

# EXPLORING THE ROLE OF TRADE SHOWS IN THE PROMOTION OF SMALL AND MEDIUM SCALE PHARMACEUTICAL ORGANIZATIONS

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## Abstract

The effect of international trade shows on the growth and expansion of micro, small and medium enterprises (MSMEs) in the international markets are largely unexplored in the academic literature. The purpose of this research is to explore the role of trade shows in the internationalization of MSMEs the emerging economy of India. The findings of the study suggest that trade shows are unique experiential and interactive marketing stage and provide MSMEs an opportunity to build and develop the network relationships that can help them expand their business in the global market. This study offers a basic model to examine the importance of trade shows in the internationalization process of MSMEs in pharma industry.

**Keywords:** Trade shows, International business, Pharma industry, Micro small and medium enterprises.

## Introduction

Business organizations are continuously using trade shows in making their global marketing strategies. Trade shows are planned events where products are displayed and services are described to the invited stakeholders (existing and prospective customers, suppliers, press and other business companions) by exhibitors (manufacturing companies, distributors) (Bonoma, 1983). Trade show events have a significant impact on the economic growth of a country and world economy (Geigenmüller, 2010). Academia has pointed out that these events are a Highly Effective mechanism for promotional, Buying and selling activities (Blythe, 2000). However, the importance of trade show events in the expansion of global Business networks of a company has been widely neglected in the management literature. There are only a few studies, that have tried to explore such business relationships (Evers and nights, 2008; Ling Yee, 2006). Business organizations need numerous relationship networks for survival in the competitive Global market (Johanson and Mattsson, 1994).

In academic literature, the influence of relationship networks on the globalization of small business organizations is widely recognized (Chetty and Blankenburg-Holm, 2000; Blomstermo et al., 2004; Loane and Bell, 2006). Trade show events were seen as a prospective relationship network platform for the first time by Rosson and Seringhaus (1995). Evers and Knight (2008) confirmed the utility of trade show events in the creation of a stronger business relationship. However, the findings of these studies were qualitative in nature and quantitative methodology have not been applied to test and validate the findings. The study of Evers and Knight (2008) was qualitative research and limited to the seafood sector, thus this concept should be validated through quantitative research and should be tested in other industry types. Moreover, this concept has neither been further conceptualized and developed nor empirically validated in the academic literature. In this research, the authors

have tried to examine the role of trade show events in the globalization of small business organizations through the facilitation of relationship networks.

## Literature Review:

### Internationalization of MSMEs

In this research, network theory is used in studying small-scale organizations as proposed by many researchers (Axelsson and Johanson, 1992; Coviello and Munro, 1997; Chetty and Blankenburg-Holm, 2000; Loane and Bell, 2006; Sandberg, 2014). Participation in global networks may result in the quick and effective growth of the small-scale organizations (Loane and Bell, 2006). Key network associates frequently offer a mechanism for the entry in the international market, predominantly for new and small business organizations that are having scarce resources (Coviello and Munro, 1997). Business to business markets is formed with a cluster of social and industrial relationship networks. These relationship networks are consisting of buyers, sellers, public agencies, private agencies, and competitors (Evers and knight, 2008). Social network relationships are vital for the survival and necessary for the internationalization of small organizations as these networks facilitate the knowledge about the key opportunities exist in the global market (Boojihawon, 2004). Therefore, stronger and trustworthy social relationship networks can play a significant role in the globalization process of a small-scale organization. Relationship networks are different from business networks because in relationship network, network partners are not directly involved in the buying and selling process, but they act as information carriers, communication mediums, and stimuli. Social relationship networks are often referred to as the “infrastructural networks”, that establishes a social relationship between a business organization and a network partner in the Business-to-Business market (Hallen, 1992). Social relationship networks may consist of business partners and institutional partners that are not directly involved in a trade with the communicating business organization (Hallen, 1992). Moreover, Social relationship networks are considered as part of business networks (Holmlund and Kock, 1998). Social network gradually incarnates a social relationship bond among the network partners where small organizations execute business transactions and in doing so a bond of trust is created among network partners (Evers and knight, 2008). Bjōrkman and Kock (1995), proposed that there might not be any discrimination between official and casual network relationships and social network relationships could be the result of business relationships.

