THE CHALLENGES OF SMES IN MODERN MARKETING

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ABSTRACT. SME’s are actually driving Romanian economy, especially after the European Union integration, but the risk of failure is obvious due to the lack of openness to the modern times.

SME’s need to upgrade their competitiveness and their knowledge about online marketing and the complexity of the market. Most of the SME’s disregard the importance of marketing promotions services. The Internet is also considered an expensive and sophisticated way when it comes to advertising for small companies. Wrong! The Internet offers unlimited resources at present, even many free promotional services, even beyond the geographical borders. Limited online promotions have a great impact on the image of small businesses compared to big enterprises that invest a specific amount of money on web advertising.

When talking about small businesses we confront many difficulties and limited sources of promotion and advertising therefore, limited local promotion online may be the winning solution.

Promotion and advertising beyond the geographical borders is what SMEs should focus on, getting an online identity and to expand the business in a cost efficient way.

This article includes a research on the challenges that SMEs are facing in the modern times and the risk due to the lack of openness towards it. It also presents the advantages and disadvantages for an online successful marketing promotion of the small businesses through direct e-mail marketing and the cost efficiency of the method used in the modern times.

Key words: modern marketing, marketing promotion services, online marketing, e-mail marketing, SMEs challenges.

JEL classification: M31

1. Introduction

Online marketing represents the process of building and maintaining online relationships with customers which facilitate the exchange of ideas, products and services that meet the objectives of both parties³.

Online marketing mix is composed of 4 traditional elements (product, price, promotion and distribution) together with two others: community and branding.
Community represents the relations built on common interests, leading to satisfying the needs of the parties, otherwise unable to be satisfied. One of the unique aspects of the Internet is the high speed of communication and training communities. It is very important what business impact these communities have on small and medium enterprises and the feedback these companies offer.

Branding plays two roles in marketing strategy. First of all, branding is a result of marketing activities performed by an enterprise. Marketing programs affect consumer behaviour and the impact the value of the brand and the brand itself have on these consumers. Second, branding is a part of every marketing strategy, thus, any marketing activity is more efficient if the brand is well known by consumers.

However, these six variables do not capture all aspects of online marketing activity; the concepts of individualization and interactivity are introduced for a better understanding of the implications brought to this new activity that it is so challenging for SMEs.

Individualization refers to the individual level exchange in terms of marketing. In addition to interactivity, consumers expect a personal experience with these online companies. Classical messages offer the same information to the target market, when on the other hand internet allows the company to initiate personal messages to each customer in particular building a strong relationship with each consumer. Besides this, the customer can choose the level of individualization of the message according to its preferences; therefore the level of individualization can be controlled both by SMEs and by customers.

Interactivity represents the bi-directional communication between businesses and consumers, achieving through internet a level of dialog between the two parties unprecedented in the history of economics. Certainly, consumers could communicate with vendors in shops or with managers in a company, but not to the level at which internet allows. Thus, the communication to an extended target market through television or radio is extended to debating, exchanging and conversation which creates a challenge for SMEs for building a strong relationship based on continuous communication with each customer individually.

Interactivity enables an online business to sort its customers, offering them online services for those who need more information, having lower knowledge about the business and different searching services for experts compatible with their high level of knowledge. For example, an Acupuncture site will direct potential customers to a page that presents a video presenting a patient who receives treatment, a dictionary with terms used in Acupuncture, a brief overview of treatments and testimonies of patients who were treated successfully. Experienced patients, however, can be taken to pages containing information about the most recent studies in the field or in the pages that can schedule.

4 www.afaceri.net
5 Al.Nedelea - Politici de Marketing în Turism,Ed.Economica,Bucuresti200, pag 232
These important advantages offered by the Internet, allows the customer to find all the information needed about the SMEs and permits the companies to build strong relationships with the clients in order to win their satisfaction and loyalty on a long time period.

2. The main challenges that SMEs are facing
- many customers ignore the email advertising campaigns;
- no face to face communication with clients;
- the easily comparison of prices with competition;
- most of the Romanian customers do not trust online payments.

Reasons for using Internet as advertising SMEs:
- 14.6% of those who have a job are regularly using the Internet;
- 87.6% of those who have a job use the internet for different purposes other than work at least several times a week;
- 40% of users use the computer at work to purchase online goods;
- 36% of users use the computer at work to find another job;
- 45% of employers use the internet at work to plan vacations;
- 46% of online holiday period are achieved in the workplace.

These reasons for using Internet as advertising SMEs can only underline the importance that Internet promotion has for some investors.

