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**INFLUENCING FACTORS OF SMALL AND MEDIUM-  
SIZED ENTERPRISES' MARKETING ACTIVITIES –  
IN PARTICULAR AS REGARDS ON ONLINE MARKETING  
ACTIVITIES**

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Doctoral Dissertation

Mirkó György Gáti

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## Motto

*[...] How does the scientist, for instance, arrive at a new discovery? Does he start with making experiment after experiment, gathering fact after fact, without having a vision of what he expects to find? Rarely has a truly important discovery in any field been made in this way. Nor have people arrived at important conclusions when they were merely chasing a phantasy. The process of creative thinking in any field of human endeavour often starts with what may be called a "rational vision," itself a result of considerable previous study, reflective thinking, and observation. When the scientist succeeds in gathering enough data, or in working out a mathematical formulation to make his original vision highly plausible, he may be said to have arrived at a tentative hypothesis. A careful analysis of the hypothesis in order to discern its implications, and the amassing of data which support it, lead to a more adequate hypothesis and eventually perhaps to its inclusion in a wide-ranging theory.*

*The history of science is replete with instances of faith in reason and visions of truth. Copernicus, Kepler, Galileo, and Newton were all imbued with an unshakable faith in reason. For this Bruno was burned at the stake and Spinoza suffered excommunication. At every step from the conception of a rational vision to the formulation of a theory, faith is necessary: faith in the vision as a rationally valid aim to pursue, faith in the hypothesis as a likely and plausible proposition, and faith in the final theory, at least until a general consensus about its validity has been reached.*

*Irrational faith is the acceptance of something as true only because an authority or the majority say so, **rational faith is rooted in an independent conviction based upon one's own productive observing and thinking, in spite of the majority's opinion, [...].***

Fromm (2008: p. 146)

# I. INTRODUCTION

*There was a beauty. There was sweetness.  
I contemplated a delicate rose.  
And reality smashed down on me like a loose boulder.*  
Attila József (1937): There was a beauty  
(fragment)

The opposition of the difference between the imagined and the underlying, existing reality in the quote from Attila József can be interpreted as follows: the metaphor of the rose is the physical manifestation of a piece of the imagined world, while the stone is the painful reality on the ground itself.

This parallel reminds me of the ambivalence with the status and scientific handling of small and medium-sized enterprises (SMEs). According to Palócz (2010), the fast-growing SMEs are the potential engine of an economy, i.e., they play an important role for an economy to develop at the right pace. The economic importance of SMEs is reflected among other things in the increase in the number of employees, jobs creation, the stimulation of competition, the stimulation of the local and regional economic development, the promotion of innovations, as well as the support of entrepreneurial skills. With respect to jobs creation, SMEs employ a considerable share of the total number of employees in Hungary. In contrast, SMEs are often not dealt with in a way corresponding to their importance, either in practice or in scientific research.

In Hungary, many enterprises shut down annually. Many SMEs suffer from a lack of resources, specific to the sector, whereby in many cases neither everyday activities, nor the appropriate operation of the corporate functions are possible. Under these circumstances a different approach is necessary for scientists when they examine these economic actors.

The contradiction outlined led me to research the SME sector within the framework of this dissertation. This research focuses on the marketing activity of these companies, by which activity they can survive more successfully in the competition of their sector.

## ***1.1. Topic outline, explanation of topic selection***

Research into the marketing activity of SMEs is considered to be a fairly exciting field according to scientific sources, since it is in many ways different to what the marketing profession is accustomed to and practices on a daily basis in the case of large companies. Observing the marketing activity of SMEs from the point of view of research, researchers do not necessarily face the same problems as in the case of large companies and do not get close to solving SME problems if they apply the same methods they use during the analysis of large companies. Therefore, in the eyes of the researcher, the marketing of SMEs is a very diverse field, since there are fewer rules of thumb and more unexplored paths, whose discovery could also represent a challenge.

If the economic significance of SMEs is as important as the economic statistical summaries say, then the question arises as to what is the competitive advantage of these companies which differentiate them from their competitors? In a number of industries the competitive disadvantage of SMEs vs. large companies can be levelled by means of the different e-business<sup>1</sup> solutions (in parallel with the spread of the internet) or simply the conscious application of the marketing activity. Based on this assumption, it is worth examining from a marketing aspect, what factors determine the different marketing solutions of SMEs.

It is important that the marketing research into SMEs, which are of crucial importance to Hungary's economic development, be brought to the fore. The results will help provide SMEs with useful practical advice during their day-to-day operation as well as the scientific researchers of SMEs.

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<sup>1</sup> e-business: complex system of commercial processes, business applications, and organizational structures to create high-performance business models (Kalakota és Robinson, 2002 In: Zilber és Araújo, 2012: 103. old.).

### I.1.1. Definition of SMEs

From the perspective of the performance of this doctoral research, exact specification of the topic and the operationalization of the main concepts belonging to the researched topic are primary and indispensable considerations. This is also the case with SMEs, where – due to their particularities – it is necessary to examine several factors at the same time in order to collect a future sample. Therefore, the actual definitions which currently exist in the European Union (EU) and Hungary are first collected, then – with the research problem in mind – the one to be used is selected. This way a grounded definition can be obtained for use in the dissertation both in a scientific sense and in practical terms (Tonge, 2001).

A kind of *agony* (Curran, Stanworth, Watkins, 1986: p. 3) can be observed in the scientific communities in connection with the definition of SMEs which results in the emergence of various definitions, mostly with doubtful and disputable outcomes (Bolton, 1971; Binks and Coyne, 1983). While showing respect for the objectivity of the research, questions arise mainly regarding how we interpret size, because based on its dimensions (number of employees, sales return, profitability, etc.). **In some sectors all firms may be regarded as small, while in other sectors there are possibly no firms which are small** (Tonge, 2001).

In order to use the definition in a well-established way, first of all there is a need to differentiate between entrepreneurship and enterprise to ensure that the definition is not interpreted in an overly broad sense or in an incorrect way.

**Entrepreneurship:** an activity or possibly an attitude which is innovative, involves the exploitation of market opportunities, is creative and helps in the alternative combination of resources. It is characterised by a bigger uncertainty which is more than financial risk-taking. Aim: profit maximisation and value creation in the broader sense (Szerb, 2004).

**Enterprise:** entrepreneurship includes the business activity on one hand and the organisational background on the other. While the term entrepreneurship involves various forms of organisation (business associations, cooperatives, sole proprietorships), the enterprise in this regard means a more specifically defined phenomenon (Polereczki, 2011).

Due to this distinction, the term small and medium-sized **enterprises** is used during the definition and characterisation of SMEs in this dissertation. The definitions presented define in many aspects the term SME according to objective, overlapping measurement criteria (Hill, 2001a). From the point of view of this dissertation, however, it is considered necessary to use the term in a unified framework, therefore a new definition based on the ascertainment of the literature is created.

### **Definition of SMEs in the European Union and in scientific communities**

The definition of SMEs is first studied from a broader perspective, on the basis of the different EU directives and the community definitions which have been taking shape for decades (Bolton Committee, European Commission: EC). The diversity of definitions used by researchers in scientific articles are then gathered and presented in order to create the SME definition most appropriate for the purpose of this dissertation, in light of the most recent Hungarian definitions.

## Bolton Committee

The most orthodox and most widely accepted definition was provided by the Bolton Committee (1971). It identifies three key factors, which have an influence on the management and decision-making of SMEs, and based on these factors it mentions two definitions, one economic and one statistical.

According to the **economic definition**, SMEs must comply with the following criteria:

- They have relatively small market share.
- They are managed by owners or part-owners in a personalised way and not through the medium of a formalised management structure.
- They are independent in the sense of not forming part of a larger enterprise.

The **statistical definition** sets out three main goals during the definition of SMEs:

- It is necessary to specify the actual size of the SME sector and its contribution to the economic indicators (GDP, employment, export, innovation, etc.).
- The change of the contribution of the SME sector to the economy in the recent period must be shown.
- An international comparison must be made possible in case a fair statistical definition can be provided (which is not an aim of the present dissertation).

Of course, such an SME definition can be broadly interpreted, as the term “size” cannot be easily fitted to any general definition which covers more than one industry. In compensation, the Bolton Committee (1971) created various definitions for each industry, complementing them with selection criteria which differ from industry to industry (Table 1).

**Table 1. SMEs definitions of the Bolton Committee by industry**

Industry	Criterion
Manufacture	<200 employees
Building industry	<25 employees
Mining, quarrying	<25 employees
Retail trade	<50 000 £* return
Other processing industry	<50 000 £ return
Services	<50 000 £ return
Trade, car repair	<110 000 £ return
Wholesale trade	<200 000 £ return
Road transport	<5 vehicles
*£: pound sterling, GBP	

Source: Bolton Committee (1971: p. 8)

The Bolton Committee was widely criticised for using a serious simplification, namely that SMEs operate under the circumstances of a perfect competition where the market actors are perfectly well informed. In reality, however, these companies do not possess complete market information, and do not intend to cover the whole market, but instead, in many cases they target **niche markets**, and thus they are able to become more profitable. At heterogeneous markets, where niche markets are more likely to exist, SMEs can achieve higher profits (Tonge, 2001).

#### European Commission

The European Commission (EC) first communicated in February 1996 that it would create a unified, single SME definition which entered into force on 17 December 1997. As part of this, the definition stipulated conditions to be met for the following elements: one of the criteria referring to **the number of employees, independence, return, or balance sheet totals** should be met (Table 2).



**Table 2. Definition of SMEs of the European Commission**

Criteria	Micro enterprise	Small enterprise	Medium-sized enterprise
Number of employees (max.)	9 people	49 people	249 people
Annual return (max.)	–	7 000 000 €* <sup>*</sup>	40 000 000 €
Annual balance sheet total (max.)	–	5 000 000 €	27 000 000 €
Independence: percentage of ownership one or several companies in partnership can have in the enterprise (max.)	–	25%	25%
*€: euro, EUR			

Source: DTI (2000a: p. 6)

The main criticism of the definition is that the employee-based criterion is problematic, primarily because the definition considers the SME sector to be homogeneous (as with the statistical definition of the Bolton Committee). Nevertheless, its advantage is simplicity, since it uses a single, absolutely decisive criterion (number of employees).

#### Scientific definitions

*“[...] the small firm is one of those things that is recognised when seen but difficult to define”* (Gore, Murray, Richardson, 1992: p. 115). Researchers must always find a final, elaborated definition which fits the specific research problem. According to Storey (1994) there is no uniformly acceptable definition of a small firm, an assertion which is explained by comparing companies operating in the different industries and demonstrating that these companies can be very diverse by the different features (capitalisation, sales, potential number of employees, etc.). Therefore, if we elaborate definitions which refer to the objective measure of size (like the number of employees, turnover, profitability, net worth, etc.), and study them at the sectoral level, we can see that in some sectors all firms may be regarded as small while in other sectors there are possibly no firms which are small (Storey 1994: p. 9). According to Curran et al. (1991) **the use of a single size criterion leads to an exceptionally heterogeneous collection of businesses being included as small**, which framework can be found difficult to interpret in the scientific sense. Consequently, *smallness* is a multidimensional concept which is closely linked with legal independence, scope of activity, organisational patterns, and economic activity.

The statistical definitions (e.g. the statistical definition of the Bolton Committee) give practical and operational approximations for the measurement of *smallness* (Storey, 1994: pp. 9-10). The definitions resulting from a grounded research activity can be applied by researchers to analyse the behavioural and management aspects of SMEs, too. To achieve this, it is necessary to see a collection of the definitions from scientific articles in one table, a collection which is neither complete nor comprehensive but rather attempts to demonstrate the situation.

**Table 3. Scientific definitions of SMEs**

Researcher(s)	University (location)	Definition	Sector	Number of sample units (pcs.)
Curran, Stanworth, Watkins (1986)	Kingston University	<i>Grounded</i>	Services	350
Hughes, Cosh, Cox. (2001)	Cambridge University	1–500 employees	Manufacture and business services	2 028
Atkinson and Meager (1994)	Sussex University	Facilities with <200 people	All sectors	3 309
Townroe (1995)	Sheffield Hallam University	Small start-up* companies	All sectors	559
North, Smallbone, Vickers (2001)	Middlesex University	<100 employees, independent enterprise	Manufacture	306
Owen (2002)	Sheffield Hallam University	<300 employees	Manufacture and mobile services	467
Bartlett (1999)	Bristol University	Enterprises owned by white, Asian and Afro-Caribbean individuals	All sectors	200
Jones (2001)	Liverpool John Moores University	<1 000 000 £ annual return	Retail trade, wholesale trade, manufacture	403
Davis, Hills, LaForge (1985)	University of East Anglia	<100 employees	All sectors	102
Nenadic (1994)	Edinburgh University	Family-owned enterprises	All sectors	781
Nayak et al. (1998)	Birmingham University	<10 employees	All sectors	200
May (1999)	Manchester Metropolitan University	<100 employees	All sectors	294
Mason and Harrison (1994)	Southampton/Ulster University	Enterprises using informal venture capital	All sectors	900
*start-up: a new, knowledge-intensive company, which grows quickly, even with small capital and labour investment (Hungarian Spin-off and Start-up Association, 2012).				

Source: Own compilation based on Tonge (2001: pp. 19–20)

In Table 3 it can be seen that research can focus on many different companies and sectors. Therefore there is no unified definition, only **working definitions, created according to the different research aims** (Tonge, 2001: p. 22). At the same time, it can be concluded that there can always be a *grounded definition* among the various working definitions, which can be created in a way that researchers ask experts from each sector to learn how these experts define SMEs. In order to achieve this, company leaders were asked how they defined themselves according to the SME categories during expert in-depth interviews in the empirical research phase. The answer was usually that self-interpretation was clear with respect to the number of employees. However, although different definitions were created by sectors, markets (consumer or inter-organisational market) and concentration, each SME had its own grounded definition.

### **Definition of SMEs in Hungary**

On the date of its EU accession (1 May 2004), a change took place in Hungary. The country needed a clear SME definition which was evident for the community and understandable and apparent at the EU level. The first step was the EU recommendation (EU, 2003) made in 2003 and came into force on 1 January 2005, which briefly defines SMEs. The EC establishes that the previously used criteria (the number of employees, financial indicators) are still equally important elements of categorisation and performance measurement. The Recommendation (EU, 2003), and the user guide published for the Recommendation (EC, 2005) together with its working document (EC, 2009) deal in detail with how to create a cross-state, general definition of these enterprises.

The categorisation accepted in the member states (micro enterprise, small enterprise, medium-sized enterprise) serves as a guideline in order that these enterprises could be categorised in any context in the future (EU, 2003: p. 41). According to the feasibility study (EC, 2009) the member states interpreted and put in place the definition which was in force since 2005 without any particular problem (Table 4).

**Table 4. Definition of SMEs in Hungary (1 January 2005)**

Company category	SME definition		
	Maximum values		
	Number of employees (ppl)	Annual turnover (€)	Balance sheet totals (€)
Medium-sized enterprise	<250	<50 000 000	<43 000 000
Small enterprise	<50	<10 000 000	<10 000 000
Micro enterprise	<10	<2 000 000	<2 000 000

Source: EC (2009: p. 3) and Act XXXIV of 2004

In the domestic legislation, **Act XXXIV of 2004 on Small and Medium-sized Enterprises and the Support Provided to Such Enterprises** provides further guidance on the definition of the domestic SMEs besides the EC Recommendation. The Act made for the preservation and increase of the competitiveness and employability of SMEs which represent a major part of the Hungarian economy, employ the majority of employees, and pay the greater proportion of taxes and contributions, uses the same limit value and set of criteria as the EC Recommendation. The Central Statistical Office (CSO) provides data on the status and economy of domestic SMEs not later than 30 September each year. This data provision basically prepares its annual reports in line with values similar to the system of criteria described above.

**Table 5. The change of the SME concept in Hungary**

Indicators determining size	1 January 2000 – 30 April 2004	1 May 2004 – 31 December 2004	1 January 2005 -
Micro enterprise			
Number of employees (ppl)	<10	<10	<10
Annual turnover (€)	–	–	HUF* amount equivalent to € <2 000 000
Balance sheet totals (€)	–	–	
small enterprise			
Number of employees (ppl)	10–49	10–49	10–49
Annual turnover (€)	2 800 000	HUF amount equivalent to € 7 000 000	HUF amount equivalent to € 10 000 000
Balance sheet totals (€)	2 000 000	HUF amount equivalent to € 5 000 000	HUF amount equivalent to € 10 000 000
Medium-sized enterprise			
Number of employees (ppl)	50–249	50–249	50–249
Annual turnover (€)	16 000 000	HUF amount equivalent to € 40 000 000	HUF amount equivalent to € 40 000 000
Balance sheet totals (€)	10 800 000	HUF amount equivalent to € 27 000 000	HUF amount equivalent to € 43 000 000
*HUF: Hungarian forint			

\*HUF: Hungarian forint

Source: Polereczki (2011: p. 11)

Consequently, the actual Hungarian regulations started to take shape with the entry-into-force of Act XXXIV of 2004. The most decisive change in light of the abovementioned definitions took place on 1 January 2005, when the definition of SMEs became equivalent to Commission Recommendation 2003/361/EC of 6 May 2003 (EU, 2003).

In accordance with the generally accepted EU definition, considering the formation process of the definition of SMEs in line with Hungarian circumstances, local definitions, and the CSO data collections, the most appropriate **SME definition** for the aims of the present dissertation is as follows:

We can consider any company an SME which employs fewer than 250 people, which has a maximum annual net turnover and balance sheet totals of € 40 million and € 43 million respectively, expressed in HUF, furthermore any company which meets the criterion of independence [other companies can have a maximum of 25% ownership in the studied SME] (Bolton Committee, 1971; Storey, 1994; Tonge, 2001; Act XXXIV of 2004; EC, 2005; EC, 2009).

From the point of view of this dissertation, it is important to carry out further narrowing of the definition in order to make analysis of the SME sector feasible. In doing so it is important to separate the micro enterprise category (where the number of employees is between 0 and 9) from the study focus, since these companies operate according to conditions and operating principles completely different from those in the case of small, or medium-sized enterprises. Moreover, manufacturing companies have to be separated from service provider companies in the industrial sense as well, because they carry out their marketing activity within very different frameworks. Furthermore, it is worth distinguishing those companies operating at the end users' market from the actors of the inter-organisational markets, since their operations are carried out according to completely different principles and their marketing activities are also radically different from each other, thus they cannot be examined in the same study focus. Therefore, several narrowing principles must be applied in this study.

### I.1.2. The importance of SMEs in the European Union and in Hungary

In order to evaluate the economic significance and potential of SMEs in Hungary, it is worth starting from the key role of the sector within the EU. The small business sector is often expected to reduce social and geographical inequalities, and decreasing poverty. Besides, developed countries tend to raise their competitiveness among SMEs (Kállay, 2002). As proof of that, community level significance of the SME sector is emphasised by the fact that the approximately 21.6 million companies throughout the EU (in 28 member states) employing 1–249 employees create nearly 88.8 million workplaces (EC, 2014). SMEs account for 99% of the total number of companies in EU countries (EC, 2014).

SMEs are in many ways the real sources of economic growth (Polereczki, 2011), among other things by the following dimensions:

- Increase of the number of employees, **job creation** (Orosdy, 2008; Dallago, 2012)
- **Stimulation of competition** (EC, 2006; Orosdy, 2008)
- **Stimulation of local and regional economic development** (EC, 2014)
- **Promotion of innovation** (Orosdy, 2008; Dallago, 2012)
- **Support of entrepreneurship** (EC, 2005)

SMEs operating in the EU have to face challenges like problematic communication with bureaucracy; a lack of skilled manpower; barriers to access to financial sources; and difficulties with new technologies, organisations, and regulations. Despite the fact that support of entrepreneurship is one of the most important aims of SMEs (Polereczki, 2011), according to Eurostat (2008) the low level of entrepreneurial activity and risk-taking observed in the EU undermines the acceleration of the growth rate of SMEs. Another problem is that laws and regulations approach SMEs from their size categories instead of the critical role they play in the economy (Dallago, 2012).

## Importance of SMEs in Hungary

My intention is that the gathered statistical data and economic indicators will help develop an understanding of the status of these actors as the lifeblood of the domestic economy, and explain why it is worth studying them in the future. According to MAMASZ (2010), the guarantee of the growth and the strengthening of economy lies in the strengthening and development of the small and medium-sized enterprises.

Based on actual CSO data (CSO, 2015a) it can be seen, that about 1 691 737 companies operate in Hungary today (this number does not contain budget authorities, non-profit organisations, and other organisations). Considering the data gathered in the past 18 years, a constant increase can be observed in terms of the number of companies from year to year. Comparing them with EU statistics, the difference between the number of SMEs in the EU and the number of SMEs in Hungary decreases in the structural sense (Lukács, 2012). The number of **registered companies by the number of employees** is summarised in Table 6 (CSO, 2015a).

The data show that SMEs account for 69% of all companies provided that enterprises with 0 or an unknown number of employees are not included (if they are included, the proportion increases to 99%). Although SMEs subject to the scope of this dissertation have a much smaller proportion of all companies in number, they are much stronger than micro enterprises in terms of added value and income-generating ability. Consequently we are talking about companies which are more numerous than large enterprises (which account for only 0.05 % of all companies; Table 6).

**Table 6: Distribution of Hungarian enterprises by number (2015)**

Company category	Number	Percentage
Enterprise with 0 or unknown number of employees	535 782	31.69
Micro enterprise	1 120 432	66.26
Small enterprise	30 243	1.79
Medium-sized enterprise	4 402	0.26
<b>Total SMEs</b>	<b>1 173 187</b>	<b>69.38</b>
Large enterprise	878	0.05
<b>Total</b>	<b>1 690 859</b>	<b>100</b>

Source: CSO (2015a)

The **number of operating companies** is usually much less than what the system registers. According to a CSO report (2015b), there were approximately 580 000 operating companies in Hungary in 2013, most of which were SMEs. In accordance with the annual statistics, the shutdown rate is also highest among SMEs. The overall proportion of shutdown companies as compared to the number of operating companies is an average of 10% per year (CSO, 2015b). By employee categories, the most shutdown companies can be observed in the case of micro enterprises, while this proportion is less and less as size increases.

With respect to the **geographical distribution**, the share of the Central Hungary region of all SMEs is particularly high at 41.4%, which can be explained mainly by the capital-centric economy and infrastructure (CSO, 2015b). Significant differences can be observed between the regional areas of the country, but generally it can be stated, that apart from the areas surrounding the capital, companies including SMEs are more densely located in the western part of the country. This dissertation primarily focuses on the Central Hungary region, where proportionally the majority of SMEs operate in Hungary today.

The number of employees employed by SMEs in Hungary is higher, but their **added value** is lower (compared to the EU average), since the proportion of the micro enterprises is bigger, where their added value production is limited. Nevertheless, SMEs produce 55% of the total added value in Hungary (CSO, 2015c).

With respect to **job creation**, SMEs employ 72–74% of the total number of employees (Kállay, 2012; CSO, 2015c). However, looking behind the data, it can be seen that the level of **labour productivity** is generally higher in large enterprises than in the case of SMEs. The gross added value per employee in Hungarian SMEs is 76% of the national average (in the case of large enterprises this value is 151%).

From the point of view of **income generation**, the SME share of total turnover is nearly 60% (CSO, 2008). By the number of employees, small enterprises and medium-sized enterprises contribute with 40% and 42% to the total performance of SMEs, respectively (CSO, 2008). According to 2012 data, SMEs account for 58.3% of the total revenue (CSO, 2015c).



**As for industry**, the number of operating companies has increased in all economic sectors in the recent period (CSO, 2015c). The majority of enterprises can be found in the economic trade sector and car repair (21.6%), which is followed by the professional, scientific, and technical activity (12.8%), and the building industry (8.5%) (CSO, 2015b). With regard to income generation by sector, **two-thirds of the revenue of SMEs is generated in the services sector**, 6.1% in the building industry, and 3.2% in agriculture (CSO, 2008). Of the 12 economic sectors, there is large enterprise dominance in the fields of manufacturing, electricity, gas, steam and water supply, transport, storage, post and telecommunications, together with financial intermediation, while the other sectors are mostly represented by micro enterprises (Román, 2006; Table 7). According to the most recent data, **the most representative presence of SMEs in a sector can be experienced in services** (80% of these companies operate in the field of services; CSO, 2015c).

**Table 7. Distribution of employees in Hungarian SMEs, by sectors (percentage) (2003; 2012)**

Economic sectors	Micro enterprises	Small enterprises	Medium-sized enterprises	SMEs total	Large enterprises
Mining	11.8	30.5	31	73.3	26.7
Manufacturing	14	17.4	24.3	55.6	44.5
Electricity, gas, steam and water supply	1.3	4.2	15.5	21	79
Building industry	50.8	28.2	14.4	93.4	6.6
<b>Trade and car repair</b>	<b>51.6</b>	<b>22.1</b>	<b>13.2</b>	<b>86.9</b>	<b>13.1</b>
<b>Accommodation and food service</b>	<b>56.4</b>	<b>23.8</b>	<b>9.4</b>	<b>89.9</b>	<b>10.1</b>
Transport, storage, post and telecommunications	22.3	9.7	6.4	38.4	61.6
Financial intermediation	26.8	6.6	16.1	49.5	50.5
<b>Real estate, economic services</b>	<b>59.8</b>	<b>16.9</b>	<b>13.9</b>	<b>90.6</b>	<b>9.4</b>
Education	87.4	10.6	3.6	98.9	1.1
Health and social work	81	8.9	5.2	95.2	4.8
<b>Other community and personal services</b>	<b>62</b>	<b>10.5</b>	<b>13.3</b>	<b>85.8</b>	<b>14.2</b>
Total	37.8	17.7	15.9	71.4	28.6

Source: Own compilation based on Román (2006: p. 67) and CSO (2015c)

**Innovations** are usually introduced by large enterprises (41.4% of large enterprises), while this rate is much lower in the case of small (16.9%) and medium-sized enterprises (24.5%) (Dallago, 2012). The majority of patents are also held by large enterprises with high value foreign capital and, in many cases foreign ownership. As compensation, we need initiatives to help SMEs take a bigger share of the added value production besides their significant role in employment in order to increase their competitiveness and productivity. To realise this, it is necessary that domestic SMEs can operate in markets where they can take advantage of the benefits arising from their size.

