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Mateja Bodlaj

Iča Rojšek

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# MARKETING IN SMALL FIRMS: THE CASE OF SLOVENIA

MATEJA BODLAJ<sup>1</sup>  
IČA ROJŠEK<sup>2</sup>

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**ABSTRACT:** *The purpose of this paper is to obtain a better understanding of how marketing is understood and practised by Slovenian small companies. Semi-structured, in-depth interviews were conducted with 25 small firm owners/managers. The main findings of our exploratory study suggest that the marketing style of Slovenian small firms is presumably similar to that of their Western counterparts. Marketing tends to be narrowly understood as tactics/methods (most often as being synonymous with advertising), with no person particularly responsible for it. Marketing plans often exist only in the heads of the owners/managers and usually have a short-term focus with very broadly defined objectives.*

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**Keywords:** *small firms marketing, marketing planning, qualitative study*

**JEL Classification:** M31

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## 1. INTRODUCTION

Small firms<sup>3</sup> are vitally important for modern economies due to their contributions to employment and innovations. However, the economic crisis poses serious challenges to European small firms which are struggling to return to their pre-crisis levels of value added and employment (Wymenga et al., 2012). High failure rates and a poor performance level continue to characterise the small business sector (e.g. Jøcumsen, 2004). According to the European Commission, 50 percent of firms do not survive the first five years of their lives (Wymenga et al., 2011). These high failure rates of small firms are largely attributed to weaknesses in marketing (Simpson & Taylor, 2002; McCartan-Quinn & Carson, 2003). A better understanding of small firms' marketing is therefore needed and can help small firms improve their performance.

Existing studies have examined small firm marketing in Western, developed economies, particularly in the United States and the United Kingdom. These studies (e.g. Carson et al., 1995; Gilmore, Carson & Grant, 2001) have revealed that marketing in small firms differs significantly from the sophisticated, planned and structured procedures recommended by standard marketing books. Yet, much less is known about small firms' marketing in

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1 University of Ljubljana, Faculty of Economics, Ljubljana, Slovenia, e-mail: mateja.bodlaj@ef.uni-lj.si

2 University of Ljubljana, Faculty of Economics, Ljubljana, Slovenia, e-mail: ica.rojsek@ef.uni-lj.si

3 In this paper, the term »small firm« is used to describe firms with fewer than 50 employees.

Central and South-East Europe (e.g. Rojšek & Košir, 2006; Dragnić, 2009). Transitional economies are particularly relevant to examine marketing-related issues since a market orientation is still a relatively new concept (e.g. Menguc & Auh, 2006).

This study focuses on Slovenia. Similar to other European countries, firms with fewer than 50 employees account for more than 98 percent of all firms in Slovenia (Slovenia in Figures 2011). Hence, the vast majority of marketing activities is performed by small firms. Notwithstanding this, our understanding of marketing in Slovenian small firms is quite limited. Researchers have rarely examined it thoroughly and comprehensively and have primarily been interested in specific topics such as the level of market orientation and its impact on business performance (e.g. Rojšek & Konič, 2003; Bodlaj & Rojšek, 2010; Bodlaj, 2012). Although these studies are very valuable, they do not provide a deeper insight into the characteristics of the marketing undertaken by Slovenian small firms. The purpose of this paper is to fill this void in the literature and to provide a better understanding of how marketing is understood and practised by Slovenian small firms. A qualitative cross-sectoral study was undertaken based on in-depth interviews with 25 owners/managers.

The rest of the paper is organised in four sections. First, we provide a literature review on small firms' marketing. Then we explain the research methodology, with the main findings of the research being presented in the third section. We conclude with a discussion along with the contributions of the presented empirical study to the existing literature, the research limitation and suggestions for future research.

## 2. LITERATURE REVIEW

### 2.1. Research on small firm marketing in Western economies

Standard marketing literature has generally focused on established large firms. It suggests a structured, sequential and disciplined approach which is incompatible with the entrepreneurial nature of small firms (e.g. Carson et al., 1995) and is therefore not easily transferrable to such firms (Simpson, Taylor & Padmore, 2011). Critics point out that the traditional marketing theory and education are over-reliant on the established rules of thumb and encourage formula-based thinking (e.g. Morris, Shindehutte & LaForge, 2002).

