

Market aspects that affect the closing of the micro and small business in Mérida

Aspectos de mercado que inciden en el cierre de la micro y pequeña empresa en Mérida

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Abstract

In the present work the object of the research is to analyze the variables of internal and external market aspects that are associated with the causes of closure of the micro and small business of the city of Merida, which will allow to propose proposals for action aimed at the orientation or guidance of the market aspects of the companies subject to study in the city of Merida, providing better tools to deal with more knowledge, improving the quality of products and services offered, as well as more control in their operations and consequently to plan and correctly analyze the results, contributing with this to the decision making that allows the micro and small companies the longest durability and permanence in the market. The variables to be analyzed are the location of the company, the existing competition and the use of marketing and advertising in Mypes.

Location, Competition, Advertising

Resumen

En el presente trabajo el objeto de la investigación es analizar las variables de mercado internas y externas que se asocian a las causas de cierre de la micro y pequeña empresa de la ciudad de Mérida, lo que permitirá plantear propuestas de acción encaminadas a la orientación o guía del escenario de aspectos de mercado de las empresas sujetas de estudio en la ciudad de Mérida, brindando mejores herramientas para enfrentar con mayor conocimiento, mejorando la calidad de los productos y servicios que se ofrecen, así como también más control en sus operaciones y por lo consiguiente a planificar y analizar correctamente los resultados, contribuyendo con esto a la toma de decisiones que permitan a las micro y pequeñas empresas la mayor durabilidad y permanencia en el mercado. Las variables a analizar son la ubicación de la empresa la competencia existente y la utilización de la mercadotecnia y publicidad en las Mypes.

Ubicación, Competencia, Publicidad

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Introduction

In the research work, some endogenous and exogenous variables of the micro and small enterprise market aspect are analyzed in the current environment of the City of Mérida, Yucatán, causing their closure. The microenterprise in the state of Yucatan occupies 48.73% of the employed personnel and represents 95.15% of the economic units. This is the reason to study the reason for the closure. In Mexico there are approximately 4 million 15 thousand business units, of which 99.8% are MSMEs that generate 52% of the Gross Domestic Product (GDP) and 72% of employment in the country; 97.9% of the units correspond to the Manufacturing Industry, Trade and Services; 87.2% of the employed personnel correspond to the same sectors (Proméxico, 2017). According to the INEGI (2014) cited by (Peña, Aguilar and Posada, 2017), the life expectancy of companies in Mexico at birth is 7.8 years, the state of Yucatan is above the national average with 9.1 years, the municipalities of Kanasín, Ucú, Conkal, Mérida, Umán and Progreso are above the state average with 9.4 years, in the state the manufacturing sector has an average of 8.4 years, the trade sector of 6.6 years and the sector private non-financial 8.3 years.

Literature Review

At present, micro and small enterprises (SMEs) play an important role in the economy, "Micro, small and medium enterprises represent the vast majority of existing international, national and regional, also generating more than 50% of the jobs and the Gross Domestic Product "(Obregon, Gutierrez, Moreno and Valenciana, 2014, p.468)" These are considered the main generator of jobs, the best income distributor among the population and between the regions, they are indispensable for the Large companies exist and are a central factor for social cohesion and economic mobility of people (Urias, Cota and Aguilar, 2013, p.83) cited by (Cruz, Padilla Velderráin, 2014).

In our country has grown considerably the number of small and medium enterprises therefore in income, jobs and profits but with a minimum of employees equivalent to two compared to other countries which indicates that the entrepreneur himself is the employee, ie auto employs.

But as new small businesses are created there are also a large number of companies that disappear in very small times because their market share deteriorates (Arriaga, López and Olivares, 2013) derived from different factors (internal and external) that they prevent to be competitive in the market, in spite of the support and stimuli on the part of the government so much at national and state level their level of survival is very short.