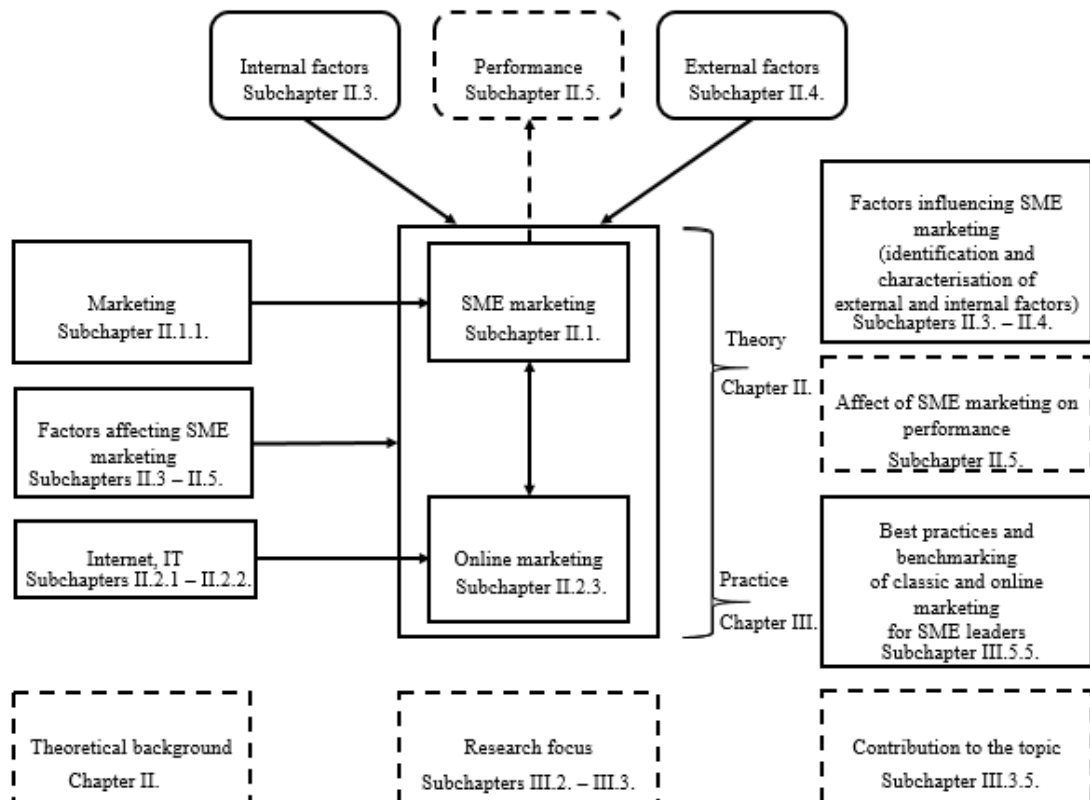
Overall, the role of SMEs is outstanding in terms of employment data, the increase of gross domestic product (GDP), exports, and investments. Nevertheless, it should be noted that the SME sector stagnates in Hungary with regard to both the number of enterprises and the number of employees employed (CSO, 2015a; 2015b; 2015c). The high number of small firms does not necessarily mean that SMEs mean the best option available to prosperity. Many people establish enterprises because it is their only chance (false self-employment; to become an entrepreneur, forced by the employer [Román, 2006]), or they are tax evaders (Bauer et al. 2012). It is very crucial whether a company creation is motivated by opportunity, or necessity (Szerb, 2004). In Hungary, opposed to the common belief, approximately two-thirds of new enterprises cannot be characterised by false self-employment (Szerb, 2004: p. 556; Szerb and Petheő, 2014). Besides, the thoughts of Imreh (2006) cannot be ignored, namely *“the small and medium-sized enterprise sector in Hungary is extraordinarily heterogeneous, and often there is not an army of small and medium-sized enterprises characterised by opportunity-orientation and competitiveness, with great growth potential”*.

Summarily, it can be also seen (Table 7) that a sectoral narrowing is necessary to study SMEs more precisely. Therefore it is very important from the point of view of this dissertation to foresee an emphasis on the service sector in the empirical research phase.

## 1.2. Aim

The aim of this dissertation is to contribute to the professional enhancement of marketing theory by locating the marketing of SMEs within the general marketing science. In order to achieve this, the present research studies the internal and external environmental factors of SMEs and the relationship of these factors to SME marketing. Another priority aim of the dissertation is to clarify the role of the internet in SME marketing through the definition and characterisation of online marketing concepts. Finally, the dissertation reveals the factors affecting SME marketing and online marketing through the connections between theoretical concepts, and then studies their influence on marketing and corporate performances. In practical terms, the dissertation provides actors in the SME sector with guidelines to assess their marketing activity. The empirical research phase gives examples from best practices of successful users, which can serve as guidance in the marketing of SMEs by providing a general best practice (Figure 1).

**Figure 1. The aim of the dissertation**



Source: own compilation

### ***1.3. Theoretical and practical significance***

A recurrent issue in economics is which economic actors bear the greatest responsibility for economic progress (Papanek, 2010). With regard to company size for instance, the leading role of large enterprises was significant from the second half of the nineteenth century until the first half of the twentieth century (according to Schumpeter [1942] for example, due to their greater ability to innovate). Researchers and advocates of this discipline in mainstream economics emphasised a key role of large enterprises in economic growth both in the developed western market economies and in Hungary (socialist large enterprises, and then multinational enterprises after the change of regime) (Orosdy, 2008).

Looking at the dominance of large enterprises, the situation has changed somewhat: in the last two or three decades, a process has started both at an international level and in Hungary which has shifted the emphasis to smaller enterprises in several sectors. In the last third of the twentieth century, the dominance of large manufacturing enterprises started to decrease in parallel with the appearance of more differentiated needs (Schumacher, 1991). From this time on, the increasing role of SMEs became obvious in employment, technical innovations, the realisation of new ideas, and the stimulation of competition (see Section I.1.2., pp. 12-16). However, much earlier, around the beginning or the middle of the twentieth century, an Act – named **Gibrat's law** after its maker – was passed which separated the size of a company from its growth rate (Papanek, 2010). As a consequence of the Act, the attention of several economists shifted from large enterprises towards smaller enterprises (**Penrose, 1959; Schumacher, 1991**). Drucker (1993) also pointed out that in an economic environment which can mainly be characterised by accelerated changes and increased unpredictability (Besanko et al., 2004), flexibility and the ability to react rapidly may become the fundamental factors of success, where innovative SMEs will have a growing role.

According to the nuanced interpretation of innovation skills (Drucker, 1993), **SMEs invest less than their larger counterparts; however, they are more motivated when it comes to truly radical innovations.** According to Fillis (2002), thanks to globalisation, and due to the shorter and shorter product and technology lifecycles, the possibilities of the emergence of new enterprises have increased and are more and more typical, leading to more and more successful SMEs, too.

The horizontal limits of enterprises define how many actors operate next to each other within one sector and what company size these actors have (Besanko, 2004). **Economies of scale** mean that the average unit cost per product shows a decreasing trend beyond a certain production volume, i.e., it emphasises the advantages of mass production which is more typical in large enterprises (Kopányi, 2008). In parallel, the **economies of scope** exist if an enterprise achieves savings by increasing the number of different versions of its products/services instead of producing them in another company (Besanko, 2004: p. 74). The concepts of economies of scale and economies of scope basically correspond to the *bigger is better* principle (Besanko, 2004: p. 73). Although productivity and economies of scale or economies of scope can be determined with estimations in the case of one or two particular companies, in law, a single exact value as a general condition cannot be stipulated, since, for example, as many values comply with the criterion of economies of scale as there are economic actors (Lukács, 2012). The relativity of productivity and economies of scale directly follow from this.

A firm, considering its stocks and costs, is able to take advantage of the benefits deriving from economies of scale, but for this it must have a defined minimum efficient scale (MES). In the microeconomic sense, production volume where the long-term, aggregated average cost is minimal (MES) varies from sector to sector and its relationship with the size of the whole market and the total revenue determines how many enterprises can efficiently compete with each other at the market (Kopányi, 2008). If MES is relatively low as compared to the size of the whole market, then more firms will operate at the overall market (e.g. markets of certain services).

If the rate of fixed costs is decisive compared to variable costs, and consequently the value of MES is higher, the number of competitors will be lower at the given market (e.g. telecommunications companies, car manufacturers).

**Therefore, the type of sector significantly determines the proportion of marketing solutions applied by an enterprise.** In the case of many sectors, large enterprises can comply more with the sectoral MES mainly by their bigger capital strength and the abundant available resources. According to the company growth theory, it is not necessarily true that the economy decreases if there is an increase in the size of the company; what is more, large companies are usually more economical. Consequently, **SMEs primarily have possibilities at niche markets** (Penrose, 1959 cited in Dobák, Hortoványi, Szabó, 2012); therefore, in many cases, they target niche markets and in this way they are able to become more profitable (Orosdy, 2008). At heterogeneous markets where **niche markets** are more likely to exist, **SMEs can achieve higher profits** (Tonge, 2001).

Ottesen and Grønhaug (2002) examined how and to what extent SME leaders can understand and apply theoretical concepts. According to the leaders who were involved in the study, theories are important because they provide company leaders with a focus (they direct their attention). In addition, one of the tasks of the leaders is to change these scientific concepts and their correlations, for example, in order to be able to adapt them to the given context. Thus for the **owners/managers** of the dynamically developing **Hungarian SMEs** (Lukács, 2012) and **consultants and practitioners dealing with this topic**, it is a useful **practical proposal** to clarify to what extent the **marketing solutions typical of SMEs** and the different **innovative online marketing solutions** applied by these SMEs **result in improving marketing and market performances**.

## ***1.4. Structure***

In the **introduction**, after the presentation and argument of the topic, the presentation of the widely agreed SME definition was done in order to establish this research. Then the significance and importance of the SME sector was presented in an international and Hungarian perspective. Finally, the interpretation of the aim of this dissertation was followed by the description of the theoretical and practical significance of this research.

The **literature review** – based on given factors – differentiates SME sector from large enterprises, then the general description of marketing activity is followed by the characterisation of SME marketing, and the interpretation of well-known SME marketing models.

In the next section, the economics of internet, and the economic actors in the internet supply chain are presented. Through the interpretation of SME marketing activities and online marketing, tools are identified that represent SME online marketing activities.

Internal and external factors important for applying SME marketing are identified, then presentation and characterisation of influencing factors on SME marketing are presented. Then, possible effects of SME marketing on marketing performance and on corporate performance are presented and characterised.

The **empirical research** section presents the theoretical approaches of the research method, the applied methodologies, and then the planned progression of the empirical research (timetable, activity plan, and implementation plan). Based on the interrelations of the theoretical blocks that are underpinned in the literature review, research questions are composed. Finally, the empirical research methodology (qualitative and quantitative), and the sample plan are presented, where the concepts to be measured are operationalized.

Relevant results of preliminary studies in the topic are presented, then qualitative and quantitative data are analysed, and then relevant statements are made in relation to the research questions. Finally, future research directions and research limitations are stated.

In the **conclusion**, summarizing considerations are made in relation to dissertation results and gained experiences.

## II. LITERATURE REVIEW

*The difference in the administrative structure of the very small and the very large firms are so great that in many ways it is hard to see that the species are of the same genus [...] We cannot define a caterpillar and then use the same definition of a butterfly.*

(Penrose, 1959 cited in: Stokes and Wilson, 2006: p. 206)

All the internal (inside the enterprise) and external (outside the enterprise) factors which may have an influence on the marketing activity of SMEs are reviewed. In addition, the effect of SME marketing on the marketing and corporate performance is examined. To realise this, the unique characteristics of SMEs which differentiate this company size category from large enterprises are identified. Then the unique nature of the marketing activity of SMEs is examined, and the theoretical approaches and models are analysed one after the other which reveals the distinctive nature of SME marketing and the uniqueness of the study framework. During the theoretical support, internal and external factors having an influence on the operation of SME marketing are identified, which affect above all to what extent an SME uses the tools of classic, online and specifically social media marketing and innovative marketing solutions more generally. Finally, the relevance of the relationship between marketing activity (together with its digital manifestation, the online marketing) and the factors influencing this activity in the light of the described theoretical correlations is defined.



## **II.1. SMEs and large enterprises**

There is a presumption among scientists that concepts which are used in the case of large enterprises can be used *mutatis mutandis* for SMEs, too (Weinzimmer, 1997). Other researchers argue that mainstream management theories cannot be applied for SMEs without modification, since this size category has been created in another context, by other conditions.

Therefore, in addition to the size of a company, other factors also play a role in the distinction between SMEs and large enterprises (Table 8). Small enterprises are not just the “downsized versions” of larger enterprises; their operation is also based on totally different principles (Barakonyi, 2004, cited in Orosdy, 2008: p. 2). Wynarczyk (1993) emphasises **greater uncertainty, more innovation, and evolution**. This differentiation approaches SMEs from the bottom up. This ascertainment is supported by Carson and Cromie (1989) as well, who think that SMEs are not *small large enterprises*, but rather have unique characteristics which define their way of operation together with their main activities and concerns. SMEs truly have many characteristics which distinguish them from large enterprises. According to McCartan-Quinn and Carson (2003), the unique nature of SMEs stems from **bigger flexibility, better innovation skills, lower fixed costs, less market power, less capital and managerial resources** (Motwani, Jiang, Kumar, 1998). SMEs are less able to specialize in their organization, so their managerial functions are generally provided more costly and less effectively (Kállay, 2002).

Hollensen (2011) differentiates large enterprises (LSE: large-scale enterprises) and SMEs. He studies economic actors from several aspects of which the first is the issue of **resources**. The most typical characteristic of SMEs is the lack of financial and other (e.g. human; Orosdy, 2008) resources (McCartan-Quinn and Carson, 2003), which exists due to the limited amount of equity. Owners usually supply their business with only limited amounts of capital which depletes within a short time.

Next is the **level of business education** and the level of **specialist and/or generalist expertise** where significant differences can be experienced between the two company size categories. Unlike the managers of large enterprises, one of the characteristics of the leaders of SMEs is their limited formal business education. Traditionally, the owner/manager of an SME is an expert in one technique or profession, and in many cases it is not typical that they have received training in the field of any business discipline. Therefore, specialist expertise is often a compulsion, since SME leaders are usually specialists rather than generalists. It is rarely seen that the owners of SMEs are more extensively involved in sales, distribution, pricing, and product development (Motwani, Jiang, Kumar, 1998) or even marketing strategy.

Planned (and unplanned) strategy results in realised **strategy** (a measurable outcome of the activities of the organisation). None of the enterprises create a clearly conscious or intended strategy. The final strategy will consist of a combination of the two. The planning rate is high in large enterprises. The progression sequence of setting, analysing, evaluating, selecting, and realising aims is intended to support the long-term orientation of the organisation (Porter, 2008). This enterprise is characterised by an incremental approach which proceeds step-by-step and takes environmental changes into account (Mintzberg and Waters, 1985). In contrast, the **decision-making of SMEs** can be better characterised by **an intuitive and unstructured** nature (Gilmore, Carson, Grant, 2001). The number of possible strategic directions and possible strategic outcomes can be very diverse. Usually it can be observed that there is no planned or co-ordinated increase, which leads to isolated, occasional decisions, and can influence the future development directions of the SMEs. It is thereby confirmed that the strategic orientation of SMEs can be measured with different methods than in the case of large enterprises (Reketttye, 2004; Magyar, 2009).

In the **organisational** sense, there is a so-called *entrepreneur's influence* (Hollensen, 2011: p. 15), which results in the conformation of SME employees to the personality of their leaders. This foresees that while in large enterprises the organisational structure is more formal and independent from one person, **in the life of SMEs the presence of the owner/manager defines the organisational structure**, too.

**With respect to risk taking**, large enterprises normally have a low risk tolerance, since the decision-making model emphasises small, incremental changes and primarily takes long-term possibilities into consideration. In the case of SMEs, risk tolerance depends on the circumstances. In a situation where the existence and activity of an SME is threatened by a competitor or there is a lack of information, it is typical that decision-making is carried out in case of higher risk tolerance (Wynarczyk, 1993). Due to the shortness of the communication channel (enterprise and its partners) **SMEs can react faster and be more flexible to consumer enquiries** than large enterprises (McCartan-Quinn and Carson, 2003).

Large enterprises can only take advantage of the benefits stemming from their size if – besides increased production and sales volume – the average unit costs per product become lower after a while thanks to the effect of the experience curve and the increased efficiency in production and marketing. (Besanko et al., 2004; Kopányi, 2008). Larger production can only generate a competitive advantage if it is converted by the enterprise into **economies of scale**. The advantages of economies of scale are reflected in the decrease in operating costs by product: distributed fixed costs by bigger volumes by means of the effects of the experience curve. In the software market the situation is different: the advantages of large actors deriving from economies of scale are limited there, because the needs of various target groups must be satisfied, which does not favour the conditions of competitive advantage based on large quantities and decreasing unit costs. SMEs usually target small, profitable market segments. In many cases these target groups are so insignificant for larger enterprises that they do not consider them potential target customers. Thus, SMEs can achieve success in **niche markets** but this in exchange does not entail higher market share.

With regard to **economies of scope** (Kopányi, 2008), reusing a resource from one market and/or country in another market and/or country means a twofold decision-making dilemma for firms (Besanko et al., 2004). It requires central co-ordination over the marketing mix elements, or local autonomy in the case of the actual products and services. As many SMEs usually serve only a limited number of foreign markets, their advantages stemming from the economies of scope are also limited.

As SMEs realise that there are connections between their different markets (e.g. international, regional), they coordinate their marketing strategies to take advantage of the economies of scope in research and development, production, or even in the field of marketing.

With regard to the **use of information sources**, large enterprises relying on market reports and/or the information of consultancy firms face SME owners/managers, who often collect and synthesise information and make decisions in an intuitive way. The acquired information is often incomplete and fragmented, and decision-making is in many cases based on intuition (Zoltay, 2010: p. 9) and guesses.

**Table 8. Differences between the SMEs and large enterprises**

<b>Factors</b>	<b>Large enterprises</b>	<b>SMEs</b>
Resources	A wide range of resources Resource internalisation	<b>Limited resources</b> <b>resource externalisation</b> <b>(outsourcing)</b>
Creation of strategic/decision-making process	Prudent strategy-making Incrementalist decision-making method, every new product is a little innovation for the large enterprise	<b>Emerging strategy-making</b> <b>Entrepreneur's decision-making model, where every new product is a decisive innovation for the SME</b>
Organisation	Formal, hierarchic Independent from a single person	<b>Informal</b> <b>Owner/entrepreneur usually has the power to inspire/supervise the whole organisation</b>
Risk-taking	Mainly risk-averse Thinking of long-term possibilities	<b>Risk-averse or risk-taker</b> <b>Focuses on short-term possibilities</b>
Flexibility	Low	<b>High</b>
Advantages of economies of scale and economies of scope	Yes	<b>Limited advantages</b>
Use of information sources	Use of advanced technologies: databases, external consultancy, Internet	<b>Information collection in an informal way, cheaply: internal sources, face-to-face communication</b>
Marketing philosophy	Often existing market, which the enterprise must adapt to	<b>In many cases, the market must be created (e.g. niche markets)</b>

Source: Own compilation based on Hollensen (2011: p. 12) and Rugimbana et al. (2011: p. 100).

### **II.1.1.The marketing of SMEs**

From the researcher's point of view, a synthesising research which thoroughly studies SMEs would fill a gap in Hungary. Among other things, based on the opinions of Rekettye (2007, 2012) and Storey (1994) who believe that high-quality SME research are definitely necessary, one of the main aims of this dissertation is to meet this challenge. The differences which can be seen in Table 8 also strengthen the presupposition that SMEs are not scale-down versions of large enterprises, therefore they can be studied from a different analytical viewpoint, using different methods.

#### **The interpretation range of marketing generally and in the case of SMEs**

Scientific debates and assessments on marketing have existed since the concept became a discipline. All eras have their own marketing concepts with their related meanings. In the past 20 years, new technologies and new media possibilities have carved previously unknown paths to the reshaping of marketing (Gamble et al., 2011). In the ever-changing perspective of the sociocultural and technological contexts, marketing is much more a dynamic rather than a static element (Kyle, 2011). See Annex 1 for detailed marketing definitions in a historical context.

Looking at the chronology of the concept, we can see that consumers have been strongly involved in the concept since the 1960s (Elvy, 1991). The present dissertation also refers to this concept as marketing from this period; however the modern marketing concept actually dates back to the times of the Industrial Revolution in the eighteenth century (Lancaster and Reynolds, 2002). With the spread of mass production and the automated production systems in the 1960s, definitions of a mainly functional nature emerged (Hunt, 1976). Rogers's (1963) definition foresaw a broadened marketing concept, which besides the mainly economic approaches, had already taken the human, and in the broad sense, the social character of marketing into account.

In contrast with Rogers's (1963) definition, which set out the aim of revealing the actors and their relationships, Kotler (1967) approached the definition of marketing from a different perspective, focusing on the individual activities of the enterprises. Although the definition refers to profit-oriented enterprises, it already included consumers too, which foresaw the extension of marketing, complementing the framework of the concept with the identification and selection of special consumer groups and segments which could be reached by the enterprise with its targeted marketing activity.

The 1970s were a kind of growth period for marketing when environmental changes shifted the processes and the development of marketing towards strategic planning and routine procedures (Gamble et al., 2011). The main focus moved towards unique organisational activities and strategies, pushing the focus on profit to first place. These definitions already included two elements of the marketing strategy, namely the identification of market segments (segmentation) and the selection of the relevant segments (definition of target markets).

The 1980s brought a change in the definition of marketing, resulting in an even bigger emphasis on the segmentation of consumers (Kotler, 2004), and the application of marketing tools (marketing mix). Furthermore the social dimensions of marketing were increasingly highlighted. Unlike the earlier definitions which defined marketing as a process (Rogers, 1963; Star et al., 1977) or a set of activities (Kotler, 1967; Elridge, 1970), the interpretation of the concept as a set of exchange processes became more common and interpretations increasingly included the social dimension and the mutual value creation between the parties deriving from long-term relationships.

In the next decade (the 1990s), marketing started to spread more widely and its acceptance as a corporate philosophy, a corporate practice, and an academic discipline (Baker, 1996) increased at an accelerated pace (Gamble et al., 2011). The definitions therefore also emphasised the managerial (practical) and philosophical (scientific) aspects of marketing (Webster, 1992: p. 14).

Thanks to major technological changes in the **2000s** (i.e., the spread of **digital technologies**, the **internet**, **e-business solutions**, **innovations**), significant changes occurred in the definition of marketing, too. Social aspects came to the fore again, complemented by a kind of ethical marketing approach. Thanks to the collection of Gamble et al. (2011) we can see some elements of the masses of marketing

definitions from the past 60 years which are constant, and others that have come to the fore only recently. Such constant elements are, for instance, the satisfaction of the wants and needs of consumers, or the organisational activities, aims, and exchange processes. *Clearly marketing definitions need to be socially relevant and provide a contemporary and innovative perspective on modern societal awareness issues, how they can be adapted and developed for different economies, and relate to corporate social responsibility and technological developments.* (Gamble et al., 2011: p. 239.). Such technological developments include **online marketing** solutions as well, which largely determine the current status of marketing.

Overall, it can be established that all the listed definitions sought to define a kind of ‘true’, expressive description of marketing. The desire to find a general marketing theory is similar to the mirage of Florion’s (2009) travellers, who were searching for El Dorado for many decades.

*El Dorado is a mythical country in South America [...]. According to the legend, a city, Manoa del Dorado lies on the shores of a lake called Parime in the middle of the country whose houses are covered with golden plates, and its pavement was made of gemstones; here fled the successors of the Incas, who scattered fresh, powdered gold over their bodies every day and lived in palaces made of gold (Bokor, 1998). [...] For almost five hundred years people have been searching for the great treasure which was hid by the Incas in unknown places before and after the arrival of the Spanish conquistadors (Florion, 2009).*

Several researchers have attempted to create widely accepted theories about the extension and scope of the definition of marketing (Hunt, 1976; 2002; Carman, 1980). However, these theories can often seem to be isolated experiments of apologists in light of permanent environmental changes. According to Gamble et al. (2011) researchers face the possibilities of two basic presumptions. One of them states that there is a definition (El Dorado), but we have not found it yet. The other presumption says that marketing does not have one almighty theory. In contrast, the concept appears in many different ways in the various contexts and sectors (e.g. **what marketing means for a large enterprise or an SME** is different by company size, too [Gamble et al., 2011: p. 238]).

In any case, it can be concluded that thinking about marketing has shifted in the past 60 years from a production- and sales-focused approach towards a **customer- and relationship-focused marketing**. Short-term relationships have been replaced by **long-term relationships**, and **interaction** has become more important than one-way communication itself. Marketing, according to the actual scientific understanding, is not the task of only a department but rather the whole organisation (Vargo and Lusch, 2004; Grönroos, 2006).

It is worth mentioning that the majority of marketing definitions refer to and present a large enterprise environment and a marketing activity carried out by such enterprises. According to Duncker's (1945) psychology theory, people usually react to an object according to how the function of the object was previously defined for them. For example, it is more likely that we would use a hammer to drive nails, rather than as a paperweight, even though considering the characteristics of the object nothing excludes it from functioning as a paperweight, too (this is the phenomenon of functional fixedness). **Functional fixedness** is realistic in the life of a company leader when a person with marketing qualifications seeks marketing solutions, and an engineer seeks engineering solutions to tackle a particular problem, while a researcher, socialised in large enterprises, often tries to adapt the concepts they have learned to the SME environment.

According to Carson's (1993) suggestion, when applying general marketing concepts, approaches, and theories for SMEs, general marketing concepts should be modified in order to fit to the unique characteristics of SMEs. Not to mention that the marketing activities of manufacturing and service-providing small enterprises are also different (e.g. services marketing can be interpreted as a separate sub-field of marketing science). Moreover, there exist sector-specific marketing and market-specific marketing (where end-customer and inter-organisational markets are distinct from each other) as well. Finally, customised marketing is necessary for each owner/manager, since in the case of SMEs the everyday course of business is greatly influenced by the expectations of the owner and/or leader of the SME. Hence, according to certain viewpoints, marketing does not have a clear and single definition in the SME environment (Simpson et al., 2006.), and as it happened in the case of services marketing, it is also necessary to specify the phenomenon in such an environment on the road leading to the development of SME marketing.



## **SME marketing as a philosophy, strategy, tactics, and market intelligence**

In Hungary, in the 1990s, the function of marketing only operated nominally, and rarely appeared as an independent function and department in large enterprises (Berács et al., 1993). However, when marketing appears as an independent organisational element in SMEs, we can talk about it more in the operational than in the strategic sense. In other cases marketing is an organisation-wide activity which is performed by everyone, in other words a task which is more no one's responsibility rather than everyone's. As a consequence of this dichotomy, the marketing function is one of the functions of the organisation which is most difficult to define (Webster, 1997), since marketing is an organisation-wide **philosophy** (and culture), **strategy**, and **tactics** which can be exercised on a daily basis, at the same time (Romano and Ratnatunga, 1995; Stokes, 2000). This threefold definition of marketing is primarily true for large enterprises, where marketing is basically interpreted and defined in a strategic and organisational sense.

**Marketing tactics mean the proper use of the marketing mix, i.e., the implementation of strategy in order to achieve better company performance or growth** (Romano and Ratnatunga, 1995). In case of SMEs, marketing is often a peripheral need, and is only necessary if the given enterprise wants to achieve growth or profit. Under the daily pressure, marketing can exist as an unnecessary luxury (Hogarth-Scott, Watson, Wilson, 1996). Moreover, the use of the marketing mix is often not realised in the same way as in large enterprises (Carson, 1993). It is true that large enterprises must understand fundamental marketing procedures and techniques to achieve a successful course of business (Hogarth-Scott, Watson, Wilson, 1996), but while this is realised, enterprises often do not call these activities by their well-known names and do not use them in the same way (Stokes, 2000). In the case of SMEs, marketing practice is mainly based on **personal connections**, and often controlled by the general course of business (Simpson et al., 2006.).