Small firms are not just little big businesses (e.g. Hill, 2001a). Although not all small firms are identical, they do share inherent characteristics which lead to a unique marketing style which does not conform to formal marketing approaches (Carson et al., 1995; Gilmore et al., 2001; McCartan-Quinn & Carson, 2003; Blankson, Motwani & Levenburg, 2006). Small firms' marketing is heavily influenced by constraints, the inherent characteristics of the owner/manager, the norms of the industry in which the firm operates, and by the stage of the business life-cycle (Carson & Gilmore, 2000; O'Donnell, 2011). Small firms

face three broad types of constraints: limited resources, a lack of specialist expertise, and a limited impact on the market place (Carson & Cromie, 1990). Due to limitations on finance, marketing knowledge and time, marketing activity in small firms is inevitably restricted in its scope and intensity (Carson et al., 1995). Resource constraints increase smaller firms' vulnerability to environmental uncertainty (Didonet et al., 2012). Since they cannot afford expensive marketing programmes, small firms have to be innovative in their marketing activity (Gilmore, 2011). They have fewer orders and customers, hence their impact on the market place is limited (Carson & Cromie, 1990). Further, marketing in small firms often evolves throughout the business life-cycle, ranging from initial marketing activity to integrated marketing (Carson, 1990).

Perhaps the most important factor influencing the marketing style in small firms is the omnipresence of the owner/manager (Carson et al., 1995) and his/her attitude, experience and expertise/competence (McCartan-Quinn & Carson 2003; Fillis, 2010). Typically, small firm owners/managers are change-focused individuals who always seek new opportunities and are risk-takers, highly motivated, ambitious, task-oriented and generalists rather than experts in any particular area and involved in all business activities, including marketing (Carson et al., 1995). These characteristics of the owner/manager coupled with the limited resources lead to a distinctive marketing style which can be described as informal, unstructured, pragmatic, haphazard, spontaneous, simple, reactive to competitor activity and customer demand, and reliant on intuitive ideas and common sense (Carson et al., 1995; Carson & Gilmore, 2000; Gilmore et al., 2001).

Marketing is not as well developed or influential in smaller firms as it is in large firms (Walsh & Lipinski, 2009). Particularly in the early stages of development, small firms are often product-oriented, driven by new ideas and intuitive market feel rather than being customer-oriented, or driven by a rigorous analysis of customers' needs (Stokes, 2000; Parrott, Azam Roomi & Holliman, 2010). Owners/managers may be biased toward their own ideas, ignore negative market information and resist obtaining in-depth information due to their prior commitment to the venture idea (Hills, Hultman & Miles, 2008). Small firms practise marketing according to their capabilities and circumstances. They do engage in marketing even if the form this marketing takes is not fully understood (O'Dwyer, Gilmore & Carson, 2009). Owners/managers may have negative attitudes to marketing, perceive it as a cost, view distribution and selling as uncontrollable problems and believe that each case is so specific that no general rules can be applied (Carson & Cromie 1990). Marketing is frequently underutilised and misunderstood (Hogarth-Scott, Watson & Wilson, 1996). Owners/managers of small firms tend to view marketing narrowly, often as a synonym for either selling or advertising (e.g. Stokes, 2000; Crane, 2010; Reijonen, 2010).

Marketing in small firms is focused on tactical issues and short-term objectives. In many small firms, marketing planning activity may be limited to sales planning, whereas a broader scope of marketing planning is seldom found (Carson et al., 1995). Marketing planning is often reactive, informal and plans are rarely written down (O'Donnell, 2011). In contrast to this prevalent observation in the existing literature, Hill (2001b) finds that small firms

engaged in fairly sophisticated, yet mainly operationally focused marketing planning. In addition, Blackburn, Hart and Wainwright (2013) find that those entrepreneurs who describe themselves as “twenty-first century entrepreneurs”, “innovative”, “using the latest technologies” and “risk takers”, as well as older firms are more likely to have a business plan. On the contrary, Simpson et al. (2006) suggest that younger firms are more likely to have active business plans. However, it is necessary to bear in mind that the mere existence of a business plan does not tell us anything about the quality of the marketing plan. Moreover, the marketing plan is often the weakest part of the small business plan.