### Trade shows and small-scale organizations

The significance of trade show events as an effective platform for promotion has been widely recognized in management literature (Rai and Nayak, 2018). Stakeholders (e.g., Buyers and sellers) of one specific industry meets in a trade show (Blythe, 2009), and acquires knowledge and information about a particular company, industry or market and execute meaningful business deals (Smith, Hama, and Smith, 2003). Trade shows provide an opportunity to the stakeholders of a particular industry to fulfill their interests. E.g., exhibitors meet potentially interested buyers (Godar and O'Connor, 2001), and visitors meet new suppliers and interact with innovative products, services and associated technologies (Blythe, 2002). There are two modes of participation in a trade show: visiting mode and exhibiting mode. In visiting mode stakeholders of the industry come to visit and interact with the exhibitors (participating companies) for creating possible future business relationships (Blythe, 2002). In exhibiting mode firms set up physical exhibits at the trade show and demonstrate their products and services and contact lively with the current and prospective (Dawson, Young, and Chongyi, 2014).

Evers and knight (2008) proposed that business executives of organizations primarily looked at trade shows as an information sharing and gathering platform and personal selling through these events were seen as a secondary objective by the exhibitors. Acquisition of new knowledge at the trade shows has been seen as the primary motivation for exhibitors and visitors to participate in these events (Rosson and Seringhaus, 1995). Studies have pointed out several motivating factors for the participation in a trade show e.g., procurement of new technologies and information (Rice and Almossawi, 2002; Hough, 1988), tracking competitors of the industry (Blythe, 2000),

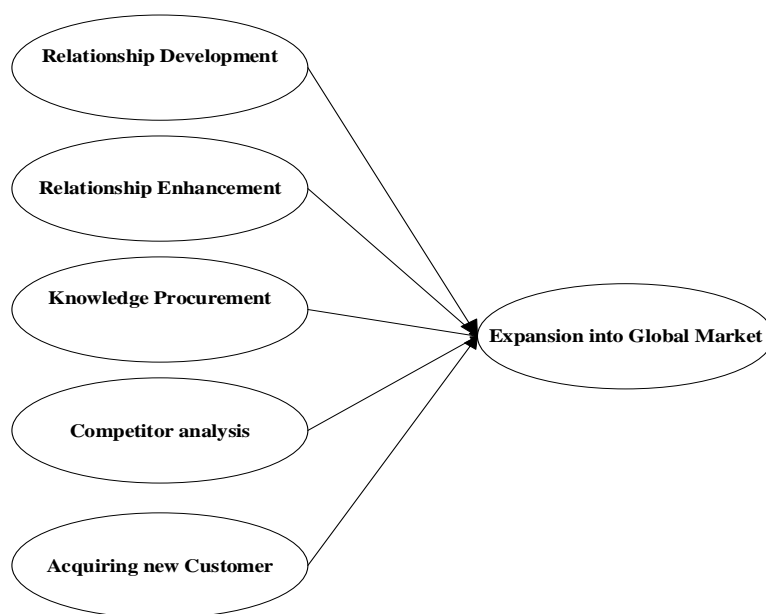
and live demonstration of new products and services to the target customers (Tesar, 1988). Trade shows also provide market like a platform to the exhibitors where information about their unique products and services are communicated among the participants and a distinct set-up is created by the event environment to enter in global markets (Ellis, 2000).

Visitors to the trade shows come to attend these events for acquiring information about the market entry, latest products and services, and existing and prospective suppliers of a specific industry (Godar and O'Connor, 2001). The prospective buying organizations see trade shows as an informative platform where they have the opportunity to acquire knowledge about new market trends, products, and technologies as well as new developments in a specific industry (Rosson and Seringhus, 1995). The greater part of the visitors at the trade shows are non-buyers, but they are the stimulant of buyers ((Tafesse and Skallerud, 2017). These non-buyer visitors are sent by their business organizations as an incentive for their accomplishments in their respective fields and to further motivate them (Godar and O'Connor, 2001). Inputs of these visitors are seriously taken into consideration by their organizations in future business to business marketing strategies (Evers and Knight, 2008). Exhibitors should not only focus solely on the visitors who are the prospective buyers but also focus on the visitors who are not prospective buyers but have the capacity to influence future buying decisions of their organizations (Godar and O'Connor, 2001). Therefore, information gathering, and knowledge acquisition activities are one of the major activities performed at the trade shows.

Till date, only a few research in academia has examined the role of network-related activities and the quality of communication between exhibitors and visitors at the trade shows (Hansen, 1996; Blythe, 2002; Ling-Yee, 2006; Evers and Knight, 2008). The most recent study was carried out by Evers and Knight (2008), where they carried out qualitative research on small firms of seafood export industry of New Zealand and Ireland. Academic literature concerned with trade shows has failed to acknowledge the impact of imperative factors like a relationship with suppliers, buyers, and channel partners, addressing these factors might possibly moderate the small-scale organization's resources and performance relationship (Ling-Yee, 2007; Evers and Knight, 2008).