## **The interpretation of marketing in the case of SMEs**

The definition of the interpretation range of SME marketing is an unclear field which is the subject of many debates in both scientific and practical circles (Brodie et al., 1997; Gilmore, Carson, Grant, 2001) today, but it has been the same in the past 40 years as well (Cromie, 1990).

According to Reijonen (2010), the marketing aims of SMEs are as follows:

- Play a role in the information of consumers (about the enterprise and its product)
- Increase sales (Marcati, Guido, Peluso, 2008)
- Manage sales (Möller and Anttila, 1987)
- Advertise (Marcati, Guido, Peluso, 2008)
- Establish and develop honest relationships of great importance with its customers (Hill, 2001b) – the second-most important aim of SME marketing after sales)
- Establish and maintain CRM (customer relationship management) relationships with potential and existing customers (Sasvári, 2012: p. 58).

In micro enterprises, marketing is often interpreted in such a narrow-minded way that SMEs cannot see how to adapt it to their everyday business processes (Reijonen, 2010). The bigger the SME (e.g. medium-sized enterprise: 50–249 employees), the more likely marketing is an integrated part of the business processes, and is not identified only as sales or advertising. From the point of view of SMEs, there is a correlation between the interpretation of marketing as an independent function and the size of the enterprise (Polereczki, 2011).

Consequently, according to the opinions of the academic circles, it can be seen that both marketing theories and practices differ by SME size and customer group as well. However, it can be concluded that the basic concepts of marketing (segmentation, customer orientation, definition of target market, positioning, seeking competitive advantages) exist in both SMEs and large enterprises in the same way, even though not to the same extent (Hogarth-Scott, Watson, Wilson, 1996).

According to several sources, marketing applied in SMEs differs from marketing used by large enterprises. The main characteristics of SME marketing based on the opinions of these researchers are as follow:

- **Haphazard** (Coviello, Brodie, Munro, 2000)
- **Informal** (Gilmore, Carson, Grant, 2001)
- **Loose** (Coviello, Brodie, Munro, 2000; Gilmore, Carson, Grant, 2001)
- **Unstructured** (Fillis, 2002)
- **Spontaneous** (Gilmore, Carson, Grant, 2001)
- **Reactive, built, and conforming to industry norms** (Gilmore, Carson, Grant, 2001).

According to Reijonen (2010: p. 279) in the case of SMEs *marketing is used for the needs of the moment*, i.e., they pay only little attention to plans, strategies, and analysis which contrasts with marketing in large enterprises, where it is seen as formal, planned, and well structured (Stokes, 2000).

Therefore, according to certain research, complex theories and sophisticated processes can only be applied with limitations in the case of SMEs (Romano and Ratnatunga, 1995; Hogarth-Scott, Watson, Wilson, 1996). According to Carson's (1993) suggestion, the application of general marketing concepts, approaches, and theories in the case of SMEs is realised during a multi-stage adaptation process and formed as a function of the given situation.

These main differences are – among other things – due to the limits (e.g. fewer resources [money, time, marketing knowledge]), which generally characterise SMEs (Gilmore, Carson, Grant, 2001). In practical terms, from the company's perspective, an SME faces several disadvantages (fear, reluctance) during the performance of its marketing activity, disadvantages which influence the level of sophistication of the applied marketing function (Carson, 2001):

- **Limited resources:** financial, marketing knowledge, or time limits may all contribute to the limited marketing activities as compared to large enterprises and other large competitors.
- **Lack of specialised knowledge** (Motwani, Jiang, Kumar, 1998): It could be a problem if the managers of the small enterprise are generalists rather than specialists. Traditionally, owners/managers are specialists in one technology or profession. It is improbable that they have been trained in any of the main business disciplines. Marketing skills are not the first (and are sometimes the last) things which a growing SME would like to acquire (e.g. in the case of manufacturing firms, the corporate priority degree of the experts of the profession related to the given manufacturing process and product is usually higher than that of the experts of the marketing profession).
- **Limited influence on the market:** There are fewer orders, customers, and employees, consequently the influence of a small enterprise on the sector, in a given geographical area is minor in itself, simply because of its size. Due to the previous two aspects, the influence of communications efforts on the market will also be more limited than in the case of larger enterprises.

According to Gilmore et al. (2001), SMEs cannot compete against large enterprises with marketing artifices, since they lack the resources necessary for a balanced competition (Carson, 2001). Therefore, researchers have questioned whether SMEs use any kind of formal set of marketing rules at all (Shepherd and Ridnour, 1996; Carson et al., 1998; Gilmore, Carson, Grant, 2001). Table 9 demonstrates the contradictions occurring between existing marketing theories and the reality observed in the case of SMEs.

**Table 9. Differences between traditional and SME marketing theories**

Set of formal marketing rules		SME marketing - behaviour
<ul style="list-style-type: none"><li>• Linear, rational behaviour predictions</li><li>• Belief in rationalism</li><li>• Ignorance of the influence of social effect on behaviour</li><li>• In reality, information and knowledge are limited resulting in theoretical disadvantages</li></ul>	Gap between traditional marketing theories and the actual behaviour of SMEs	<ul style="list-style-type: none"><li>• <b>Nonlinear, irrational application of the set of marketing rules</b></li><li>• <b>Limited resources</b></li><li>• <b>Entrepreneurial decision-making by limited knowledge</b></li><li>• <b>Uncertainty and market turbulence</b></li><li>• <b>Influence of the owner/manager on the behaviour of the SME</b></li><li>• <b>Reliance on managerial judgement</b></li></ul>

Source: Own compilation based on Fillis (2003: p. 41)

Due to these contradictions and the special situation, the development level of SME marketing theory is not as high as in the case of large enterprises. Classic marketing models are often used in the SME environment (Chaston and Mangles, 2002), even though according to Hogarth-Scott et al. (1996) for example, most marketing theories cannot be adapted to SMEs, and do not help understand their markets. Another contradiction is that **the approaches to date, which deal with the marketing activity of SMEs, have been mostly of a qualitative and descriptive nature** (Carson, 1990), and **have rarely been tested in practice, thus grounded theoretical concepts have entered scientific public consciousness only to a limited extent** (Table 10).

**Table 10. Scientific gap in the interpretation of the marketing of SMEs**

Sources	Reason(s)
Because of the supposition that marketing theories applied for large enterprises can theoretically be used in the case of SMEs, researchers have paid little attention to study the marketing of SMEs more thoroughly (Davis, Hills, LaForge, 1985).	<ul style="list-style-type: none"> <li>• Generalisation with wrong premises</li> <li>• Oversimplification</li> <li>• Reduction of differences between large enterprises and SMEs</li> </ul>
The research into SMEs has only scraped the surface so far (Cannon, 1991).	<ul style="list-style-type: none"> <li>• Superficial research</li> <li>• Lack of revelation of stronger correlations</li> </ul>
There is not enough knowledge about SME marketing (Davis and Klassen, 1991).	<ul style="list-style-type: none"> <li>• General lack of knowledge about SME marketing</li> </ul>
The most acute problem is that there is no sufficient knowledge about the market and marketing planning (Dodge, Fullerton, Robbins, 1994).	<ul style="list-style-type: none"> <li>• Lack of knowledge about SME market</li> <li>• Lack of knowledge about the marketing planning of SMEs</li> </ul>
SMEs do not prepare long-term marketing plans against increasing uncertainty (Patterson, 1986). Furthermore, SMEs concentrate more on everyday survival rather than on the preparation of any marketing plan (Scase and Goffee, 1982; Bronislaw and Wart, 1988).	<ul style="list-style-type: none"> <li>• SMEs rarely prepare marketing plans</li> </ul>
There is a lack of an appropriate special SME marketing theory which would lead to an understanding of strategic marketing (Hills, 1987).	<ul style="list-style-type: none"> <li>• Lack of SME marketing theories</li> <li>• Lack of an SME-oriented approach in the literature of marketing strategy</li> </ul>
Little empirical attention is paid to the background of the strategic and operational planning of SMEs (Matthews and Scott, 1995).	<ul style="list-style-type: none"> <li>• Superficial research into strategic and operational SME strategies</li> </ul>

Source: own compilation

All in all, it can be concluded that there is no commonly accepted, clear definition of the marketing activity of SMEs. More specifically, definitions which do exist refer to large enterprises, but at the same time the entrepreneurial behaviour of smaller enterprises, too. Furthermore, there is no generally accepted theoretical and practical approach by which the marketing observed in SMEs could be expressed in a simple and explicit way, since SME marketing develops and takes its final shape with difficulty, when market conditions and business activities greatly change (Brooksbank, 1999), a situation which exists permanently and significantly.

In Hungary, SME leaders must all have knowledge about their own sector; moreover they must pay attention to the newly appearing marketing challenges, too. Therefore, the attitude to marketing interpreted in the case of SMEs results in quite a lot of contradictions in the eyes of both theoretical researchers and practitioners (Józsa, 2004; Polereczki, 2011). This is caused by the fact that there is little and/or false knowledge about this field (Table 10).

In view of this, considering the actual establishments in the known literature, a definition has been created for the aim of the dissertation which conforms to actual mainstream marketing theory guidelines. Wherever possible – based on the currently known and significant academic sources researching SME marketing –it also reflects the marketing activity of SMEs too.<sup>2</sup>

The marketing of SMEs is a marketing practise that affects the market in a limited scope, operates with the contribution of the owner/manager, builds on limited resources, and lacks specialist marketing knowledge<sup>3</sup>.

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<sup>2</sup> Main sources used for the definition: Wilson and Gilligan (1999: p. 4.), Brassington and Pettitt (2003: p. 4), Carson (2001), Motwani, Jiang, Kumar (1998), Carson and Gilmore (1999), McCartan-Quinn and Carson (2003), Bygrave (1989), Gamble et al. (2011)

<sup>3</sup> The four conditions often occur simultaneously, but sometimes certain characteristic(s) represent(s) other companies, too (e.g. there are cases when large companies have enough resources, the manager's power is constrained, though they lack specialist knowledge).

## Development phases of the marketing of SMEs

Presuming the existence of limits in the definition and interpretation of SME marketing, the marketing of small enterprises can be traced from the newly established enterprise until the medium-sized enterprise phase. According to the **business life cycle** and the **evolution theory** (Greiner, 1972; Schollhammer and Kurilof, 1979; Adizes, 1989; Carson, 2001) top managers and their marketing activities have different functions depending on the actual development phase of the enterprise. According to Schollhammer and Kurilof (1979) for example, firms must go through the development stages from the task-oriented activity through co-ordination and strategic planning to PR. According to Tyebjee et al. (1983) the marketing development process which starts in a way that the entrepreneur sells tailor-made products to his friends and acquaintances has four stages. This is followed by the next three phases, which will ultimately lead to a kind of multiple marketing.

Carson (2001) has created an evolutionary approach in connection with the marketing activity of SMEs, which already takes into consideration how small-sized enterprises are capable of meeting the ever-changing challenges from their start-up phase.

Phase 1 [**beginnings**] covers the initial marketing activities, when the main scope of activities refers to the use of personal relationships (Brown, 1993). Out of the marketing mix elements, the formation and maintenance of product quality, pricing, and delivery are more typical, while the application of the widely known marketing (product policy, pricing, management of sales channels, and marketing communication together) is still less common in this phase (Tyebjee et al., 1983). The use of haphazard, non-conscious marketing is particularly common; furthermore the significance of word-of-mouth (WOM) should be also emphasised.

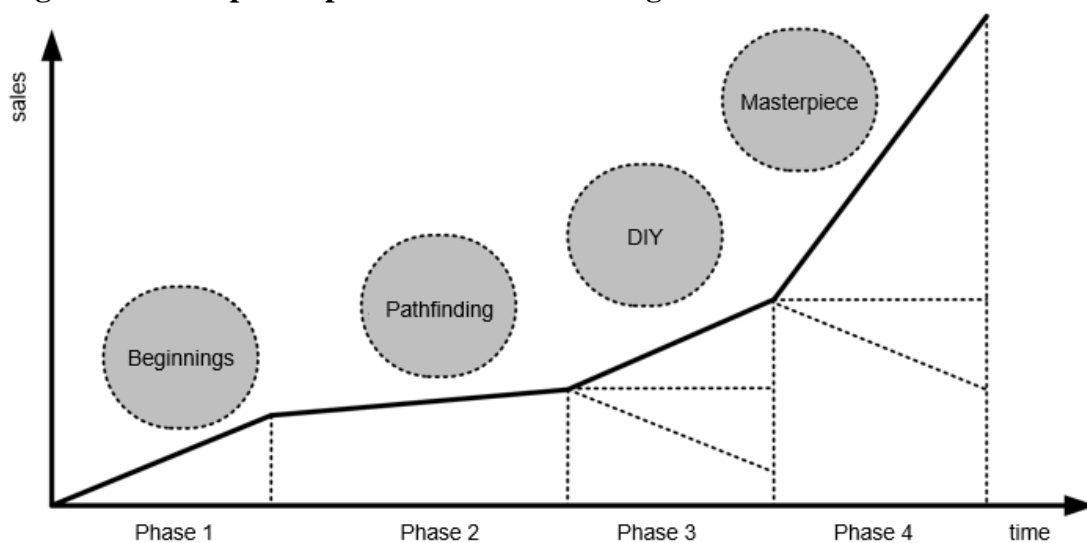


**Phase 2 [pathfinding]** is the phase of reactive sales (Brown, 1993; Carson, 2001: p. 11), when there are more and more previously unknown customers and at the same time the volume of sales also becomes higher, and thus more and more formal information must be provided about the product, the prices, the delivery, etc. Brochures, product promotion letters, and other marketing communication tools may be helpful in this respect. This is reactive marketing, i.e., little attention is paid to the information needs of customers. This practice can be wonderfully applied in cases of minimal competition and high demand, but since they rarely exist, changes are often necessary. On the one hand, more sales must be generated in this phase, but more importantly a shift in attitudes, too. The creation of a more positive owner/manager attitude towards marketing must be achieved (Brown, 1993). In this phase, a decision-making situation which could go either way often occurs, where the question arises: Can an SME afford to employ a marketing specialist? If it can, then will there be sufficient marketing activity in the beginning, which justifies the employment of such a specialist and satisfies their needs? The question will be answered in the affirmative by the SME if sales start to increase, but this often occurs only when the SME starts to employ the marketing specialist (the *catch-22* of the reactive situation; Carson, 2001: p. 12).

**Phase 3 [DIY]** was named the DIY (do it yourself) marketing approach (Carson, 2001: p. 13). Here, the attitude of the owner/manager, on which the marketing performance of SMEs greatly depends, changes towards marketing. These leaders are often specialists in one profession; in many cases they have production-oriented personalities, the characteristics of which do not sit comfortably with a marketing orientation. At the same time, their professional commitment and their interest in the firm are positive elements, which can be progressive if the leaders prepare consciously for this phase. In the beginning, the lenient use of more expensive and less efficient marketing activities are typical, which later (in many cases again) can create a negative attitude towards marketing. The almost complete lack of co-ordination and integration may often result in experimentation and constrained, unfocused marketing initiatives.

The last phase, **Phase 4 [masterpiece]**, the so-called integrated proactive marketing (Carson, 2001: p. 14), means the performance of some kind of professional marketing activity (Brown, 1993) where the following solutions may occur: employment of an internal marketing specialist, employment of a common marketing specialist by several SMEs, or periodical employment of a marketing specialist at the right time. Getting from the third development phase to the fourth does not require such a great effort, as in the case of the previous phases (Brown, 1993). The fourth phase already predicts the existence of a separate marketing department, with full-time employment of marketing specialist(s) (Figure 2).

**Figure 2. Development process of the marketing of SMEs**



Source: Own compilation based on Carson (2001: p. 15) and Brown (1993: p. 23)

The four-phase evolutionary model described shows traceable marketing development for an increasing number of SMEs with increasing importance, which, according to Carson (2001) and Brown (1993) reflects the real situation for the majority of firms. From the point of view of this dissertation, it is necessary to make **the importance of marketing in the different business life cycle phases of SMEs** known, since different marketing activities and distinct priorities belong to each phase, thus later, when we select the relevant sampling frame, the age of the SMEs will be measured, too.

## II.1.2. SME marketing models

The *oversimplification* of the models applied in the case of large enterprises in order to use them for SMEs occurs very often (Wynarczyk et al., 1993; Gilmore, Carson, Grant, 2001). Nevertheless, there are some approaches which are able to create theoretical added value, and provide proper characterisation of the SMEs' marketing activity.

### The model of the role and relevance of marketing

The model of the role and relevance of marketing reveals why SMEs carry out marketing activities, and furthermore, why they carry out these marketing activities the way they do. The model comprises two parts, where the **role of marketing indicates the level of marketing activities and the importance of the marketing function within an SME**. The other dimension of the model, the **relevance of marketing**, indicates the competitive position of SMEs at the given market. Markets of high relevance are the most competitive markets. The two dimensions are interrelated (e.g. in a highly competitive sector, it could be more necessary to emphasise internal marketing roles). One of the added values of the model is that it establishes a **connection between the attitude of the enterprise towards marketing revealed by the model and the marketing and financial performance of the enterprise**. In contrast with the former models, which could not handle the extreme nature of the marketing activity of SMEs (elaborated marketing plans and detailed implementation, or as a compensation of this: almost hostile attitude towards marketing). The role and relevance model of Simpson et al. (2006) attempted to create a generally applicable model, which is viable in the case of SMEs.

The two dimensions (Table 11):

1) The **role of marketing** (internal organisation of the marketing activities [internal focus])

If marketing plays a big role in an SME, then it will probably be included in business plans. It can be used during corporate strategic planning in and the medium/long-term organisational planning. Company leaders spend much time, relatively, on marketing planning and the implementation of marketing actions. The important role of marketing indicates that the SME devotes a relatively large amount of money together with human and other resources to establishing a marketing department.

2. The **relevance of marketing** (expectations of the external competitive business environment [external focus])

The high level of relevance measures to what extent an SME needs marketing, taking the unique business environment of the organisation into account. At this point it becomes essential that the SME should remain competitive for its own business environment. For example, in a highly competitive or a dynamically changing sector, enterprises greatly need to maintain their market share. In this case the market environment has high relevance; however in a stable market environment, where there are few market actors, the level of marketing relevance is much lower.

**Table 11. Some of the dimensions of role and relevance of marketing**

Dimensions of role	Dimensions of relevance
<b>Time and effort spent on:</b> <ul style="list-style-type: none"> <li>• Producing business plans for the future</li> <li>• Creating marketing strategies and plans</li> <li>• Developing new products or services</li> <li>• Designing advertising campaigns</li> <li>• Maintaining the marketing information database</li> <li>• Producing publicity and press releases</li> <li>• Analysing competitors' offerings</li> <li>• Evaluating the performance of marketing strategies and plans</li> <li>• Tracking the performance of the various promotional and advertising activities</li> </ul>	<b>Business environment assessment:</b> <ul style="list-style-type: none"> <li>• Guaranteed business</li> <li>• Survival against competition</li> <li>• Important for expansion of the company</li> <li>• Highly competitive market</li> <li>• Inability to survive without marketing</li> <li>• More help is needed with marketing</li> <li>• Intense rivalry between competitors</li> <li>• Threats from substitute products/services</li> <li>• Threat from potential new entrants</li> <li>• Power of suppliers/buyers</li> </ul>
<b>Marketing organisation/structure:</b> <ul style="list-style-type: none"> <li>• Marketing department</li> <li>• Number of personnel in marketing</li> <li>• Director-level representation</li> <li>• Marketing database</li> </ul>	<b>Ambitions of the business:</b> <ul style="list-style-type: none"> <li>• Need for growth in the company</li> <li>• Need for market penetration</li> <li>• Need for market share</li> <li>• Need for new products within the market</li> <li>• Need to diversify to grow and develop</li> </ul>

Source: Simpson et al. (2006), and Nwankwo and Gbadamosi (2011: p. 35)

There are four types of SMEs in the intersection of the role-relevance dimensions, depending on the level of the dimensions (Table 12).

**1. Marketing-led organisation (leader):** Marketing is very important to the SME's success. Marketing is regarded as highly relevant in this type of organisation because competition is very fierce in the markets the organisation serves. Considering that the majority of SMEs, even the larger medium-sized enterprises, have only a small market share and serve niche markets, these organisations would be expected to have a strong marketing orientation in such a situation. Such an organisation would be expected to have a marketing department with attributable material and human resources, and marketing strategy ideas communicated to the management as well. A marketing-led SME is often a category leader in its market.

**2. Marketing-dominated organisation (challenger):** In this organisation, marketing uses a lot of resources even though the enterprise does not necessarily need such a high level of effort. This is a kind of unbalanced situation, where the enterprise has a guaranteed market, with for example a large customer or big public procurements. There are two possibilities for the development of this company type: either there is an oversized marketing department where considerable resources are invested, or the enterprise has a long-term vision and would like to grow, conquer new markets, and finally become a marketing-led organisation (leader) in the future.

**3. Marketing-weak organisation (follower):** SMEs that need to develop their marketing function in order to sufficiently meet market challenges. This category is also unbalanced, but in a different way than marketing-dominated enterprises. In this case companies cannot meet challenges of the business environment, if they do not invest more resources in the development of the marketing function. The formulation of marketing strategies or plans and the maintenance of any marketing department are not typical. The marketing-weak SME has two scenarios to overcome this situation: the first one is stagnation, which after a while leads to the loss of market share and profitability. In the second scenario the SME acknowledges that it would not like to grow further. In the first case it tries out marketing solutions but they do not work. In the second case it is satisfied with the selected market it would like to serve. In both situations the enterprise chooses the strategy of the followers.

4. **Marketing-independent organisation (nicher):** The nicher differs from the marketing-dominated SME in that this category does not have a big commitment to marketing. The resources invested in marketing are balanced in relation to market conditions. The enterprise serves a niche market, which it can do successfully where direct competition is not significant. In this case the SME heavily depends on its main customer (or customers), and in all probability it has no alternative if it loses its partners; thus it operates under risky conditions.

**Table 12. The model of the role and relevance of marketing**

<b>Role (internal focus)</b>	High	2. Marketing-dominated organisation ( <b>challenger</b> )	1. Marketing-led organisation ( <b>leader</b> )
	Low	4. Marketing-independent organisation ( <b>nicher</b> )	3. Marketing-weak organisation ( <b>follower</b> )
		low	high
		<b>Relevance (external focus)</b>	

Source: Simpson et al. (2006: p. 363)  
and Nwankwo and Gbadamosi (2011: pp. 35, 39)

The model of Simpson et al. (2006) is similar to the theoretical approach of Möller and Anttila (1987), but the novelty of the role and relevance model is that it provides a new approach for studying the marketing of SMEs illustrating their behaviour to marketing in a 2x2 portfolio matrix. Based on the empirical results, there was a demonstrable difference between the SMEs applying marketing weakly and the marketing-led SMEs (Denison and McDonald, 1995; Rafiq and Pallett, 1996; Rue and Ibrahim, 1998). The model establishes a relationship between the method or nature of the application of marketing and the performance of SMEs.

According to Hill's (2001b) criticism, the role and relevance model is overall robust enough on the conditions that it ignores postmodern marketing considerations like networking, online marketing, or e-business. Furthermore, it pays too much attention to classic marketing theories. In addition, the location of the enterprises in the matrix largely depends on the attitude and strategic consciousness of the owner/manager, a factor which can be significantly different in the various SMEs.

Based on the marketing activity of SMEs, Simpson et al. (2006) show that the model described by them is capable of giving a theoretical framework for SME marketing. The model of the role and relevance of marketing provides new insights to shed light and give a better understanding of SME marketing and the recognition of marketing-led enterprises (and also marketing-weak enterprises that believe they are marketing-led). The conclusions drawn from the model foresee the establishment that many other factors must be taken into account during the analysis of the marketing activity of an SME (Brodie et al., 1997).

### **A holistic model of marketing of the SMEs**

Many elements affect SME marketing at the same time. Hill (2001b) demonstrates that the marketing of SMEs is highly influenced by **marketing competencies** (whose detailed study has not been typical in previous years [Carson, 1993; Ray, 1993]). According to Klemp (1980), competency is the underlying characteristic of a person, which results in efficient additional performance in his work. According to Boyatzis (1982), competencies encompass a set of motivations, characteristics, and skills, together with the self-image or social role and the total knowledge of an individual. The necessity of competencies is of unquestionable importance for all enterprises, since they ground all activities performed, for example, in an SME both at a strategic and an operational, practical level. Hill (2001a; 2001b) differentiates three distinct levels of marketing competencies (Table 13).

At the first level he defines the **foundational competency spectrum**. The most important thing is experience, which determines all the other competencies. It is important for the leader of the enterprise to be able to identify the new opportunities of the SME (MacLaren, McGowan, Hill, 1997), and to provide help in decision-making. Without the existence of technical and product knowledge, the enterprise would not be able to operate in conformity with the sectoral standards and to meet market challenges. The communications competency is a prerequisite of the relationship focus of the practical competencies at Level 3 (personality, relationship building, people skills, internal communication, trust, approachability, listening skills, empathy, and honesty). All communications inside and outside the enterprise are basic conditions for the competent marketing activity (Hill, 2001b: p. 213).

Judgement is one of the essential conditions of managerial decision-making (Pye, 1991), both at the strategic and at the practical level. Intuition is the next foundational competency, which gives a unique nature of the decision-making structure of SMEs (Hill and McGowan, 1996). The SME leader who has a high level of intuition, interprets market situations faster and depends less on the results of formal processes and reports.

At the second, **transitional level** of competencies, we can find competencies which are largely determined by the level of foundational competencies. The competencies of vision and opportunity focus are for example linked to the foundational competencies of experience and knowledge. In the case of the existence of the foundational communication competence, relational communication is the prerequisite of the relational elements of the practical competencies (Table 13). Commitment is also a transitional competence, which is a prerequisite of the **practical marketing competency group** at Level 3 realised at the operational level, including motivation, ambition, commitment to achievement, enthusiasm, confidence, and aggression.

**Table 13. Marketing competencies of the SMEs**

Level 1: Foundational competencies	Level 2: Transitional competencies	Level 3: Practical marketing competencies	
		Relational communication	Commitment
Experience Knowledge Communication Judgement Intuition	Vision Opportunity focus Relational communication Commitment	Personality Relationship building People skills Internal communication trust Approachability Listening skills Adaptability Empathy Honesty	Motivation Ambition Achievement Enthusiasm Confidence Aggression

Source: Hill (2001a; 2001b: p. 215)

The collection of competencies in Table 13 leads to several conclusions on the issue of SME marketing competencies. First of all, the higher the level of the competency, the more operational the related marketing activity. The correlation overlaps with the theory of the interconnection of the life cycle phases of SMEs and the related marketing activities (Subsection II.1.1., pp. 38-40).



That is to say, in the different phases of the development of SMEs different competencies are necessary. As the sales focus and sales orientation of the SME shift from the reactive sales phase, more and more sophisticated marketing is necessary, which conforms to practical competencies (see also Stokes's (1995) marketing experience curve theory adapted to SMEs). Although the strong sales focus of SMEs does not mean that *SMEs do nothing but sell* (Hill, 2001b: p. 215), but it means that despite using other marketing tools and methods (e.g. marketing planning), their practical marketing activities often bring the sales focus to the fore.