Which are the main distinguishing traits of small firms’ marketing mix? Small firms offer narrow product ranges with an emphasis on quality and customer service. Products are frequently customised to a limited extent (O’Donnell, 2011). Small firms usually employ some form of cost-plus pricing, while also bearing competitors’ pricing and the current practice within the industry in mind (Gilmore, 2011). The owner/manager’s intuition and experience are also influential. Prices often vary for different customers. Small firms prefer direct distribution channels with an emphasis on the reliability of delivery. The use of paid promotional activity is limited. Small firms are heavily reliant on repeat business and positive word-of-mouth as a means of acquiring new customers. Information about customers is gathered via close links with customers and staff. Owners/managers believe they know their customers extremely well and therefore small firms rarely engage in formal marketing research. Information about competitors is gathered mainly informally and passively, from a variety of sources and also directly from competitors (O’Donnell, 2011).

## **2.2. Research on small firm marketing in Central and Eastern Europe**

Over the past 20 years, several researchers have examined various marketing issues in the context of Central and Eastern Europe (CEE). These studies were primarily concerned with the development of marketing in transitional economies (e.g. Hooley, 1993; Marinov et al., 1993; Shipley & Fonfara, 1993; Ennew, Wright & Kirnag, 1996; Hooley et al., 1996), appropriate marketing strategies for Western companies operating in CEE markets (e.g. Nowak, 1996; Czinkota, Gaisbauer & Springer, 1997; Fallon & Jones, 2004) and the development of marketing capabilities and their impact on firm performance (e.g. Hooley et al., 1999; Fahy et al., 2000). A list of additional studies on marketing research topics in CEE is provided by Schuh (2010). However, only a very few studies have examined marketing in small firms in CEE.

Martin and Grbac (1998) find that Croatian firms of all sizes increased their marketing activities after economic privatisation, but smaller firms (with fewer than 250 employees) have been able to better adapt to the changing environment than larger firms. Still, Crvelin and Bakula (2006) observe that inappropriate marketing is usually identified as the main reason for the weaknesses and failure of Croatian SMEs. According to researchers, the owners of Croatian SMEs usually possess limited knowledge in the area of practical marketing planning and act in a highly intuitive manner. Similarly, Draganić (2009) finds

a prevalent non-systematic, i.e. 'ad hoc' approach to marketing in the analysed Croatian firms from the Splitsko-Dalmatinska county. Marketing activities were implemented, but usually without being well planned and managed.

Kloudova, Medway and Byrom (2004) examined how marketing practice altered in Czech firms during the 1999–2003 period. Despite progress, the majority of small firms examined in 2003 still lacked an independent marketing department and had not clearly established marketing strategies. Most notably, the share of firms that did not have clearly established marketing strategies was significantly bigger among small firms than medium and large firms. In a more recent study, Mitrega (2009) compared the relationship-building practices of small firms in Poland and the Czech Republic. The author finds that the Czech small firms developed better relationship marketing competencies and seemed to be more oriented to long-term benefits than the Polish small firms.

To summarise, these studies suggest that the main characteristics of small firm marketing in CEE countries tend to be similar to their Western counterparts, particularly in terms of an unstructured, informal and simple approach to marketing. In the following section we examine small firm marketing in selected Slovenian small firms.

### 3. RESEARCH METHODOLOGY

In order to achieve a better insight into the specific characteristics of Slovenian small firms' marketing, a qualitative cross-sectoral study was undertaken. Semi-structured, in-depth interviews were conducted with 25 small firm owners/managers. In-depth interviews have frequently been used in prior research on small firms' marketing (e.g. Carson & Cromie, 1990; Blankson et al., 2006; O'Donnell, 2011; Resnick et al., 2011).

In-depth interviews are particularly appropriate where the topic is complex and the objective is to understand the underlying reasons for behaviour and attitudes. Such interviews can be effectively employed in special problem situations, such as those requiring interviews with professional people (Malhotra, 2004). Managers are more willing to participate in an interview than to complete a questionnaire (Bregar, Ograjenšek & Bavdaž, 2005). Through in-depth interviews, the participants can fully express their viewpoints, while the researcher can ask probing questions as a means of follow-up (Turner, 2010). In-depth interviews can therefore offer deeper insights (Malhotra, 2004).