There are different studies that mention what are the internal and external factors that can become problems of different nature for its operation and permanence in the market, internally lack of business management, market aspects such as lack of publicity, factors related to the company that causes the closing of the MYPE from a market analysis are the location, not knowing the competition, the advertising and marketing applied in the company, and the low sales.

Among the different variables that contribute to deciding the ultimate success or failure of a business, choosing a correct location is undoubtedly the most important. This decision is the one that usually takes most of the investment, and is also the most difficult to correct in case of having been confused. (Sánchez-Bayton, 2018).

Also, if the chosen location is especially bad, the business may never be successful, even if it has adequate financing and superior managerial skills. National chains recognize so clearly the importance of the location that thousands of dollars spend on researching places before establishing new stores. The choice of a good location is much more vital for some companies than for others.

There are five factors that determine the optimal location of a company: The accessibility of the client, availability of resources, personal preference of the entrepreneur, availability and costs of the place, and the conditions of the business environment. (Molina, 2018). Consumers will buy their products in those establishments that are closest to them. That is, distance influences the formation of preferences by consumers and, therefore, in the location decisions of the entrepreneurs.

(Kotler and Armstrong, 2014), authors of the book "Fundamentals of Marketing", define advertising as "any paid form of presentation and non-personal promotion of ideas, goods or services by an identified sponsor".

Advertising is not only the solution to the low sales that a company may be generating, but it is also a great opportunity to find potential customers willing to buy. (González, 2018). Advertising in the world of small and medium-sized companies has focused on one objective: to sell more and obtain greater benefits.

Advertising investment and especially in this era, in which sophisticated communication systems proliferate, requires a prior effort of situation, reflection and decision to face the challenge. Advertising must be an effective investment. (Rivera, 2018).

The sale can be defined as the operation by which a person transmits to another person the property that they have over an asset or right, in exchange for a certain price. It can also be said that the sale is the transfer of ownership of a product in exchange for compensation in money, service or species (Arthur Andersen, 2018). It is a dynamic process and obeys a cycle, which requires time, planning and tactics to achieve optimal results.

Marketing has a great impact on the reputation of our company. The greater the reputation of a company, the greater the effect on sales.

Internal factors	External factors
- Sales and market issues (advertising)	- Excessive red tape and bureaucratization
- Delegation of responsibilities and decision making	- Competition between the same MSMEs and large companies
- Inefficiency problems in production and inventories (Inventories of immobilized and obsolete inventories).	- High financing costs
- Irregularities in collections	- Lack of accessibility to specialized financing programs in MSMEs
- Succession and problems between generations	- Lack of fiscal incentives
- Poor general management	- Lack of sharing financial risks with the entrepreneur,
- Personnel management and poor hiring.	- Lack of ethics
	- Piracy in the market
	- The increase in the general price level
	- Opening of large companies
	- Disadvantages in commercial treaties
	- The exchange rate
	- Tax Reform

Table 1 Internal and external factors that affect the growth and permanence of Micro and small companies in the market

Source: Own elaboration based on information from (Anzola, 2010) cited by (Corral, Bravo, Carrillo and Bustamante, 2014) and (Domenge and Belausteguigoitia (2010), cited by (Cruz, Padilla Velderráin, 2014)

As can be seen, nowadays it is a challenge for these companies to achieve their growth and permanence in the market and be competitive. The MSMEs have great advantages of knowledge of their economic environment as well as their facility to be managed since their activities and operations are not complex.

However, it also has great disadvantages since not having sufficient economic resources, can not sometimes plan to grow, putting their existence at risk (Anzola 2010) cited by (Corral, et al., 2014).

Methodology

The present investigation was made based on the quantitative research approach, whose data analysis allows to quantify in a descriptive way the information generated with the valuation of the instruments applied in the inactive micro and small enterprises of the city of Mérida, Yucatán (Hernández, Fernández and Baptista, 2010).