Besides the existence of marketing competencies, personal contact networks play a big role in the formation of the nature of the SME marketing activities (Carson et al., 1995; Coviello and Munro, 1995). According to Hill (2001b), the quality of SME marketing decision-making is significantly determined by the use of their networks, which confirms the conclusions of Webster (1992), and Hill and McGowan (1996). According to Hill (2001b), SMEs see great possibilities in gaining business advantages from their formal and informal contact networks, taking advantage of their relational communication competencies.

The holistic SME marketing model elaborated by Hill (2001a; 2001b) (Figure 3) demonstrates how various activities and typical, holistic sets of activities characterise and define the marketing activity of SMEs. The model shows how SME marketing is affected by marketing competences and personal contact networks, which can largely be derived from the relational dimensions of the competencies (1, 2 and 3 level). It is important to note that the approach of competencies is interpreted only from the view of SMEs, not mentioning a comprehensive competence theory demonstration (Mihalkovné, 2013). Furthermore, the model sets out an aim of revealing the nature of the marketing decision-making system, whose quality is partly influenced by the personal contact networks. In the model, all elements of SME marketing circularly affect each other in the described way, without any starting point, in a holistic, integrative correlation system.

The model draws attention to the **necessity of competencies** for the application of an efficient SME marketing. The role of competencies in the context of SME marketing is twofold. On the one hand, their identification in an SME helps researchers see the strategic orientation of a small firm, and the emphasis on and proportion of short- and long-term planning in the case of a given organisation. For successful SME marketing, it is necessary to identify additional factors.

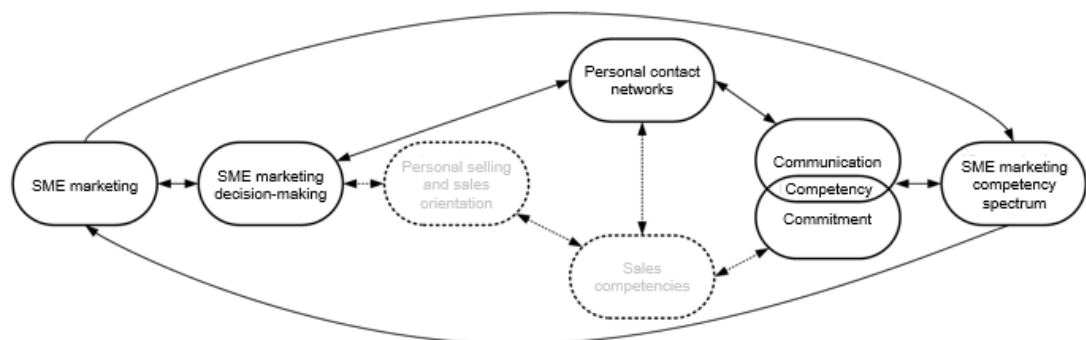
Furthermore, the model emphasises the importance of sales orientation in each SME, which cannot necessarily be extended to the whole SME sector, but which is included in the model as an analytical consideration to be taken into account. Considering the related establishments (Gyulavári et al., 2012) of the quantitative research of the **Competitiveness Research Centre** conducted on the related Hungarian SME sample, an interesting question is in what sense the **market-oriented behaviour** of small firms is more typical, than the strong focus on sales drawn up in Hill's (2001a; 2001b) approach.

In addition, the model highlights that **SMEs apply formal and conventional marketing practices**, mainly marketing planning. According to previous studies, the operational focus is emphasised in this respect; nevertheless sources so far have not pointed out that most planning questions are decided at a strategic level, and the operational level can be the surface manifestation of the process.

The model emphasises the expansiveness and importance of the application of **personal contact networks**, as well as their role in high-quality SME marketing decision-making, which is closely linked to the personality of the owner/leader (Simmons, Armstrong, Durkin, 2008). Therefore, it can be assumed that overall the holistic model does not substitute models based on marketing mix in the conventional sense; however the correlation system based on competencies complements them adequately, and provides a good starting point for analysis in an SME context.

From a marketing management perspective, the holistic SME marketing model gives a useful starting point to the practical application of holistic marketing interpreted by the definition of Kotler and Keller (2012). Holistic marketing includes the rapidly changing challenges of the dynamically changing marketing environment. Within this, it places emphasis on three elements: on the one hand it stresses internal marketing, which means the **commitment of those inside the organisation to marketing**. In the case of SMEs, this principle – considering the characteristics of the holistic model of SME marketing – primarily means the **commitment of the owner/manager** to marketing (Gáti and Simay, 2015). The other important element of the holistic marketing approach is the integrated approach, namely that the different tools should be applied and combine with each other in the most efficient way possible within the enterprise (Csordás and Gáti, 2013). SMEs can principally interpret this by identifying the different levels on the SME competency spectrum, while integration is also related to the foundational, transitional and practical competency levels. The third important element is the focus role of the **relational marketing**, which emphasises consideration of the personal contact networks of the holistic model of SME marketing and furthermore the **significance of the personal characteristics of leaders**, which is also of primary importance.

**Figure 3. Holistic model of marketing of SMEs**



Source: Own compilation based on Hill (2001a; 2001b)

### **Other models of marketing of small and medium-sized enterprises**

The literature includes other theoretical correlations of the marketing activity of SMEs. Nevertheless, some of the models attempt to adapt already existing theories to SMEs (Table 14).

**Table 14. Other theories/models of marketing of sSMEs**

<b>Theories</b>
Some of the research studying the marketing activity of SMEs deal with the explanation of the different <b>behaviour patterns</b> in such enterprises. These approaches define their models as a function of strategic consciousness and planning efficiency.
Hannon and Atherton (1998), Smith and Whittaker (1998), Huang and Brown (1999)
<b>Why does large enterprise marketing practice not work well in the case of SMEs?</b>
Barber, Metcalfe, Porteous (1989), O'Brien (1998), Freel (2000)
Theories which show the <b>adaptability of certain business and management theories to SMEs</b> . Seven theoretical models of qualitative and descriptive nature were built in this topic.
Carson (1990), Brooksbank (1996), Brooksbank (1999)
Theory which – based on <b>creativity, semiotics</b> (general sign theory) and <b>art</b> – analyses the marketing theories of SMEs through <b>alternative biographical analysis</b> .
Fillis (2002)
<b>1) Stages/growth model:</b> SME marketing should be the function of the stage of development of an enterprise.
<b>2) Management style approach:</b> takes the <b>limited resource/ability aptitudes of SMEs</b> into account; explains <b>why SMEs do not have a developed marketing function</b> .
<b>3) Management function approach:</b> acknowledges the role of marketing in SMEs, but draws attention to the fact that <b>many owners/managers simplify marketing as marketing mix, or interpret it as advertising</b> .
<b>4) Contingency theory approach:</b> Development of the given marketing performance must be taken into account depending on the resources and business environment of the SME. There is no strategic panacea. Two radically different approaches are included in the contingency theory: <ul style="list-style-type: none"> <li>• Universal marketing rules exist which can be applied for all enterprises.</li> <li>• Each SME is unique and each situation must be analysed separately; there is no big, unifying theory. Marketing concepts can be the same, but the introduction/application process is different in the case of each firm.</li> </ul>
Siu and Kirby (1998)

Source: own compilation

Enterprises which have any customers (all enterprises) must somehow get in contact with the phenomenon of marketing (Carson, 2001). This marketing can be instinctive, intuitive without any preliminary planning or foresight, or planned and detailed taking all activities into consideration. The point is that no enterprise can keep operating without practising the marketing functions; we only need to think about the marketing mix toolset elaborated by McCarthy (1960) serving as a didactic basis of marketing: there is a need for a product, which can satisfy the needs of customers, this product must be sold at a given price, decisions about sales channels must be made, and it must meet marketing communication challenges. In the light of the correlations of the described theoretical approaches and models, it is worth noting how general marketing approaches and the marketing toolset are interpreted by SMEs in their own operating system in Hungary.

### II.1.3. Marketing tools in SMEs

Apparently, scientific sources encounter problems when they research the relationship between marketing and SMEs and SME-specific marketing tools. The lack of a systematic approach to the topic often leads to ad hoc empirical results, which therefore can be interpreted with difficulty. However, the fundamental theories of SME marketing which define why and how such companies perform marketing activity may help find the answer (Subsection I.1.2., pp. 41-45). Marketing activities which are prioritised by SMEs operating in the different development phases and size categories can be useful (Subsection I.1.1., pp. 38-40). Based on empirical research results which can be found in connection with this topic, we can conclude that SMEs interpret the concept of marketing in practice in a different way and attribute a different set of tools to it than large enterprises.

The following questions arise as regards the marketing practice of SMEs:

1. To what extent does company size affect the marketing activity of firms?
2. Does the assumption that small firms do not use marketing while larger firms do hold water?
3. How much have SMEs integrated the concept of marketing into their operational systems?

If we look at the SME sector, we can see that according to the assumption of widely accepted literature, most SMEs do not make any plans (Carson and Cromie, 1989; Carson, 2001; Gilmore, Carson, Grant, 2001), and often fail – due to the lack of their marketing skills – to perform of their marketing activities. Yet, according to Hill (2001) for example, SMEs still use a lot of traditional marketing functions (e.g. marketing planning). However, according to Brannen (1983), marketing for small firms is simply *different*, and the concept of marketing cannot be found in many SMEs explicitly, even though they use it implicitly during their everyday operations. On the other hand, small firms which make plans to develop at the market have a broader set of tools, like new product development and efficient marketing techniques. Thus, in such enterprises, marketing can exist in the same way and be of the same quality as in large enterprises.

Within the framework of an empirical research, Dunn et al. (1989) examined what marketing meant for the SMEs and large enterprises they analysed. Based on a comparison of the 19-element marketing activity list (Table 15) elaborated after McNamara (1972), they reached the following conclusion: enterprises of different sizes concentrate on different things, and – in contrast with the presuppositions – **the importance of marketing activity does not increase in response to an increase in company size; however the emphasis on the different elements is rearranged** (Table 15).

**Table 15. Emphasis on marketing activities by company size**

Number	Activities	Company size			
		Small enterprise	Medium-sized enterprise	Large enterprise	Overall ranking
1	Advertising	1.5	5	1	1
2	Customer relationships	1.5	2	5	2
3	Sales	2.5	3	4	3
4	Sales predictions	5	1	3	4
5	Market research	5	6	2	5
6	Sales monitoring	7	4	6	6
7	Pricing	2.5	7	10	7
8	Sales training	11.5	9	8	8
9	PR	8	10	11	9
10	Recruitment of sellers	15	8	7	10
11	Product design	9	12	12	11.5
12	Sales representative relationships	13	11	9	11.5
13	Lending	10	13	16.5	13
14	Product-related services	15	14	13	14
15	Quality control	11.5	15	19	15
16	Product booking	15	17	15	16
17	Packaging	18	16	14	17
18	Inventory control	17	18	18	18
19	Warehousing	19	19	16.5	19

Source: Dunn et al. (1989: p. 9)

There is a big difference between enterprises of varying sizes, namely that SMEs concentrate more on the following activities: lending, quality control, inventory control, and product booking. In contrast, large enterprises focus more on advertising, market research, sales representative relationships, sales predictions, recruitment of sellers, and sales training.

According to the overall ranking, firms must concentrate on the following elements of marketing in all size categories: **advertising, customer relationships, sales, sales predictions, market research, sales monitoring, pricing, and sales training.**

Overall, SMEs apply marketing tools in a similar way to large enterprises. Nevertheless, although SMEs also apply the marketing concept, their orientation used to manage the marketing mix differs from the orientation of large enterprises. Furthermore, according to Hisrich (1992), they mostly have limited market information and lack marketing knowledge. They concentrate more on short-term operational issues (e.g. lending, quality control, inventory control) rather than issues with customer orientation or a strategic focus. Therefore, it can be concluded that the philosophy of SME marketing does not differ so much from the philosophy of large enterprise marketing while there are big differences between the two activities in practical terms (Orosdy, 2008).

It is worth pointing out what kind of actual marketing tools SMEs use, in order to draw generalised conclusions from them later.

With regard to the SME sector, empirical research on the usage habits of marketing tools in Hungary were conducted by the Hungarian Marketing Association (HMA, 2010), Máté (2011), and Marketinginfó [www.marketinginfo.hu (2012)], who set the aim of studying the marketing activity and the existence and functions of a marketing organisation within the framework of this research. The studies highlighted the role of the marketing function within the organisation depending on the size of the organisation. According to Máté (2011), 74% of the participating enterprises did not have a separate marketing organisation, i.e., there was no separate organisational unit which would deal with the marketing activity.

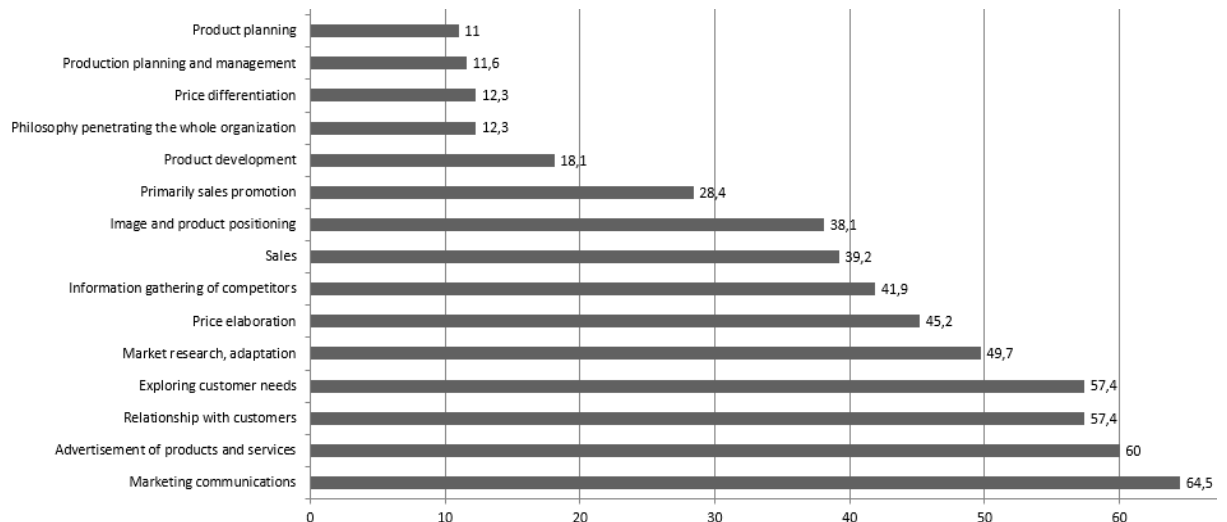
After the conceptual clarification of the marketing activities, it is worth taking a look at how many SME marketing specialists are employed within the organisation. There is no firm in the sample which does not carry out any marketing activity, and in 47.4% of the firms two or more people performed marketing tasks in full employment (Máté, 2011). In addition, it is more and more typical to employ marketing specialists instead of letting company leaders make one-man decisions which, among other things, affect marketing tasks as well (Marketinginfó, 2012), although the latter is basically still the most common situation. This is related to Rekettye's (2012) assertion that owners/managers have the appropriate level of expertise but there are gaps in their marketing knowledge.

Of the tasks dealt with by those in marketing in the studied firms, the advertisement of products and services within the marketing communication tasks took first place. Customer relationships and the revelation of customer needs ranked second, followed by market research (market analysis, creation of adaptation processes to market conditions).



All in all, operational activities and tasks related to marketing tools were put to the fore by the studied Hungarian enterprises (HMA, 2010; Máté, 2011; Marketinginfó, 2012), while marketing as an approach and organisation-wide philosophy (12.3%) was minimally included in the ideology of the respondents (Figure 4).

Figure 4. Tasks of people dealing with marketing (percent, N=170)



Source: Máté (2011)

However, the role of the marketing approach in corporate decision-making was decisive for 74% of the studied SMEs. *The existence and role of the marketing approach in SMEs is a factor, which in my opinion – together with the continuous monitoring of market changes - can affect success* (Máté, 2011: p. 65).

According to Reketttye (2007; 2012), during the planning process of SME marketing, firms must strive to answer the following questions:

- Who will be their customers? (segmentation, target group definition)
- What are the characteristics of the products or services that customers will be willing to buy? (product policy, positioning)
- At what price can the products be sold to customers? (price policy)
- How can the SME's products reach customers? (distribution channel policy)
- How should and can these potential customers be informed? (marketing communication)
- How can the SME communicate with these customers? (marketing communication)

Consequently, according to Polereczki (2011), when we talk about the SME marketing concept, we mean a limited range of marketing tools. According to Stokes (2000), in the field of marketing the application of the already well-known, practised methods (advertisement, design, sales promotion, application of marketing channel patterns) is often more typical than innovation. Overall, it seems that the marketing decision-making system relying on market information and expert opinions is more typical in large enterprises (Polereczki, 2011), but does not constitute an integral part of SMEs in Hungary. **The role of specialists dealing with marketing is more and more significant in the decision-making, alongside the still important position of the owner/manager.** It can also be seen from the SME marketing survey of Marketing112 ([www.marketing112.hu](http://www.marketing112.hu)) (2014) that in 65% of enterprises, it is the company leader who deals with the marketing activity, but marketing specialist colleagues also appear (22%). This is a significant change compared to the 2009 data, where company leaders were responsible for the marketing activity in 77% of the enterprises and only 7% of the respondents employed marketing specialists. This can also mean that a kind of **acknowledgement** has started, **where marketing is regarded as a long-term factor improving marketing and corporate performance.**

Based on the research results, it can be concluded (HMA, 2010; Máté, 2011; Marketinginfó, 2012) that **Hungarian SMEs lack knowledge with regard to their marketing activity.** They have the knowledge which they learned from practice, but in fierce competition they are not necessarily capable of competing against competitors. The lack of an organisation-wide marketing approach can be observed, and therefore few companies carry out marketing activity without a separate marketing organisation. If they performed this in a better-thought-out and concentrated way, they would carry out marketing (and sales) tasks more efficiently. In Kotler's (2000) words however, the *evolution of the marketing department* in Hungarian SMEs is at an early stage yet.

At the same time, a new trend can be observed based on the results of domestic research (HMA, 2010; Máté, 2011; Marketinginfó, 2012), namely in relation to marketing communication and the internet. According to Marketinginfó (2012), **Facebook and e-mails** are the most popular marketing tools of SMEs, but **search engine optimisation** and **pay-per-click advertising** (e.g. Adwords, Facebook, LinkedIn) have increasingly entered public consciousness (Table 16). Consequently, in recent years, a shift has occurred along the marketing communication element of the marketing mix, namely that the digital manifestations of marketing communication, i.e., the use of internet and online advertising channels have become more and more typical of the marketing tools used by SMEs. At the same time, we should also be aware that in research by Marketing112 (2014), 11% of SMEs in the sample did not have any other online marketing activity apart from their webpage.

**Table 16. Online marketing communication tools in Hungarian SMEs**

Source	Tool
HMA (2010); Marketinginfó (2012); Marketing112 (2014)	<b>E-mail</b> , newsletter
HMA (2010); Marketinginfó (2012); Marketing112 (2014)	Social media platforms (e.g. Facebook, Twitter, LinkedIn), mainly <b>Facebook Content Management</b>
HMA (2010); Marketinginfó (2012); Marketing112 (2014)	<b>Pay-per-click advertising</b> (e.g. search engine advertising: SEA; see: Adwords, Etarget), <b>on social networking websites, too</b>
HMA (2010)	Paid advertising (e.g. banner)
Marketinginfó (2012); Marketing112 (2014)	<b>Search engine optimisation: SEO</b>
Marketing112 (2014)	<b>blog</b>

Source: Own compilation based on HMA (2010), Marketinginfó (2012), and Marketing112 (2014)

The question therefore is where digital marketing communication tools and channels appeared in recent years are located within the conceptual system of SME marketing. Furthermore, how can online marketing be interpreted generally and in the case of SMEs.

## ***II.2. The role of the internet and IT in economics and marketing***

The digital technology and marketing communication channel, the internet, together with its infrastructural-technological background has forged ahead in recent decades and has become more and more integrated into economic and marketing thinking. Due to several trends observable in the information technology (IT), and in parallel with the mass occurrence of online marketing tools, it is important to introduce the market connections of the internet value chain and the theoretical background of the online marketing solutions.

### **II.2.1. Effect of the internet value chain on sectoral competition**

In the past 50 years, one of the technical innovations in developed countries which had the most significant impact on both everyday and business life is the internet. Although large enterprises reap the benefits of this technological revolution, it should be noted that certain individuals and SMEs can also take advantage of the opportunities provided by the internet. The internet has facilitated the creation of new markets (with increased customisation, fast innovation, more conscious market design) (Levin, 2010). Individuals and economic actors *pay* more and more attention to the internet, consequently, an extended value chain has been formed to serve the needs of the different markets. The internet-based supply chain covers all activities resulting from internet use (Nemeslaki, 2002: p. 18 Nemeslaki, Urbán, Trestyén, 2008). Many firms use the internet in order to market and distribute their services and to keep in touch with their suppliers and partners (Page, Rossi, Rand, 2010). Besides this, various activities are included in the internet-based supply chain, for example online customer services (e-commerce, in particular), provision of internet access, sales of hardware and software, online services, games, and search engines (Page and Firth, 2012).

Looking at the revenue structure of the internet it could be assumed that the highest revenue can be observed in the case of value chain elements with the highest market concentration, where this situation results from the conditions of economies of scale.

However, there are online services which are more and more available not only for large enterprises but also for SMEs. Software packages which provide online information services, and were previously available only in integrated service packages, are becoming increasingly available for smaller enterprises, too. Besides the mainstream market leader enterprises, the internet has various niche market positioning opportunities (Page and Firth, 2012).

### **II.2.2. Effect of IT services on the Hungarian SMEs**

The development of digitalisation and communication technologies in recent decades has enhanced the role of information as a resource, and it is less and less likely that enterprises will have a market position which will be sustainable in the long term without having a sufficient amount of information (Sasvári, 2012: p. 56). In research conducted in 2009 by the Sectoral e-Business Watch belonging to the European Commission (e-Business Watch, 2010) where 50% of the employees were employed by SMEs, at least two-thirds of the firms performed any of their business processes electronically in 2009, of which 15% considered themselves to be frequent users. Many firms use IT and ICT (information and communication technology) opportunities, primarily to optimise their internal processes, rather than keep in touch with suppliers and customers. The selection between the simpler ICT systems (e.g. ERP) and more complicated systems (e.g. sector-specific ICT solutions covering the whole value chain) is often the function of the given sector and company size.

For many enterprises it is a fundamental challenge to make decisions about issues on the application (non-application) of ICT systems, since a number of small firms are unaware of the point and possibilities of ICT. Therefore, for these firms ICT means an opportunity cost.

As a compensation of this, there is a need for an initiative which would **integrate** e-business **into** strategies and **business models** even **at the level of SMEs** (e-business Watch, 2010) in a way that **ICT – besides being a technology – should also mean the management of internal processes, and relationships with suppliers, partners, and customers at a competitive and global market** (refer to Annex 2 for more detail on the types of IT systems).

Due to certain changes in the world economy, in some sectors (e.g. online trading companies; companies producing internet applications and targeting niche markets) entry and mobility barriers have significantly decreased in recent times (Subsection I.3., pp. 18-20). According to Tonge (2001), a kind of outsourcing process has begun, which has led to the contracting out of certain operational activities of large enterprises to external partners. This is similar to the phenomenon whereby large enterprises tend to operate as if they were many autonomous, activity-oriented enterprises with entrepreneurial operation. Monolithic IT software packages providing complex services which previously had such a big capital requirements that they could not be purchased by smaller firms, today have become available for SMEs, too, with the appearance of **module-based services** (e.g. when creating a webpage, webshop, forum, chat, and media gallery modules can be selected, thus enterprises do not have to pay the fee for the whole service, only the costs of each module).

SMEs can be targeted with these application service centres, since they have not been able to use these solutions on their own merits so far, or if they have, only at great sacrifice.<sup>4</sup> Thus, business processes are realised in the form of a kind of service-oriented architecture (SOA). This means that the service modules of the software systems could be easily replaced or modified in a way that these activities do not influence the course of business (Hurwitz et al., 2007).

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<sup>4</sup> For example, integrated management systems: ERP, finance, accounting, HR, project management modules; customer due diligence, CRM, sales modules; customer service modules; Internet-based modules supporting e-commerce: virtual shopping centres, electronic services, e-invoicing and e-payment systems; modules supporting administration: management support, decision-making support, business intelligence systems; process management modules; other modules capable of serving the special needs of SMEs.

ICT solutions can be applied in an organisation to different extents (e-business Watch, 2010). There are basic ICT applications, which generally have little effect on the organisation, i.e., the course of business or the business model is not changed (e.g. e-mail, web page, basic e-commerce opportunities). Manufacturing enterprises and many SMEs often apply ICT tools at this level. Usually, there is no external pressure (suppliers) on these firms to improve their e-business skills. However, there exist sectors which have undergone significant development thanks to e-business. Such sectors are for example:

- ICT service providers
- Knowledge-intensive business service providers
- Software companies
- Other IT companies
- Service provider companies in certain sectors (e.g. hospitality)

According to Nemeslaki et al. (2004) and Nemeslaki (2007) there is a measurable correlation between the different company characteristics (e.g. sector, company size) and their e-business applications. The *digital gap* phenomenon which can be seen between SMEs and large enterprises and observed in the e-business application and elsewhere, mainly exists in traditional and labour-intensive sectors, where the majority of firms do not consider e-business applications necessary. The increasing significance of the internet is indicated by the **research of e-Business Watch (2010) containing mainly small enterprises where there are no enterprises which do not use internet-based tools** (Feindt, Jeffcoate, Chappel, 2002; Kolos, Gáti, Gyulavári, 2011).

From now on, it is worth evaluating the spread of e-business applications together with other factors to be examined later (sectoral classification, adaptation to changes, export activity rate, market performance) (Badinszky, 2009). The lack of e-skills results in passive and defensive behaviour, which overall can lead to a decrease in corporate performance. At the EU level, it is a strategic task to develop these e-skills, with specific focus on marketing, sales, and customer management (ECOP, 2012).

According to Gáti and Kolos (2012a), and Sasvári (2012), during data collection for the 2009 research project *In competition with the world*, it was shown as a general tendency that large enterprises apply internet-based solutions during their operation at a higher rate than SMEs. Over the last decade, **Hungarian SMEs have started to apply ICT solutions in greater proportions (Dallago, 2012), and still they lag behind other EU states in terms of technological sophistication** (e.g. computer usage, internet connection). *Typically, the leaders of the Hungarian SMEs avoid high-risk, knowledge-intensive, and technology-based competitive sectors and prefer those, which promise lower capital intensity and fast return, and do not require special technical knowledge* (Dallago, 2012: p. 89). Just like in other developed market economies, *it is more and more typical in Hungary, that SMEs are specialized in their own business activities, and outsource some of their operational functions (e.g. accounting, marketing, legal matters, IT, other services) to other specialized SMEs* (Dallago, 2012: p. 89). Furthermore, it also turned out that SMEs recognise the competitive advantage in e-business, since from the point of view of future anticipations, **small enterprises feel most that the role of online communication will increase in their enterprise in the coming years** (Gáti and Kolos, 2012b).

