“Contemporary better marketing approaches” – a study of micro firms

Muhammad Tariq and Shahzad Aamir

Sarhad University of Science and Information technology, 36 B, Chinar Road University Town, Peshawar, Khyber Pakhtoon Khwa, Pakistan (25000).

ABSTRACT

Businesses calculate the life time value of customers and extrapolate their future profits. Higher revenues are guaranteed only when the customer keeps a business relationship with the business for entire his or her life. Given the small sample population of micro businesses are keen to retain their customers for longevity of their profits as against a situation where a customer switches before his life time value ceases. This study indicates that micro businesses are keeping good customer relationship with its customers via word-of-mouth marketing which is considered as instrumental for success of majority of micro business as it serves as a credibility filter and is carried out independently by the customers. At the same time, this finding does not indicate any clear picture as to which form of marketing is doing better. Because our empirical analysis indicates that majority of micro business are dormant in the domain of social media marketing.

Introduction

In hindsight it becomes clear that marketing has undergone two notable changes in the past few decades. The first phase was predominantly driven by manufacturers; while the second by retailers. The former drove the market by aggressive promotional strategies while the latter exploited closeness to consumers (Schultz & Schultz 1998). Ever since then marketing has entered a third phase, influenced by the increased role of information technology (IT) in consumer lifestyles which has led to a consumer dominant marketplace (Jim Blythe, 2006) and in the new landscape “consumer really is king” (Rob, 2009).

Dave Evans in his ground breaking study (2008) defines social media as, “The democratization of information, transforming people from content readers to content publishers. It is the shift from a broadcast mechanism to a many-to-many model, rooted in conversations between authors, people and peers”.

The rise of new social media can be seen from the fact that in first decade of 21st century several words from social media have entered lexicon as word of the year such as “Blog” (2004), “Podcast” (2005), “Facebook” (2007) and most recently a verb “Unfriend” which means to remove a friend on social network site (SNS) such as Facebook was chosen as the word of the year 2009 by New Oxford American Dictionary.

An interesting way to describe social media marketing is to compare it with conventional marketing practices. The new trend, “groundswell” enables consumers to connect with one another and influence collective perception about a company or a newly launched product. As a result netizens change behavior more quickly than tech-challenged offline consumers who stay loyal to companies for a longer time. This trend is compelling companies to use media which consumers value to get a positive image for themselves. The new approach to marketing has not only brought companies to a new arena but, also, it has threatened the existence of conventional forms of marketing practices (Charlene, 2008). Social media marketing has created new challenges for advertisers, companies and strategists. Pre-test interviews coupled with the scarce treatment of micro businesses by earlier researchers aroused much curiosity in our minds to know exactly what the real marketing scenario in Sweden is.

With these studies in backdrop we conducted two pre-test interviews with Micro firm managers to find out the existing marketing scenario. Both the interviewees were knowledgeable about conventional marketing practices such as the 4Ps, advertising, customer retention and word-of-mouth marketing (WOMM), sales promotions, and web portals. Both were actively using media sharing sites (You Tube & Flicker) and social media network sites (Facebook and LinkedIn) but for personal purposes only. The young manager of the two interviewees was actively uploading materials on Scribd and videos on You Tube.

However, they both were unaware of the impact of using social media for promotion of their businesses. The post-interview responses demonstrate general mindset thinking more inclined to conventional marketing practices like marketing mix (4Ps), promotional mix, word of mouth marketing (WOMM) and relationship marketing strategies.

Keywords

Marketing approaches, Contemporary, Micro firms.
Purpose of the Study

Micro firms are always short of money and money is spent on activities that can bring maximum benefits to the firms. In the back drop of all this hype about social media as a marketing tool we got the clue to find the right tools of marketing for these cash strapped micro firms regarding the choice of conventional tools and social media as a new marketing tool. The purpose of our thesis is to compare and contrast conventional marketing practices with social media marketing in the context of micro firms and then suggest these micro firms as which tools are more suitable for them.

Research Questions

To achieve this purpose, we have formulated the following research questions.

RQ1. Which marketing approach enables micro firms to maintain better customer relationships?