General instrument

The questionnaire used, consists of forty-eight items, composed of the following segments: the first part integrates the characteristics of the company, which is composed of fifteen items; the second part considers the recording of the general data of the director, or of the person who provided information with eight items; the third part is made up of information associated with the inputs of the system with four items; the fourth part integrates the processes of the system with six items; the fifth part registers the results of the system with seven items; the sixth part contains the organizational structure with two items and the seventh part contains the causes of the closing of the MYPE with six items.

With respect to the instrument, the item associated with the factors related to the closing of the company, located in the seventh part of the instrument, is considered for the analysis of the information, considering the aspect of the analysis and description of the information market.

Sample and sampling

To select the sample of managers and representatives of the Mypes, to determine the study subjects to whom the instrument was applied, which consists of forty-eight items, the questionnaire was designed to study the "Factors that determine or put at risk the closure of micro and small businesses in Latin America", series B (Peña, Aguilar and Posada, 2017); the instrument was filled by the managers or representatives, owners of the companies subject to study.

The mechanism for stratifying the data to determine the sample established by Hernández, Fernández and Baptista (2010) was considered for the calculation, see table 2, with a confidence level of 95% with a variability of 0.5 and an estimated error of 5%.

	Micro companies			Small companies			Total	Proportion	Total Sample
	Municipalities ZMCM	Micro	Proportion	Sample	Little	Proportion			
Conkal	358	0.00651917	2	17	0.0039489	1	375	0.00633232	3
Kanasín	2469	0.04496039	16	124	0.02880372	1	2593	0.04378588	17
Mérida	46456	0.84596194	299	3761	0.87363531	24	50217	0.84797366	324
Progreso	3519	0.06408085	23	241	0.05598142	2	3760	0.06349206	25
Ucú	96	0.00174816	1	4	0.00092915	1	100	0.00168862	2
Umán	2017	0.03672949	13	158	0.03670151	1	2175	0.03672746	14
Total	54915		354.381153	4305		29.8634146	59220		385

Table 2 Stratification for the calculation of the sample according to the municipality of the Yucatan study
Source: Own elaboration based on information from INEGI (2014)

A sample of 385 companies was determined, of which a total of 391 questionnaires were applied. For the present investigation the total sample was considered to inactive companies (a total of 132 questionnaires were applied to inactive companies), which is why for Mérida 108 inactive companies are considered object of the present study and the rest to municipalities of Yucatan.

Results

The results that were obtained with respect to the inactive companies and the linking of the factors related to the company (market aspects). The way of locating the owners was first to identify the closed business by means of observation, through advertising in the business, later researching to locate it. This document uses an analysis of the variables that make up the first segment of the market item, in a descriptive way, considering internal and external factors for its interpretation (see table 3).

Internal	External
The location where my company was located.	The products and / or services of the competition were better.
Marketing and advertising were not sufficient or effective.	Low or no sales

Table 3 Internal and external factors related to the company

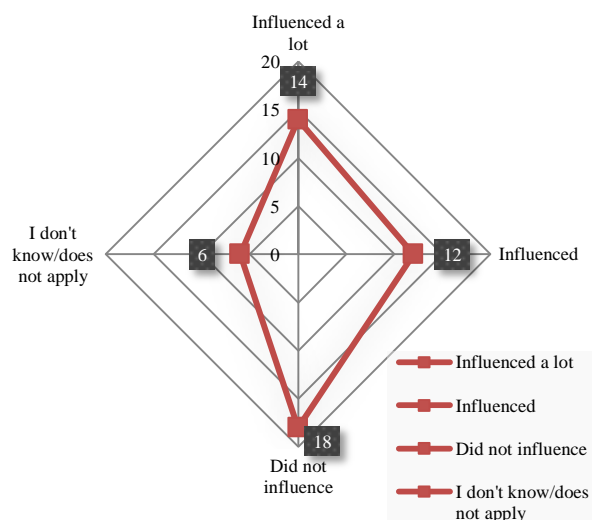
Source: Own elaboration based on the instrument designed by (Peña, Aguilar and Posada, 2017)

The previous classification allows knowing, the level of impact that the management of the company's own resources presents with respect to external influence.

