

Approaches to small firm marketing: challenges and opportunities

Abstract

This paper explores approaches to marketing by small firms in Ireland. Specifically the research studies the experience of small firms based in Donegal. The objective of this study was to identify the usage levels and effectiveness of marketing within small firms in Donegal. The researchers used both qualitative (depth interviews) and quantitative (survey) research to collect data from the target audience. Three primary issues emerged from the research. Firstly, small firms are limited by time and resources when trying to pursue marketing activities. Secondly, there is a lack of engagement with public bodies providing support and funding. Thirdly, there is a subsequent lack of marketing/business graduates being employed by small firms in Donegal. The findings of the study indicate that there is a need to improve the provision of marketing support to small firms, whether it is consultancy work by business/marketing specialists or support and guidance from government agencies.

Keywords: Marketing, Small firms, Irish Economy, Donegal.

Introduction

A primary issue in relation to small firm marketing practices is that they have historically been assessed in the context of existing models based on large firm practices (Coviello *et al.*, 2000). This is the main reason why small firm marketing has been criticised as non-traditional, informal, short-term and non-strategic (Anderson *et al.*, 2004). It is increasingly accepted that many traditional marketing theories are not applicable to small businesses due to the unique characteristics

exhibited by these firms (Brooksbank *et al.*, 1992, Carson and Cromie, 1995; Hill and Wright, 2001). However, it is recognised that small firm owner-managers do engage in marketing, but that the form this marketing takes is not fully understood (Hill and Wright, 2001; Blankson and Stokes, 2002). In recent years, the subject of market orientation has received a great deal of attention from marketing scholars. However, while much attention is given to small businesses by policy makers, practitioners and academics, there is little research on market orientation within the small business sector (Blackson and Cheng, 2005). This is surprising in view of the fact that the small business can be considered as a fundamental element of a modern economy. In Ireland small firms account for just under a quarter of industrial employment (CSO, 2006).

Stokes and Blackburn (1999) contend that while traditional marketing is conceived of as a deliberate planned process which proceeds from a careful identification of market needs by formal research. Small business marketing involves informal, unplanned, activity that relies on the intuition and the energy of an individual (i.e. the owner-manager) to make things happen (Carson *et al.*, 2001). According to Stokes and Blackburn (1999) it is understandable that small business owners give marketing a low priority compared to the other functions of their business, often regarding marketing as 'something that larger firms do'. Strategic marketing decisions within a small firm are decisions of significant importance to financial performance, long-term survival and have significant impacts upon all functional areas of the business (Jocumsen, 2002). Poor strategic marketing decisions (Kotler,

2000) and an inadequate understanding of how small businesses make their strategic marketing decisions (Culkin and Smith, 2000) have the potential to lead to poor performing businesses. Simpson *et al.* (2005) point out that studies have consistently shown that firms which were marketing orientated or competent practitioners of marketing, performed better in terms of return-on-investment and in terms of their market share.

Small firms and marketing

In practice marketing in small firms relies on personal contact networks (Hill and Wright, 2001) and is often driven by the particular way an owner-manager does business. Thus, according to Gilmore *et al.* (2001) marketing in small firms is haphazard, informal, loose, unstructured, spontaneous and reactive. However, Pelham (2000) quoting Levitt (1960) suggests that firms who adopt a marketing philosophy and convert it into actions should have superior performance. Therefore, marketing is seen as a key role in an organisation and should be used to grow and develop the business. Kotler (2003) explains that it is vital that marketing be used to help small firms to meet customer needs, because this is the only way to succeed in the competitive marketplace. Therefore, marketing should be at the forefront of business strategy so that the small firm can be in a stronger position to compete and survive. With regard to research concerning the influence of marketing on the performance of small firms, Chaston and Mangles (2002) explain that most of these studies examined the broader issues of the relevance of classical planning theory within the small firm sector.