Method

According to Anselm Strauss and Juliet Corbin (1998), methodology in the field of social sciences is a means of accumulating knowledge regarding the real world. This thesis is based on grounded theory which is attained by a series of qualitative interviews for data collection and analysis. According to Anselm Strauss and Corbin (1998) grounded theory is extracted from data which is gathered in a systematic manner in the process of research. Alan Bryman and Emma Bell (2007) stress that data collection and research design should be driven by research questions. Therefore an effort has been made to specifically state and articulate our research questions. The authors have used the Neotype Model by Walter et al. (2008) for analyzing the empirical data with reference to the literature review and have deduced three propositions which correspond to the three research questions formulated earlier as stressed by Strauss and Juliet Corbin (1998).

A qualitative approach has been used to achieve the exploratory purpose of the thesis. Overall; eight micro firms were chosen from a convinience sample, representing different regions and industries of Sweden. In the first phase, two pilot semi-structured interviews were conducted to attain a better understanding of the phenomenon under study. Later, six more semi-structured interviews were carried out from micro businesses representing different sectors in various Counties.

Target Audience of the Research

The basic motive for carrying out research is to find answer to a problem or question in a systematic manner. According to Saunders, (2003) research is, “something that people undertake in order to find out things in a systematic way, thereby increasing their knowledge.” It is therefore we conducted this thesis in a systematic order to explore the applicability of social media marketing in the context of small firms in Sweden. The results which will be inferred from this study should help small micro firms in Sweden to know whether or not social media marketing gives more benefits in comparison to conventional forms of marketing. If so, then the question is whether or not the social media marketing opportunity is ripe and ready for small firms or these micro businesses should adopt a wait and see approach till the time when the consumers can really be influenced through social media marketing?

Literature review

Relationship Marketing

The marketing mix model (4Ps) has dominated marketing theory and practice for some good five decades. According to Grönroos (1997), nowadays this paradigm is losing its strategic value as it has become a “strait-jacket” for development of new marketing theory, leading to the rise of relationship marketing. Hunt (1994) defines relationship marketing as, “All marketing efforts directed at establishing, developing, and maintaining successful relational exchanges”. Palmer et al. (2005) proclaims that the rise of relationship marketing can be seen from three different perspectives. First and foremost, the Nordic School of thought, second, the Anglo Australian School and third, the industrial marketing and purchasing group.

The Nordic School of thought on Relationship marketing claim that the roots of relationship marketing stems from services marketing (Silva & Palmer, 2004) and this is why this school of thought extended the concepts of services marketing to cross-functional business relationships (Grönroos, 2000). Simply putting it, the Nordic school of thought proclaims that product differentiation is hard in mature markets therefore services can result in competitive advantage through the processes of interaction, dialogue and value (Baines, 2009).

The Industrial Marketing and Purchasing Group (IMP) have developed a framework for business relationships which lead to further refinement of the idea of business networks (Håkansson & Snehota, 2000). This paradigm assumes that both buyer and seller participate in a relationship which is seen as long term, close and complex (Baines et. al, 2009).

The Anglo-Australian School of relationship marketing thought suggests that value is created by interaction of quality and service activities and relationships are generated within markets (Christopher et al, 1991). Similar to the Scandinavian school of thought the relationship marketing emphasis is laid on internal marketing and the personnel involved in providence of services (Baines et. al, 2009).

Most recently, with the arrival of social media technologies businesses think more in terms of technology, but technology is evolving so very fast that to chase it is very difficult, therefore this thinking has led to social media avoidance syndrome. As a matter of fact the essence of social media lies in concentrating on relationships, not the technologies which enable it (Charlene& Li, 2008).

The 30 Rs of Relationship Marketing

Evert Gummesson, a Stockholm based professor, has proposed the 30 Rs concept of relationship marketing. The 30 Rs have been classified into four main categories with (R1-R3) Classic market relationships, depicting the supplier and customer dyad, supplier, customer and competitor’s trio as well as the distribution network commonly used in marketing theory and practice. The second category of relationship is known as Special market relationships (R4-R17) as show in the table (2-7) below which is mainly concerned with classical type of relationships such as customer loyalty programmes. The third category is Mega relationships (R18-R23) which is related to mega marketing, mega alliances such as NAFTA and social relationships. The final category of relationships is known as Nano relationships (R24-R30) which covers inter and intra-organizational relationships (Gummesson, 2008).

