
Marketing and Marketing Communication in SMEs

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Abstract:

This paper reveals the main findings of two research studies carried out in cooperation with the University of Finance and Administration in Prague within the realization of research projects focused on the needs of businesses. The research in small- and medium- sized enterprises was looking into the application of decisive market competencies and the removal of possible contradictions in small- and medium-sized enterprises: it explored the key marketing activities in the companies with independent marketing units and in the companies where the marketing functions are managed by other business units. The research was aiming to find differences in the intensity and scope of marketing activities in these two tested segments and major obstacles to the application of marketing principles in everyday commercial life of businesses, the values of competitive advantages, etc. The analysis of the size and structure of marketing communication agencies in the Czech Republic identifies the key requirements of marketing communication practice on the system and on the structure of university preparation for marketing communication professionals.

Key Words: *Marketing Research, Marketing Analysis, Marketing Communication, Customer Preferences*

JEL Classification: *M31, M37, Z13*

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1. Introduction

The marketing behaviour of businesses – as shown in the number of research studies looking into their commercial activities – depends on many internal and external factors. So it is desirable to examine, analyse and assess these factors and, subsequently, take adequate personnel, organization, strategic and tactical measures of various character: production, organizational, logistic, marketing and communication.

A survey regarding the marketing behaviour in selected companies from machinery, electrical engineering and consumer products industry about marketing and its activities was carried out in the context of a project sponsored by the Czech Grant Agency titled: **Research of the Application of Decisive Market Competences and Removal of Possible Contradictions in Small- and Medium Sized Enterprises** for the Faculty of Electrical Engineering of the Czech Technical University in Prague and in cooperation with AMASIA Praha (Pavlů, 2009).

The final report of the research is based on 220 completed interviews (359 manufacturing/production companies were addressed) conducted with the top ranking representatives of companies whose job description includes responsibility for marketing activities.

The research team designed the survey as a basic investigation looking into the marketing practice of companies at the level of their activities which is not often the subject of research. For the purpose of this paper we interpret only the data collected from the small- and medium-sized companies which in the sample with 220 respondents made 87 %. They are the companies with their own independent and active marketing units which in that production/manufacturing company manage the large majority of standard marketing agenda activities including marketing communication.

2. Sample characteristic

Table 1. Sample structure by business lines

Machinery	40 %
Consumer products industry	29 %
Electrical engineering	31%

The detailed analysis reveals that the small enterprise group covers more often companies from the consumer products industry - 68 %. The medium-sized category is more represented by electrical engineering companies – 46 %; 16 % of the asked machinery companies have more than 250 employees. These companies do business from more than a fifth of the area of the whole Czech Republic and in two thirds are independent companies and in one third a part of a higher manufacturing/production complex that in more than two thirds is a foreign/international company.

Table 2. Market share in the defined line of business

companies with independent marketing unit	Up to 10 %	11 – 25 %	26- 50 %	Over 50 %
In the region	15	27	28	30
In the Czech Republic	27	20	32	21

48 % of the asked say their company's organizational chart/structure sets out an independent marketing department to perform a number of marketing activities, whereas the marketing services in the other tested companies are managed by other company units, most often by their sales department.

The biggest boom in setting up independent marketing departments in companies happened in the years 2000 to 2002 when almost two fifths of all units asked in this survey were established.

In terms of independent, active marketing activities the position of marketing units in the company's organizational structure is a very important aspect and so we needed to find out to what extent businesses perceive marketing as a part of their top management and to what extent as a part of any other department.

Table 3. Marketing unit reports to

It is an independent unit, reports directly to the director	72 %
Is part of a higher-level unit	14 %
It is an independent unit within another department	14 %

The marketing departments in almost three quarters of the polled companies report directly to their company directors. The detailed analysis indicates the direct link to the company director applies largely to medium-sized enterprises with 51 – 250 employees – 78 %. In terms of the line of business the marketing units that least often report to the company director are found in the electrical engineering sector – 68 % where it is more often an independent unit within another department – 27 %.

