Marketing in SMEs: A proposed ‘4 Ps’ model

Abstract
Purpose. This paper is seeking to define the role of marketing in SMEs and to consider the extent to which traditional marketing theory and practice apply in a small business context.

Method. A qualitative, exploratory approach using semi-structured in-depth interviews amongst 20 owners of SMEs.

Results. Marketing in SMEs has no common definition but is focused on meeting customer needs by activities such as networking, building long-term customer relationships, word of mouth communication and through the personal branding of the SME owner.

Conclusion. Traditional definitions of marketing need to take account of the unique characteristics of SMEs and dispel some of the myths surrounding marketing theory and practice. SME marketing is effective in that it embraces many original concepts of marketing and adopts the concept of personal branding, which is an attribute that large organizations cannot replicate. A ‘4Ps’ model for SMEs is proposed, which encompasses the attributes of personal, (co)production, perseverance and practice.
Introduction
Mainstream marketing theories (for example, Brassington and Pettitt, 2007; Kotler et al., 2008; Jobber 2009) focus on aspects such as planning, marketing research, advertising and the implementation of the marketing mix (4Ps and 7Ps). These theories are more typically designed for large organisations where financial resources and marketing expertise are readily available. Large organisational models applied to the small firms setting have been criticised in the existing literature (for example, Gilmore et al., 2001) and the broad marketing textbook definitions, such as marketing as ‘a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and values with others’ (Kotler et al., 2008:7) may not necessarily apply to the small firm context. SMEs have their own unique characteristics, with their marketing activities often restricted by limited resources and marketing expertise. The importance of small firms for the vitality of the local and world economy over the last 10 years (Deakins and Freel, 2009; Hill, 2001a; Hill and McGowan, 1999; Lin, 1998; Walsh and Lipinski, 2009) suggests that marketing within SME is an important business activity, which could contribute to their growth but there is a need for further research to identify what marketing means and how it is practised within the small business sector (Blackson and Stokes, 2002). Hence this study aims to explore the role of marketing in SMEs by understanding how SME owners perceive and practise marketing within their different business contexts and to consider the extent to which traditional marketing theory and practice can apply in small businesses.

Characteristics of SMEs
There is a general consensus that SMEs do not behave in the same way as large organisations (Culkin and Smith, 2000), particularly in relation to responding to the dynamic business environment (Hill, 2001a; O’Dwyer et al., 2009), experiencing resource constraints (Walsh and Lipinski, 2009) how the organisation is structured (Culkin and Smith, 2000) and management style adopted (Boohene et al., 2008). The fundamental difference however is that the presence of SME owners / managers are apparent in the business (Reijonen, 2008) as they are responsible for both the ownership and managerial functions (Dobbs and Hamilton, 2007; Omerzel and Antončič, 2008). Decision making is an SME owners / managers’ responsibility (Culkin and Smith, 2000; Walsh and Lipinski, 2009) and the visions of SME owners / managers are often embedded into the organisational characteristics and business operations (Becherer et al., 2001). Because the small firms setting is relative simple and less rigid (Hill, 2001a), the management culture of SMEs is more creative (Carson, 2003), innovative (Lin, 1998) and entrepreneurial (Day et al., 1998) than large organisations. The business environment of an SME is also more flexible (Deakins and Freel, 2009; Lin, 1998), adaptive and change oriented (Carson, 2003), focused on problem-solving (Lin, 1998) and action oriented (Thorpe et al., 2006) compared to large organisations. The characteristics of SMEs are driven by the owners/managers’ management style (Carson, 2003; O’Dwyer et al., 2009); their personality and traits (Culkin and Smith, 2000; McCarthy, 2003; Stoke, 1995). SME owners are risk takers (Deakins and Freel, 2009; Delmar, 2009; Hill, 2001b) whose characters include being opportunistic, visionary (Carson, 2003) and proactive (Day et al., 1998). Hence, it is common to find SME owners / managers using ‘self marketing’ to promote their organisations. Self marketing can be defined as ‘varied activities undertaken by individuals to make themselves known in the marketplace’ (Shepherd, 2005, p.590) which is also closely linked to the concept of personal branding (Shepherd, 2005). The importance of branding is crucial to any businesses as Peters (2007) states ‘we are CEOs of our own companies: Me Inc. To be in business today, our most important job is to be the head marketer for the brand called You’. This further emphasises that SME owners/managers represent their organisations and their brands. Furthermore, SME owners/managers focus upon the firms’ well being (Carson, 2003); they tend to be highly motivated in setting
individual goals (Reijonen, 2008) and achieving business growth (Andersson and Tell, 2009). Delmar (2009) suggests that SME owners / managers like to have internal locus of control, which provides them with self-confidence and ensures that they have direct control of their own destiny (Stokes, 1995).