A moderator's outline was applied to ensure consistency in the topics covered in all the interviews. We used the outline developed by Carson and Cromie (1990) and supplemented it with additional questions in order to obtain answers to the following main research questions: (1) How is marketing understood by the owner/manager? (2) Who is responsible for marketing within the firm? (3) What is the importance of marketing as a business activity for the firm's performance? (4) How do the interviewed firms describe their market and which important changes have they recognised in recent years? (5) How do the interviewed firms gather information about their market? (6) What are the main

characteristics of their marketing mix? (7) What is the importance of existing customers relative to new ones? (8) Do the interviewed firms plan their marketing activities?

We employed heterogeneity sampling, which yields important shared patterns that cut across cases (Patton, 2002), thereby enabling a more holistic understanding of the phenomenon (Suri, 2011). Firms participating in our study operated in a wide range of industries (see Table 1): manufacturing, construction, wholesaling and retailing, transportation, restaurants, publishing, business consultancy, photocopying and other specialised office-support activities, and sports activities.

One-third of the interviewed firms operate in manufacturing, whereas the majority operate in various service sectors. The average number of employees is 9.4. The majority of firms employ fewer than 10 employees (i.e. micro firms). On average, the companies were 16 years old at the time of the interview, and less than one-third of the firms were younger than 10 years. With only a few exceptions, the firms were established in 1991 or later. About half of the firms operate entirely or predominantly in business markets, and about one-third of them operate entirely or predominantly in consumer markets. The rest operate in both markets with no emphasis on either market. The Slovenian market is the most important market for the firms in the study. Moreover, more than half the firms only operate in the Slovenian market.

The interviews were conducted face-to-face and were tape recorded when possible. Following Carson and Cromie's study approach (1990), the respondents were encouraged to provide additional information, but no attempt was made to lead them into making statements if they had very little to say on an issue. All interviews were transcribed and coded for the purposes of analysis.

Table 1: *Profile of firms participating in the empirical study*

	Industry *	No. of employees	Year established
1	Advertising agencies (M)	1	2009
2	Business and other management consultancy (M)	5	2005
3	Artistic creation (R)	1	2005
4	Accounting and business consultancy (M)	1	1991
5	Manufacture of other builders' carpentry and joinery (C)	48	1991
6	Specialised construction activities (F)	14	1991
7	Sale of chemical products (G)	9	1992
8	Joinery installation (F)	3	2000
9	Education (P)	2	1996
10	Restaurant (I)	4	2009

11	Manufacture of other parts and accessories for motor vehicles (C)	7	1988
12	Construction of buildings (F)	40	1985
13	Renting of construction machinery (N)	3	1990
14	Sports facilities (R)	2	2005
15	Manufacture of plastic packing goods (C)	16	1985
16	Retail sale of textiles (G)	6	1993
17	Book publishing (J)	7	1996
18	Manufacture of prepared feeds (C)	20	2003
19	Manufacture of plastic plates, sheets, tubes and profiles (C)	6	1980
20	Retail sale of bread, cakes and sugar confectionary in specialised stores (G)	4	1991
21	Wholesale of sanitary equipment (G)	12	1996
22	Accounting and consultancy (M) and retail sale of computers (G)	9	1991
23	Photocopying (N)	3	2010
24	Transportation support activities (H)	10	2002
25	Manufacture of jewellery (C)	3	1987

Note: \* Industry code in brackets according to the Standard Classification of Activities 2008

## 4. RESULTS

### 4.1. The understanding of marketing

Ten respondents view marketing as “advertising” or “informing customers about the products and the firm’s existence”. In addition to advertising, some of these respondents also mention “sales promotions”, “brand recognition”, “graphic image and websites” or “the firm’s presence in the media”. Only one respondent in the sample equates marketing with selling. In contrast to these narrow understandings of marketing, it is relatively encouraging that eight respondents understand marketing in a broader sense, namely as “activities of customer retention and acquisition”, “interaction with customers, informing them about the product and developing a long-term relationship which will bring benefits for both sides”, “a successful product launch and to remain in the market for as long as possible with costs as low as possible”. All of these statements involve a long-term perspective. In some other cases, a broader understanding of marketing is evident by viewing it as a process of activities which exceeds mere advertising or selling. For example:

*“The marketing scope is broad and far exceeds advertising and marketing communications. It is a process from creation of the idea to selling. When we take a broader view of marketing, we can see that every process in the firm is related to marketing”.* Another respondent went further by suggesting that *“this is a customer need satisfaction and the process from*

*informing to implementing and satisfying a certain customer need*". This statement puts customers' needs in the centre of the firm's operations.