Table 4. Number of employees in independent marketing units

1- 5 employees	80 %
6 – 10 employees	11 %
11 – 15 employees	4 %
16 and more	5 %

The research reveals that small- and medium-sized enterprises organize their marketing departments particularly as small, slim operational units.

3. Educational structure of marketing professionals and their activities

There is no question about the fact that the qualification of marketing professionals - and the crucial role here plays the quality of their specialized marketing education - is the essential element - key to effective and efficient

marketing activities. And so the research asked about the type and level of education of marketing professionals and found the below not very encouraging facts:

Table 5. Education level of marketing unit employees - average

No marketing specialization	71.3 %
University with lectures in marketing	50.7 %
SOS – secondary vocational school with lectures in marketing	43.1 %
Special training, e.g., CIMA	34.7 %
VOS – higher special school with lectures in marketing	31.9 %
Other	42.8 %

The survey reveals the employees of marketing units very often don't have any specialized education directly related to their activity – 71 %. The employees who in the context of their university studies received lectures in marketing make just over 50 %. All executives of independent marketing units in the polled manufacturing/production companies answered our questions about the job description of their everyday work.

Table 6. Who performs certain marketing activities for the company.

COMPANIES WITH AN INDEPENDENT MARKETING UNIT – in %				
	Marketing unit	Another unit	Outside the company	Not applicable
Setting marketing goals	86	9	0	5
Realization of marketing communication	78	15	3	4
Creation of long-term marketing strategies	74	18	0	8
Setting the communication strategy	73	24	0	3
Market research activities	71	8	6	16
Public relations activities	69	16	2	13
Organizing participation in fairs and exhibitions	66	13	4	17
Setting the strategy for product policy	60	26	0	14
Pricing strategy	54	43	0	3
Setting the strategy for distribution channels	52	36	2	10
Prices determination	51	44	0	5
Performing marketing audit in the company	41	17	5	37
Sales activities	40	52	0	8
Servicing, pre- and post-sale services	25	48	0	17

The table indicates that the asked companies with independent marketing departments are very active, and in the aspect of the company status extremely self-sufficient – they provide a wide range of marketing activities, and the significant finding is that their work concerns strategic and operational activities, and so they can get an immediate feedback, which is telling about the effectiveness and efficiency of their work.

The situation in the asked manufacturing/production companies with no independent marketing department is different – they have to delegate these jobs within their own company to other, non-marketing units or to subjects outside the company, i.e., to outsource these activities.

Table 7. Who performs certain marketing activities for the company.

COMPANIES WITH no INDEPENDENT MARKETING UNIT – in %			
	unit	Another Outside the company	Not applicable
Setting marketing goals	70	0	30
Realization of marketing communication	89	5	6
Creation of long-term marketing strategies	64	2	34
Setting the communication strategy	79	3	18
Market research activities	57	3	40
Public relations activities	56	2	42
Organizing participation in fairs and exhibitions	60	3	37
Setting the strategy for product policy	71	2	27
Pricing strategy	91	2	7
Setting the strategy for distribution channels	78	3	18
Prices determination	94	4	2
Performing marketing audit in the company	21	3	76

The function of an independent marketing department in these companies is typically taken over by their sales department or directly by the company management. The companies with no marketing unit are more likely not to perform many activities at all – e.g., as many as three fourths of the companies in this group would not do any marketing audit. None of these facts could possibly contribute to a quality marketing activity of any manufacturing/production company.

4. Customer preferences

Another significant finding is a different thinking of the asked managers of independent marketing units and of the employees in charge of marketing management in the companies with no independent marketing unit set out in the company organizational chart.

The interviewers showed our respondents a list of prior defined criteria and asked them to name three criteria that make business customers most likely to purchase their product. Interestingly, the ladder of the first three factors is identical in the group of the independent marketing unit directors and in that of the employees in charge of marketing management in the companies having no marketing department in place.