**Marketing Theory**

Marketing textbook definitions, such as marketing as ‘a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and values with others’ (Kotler et al., 2005:6) may not necessarily apply to the small firm context due to its unique characteristics. Existing literature has emphasised a need to develop and refine existing marketing models, which can be used to profile the marketing practices in small firms (Moriarty et al., 2008). To date, marketing theories and concepts have been dominated by large organisations and it could be argued that these conventional marketing definitions, theories and models in textbooks, which are developed based on studies of large organisations may not apply to the context of small firms (Brooksbank, 1999; McCartan-Quinn and Carson, 2003; Moriarty et al., 2008; Simpson et al., 2006; Stokes and Wilson, 2010). Due to the unique characteristics and constraints of SMEs, including the inherent characteristics of SME owners/managers, the dynamic business environment and the lack of resources within SMEs (Chaston, 1997; Gilmore et al., 2001; Hill and Wright, 2001; O’Dwyer et al., 2009a) it is inappropriate to assume SMEs can adopt the same or similar marketing approaches as large organisations (Hill, 2001a). SMEs simply do not adapt to the marketing carried out in larger organisations (Gilmore and Carson, 1999).

However, the marketing theories drawn from conventional textbooks (Brassington and Pettitt, 2007; Jobber 2009; Kotler et al., 2008) continue to focus primarily on marketing planning, marketing research and the implementation of marketing mix such the 4Ps (price, place, product, promotion) which are more appropriate for large organisations. It is believed that marketing is practised by small firms, although the degree of activities varies according to the nature of the industry (Simpson et al., 2006). Blankson et al., (2006) point out in their research that small firms do not practise textbook marketing because of their distinct marketing style. Gilmore et al. (2001) and Hill and McGowan (1999) also state that the marketing characteristics of SMEs are different from the conventional ones of marketing textbooks and that the need to conduct research, which is adapted to the unique characteristics of small firms is apparent.

**Research Design**

The study used a qualitative, exploratory approach as this has emphasis on examining participant interpretations and takes account of the research context (Bryman, 1989; O’Donnell and Cummins, 1999). A qualitative approach is deemed to be more effective when researching marketing phenomena within the SME context (Hill, 2001b; Hill and Wright, 2001) as it offers opportunities to listen to the SME owners / managers and allow engagement in a dialogue. 20 in-depth semi structured interviews of 45 mins duration were used as the method for data collection. Purposive sampling was used and the research was analysed using a priori coding around the following themes (1) how is marketing defined (2) what marketing activities are undertaken (3) how is marketing planned and organised (4) what are the barriers to marketing (5) what role does marketing play in the success of SMEs. These themes were drawn from current literature on marketing in SMEs (Gilmore et al., 2001; Moriarty et al., 2008; O’Dwyer, et al., 2009a) and were deemed to be core to an exploration of the role of marketing within this SME context.