1 Internal factors

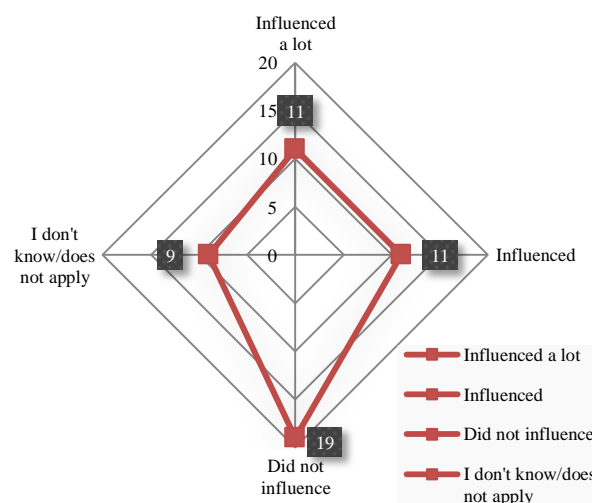
The first aspect of the market "The location where my company was located" showed information that indicates with respect to the location where the company was, 28.0% and 24.0% indicated that it had a great influence and included the location, due to the above, more than the arithmetic mean, it took the decision to close considering the location (52.0%), as can be seen, the location has a weight in the closing of the Mype companies.

The Nobel prize for economics Leonid Vitaliyevich Kantorovich (1975) Theory of the optimal location of resources, is applicable to maximize the effectiveness of economic variables such as productivity, raw materials and labor (see graph 1).



Graphic 1 The location where my company was located
Source: Self Made

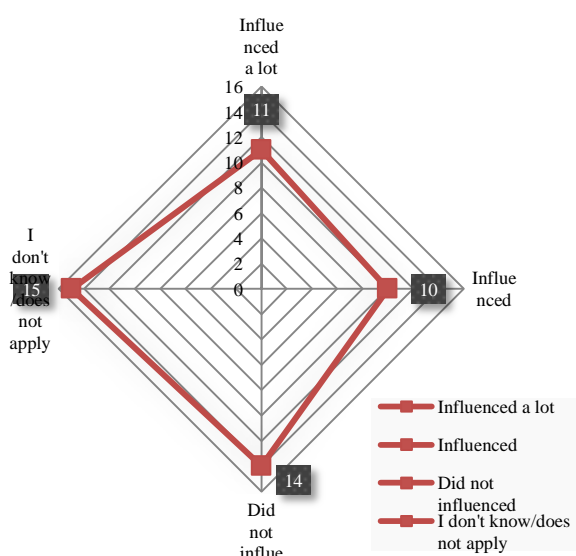
In relation marketing and advertising were not sufficient or effective. The 22.0% and the 20.0% mentioned that it influenced a lot and influenced the lack of marketing and publicity, 28.0% indicated that the lack of marketing and publicity did not influence, 30% of study subjects do not know the information. The lack of marketing and publicity to invest in most of the time depends on the economic sector to which the business belongs, since it is not the same as it is required to acquire the industrial sector than in the commercial sector; One of the disadvantages that micro and small businesses have is the lack of advertising investment. This variable was not enough to survive and determines why companies close in the market. Entrepreneurs do not give due importance because they are immersed in other problems. (See graphic 2)



Graphic 2 Marketing and advertising were not sufficient or effective
Source: Self Made