Customer Relationship Lifecycle

According to Baines et al, (2009) the customer relationship lifecycle has four main stages as shown in the Figure (2-12) customer acquisition, development, retention and termination. These stages resemble the stages of product lifecycle stages where different strategies are used as per needs of the product and in this context as the relationship evolves.
The customer relationship lifecycle reveals those consumers who keep on returning to the same business are loyal customers. Loyal customers occupy six steps on the ladder of loyalty as shown in figure (2-13) starts as a prospects who is normally a potential customer, a purchaser is one rung higher and is someone who has bought once from you, a client is a customer who gives repeat business but neutral towards organization, a supporter is a passive fan of your organization, an advocate is a customer who does positive word of mouth to other customers and finally a partner is a customer who enjoys a partnering relationship with your company (Christopher et. al, 2002).

According to Charlene and Bernoff Li (2008), offline consumers seldom change behavior quickly so businesses can create relationships with them which lead to long lasting loyalty. On the other hand, online customers can change behavior quickly as they have access to information via new technologies and use trial and error methods which makes it hard for firms to stay abreast with by using conventional methods of tracking and manipulating customers.

Consumers participate in the social web or groundswell to varying degrees therefore it is easier for advertisers to segment them, and develop longstanding relationships with them. According to www.constantconnect.com a social media service provider firm in the US suggests that from small firms perspective the objective of marketing is to achieve top of the mind awareness and recall and this can be done by using social media relationship building initiatives. Forrester research has developed a Social Technographic Profile, (2006) as shown in the Figure (2-13) with six categories of participants namely inactives, spectators, joiners, collectors, critics and creators along with descriptions of the activities carried out in the domain of groundswell. Inactives, are dominant on social media landscape make 52% of netizens, spectators are those who read blogs and watch videos and make 33 %, joiners make 19% and use social networking sites (SNS) such as Facebook, Collectors make 15% and use tags and RSS, Critics comments on blogs and make 19% and finally Creators who constitute 13% of technology-trained people and are involved in publishing web pages, blogs and uploading videos to sites like Youtube (Charlene & Li, 2009). The reason that majority of people are inactive on the social media landscape is that it takes for people to actually adopt new technologies. It is important here to know that groundswell has empowered consumers with feedback mechanisms such as angry customers can post reactive videos on Youtube and MySpace which may tarnish the image created by mechanisms such as angry customers can post reactive videos on Youtube and MySpace which may tarnish the image created by them, and develop longstanding relationships with them.

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Piercy, (1999) proposes that many businesses are caught up in the “relationship marketing myopia” as not every customer is interested in building relationships with a business. According to Godson (2009), there are mainly four types of consumers in terms of relationships such as relationship seekers, relationship explorers, loyal buyers and transaction buyers who are not interested in any relationships and show no symptoms of loyalty. In order to attract and retain customers, businesses come up with loyalty programs such as frequent flyer rewards (FFP), and point schemes offered by retailers (Kotler, 2000). Baines et al, (2009) has categorized loyalty trends into four categories as the table (2-8) below reveals namely, ubiquity, coalition, imagination, wow, and analysis.

The Starfish Model of Social Media

This model is developed by Robert and is known as the Social media Starfish Model. This model reflects that social media consists of varied activities and that social media success depends on how you combine traditional and social media mix combinations (Evans, 2008). Social media marketing can take many forms, as shown in the generic Starfish Model figure (2-14), but for this thesis purposes we will confine our discussions to the most important applications of social media such as blogs, Twitter, Social Network Sites (SNS) such as Facebook, LinkedIn, Media-Sharing-Sites such as Youtube and Flickr, Social Bookmarking and Voting Sites such as Digg and Delicious.

