consumer demand and that are functional to achieving marketing objectives.".³

From the definition above, it has to be noticed that variables of marketing mix must be "controllable", so measurable. It may result quite difficult for SMEs which usually lack of appropriate instruments to measure those variables. No measurement implies no control over firms' performances without possibility achieve optimal results or make adjustment whenever it is necessary.

Most small businesses find it difficult to manage the elements of the *marketing-mix* (Fortezza, 2006):

- **Product:** This dimension implies several choices that the entrepreneur must made related to the targeting. Specifically, we are talking about all corporate decisions about products and portfolio settlement.

Wrong choices on this dimension may compromise not only firm's profit but also the possibility of future adjustment due to the fact that in SMEs, product is usually the only asset able to add value for customers instead of establishing companies or innovative startups that tend to sell "experience" to its customers.

Small and medium-sized enterprises find it very difficult to set up combinations of attributes and manage their business portfolio.

- **Price:** It's one of the main factors affecting directly firm's result. Of course, the price generates revenues, but it also influences others the essential elements of an enterprise such as: turnover, profitability, competitiveness. Small businesses in particular have a lot of difficulty in calculating production costs, and consequently they encounter problems in defining the prices to be attributed to their products and services.

Usually, SMEs tend to compute their cost of production accounting only direct cost of production without take into account all fixed costs (general and administrative costs) that go

³ Regina P, Finocchiaro G. (2006), *Easy marketing. Un metodo facile per capire il marketing ed usarlo nella vita di tutti i giorni*. Franco Angeli, Milano, p.101

to erode firm's profit. As consequence, if a firm set their prices on the basis of direct costs of production it will never cover fixed costs, leading enterprise to show a negative or really slow **EBIT**.

- **Place:** the distribution channel is intended as "the path (not only physical) that a product must realize to overcome the (temporal and spatial) gap from the production phase to the consumption or usage phase."⁴ SMEs have difficulty in choosing channels and if they consider it necessary to use intermediaries such as sales agents, they show difficulties in managing the indirect sales force.

Find the optimal distribution channels and place the product on in require a lot of effort in terms of human resources and time consumption. Often, small entrepreneurs are multitasking ones, so they cannot have care about this fundamental aspect that also requires awareness of specific elements such as: retailers' mark-up, purchasing terms of distribution channels and solid network. As matter of fact, SMEs need an internal or external figure able to deal with this aspects, that's why the adoption and the managing of indirect sales force is coming back a crucial aspect for SMEs' competitiveness.

- **Promotion:** It implies all communication activities that aim to develop strategic choice (Cozzi, Ferrero 2004) and spread product awareness among users, make known its distinctive factors that may lead users to purchase it.

The small size of the company and the lack of marketing operators do not allow small businesses to plan promotional initiatives.

Many Italian SMEs risk not being able to respond to market needs due to the inability of entrepreneurs to accept new technologies (De Luca, 2017)

The results of the Istat survey on the degree of digitalization of Italian companies show that only 16.2% of companies with at least 10 employees employ hold ICT specialists among their employees.⁵

3. What is MPHIM+ and how it goes to address these issues:

According what we said above it's necessary help and drive SMEs to cross the "*marketing chasm*" over, in order to implement all aspects necessary to compete in modern markets.

The first step to cross this chasm is a reliable market segmentation. Today, in fact, the failure of many companies, is also due to a lack of analysis of customer segments, the company can consider the market as a whole, or focus on market segments (Caruso, 2003), or on a portion market that has different characteristics compared to customers operating in other segments.

Here, the use of appropriate marketing tools, allows the development of differentiated policies, able to drive companies on the choice of target market.

The highest level of efficiency for companies that fail to develop the skills needed to grow, could be achieved through the decentralization of the strategic function (Mintzberg, 1983).

⁴ Ferrero G. (2013), *Marketing e creazione del valore*. Giappichelli, Torino, p. 321

⁵ ISTAT: ICT nelle imprese con almeno 10 addetti