However, a broader understanding of marketing does not necessarily mean a strategic approach to marketing, as is evident from the following statement: *"In a broad sense, marketing is not only selling. It begins with planning, searching for customers, customer segmentation, service design to the sales and after-sales services at the end. Of course, it is also advertising, branding etc. Yet I implement the marketing function in a much narrower sense because I don't have enough abilities"*.

The remaining respondents in the sample argued that either "the firm does not have marketing" or they did not provide a clear answer to this topic.

#### **4.2. Responsibility for marketing within the firm**

As expected, all business activities are intertwined and therefore the marketing function as a separate unit does not exist in any of the firms under study. In one firm which has "no marketing", according to the manager's view "they do not use formal approaches to marketing because it is simply not worthwhile". Most often, an owner/manager is responsible for marketing, either alone or with the help of employee(s). Some respondents mentioned that there is "no person particularly responsible for marketing". The reasons for that are the "small size of the company", the manager's preference "to maintain control over all activities" or "the irrelevance of marketing for the firm". An interesting point is that in all of those firms where "no person is particularly responsible for marketing", the owners/managers understand marketing simply as being synonymous with advertising.

In contrast, three respondents replied that all employees are involved in marketing, although it is the owner/manager who plays the central role. It is apparent that marketing activities form part of the day-to-day activities and are viewed more as being supplementary to other activities. For example, some respondents mentioned that a person responsible for either selling or finance or even a "multi-tasking person" is occupied with marketing as well. It seems that everyone could do marketing. Only two respondents admitted that it would be better if there was a person who is more competent in marketing. Yet, one of these two firms cannot afford to hire a marketing specialist due to its low business performance, whereas the other firm considered itself too small to employ a full-time marketer.

#### **4.3. The importance of marketing as a business activity for firm performance**

A prevalent view in the interviewed firms is that marketing is important for business performance, but together with other business functions. The respondents most frequently argued that all business functions should work "in harmony". For example, *"I do not think that marketing is the only paramount thing. Everything has to be somewhat balanced."* Only in a few cases did respondents assign less importance to marketing. For example, one

respondent who views marketing as a synonym for advertising replied: *"I do not think we should invest in marketing if the same effect is achievable with a quality service"*.

#### 4.4. Market description and important market changes

As mentioned, the Slovenian market is the most important market for the firms under study. Moreover, almost half of the interviewed firms focus on a very narrowly defined local market, i.e. a regional market or even towns with surrounding areas. All of these firms come from service industries. Among the important changes in their markets, the respondents most frequently mentioned *economic crisis, increased competition and changes in buying behaviour*. The economic crisis poses a serious threat particularly in construction and the manufacturing of wood products, but also in other industries, both manufacturing and service (e.g. restaurants, education). In general, demand has dropped and the pressure on prices has increased. However, the economic crisis may have a bigger negative impact on larger companies. For example, one respondent mentioned that *"the economic crisis has spared smaller firms a little because they have been able to better adapt to market changes and lowered their prices less than large firms"*. Another respondent mentioned that they have become more selective: *"We do not work for everyone anymore"*.

The increased competition has added to the pressure on prices. Nine respondents explicitly stated that the competition is strong. In most cases, competition is perceived positively because *"it forces the firm to become better and to offer something that the market really needs"* and *"the customers have a greater selection"*. The perceived advantages of larger competitors lie in their established brands, bigger marketing budget, and lower prices along with their ability to longer endure price pressures. Nevertheless, the interviewed firms are not afraid of their competitors. This is illustrated by the following statements: *"We are not concerned about our competitors at all"* or *"There are not many competitors that would threaten us"*.

This attitude to competitors (even larger ones) stems from the respondents' belief that smaller firms possess important advantages, such as greater flexibility, quicker response, willingness and capability to better meet customer needs even at the individual level, better quality, a higher level of specialisation, and personal contact. Interestingly, only one firm which operates in business markets regularly monitors its competitors through a database of identified and potential competitors.

