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**Marketing in Small and Medium Enterprises
A case study in Slovakia**

The position of Small and Medium Enterprises (SMEs) in global environment is inevitable and extremely important because of their significant contribution to the economic development. In recent competitive market society, the application of marketing principles is one of the fundamental preconditions of its success. Today, marketing must be understood as means of satisfying customer's needs. The author tries to emphasize these aspects by analysing of customer's behaviour in the Slovak Republic and by the process of implementing the marketing principles into the company policy.

Key words: small and medium enterprises, marketing principles, marketing communication, consumer's behaviour

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Introduction

Being based on this supposition, the first part of the paper focuses on the theoretical background of SMEs and the role of marketing in the SMEs. The second part analyses the secondary information about the SMEs and research studies about marketing in SMEs. In the third part, there are presented the results of research oriented on consumer's behaviour in the Slovak Republic. The final part is reserved for the main remarks and recommendations.

General and Theoretical Background

The definition of small and medium enterprises is different. We can define the concept of SMEs by following three aspects:

- Recommendation of the European Commission 2003/361/EC, which replaced previous Recommendation 96/280/EC. This recommendation concerns the definition of micro, small and medium-sized enterprises used in Community policies applied within European Union and the European Economic Area and it is addressed to all Member States, the European Investment Bank (EIB) and European Investment Fund (EIF). (Vokorokosová et. al., 2010) (see Table 1)

Table 1: Definition of SMEs according to Recommendation 2003/361/EC

Category of Enterprise	Number of employees	Annual turnover	or Annual balance sheet
Micro	< 10	≤ 2 million €	≤ 2 million €
Small	< 50	≤ 10 million €	≤ 10 million €
Medium	< 250	≤ 50 million €	≤ 43 million €

Source: <http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/>

- Recommendation of Slovak Republic 231/1999 concerns the definition of small, medium-sized and large enterprises depending on the number of employed persons:
 - Small sized enterprise: between 1 and 49 with the turnover less than 7 million Euros or with the annual balance sheet total of no more than EUR 5 million.

- Medium-sized: between 50 and 249 with the turnover less than EUR 40 million or with no more than 27 million Euros.
- Large enterprise with more than 250 persons and more than 40 million Euro of turnover or more than 27 million Euro of annual balance sheet.
- Recommendation of Statistic Office of EU based on the classification by number of employees:
 - Small – till 20 persons,
 - Medium- sized – till 100 persons,
 - Large – more than 100 employees.

In practice and in the article, the definition of small and medium-sized enterprises has been expressed only by the number of employees based on the Recommendation of the European Commission 2003/361/EC.

The prosperity of SMEs is the key factor of achieving a higher economic growth and new jobs creation. SMEs have a chance to use the opportunities offered by the globalization process, knowledge based society and accelerated changes in the environment, especially in the technological environment. One of the possibilities how to succeed in the market is to implement the marketing principles into the firm's policy or strategy.

Kotler (2005) had defined marketing as a "social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging value-with others." Stabell et al (1998) explains two main purposes of the marketing within the value chain. The first of all, it defines specifications of the product what is linked with estimation of the potential demand. The second purpose of marketing is to "simulate the level of demand" of the product to secure its stability of its operations. For the firm it is necessary to build the relationship between sellers and buyers and to create specific value, that product represents, for customers "in order to capture the value from customers in return". (Kotler, 2005) The marketing process represents a five-step model, which follows the definition about marketing. The process starts with an orientation to customers and their needs. The company can gain information about customers' preference, by analysing their needs, and thus it can create the value for them. It is the way how to build long-term relationships by covering their needs. The final step represents capturing the value from customers in form of profit creation and sustaining the long-term relationship. (Kotler, 2005) One of the ways how to capture it is through the consideration of market orientation, where market orientation represents "the organization-wide generation of market intelligence pertaining to current and future customer's needs" that is combine with "coordinated approach to marketing and a focus on profitability." (Halpern et al, 2007)

The implementation of marketing principles into the firm's policy is different and influenced by the conditions and environment in which businesses were operating.

Marketing of small businesses is limited by the finance, markets, smaller amount of products and also by the knowledge and experiences in the marketing management. Therefore it has also advantages as considerable orientation on consumers, closer cooperation with the customers, the minimum of intermediaries, great flexibility and enthusiasm of entrepreneur. Marketing activities in medium – sized enterprises are similar to activities in small-sized enterprises. There are a few differences such as orientation to the customers and building relationship with customers and also in using of marketing mix.