The rapid spread of IT can mean a great advance for the SME sector. **Internet-based technologies have the following consequences for SMEs from the point of view of marketing** (Wierenga, 1996; Polreczki, 2011):

- Power shifts within the supply chain (strengthening the bargaining position of retail trade)
- Increase in the role of services and their information content
- Market fragmentation
- Adaptation of products to local markets
- More personalised
- More interactive
- Possibility of a more cost-effective marketing activity.



### II.2.3. Online marketing in SMEs

With the development of the internet, significant changes have occurred with respect to the marketing function (Škare, 2012). This does not mean that traditional marketing tools will not be relevant in the future, but rather that the influence of the internet on market transparency and the growth of a new dimension of networking have changed the attitude of firms towards the course of business. **The increase in supply, the customer focus, the expanded opportunity for direct communication with customers, and the seemingly infinite supply of products and services are now typical** (Molenaar, 2012). In this context, we can operate from the basis that these changes definitely have an influence on the marketing activity, too. The previous limitation which narrowed marketing to marketing communication and market contacts has terminated, while individual customer focus is now highlighted.

Of course all these changes occur only if technology is also integrated into marketing. For example, information systems and database marketing in the 1980s, call centres and customer relationship management (CRM) systems in the 1990s, and the internet in the 2000s (Harrigan, Ramsey, Ibbotson, 2011). The integration of the technological infrastructure, IT, and the internet had to take place in order for the role of marketing to change as well through the possibilities of direct communication and closer customer relationships (Molenaar, 2012).

#### **The effect of IT on marketing**

The development of IT within the organisation has been chronologically realised in three waves (Table 17). Of the three automation steps, the first is the data transmission phase from the 1960s until the 1980s where mechanisation and automation were the most typical elements. This was followed by a period in the 1980s and the early 1990s, the IT phase, when information supply became a central element for IT. Applications became more diverse and moved from mere automation towards the information provided to organisations (e.g. marketing, sales, and finance).

Enterprises responded directly to market conditions, steps taken by competitors, and the consumer behaviour in order to achieve efficiency and make the right decisions. In the IT phase, the operational focus of marketing (mainly marketing communications) was brought to the fore (Molenaar, 2012). As a consequence, other fields adapted to marketing faster than the marketing department adapted to technology. In this era, the significance of marketing within the organisation decreased while its strategic value increased. Relationship software (e.g. CRM) and enterprise resource planning (ERP) solutions appeared (Sasvári, 2012: p. 58), where each company supplied its own information system (e.g. HR, finance, logistics, marketing). Module-based solutions appeared for all departments and all functions. The IT phase played an important role because of the automation of the marketing function, since by means of the development of stocks, distribution channels, trading houses and information collected about marketing was integrated into the organisation.

In the late 1990s a third phase, the interlocking of the internet and IT, began. Since the turn of the century, IT has not been considered a separate business function, but has been integrated into the operation of the enterprise (e.g. the merger of the marketing and sales function with CRM solutions in the form of integrated IT systems). The application of IT changed from an internal system to an external system, where suppliers and customers also became more accessible with the help of the internet. From a historical perspective, **the application of IT in an organisation shifted from a kind of operational (effectiveness) function to tactical (efficiency) aims, and in the third phase it became a strategic (determinant) function for the marketing function of the organisation.**

**Table 17. The application of IT in marketing, from a historical perspective**

	1970s	1980s	1990s	after 2000
<b>Application</b>	Data transmission	Sales information, sales management	Commercial data supply, connection to other business functions	Integrated applications based on the internet and network possibilities
<b>Hardware</b>	Mainframes	Personal computers (PCs)	Servers and personal computers	Networks and the internet
<b>Integration</b>	No, only separate applications	Limited, only within departments	Information supply at the corporate level (ERP and CRM applications)	Fully integrated systems inside and outside the organisation
<b>Management</b>	Department dealing with automation	Marketing/sales department	Marketing and IT together	IT, infrastructure, marketing and applications
<b>Focus</b>	Efficiency	Information supply and support	Customer relationships and direct communication	New market conditions, new business models, external relations (e.g. customers)
<b>Application of marketing automatisms</b>	Data transmission, data analysis, sales support, data management	Communication support (call centres), management support (CRM), scanning, loyalty programmes, multimedia applications, relationship management, communication systems, EDI		Network applications, internet-based applications, external communication, participation in processes, interaction with customers, Big Data

Source: Own compilation based on Molenaar (2012: p. 75)

With the help of IT, enterprises are now capable of developing their business processes and supporting and creating new forms of organisation, more precisely defining the position of the organisation at the market and furthermore, shifting internal orientation to external orientation (competitors, international markets). Electronic data interchange (EDI) has made it possible for partners to exchange information easier, and **with the appearance of the internet, SMEs can also access EDI systems (e.g. open source).**

The development of IT has shifted from the automation of processes to information supply. It has been integrated into the organisational infrastructure, also absorbing marketing applications with the help of the internet (e.g. CRM; RFID: radio frequency identification). IT has made it possible for marketing to become an integral part of the organisation, utilising the data of other fields as a part of a mutual data exchange process. **IT has also helped marketing to focus more on individual customers.**

### **The effect of the internet on marketing**

The internet is a technology and a set of tools making many things possible. It can be used smartly or less smartly in almost all sectors (Porter, 2002: p. 46). In the beginning, the use of the internet covered information searches and advertising in enterprises. Through the internet firms could offer their products and/or services on a single platform, where customers could find and get in contact with them (Molenaar, 2012). Communication, information, transaction, and facilitation/infrastructure functions offered by the internet have contributed internet-based opportunities that affect sales, but also have a great influence on information supply, entertainment, and communication as well (Akunuri, 2011: pp. 176-178; Gáti and Bauer, 2013).

Over the years, the internet has had more and more influence on enterprises and consumers as well as marketing. With respect to marketing, several direct effects can be examined (Molenaar, 2012). **Over the past few years these effects have shifted from the support of the supply-oriented marketing function to an interaction-oriented, relationship focus.**

**Effect on communication:** Internet-related potential (direct mail, newsletter) appeared first in direct communication (direct mail, newsletters). Customers became directly accessible, with the possibility of direct contact with them realised. From the point of view of customers, the need for updated information supply became a central element where rapid responses to rapid questions were necessary. Therefore, organisations had the possibility to communicate more interactively.

**Effect on information:** Customers could find more information on the internet about products and services. New competitors appeared on the market, and previously unknown suppliers entered the competition. Transparency increased in terms of prices, delivery conditions, and product characteristics.

**Effect on supply:** Formerly it was the retail trader who selected the product range offered to customers. With the appearance of the internet, customers selected the products they would like to buy, and decided later where they wanted to buy these products. Primarily it was the customer who determined what products the retail trader had to purchase, and the retail trader often had to conform to this changed situation.

**Effect on power:** The balance of power changed, and from then on would be influenced by demand instead of supply. This had a significant effect on the application of marketing activities and the customers' choice of where to shop. Marketing (communication) not only had to take into account the passive channels but now it also has to establish a conversation with customers, an interaction, a bond with and motivation towards customers.

Overall, with the application of IT and the internet closer relations can be established with customers and suppliers and an increase can be achieved in the market dynamics. Market boundaries have become blurred. Customers are better informed and the role of marketing has turned from a business function, which defines the relationship with the market, to a function which causes and manages customer relationships.

### **The relationship between marketing and online marketing**

With online marketing, a special application of marketing tools takes place, where the focus shifts from markets and target groups to identified connections (e.g. customer-based pricing; unique product [mainly product-related service elements]; listing of popular shops; internet, telephone, or physical place [multichannel approach]; targeted marketing communication according to behaviour). **In accordance with the traditional marketing approach, tools adapt to market situations, while in online marketing they conform to personal contacts** (Molenaar, 2012).

Molenaar's (2012) online marketing definition interprets the concept both inside and outside the organisation. Emphasising this differentiation, Robert and Zahay (2008), Akunuri (2011), and Fehér (2012) defines the marketing activity created in the intersection of marketing and the internet as follows:

**Online marketing:** operation of applications on the internet to reach already existing and potential customers, to identify, predict, and satisfy their needs, by the use of the online platform. The aim of online marketing is to improve the relationship between the organization and its customers, to increase profit. Tools of online marketing expand continuously, enabling better and better analysis and reach.

### **Relationship between the SMEs and online marketing**

Online marketing can be an attractive marketing channel for SMEs, since the greatest disadvantages of these firms from a marketing point of view – limited resources, lack of specialist expertise, and limited influence on the market (Carson, 2001) – can all be reduced with the help of online marketing tools. However, **SMEs do not yet use internet-based solutions professionally for their marketing activities** (Sparkes and Thomas, 2001; Gallagher and Gilmore, 2004; Akunuri, 2011). The internet makes it possible for SMEs serving niche markets to be visible for customers who are really interested in their products and/or services.

The practical question is what online marketing means for SMEs. In order to shed some light on the situation, Downie (2003) distinguished the benefits and drawbacks of web presence. (Table 18). Based on the perception of SME leaders, it can be concluded that a web presence in itself does not necessarily mean benefits for a firm (Fehér, 2012). In order to take advantage of these presumptions, **SMEs must take a more conscious approach towards them, often by devoting sufficient energy and money to learn and realise certain techniques to avoid missing a better competitive position at the market** (Csordás and Gáti, 2015). If firms do not devote sufficient resources to these solutions, the solution intended to ensure competitive advantage could become a competitive disadvantage due to the difficulties of introducing it. In other cases, it can difficult to determine afterwards how much of the investment made in the tried solution (e.g. the creation of a Facebook brand page in addition to an existing webpage) has been lost (cost-effectiveness issue) due to bad, insufficiently founded measurement procedures (Gáti and Csordás, 2013). **All these risks depend largely on the IT competence of SME's leader, their networking knowledge and ambitions, as well as their proactive attitude towards marketing.** *Like everything else, the buck stops with the owner-manager – the success of the online entrepreneurial marketing activity will depend on the entrepreneur's IT and entrepreneurial flair to proactively use the online platform in building extensive networks of wide and varied key contacts.* (Akunuri, 2011: p. 189)

**Table 18. Benefits and drawbacks of web presence for SMEs**

Benefits	Drawbacks
<ul style="list-style-type: none"> <li>• Better competitive position compared with competition and wider market area</li> <li>• More customers accessible</li> <li>• Opportunities to cross market/network</li> <li>• Better customer service</li> <li>• Better communication with customers</li> <li>• Instant promotion of product and company</li> <li>• Easier to identify customer contacts</li> <li>• Better measurement of customer interest</li> </ul>	<ul style="list-style-type: none"> <li>• Can show weakness <i>vis-à-vis competition</i></li> <li>• Can be time consuming to manage</li> <li>• Cost of establishment and maintenance</li> <li>• Difficult to know who is interested and who is browsing</li> <li>• Difficult to establish what kind and how much information to give</li> <li>• Difficult to correct a bad impression</li> <li>• If website is inaccessible (e.g. being updated or has a host problem), the customer is unlikely to return</li> <li>• Customers use the site to get information and then go elsewhere to buy</li> <li>• If there is no website, potential customers will wonder why not</li> <li>• Difficult to know just how cost-effective it is</li> </ul>

Source: Downie (2003) in: Akunuri (2011: p. 176)

## Online marketing tools

SME marketing is a controversial field with problematic sub-questions. The widely accepted marketing rules can be applied in – or at least were grounded in - large enterprises. In many aspects SME marketing is different from marketing in large enterprises (ad hoc, intuitive, and organised around networks, interactions, and relationship development). Traditional marketing tools in many cases mean a larger expenditure item for large enterprises than for SMEs. The online marketing approach is not completely different from offline solutions; the planning system is very much the same as in large enterprises. Understanding of target groups and mapping competitor activities of competitors are the same as in an offline environment. Strategy creation and implementation use the same steps classic marketing planning (Akunuri, 2011), and consequently, just like in classic marketing planning (Carson and Cromie, 1989), SMEs should think long term (at the strategic level) when using its online equivalent. Of course, new trends should be observed with due caution, since the marginalisation of classic marketing tools does not necessarily entail the application of online marketing (if marketing consisted only of marketing communication, then it would be a more cost-effective tool, but the reality is more complex [HMA, 2010: p. 12; Csordás, Markos-Kujbus, Gáti, 2014]).

From the point of view of SMEs, the most important suggestion at this point is that the internet is not just an interface where enterprises use new technologies. Furthermore, the internet makes it possible for these firms to use formal marketing approaches in an online context. Such approaches can be advertising through video uploads, PR building through blogs and articles, or sales promotion through e-coupons. They shed light on the point of online marketing solutions, i.e., that these tools are often only **the digital manifestations of SME marketing** (because the offline equivalent of most online marketing solutions can be found in the traditional marketing communication toolkit, too) (Annex 3). The tools presented in this dissertation do not cover the whole range of online marketing communication tools which can be found in SME marketing. The non-exhaustive presentation only emphasises some tools which can be successfully applied by SMEs. The different tools are presented in from a historical perspective. Expenditure on advertising in Hungary in 2014 reached a 20% annual growth rate compared to the previous year, higher than ever before, (IAB – [www.iab.hu](http://www.iab.hu), 2015), while due to the transforming



market structure the role of certain tools and technologies has increased (mobile marketing, search engine marketing, e-mail marketing), while the role of others has decreased (display).

**Own webpage:** A webpage must provide precise and convincing information about the products/services of the given enterprise as well as the systems, processes, and expertise the given enterprise is capable of providing (Bickerton, Bickerton, Partesi, 2000). In many cases, the information not only has to be informative but also attractive. SMEs are often in a close relationship with their customers (Akunuri, 2011), and they can use this acquired knowledge when they create a webpage. The important features of the efficient web pages (easy navigation; is free from disturbing factors; provides information about the products; reflects the personality of the given brand; provides a possibility for interaction with and between consumers; integrates other channels [e.g. integrated video, e-coupon, e-mail subscription]; enables the possibility of measuring the performance of the web page) are as important for SMEs as for any other enterprise.

**E-mail marketing:** E-mail marketing includes the marketing communication of products and/or services in the form of electronic messages, with the help of the internet (Roberts and Zahay, 2008). It is a flexible and efficient marketing tool (e-DM), by which an almost fully tailored message can be achieved (Roberts and Zahay, 2008). E-mail marketing allows SMEs to reach their customers quickly and relatively cheaply (Akunuri, 2011). It is important for SMEs to have an appropriate database, which contains the e-mail addresses of their actual and potential customers, in order to send tailored messages to their target audiences with different needs and problems. It is also possible for an enterprise to send e-mails with the customers' permission (permission marketing; Godin, 1999), which is more popular than flooding recipients with unwanted messages. E-mail marketing is an efficient tool for SMEs to send targeted messages to existing and potential clients (Akunuri, 2011). It has a relatively low share of digital advertising (3%), but as this segment had one of the highest growth rates in 2014, it can be assumed that it still has more potential (IAB, 2015).

**E-newsletter:** The use of online newsletters is also a good opportunity for SMEs, since their periodic sending makes it possible for enterprises to establish contacts with their customers and improve their credibility.

**E-sales promotion:** Promotions cover well-known and widely used tools in offline marketing (e.g. gifts, samples, prize games). The freely downloadable content offered on online platforms (e.g. games, books, music, and pictures) is similar in terms of functionality, and a motivating force for customers to try the given product, or to develop their commitment to the brand. If customers agree, they can receive free e-samples or e-coupons, for example, which are the digital manifestation of offline sales promotion solutions.

**Display advertising:** Advertisements containing text, images, motion, or interactivity, which can be spread through any online channels, provided that the given channel is capable of providing the given function are considered display advertisements (Roberts and Zahay, 2008: p. 151). Display advertising is usually a form of marketing communication whose performance can be measured by the click-through rates to the given corporate web page, and which is mostly identified by its most traditional form: a banner. However many new types of solution (interactive banner, rich media, etc.) have appeared on the market. The use of simple banners is more typical in SMEs due to their limited resources. Analysing the distribution of the digital advertising spend, a growing tendency towards display advertising can be seen in recent years (IAB, 2015), which still has a significant, 38% share of the total digital advertising.

**Search engine marketing (SEM):** It is very important for an enterprise to be found by its potential customers through internet-based search engines on the World Wide Web and to be visible on the list of search results of the different search engines (e.g. Google, Yahoo! MSN Search) (Roberts and Zahay, 2008). To achieve this, it is necessary for the owners/managers of SMEs to be aware of the significance of SEM and to make decisions about the realisation of self-developed search engine marketing or the outsourcing of this solution to an external agency or firm (Roberts and Zahay, 2008). Two basic types of the SEM are known: **search engine**

**advertising** (SEA) and **search engine optimisation** (SEO). SEA is paid advertising containing text or images which appear in a given part of the list of search results of search engines (in Google Adwords, it is in the upper right corner and in the middle of the page). Users type search words in the search engine, and if the advertiser has selected the search word in question, the given advertising will appear on the search results page. If users click on it, they get to the advertiser's web page. The advertiser pays for every click, which is why it is called pay-per-click (PPC) advertising. SEO does not enable PPC, but instead it uses unpaid (unsponsored), so-called organic results, which appear after a search for the given search words (Roberts and Zahay, 2008: p. 207).

If an SME operates its own web page, it can create and maintain a good position on the search results page with the help of a specialist, provided that it has sufficient capital to employ a specialist who from time to time maintains the web page's SEO indicators. SEM ranks second in Hungarian digital advertising with a 34% share in 2014, but at the same time it can also be seen that the growth rate experienced over the last few years has slowed down, and the role of new tools has started to increase (IAB, 2015).

**Mobile marketing:** Year by year more and more people use mobile tools (smartphones, tablets), which provide communicating enterprises with internet access regardless of their location, even in private spaces which previously could not be reached. It is increasingly typical that users let the public enter their private sphere (Simay and Gáti, 2015) via mobile tools and the World Wide Web. The marketing communication profession takes advantage of this with the help of mobile marketing. A characteristic of mobile marketing is that it provides the possibility for developing a more customised, more interactive relationship between the advertiser and the user, since, thanks to its database-based technology, advertising organisations have access to a lot of information (MMA<sup>5</sup>, 2009). With the help of mobile networks, marketing communication provides a vast range of tools, because it can take into account the customer's interests, their media consumption habits, and their geographical location at the same time. All the previously demonstrated tools (display advertising, SEM) can be used within the framework of mobile marketing. From this point of view, this

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<sup>5</sup> MMA: Mobile Marketing Association

**cannot primarily be interpreted as a new advertising tool, but rather as an interface.** The location-independent applicability of interactivity, customised possibilities, and mobile technology provides a wonderful opportunity for SMEs to practice marketing communication. With respect to the digital advertising spend in Hungary, the greatest positive shift in recent years has taken place in mobile advertising. With its 10% share of advertising, mobile marketing is currently the fastest growing segment realising a 143% growth rate in just one year, from 2013 to 2014 (IAB, 2015). The number of smartphone and tablet users is increasing at an accelerating rate from year to year. In 2015, 62% of the Hungarian adult population used smartphones, and 51% connected to the World Wide Web through mobile internet (eNET, 2015).

**Social media marketing:** With the appearance of Web 2.0, the nature of corporate communication changed in some sense (Roberts and Zahay, 2008: p. 223). Web 2.0 can be interpreted as a technological infrastructure. While social media is basically not a technological issue (Bottles and Sherlock, 2011: p. 70), Web 2.0 in itself means the infrastructure, whose main focus is based on co-operation and mutual exchange (O'Reilly, 2005).

Web 2.0 enables and distributes the social phenomenon of the collective media in a technological way, i.e., the creation, distribution, and exchange of content, which will thus eventually become social media (Berthon et al., 2012: p. 262).

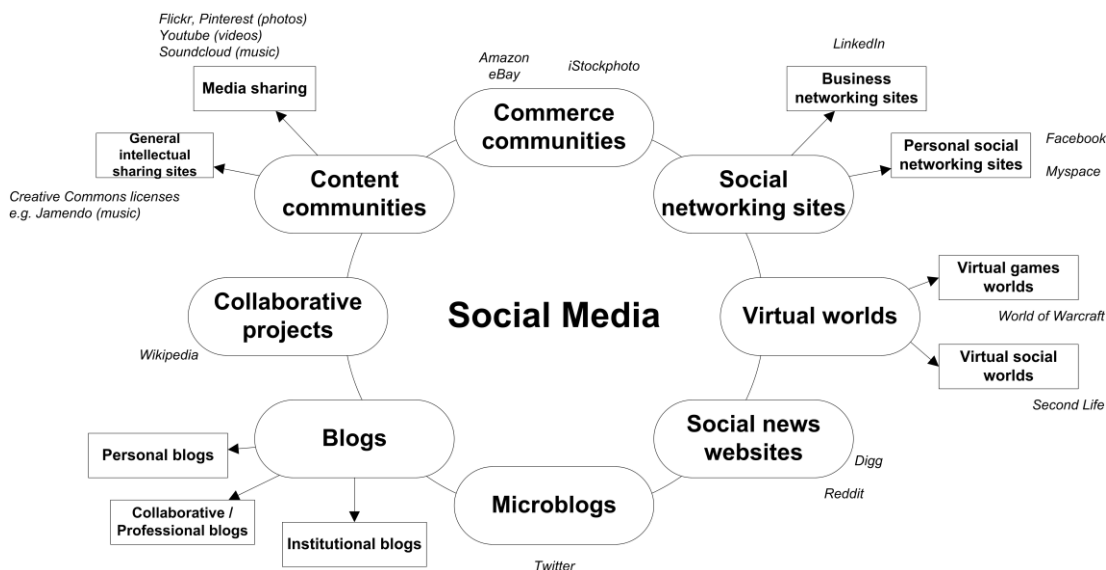
Consequently, social media consists of internet-based applications and foundational concepts which are based on Web 2.0, and makes it possible for users to interact (communicate) with each other online (Johnston, 2011; Montoya, 2011). The aim of the communication is to create, convert, and share content, opinions, views, thoughts, channels, and contacts generated by users (Kaplan and Haenlein, 2010; Nair, 2011). However, we define social media as the collection of different two-way communication platforms, which allow the free flow of ideas, information, and values on the internet. The phenomenon of social media is important. In recent years it has increasingly become part of the marketing activity of SMEs, too (Gáti and Csordás, 2014).

It means a new platform for advertisers, a two-way communication opportunity which SMEs can take advantage of using a diverse toolkit. Unlike mass media, social media marketing uses targeted marketing communication which can be cheaper than other opportunities provided by channels with wasted coverage that reach a broader audience but do not sufficiently narrow down the SME market (Roberts and Zahay, 2008: p. 228).

Examining the distribution of the digital advertising costs in Hungary we can see that social media marketing is technically included in display advertising. It is difficult therefore to separate the related data and match them with the different marketing communication tools. It can be seen, however, that the share of display is still significant (38%), and its annual growth rate from 2013 to 2014 was 10%, where social media spend constituted a significant part (IAB, 2015).

Figure 5 illustrates the possible manifestations of social media.

**Figure 5. Types of social media<sup>6</sup>**



Source: Csordás, Markos-Kujbus, Gáti (2014), Kane et al. (2014)

According to Akunuri (2011), the following tools in the social media toolkit can be the most relevant for SMEs:

<sup>6</sup> The social media types presented here can be complemented by crowdsourcing solutions, where the organization outsources its tasks (executable by its employees or subcontractors) to groups of people independent from the organization (Srinivasan, Lilien, Rangaswamy, 2002), mostly in online forms. In many cases, crowdsourcing is a preferable tool for product and service development by involving its customers. In this sense, it is similar to social media, because in both cases, customer involvement is present, but in social media, web 2.0 enables the opportunity for wider-scale customer participation.

**Blog** (web+log=blog). These online logs help us get in personal and informal contact with individuals and communities. An SME, for example, can get in contact with its customers or other individuals and share and exchange profession-specific content, thus showing its expertise and providing information about its products and/or service. It is a useful tool for taking advantage of two-way communication by which valuable information can be obtained about the market.

**Forum:** As is the case with the blog, here we also have an interface where we can communicate, but while a blog is similar to a conversation guided by a central opinion leader, on a forum everyone is equal in the hierarchy and can initiate a topic. The content is usually segmented by topic, not by person. Forums can be useful for SMEs targeting niche markets, for example, and for sharing special professional knowledge.

**Social networking sites** (SNSs): According to Hill and Wright (2000), SME marketing is basically characterised by the different contact networks, which are both formal and informal at the same time. For SME owners/managers the development of personal contacts through networking is a major way of doing business and making contacts (Akunuri, 2011; Csordás, Markos-Kujbus, Gáti, 2014). Social networks are mainly characterised by user connections. Using these platforms (e.g. Facebook, LinkedIn) participants can create personal profiles, and invite colleagues and acquaintances to view or actively participate in their profiles (e.g. adding content and liking posts), and to send messages to each other. These networks can help SMEs develop business relationships within the sector but they can be useful in other fields, too (e.g. identification of strategic partners, recruitment, collection of market information, marketing). According to Kane et al. (2014), social networking sites build around four basic elements (digital profile, relational ties, search and privacy issues, and network transparency). That is, users create unique user profiles on the platform, where they generate digital content, that can be protected from searching mechanisms created by the platform. Users have the opportunity to mutually connect other users (Deighton and Kornfeld, 2009), through transparent network activities.

**Microblog:** On these interfaces, which can be interpreted as a combination of blogs and social networks, users have the opportunity to send and receive short messages (e.g. Twitter: 140-character messages), and to write diary-like entries, as they keep in touch with each other (Kwak et al., 2010). Microblogs provide great opportunities for SMEs, but since they are less known in Hungary, their use is limited except in the case of certain sectors (e.g. IT), where microblog services are operated as professional forums for employees of various enterprises.

**Social news websites:** These websites make it possible for users to discover and share any content which can be found on the internet by subscribing to, creating bookmarks on, voting for, or commenting on posts (e.g. Digg, Reddit). SME leaders can make use of these solutions by facilitating the use of bookmarks on their web page, thereby increasing the number of visitors to their site. By means of bookmarks and subscriptions, SMEs can access the user's other liked sources, which makes it possible for them to develop relationships and expand their networks.

**Content communities:** On these platforms users create, distribute, and share various media content. They include video, image, and audio sharing sites (e.g. YouTube, Flickr, Soundcloud, Instagram, Pinterest). According to Roberts and Zahay (2008), video sharing sites can provide great opportunities for SMEs to show their products being used (e.g. the video share of Blendtec, a blender manufacturing firm on YouTube, where they emphasise the distinguishing features of the product – high engine performance and blending efficiency – by blending different objects [e.g. iPhones] into small pieces<sup>7</sup>), give advice, or recruit fans, who will share their content with others.

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<sup>7</sup> The video can be watched on Blendtec's YouTube channel at <https://www.youtube.com/watch?v=qg1ckCkm8YI>

With the opportunities provided by new technologies, **interaction with customers and the involvement of customers in the brand** can improve. Furthermore, **online marketing solutions play a great role in improving market efficiency** in a way that they provide more possibilities to measure marketing activity, and to reach a bigger part of the market. They also make it possible for potential and existing partners to exchange information quickly (HMA, 2010). Owners/managers can only achieve significant success using these tools if they regularly communicate with their customers about significant content. It is a challenge for the SME sector that the SME marketing is currently characterised by limited resources and the lack of specialist-like knowledge. Consequently, SMEs need more expertise and money if they wish to use digital solutions (Akunuri, 2011: p. 188). In recent years the role of the internet has visibly changed, for example in e-commerce and information searches (Nemeslaki, Duma, Szántai, 2004; Dörnyei, Csordás, Gáti, 2013).