Table 8. Factors influencing customer decision-making

COMPANIES WITH AN INDEPENDENT MARKETING UNIT	1st place number of answers	2nd place number of answers	3rd place number of answers	TOTAL POINTS
Price	24	17	20	61
Reliability of supplier	20	15	11	46
Brand, name, references	16	17	6	39
Giving discounts	10	10	14	34
Servicing and maintenance	4	3	12	19
Marketing communication	3	7	5	15
Local access	8	1	4	13
Time accessibility	4	3	6	13
Guarantees	0	9	4	13
Added value	5	5	1	11
Operating costs/expenses	1	3	5	9
Training of users	5	2	1	8
Replacement parts delivery	1	1	3	5
Relationship to the living environment (eco-friendly)	0	1	3	4
Easy to use/operate	1	0	2	3
Right to return	0	1	0	1
Other	4	6	5	15
TOTAL				309

Table 9. Factors influencing customer decision-making

COMPANIES WITH NO INDEPENDENT MARKETING UNIT	1st place number of answers	2nd place number of answers	3rd place number of answers	TOTAL POINTS
Price	38	25	13	76
Reliability of supplier	25	13	25	63
Brand, name, references	8	13	13	34
Giving discounts	9	13	10	32
Servicing and maintenance	7	10	10	27
Time accessibility	3	6	11	20
Added value	7	6	5	18
Guarantees	2	10	2	14
Local access	4	3	6	13
Operating costs/expenses	2	4	6	12
Easy to use/operate	0	3	6	9
Training of users	1	2	0	3
Marketing communication	2	1	0	3
Replacement parts delivery	1	1	1	3
Relationship to the living environment (eco-friendly)	1	0	2	3
Right to return	1	1	0	2
Other	4	3	3	10
TOTAL				342

The table shows the factors ranked on the number of preferences. Every factor was allocated points according to this key: when the respondent named it first (most preferred) the factor was allocated 3 points, when second (second preferred) it as allocated 2 points and when third (third preferred) the factor was allocated 1 point. This point score is better telling about three most important factors that decide among customers about the purchase of products of that company. The ladder and significance in the first five places is practically identical in the two groups, but the other places reveal relatively significant differences: e.g., in the case of marketing communication, training of users, easy to use/operate.

The two groups of respondents agree on the factors of key importance - price, reliability of supplier and brand, company name, references, i.e., the five most significant advertising arguments that should be reflected in marketing communication of manufacturing/production companies.

5. Application of the typical company competitive advantage

In the competitive and hyper-competitive business environment in local and global markets it is a very strong argument for the benefit of customer decisions

when the producer has his own, specific and typical competitive advantage. 71 % of the asked companies with an independent marketing unit answered they had such an advantage, whereas only 60 % of those with no marketing unit did so.

The survey reveals the producers are very well aware of this fact and both the respondent groups – with/ without an independent marketing unit – unambiguously agreed on three key competitive advantages:

- Long tradition of production
- Good price of product
- Company's brand value

In the open-ended questions respondents named another 80 specific company competitive advantages such as, e.g., be in constant contact with customers, very quality service, customer services, prompt response to the requirements of customers, easy accessibility, width of product range, specialization in that business line, reliability, approachability/ customer focus, flexibility, quality at a reasonable price, product history, etc.

6. The most frequent obstacles to a successful application of marketing in the company

One of the questions in this survey of small- and medium-sized enterprises asked about the preferred key marketing activities to realize the company mission. Our respondents spontaneously formulated their ideas about the most important steps of their effective and efficient marketing implementation. The three most often recorded factors are below:

- Communication with customer
- Advertising
- Satisfied customer and quality of products

They mentioned over 90 other factors such as, e.g.: needs of the market, monitoring the development trends, systematic behaviour, market research, full service, share in the common future, knowledge/expertise of the company in its line of business, education of employees, market segmentation, consistent quality and reputation of the company, etc.