The respondents also mentioned important changes in buying behaviour. Customers are more demanding, better informed, have higher expectations, they want a quick response, their wants are more specific, they look for benefits and are more price-sensitive. The initial description of their customers was often very general, for example *"individual"* or *"business"* customers. Yet, further discussion revealed that the respondents could provide a typical customer profile or even state a couple of segments, for example, on the basis of age, sex, purchase occasion or benefit sought. Less than half of the respondents were able to explicitly state the number of their customers. Among those who could provide an exact number, the majority of firms operates in business markets.

The most important reasons that customers buy the firm's product or service are flexibility in responding to customer inquiries, quality, fast response, personal contact and a holistic approach to the customer (i.e. a total solution for customer problems; supplementary services).

#### **4.5. Gathering market information**

The sources of market information most frequently mentioned were communication with customers, the Internet (for spotting trends and obtaining information about competitors), business partners, fair trades, and field observation. Interestingly, competitors are not only monitored, but they can also be a source of information through conversations or cooperation. Only three respondents mentioned that their firm conducts customer satisfaction surveys, although in one case this is at best only occasionally and simple, namely a short questionnaire on Facebook. The other firms do not rely on any formal market research. It is considered too costly and unnecessary. For example, *"As long as the demand is sufficient it does not make any sense to increase sales on the basis of market analyses and surveys because I would be incapable of meeting the increased demand"*.

#### **4.6. Main characteristics of the marketing mix**

##### *4.6.1. Main sources of ideas for new products*

Customers are the main source of ideas for new products. Half the respondents explicitly mention customers. New products or improvements to existing products are frequently a response to customer needs or wants. Other sources of ideas quite often mentioned are competitors, literature/magazines, trade fairs or conferences, and the Internet. Most respondents stated more than one source of ideas, yet the acquisition of ideas tends to be spontaneous. For example, *"I have never believed in long research work and analysis. It takes too long and such data are not necessarily the best. You have to respond fast to market needs and wants..."*.

##### *4.6.2. Distribution*

The prevalent marketing channel is direct and based on the following main reasons: the firm operates in a service sector or business market; a product is customised; the firm wants to offer greater variety to its customers whereas the intermediary only stocks minimum quantities of a standard offering. The respondents also mentioned that it is difficult to become a supplier to larger intermediaries.

##### *4.6.3. Marketing communication*

Altogether, the respondents mention a wide range of tools of marketing communications, including advertising (e.g. a website; local print, radio, TV advertising, web ads; social

media), public relations (e.g. sponsorship of local events, donations, events), sales promotions (e.g. prize contests), or personal selling and direct marketing (e.g. e-mail). Yet the most frequently mentioned were a website, ads (print, radio and TV) which are almost always local, and word-of-mouth (WOM). The latter was explicitly mentioned by seven respondents: *“Satisfied customers are the best promotion”*.

The interviewed firms used a set of marketing communication tools in order to reach their target audience. But it seems the market communication tends to be more experimental and based on the firm's past experience. For example, one respondent mentioned: *“If it works, repeat it, otherwise abandon it”*. Some respondents mentioned that certain tools are more effective than others but they did not provide information on how the firm measures the effectiveness of marketing communication. No firm explicitly mentioned their objectives of marketing communications. However, we assume that the main objective is to obtain a short-term effect on sales. For example, *“Some ways of promotion were found just to be an expense which marginally impacted sales”*.

#### 4.6.4. Prices

In almost all cases, costs are the most important factor when setting the price. The interviewed firms use a cost-plus method. However, they also take additional factors into consideration, in particular competitors' prices and price elasticity. In this vein, the respondents mentioned “how much the customer is willing to pay”, “purchasing power”, “price sensitivity” and “supply and demand”. The interviewed firms tend not to compete on price, but on product quality or a problem solution that is not offered by competitors. For example, one respondent replied *“From the very beginning, I decided that I will not compete through lower prices”*. Some also mentioned that the pricing depends on who the customer is. For example, a loyal customer may be offered better prices. In one case, a respondent said, *“To be honest, I roughly assess how much I may charge someone”*. As already mentioned, due to the economic crisis and increasing competition, the pressure on prices is high. One respondent mentioned that *“the customers like to get a bargain, hence in some cases we set a higher price and then we give a discount”*. The latter suggests that, at least in some cases, the psychological aspects of pricing are apparent.