Carson *et al.* (2001) propose that the lack of general management expertise and the limited number of customers will also influence the marketing processes employed by smaller firms. Chaston and Mangles (2002) propose that a study of small firms would reveal that only a very tiny proportion of owner/managers purchase market research reports on their sector of industry, or use techniques such as focus groups or surveys to gain a detailed understanding of customer attitudes. However, when we have visited many of these firms and persuaded the owner/manager to discuss his or her business, we have often been amazed by the depth of knowledge that many of these individuals have accumulated about their market, customer needs and the strengths and weaknesses of their competitors. The reason for this is that successful owner/managers are usually deeply committed to participation in what Carson *et al.* (1995) as cited in Simpson, (2006) defines as personal contact networks (PCNs). These networks include similar businesses, suppliers, customers and professionals such as accountants and solicitors.

Chaston and Mangles (2002) explain that most small firms have to accept that business life is extremely risky. This is due to the fact that events outside the firm's control can determine success or failure and most small firms lack sufficient power within the marketplace to have any real control over their own future destiny. The lack of control over destiny is especially the case in business-to-business markets, where often a change in behaviour among larger firms is the reason why owner/managers are forced to totally re-evaluate their future plans. An inherent problem facing most small firms is that of limited human resources, and minimal

experience in market research often mean the business has insufficient capability to rapidly identify and respond to external threats. Often it is after sales or profits have begun to decline that the owner/manager allocates time to trying to understand the causes of poor performance (Chaston and Mangles, 2002). The current economic crisis has meant that businesses we work with are for the first time dedicating time to marketing and beginning to understand the benefits. The functional management school emphasises the need for the smaller firm to adopt a more formalised approach to activities such as strategic planning and the installation of effective control systems Jocusen (2004). Although this rational decision making approach has received extensive coverage in the literature, there is still only limited evidence of links between the acquisition of these competencies and the subsequent growth rate of the firm (Denison and McDonald, 1995).

Stokes and Blackburn (1999) explain that many small businesses consider marketing as something pursued by large organisations. In agreement, Becherer *et al.* (2003) explained that this may be due to the education level of the owner/manager or their decision-making style. Becherer *et al.* (2003) found significantly less market orientation in businesses in which the leader has less formal education, and in businesses in which the leaders make all day-to-day and long-term decisions, as is likely to be the case in smaller firms (Carson *et al.*, 2001). Given the importance of business relationships with suppliers and customers small business owner-managers who understand and appreciate market orientation culture will be in a better position to put in place the necessary tactics and strategies needed to enhance the

coordination of relationships with suppliers and business customers (Kalafatis, 2000).

Many small firms have limited financial resources and thus face restrictions on the scale of their promotional activities. Hence, successful small firms recognise the critical importance of '*word of mouth advertising*' or '*customer referrals*'. The process offers two major advantages. Firstly, most consumers place greater trust in recommendations from satisfied customers than in any other source of market information. Secondly, word of mouth advertising requires no expenditure on the part of the supplier. Therefore, small firms work very hard on seeking to satisfy existing customers, because owner/managers recognise that such individuals can act as promotional emissaries for the firm in terms of directing new customers to them. For many small firms one of the critical factors influencing the effective communication of promotional messages is the ability of employees to act as providers of information to customers (Chaston and Mangles, 2002).

Methodology

In this research, data was collected in two stages: firstly, depth interviews were conducted. The interviews were conducted with six business activists from Donegal. The six interviewees included three business owners and three business support agency executives who have experience of running their own small businesses. A snowballing technique was used. Each interviewee was asked to nominate other potential interviewees. The interviews explored three issues: the usage levels of

marketing within small companies in Donegal; the marketing support that is available to small companies in Donegal; the gaps between the implementation of marketing planning and theory. The interviews were taped, transcribed, and superfluous material removed such as digressions and repetitions to assist the analysis. Narrative structuring (Kvale, 1996) was used to create a coherent story of the respondent's experience of integrating marketing practices into business actions. Secondly, a questionnaire was circulated to examine the practices of small firms in Donegal. Figures obtained from the Donegal County Enterprise Board (DCEB) identified 225 small firms. Of 225 questionnaires posted, 100 valid responses were received; a response rate of 45 percent. The questionnaire examined three key issues: the marketing practices of small firms; the usage level and effectiveness of implementing marketing strategies within the selected firms; and the marketing supports available to small firms. The data was coded and SPSS was used to produce descriptive statistics.