State of SMEs and the role of marketing in SMEs in Slovakia

The role and relevance of SMEs were presented by Günter Verheugen (2009) "We still need more and more small and medium enterprises, because SMEs are the real source of growth and new jobs". SMEs are employing around 80 million inhabitants of EU and creating around 70% of all jobs and 60% of GDP of EU. According to Eurostat Database there were 20,7 million

small and medium-sized enterprises in the EU-27 non-financial business economy in 2011 and SMEs account for over 99% of all enterprises (92,2% of all enterprises are micro-firms with less than 10 workers. (see Table 2)

Table 2: Key indicator of non-financial business in the business sector, EU-27, 2010

	Number of enterprises			Employment			Value added		
	Slovakia		EU-27	Slovakia		EU-27	Slovakia		EU-27
	No.	Share	Share	No.	Share	Share	No.	Share	Share
Micro	47.076	71,0%	92,1%	136.290	13,9%	29,8%	4	16,1%	21,6%
Small	16.858	25,4%	6,6%	221.847	22,6%	20,4%	5	18,8%	18,9%
Medium	1.915	2,9%	1,1%	202.271	20,6%	16,8%	4	17,1%	17,9%
SMEs	65.849	99,2%	99,8%	560.408	57,2%	66,9%	13	52,0%	58,4%
Large	500	0,8%	0,2%	419.880	42,8%	33,1%	12	48,0%	41,6%
Total	66.349	100%	100%	980.288	100,%	100%	15	100%	100%

Source¹: SBA 2010/2011

In Slovakia, the number of SMEs were accounted at 99,2% of all enterprises while the large companies represented only 0,8% of all enterprises in 2010.

Figure 1 shows the overall structure of jobs in the business economy in Slovakia. Micro-sized enterprises had expressed the highest shares (39,60%) in the employment rate. Large enterprises had the second position in the employment rate (27,8%), while medium-sized had only 15,60% and the small enterprises had just 17%.

Many authors had written about the main reasons for the discharge of businesses (Šebestová, 2005; Pasanen, 2003) such as underestimated amount of capital, the insufficient marketing, the limited planning and failure of competitiveness etc. The aim of the marketing is to meet and satisfy target customers' needs and wants. Understanding of customers' needs is not simple, because the research or enquiring about their needs and answering the questions takes a long time to realize the research, moreover after realizing the research, customers may do another one.

The following part of the article will present some results of research in the Slovak Republic, which was oriented on the marketing, customers' behaviour, marketing communication in the SMEs.

According to the research of AKO, Slovakia organisation the respondents answered many questions about the role of marketing in their businesses, the marketing management and the exploitation of marketing communication in SMEs. Small and medium sized companies were the target group of the research based on the number of employees. Only 137 (14%) questionnaires were returned back from 975. In this research, more than 60 % of companies find marketing necessary, for small-sized companies is marketing financial challenging (50%) and for 47,1% of respondents marketing is a tool for their company presentation. SMEs have been expressly linking for the promotion on the Internet, because by their experiences the promotion by the Internet has brought the biggest increase on the sales (63%). For 22% of respondents the promotion in the newspaper is very important for their sales.

¹ Data for Slovakia refer to 2010, Structural Business Statistics Database (Eurostat), based on 2002-2007 figures from the same source and have been produced by Cambridge Econometrics. The data cover the 'business economy' which includes industry, construction, trade, and services (NACE Rev. 2 Sections B to J, L, M and N) based on equivalent shares in NACE rev 1.1. The data does not cover the enterprises in agriculture, forestry, fishing or the largely non-market services such as education and health. The advantage of Eurostat data using is that the statistics from different countries have been harmonised and they are comparable across countries. The disadvantage is that for some countries these data may differ from data published by national authorities.