They also mentioned the major obstacles in the process of as intense and effective application of marketing concepts in the company. These barriers are, in particular:

- Lack of finance
- Poor internal communication in the company
- Lack of qualified, skilled employees
- Stereotyped thinking
- Competitors' activities

The research found the most marked differences between the companies with and without marketing units in the comparison of the structure of answers to the question how actively the company investigates the needs of its purchasers and customers.

Table 10. Monitoring the needs of purchasers and customers

	They have a marketing unit	They don't have any marketing unit
Systematically	85 %	49 %
Accidentally, on a case by case basis	10 %	41 %
Hardly ever, very exceptionally in case of a crisis situation in the market	4 %	4 %
Not at all	1 %	6 %

The overwhelming majority of the companies with an independent marketing unit take a regular interest in the needs of their clients. In the group of the companies with no independent marketing unit a continuous interest in their customers is significantly lower. Those paying attention to the requirements of their customers very consistently are particularly large businesses – 93 %; in terms of business line the asked machinery companies – 74 %.

When companies monitor, analyse their markets, the most used analytical tools are:

- Internet
- Market research
- Direct communication with customers

7. Readiness of communication agencies to respond to the marketing requirements of SME's

It is evident that our businesses in spite of a dynamic development in marketing activities in the last years – today, sadly, considerably slowed down by the current crisis – have a relatively big problem with implementing marketing and its significant part – marketing communication. The reported research indicates in tables 7 and 8 that the companies with/ without independent marketing units outsource some marketing services. Our experience says it most often applies to specialized consulting, auditing, research and communication agencies. So it is justifiable to ask whether these agencies are sufficiently qualified, competent to provide sophisticated and often challenging services, whether they are able to professionally, effectively and efficiently provide marketing services of different character. The survey of opinions and views of communication agencies directors (Pavlů 2010, Havlíček, 2011) slightly surprisingly reveals that the asked respondents are very well aware of the highly competitive conditions on this market with

services and to a surprise of the investigator hold very untraditional, progressive and largely complex views.

- The survey collected questionnaires of 22 directors of communication agencies across the Czech Republic
- 2/3 of our respondents – directors of agencies – had university bachelor's/master's degrees, some even doctoral degrees
- The asked agencies mainly provide the full-service services, advertising communication, media services, PR, sales support/promotional activities – this profile applies to 77 % of the sample.
- The findings indicate that these agencies have on average almost 19 employees when the number of the staff members is typically between 5 and 83 employees.
- A very positive finding is the fact that 80 % of the staff in the polled communication agencies are university graduates.

Below you will find some selected findings of the survey to illustrate the great significance of professional qualification as an essential requirement to work in any communication agency.

The research wanted to find out the requirements of top managers of communication agencies on priority competences, and so asked the directors what – in their opinion - makes a top professional in the business line of that agency successful. They were shown five prior defined factors and asked to split 100 points to these factors according to their significance

Table 11. Shares of significance of the individual competencies to perform a job in the agency

Creativity, ideas, improvisation, imagination	21.6 %
Contacts with people, connections, contacts	20.8 %
Real experience from practice	20.3 %
Soft skills – assertiveness, communication abilities	20.3 %
Theoretical knowledge gained by studies	17.0 %

Our respondents declared the importance attached to each competency in the share in the general employee profile:

- It is apparent that our communication practice welcomes primarily individuals with creative power – the most valued factors are creativity, ideas, improvisation, imagination.

Second to fourth come with roughly 20%:

- Contacts with people, contacts, connections – i.e., the skill to make contacts, meet people, get acquainted with them, to be able to move in

a business, client and for the business line favourable environment, in short the ability to create social capital,

- Real experience from practice,
- Soft skills – assertiveness, communication abilities,
- Theoretical knowledge gained by studies comes fifth. However, we should bear in mind that all the prior mentioned skills are often practically based on the theoretical study, too, even though this factor alone made only 17 %.