Findings from the survey of small firms

The survey results indicate that the managing director holds a dominant position in relation to marketing within small firms. This is not surprising. However, this finding has implications for the sophistication of the marketing techniques that are used by small firms. In sixty percent of cases, the sole decider of the marketing budget was the managing director. Furthermore, the tendency of managers to control marketing means that there is less likelihood of the small firm employing a marketing manager. Fifty five percent of the respondents indicated that they do not

have a marketing plan. Of those that do the authors question the suitability of the plan that these small firms are implementing. This question is linked to another finding from the survey which indicates that the majority of respondents don't employ or understand the following key marketing concepts: a marketing audit, Political, Economic, Social, and Technological analysis (PEST), the role of marketing graduates, and what is involved in undertaking New Product Development.

The majority of respondents (83%) revealed that they do not employ marketing graduates. The authors believe that making work placement an inherent part of higher education programmes would help to change these statistics. The majority of respondents (53%) agree that they could do more with regards to marketing activities within their firm. Therefore, business support agencies should try and create cost effective support that facilitate increased marketing activity. The majority of respondents (52%) agreed with the statement 'our firm views marketing as a complicated challenge'. Therefore, educating these respondents is an important element in small business development. Education would increase the knowledge of marketing which will in time have a strong influence on the return on investment from marketing for small firms.

Thirty six per cent of respondents agreed with the statement: 'It is difficult to put marketing theory into practice'. This highlights a gap between marketing theory and marketing practice. The authors believe that the theory aspect of marketing should

be made bespoke for small companies in order to create a more realistic picture for small companies who are burdened with limited time and resources. The survey also revealed that the majority (83%) agree that 'marketing is about understanding and satisfying customer need'. This finding indicates that small firms in Donegal are aware of the fundamentals of marketing and are familiar with some of the key concepts and use marketing in day to day operations within the firm. Ninety three per cent of respondents disagreed with the statement that 'Marketing is a waste of investment'. This indicates that small firms view marketing as a function that can potentially offer a return on investment. More needs to be done to highlight successful marketing by small firms so that reluctant managers can see value in investing in marketing expertise. Our experience with executive education is that exposure to business people who have invested in marketing is the primary catalyst to encourage executives to invest in a marketing function.

Forty one per cent of respondents agreed with the statement that 'It is difficult to evaluate and monitor the effectiveness of the marketing activities carried out within the firm'. Marketing by its nature is intangible and difficult to define and measure. The authors own experience having worked with small firms in Donegal, indicates that small firms gain confidence in marketing over time, and get to know what works for their business and disregard what doesn't work. The majority (89%) of respondents were dissatisfied with the level of marketing support that is available from government bodies to small firms in Donegal. Furthermore, (68%) of respondents were dissatisfied with the level of funding available. In total 54% of

total respondents do not receive help and advice from government bodies. Of those who do, the majority received help and advice from the DCEB and Failte Ireland.

Findings from the interviews with the six business activists

The participants acknowledged that marketing is vital for the survival, growth and development of small firms. The participants also view marketing as something that provides return on investment. However, typically small firms have limited time and resources. The result is that small firms don't properly utilise their marketing function to its full potential. During the interviews two participants revealed that initially they encountered small firms who considered the concept of marketing as 'scary' due to the intangible and complex nature of marketing. One of the participants stated that:

Those firms who see the bigger picture, for example, not the money that you spend but the returns on investment, are in a better position to grow and develop

(Interviewee 3)

All of the participants use and recommend the use of some form of marketing in the day to day running of a small firm. The interviewees felt that many small firms were unaware of their level of marketing. This is because the small firms don't have the theoretical background to distinguish between the different elements of their business plans. Evidence from the survey indicated that there is also a misunderstanding of marketing within small firms in Donegal. A lot of firms believe that it is for larger organisations and that you have to spend a lot in order to

make it work. Another common theme was that over time small firms gain confidence in marketing. One of the interviewees explained that:

Advertising of my companies training programmes is vital; if I don't have the advertisement in the local paper each week then I will be quiet the next week

(Interviewee 5)

Over time, firms understand what works for their company and what doesn't. The advantage for the small firm is that they can easily change the marketing plan due to the short communication lines in their firms when compared to larger firms. All of the participants stated that they have limited time and resources to pursue the marketing activities they would like, should time and monetary funds not be an issue. All of the respondents remarked that marketing should have played a vital role in the setting up of their firms. But due to time and resource constraints, this was not possible. However, one interviewee acknowledged that:

In the long-term we know that marketing is going to play a major role in our development. We need to sit down in 2009 and revise our business plan, and review marketing activities and budgets

(Interviewee 2)

The interviewees explained that the DCEB offered a lot of soft support, mentoring and advice. However, the amount of funding for small companies is limited. Two participants suggested that additional funding in the early stages of business development would be a great help. Another participant suggested that there is a lot of advice available for start-up companies; but not so much for existing firms.

The majority of participants believe that there is a mismatch between marketing theory and practice. One interviewee believed that marketing theory is great, but should only be applied if it suits the dynamics of the company in question. Three of the participants also suggested that a great deal of marketing theory is only relevant to the larger firm. Two interviewees agreed that when considering theory versus practice, experience is the key. Two participants agreed that graduates should only be employed in firms where the owner/managers are themselves academically qualified in marketing, and have an understanding of how the function can work for a small firm. This may indicate that firms who do not have an understanding of marketing are less likely to recruit graduates. The authors believe that educating key business decision makers on the importance of marketing is fundamental to increasing the number of marketing graduates employed by small firms in Donegal.

Recommendations for practice

Based on our experience of working with small firms and the evidence from this research we make five recommendations. Firstly, we recommend that education be provided to employees and employers who are not aware of marketing practices and how the function should be run. This would be one way to increase their readiness to recruit marketing/business graduates within Donegal. Secondly, this study indicates that employers who have an understanding of marketing are more likely to recruit graduates. The authors recommend that in house training and off-site workshops should be introduced and targeted at small firm owners/managers.

Thirdly, this study has revealed that fifty four percent of small firms surveyed do not have a marketing plan. The authors feel that a marketing plan is vital for determining where the firm wants to go and how they are going to get there. Therefore, we recommend that implementing a marketing plan should be a priority for small firms in the current economic climate. Fourthly, small firms in Donegal are in urgent need of marketing help and advice. Small firms now recognise that marketing is vital for their survival. They recognise that marketing is not just about placing an advertisement in a local newspaper once a week. It is a continuous and evolving process that must be monitored and evaluated in order to determine success. Therefore, we recommend that training initiatives targeted at start-up companies be supplement by 'refresher' initiatives which would grow the marketing capabilities of small firms. Finally, we recommend that higher education providers introduce a placement element into their marketing programmes. We believe that this would improve the employment prospects of graduates. Our experience with placements at post-graduate level indicates that this is the case.

Conclusion

The research findings indicate that limited time and resources are available to small firms in Donegal who wish to undertake marketing activities. The CSO (2006) indicate that the small business sector is a major contributor to the Irish economy, and therefore, should be allocated resources to help increase the level of marketing within small firms. This study has revealed that small companies in Donegal are

seeking help in relation to the implementation of marketing strategies. The findings from this research support the authors' experience that small firms gain confidence in marketing over time and they can determine what works for their organisation and leave behind those activities that don't work. Overall this study reveals that small firms in Donegal have an awareness of marketing, they know their market, competition, and know that in order to maintain growth and market share, they must continue to communicate their product offering to the right people at the right time using appropriate marketing techniques. Therefore, there is a need to provide improved marketing support and help, whether it is consultancy work from business/marketing specialists or support and guidance from government agencies. This study has also established that there is a lack of marketing graduates being employed within Donegal. Work placements would increase employer's awareness of the value of marketing, hopefully leading to increased employment for graduates.