Table 2.1:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet users who buy online</td>
<td>39.7%</td>
<td>46.4%</td>
<td>50.9%</td>
</tr>
<tr>
<td>Number of online purchases</td>
<td>10.81</td>
<td>28.32</td>
<td>32.12</td>
</tr>
<tr>
<td>Amount of money spent online</td>
<td>$70.21</td>
<td>$100.70</td>
<td>$102.90</td>
</tr>
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Source: The UCLA Internet Report 2009

Online advertising is about getting the website in front of the people who are interested in your product or service. All you have to do is find the best terms and phrases that people search for who would like to purchase exactly your goods and services. In fact more and more small business owners are using online advertising to market their goods and services to their target audience testing different keywords to specific pages of their website in an attempt to get more leads from their online advertising campaigns. Small business people are finding out that without a doubt advertising online is the best way to sell their goods or services to the Internet⁶.

⁶ www.onlineadvertising.net
According to various market research sources, search engines outperform all other online advertising media in driving visitors to websites. Moreover, consumers are five times more likely to purchase products after seeing search listings versus banner advertising. In fact, statistics show the following:

1) 77% of Internet users employ search engines more frequently than any other online advertising media, surpassing banner ads, Web links, and e-mail links as the leading tool for discovering information about a product or service.

2) 84% of Internet users who are online four or more hours each day reported they use search engines frequently to discover websites and find products or services.

3) 55% of Internet users are more likely to purchase online after seeing search listings versus 9% for banner advertising.²

3. The advertising structure of the Internet in Romania

The main forms of Internet advertising in Romania are: banners, links sites, news bulletins and e-mails.

| Advertising market between 2007-2009 (USD) |
|---------------|---------------|---------------|
|               | 2007          | 2008          | 2009          |
| Banner        | 730 000       | 745 000       | 760 000       |
| Links         | 45 000        | 52 000        | 59 000        |
| Newsletter    | 210 000       | 225 000       | 255 000       |
| Others        | 200 000       | 235 000       | 250 000       |
| TOTAL         | 1 185 000     | 1 257 000     | 1 324 000     |

Newsletters: Although not sufficiently developed at present, the increasing number of internet users together with a higher quality of sites made Romania will increase the number of visitors who register on the site. In this way, the newsletter will be sent to subscribers of its website as an attractive advertising tool allowing SMEs to target a well defined category of customers.

Advertising using "news bulletins" is perceived rather as a traffic growth method than as a way to make money. For this reason, newsletter history in Romania is more like discussion lists, where a user can join and withdraw at any time, rather than some TV news.

Email marketing is a very powerful and valuable method of getting the products, services and ideas out there and if well done, it can even earn you some very good money. It allows the SME to form a relationship with a variety of prospects and customers which will certainly lead to customer loyalty. Nowadays,

² www.onlineadvertising.net
email has established itself as a powerful marketing tool for small and medium enterprises offering an essential component of effective marketing.

Email design should be well presented in order to gain the attention it deserves. It is an increasingly powerful and affordable way to turn prospects into clients. It can be used to improve the relationship between a business and its customers or to gain new customers. There are many reasons to use email marketing but often we end up focusing on the money making aspect of it and lose sight of the other areas that are also vital in the world of email marketing.

Unlike direct mail, promotional email campaigns are not constrained by any limits or postal restrictions. Email marketing and direct mail has long been considered an effective marketing tool. One of the advantages of email marketing is the cost efficiency, no print costs to contend and no postage to pay for. Therefore, email marketing campaigns are considered an economic solution that is available to all small and medium enterprises. Creative email design is very important to any email marketing campaign, the design makes the most of the flexibility of this media. SMEs should establish itself as a powerful and cost efficient marketing tool that is essential component of effective marketing.

Most companies use email marketing to communicate with existing customers but many other companies send unsolicited bulk email, also known as spam. They make it very difficult for observers to distinguish between legitimate and spam email marketing. Some marketers report that legitimate commercial email messages frequently get caught and hidden by filters. Nevertheless, it is somewhat less common for email users to complain that spam filters block legitimate mail.

Moreover, without print costs to contend with, envelopes to buy and address and postage to pay for, email marketing is an economic solution that is available to companies of all sizes. Email has now established itself as a powerful marketing tool that is already an essential component of effective online marketing.

Email marketing can often be an outstanding source of both new business and especially repeat business. One of the greatest challenges of email marketing is email list building. Current customers are an excellent starting point of the list building efforts and can substantially increase the customer loyalty.