#### 4.7. The importance of existing customers relative to new customers

Most respondents claimed that both existing and new customers are important, yet the focus is more often on the existing customers. The respondents believe the existing customers are cheaper to serve because the firm knows these customers and has developed long-term relationships with them. Repeated purchases tend to be viewed as confirmation that the firm is meeting customer wants. For example, *“If they are satisfied, they come back”*. Existing customers are also viewed as an efficient way to acquire new customers through word-of-mouth. In addition, in some cases the focus is on the existing customers primarily because the market is saturated and the firm sees little opportunity to expand its market.

On the other hand, five respondents mentioned new customers as being more important than existing customers. These firms offer products which are purchased occasionally or even only once in a lifetime. However, even in these cases firms recognise the importance of existing customers because they can purchase products for their friends or they share their experiences with others.

Firms try to maintain contacts with customers after the purchase. The respondents most frequently mentioned that they inform their customers about new products and product improvements or sales promotions via a website, telephone, e-mail, social media or personal interface; they invite customers to events or offer them a cost-free service. Some respondents mentioned they ask customers about their satisfaction and they encourage customers to provide feedback about the product. They can also talk about problems and solutions.

One firm's effort to retain its customers is evidenced by this statement: *"For our most loyal customers we are prepared to do even the smallest work with no profit. We take care that these customers will be served timely, even under the highest time pressure. We give them special terms, good prices relative to our competitors"*.

#### **4.8. Marketing planning**

In most firms, plans only exist in the heads of their owner or manager. Their objectives are usually short-term or broadly defined without any explicit time frame, for example "international recognition", "a wider range of products", "constant improvement of distribution" etc. Firms find it difficult or even impossible to set long-term objectives due to changes in the external environment which force firms to constantly trace new opportunities and to respond fast. *"You should have a rough picture in your head of what you want. But it is more important that you stick to the presence and monitor the events because a certain event can significantly change the present and future operations"*.

The opposite attitude to formal planning is reflected in the following statement: *"Our plans are written. The banks and other institutions require written plans, but mostly we prepare them for ourselves. I think it is good that you write the plan down and that you monitor its implementation. Then you can control yourself whether you are going in the right direction. Of course, the plan should not be rigid and highly formalised. It should enable the firm to respond fast to market changes"*.

### **5. DISCUSSION**

Based on the in-depth interviews with 25 owners/managers of Slovenian small firms we can summarise the main findings on marketing in the selected firms under study. Marketing tends to be narrowly understood as tactics/methods (most often as a synonym for advertising), whereas a broader understanding of marketing is harder to

find. However, even a broader understanding of marketing does not necessarily mean that these firms adopt a more sophisticated approach to marketing. Since all business activities are intertwined, the marketing function as a separate unit does not exist. Most often, the owner/manager is responsible for marketing, either alone or with some help of other employee(s). Marketing is viewed as important for business performance, but along and in harmony with other business functions. The interviewed managers believe that small firms have important advantages over their larger competitors. In particular, they are more flexible and faster in responding to customer inquiries (even at the individual level), and offer a better quality product or service. Gathering market information as well as the acquisition of ideas for new products tends to be informal and spontaneous, largely based on communication with customers. The prevalent form of distribution is direct. With regard to market communications, the emphasis is on the use of less expensive tools and word-of-mouth. Costs are the most important factor when setting the price, yet competitive prices and price elasticity are also frequently taken into account. Although all customers are viewed as valuable, more efforts tend to be directed to retaining existing customers who are perceived as very important for acquiring new customers. Plans most frequently exist only in the heads of the owners/managers.