The internet has made it possible for SMEs to send information **to more people faster** and to take better and **more cost-effective** advantage of their marketing function. Online marketing functions as a platform which makes it possible for SMEs to transfer their communication and networking skills to online platforms, in turn making interaction and two-way communication with customers feasible (Akunuri, 2011; Csordás and Gáti, 2013). Therefore, owners/managers must think at a strategic level with regard to the planning, implementation, and analysis of online marketing campaigns (Molenaar, 2012). If SMEs properly apply internet-based technology in marketing, they can be successful, because they get the **opportunity** to differentiate, and as a result to hold their own in the market competition and, after all to **improve their marketing and market performance**.



## **II. 3. Internal factors**

Both SMEs and scientific researchers must be aware of which internal and external factors determine the marketing activity they perform (Möller and Anttila, 1987; Walsch and Lipinski, 2009). To illustrate this, first the characteristics deriving from the internal features of SMEs will be presented, then the effect of the external, environmental conditions on the marketing activity will be demonstrated.

According to Bygrave (1989) and Carson (1990), due to their limited resources and specific features, SMEs perform a marketing which is different from that of large enterprises. Many researchers have conducted researches on what role marketing plays in the life of an enterprise (Webster, 1992; Moorman and Rust, 1999; Simpson and Taylor, 2002; Becherer, Halstead, Haynes, 2003; Berthon et al., 2012). These researches identified significant differences between large and small organisations. While in large organisations decisions are made within a structured framework and under clear, hierarchical circumstances, in small enterprises processes often start with the entrepreneur, who will be made interested in these processes. According to Penrose (1959), growth is defined by the internal resources, more specifically the management skills of the organisation. The company leader's personality and style greatly help in forming the decision-making in SMEs (Sadler-Smith et al., 2003). According to Leppard and McDonald (1991) the *omnipotence* (the fact of the possession of power) of the owner/manager has significant influence on the marketing activity of SMEs. Since there is no established management structure, and marketing-like activities are often the consequences of individual decisions, the company leader (owner/manager) has a very important role. This confirms the presupposition that for the examination of the marketing activities of SMEs it is not enough to study the organisation-level characteristics of these enterprises, but the individual characteristics of their owners/managers should also be examined. The personal solutions of SME leaders to a given problem affect the realisation of SME marketing in an organisation (Gamble et al., 2011). Since there is no established management structure in many cases, marketing decision and the solution of the related problem are often initiated individually.

*“Browsing in the Hungarian and international literature, it can be concluded that the management literature treats managerial issues of SMEs quite unkindly. There is a need for a comprehensive theoretical and practical research (which is common in other fields of management) in the field of the strategy-making of SMEs and the shaping of corporate culture as well.”* (Barakonyi, 2004 In: Orosdy, 2008: p. 3). Therefore, the exercise of SME marketing within the organisation is significantly influenced by the company leader. In Table 19 it can be seen which characteristics of the SME leader (owner/manager, entrepreneur) may affect the practise of the marketing activity of SMEs, according to the literature. The factors which refer to the SME leaders can be called management variables, since they affect the marketing activity directly through these people.

Multiple directions are risen out of the characteristics examined by the literature. The competencies were explained in detail in subsection I.1.2., where the importance of the marketing competencies in SME marketing was discussed. In the holistic SME marketing model, competencies play an important role and competency levels become significantly overlapped by the majority of the elements collected in Table 19 (e.g.: management, creativity, intuition, motivation, experience, personality). The existence of marketing competencies greatly determines whether the SME becomes successful or loss-making (Chaston, 1997). Marketing competencies of the owner/manager (or entrepreneur) identified in the holistic model are arranged by the theoretical competency spectrum presented in Table 13. According to this, it can be concluded that in the case of SMEs there may exist marketing competencies that are influenced by the owner/manager (entrepreneur), and these competencies are of entrepreneurial nature, and affect the marketing activity of SMEs. Therefore, marketing competencies of the company leader are indispensable for the marketing activity of SMEs (Aaltonen, 2013).

**Table 19. Managerial characteristics affecting the SME marketing**

Characteristic	Source
Personality	Kets de Vries (1977), Westhead (1988), Hill (2001a), Fillis (2003), Sadler-Smith et al. (2003), Hutchinson, Quinn, Alexander (2006), Walsch and Lipinski (2009), Palócz (2010)
Competency	Klemp (1980), Boyatzis (1982), Harper (1988), Bygrave (1989), Gartner (1989), Middleton and Long (1990), Carson (1993), Martin and Staines (1994), Lank and Lank (1995), Chaston (1997), Hill and McGowan (1996) Hill (2001a), Hill (2001b), Reijonen (2010)
Risk-taking	Casson (1982), Hisrich (1988), Birley and Westhead (1989)
Motivation	Birley and Westhead (1989), Herron, Sapienza, Smith-Cook (1992)
Desire for performance	McClelland (1961), Johnson (1990), Birley and Westhead (1989)
Internal control	Birley and Westhead (1989), Cunningham and Lischeron (1991)
Uncertainty avoidance	Low and MacMillan (1988), Birley and Westhead (1989)
Leadership	Peters (1987), Birley and Westhead (1989), Hogarth-Scott, Watson, Wilson (1996)
Style	Sadler-Smith et al. (2003), Schollhammer and Kurilof (1979), Walsch and Lipinski (2009)
Power system	Leppard and McDonald (1991), Polereczki (2011)
Past experience	Carson (2001), Hutchinson, Quinn, Alexander (2006), Walsch and Lipinski (2009)
Marketing background	Broom, Longenecker, Moore (1983), Walsch and Lipinski (2009)
Innovative nature	Hutchinson, Quinn, Alexander (2006), Palócz (2010)
Cognitive skills	Fillis (2003)
Creativity	Fillis (2003)
Intuition	Fillis (2003)

Source: own compilation

In order to be able to interpret, and later measure the internal factors affecting SMEs properly, in addition to the theoretical foundation of the competencies, the system of entrepreneurial characteristics collected by Szerb (2000) is also utilized, which is overlapped with the competency spectrum presented in the holistic model. According to this, the characteristics of SME leaders have an influence on the success of the enterprise. Internal factors are as follows: (Páger, 2007; Lukovszki, 2011):

- Personality traits: basic personality classification systems. According to the *Big Five* classification cited by Juhász (2002) SME leaders can be characterized by the five-factor system of neuroticism (susceptibility of individuals to experience negative feelings like fear, anxiety, anger), extraversion (individual openness), openness to experience (curiosity, need for variety), friendliness (likeableness, empathy) and conscientiousness (strong will, reliability);
- Individual motivating factors, according to McClelland (1961): need for achievement (striving for growth and profit realisation), need for power (opportunity to dominate over others), need for affiliation (need to belong somewhere);

- Personal characteristics/competencies: Lukovszki (2011) identifies six groups of characteristic within the entrepreneurial characteristics (willingness to take risks, ability to make decisions, opportunity recognition, innovation skills, team building skills, communication skills).

Some of the researches concentrate on the personality of SME leaders, while others on the personal motivating factors, but from the point of view of this dissertation, it is primarily the personal characteristics/competencies which form part of the scope of observation (Buzulukova, 2013). Lukovszki's (2011) characteristic groups were created on the basis of the researches of Deschoolmeester and Izquierdo (2008), and Man, Lau, Chan (2002), and contain all the personal characteristics that correspond to the elements of the characteristic spectrum which are of interest from the point of view of this dissertation, too. Of course, apart from these there are several other classifications (e.g.: personal values, intention, knowledge, personality, past experience, capabilities, and personal contact network; see Aaltonen, 2013), but the essential elements do not change. In the following paragraph, it will be shown which effects will be used as part of the theoretical framework besides the selected managerial characteristics.

From the point of view of the practise of SME marketing, the entrepreneurial spirit, the innovative nature, the ability to identify and take advantage of (market) opportunities, and the network approach are essential (Aaltonen, 2013). Furthermore, the ability to look ahead proactively, the ability to accept and take risks, and the ability to efficiently handle limited resources are also important (Aaltonen, 2013). According to Mort, Weerawardena, Liesch (2012), market opportunity creation plays an important role in the life of an SME. Market opportunity creation requires fast learning, perseverance against initial difficulties, and the capability that makes it possible for an organisation to take advantage of any unforeseen event. This definitely requires the intuitive decision-making process of the SME leader, who is capable of taking the necessary steps towards the known aim, even by incomplete information (Mort, Weerawardena, Liesch, 2012). In SME marketing, opportunity creation is a continuous, active, and integral part of the decision-making process that on the one hand affects the marketing tool use and on the other hand the performance, too. The internal corporate characteristics which are related to the ability to create new opportunities are the entrepreneurship orientation and the ability to adapt to the market.

Entrepreneurship orientation means the innovation skills by which – through risk-taking – new and uncertain products and services, and the conquest of new markets will become possible when the enterprise faces new market opportunities (Buzulukova, 2013). It consists of three main elements: the innovative and proactive nature and risk-taking. According to Buzulukova (2013), innovative nature means the extent of new ideas, novelties, experimentation, and creativity. Proactive nature is the activity of the given SME in the light of future market changes. Risk-taking means the SME leader's intention for large-scale, risky resource allocation. Covin and Slevin (1989) made entrepreneurship orientation measurable through opportunity recognition, growth orientation, and organisational learning. Summarily, entrepreneurship orientation can create the development of new products and services, the conquest of new markets, and the new conditions of growth (Zortea-Johnston, Darroch, Matear, 2012), thereby making the given SME capable of applying new tools for its operation through quick adaptation.

**Entrepreneurship orientation** (as an important strategic orientation, see Nagy et al., 2012) is in connection with opportunity creation and the **ability to adapt to the market**, through the innovative nature, risk-taking and the proactive activity patterns (Covin and Slevin, 1986). According to Hooley et al. (2007), market innovation ability is an important factor in the marketing activity of an enterprise. Of course, in order to achieve creative and innovative results it may often be necessary to use of not very sophisticated marketing tools, for which risk-taking is an indispensable factor (Aaltonen, 2013). The innovative combination of resources can serve as a very useful opportunity, for example in relation to online marketing activities (Mort, Weerawardena, Liesch, 2012) for testing and successfully applying novel marketing tools. In addition, SMEs with higher entrepreneurship orientation are not only interested in testing novel products and services, but also in changing their existing usage behaviour as well (Zortea-Johnston, Darroch, Matear, 2012), even with the help of novel marketing communication tools.

The nature of the marketing tool use can be affected together with and besides the previously mentioned factors, namely by resources, competencies, capabilities, cultural elements, but also by (managerial) attitude, and network approach (Durkin, McGowan, McKeown, 2013). Marketing activity of an SME is therefore influenced by internal factors that are largely related to the owner/manager (entrepreneur). Company leaders in SMEs are in most cases creators of the majority of strategic and tactical activities (Kottika, Stathakopoulos, Theodorakis, 2013). Some of these individual factors may affect the (SME-specific and online) marketing activity of the given SME (Durkin, McGowan, McKeown, 2013). SME leaders typically base their decision-making on intuition, and on their personal networks (Mort, Weerawardena, Liesch, 2012; Durkin, McGowan, McKeown, 2013). A useful tool for the relationship building with customers can be emphasized through highlighted role of personal relationships. The introduction of new ideas, innovations, and fast decision-making system (Aaltonen, 2013), and managerial decisions made in line with the limited resources are typical, where decisions are often made in accordance with personal contact networks (Durkin, McGowan, McKeown, 2013). **SME leaders' attitude towards marketing and the co-ordination of marketing activities** (management skills; Day, 1994) is an important resource for marketing (Hooley et al., 2007). Fu (2011) emphasizes the importance of the company leader's attitude towards the marketing activity. The company leaders' role is mentioned among Morgan's (2012) marketing resources, within the human resource factors. SMEs are internally driven, related to the use of the various marketing tools (Durkin, McGowan, McKeown, 2013), and therefore it is necessary to talk about the company leader's control over the SME processes (Mort, Weerawardena, Liesch, 2012).

Marketing resources can also be mentioned among the internal factors (Hansen, Wernerfelt, 1989), which primarily consist of different marketing tools – especially marketing mix-related tools – (Day, 1994; Sajtos, 2004, Merrilees, Rundle-Thiele, Lye, 2011), and **marketing skills** (Penrose, 1959; Sajtos, 2004). Based on the resource-based theory from the field of strategic management – which emphasizes the internal, in-company factors (Hansen, Wernerfelt, 1989) –, the role of corporate resources are determining factors in the definition of corporate performance. Internal skills and capabilities of the enterprise play an important role in performance (Penrose, 1959).

Merrilees, Rundle-Thiele, Lye (2011) match marketing skills with marketing communication tools within marketing tools, according to one classification. SMEs often apply capabilities that are SME variants of the classical marketing, or the online marketing communication tools (Aaltonen, 2013). Application of online and social media marketing communication at the level of the tactical marketing tools also requires an innovative marketing communication approach (Aaltonen, 2013), where the values created by the customers are often involved in the activities, too. Marketing skills are therefore factors that create synergy between the tools, and make it possible to take advantage of them in order to gain corporate advantage. Consequently, capabilities embody the practical knowledge and the collective learning within the enterprise, and in addition, these ensure the high-level co-ordination of the functional activities in the organisation (Hooley et al., 2004).

According Morgan (2012), specialist marketing skills cover the marketing function. Tactical marketing programs – which are mainly based on the classical marketing mix – are the backbone of specialist marketing skills (Vorhies and Morgan, 2005). Thus for example, out of the marketing communication skills, advertisement, social media participation, sponsorship, and PR belong to this category. However, the recently conducted marketing studies did not pay enough attention to the specialist marketing skills, thus only little insight is provided to them, including marketing communication skills (Fu, 2011; Morgan, 2012).

According to Mort, Weerawardena, Liesch (2012) the capability of taking advantage of the marketing communication resources are of primary importance from the point of view of market efficiency. In a new marketing communication environment, the various tools of online marketing (e.g.: corporate web page) make marketing communication skills even more important in SME marketing. SME marketing communication skills emphasize the role of creativity, relationships, the importance of sales, and networks (Aaltonen, 2013).

Apart from the existence of the different capabilities related to the marketing function, it is also worth taking into account the processes and cultural characteristics throughout the organisation that can influence the marketing tool use of an enterprise. Marketing function exists less and less alone. It can rather be considered to be a management philosophy or orientation that is exercised within the organisation, and that is more and more indispensable for the success of the organisation (Moorman and Rust, 1999). At the same time, according to Morgan (2012), the relationship between marketing skills and market orientation is realised in a symbiosis, furthermore, according to Zortea-Johnston, Darroch, Matear (2012) and Aaltonen (2013), the entrepreneurial orientation and the market orientation jointly contribute to innovative solutions, mainly in an SME context. In the following section, out of the important strategic orientations for the enterprises, **market-orientation** will be emphasized (see Nagy et al., 2012). Narver and Slater (1990) characterize market-orientation as a construction consisting of three basic elements: customer-orientation, competitor-orientation and inter-functional co-ordination. On the whole, these elements form part of the universal organisational culture (Homburg and Pflesser, 2000). Narver and Slater (1990) characterize the market-oriented enterprise as an organisation that reflects both the competitor-orientation, and the co-ordination between the organisational units. Generally, market orientation means the understanding of customer needs, the application of processes according to customer needs, and the answers to market changes (Zortea-Johnston, Darroch, Matear, 2012). Therefore, there is a chance that a market-oriented SME does not introduce so many radical innovation as a less market-oriented enterprise, however – with respect to the introduction of the market-led innovations –, they do not lag behind entrepreneurship-oriented SMEs. This can be linked to marketing solutions that are not necessarily related to entirely new products/services, but that try to address customers in a new way in the case of market-led innovations. With the help of market orientation, SMEs often get closer to their consumers (as compared to large enterprises), and better incorporate innovations into their developments (Merrilees, Rundle-Thiele, Lye, 2011).



Market orientation – together with management resources – have deeply integrated into the life of organisations, and summarily contribute to the creation of the corporate competitive advantage (Hooley et al., 2007). However, market orientation is a deeply embedded cultural resource, which besides the management skills and the market-based resources is an important influencing factor of the marketing activity.

With regard to the use of market orientation in itself, as a kind of severe criticism, Gruber (2004) remarks that *“these models incompletely describe the development of marketing in growing firms, because they miss out the main step of opportunity recognition, for which the market-oriented behaviour is indispensable”* (Gruber, 2004, p. 175). The reason we take into account the entrepreneurship orientation and the ability to adapt to the market is to obtain a more complete picture of the influencing factors of the marketing tool use, because SME marketing means an innovative spirit, combined with the sensitivity to the market i.e. the mixture of the market-driven and the market governing approaches (Aaltonen, 2013).

According to the resource-based theory, it is the role of the organisational factors that has prime position instead of Porter’s determinism of the industrial approach (which principally emphasizes the primacy of the sectoral situation, and the external analysis). These factors are also: resources that are the totality of tools, capabilities, organisational processes, corporate characteristics, information, and knowledge (Hooley et al., 2007). Many resources behind marketing activity can create potential corporate advantage (Hooley et al., 2007), since marketing tools – according to the resource-based theory – are resources that accumulate in the enterprise over time, and whose benefits can be reaped at the market by this enterprise (e.g.: customer-based marketing tools, tools of the distribution channel, tools supporting internal marketing, alliance-based marketing tools, etc.). Morgan (2012) emphasizes the importance of human factor and tools. This is the reason why tool use is utilized in the framework of this dissertation, and the importance of the human factor is treated as a priority issue, taking into account the unique nature of SMEs, too.

## ***II. 4. External factors***

In the case of SMEs, marketing depends on the personal characteristics of the owners/managers, the ability to adapt to the market, the entrepreneurship and market orientation, and on the specific marketing skills (**internal factors**), the actual situation, the nature of the market, the growth phase of the SME (see Development phases of the marketing of SMEs, subsection II.1.1., pp. 38-40), and on the type of the product and/or the service (**external factors**) (Hogarth-Scott, Watson, Wilson, 1996). The collected managerial characteristics (Table 19) play different roles in the influence on the SME marketing, depending on the growth phases of SMEs (Birley and Westhead, 1989; Hill, 2001a), because with the increase in their size, enterprises typically become more bureaucratic, and less entrepreneurship-like (Sorensen, 2007). Larger enterprises employ specialists (e.g.: marketing experts) for the given function, that is the role of marketing will presumably be bigger there.

SMEs often have negligible effects on their environment, and have limited resources, which hinder them from using environmental forces to their advantage. They accept the sectoral prices and their products do not have any particular effect on the market of their products and services (Hill, 2001a). Furthermore, SMEs are usually the weaker actors in relationships within the marketing channels, and their influence on the market is strongly limited. Thus, SMEs largely depend on the external, environmental factors, which greatly determine the nature of their marketing activities, too (Watkins and Blackburn, 1986; Kitchen and Proctor, 1995). Therefore, according to Fillis (2003), the effects of the social environment must be taken into account, since every marketing activity is socially embedded. In this case, environment includes the actors of the marketing channel (customers, suppliers, etc.) (Hill, 2001a), the type of the market (end-customer or inter-organisational; Kitchen and Proctor, 1995), and the sectoral situation, too.

External factors affecting SME marketing can be matched with the relevance dimension in the role and relevance model of SME marketing, where the type of the marketing activity performed by an SME is the function of the challenges of the external environment (see subsection II.1.2., pp. 41-45.). The categorisation of the external environmental factors affecting SMEs can be demonstrated – based on Szerb (2000) and Lukovszki (2001) – as follows: during the research of how to become a successful entrepreneur, the external, environmental factors that – according to the literature (Watkins and Blackburn, 1986; Kitchen and Proctor, 1995; Fillis, 2003; Hill, 2001a) – are overlapped with the factors influencing the SME marketing, can be identified. Researchers of this topic have identified the following factors:

- Social effects (Gnyavali and Fogel, 1994): family, relative background (transmission effect, if there is an entrepreneur in the family); independent contact networks (acquaintances, families); number of existing enterprises; education of SME leaders; social mobility, possibility of reaching a higher level of status;
- Economic factors: available resources; possibility of accessing to subsidies; economic situation (crisis, recovery) (Lukovszki, 2011);
- Political factors: legal regulatory conditions;
- Enterprise-specific features: age of the SME; size (m-SME); sector; legal form; premises; ownership structure; business strategy (e.g.: *ants* and *gazelles*, see Vecsenyi, 2009) See Annex 4 for details of the types of SMEs.

Based on the classification of Lukovszki (2011) and Szerb (2000), environmental factors that have an influence on the marketing activity of SMEs will be used below. In the theoretical framework, **company size** can be regarded as an external influencing factor (O’Sullivan and Abela, 2007; Homburg, Artz, Wieseke, 2012). Number of employees, turnover, and assets can all be indicators of company size (O’Sullivan and Abela, 2007), but from the point of view of this dissertation, taking into consideration the number of employees is of primary importance. The aim of the literature review was to determine the external, environmental influencing factors of SME marketing (and its online marketing projection). Since marketing, in the classical sense, can be considered to be a set of tools for the enterprise, both the internal and the external factors are mentioned as effects on the extent of the classical marketing mix use in this dissertation.

## ***II.5. Performance***

From the point of view of this dissertation, it is an essential whether the marketing activity of SMEs – that is important from the point of view of the economy – can improve the performance of the enterprise (Simpson et al., 2006.). Realisation of the marketing activity can happen in many ways in the SME sector. Many firms do business and apply marketing in an informal, unstructured, reactive way, while others develop a proactive and professional approach over time, where the identification of innovation and opportunities creates competitive advantage for them (Fillis, 2007). While marketing is one of the elements which contribute to competitive advantage, management does not pay sufficient attention to it. Although theoretically the task of the marketing department is to put the products and services on the market, marketing decision-makers are usually not present when the corporate-level, main strategic decisions are made (Walsch and Lipinski, 2009). In the case of SMEs, the measurement of performance is more difficult than in large enterprises, since few objective data exist to support the relationship between the marketing activity and the corporate performance, furthermore the tools suitable for the measurement of performance (e.g.: return on investment [ROI]) are easily manipulated indicators (Brooks and Simkin, 2011). Yet, the standpoint of the practical specialists and researchers is that marketing activity has an effect on performance and this effect is positive (Walsch and Lipinski, 2009).

The measurement of marketing efficiency is an important step from the aspect of the appreciation of the role of marketing, as well as because of the increase in corporate performance (O'Sullivan and Abela, 2007). The dilemma of marketing, i.e. to link itself to the corporate performance could lead to a situation where its role in the organisation started to decrease over time, because it was always hard to tell what the exact return was on marketing costs (O'Sullivan and Abela, 2007). However, the measurement of corporate performance also makes sense through the marketing activities (O'Sullivan and Abela, 2007), since through the use of these activities, and by revealing the influencing factors of use, we can get closer to the performance dimensions, too. In many cases, researches focused on the effects of the different marketing activities and marketing-related tools on corporate performance (Morgan, 2012). According to Moorman and Rust (1999), marketing function contributes to the perceived financial performance of the enterprises.

The approach of the marketing function has also shifted in a direction where marketing is already considered to be the totality of values and processes and where marketing has an increased effect on performance (see Annex 1). The interconnection of marketing and corporate performance stems from the increasing expectation that marketing specialists and marketing decision-makers must constantly face (O'Sullivan and Abela, 2007), because of the earlier mentioned complicated performance measurement conditions. Still, the recognition that the measurement of marketing performance may happen through a number of marketing activities (e.g.: advertising, sales promotion, direct marketing), furthermore that performance dimensions can also be divided into financial and non-financial types is important (O'Sullivan and Abela, 2007). In sectors with high technological intensity (e.g.: high-tech IT firms), it is even more important for enterprises to align their marketing activity to their performance (O'Sullivan and Abela, 2007; Homburg, Artz, Wieseke, 2012).

There exist several kinds of performance indicators that measure the marketing-like (market) and financial (overall corporate) performance of the enterprise: according to Moorman and Rust (1999), the financial performance reflects the results relative to the set aims in terms of the costs, the sold quantity, the profitability, and the market share. According to O'Sullivan and Abela (2007), corporate performance indicators include the measurement of the increase in the turnover, the market share, and the profitability. According to Homburg and Pflesser (2000), Vorhies and Morgan (2005) and Homburg, Artz, Wieseke (2012), the indicators of the short-term financial performance are the return on sales (ROS), and the return on assets (ROA). The indicators of the long-term financial performance are market success, customer satisfaction, and the targeted market share. According to Hooley et al. (2007), financial performance means the profit, the profit margin, and the return on investment (ROI), compared to the competitors. According to Buzulukova (2013), financial performance can be measured with the turnover and the knowledge of the change of profit.

According to Homburg and Pflesser (2000), the parts of market performance are customer satisfaction, customer value, customer retention, acquisition of new customers, achievement of growth aims, and acquisition and retention of market share. Marketing performance can mean the sold quantity, the turnover, the market share, and growth, while the total corporate performance mainly covers profitability and the return on investment (Merrilees, Rundle-Thiele, Lye, 2011). Marketing performance basically means the relationship between marketing activities and corporate performance (O'Sullivan and Abela, 2007). Performance dimensions are measured together sometimes, interpreting them as one-dimensional performance indicators, and sometimes as two different concepts (Hooley et al., 2005). The performance concept used in this dissertation differentiates the two concepts, as with the relevant studies of the Competitiveness Research Centre (e.g.: Nagy et al., 2012), and takes into consideration that marketing performance and financial performance interact with each other.

The effect of marketing performance on financial performance can be an important relationship with regard to this dissertation (Hooley et al., 2007), since marketing activities affect marketing performance, which eventually affect financial performance, too (O'Sullivan and Abela, 2007). The treatment of marketing in this dissertation is from this point of view similar to O'Sullivan and Abela's (2007) approach in which marketing means marketing activities, which are approached through marketing communication, pricing, distribution, and product policy.

It is an interesting relationship that although it is the influencing factors of the marketing activity that are studied in this dissertation, the various internal factors also have an indirect effect on performance. For example market-oriented culture indirectly affect financial performance through marketing performance (Homburg and Pflesser, 2000). It can also be observed that marketing resources contribute to corporate performance (Hooley et al., 2005), but market orientation throughout the organisation also has a positive effect – indirectly through marketing performance – on financial performance (Moorman and Rust, 1999; Hooley et al., 2007; Kottika, Stathakopoulos, Theodorakis, 2013). According to Simpson et al. (2006), a positive correlation can be demonstrated between the company leader's attitude towards marketing, and the financial performance of the SMEs.

Merrilees, Rundle-Thiele, Lye (2011) highlight that according to the resource-based theory, enterprises possess resources and capabilities that can eventually result in an increase in performance. According to Morgan (2012), based on the considerations of the resource-based theory, it is the corporate-specific resources that primarily play role in the creation of corporate competitive advantage. According to the theory of dynamic capabilities, corporate resources can be taken advantage of with the help of the corporate capabilities in a way that they – provided that they are applied properly – are reflected in performance, too (Morgan, 2012). In this context, resources are tangible assets, while capabilities are processes by which the enterprise acquires new resources and transform them into competitive advantage generating resources. Thus, summarily, resources and capabilities are able to affect corporate performance, because in this context performance is partly the result of efficient marketing skills (Merrilees, Rundle-Thiele, Lye, 2011).