The emergence of other advertising techniques:

- Lively advertising (using Shockware applications’ effects and combining video and audio) will attract more SMEs;
- The development of e-commerce will fill Internet with a wide range of services and information, which will increase the number of direct investors and online advertising budget. In this way the challenges of using internet as a way of advertising of SMEs, will increase their openness to the modern times and promotion techniques.
Placing banners on Romanian sites takes place about 80%, through the exchange of banners, with an exchange rate of 1 to 1. Thus, many sites avoid spending money on advertising. Even if this type of advertising banners appear attractive, it is very difficult to realize an effective advertising campaign based only on the exchange of banners, mainly because many visited sites avoid and dislike this type of advertising.

Also the category of banner advertising includes banner link exchange. This works on the principle of providing advertising exchange, compared to 3:1, 2:1 or 1:1 (i.e. one, two or three exposures of a banner supplied network provides exposure to a banner site participant).

These relationships are formed by two parts:

1. **Home advertising** - selling advertising space to the network.
   - The sites listed are paid on the number of exposures and / or clicks registered; charging per exposure / click is determined depending on the volume of traffic on the site, e.g. categories:
     - Over 1 500 unique visitors per month;
     - Over 3 000 unique visitors per month;
     - Over 8 000 unique visitors per month.
   - The price offered by sites that host advertising network is no more than 50% of the selling price of advertising space.

2. **Buyers of advertising** - buys a number of exposures / clicks in the network.
   - This can select sites that will display ads according to certain criteria (thematic or traffic).
   - Average prices for the purchase of advertising space:
     - Between $ 0.012 - $ 0.015 / exposure; least 5 000 exposures;
     - Between $ 0.3 - 0.5 $ / click; least 500 clicks (the average click-through: 1-2%).

3.1. **Networks that deal with advertising through the Internet in Romania**

**www.goldenbanners.ro**

This network is a very dynamic exchange banner link, created by Yellow Pages in September 2000. It had a rapid growth due to the participation of over 30 sites with different profiles (portals, search engines, with fun and educational content), owned by Yellow Pages bringing together a considerable volume of traffic. It offers 1 000 free entries and periodic special promotions. There are no statistics publications offering the total number of affiliates.


**www.grafstat.grafx.ro**

This is a service launched in 1999 to provide free technical support for tracking traffic on the site and on a banner link exchange network with purchasing advertising space for websites on the network or outside the network.
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• over 250 sites + affiliate network sites theme from Acasa.ro (Valentine - Valentine employer, Martisor and Mother's Day, Easter, Children's Day, Christmas, etc.) Totalling over 400 000 displays monthly in the network.

**www.AdServer.ro**


**www.telli.com**

It is a global news network that functions as a media agency. It sells advertising for media sites in Romania:

2. Evenimentul Zilei (http://www.expres.ro)
3. Monitorul (http://www.monitorul.ro)
4. ProSport (http://www.prosport.ro)
5. Național (http://www.nationalpress.ro)
6. Mediafax (http://www.mediafax.ro)
7. ProTV (http://www.protv.ro/chat/)
8. Top100 (http://www.top100.ro)

Romanian portals for purchase of advertising spaces are:
http://www.click.ro
http://www.acasa.ro
http://www.rol.ro (PC-NET)

An international network of banners for buying / selling advertising space and includes some Romanian sites is [www.valueclick.com](http://www.valueclick.com).

• Related sites: 10 200;
• Ads: 40 000 000 per day.

**Reasons for using the Internet market for SMEs:**

- The action of social networking, which generates a very high traffic and multiple opportunities that have a great impact on consumers;
- Need for information and entertainment, which encourages communities to spend increasingly more time online, more and more often.

The customers’ attachment to the traditional media channels and the lack of understanding of how online advertising works are the main inhibitor factors for the Internet market.
4. Conclusions

The Internet offers unlimited resources at present that SMEs are using as promotional tools, customers being able to purchase goods and services virtually anywhere, 24 hours a day, 7 days a week, without geographical and temporal boundaries.

Email marketing is by far the most cost effective way to market going into the future, much cheaper than the media investments or printed information about the products or services traditionally used. As a modern marketing tool, online marketing offers the small and medium companies the possibility to save money by having a cost efficient marketing campaign and by building strong relations with customers.

Online advertising is about getting the website in front of the customers interested in products or services offered by the company. More and more small business owners are using online advertising to market their goods and services to their target audience testing different keywords to specific pages of their website in an attempt to get more leads from their online advertising campaigns.

We believe that only by becoming more open to the modern marketing tools, SMEs will increase the number of online customers and will drive the Romanian economy into European Union regulations.

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