It is worth mentioning that not all of the interviewed firms are identical regarding their approach to marketing, a finding which is in line with the existing literature (e.g. McCartan-Quinn & Carson, 2003). For example, the firms differ in their understanding of marketing and attitudes to marketing planning. Yet, in general, marketing in the interviewed Slovenian firms can be described as informal, unstructured, pragmatic, reactive, and limited in its scope and intensity. This is also in line with the Western literature (e.g. Gilmore et al., 2001) as well with the main marketing style characteristics reported by some previous studies on small firm marketing in CEE (e.g. Crvelin & Bakula, 2006; Dragnić, 2009). More specifically, the following similarities in marketing practices among the analysed small firms in Slovenia and some other CEE countries can be found: the prevalent lack of an independent marketing department (e.g. Kloudova et al., 2004; Dragnić, 2009); the central role of the owner/manager who is strongly involved in all aspects of marketing activities; informal gathering of market information, most often via close links with customers (e.g. Dragnić, 2009); the lack of planned and properly managed marketing activities, which are often implemented in an *ad hoc* manner (e.g. Dragnić, 2009) and the general lack of formal marketing planning (e.g. Crvelin & Bakula, 2006; Dragnić, 2009). In fact, we found more similarities than differences. There is a difference with regard to the presence of a marketing department: while the minority of the analysed small firms from Croatia (Dragnić, 2009) and the Czech Republic (Kloudova et al., 2004) reported having a marketing department or an employee in charge of marketing, the marketing function as a separate unit does not exist in any of the analysed Slovenian small firms.

The question is whether this style of marketing is appropriate and can lead small firms to success. Can small firms achieve a better performance by adopting a more sophisticated approach to marketing? The literature points out that the underlying marketing principles are universal and equally important to all firms regardless of their size (e.g. Siu & Kirby, 1998; Hill, 2001a). Small firms have to adapt their marketing by choosing those marketing

methods most suited to their circumstances, not by making conceptual changes to marketing theories (Carson, 1990). It is suggested that the marketing processes within small firms are between the two extremes of standard, highly structured and formalised marketing theory and the intuitive, social network approach to marketing (Chaston & Mangles, 2002; Chaston, 2014). Some degree of marketing planning is required to increase the survival chances of a small firm (Parrott et al., 2010). The real benefit of planning is the process of learning which enables a small firm to better understand its current and future operations (Chaston & Mangles, 2002; Chaston, 2014).

Based on our findings and marketing theory, we advise Slovenian small firms to adopt a more sophisticated approach to marketing. In this vein, firms are advised to prepare a written marketing plan utilising the classic four-phase task of asking: “Where are we now?”, “Where do we want to be in one (or three) years?”, “How will we get there?” and “How will we know whether our objectives were met?”. In contrast to the current broadly defined objectives, clear and measurable objectives should be set. Firms are recommended not to determine only financial objectives, but also marketing objectives, which relate to customer satisfaction, customer retention etc., and societal objectives, which relate to the firm’s social responsibility. Improvements are encouraged in the area of marketing communication, which is currently quite experimental and based on the firm’s past experience. Although the analysed firms also take other factors into consideration, costs appeared to be the most important factor when setting the price. According to the theory, setting the price should begin with an assessment of the perceived value for the customer. Finally, the investigated Slovenian small firms seem to be quite confident about their strengths over their competitors, even the larger ones. Since technological development enables large firms to implement one-to-one marketing (particularly through lean manufacturing and gathering numerous customer data), market niches have also become increasingly more attractive to large firms. Hence, small firms are advised to carefully monitor their marketing environment, coordinate all marketing activities and constantly provide added value for their target market(s).

The main limitation of our study relates to the exploratory nature of the study based on a small sample. Our findings should, therefore, not be regarded as conclusive and no generalisations concerning small firms in Slovenia can be made. Nevertheless, our study may provide a starting point for future research on small firms’ marketing in Slovenia. The presented study offers a better understanding of how marketing is understood and practised by the selected Slovenian small firms. By focusing on a South-East European post-transitional country, this study contributes to the existing literature on small firms’ marketing which has largely focused on Western, developed countries.

Following the important research questions in entrepreneurial marketing (Hills & Hultman, 2011), we suggest that future research address the role marketing plays in the internationalisation process of young and small firms; how the best marketing practices in small firms differ from their large mature counterparts, and how marketing develops within the firm over time and with firm growth. In addition, given the significant impact of the omnipresence of the owner/manager, we suggest that future research also take the

owners/managers' characteristics into account. It would be particularly useful to examine whether the owner's/manager's marketing or non-marketing education impacts the firm's marketing practice. Finally, our study has focused on the selected Slovenian small firms. In future research, it would be interesting to simultaneously explore small firm marketing in various CEE countries, which would enable us to make more comprehensive and valid comparisons of the small firm marketing practices of small firms across different CEE countries.

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