This research attempts to bridge this gap with respect to evaluate the relationship network activities at trade shows and their impact on the internationalization of small-scale organizations in the pharma industry.

Figure -1 (Conceptual Model)



## Methodology:

### Samples and measurement items

A total no. of 240 managers/ owners of small-scale pharmaceutical organizations from pharma industry took part in the study. These organizations were selected randomly from the “The CPHI & P MEC 2019 (26-28th November 2019, Indian expo mart, Greater Noida, India) & 2022 (28- 30th November 2022, Indian expo mart, Greater Noida, India). Event Profile of this trade shows is as follows: CPHI & P MEC India exhibition is a one stop cost effective pharma solution to the interested exhibitors and visitors. This exhibition helps in facilitating in finding the right partners and encourages knowledge gathering and sharing among the stakeholders. More than 1000 pharmaceutical companies across the globe participate in this event each year. CPHI is a dedicated exhibition about the pharmaceutical ingredients needs like API, excipients, fine chemicals, FDF, natural extracts. P MEC is the event dedicated to pharmaceutical packaging and machinery needs.

### Sample characteristics:

Sample characteristics of the study are summarised in Table-1. Sample clearly portrays that medium scale organizations are participating heavily in the trade shows, about 65% of the sample came from this category. Followed by the medium scale industries that constituted 30% of the sample. But the participation of micro-organizations was a surprise. They formed 5% of the sample in the study. This result shows that despite having financial troubles the micro-organizations are seeing trade shows as an effective marketing platform for growth. The age of the firm's column suggests that the participation of the newly found companies in the trade shows are more than the old companies. New companies have weak network relationships that may form one of the reasons for high participation from the new companies.

Table- 1 (Sample Characteristics)

<b>Firm size by investment in plant and machinery (in Indian rupee)</b>	<b>Percentage of firms</b>	<b>Age of firms</b>	<b>Percentage of firms</b>
Less than 2.5 million (Micro enterprise)	5%	1-10 years	20%
More than 2.5 million but less than 50 million (Small enterprise)	65%	10-20 years	57%
more than 50 million but less than 100 million (Medium enterprise)	30%	Over 20 years	23%
<b>Tradeshow</b>	<b>No. of participants</b>		
CPHI & P MEC, 2019	185		
CPHI & P MEC, 2022	55		

The participating organizations in this research were all manufacturing and service providing organizations from pharmaceutical industry. Pharma industry consist of many small and medium enterprises and imitate considerable degrees of internationalization.

## Results:

In the first phase of data collection, a pilot study was conducted to check the reliability, validity, and normality of the questionnaire. A total no. of 30 responses were collected from the firms that participated in the above-mentioned exhibitions in the past years, and the data was found significant. Then after, a total no. of 240 responses were collected from the exhibitors. There were 11 missing values in dataset, and they were replaced by using SPSS missing data imputation technique. In the next step, data were checked for its normality. Test of skewness and kurtosis were performed, and the values of the data came between the range of -1.96 to + 1.96 as prescribed for the normality of data (Mardia, 1970; Tarling, 2008). Then exploratory factor analysis and confirmatory factor analysis was performed using SPSS 20 and Amos 20 statistical software.

To measure the dimensionality of the factors considered in this study, an exploratory factor analysis was carried out using principal component analysis. The exploratory factor analysis revealed 6 factors with Eigenvalue set at 1. To check the reliability of the model composite reliability, inter-item reliability, and average variance extracted were observed. For the validity check convergent and discriminant validity was observed. The value of Cronbach's alpha was found above .70 for the variables used in the study. The value of composite reliability for the factors was found significant and well above the threshold limit of .7 proposed by Hair, Ringle, and Sarstedt (2011). The data explained the 64.5 % of the variance in the study.

Table-2 Hypotheses testing results

Hypotheses	Path coefficient	Result
H1 Relationship Development > Expansion into Global Market	.46*	Supported
H2 Relationship Enhancement > Expansion into Global Market	.52*	Supported
H3 Knowledge Procurement > Expansion into Global Market	.49*	Supported
H4 Competitor Analysis > Expansion into Global Market	.47*	Supported
H5 Acquiring New Customer > Expansion into Global Market	.55**	Supported

\*=(p<.05), \*\*=(p<.01)

A Two-step confirmatory factor analysis was then carried out to check the model structure of observed items to the principal factors (Hair, Ringle, and Sarstedt, 2011). In the final Path coefficients in second-order confirmatory factor analysis were found significant and proposed that the data fit the proposed model well. The structural equation modelling results supported the hypothesized relationships conceptualised in the study (Table-2).

