

8

Small Business Marketing

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"There's nothing wrong with staying small. You can do big things with a small team."

Jason Fried, Digital Entrepreneur

Introduction

This chapter discusses marketing in the context of the small firm. It begins with a look at what constitutes a small to medium sized enterprise, identifying the key characteristics and how this context impacts on the marketing function. The area of entrepreneurship is also discussed, towards an explanation of entrepreneurial marketing.

Although small firms are now almost universally regarded as a vital element of prospering economies, this view is of fairly recent origin. In the 'big is best' era from the late 1930s to the early 1970s, small firms were regarded with only peripheral interest by economists and business analysts. During this period the decline of the small business sector was seen as a sign of economic progress: "...as industrial societies matured, it was asserted, the small business sector gradually withered before the advance of the super-efficient large firms enjoying ever more increasing economies of scale" (Curran & Blackburn, 1991: 1). The evolution of the way small businesses were viewed occurred as a result of changes in the broader orientations of economic theory, especially where these changes permeated popular perceptions, as occurred following the Oil Crisis of 1972 and after the publication of popular and pioneering works, such as *Small is Beautiful* (Schumacher, 1973). This evolution was supported by a better understanding of the characteristics of small firms

and reinforced by the associated decline in Europe and North America in both popular and governmental confidence in the integrity and capacity of large scale business structures to sustain growth, employment and wealth.

The last three decades have seen an expansion in the number of small firms in many advanced economies, stimulated by changes in the industrial infrastructure and the commitment of various governments to encouraging new forms of economic enterprise. Throughout the 1980s there was a widespread increase in confidence in the potential of small firms to contribute to economic regeneration, encompassed by the ideological formulation of the 'Enterprise Culture'. In the UK, interest in the small business sector essentially dates from the publication in 1971 of the report of the Committee of Inquiry on Small Firms chaired by John Bolton. The *Bolton Report* (Bolton, 1971) was the first to offer a multi-perspective assessment of the statistical profile of the small firms sector and was a significant turning point in the contemporary understanding of small businesses (Carter & Collinson, 2002).

Small and medium sized enterprises – A definition

Small to medium sized enterprises (SMEs), make up the highest proportion of firms operating in most countries across the globe. In the US there are currently over 28 million small firms, employing nearly 56 million people (Small Business Administration, 2015). In 2013 over 99% of the 4.9 million businesses in the UK were SMEs, employing 14,424,000 people. The European Commission's SME Performance Review estimates the Gross Value Added of SMEs as €473 billion or 49.8% of the UK economy (Ward & Rhodes, 2014).

In addition to the country level statistics, information relating to small firms is collected each year via the Global Entrepreneurship Monitor, now in its 17th year and analysing a total of 62 economies. It includes areas such as societal values about entrepreneurship, self-perception relating to entrepreneurship, age, gender, economic setting and an overall evaluation of total entrepreneurial activity for each country. This comprehensive study has enabled governments across the globe to both learn from each other and identify benchmarks for success in the area of small firm creation. (Kelley et al., 2016).

One of the issues with comparing small businesses across the globe is how these are defined. Within the UK and Europe a small firm is any business employing fewer than 250 people, whereas in the US the figure is 500. Size is also dependent on sector since a construction company employing 200 people can be considered small in the global marketplace but a hairdresser employ-

ing 200 people would be considered a significant player in the sector. In this chapter a small firm will be deemed as one employing fewer than 250 people.

■ SME characteristics and impact

Small firms are intrinsically different in make-up from their larger counterparts. These basic differences affect the planning process, the management structure and the way in which marketing is implemented (Carson et al., 1995; Carson & Cromie, 1989; Liu, 1995; Stokes 1995). This fluid management approach is just one of the characteristics of small firms. Key to small firm growth is the motivation of the owner manager(s) in starting the business. Many people who start their own business are driven by a desire to work independently and do something different. This issue of freedom is key to their motivation and covers all aspects of the firm such as decision making, product development, target marketing and growth. The creative industries and third sector, e.g. social enterprises, who often offer a product or service designed for a specific social need, are examples of firms where freedom plays a key role in start-up. Motivation for start-up will also impact on the following:

- Growth
- Willingness to diversify/ change
- Levels of investment
- Financial management

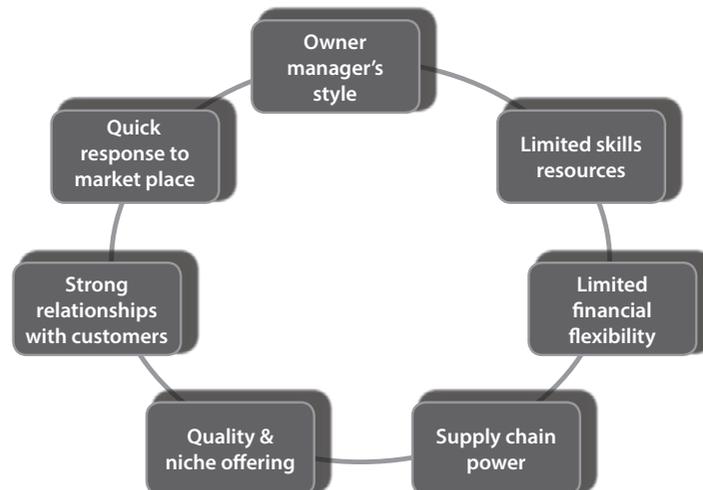


Figure 8.1: SME characteristics

In many small firms, resistance to change and fear of losing control (both financially and in decision making) result in them remaining small in size, with limited growth aspirations.