According to Charlene and Li (2009), since, technologies may change with the passage of time therefore the social media in principle concentrates more on relationships than technologies. In this way, we are trying to establish the best combination of conventional and social media promotion mix for small firms in terms of target market coverage and advertising spending. For this reason we have elaborated the three laws of social media. Together these laws give an idea of how consumer generated media (CGM) has become so popular in comparison with conventional marketing practices. These laws are sometimes referred to as network value-governance laws as they basically describe the utility of network from the perspective of those connected to a focal source, to each other and so on (Evans, 2008).

Empirical data and Analysis

The task of marketing is to attract new prospects and at the same time retain existing customers. This calls for adopting relationship approach with customers. According to Hunt (1994) relationship marketing is, “All marketing efforts directed at establishing, developing, and maintaining successful relational exchanges”. In addition to promotion mix elements Word-of-mouth is also an important instrument for maintaining good relationships. According to the Word of Mouth Marketing Association (2008), word of mouth is one of the most honest forms of marketing for attracting kith and kins of your customers. In this relation a questions relating to word-of-mouth was put up as to how likely is it for your customers to recommend, advocate your product (s) or service(s) to others? The responses were

According to Xiaoli Du, Nordicpearl, “We have good experience with our customer’s word-of-mouth and it is a good source of free of cost marketing for our small business. It wont be wrong to say that our customers are sometimes passive but a few of them do recommend us to their friends, colleagues and relatives which is good sign for us” (Xiaoli Du, Owner of Nordicpearl Jönköping Sweden)

Lars, Kingfisher cuisine and bar says, “As mentioned earlier, our restaurant customers are mostly visiting us through word-of-mouth as word of mouth is independent endorsement for us and acts as credibility filter for our prospective customers.

According to Mr.Patel, X-One Klädbutik, “We see word of mouth as our strategic marketing weapon and the experience in this regard is overwhelming. At the same time I must identify that it is mostly our old aged customers who do word-of-mouth for us and bring their friends and relatives to shop from us.”

Peter Lundell, Puls gym says, “Yes, word of mouth has high trustworthiness and it has been fruitful for us.”

Mikael Hjalmers, Treguld Smeder replied as, “It is highly likely that our customers recommend our products. Sometimes it
is a kind of chain reaction when we do well on a particular design we know that this is going to work.” According to Kirsten Lothigius, Impelco Trading, “It is highly likely for my customers to recommend my services to others.”

A common theme generated from the empirical findings reveals the fact that positive word-of-mouth is instrumental for success of micro firms in Sweden. The primary reason is that it is generated by the publics, for the publics and therefore carries high credibility and trustworthiness as it done independent of the businesses promoted. On contrast marketing messages are seen with doubt as every day a normal human being is exposed to thousands of marketing messages. This idea has also been supported by Bonnie D. Belleau et al, (2007) who stresses that majority of customers belong to generation “Y” or “Millenials” who are skeptical of advertising, anti-corporate as well as individualistic. This is why word-of-mouth is reckoned to be a key denominator for the success and growth of micro businesses who are cash strapped and cannot afford the luxuries of mainstream media marketing practices.

In the domain of relationship marketing Evert Gummesson, a Stockholm based professor has proposed the 30 Rs concept with four main categories such as Classic market relationships, Special market relationships, Mega relationships and Nano relationships respectively (Gummesson, 2008). In this relation the respondents were asked to describe which one of the above four categories describe their relationship with customers. The respondents were provided a list of 30 Rs beforehand and their responses were as

According to Xiaoli Du, Nordicpearl, “I would say that our business falls in the mega relationships category as we rely heavily on personal and social networks which are R18 on the list. In simple words our business relationships are driven by friends and friends-of-friends.”

Lars, Kingfisher Cuisine and bar says, “Kingfisher has special customer relationships in a way that we believe in the service encounter and also we carry out loyalty programs for our frequent customers.”

According to Mr.Patel, X-One Klädbutik, “We believe in long term relationships with our customers as the population of the country in itself is so very little that we simply cannot afford to lose a customer. Again I would say it is the elderly people who are interested in keeping relationships with our businesses and we do care about them.”

Peter Lundell, Puls gym, responded as, “Simply, we have a family kind of relationships with our customers and i think on this list it can be placed under special customer relationships as we are providing real time services.”