The aim of this dissertation is to analyse the **interrelations between marketing activity and performance of Hungarian SMEs**, therefore the concept – within the context of the present research – can rather be examined from the aspect of results (i.e. what measurable effects the application of SME marketing and its online projection has on the performance of an SME). The result are clearly related to the enterprise. Mainly qualitative factors emerge during the use of this approach (Némethné, 2009). The condition of measurability is therefore given, the critical point in this case is that factors that are truly relevant from the point of view of performance should be outlined. The performance measuring factors measurable by the enterprise are as follows:

- **Marketing performance** (which in particular corresponds to market performance indicators);
- **Corporate performance** (which in particular corresponds to financial performance indicators).

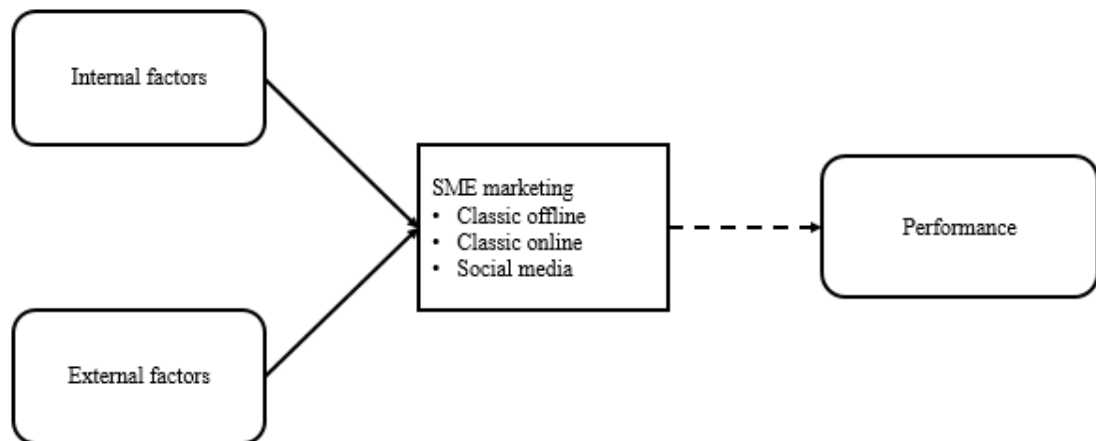
The examination of the marketing function in SMEs requires different tools and philosophies, depending on the various phases of the corporate life cycle (see Development phases of the marketing of SMEs, subsection II.1.1. pp. 38-40.). Moreover, marketing plays different roles within the SME in different market environments (see role and relevance model, subsection II.1.3. pp. 41-45.), but it is generally true that it has an important role in ensuring competitive advantage (Walsch and Lipinski, 2009; Varga, 2012). According to Walsch and Lipinski (2009), SMEs must maintain a strong marketing department against their competitors to preserve their competitive advantage and to compete efficiently against larger enterprises. Online marketing tools presented in subsections II.2.3. (pp. 63-78.) are the digital manifestations of SME marketing and they – together with offline marketing tools – can have a favourable impact on corporate competitiveness (Ghobakhloo, 2011; Varga, 2012). In sum, the literature agrees that marketing function can contribute to the performance of SMEs in a positive way.



## ***II.6. Theoretical framework of the dissertation***

Figure 6 illustrates the relationship between the internal and external factors found in the literature summary and SME marketing, and the effect of these factors on SME marketing performance.

**Figure 6. Theoretical framework of the research**



Source: own compilation

### III. EMPIRICAL RESEARCH

*The faculty to think objectively is reason; the emotional attitude behind reason is that of humility. To be objective, to use one's reason, is possible only if one has achieved an attitude of humility, if one has emerged from the dreams of omniscience and omnipotence which one has as a child.*

(Fromm, 2008: p. 145)

#### III.1. Aim of the research

The aim of this research is to determine the affecting factors which – according to the considerations of the literature – may have an influence on the marketing activities applied by an SME. The aim of the research questions is to establish a relationship between the use of the different SME marketing activities and marketing performance, or in the broader sense, corporate performance.

#### III.2. Research questions

After the presentation of the theoretical relationships – i.e., the establishment of the theoretical framework of this dissertation – the research questions, which consist of the concepts, theories, and connections presented in the literature summary, are now formulated (hereinafter referred to as: RQX, where X=1,2, ...n).

It is interesting to note what marketing activity SMEs are likely to perform as a consequence of risk tolerance and willingness to innovate (**entrepreneurial orientation**); recognition of opportunities (**ability to adapt**); marketing-related attitude of the company leader, i.e., perceived rate of the importance of marketing (**marketing importance**); various marketing skills – but mainly **marketing communication skills**; as well as **market orientation** as internal factors determining the characteristics of SME leaders. Utilising the characteristic groups of Lukovszki (2011), and Deschoolmeester and Izquierdo (2008) the answer to the question “to what extent do SMEs apply the different marketing solutions” was sought, i.e., what are the influencing factors which affect to what extent SMEs apply either classic or innovative, online marketing solutions or social media marketing tools.

Based on the relevant considerations of the literature (Fuller and Love, 2006; Xu, Rohatgi, Duan, 2007; Ghobakhloo et al., 2011; Omar et al., 2011) there is a relationship between the **internal factors** and the rate of SME marketing use. Consequently, the first group of questions (RQ1-RQ5) focuses on the research of these relationships.

**[RQ1]: To what extent does an SME apply marketing solutions as a function of the entrepreneurial orientation of the SME?**

Expectations in connection with [RQ1]: The application of different marketing solutions often entails a risk-taking behaviour, and risk-taking or risk tolerance is one of the most important factors of the entrepreneurial characteristics (Lukovszki, 2011: p. 20). It is expected that *the higher level of the SME leader's risk tolerance and willingness to innovate (entrepreneurial orientation) the higher rate of the application of the different classic, online, and social media marketing solutions used* (Kraus, Harms, Fink, 2010). In the organisational context, the rate of the application of different IT solutions correlates with the leaders' willingness to innovate (Yap, Thong, Raman, 1994; Thong, 1999; Jeon, Han, Lee, 2006; Scott and Walczak, 2009; Ghobakhloo et al., 2011).

**[RQ2]: To what extent does an SME apply marketing solutions as a function of the SME's ability to adapt to the market?**

Expectations in connection with [RQ2]: The ability to recognise and take advantage of opportunities is regarded as a central element of entrepreneurship (Timmons, 1999; Szerb, 2007) and is a foundational factor for SME leaders, without which it is not clear for a firm which opportunities it might realise at all (Rimler, 1998). If company leaders cannot see any further than bringing the use of proven tools to the fore, then it is more difficult for them to take advantage of new business opportunities as well (Cyert and March, 1992). Relying on the relevant considerations of the literature, it was expected that *the better an SME leader recognises business opportunities and adapts to the rapidly changing market conditions (ability to adapt), the more frequently they would use different classic, online and social media marketing solutions.*

**[RQ3]: To what extent does an SME apply marketing solutions as a function of the leader's perception of marketing importance?**

Expectations in connection with [RQ3]: Moorman and Rust (1999) explain the significant role of marketing in the organisation, which are recognised by everyone in the enterprise and applied in the form of various marketing tools. This thought appears in the research studies of the Competitiveness Research Centre (e.g. Gyulavári, Csepeti, Nagy, 2012), which essentially embodies the expectation that *the higher the perceived importance of marketing, the more typical the intensity of the application of the different classic, online and social media tools is.*

**[RQ4]: To what extent does an SME apply marketing solutions as a function of its marketing communication skills?**

Expectations in connection with [RQ4]: Based on the relevant considerations of the literature (Carson and Gilmore, 2000; Keh, Foo, Lim, 2002), there is a relationship between the SME leaders' communication skills and the nature of the application of marketing solutions. A *positive correlation* was expected in this research with the higher level of marketing communication skills as a precondition of the use of the different marketing tools.

**[RQ5]: To what extent does an SME apply marketing solutions as a function of its market orientation?**

Expectations in connection with [RQ5]: in order to measure the correlation between market orientation and marketing activities, the measuring dimensions of Narver and Slater (1990) were used together with the relevant considerations of the studies with an SME focus applied by the Competitiveness Research Centre as well (Gyulavári, Csepeti, Nagy, 2012). According to the assumptions of Farrell, Oczkowski and Kharabsheh (2008), as well as the in-depth interviews in this dissertation, a *positive correlation* between the market orientation and the use of marketing tools was expected.

In the next group of the research questions, the correlations between the external, environmental factors of SMEs and the application of SME marketing are examined. After Gnyavali and Fogel (1994), Szerb (2000), and Lukovszki (2011), four types of environmental factors (social effects, economic factors, political factors, enterprise-specific characteristics) are differentiated. According to Southern and Tilley (2000) and Drew (2003) external factors like the **sectoral characteristics** of the given SME, or the **type of market** (end-customer or inter-organisational) influence the use of marketing tools by the firm. Society, the economy, the regulatory environment, and other enterprise-specific characteristics all influence the nature of SME marketing use (which is confirmed by the relevant considerations of the literature and presuppositions of this dissertation). At the same time, the legal and regulatory environment also affect the everyday operation of SMEs but the laws, draft laws, and decisions regulating the start-up conditions and the operation of an enterprise (Kazi, 2007; Fathian, Akhavan, Hoorali, 2008) are not in direct contact with the marketing activity of SMEs and therefore the focus is not on them in this research. Consequently, the second group of the research questions is intended to reveal the correlation between the highlighted external factors (RQ6, RQ7).

**[RQ6]: To what extent does an SME apply marketing solutions as a function of the sectoral characteristics?**

**[RQ7]: To what extent does an SME apply marketing solutions as a function of the type of the market the SME serves?**

Expectations in connection with [RQ6, RQ7]: The enterprise-specific characteristics all define to what extent an enterprise performs marketing activity (Ghobakhloo et al., 2011). The sectoral issue in itself already influences the use of tools in an SME (Drew, 2003; Love et al., 2005; Salmeron and Bueno, 2006). It was expected that starting from the studied sector, the correlation would be analysed in several sectors, where the extent of the application of marketing solutions is supposedly relevant. It was assumed that the manufacturing and service-providing sectors would be clearly separated from each other from the point of view of this research. Furthermore, the type of the market served also influenced the use of a marketing tool. In the case of enterprises operating at end-customer markets, different innovative marketing solutions (e.g. social media) typically occur more often than in the case of SMEs operating at inter-organisational markets (Gáti and Csordás, 2014).

**Marketing performance** and **corporate performance** are measurable concepts (see Subsection II.5., pp. 89-93). The consequences of the marketing activity on the performance are acknowledged in the literature (e.g. Walsch and Lipinski, 2009; Ghobakhloo et al., 2011). In light of the list of activities (offline and online, including social media) developed for the measurability of the marketing activity of SMEs, and considering performance as a dependant variable, the relationship between the two groups becomes measurable. The third group of the research questions is therefore intended to reveal the correlations of the application of the SME marketing with marketing performance, and with corporate performance (RQ8, RQ9).

**[RQ8]: In what extent, and in what direction does the choice among marketing solutions contributes to the marketing performance?**

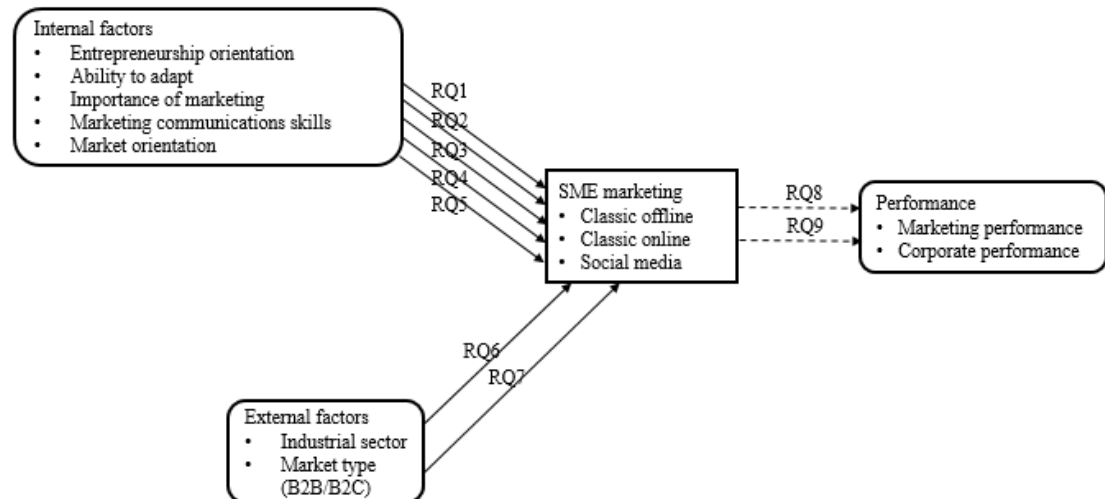
**[RQ9]: In what extent, and in what direction does the choice among marketing solutions contributes to the corporate performance?**

Expectations in connection with [RQ8, RQ9]: According to Gilmore, Gallagher, Henry (2007), Lewis, Dickey, VanBeveren (2007), and Omar et al. (2011) marketing activity may have an effect on the performance of the SME at the market, and this effect is presumably positive. Therefore, the application of the marketing tools was expected to have a positive effect on the marketing performance and the overall corporate performance.

### III.2.1. Theoretical framework of the research with research questions

The theoretical framework complemented by the research questions includes all the relationships analysed in the empirical part (qualitative and quantitative) of this dissertation (Figure 7).

**Figure 7. Theoretical framework of the research with research questions**



Source: own compilation

### **III.3. Research method**

There is a growing demand and interest in the literature to define the marketing function within each field (e.g. by the type of economic organisations a study focuses on, such as service provider or manufacturing enterprise, end-customer or inter-organisational markets, SMEs or large enterprises). From the point of view of this dissertation, a key issue was what similarities and differences can be observed between SMEs and large enterprises. Coviello et al. (2000), Gaddefors and Anderson (2008), together with Jones and Rowley (2009) reached the conclusion that company size influences the attitude towards marketing and the marketing approach in an organisation. SMEs can be studied well through entrepreneurial activity, innovation, creativity, risk-taking, and marketing (Rugimbana, Shambare, Shambare, 2011).

#### **III.3.1. Research paradigm**

In scientific research in a given discipline (or its sub-field, within the framework of a school of thought, etc.) there is always a framework system based on common criteria, which is shared by researchers of the topic (Healy and Perry, 2000; Veal, 2005). The framework system includes the foundational assumptions, key areas, and the method which defines how researchers start to find the answer (Rugimbana, Shambare, Shambare, 2011). This theoretical framework system, *view*, or collection of criteria held by a group of researchers is called a **paradigm** (Deshpande, 1983). The elements of the paradigms found in scientific research and those important from the point of view of this dissertation can be seen in Table 20.

Let us begin with the similarities between the logic of traditional marketing research and the logic of the scientific research (Gaddefors and Anderson, 2008). In traditional marketing research, there is a general concept through which researchers approach a group of research problems. The definition of the problem is usually followed by the research design, the definition of the research method, and the analysis and presentation of results and conclusions (Rugimbana, Shambare, Shambare, 2011: p. 98). The research itself largely depends on the research problem and how the researcher sees the world (ontological question), and how they select the data collection and the analytical method for the given problem.



With regard to the presentation of the nature of traditional marketing research, Gaddefors and Anderson (2008), together with Radácsi (2003) point it out that the majority of publications in this field are dominated by a **positivist paradigm**, a paradigm that puts scientific measurement and the analysis of the different variables on a pedestal of analytical research methodology. The positivist paradigm is a research approach that considers social facts as independent from the activity of participants and researchers (Silverman, 2004), in other words, data and their analysis are not modified during the analysis (Healy and Perry, 2000). Within the framework system of the positivist paradigm, the application of quantitative methodology is more typical (e.g. experiments, questionnaires), where the formulation of hypotheses and their empirical testing play an important role in the analysis. The large-enterprises-dominated marketing research trends have typically been of a quantitative nature since the 1950s and they have received inalienable merits for their contribution to making marketing a scientific discipline, therefore their significance is undisputable (Hill, 2001a; Gaddefors and Anderson, 2008). There are many arguments in favour of the positivist *through the eye of the researcher* (paradigm) study of large enterprise marketing (Rugimbana, Shambare, Shambare, 2011). Quantitative research methods are regarded as objective, reliable, and valid, where the emphasis is put on measurability. Large-enterprise marketing activities and processes are linked to the classic marketing theories (marketing mix, classical segmentation, etc.). Finally, because of the economies of scale, large enterprises sell a relatively large quantity of product to a relatively large market, and consequently quantitative methods seem to be the most logical approach (Rugimbana, Shambare, Shambare, 2011).

Nevertheless, the application of the positivist paradigm is not necessarily appropriate in itself when researchers study a social phenomenon (e.g. marketing networks) including people and their real experiences. In this case, the groups of respondents can hardly be separated from one another or cannot be separated at all (Healy and Perry, 2000). There is a need for a research approach in SMEs led by the entrepreneur (owner/manager) that reflects the entrepreneur's individual, unique characteristics, background, and personality, too (Bygrave, 1989). This perspective appears in the approach of this dissertation as well.

The **constructivist paradigm** (interpretative approach) mainly uses qualitative methodology, operating with the toolkit of hermeneutics (interpretation, understanding, mainly written literacy) and dialectics (interpretation, mainly oral literacy) (Tashakkori and Teddlie, 2003). The interpretive approach includes the empathetic analysis of the studied individual's understanding, interests, and values. According to those applying the constructivist paradigm, truth is a peculiar belief which we can see in a given context (Healy and Perry, 2000), i.e., reality takes shape with the active participation of the researcher, as a result of an interaction with the respondent. From the point of view of the study of SMEs, the primacy of the positivist paradigm is questionable (Stokes, Fitchew, Blackburn, 1997; Gaddefors and Anderson, 2008), since the constructivist paradigm takes more into account the specific characteristics of SMEs by which a more creative and freer research method, methodology, and analysis become available. The qualitative methodology can be better adapted to research on SMEs because of the complexity of the environmental factor and the unpredictability of social relationships (Rugimbana, Shambare, Shambare, 2011: p. 100). In many cases, the owners/managers the SMEs also find it troublesome if they are studied through the positivist approach of traditional marketing research, because these companies do not find these methodologies personal enough to analyse their problems. (Doole and Lowe, 2003). According to O'Donnell and Cummins (1999a) and Rugimbana et al. (2011), the best way to analyse SMEs is through the application of qualitative methods (e.g. interviews) based on the direct approach of individuals.

According to the **realist paradigm**, there is a *real world*, even if it can only be understood in an imperfect way (Tsoukas, 1989; Godfrey and Hill, 1995). *“The position here is that the only reality is that which is actually constructed by individuals involved in any research situation, i.e., those of the researcher(s), those individuals being investigated, and the reader or audience interpreting a study. Thus multiple realities exist in any given situation”* (Hill, 2001a: p. 190).

According to Popper (2002), three types of worlds exist. One of them is the positivist world which consists of objective, material elements. The second is the constructivist world which exists in the subjective world of our mind. The third is the realist world which consists of abstract concepts and is created in the peoples' mind, but in addition exists in its own reality, independently of the individual. Consequently, **the perception of individuals is studied within the framework of the realist paradigm in order to discover the key to unlock the door of the hypothetical underlying reality, where there is little distance between the researcher and the SME leader** (Hill, 2001a: p. 190). **Therefore, for marketing research, the application of the realist paradigm seems to be an understandable and logical solution** (Healy and Perry, 2000: p. 120). Research carried out within the framework of the realist paradigm thinks more about the revelation of general mechanisms operating the world, rather than the justification of nomothetic (legitimate) casual links (Perry, Riege, Brown, 1999), where the relationship between cause and effect is defined as a function of the environment (Table 20).

**Table 20. Paradigms of the scientific research**

Elements	Paradigms		
	Positivist	Constructivist	Realist
Ontology*	Real and accessible reality	More, local and peculiar "created" reality	"Real" reality, which can be understood imperfectly and only approximately
Epistemology* <sup>1</sup>	Objectivist, where results are real	Subjectivist, created results	Modified objectivist, where results may be real
(Conventional) Methodology* <sup>2</sup>	Experiment/questionnaires	Hermeneutics, Dialectics	Case study/interview
	Proof of hypothesis Mainly quantitative methodology	Researcher as "passionate participant" in the world he studies	<b>Triangulation</b> (see Subsection III.3.2.) <b>Mixing of qualitative and quantitative methodologies</b> (e.g. structural equation modelling) (Healy and Perry, 2000: p. 120)
*: "Reality"; * <sup>1</sup> : relationship between the researcher and reality; * <sup>2</sup> : Technique, with which researchers study reality (Guba and Lincoln, 1994; Perry, Riege, Brown, 1997)			

Source: Own compilation based on Healy and Perry (2000) and Truong and McColl (2010)

### III.3.2. Mixed-methods research

In SME marketing research, the theoretical, literature summary of this dissertation helped determine that the understanding of the previously assumed external reality has reached a higher level. According to O'Donnell and Cummins (1999a) it is more and more typical in SME research to apply mixed methodology, but it should be noted that **the research of SMEs should be studied more with qualitative rather than quantitative methods, where the aim is more explanation, rather than prediction and quantification.** Within the framework system of the realist paradigm, the image of reality can be compared to the collection of perceptions revealed by the different methodologies, by which the reality sought can take shape.

The triangulation technique is known from mathematics, where knowing the coordinates of two apexes and the interior angles of a triangle, the exact location of the third apex can be calculated. The **triangulation technique** in social science research means that researchers perform qualitative and quantitative data collection and analysis in parallel with each other or distributed among the different phases of the research (Venkatesh, Brown, Bala, 2013). The advantage of mixed-methods research methodology is that answering the research questions becomes easier, and the quality of the conclusions improves as well (Jick, 1979; Tashakkory and Teddlie, 2003; Silverman, 2004), provided that the different methodologies succeed in complementing – while helping – each other. Denzin (1988) identifies four types of triangulation techniques. The first is the triangulation of data sources where researchers get data from different sources. The second technique is the triangulation of participants, i.e., the involvement of numerous researchers and evaluators. The third is the theoretical triangulation where better results can be achieved with the joint application of various theoretical backgrounds and approaches. The fourth technique is methodological triangulation during which researchers apply several (e.g. qualitative, quantitative) methodologies to enlighten a group of questions (Venkatesh, Brown, Bala, 2013). Considering the aim of the dissertation, the **triangulation based on mixed-methods research** was selected where successive quantitative and qualitative data collection and data analysis phases were applied (Berg and Lune, 2012).

Creswell (2002) differentiates different types of research designs by the chronological order of the various phases of the research. Based on this consideration, in one phase of the research the quantitative methodology is considered to be of primary importance while in other phases the same is true of the qualitative methodology. It can be seen in the timetable of this dissertation that the research problem was approached with different methodologies in different phases (Table 25).

SME research evolved in the 1980s is a relatively new field in social sciences (Brockhaus, 1987) yet the understanding of the operation of SMEs is still in an initial phase. **Approaches found in scientific articles that deal with the marketing activity of SMEs are mainly of a qualitative and descriptive nature** (Carson, 1990), **and are rarely tested in practice**. The international and Hungarian scientific articles and results in the field of SME marketing offer only partial insights into the responses to the research questions (Rekettye, 2012; Kopfer-Rácz, Hofmeister-Tóth, Sas, 2013); therefore the application of **qualitative research methodology** is considered to be essential **for exploratory purposes** in order to explore the theoretical relationships (Fillis, 2002; Malhotra, 2005: pp. 201-202). According to Healy and Perry (2000), together with Carson et al. (1998) **in-depth interviews** – with preliminary interview drafts – are necessary for understanding. In the present case, the understanding relates to the marketing activity carried out by SMEs, its influencing factors, and the contribution to marketing and corporate performance. Therefore an in-depth interview technique was used, and a qualitative content analysis of **case studies** applied to provide sufficient basis for the quantitative methodology, then for the interpretation of the quantitative data.

The theoretical correlations and patterns created after the secondary literature review, and clarified with the application of primary, qualitative case studies, in-depth interviews and the primary quantitative, survey-based methodology helped to draw the final conclusions of this dissertation.

### III.3.3. Qualitative methodology

In this dissertation, in-depth interviews and case studies were applied and analysed with qualitative content analysis to provide a sufficient base for the quantitative research, and to interpret the quantitative data. In the qualitative stages of the empirical research phase of this dissertation, research methods were applied that are suggested by the literature. According to Orosdy (2008), **the research of SMEs is the most typical in the form of case studies, opinions of the owner/manager, and status reports.** Accordingly, a methodology has to be capable of revealing the underlying causes of the individual behaviour of SME leaders and/or specialists dealing with marketing, and later exploring behavioural patterns that are testable with further (e.g. quantitative) methodologies. The analysis was conducted in an explorative way, since there was no primary empirically tested model so far in the literature that could have been applied to the research problem.

#### In-depth interviews and case studies

**Interviews** were an appropriate tool to analyse the abovementioned research problem. According to King (1994), the aim of the qualitative interview is to allow the researcher to see the research topic from the point of view of those interviewed, and to make us understand how and why the interviewee is thinking about the given question in their own special way. *“The interviewer wanders through the landscape and enters into conversation with the people encountered. The traveller explores the main domains of the country, as unknown territory or with maps, roaming freely around the territory [...] The interviewer wanders along with the local inhabitants, asks questions that lead the subjects to tell their own stories of their lived world.”* (Kvale, 1996, in Babbie, 2003: p. 337) Various types of interviews exist, depending on how structured they are. Based on this assumption, there exist structured, **semi-structured, and unstructured interviews** (Mason, 2005: p. 52; Berg and Lune, 2012). From the point of view of this research, the application of the last two seemed to be most reasonable, since the aim was to thoroughly understand the individual aspects of SME leaders in addition there was a need to collect detailed information (Gyulavári et al., 2014: p. 94). An **in-depth interview** is one of the most suitable tools to map the behaviour of individuals.

In this dissertation, the **key informant interview**<sup>8</sup>, a type of in-depth interview, was used. Key informant interviews are usually conducted with company leaders or specialists of a certain field, where the aim is to get to know the opinions of individuals who are particularly well qualified in the research topic (Gyulavári *et al.*, 2014: p. 97). With the knowledge that they perceive from the opinions of people who are in the sample, the researcher can get experimental knowledge (Maxwell, 2008: pp. 224-225.) that – by live experience and professional influence – results in deeper insights for analysing the research questions. Subjectivity and the role of personal experiences (Maxwell, 2008: pp. 224-225.) can help to confirm the research problem by means of theory and the philosophy of science. Through these confirmations, more useful insights, more precise research questions, and more valid measures are available than without. The aim of in-depth interview research for this dissertation was to discover the perceived benefits and success criteria in the classic, online, and specifically social media related manifestations of the marketing activity of SMEs, which helped create a more thorough understanding of this relationship.