## Discussion:

With the findings, it can be clearly stated that trade shows act as a primitive tool for the building of business relationship networks in international markets. Moreover, the findings suggested that network building was not limited to only overseas stakeholders of the industry but also with exhibitor's compatriot business fellows. Although the cost-effectiveness of the trade shows could not be identified in this study, the exhibitors favored towards the participation in the event citing the general usefulness of the trade shows. Trade shows are highly cost-effective interactive promotional platforms (Rai and Nayak, 2020, 2019, & 2018). The current study draws a pattern that the Indian small scale and medium enterprises are profoundly reliant on the trade shows for expanding their current market to the international market by creating relationship networks. Findings suggest that exhibitors participated in the trade shows with the objective of meeting their regular domestic and

international customers with the intention of developing stronger relationships and information sharing. Trade shows act as a unique industry-specific marketplace where network partners meet and exchange information. The participants had the opportunity to create their own networks in the trade shows. Moreover, this unique interaction turned into the vital exchange of information and a possible tie-up with the visitor in near future.

Trade show events are considered as a key cradle of international market, product, and services knowledge (Johanson and Vahlne, 2003). Findings of the study supported the same result that if a small and medium scale enterprise is trying to enter the global market then trade shows are the place to gather the information. The results portrayed trade shows as a crucial platform for obtaining technical and product specific knowledge about the international market. In the event, intensive information exchange takes place between the exhibitor (supplier) and visitor (buyer) regarding the products and the customer check-ups, which is good for both the parties in today's dynamic business environment. The findings of the study professed that trade show events are a vital part of the strategy for the companies that are trying to spread their wings in the overseas market. Exhibitors found these events as an effective medium to establish a relationship with the fellow competitors. A good relationship with the fellow competitor might help a company to earn vital information regarding the potential customer profiles (Hansen, 1996).

Exhibitors participated in the event with the expectation of getting new foreign customers on-board. However, with high demand comes the greater competition, so to avoid the competition smart companies participate in the trade shows where each company has the equal opportunity to crack a deal with the foreign customers. Results show that small companies considered trade shows as one of the best marketing tools. Previous research proposed that the small companies recalled their recognition in the industry due to the participation in the trade shows (Evers and knights, 2008). The findings of the research suggest that trade show events are a primitive tool for the expansion of business of micro, small and medium enterprises in the overseas market. The results suggest that Trade show event is a promotional marketing platform as well as a network creation and development platform for the firms that can help them grow in international markets. the finding was well supported by the previous researchers like Bell (1995), Ford et al. (1998). Researchers have proposed that strong network ties are very important for any firm to get entry and grow in the international markets (Bell, 1995; Johanson and Vahlne, 2003).

This study found that trade shows provide a platform for exhibitors to strengthen their business and infrastructural network. An earlier study in industrial marketing domain by Hallen (1992), supported this statement of the study. Blythe (2002) proposed that trade show is not only about enhancing the relationship between buyers and sellers, but also build a relationship with the competitors that may turn them into collaborators. Trade shows help in establishing a relationship with the vertical networks like international suppliers, manufacturers, and industry stakeholders (Rai and Nayak, 2018). The internationalization process of a firm depends on many characteristics e.g. a big firm having rich capital resources can easily build up required resources in the international market (Johanson and Mattson, 2003). However, small firms having low capital funds can only be contingent upon the network they operate for the internationalization. The stronger the relationship network of a firm, the easier it would be to operate in a new network (Jones, 1999). Findings suggest exhibitors felt that one of the major reasons behind participation in an international trade show is that network building process in these events proceeds more rapidly than usual. Trade shows are an important platform for the new start-ups that are interested in exporting their finished products. Evers and Knight (2008) proposed that the internationalization process could be accelerated by enhancing business and social network relationships at the trade shows. Findings of this study suggested that firms participate in our study (firms in post and pre internationalization phase) participated in the trade shows to strengthen their international network.

Expansion of business in the international market requires collaboration with the channels that have the thorough knowledge about that market (Chetty and Holm, 2000). Moreover, it should also be taken into consideration that only experiential knowledge that is earned through doing business cannot be primitive conditions for entering into the new market (Johansson and Vahlne, 2003). Interaction with government trade agencies and professional related to a specific industry can be an important source for disseminating vital information about the new market (Freeman, 1999). A firm having access to the vital information regarding the environment of an international market (conditions of doing business, market opportunity, ease of doing business etc.) have greater chances of success than others (Esra Karadeniz and Gocer, 2007). In our research, we found that the trade shows helped in

reducing the time of learning about any particular international market i.e., required for the internationalization by gathering all the resources at a single location.

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