Mikael Hjalmer, Treguld Smeder says, “We have strong, natural and long lasting relationships with our customers whom are hard to confine in a given set of relationships, but you can say classical relationships.”

Kirsten Lothigius, Impelco Trading responded as, “Special customer relationships as I see in the list and sometimes partnering relationships with our proven clients.”

The theme generated from the empirical findings reveals that micro businesses are interested in keeping relationships with customers to form a win-win deal by creating value for all the parties concerned in the relationship. However, it important to know that not all the customers’ are interested in relationship building and that relationship are more important for micro businesses dealing in service industries.

The customer relationship lifecycle reveals those consumers who keep on returning to the same business are loyal customers. According to Baines et al, (2009), the customer relationship lifecycle consist of four main stages customer acquisition, development, retention and termination. These stages resemble the stages of product lifecycle stages with different strategies used as per needs of the product and in this context as the relationship evolves. In this relation the respondents were asked as to which stage of customer relationship lifecycle is most important for their business they responded as follows

According to Xiaoli Du, Nordicpearl, “For us since our business in the infancy stages so obviously customer acquisition is most important to us. Once a customer is acquired only then we can think of developing a relationship with him or her and plan on sustaining the relationships for repeated business.”

Lars, Kingfisher Cuisine and bar says, “I think all of them are important for us as without these stages it is hard to find customer life time value (CLT) for our business.”

According to Mr.Patel, X-One Klädbutik, “With our three decades of presence in the garments business it is important to retain our existing customers while at the same time looking forward to make new ones as we get guaranteed business from our old customers and it also help us in our purchasing decisions.”

Peter Lundell, Puls gym, responded as, “Customer retention is important for us as a satisfied customer brings new good customers for us.”

Mikael Hjalmer, Treguld Smeder says, “Development and retention, we are trying to bring back our lost customers.”

Kirsten Lothigius, Impelco Trading responded as, “Mostly, I am interested in retaining my existing customer by providing them top notch quality and services as I am most of the time working single handedly.”

The theme generated from above empirical evidence reveals that micro businesses stand at different levels of the customer relationship lifecycle. Newly created ventures were found to be more interested in customer acquisition and development of relationships and older businesses were found to be more interested in customer retention as well as trying to find out new customers. Customer relationship is a key denominator of customer lifetime value (CLTV) in Sweden as the population of the country is only 9,059,651. According to Charad Sharad Boyle et al, (2008) customer life time value (CLT) is an important metric for assessing the net value of a customer and helps in customer acquisition processes and choice of optimal service levels to make marketing decisions more effective and efficient.

As evident from the customer relationship cycle loyal customers give repeated business therefore Christopher et al, (2002) has developed a relationship loyalty ladder which has six rungs each corresponding to six levels of loyalty namely prospects, purchaser, supporter, advocate, and partners. In this regard when the respondents were asked as to when they see their relationships status on loyalty ladder the responses were as

Xiaoli Du, Nordicpearl replied, “Considering the limited number of customers we have it is right for us to see them as advocate rung of the customer loyalty ladder as they are the ones spreading positive word-of-mouth for our advantage. However, this relationship status might change our business grow.”
According to Lars, Kingfisher Cuisine and bar, “We have permanent customers [smiling] as you and I eat twice or three times a day and few are more like purchasers.”

Mr. Patel, X-One Klädbutik says, “Majority of our customers cannot be categorized as such however we have some key business partners who buy from us in bulk and sell in other small regions such as Nasjo, Habo, Vetlanda, Tidaholm.”

Peter Lundell, Puls gym says, “Our clients support and advocate our best services and we also see them as our partners as we make money from them.”

Mikael Hjalmar, Treguld Smeder replied, “The truth of the matter is that we have solid long lasting relationships with customers.”

According to Kirsten Lothigius, Impelco Trading, “They are mostly great supporters and advocates as reflected from their interactions with my continued business for the past so many years.”