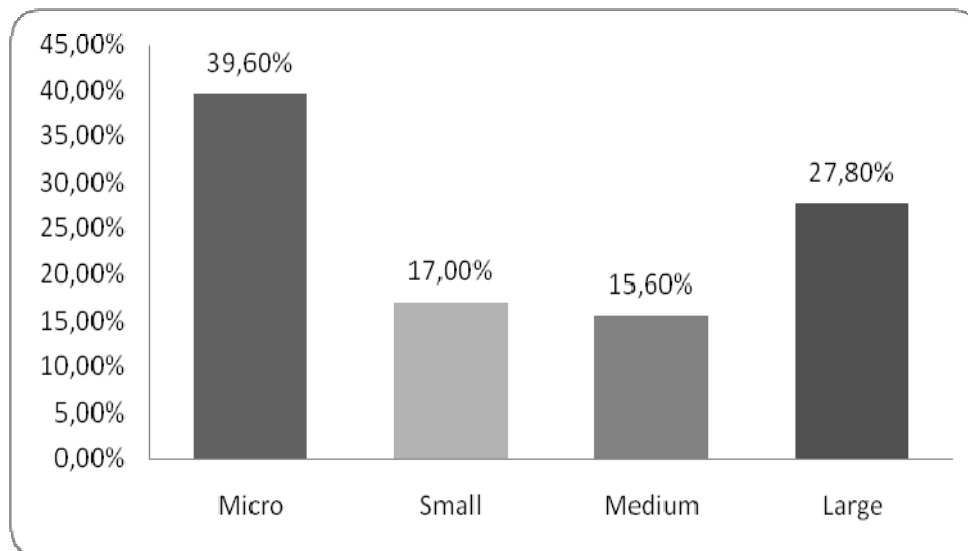


Figure 1: Overall structure of jobs in the business economy in 2011 in Slovakia

Source: [online: www.nadsme.sk/sk]

According to the research results of the company GfK Slovakia “Slovak Internet Monitor” (2010) with one thousand respondents at age 15-79, more than half of the respondents were using the internet at least once a month or more frequently as a source of the information about products or services offered by firms, or for their purchases. This research has accounted, that the promotion by the web site of the company was also necessary.

Methodology

The article tries to analyse the state of small and medium-sized enterprises in Slovakia and the role of marketing in the SMEs. The other aim of the article is to find out the answer for the research question: “What kinds of tools are used by a consumer as a source of product information?”

The field work was carried out in three steps: the first step is literature review about the main ideas, such as small and medium enterprises and the role of marketing in SMEs. The second step is data collecting about the state of SMEs in Slovak Republic (latest) and previous research studies about the subject. The third step is marketing research.

Kotler and Armstrong (2012) said that “marketing research is the systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization. Companies use marketing research in a wide variety of situations. For example, marketing research gives marketers insights into customer motivations, purchase behaviour, and satisfaction. It can help them to assess market potential and market share or measure the effectiveness of pricing, product, distribution, and promotion activities.“. The objective of the research is descriptive.

The procedure for collecting information was a questionnaire. It has been the method of choice in several research studies about the SMEs and marketing (AKO, Poon and Swatman, 1997 etc.). Link to online questionnaire was sent to friends, families, students, employees by social networks. The selection was based on the willingness of respondents to answer. The sample size was 250 respondents, but only 207 of respondents were valid.

Most of the survey respondents were young people between 18-24 years old (almost 44,90%), although there were respondents of all ages as shows *figure 2*.