2 External factors

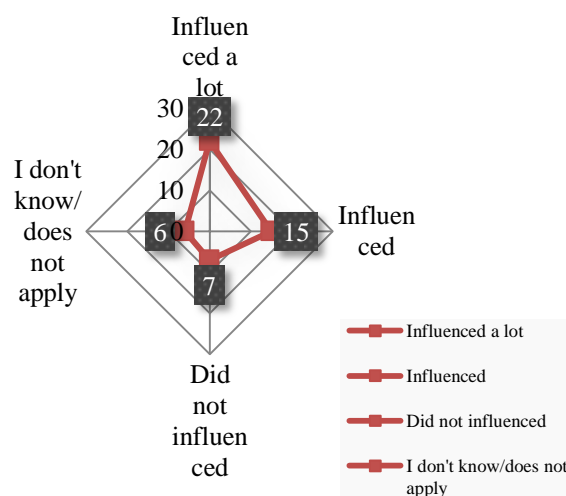
With regard to the products and / or services of the competition were better, 22.0% and 22.0% indicated that it influenced a lot and included respectively that the competition were better, for the previous thing. 39.0% mentioned that the competition did not influence, the remaining percentage indicated that they do not know or do not know. Competition is a common variable in micro and small companies given that another disadvantage they have is ignorance of the market for decision making, they also do not have a methodology to analyze the competition in their market (See graphic 3).



Graphic 3 The products and / or services of the competition were better

Source: Self Made

On the other hand at the time of being questionable the associated variable low or zero sales. The 44.0% and the 30.0 mentioned that it influenced a lot and influenced the low sales, therefore, more than the arithmetic average made the closing decision considering the sales (74.0%), 14.0% indicated that it did not influence the low sales and finally 6.0% answered that they do not know. Derived from the foregoing, it can be mentioned that the entrepreneurs subject to the study consider low sales to be a factor in the closure of micro and small businesses. (see graphic 4).



Graphic 4 Low or no sales

Source: Self Made

The correlation coefficient of the level (very influenced and influenced) of the internal variables is equal to 0.52000, that is, there is a positive correlation in the internal factors, related to the causes of the closure of the company. The identified kurtosis is positive with a value of 1.81315, called kurtosis leptocurtica, since the values that are generated are higher than the average (with respect to the values of positive influence, nevertheless when considering and integrating the negative values and of ignorance to the positive kurtosis is symmetric with a value of -0.04637).

Discussion

The final results of the market aspects of the micro and small companies that lead to the closing of the market, has that 52.0% influenced that the location where the company was located, 74.0% the low and zero sales influenced for the closing. Making the comparative status of secondary information of other authors is in a study published by the PyME Observatory (2002) it is noted that 36.4% of SMEs have less than 9 years of operation, while 18.6% have between 9 and 12 years of being in the market and that 45% of them have more than 12 years of operation (Maturano, 2014).

Although it can be seen that most of the small Mexican companies have more than 10 years of operation, the recently created ones have high mortality rates: according to ECLAC (2003) in the underdeveloped countries between 50% and 75% of the Newly created SMEs cease to exist during the first three years.

In the case of Mexico, 90% of these newly created companies go bankrupt five years after starting operations (Hernández & Martínez, 2011). The consulting firm KPMG (2009) points out that 70% of the newly created companies do not last more than three years in operation. For Centro Crece (2010), 75% of the new Mexican companies must close their operations just after two years in the market, while degerencia.com site indicates that 50% of the companies go bankrupt during the first year of activity, and not less than 90% before five years cited by (Maturano, 2014). As can be seen the study of financial variables as a determinant of the closure of the MSEs, its study is of the utmost importance given that it can provide an overview of why the MSEs are closing and preventive or corrective measures can be taken to reduce this situation.

Conclusions

It is concluded that the MyPE are the job generators for this reason are important for the nation, contribute more than 90% of GDP in the state of Yucatan. The results are overwhelming the lack of sales and location are the two variables that cause the greatest closure within the market; For this reason, it is advisable to make known the different instruments, techniques and existing theories that are successful in their application for the location and increase sales, analyze in an operative and evaluative way according to what the company needs. Finally, look for external personnel to advise on market issues for the best decision making.

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