The theme generated from the above discussion reveals that micro businesses have varied levels of customers when it comes to placing loyal customers on the loyalty ladder. It has been observed that the higher the level (rung) on loyalty the greater the chances of profitability for businesses. However, businesses are not merely interested in loyalty rather they want tangible benefits from their marketing efforts.

According to Charlene Li and Josh Bernoff (2008), in comparison with offline customers the online customers can change behavior quickly as they have access to information via new technologies and use trial and error methods which is difficult for conventional firms to cope with. In this regard a questions in terms relationships where would you place your business in the six categories of inactives, spectators, joiners, collectors, critics and publishers. The responses were as:

Xiaoli Du, Nordicpearl replied, “Considering the fact that we as a group use social media for personal and business purposes. It can be said that we are mostly publishers for our business purposes and in private life we are merely spectators just like many other people.”

According to Lars of Kingfisher Cuisine and bar, “We are thinking of publishing on our Facebook fan page especially the news related to our Special dish of the Day.”

Mr. Patel, X-One Klädbutik says, “I would say we are inactive in this social media as people of my age (60 plus) do not have time to get involved in internet.”

Peter Lundell, Puls gym replied as, “Frankly speaking I am not so active but it does not mean I am not aware of them, but it is just that I have interest in some other things.”

According to Mikael Hjalmar, Treguld Smeder, “We are inactive, because I believe that social media is not worthwhile for us as it consumes my precious time.”

Whereas, Kirsten Lothigius of Impelco Trading said, “Frankly, I am not into this, I believe in the more traditional way and therefore you can say I and my business fall in the category of inactives.”

The theme generated from above discussion indicates that micro businesses are mostly inactive in the domain of social media marketing for relationship purposes. The reason is that micro businesses have limited personnel who are already over burdened by their tasks. Another reason is that social media is in the rudimentary stages of development therefore the customers are also largely absent so it is where micro business are lagging behind. However, young enthusiastic entrepreneurs have stolen a lead by writing their own business blogs and maintaining their Facebook fan pages.

Summary of themes generated in terms of relationship marketing practices from the analysis of all the six interviews is as under:

- That positive word-of-mouth marketing is instrumental in the success of micro businesses in Sweden in terms of relationship building as it is generated by the people independently and for the people. The underlying reason is that majority of customers are millenial who are skeptical of advertising.
- That almost all micro business is interested in long term relationships with customers but not every customer likes to maintain business relationships. It was also learnt that relationships are more vital for micro businesses dealing in service industries.
- Micro businesses are interested in customer acquisition and retention by measuring the customer lifetime value (CLTV) in a raw manner for longevity of their profits. The underlying reason is that population Sweden is so small that ever customer matters particularly for small businesses.
- These micro businesses are interested in only those loyal customers who are more profitable to them which mean that loyalty does not always mean tangible benefits.
- Micro business are mostly inactives in the domains social media marketing practices as they are constrained in terms human of human resources required for effective social media practices.
- In spite of social media being in its infancy stages of development still there are examples of young entrepreneurial entrepreneurs who are actively publishing their blogs as well as maintaining their Facebook fan pages. These are ones who have stolen a lead from their counterparts by achieving a first mover advantage in the domain of social media marketing.

Conclusion

This research suggests that micro businesses are mostly marketing weak organizations (MWO) as they are sales oriented and see marketing as more of a luxury. Micro businesses in the sample reveal a tendency to carry out marketing activities in a haphazard manner which limits their likelihood of achieving their targets.

Given, the small population of Sweden, it has also been showed that micro businesses are keeping good customer relationship with customers via word-of-mouth marketing which is considered as instrumental for success of majority of micro business. At the same time, this finding does not indicate any clear picture as to which form of marketing is doing better for these businesses. In terms of social media adoption the findings indicate that micro businesses see social media as a great marketing opportunity in which micro businesses can compete on a level playing field with their larger counterparts.

This study also concludes that social media is in infancy stages of its development in Sweden as people though they are present on the social media landscape, but have not yet, thought of it as a mainstream marketing channel. Therefore, it is suggested that micro firms in Sweden need to adopt a wait and see approach for the time being and start preparing to capitalize on social media soon when it becomes ripe and ready for marketing.

References