**Findings**

Data gathered from the sample of 20 SMEs indicated that the companies had been established for an average of 12.5 years ranging from a start up SME operating for less than 2 years to a mature business in operation for 48 years. The average number of people employed was 18
and the average annual turnover of the companies £1.5million. The SMEs operated on either a regional, national or small international basis with 6 SMEs classifying themselves as goods based and 14 services based businesses. Gender ratio of the sample was 11:9 male/female and the average age category 45-54 years. The findings from the interviews are discussed under five a priori themes with illustrative comments.

**What is marketing?**
Marketing in a SME context has no one single definition but emerged as a focus on the customer through engagement, positive word of mouth and networking. ‘It’s satisfying our customer needs profitably’ and ‘marketing was finding out what your customer wants and needs are’; ‘the majority of our business comes from client referral...so word of mouth, which is the best form of marketing.’ Another definition of marketing was that of networking or building important contacts with one owner describing marketing as ‘actively engaged in networking and pushing for business that way.’ In addition, marketing was defined as the personification of the owner and his/her role in the business interface with the customer suggesting that ‘I am the marketing’ (Domiciliary Services) and a restaurant owner described marketing as ‘selling yourself’. A beauty salon owner described marketing as ‘the plan that I put together on how I want to increase different elements of the business’. This idea of self marketing by the owner presented problems when the SME experienced growth. An owner of a 30 year old systems business with 15 employees closed an office in the USA because ‘I couldn’t control him (the US manager) well enough from here’ and this concern was voiced by another owner who believed ‘that’s the problem with opening another office; there is not a ‘me in every region’. Marketing was defined not only as customer focused and relational but highly personal to the business owner and encompassing a significant level of self marketing.

**Marketing activities**
SMEs integrate marketing activities into the business rather than perceive them to be distinct functions. In this context marketing becomes day to day customer interactions rather than a set of pre-planned communication techniques. ‘We don’t do a lot of classic marketing activities. It’s more around how we deliver things on a day to day basis’. (Domiciliary services owner). Traditional ‘above the line marketing’ as described as press or TV advertising was not used due to a perception that it was both expensive and unnecessary and it was not personal to themselves as business owners. 18 of the 20 SMEs had web sites but there was differing levels of engagement. The owner of an engineering business commented that ‘we have a website but it’s not used for that purpose (marketing); it’s just there.’ Word of mouth referrals emerged as the most important ‘marketing’ activity with a restaurant owner perceiving that ‘90% of its (business) is through word of mouth). Building long term relationship with customers was perceived to be a key marketing activity as suggested by a systems development owner who perceived that ‘existing customers, they never ever move’ providing the opportunity for the SME to work in close collaboration with their customers over a long time scale. This customer engagement and collaboration was articulated as a key marketing activity.

**Planning and organisation**
There was limited planning or organisation of marketing as a function or as activities. ‘We don’t plan (marketing)...we don’t do anything in a formal way’ (Electrical Installer). Marketing activities were often responsive to competitors with one owner suggesting that he ‘makes a quick decision, was (the trade advertising) a waste of time or should we leave it as a presence as our competitors have a presence? ‘Intuition’ was often used to describe the planning of activities in addition to ‘responding to an opportunity’ Analysis of marketing activities ranged from virtually nothing through to a regular and systematic statistical approach with the most common measurement that of web site hits but one SME owner confessed that ‘No, we don’t know how to do it...told how to but no one has actually done it’
(Electrical Installer). A craft ware retailer suggested that she was ‘constantly evaluating whether things were working or not’ but this evaluation emerged only as an individual mulling over process. Marketing planning emerged as a reliance on owner intuition rather than rigorous data review as illustrated by the following comment. ‘The trade press comes up for review once a year and we scratch our heads and say how many calls did we get from that’ (Food Manufacturer).