One of the subsequent, mapping questions had a partly projective characteristic because it wanted to find out the thoughts and ideas of respondents regarding the optimum type of education for the middle-management positions (with at least 3 employees reporting to them). Our respondents were asked to select only one combination of the shown variants, or, optionally, record their own idea about the basic education orientation. The questionnaire listed 6 prior defined answer variants and an option to write down their own formulation.

Table 12. Opinions of the optimum type of education for the middle-management positions in the tested agencies

The ideal combination is economics and humanities education	87.0 %
Most importantly economic education	6.5 %
Most importantly humanities education	3.2 %
Most importantly technical, engineering	3.2 %
Most importantly law	0.0
The ideal combination is law and technical, engineering education	0.0

The result is absolutely clear – the asked directors of agencies believe that the managing employees of communication agencies should have a combination type education – economics and humanities. So it confirms the right set up of the basic orientation of the education profile in the Department of Marketing Communication FSS VŠFS which guarantees exactly this structure of education similarly to the other faculties in the Czech and Slovak Republics that also prepare university educated professionals in the area of marketing communication (the universities in Prague, Trnava, Nitra, Zlín, etc.).

The resulting global idea about the trend of the education combination was made more specific by the question asking about what partial disciplines would be desirable for the type of education selected in the previous question for the middle managers in agencies operating in that type of marketing communication business. The summary of the concrete educational requirements the asked directors have on the middle management positions in their agencies by the prevailing orientation of activities and competencies of the individual professions are shown in the following overview:

Table 13. Requirements on the education of employees for creative creation and marketing strategy

Psychology	17
Graphics	8
Sociology	6
Management	6
Marketing	6
Creative writing + journalism	4
Creativity	4
Communication	4

All other requirements were recorded with a lower frequency: Czech language, micro- and macro economy, art, strategy, general cultural awareness, aesthetics, practice in the field, relations with clients, design, history of advertising, etc.

Table 14. Requirements on the education of employees for the prevailing managerial activities (contact with customers, relations with the media, organizing the production)

Psychology	25
Management	13
Communication skills, mass communication, journalism	13
Economics	10
Technical knowledge of the media	10
Marketing	7
Soft skills	5
Selling skills	3

All other requirements were recorded with a lower frequency: communication, public relations, sociology, practical skills, humanities, assertiveness, law, languages, coaching, philosophy, event marketing, development of the field, printing, creative skills, PC, accounting, knowledge of goods, production, management.

These opinions of the executives of communication agencies represent a variety of the sets of individual educational disciplines the asked directors of communication agencies perceive as most important, really beneficial for those in managerial positions in their agencies. It is very satisfying that people from practice so often mention for both the types of creative and managerial profession primarily the educational requirements of humanities with strong accents on psychology, sociology, communication theory. It is relatively easy to deduce from these requirements from our practice some basic possibilities where to direct the thoughts and considerations regarding university preparation of professionals for the sphere of marketing communication.

8. Conclusion

It is beyond doubt that the growing dynamic of international trade, ever-increasing competitive pressures, diversification of the current mass media and more and more quickly established new communication channels, growing demands of the consumer public and many other tendencies and trends bring higher demands on the quality of implementing marketing activities in small- and medium-sized companies and obviously also result in uncompromising requirements on the effectiveness and efficiency of marketing communication. The presented research projects support and document some tendencies in the marketing behaviour of companies and requirements on education of one group of marketing professionals – specialists in marketing communication. Interest in the results of these studies shown by many marketing practitioners suggest they are well aware of the demanding character and requirements of the contemporary economic environment and together with universities want to get qualified, educated and with a broad humanities profile marketing professionals of different specializations. It unquestionably means hope for the systematically and in a qualified manner applied rules and principles of the marketing behaviour of small- and medium-sized enterprises in the contemporary competitive environment.

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