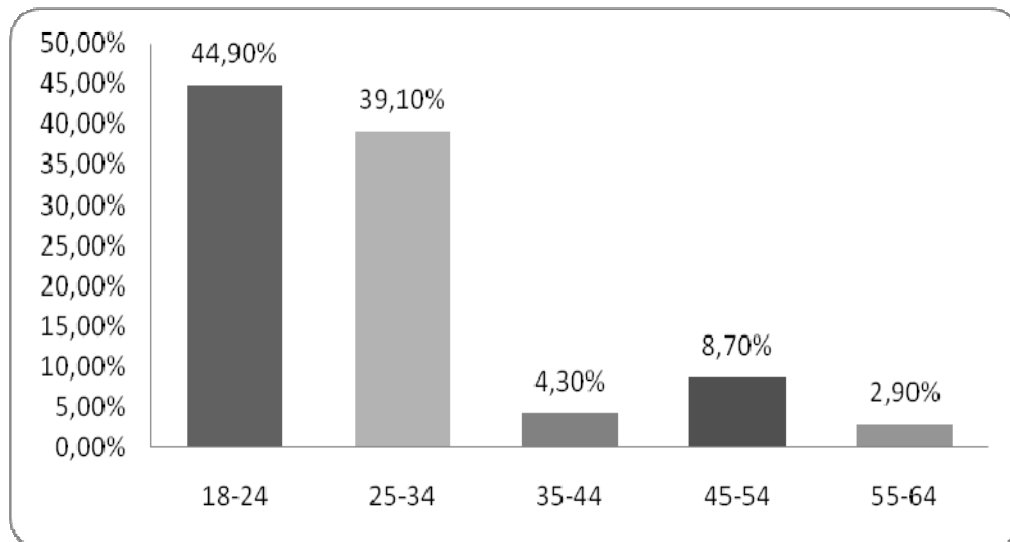


Figure 2: Age of respondents in Slovakia

Source: author's own work

Results of the research

According to the point of the article, the research was oriented on the consumer behaviour in the Slovak republic. The target group included users of the Internet in Slovakia. The size of sample was 207 respondents who answered the questions at the following areas: online and offline tools for obtaining information about the products, other tools and the ways of complaints. As the *figure 3* shows, man (63 %) had participated on research much more than women.

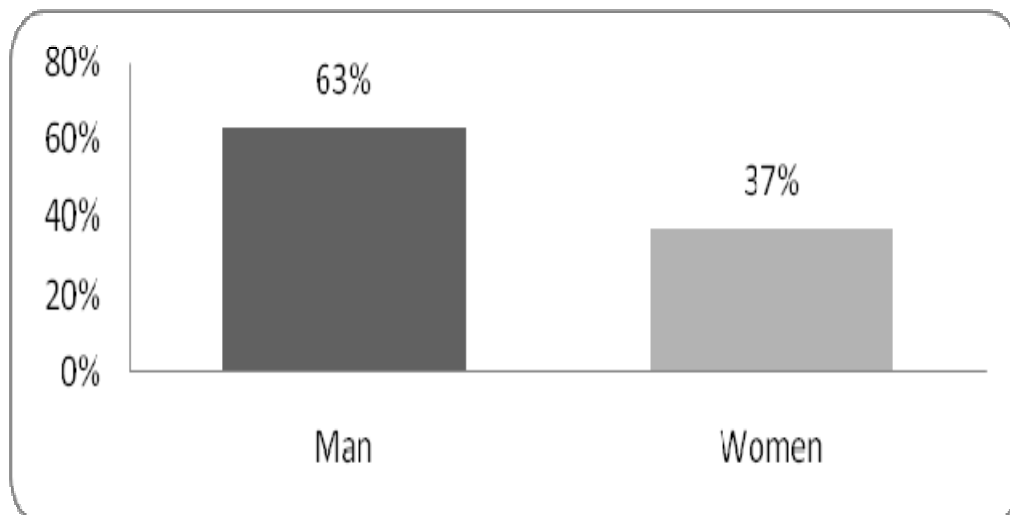


Figure 3: Gender of respondents

Source: author's own work

The following *figure 4* deals with the on-line tools as a source of information about the product. For the respondents were the web site, blogs (47,3%) and Internet search engine (34,8%) the most important tools for getting the information about the products. Sometimes respondents used the internet search engine to compare the product prices (40,6%). Opinions and pieces of advices in the social network and e-mail are unacceptable tools how to get information about the product.

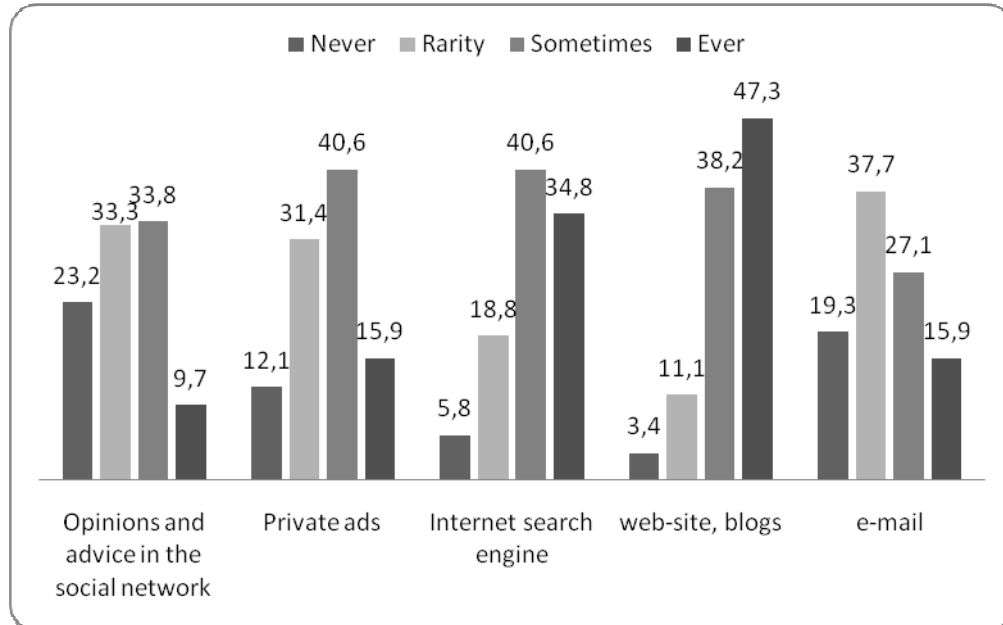


Figure 4: On-line tools as a source of product information (in %)