**Barriers to marketing**

Marketing, as epitomised as advertising and other traditional communication mediums, was perceived as expensive and required specific knowledge and expertise. ‘Money…money is always the issue…even a profitable business can be killed by cash flow’. An electrical installer owner perceived that marketing was constrained by ‘time. I am an electrician…we have no expertise in marketing and time is the main constraint.’ A further constraint was the notion that marketing, as defined by advertising and other large scale activities would not be perceived as acceptable practice within the environment in which the SME was operating as suggested by one owner. ‘I think people are cynical towards external companies if you go too much on glossy folders…spending money on the image and not on the care’ (Domiciliary Services). SME owners were unsure whether marketing was worth the effort in terms of time or expenditure and there also emerged a sense that overt marketing was somehow lacking in honesty and integrity and missing the personal touch of the owner credentials.

**Marketing as contributor to business success**

Traditional marketing activities such as advertising and market research were not considered to contribute to SME business success but word of mouth communication and an ongoing dialogue with both existing and potential new customers was essential. Referrals that arose from positive word of mouth were perceived as an important contributor to the business ‘our business is off repeat orders; people we know but primarily word of mouth’ (Switch systems supplier) In addition, the personal impact of the SME owners, which could be termed as self marketing and the use of themselves as a branding tool, was also perceived to be key to business success as tools such as advertising and PR could not replicate the individualism they brought to the company.

**Discussion**

Existing literature suggests that the characteristics of SME marketing are different from those practised in large organisations. SME marketing takes into account the unique business environment, characteristics of owner/managers (such as skills and abilities) and resources (O’Dwyer et al., 2009a) and the findings from this study support this notion. In this study, marketing in SMEs is identified as engagement with customers, matching customer needs, networking (Gilmore et al., 2001) relationships with customers (Day et al., 1998) and through the self marketing of the SME owners (Shepherd, 2005). Within certain SME business environments, marketing was perceived negatively and potentially damaging to business credibility. There also emerged a sense that for some SME owners they themselves personified the ‘marketing’ and too much emphasis placed on impersonal marketing activities detracted from their unique contribution to the business, such as the use of their technical or specialist industry knowledge or their special relationship with their customers. It would too simplistic to argue that conventional marketing models are not applicable to small organisations as it was evident that many owners were practising the fundamentals of marketing in terms of customer focus, meeting customer needs and identifying gaps in the market. The growth of the marketing industry and the activities practiced by large organisations such as advertisement campaigns, large scale sponsorships and PR have communicated an image of marketing, which does not fit with a small business perspective resulting in SMEs feeling unsure what marketing is, questioning the suitability of its application to their business context and fearful of the financial burden it represents. In reality
SMEs are practicing marketing but in their own unique style reflecting their ability to offer products and services that exactly suit their customers, by having in-depth knowledge of their customers needs and being able to communicate with their customers on a personal basis. This marketing approach resonates with service dominant logic (Vargo and Lusch, 2004) where goods are seen as a mechanism for service, defined as the application of competencies such as knowledge and skills for the benefit of a party. The service is co produced and value co created. Added to this is the importance of self marketing by the business owner in which he or she can create a personal brand for the business, which cannot be replicated. This research suggests that SMEs do engage in marketing but their ‘4 Ps’ marketing model is based around four different attributes as suggested below:

**Figure 1 - A Proposed 4Ps model for SME Marketing**

The research suggests that four attributes represent a SME marketing model. The personal brand of the owner who personifies the business with a unique set of skills, which cannot be replicated. SMEs co-produced their business with their customers with much of their work shaped to exact customer requirements such as bespoke IT systems or specific ranges of goods. SMEs focus on the execution of the business in hand rather than spend time planning or strategising and SMEs persevere with their businesses and build long term customer relationships. The myths surrounding marketing in terms of cost, expertise and adherence to traditional marketing concepts need to be dispelled to enable SMEs to use their own ‘4Ps’ style of marketing to grow and develop their business. They may not be ‘doing marketing’ as we know it but as the initial genesis of SMEs illustrate, they are intuitively cognisant of marketing principles to which they are adding their unique personal brand of their own knowledge and skills. As the small businesses in this study show, ‘textbook marketing’ appears alien, costly and not a strategic consideration and attention must be paid to signpost and deliver marketing advice appropriate to SME needs and dispel some of its mystique. (end)
References