References

- Anderson, A. and Zontanos, G. (2004) Relationships, marketing and small business: an exploration of links in theory and practice. *Qualitative Market Research: An International Journal*, Vol.7, No.3, pp. 228-236.
- Becherer, R. Halstead, D., and Haynes, P. (2003) Marketing orientation in SMEs: effects of the internal environment. *New England Journal of Entrepreneurship*, Vol.6, No.1, pp. 13-22.
- Blackson, C. and Stokes, D. (2002) Marketing practices in the UK small business sector. *Marketing Intelligence and Planning*, Vol.20, No.1, pp. 49-61.
- Blackson, C. and Cheng, J. (2005) Have small businesses adopted the market orientation concept? The case of small businesses in Michigan. *Journal of Business and Industrial Marketing*, Vol 20, No.6, pp. 317-330.

Brock, W. and Evans, D. (1989) Small Business Economics. *Journal of Small Business Economics*, Vol.1, No.1, pp. 7-21.

Brooksbank, R., Kirby, D. and Wright, G. (1992) Marketing and company performance: an examination of medium-sized manufacturing firms in Britain. *Small Business Economics*, Vol.4, No. 3, pp. 221-236.

Carson, D., Cromie, S., McGowan, P., Hill, J. (1995) Marketing and Entrepreneurship in SMEs: an Innovation Approach. Harlow: Pearson Education Limited, UK.

Carson, D. Gilmore, A. and Grant, K. (2001) SME Marketing in Practice. *Marketing Intelligence and Planning* Vol 14, No. 1, pp. 96-99.

Chaston, I., Mangles, T, (2002) Small Business Marketing Management 3rd Edition, New York: Palgrave.

Coviello, N. Brodie, D. and Munro, H. (2000) An investigation of marketing practice by firm size. *Journal of Business Venturing*, Vol. 15, No. 5/6 pp. 523-545.

CSO (2006) Small Business in Ireland. Stationery Office, Dublin: Ireland.

Culkin, N. Smith, D. and Fletcher, J. (1999) Meeting the information needs of marketing in the twenty-first century. *Marketing Intelligence and Planning*, Vol. 17 No.1, pp. 6-12.

Dension, T. and McDonald, M. (1995) The Role of Marketing Past, Present and Future. *Journal of Marketing Practice: Applied Marketing Science*, Vol.1, No.1, pp. 54-76.

Gilmore, A. and Carson, D. (2000) The demonstration of a methodology for assessing SME decision-making. *Journal of Research in Marketing and Enterprise*, Vol.2, No.2, pp. 24-36.

Hill J. and Wright, L. (2001) A qualitative research agenda for small to medium-sized enterprises. *Marketing Intelligence and Planning*, Vol. 19 No.6, pp. 432-43.

Jocumsen, G. (2004) How do small business managers make strategic marketing decisions? A model Process. *European Journal of Marketing*, Vol 38, No. 5-6, pp. 659-674.

Kalafatis, S. (2000) Buyer-seller relationships along channels of distribution. *Industrial Marketing Management*, Vol. 31 No.3, pp. 215-28.

Kotler, P. (2003) *Kotler on Marketing: How to Create, Win, and Dominate Market*, New York: Free Press.

Kvale, S. (1996), *Interviews: An Introduction to Qualitative Research Interviewing*, London: Sage.

Pelham, A. (2000) Market orientation and other potential influences on performance in small and medium sized manufacturing firms. *Journal of Small Business Management*, Vol.38, pp. 48-67.

Simpson, M., Padmore, J. and Taylor, N. (2005) *Marketing in SMEs*. Discussion paper series, Sheffield Management School. Available on-line at www.shef.ac.uk

Stokes, D. and Blackburn, R. (1999) *Entrepreneurship: building for the future*. Small Business Research Centre, Kingston University, London.