Source: author's own work

From the off-line tools, many respondents found the information about the product through traditional retail outlets (23,32%). More than 60% of respondents had sometimes received the information from friends and family.

For the research, it was important to identify the tools interesting for customers by the nature of business: fashion, travelling, electronic, books and CD, DVD-s. For the fashion shops is visual promotion of retail outlet very important, because 72% of respondents used the retail outlets for buying the clothes. Only 19,8% of respondents preferred online shopping.

In the area of travelling, for more than 67% of respondents internet was overbearing manner how to get information about the destination etc. The internet is also most important tool for 51% of respondents who wanted to buy some electronics. For more than 45% of respondents was internet very important tool for getting the information or buying some books, CDs etc.

Figure 5 shows that more than 35,1% of respondents would take advantage of personal visit on the retail outlets in case of claim, but only less than 3% of respondents would use the web (skype or online chat) for complaining.

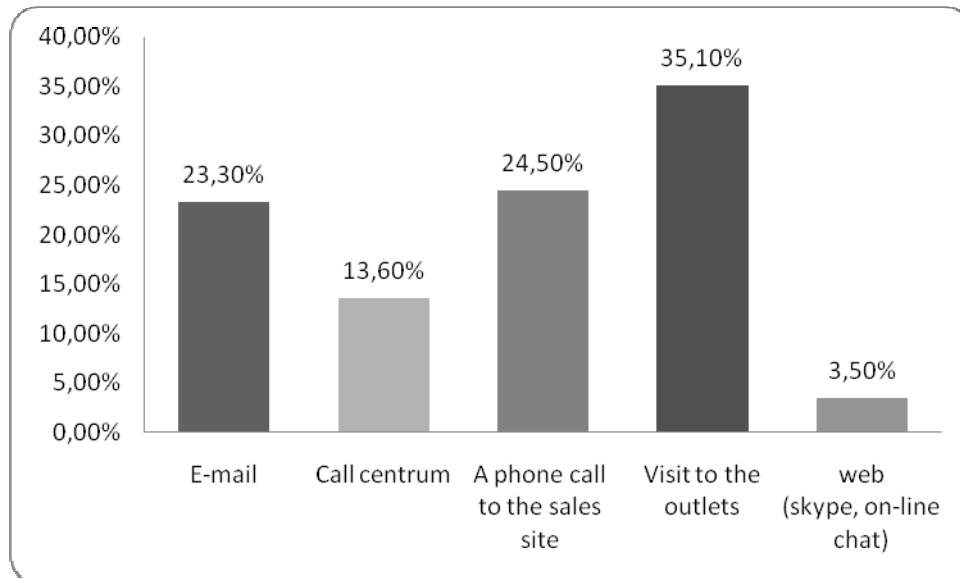


Figure 5: Channels of claims
Source: author's own work

Final remarks and recommendations

The importance of SMEs in economic development of EU-27 is very high as mention in the article below. Therefore it is not only necessary to create legislative and economic environment, but also to use the marketing as a tool to get competitiveness.

The results of this article suggest using the web site and internet, blogs as important information tool for customers. SMEs should invest finance on web – sites of their companies and give all necessary information about the products portfolio to potential customers. The second tool used by customers is private advertisement. All of the online or offline tools being used by customers depend on the scope of business.

I have suggested the following points for the SMEs. It is important:

- to analyse the situation on the market and try to do some research oriented on customers, e.g. using the questionnaires with a few questions concerning the retail outlet, customer's needs and wants, products and other tools of marketing mix,
- to improve the presentation of enterprise by web – site and other kinds of the internet marketing,
- to prepare the signboard containing all the products in the retail outlet for simple orientation in space;
- to build the relationships with customers by the better post purchase services;
- to prepare the marketing plan;
- to be opened for new ideas.

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