According to Yin (2003), the methodology of **case studies** should be applied in the case of research where a phenomenon is studied in the actual environment in which it occurs. The aim of this research was to understand the processes and relationships in a given environment (Eisenhardt, 1989). According to Creswell (2002), the description, the collection of topics and the proving can be mixed up. The presentation of the case, the case itself, and its detailed description can also be mixed. In this dissertation, in the preliminary studies, the combination of the two aforementioned methodologies (mainly with the use of the framework system of the realist paradigm) was applied. The case studies presented in the preliminary studies are basically **subjective case stories of in-depth interviews**, whose qualitative content analysis was carried out through a kind of realist paradigm.

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<sup>8</sup> Key informant interview: a qualitative expert in-depth interview that is conducted with one or more persons important to an organisation – in this case an SME – who know(s) the internal operational principles of this organisation (Lavrakas, 2008).

In the broader sense, **content analysis** is the observation and analysis of any document, text, or image material (Gyulavári et al., 2014) for exploring hidden relationships and patterns by the research aims, i.e., in this case to understand the unique characteristics of SME marketing, and to analyse this in a company-focused (mainly manager-based) way. In this research, on the focus was on the analysis of textual contents. Out of the two types of content analyses – the quantitative and the qualitative content analysis – the solution that is relevant from the point of view of the problem (qualitative solution) was selected for the following reasons: since the quantitative type is not sensitive to the transmitted and implied meanings, it tells us little about the hidden depths of the text (Gyulavári et al., 2014, p. 137). In contrast, the qualitative type is suitable for identifying the most important messages of the analysed text, because the high number of cases makes it possible to create new interpretations, and to improve the researcher's understanding of a given topic (Bartis and Mitev, 2008). **Qualitative content analysis** is often applied for the analysis of interview texts, – although in this case, the analysis of interview texts has secondary importance – therefore this latter methodology was also applied in this dissertation for the analysis of the research questions (Malhotra, 2005). It was assumed that the analysis of case studies often leads to the recognition of new relationships (Bokor, 2009) by identifying the influencing factors of the phenomenon (Móricz, 2009: p. 81), a characteristic which created significant added value for the researcher during the research of the marketing activity of SMEs, especially as the methodology of the case study proved to be an established method for the analysis of the corporate performance of small firms, too (Ozcan and Eisenhardt, 2009).

### **Validity and reliability in the qualitative phase**

Reliability and validity are measured differently in qualitative and in quantitative research. In the case of **reliability**, the biggest concern is that the measurable factors change during multiple data collections. Nevertheless, if qualitative methodologies are applied, the individual pattern of understanding of the researcher involved is part of the research process. The subjectivity of the interviewer's opinion can be compensated by the use of several interviewers (King, 1994). In this dissertation, the individual sensibility of the researcher was important, as through it a sovereign analysis was created.



**Validity** in quantitative analyses excludes the possible error that the researcher does not measure the construct they want. The danger signal sent by validity in this dissertation was the suspicion that we are not right (Maxwell, 2012: p. 88). In the case of qualitative analysis, it is the main criterion (King, 1994). In the case of quantitative analysis, the validity of the measures – scales – is checked; in the case of qualitative analysis, the verification of the validity of interpretations (explanations) is the main aim, i.e., whether the researcher's conclusions about a topic unfolds from an interview and can be interpreted as valid or not. To decide this, in this dissertation, several experts were consulted before the in-depth interviews. They helped establish whether the examined topics were really the ones that were meant to be the subjects of this research (inter-subjective test, King, 1994: p. 32).

According to King (1994), Healy and Perry (2000), and Maxwell (2012), further analysis of validity in the case of in-depth interviews contains:

- Using methodological triangulation → This was applied in the empirical phase (see Subsection III.3.2. pp. 106-107.) to avoid possible bias by using only one methodology,
- Returning to the interview subjects with partial solutions to have theoretical constructs interpreted in a better way → This can be a future research objective.
- Excluding imprecise and missing data → These were excluded by the analysis of the transcribed interview corpus. No fragmentary memories or inaccurate notes were applied, rather the whole corpus, containing the whole, recorded interview was used.
- Avoiding problems of interpretation, and the error of forcing the researcher's views on the interview subjects → Used open-ended questions, gave space for the interview subjects' own interpretations, avoided the obligate/compulsory categorisation and understanding of the information gathered from interviewees.
- Avoiding the wrong interpretation of theory, considering different mind-sets → The sovereign opinion and mind-set of every interview subject were considered with a view to avoiding formulating vague and abstract suggestions.

### III.3.4. Quantitative methodology

In this dissertation, the following quantitative methodology was applied. The answers were sought for the study of the theoretical relationships sketched in the literature summary, and became clearer in the qualitative preliminary studies in a way that provided the intensity of the marketing activity of the studied SMEs, it is analysed how the different rate of marketing tool use can be explained (**discriminant analysis**). It is an interesting question to examine how well the possible relationships in the literature would work in a cause and effect model, but the analysis was rather an exploratory analysis, since there was no primary empirically tested model in SME marketing that could have been applied to the research problem.

#### **Discriminant analysis**

In order to answer the research questions, the first factors examined were those that could contribute to the performance of the different rates of marketing activity of SMEs. These factors –the company leader’s perception of the importance of marketing, entrepreneurial orientation, market adaptation skills, marketing communication skills – could all affect how intensively the enterprises in the sample used the classic, online, including social media marketing tools that were measured. From the point of view of this dissertation, the main task was to ascertain how to select those factors that contributed the most to the diversity of the groups. For the examination of these questions, out of the **multivariable analytical methods, discriminant analysis** (hereinafter referred to as **DA**) was selected, since in this case, there was a research problem where different groups were studied. An interesting question arose: Which features differentiated these groups from each other (Sajtos and Mitev, 2007). In other words, whether belongingness to a group could be estimated, and if so to how many percentage do these depend on the given variables. Just as in other multivariable data analysis techniques, in DA, dependent and independent variables, which have the following characteristics, are differentiated: **low measurement level, categorical (nominal or ordinal scale) criterion or dependent variables (groups) explained with high measurement level, and independent or estimator variables measured by an interval or ratio scale** (Székelyi and Barna, 2008).

Aims of the DA (Malhotra, 2005: p. 645):

- To create a discriminant function that – as a linear combination of the estimator or independent variables – best separates the categories of the criterion or dependent variable groups.
- To determine if there is significant difference between the groups according to the estimator variables.
- To determine which estimator variables explain the differences between the groups to the greatest possible extent.
- To classify the observation units (cases) in any group, based on the values of the estimator variable.
- To measure the accuracy of classification.

Depending on the number of categories of the dependent variable, the DA were called by different names. Since the use intensity of the classic and online marketing activities was separated into three groups, the DA was called **multiple group DA**. In the case of social media, two criteria variable groups were applied to separate non-users and users so here the DA was called **two-group DA** (Malhotra, 2005). In the latter case only one single discriminant function could be estimated.

The DA is closely linked to several multivariable data analysis methodologies. As with the ANOVA (ANalysis Of VAriance<sup>9</sup>) and regression analysis,<sup>10</sup> every methodology works with one single criterion or dependent variable, and examines several estimator or independent variables. A real difference is that while in the case of the ANOVA and the regression analysis, the dependent variable is measured by a ratio or interval scale, in the DA, categorical variables (nominal or ordinal scale) are used. In the case of the ANOVA, the independent variables are categorical, while in the regression analysis and the DA, they are metric. The two-group DA is in close connection with the logistic regression analysis (Sajtos and Mitev, 2007). The ANOVA and the DA are mathematically very similar to each other; however, they seek answers for completely different questions. While the analysis of variance examines how much the groups are different from each other – according to the averages of the given variables – the DA searches which variables cause the biggest

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<sup>9</sup> Analysis of variance: a statistical method examining the differences between the averages of two or more populations (Malhotra, 2005: p. 572).

<sup>10</sup> Regression analysis: a statistical method examining the correlations between a metric dependent and one or more independent variables (Malhotra, 2005: p. 610).

differences between the groups. In other words, can belongingness to a certain group be predicted based on a selected group of the independent variables (Sajtos and Mitev, 2007: p. 331)? The regression equation of the regression analysis resembles the discriminant function except that in regression, the dependent variable is estimated, while in the case of the DA, the belongingness or non-belongingness of an observation unit to a given group is estimated. Both the cluster analysis<sup>11</sup> and the DA result in grouping or the formation of groups. The difference is that in cluster analysis, groups are not in place and the aim is to determine the best method for grouping the cases, while the DA would like to define a linear combination of the independent variables for existing groups that best separates the dependent variable groups from each other. The fundamental problem of the DA is that the cases are classified in groups based on the categorical variable Y, and the groups are to be separated in the p-dimensional space represented by variables  $X_1, X_2, X_3, \dots, X_p$  with separation surfaces. According to another approach, there is a search for the continuous variables  $X_1, X_2, X_3, \dots, X_p$  for the low measurement level categorical variable Y with which Y can be explained well. In this respect, the DA is a reverse form of cluster analysis (Ketskeméty, Izsó, Könyves Tóth, 2011: p. 251). The SPSS statistical software package separates the categories in the canonical space developed with an eigenvector system, with hypersurfaces. The DA is also a classification method, since besides the known values of the independent variable ( $X_1, X_2, X_3, \dots, X_p$ ), it can provide a prediction what category the given individual – in this case the enterprise – can be classified into how intensively it applies the different marketing tools based on the different independent variable features.

The model of the DA is as follows:

$$D = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + \dots + b_kX_k$$

D: discriminant function value

$b_0$ : constant

k: number of estimator or independent variables

b: discriminant coefficient or weight

X: estimator or independent variable

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<sup>11</sup> Cluster analysis: a statistical method examining the mutual correlation within the set of variables. Its aim is to classify the observation units in relatively homogeneous groups according to the selected variables (Malhotra, 2005: p. 698).

The discriminant function is a latent variable, which is a linear combination of the independent variables (Sajtos and Mitev, 2007). The formula is similar to the multivariable regression function; however parameters  $b$  here are discriminant coefficients that maximize the distance between the averages of the dependent variables. This will be realised if the quotient of the inter-group and intra-group sum of squares of the discriminant values is maximal. Any other linear combination of the estimator variables would result in a smaller quotient. (Malhotra, 2005: p. 646). The formula of the function describes the hyperplane drawn in a space spanned by the independent variables (Székelyi and Barna, 2008). The discriminant functions, i.e., the dimensions are mutually perpendicular, therefore have zero as their correlation. The number of the discriminant functions depends on the number of the groups and independent variables as well. The number of functions is arrived at by taking the smaller one of the two values and subtracting one from it.

The DA must meet a number of conditions (Sajtos and Mitev, 2007: pp. 332-336) in order to prove to be a good estimation procedure for the given sample, cases, and variables (Table 21).

**Table 21. Criteria of discriminant analysis**

	<b>Name of criterion</b>	<b>Meaning</b>	<b>Test</b>
1	Measurement level of variables	Dependent variable is measured on a nominal scale, while the independent variables on an interval or ratio scale.	Proper definition of variables
2	Independence of data	All observations must be independent, i.e., the data cannot be correlated, that is to say longitudinal data deriving from a panel research.	Use of cross-sectional data
3	Exclusivity of groups	Each observation of the dependent variable can belong to only one group, the groups are mutually exclusive.	Application of rule of thumb
4	Group size	Group sizes must be roughly identical. Each group of the dependent variable must contain at least two cases.	Application of rule of thumb
5	Sample size	The number of independent variables must be less than the number of cases in the smallest group. Furthermore, the total sample size should be at least five times as big as the number of the independent variables.	Application of rule of thumb
6	Linearity	There is a linear connection between the independent variables.	Scatter plot
7	Single-variable and multivariable normality	Each group derives from multivariable normally distributed population. All estimator variables should be normally distributed.	Kolmogorov-Smirnov test, Shapiro-Wilk test, box plot, scatter plot

8	Multivariable outliers	In order for the estimator variable to be normal around the fix values of the other independent variables.	Mahalanobis distance
9	Homogeneity of variance (homoscedasticity)	The variance values of the independent variables can differ from each other, however the variance of each independent variable must be similar in the groups of the dependent variable.	Box's M test
10	Multicollinearity	We suppose that the independent variables correlate only with the dependent variables, not with each other. The rate of the correlation of the independent variables define how reliably the standardized discriminant coefficients estimate the relative importance of the independent variables.	Correlation indicators

Source: Sajtos and Mitev (2007), Malhotra (2005),  
Own compilation based on Székelyi and Barna (2008)

All in all, it can be concluded that the DA is robust (i.e., not sensitive) as regards the situation when conditions are not met, especially if a sufficiently large sample is used, or if there are at least 20 cases in the smallest group, or if the number of independent variables is less than 6 (Sajtos and Mitev, 2007: p. 336).

The DA uses the following statistical indicators (Malhotra, 2005: p. 647):

- **Canonical correlation** specifies the closeness of the relationship between the groups and the discriminant values. It is an association index between the discriminant function and a set of artificial variables defining the group membership.
- **Centroid is the average of the discriminant values of a given group.** The number of centroids equals to the number of the groups. The group centroid is calculated from the average of all the functions.
- **Classification matrix or estimator matrix** contains the number of correctly and incorrectly classified cases. The correctly classified observation units are located on the diagonal of the table where the estimated and the actual group membership are the same. The cases outside the diagonal are classified into the wrong group. The hit rate is the quotient of the elements located in the diagonal and the total number of elements.
- **Coefficients of the discriminant function**, i.e., the non-standardized coefficients of the discriminant function, are the multipliers of the independent variables, provided that the original units of measurement of the variables remain unchanged.
- **Discriminant values:** For these the non-standardized coefficients are multiplied by the values of the variables. These products are summarised, and by adding the constant to it, the discriminant values are reached.

- **Eigenvalue:** The eigenvalue of the discriminant functions is the quotient of the inter-group and intra-group sum of squares. A high eigenvalue means a good explanatory power of the function.
- **F-values and their significance** are calculated with standard deviation analysis, where the categorised, dependent variable is used as an independent variable.
- **Group averages and group standard deviations** can be calculated for each group and each estimator variable. They show before the estimation if the averages of the various groups seemingly differ from each other, with respect to the independent variables.
- **The inter-group, unified correlation matrix** is a correlation matrix calculated as the average of the covariance matrices referring to the groups.
- **Coefficients of the standardized discriminant function** are the coefficients of the discriminant function whose average and standard deviation are 0 and 1, respectively due to the standardisation.
- **Structural correlations or discriminant weights** are simple correlation coefficients between the estimator variables and the discriminant function.
- **Full correlation matrix** can be calculated if we treat the observation units as if they originated from one sample and calculate their correlation.
- **Wilks'  $\lambda$**  referring to each estimator variable is the quotient of the inter-group and the total sum of squares. Its values range between 0 and 1. A high  $\lambda$  value suggests that the group averages do not differ very much from each other. Low  $\lambda$  values imply the diversity of group averages.

DA consists of five foundational steps (Malhotra, 2005). While these steps are further explained in the analysis section of the quantitative research (Figure 8), a short presentation of the phases in the description of the methodology is needed. The first step is the **definition of the problem**, during which the aim of the analysis, and the dependent and independent variables are defined.

The next step is the **estimation of the coefficients of the discriminant function**.

There are two types of methods used for this. The **direct method** estimates the discriminant function by involving all the independent variables at the same time. This method should be used when researchers wish to determine the differences between the groups with the help of all the estimator variables. The other method is the **stepwise method**. This should be used when researchers involve the independent variables in the analysis one after another, based on how much they are capable of separating the dependent variable groups from each other. Researchers should use this method if they would like to select only some of the estimator variables for the formulation of the discriminant function. Since this dissertation aimed to work with several independent variables simultaneously, the application of the direct method appeared reasonable. The different group averages and standard deviations in this phase of the analysis were calculated, from which those estimator variables that had a discriminating function in the groups came to the fore. In order to eliminate multicollinearity, it is worth observing the intra-group unified correlation matrix. The significance level of the single-variable F-values indicates which independent variables cause significant differences between the averages of the category variable groups. Looking at the value of the canonical correlation and examining its square, it can be concluded what percent of the standard deviation of the dependent variable is explained by the model.

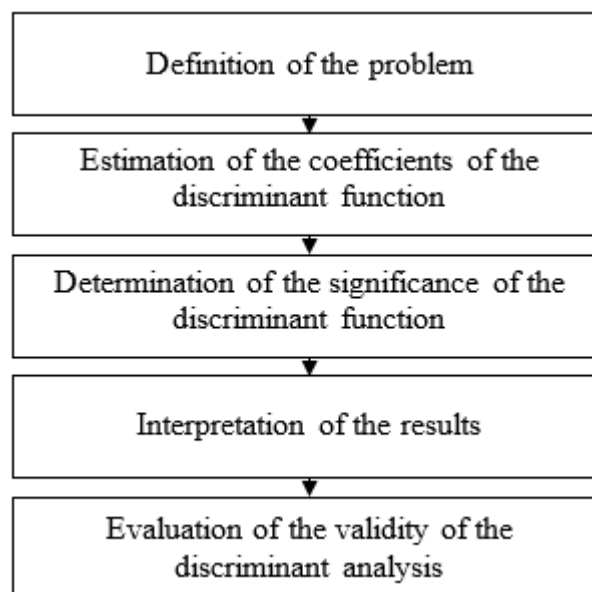
The next step is the **determination of the significance of the discriminant function**. According to the null hypothesis, the averages of all the discriminant functions within the population are the same in every group, and can be checked with a statistical test. This test is the Wilks'  $\lambda$ , which can be tested based on its significance after transforming it into  $\chi^2$ .



The **interpretation of the discriminant weights or coefficients** is similar to the interpretation of the weights of regression analysis. The values of the estimator variable coefficients are influenced by all the other independent variables involved in the DA. The low or high values of the coefficients indicate which variables cause high or low function values, and which group they correlate with the most. Usually, independent variables with high standardized coefficients contribute most to the discriminating ability of the function. The relative importance of the estimator variables can be obtained with the analysis of the structural correlations (canonical or discriminant weight). Group centroids – which are the values of the discriminant function calculated from the group averages – are also important aspects during the interpretation of each group and in this case plus and minus signs make a difference, too.

However, before the final interpretation of the groups, it is worth examining the **validity of the DA**. The calculation of hit rate can help with this, i.e., the percentage of the correctly classified cases. Since the different observation units can be classified into each group even with random dice rolls depending on the number of groups, the rule of thumb is that the classification accuracy of the DA should be 25% higher than the accuracy of the random classification (Malhotra, 2005: p. 655). If this condition is met, then the validity of the DA is acceptable.

**Figure 8. Steps of discriminant analysis**



Source: Malhotra (2005: p. 648)

### **III.3.5. Applied scales**

To answer the research questions as accurately and as reliably as possible, it is necessary to examine the concepts described in the theoretical foundations among SMEs. Based on this, it is advisable to take a look at the measurement possibilities that are used for to measure the theoretical concepts presented in the literature summary in connection with marketing tools (offline, classic online, including social media), the internal and external factors, as well as the concept of performance. In light of the known methods, the measurement system that will be applied in the empirical phase of the dissertation is identifiable. The **scales** applied in the research are:

#### **Measurability of classic marketing tools in SMEs**

For the measurement of the marketing toolkit, the scale elaborated by McNamara (1972) and improved by Dunn, Birley, Norburn (1989) was used. Before the conduction of the empirical research, this scale was applied, elaborated for international enterprises, taking into account the nature of the marketing activity of Hungarian SMEs. The relevant research results of HMA (2010), Máté (2011), Marketinginfó (2012), and Marketing112 (2014) were used. A further improvement of the scale was carried out within the framework of the case studies of in-depth interviews, by which an even more accurate picture of the Hungarian interpretation of the marketing toolkit among SMEs was discovered (Gáti, 2014). It is important to note that there can be overlaps among the different classic marketing tools, but the important activities – relevant to the dissertation – were altogether selected by relevant opinions of the literature and related studies.

The inclusion of marketing tools in the domestic research of SMEs can be carried out along various dimensions. From the point of view of this research, it was important to differentiate the various marketing tools by their basic aims. Based on this, activities were distinguished relating to production, market launch, and logistics, activities relating to the formation of a long-term marketing strategy, and to classic, offline, pricing, and customer relationship management related marketing communication tools were also distinguished. Based on the differentiation, during the quantitative analysis these marketing activities and functions were treated separately, in many cases operating in a radically different way. Table 22/a describes the basic characteristics of the scale (average, standard deviation), together with Cronbach's  $\alpha$  values measuring reliability.

## Measurability of online marketing tools in SMEs

Based on the literature analysis, it was concluded that the results of Roberts and Zahay (2008) and Akunuri (2011) were suitable for identifying the online tools applied in SME marketing and for studying the research questions of this dissertation. Since the empirical examination was carried out in a Hungarian context, the relevant research results of HMA (2010), Marketinginfó (2012), and Marketing112 (2014) were taken into consideration, too. In order to develop the measuring instrument – for reasons similar to measuring offline marketing tools – case stories were analysed (Gáti, 2014).

For defining online marketing, the initiating definition is the one based in chapter II.2.3. (p. 68). From the perspective of this research, it was important to differentiate the various online marketing tools by their basic aims. In this respect, different company solutions were distinguished. Firstly, solutions managing the SME's web page, and applying web-age-related search engine marketing tools, and solutions enabling innovative tools (e.g. mobile marketing), e-mail marketing, display advertising solutions, and e-business opportunities. The two dimensions (web-page-based and innovative) are clearly separate, since SMEs performing marketing activities exclusively on their web page should be treated in a different way than those trying the extended functions enabled by online marketing, thereby taking advantage of the *long tail* function of internet-based solutions. As a consequence of the differentiation, these classic online marketing activities and functions were treated separately during the quantitative analysis. Table 22/b describes the basic characteristics of the scale (average, standard deviation), together with Cronbach's  $\alpha$  values measuring reliability. It is important to note that there can be overlaps in the differentiation of online marketing activities, but the important activities – relevant to the dissertation – were altogether selected by relevant opinions of the literature and related studies.

## **Measurability of social media marketing tools in SMEs**

Based on the literature analysis, it was concluded that – similar to the use of classic online marketing tools – the results of Roberts and Zahay (2008) and Akunuri (2011) were suitable for identifying the social media tools applied in SME marketing, and for studying the research questions of this dissertation. Since the empirical examination was carried out in a Hungarian context, the relevant scales of HMA (2010), Marketinginfó (2012), and Marketing112 (2014) were taken into consideration, too. In order to develop the measuring instrument – for similar reasons as during the measurement of the online marketing tools – case stories were analysed (Gáti, 2014).

The following types, differentiated by the applied social media marketing tools, were identified: there are solutions forming the own network of SMEs like the application of corporate blogs and forums and the own social network of the enterprises. In addition to this, SMEs can apply ready-to-use networks available at the market, which provide the infrastructure, where the tasks are only to connect – taking into consideration the nature of the network –, and the creation of own contents on the external platform. The two dimensions are separate from each other (own network and external platform), since from the point of view of SMEs using their own network for their social media activities should be treated in a different way than using external platforms. Also, different characteristics will be attributed to the enterprises. As a consequence of this differentiation, those marketing activities and functions using social media marketing were treated separately during the quantitative analysis. There can be overlaps among the applied social media functions, and not only one categorization exists. However, the relevant literature and the related studies prefer the selected partition, taking into account the alternative categorization by Kane et al. (2014). Furthermore, classic online marketing activities and social media marketing activities can possibly overlap. The differentiation is primarily based on the unique characteristics presented in the interpretation of social media phenomenon. Table 22/c describes the basic characteristics of the scale (average, standard deviation), together with Cronbach's  $\alpha$  values measuring reliability.

**Table 22/a. Measurement dimensions of the classic marketing tools (N=122)**

Sources	Dimensions <sup>12</sup>	Average	Standard deviation	Cronbach's $\alpha$	How does it measure?
McNamara (1972) Webster (1981) Dunn, Birley, Norburn (1989) HMA (2010) Máté (2011) Marketinginfó (2012) Marketing112 (2014)	Stocking of finished goods	2.13	1.66	0.86	<b>Scale type:</b> Non-comparative, discrete scale Five-point Likert scale  <b>Points:</b> Intensity of use: 1: Do not use it 2: Use it to a limited extent 3: Use it at an average rate 4: Use it to a large extent 5: Use it intensively
	Packaging	2.02	1.45		
	Warehousing	2.52	1.76		
	Delivery	2.54	1.72		
	Taking and registration of orders	3.16	1.79		
	Production planning	2.68	1.65		
	Market introduction of new products	3.11	1.54		
	Formulation and operation of the marketing strategy, marketing planning	3.27	1.37	0.74	
	Marketing research	2.12	1.30		
	PR	3.00	1.48		
	Management of corporate social responsibility projects	2.26	1.47		
	Sales planning	3.50	1.43		
	Pricing	4.06	1.16	0.70	
	Cost calculation	3.99	1.24		
	Establishing contacts with customers	4.03	1.19	0.66	
	Customer relationship management	3.32	1.52		
	Offline advertising	2.46	1.31	0.51	
	Sales promotion	2.99	1.55		

<sup>12</sup> Further categorization of the dimensions is as follows: based on the relevant opinions of the literature, the different activities can be partitioned as: activities related to production and logistics; activities related to planning and strategy; activities related to price and costs; activities related to classic, offline marketing communications (see more in detail in the relevant studies of the Competitiveness Research Centre, e.g. Gyulavári, Csepeti, Nagy, 2012).

**Table 22/b. Measurement dimensions of the online marketing tools (N=122)**

Sources	Dimensions	Average	Standard deviation	Cronbach's $\alpha$	How does it measure?
Roberts and Zahay (2008) HMA (2010) Akunuri (2011) Marketinginfó (2012) Marketing112 (2014)	Own web page	4.02	1.16	0.74	<b>Scale type:</b> Non-comparative, discrete scale Five-point Likert scale
	Search engine optimization	2.83	1.61		
	Search engine advertising (pay-per-click advertising [e.g. Google Adwords])	2.30	1.55		
	Display advertising (banner)	2.29	1.51	0.76	<b>Points:</b> Intensity of use: 1: Do not use it 2: Use it to a limited extent 3: Use it at an average rate 4: Use it to a large extent 5: Use it intensively
	E-mail marketing (online direct marketing [e.g. e-newsletter])	2.75	1.55		
	E-sales promotion (e-sample, e-coupon, e-prize game)	1.98	1.41		
	Online sales	2.09	1.52		
	Mobile marketing	1.47	1.12		

**Table 22/c. Measurement dimensions of the social media marketing tools (N=122)**

Sources	Dimensions	Average	Standard deviation	Cronbach's $\alpha$	How does it measure?
Roberts and Zahay (2008) HMA (2010) Akunuri (2011) Marketinginfó (2012) Marketing112 (2014)	Own social network of the enterprise	1.58	1.27	0.73	<b>Scale type:</b> Non-comparative, discrete scale Five-point Likert scale <b>Points:</b> Intensity of use: 1: Do not use it 2: Use it to a limited extent 3: Use it at an average rate 4: Use it to a large extent 5: Use it intensively
	Corporate blog	1.51	1.13		
	Operation of corporate forum	1.30	0.96		
	Corporate activity-related forum with general topics	1.34	0.960		
	Official corporate web page on social network sites (e.g. Facebook, LinkedIn)	3.36	1.56	0.62	
	Content sharing sites (e.g. YouTube, Flickr, Pinterest, Instagram)	2.02	1.39		
	Microblog (e.g. Twitter)	1.32	0.81		

Source (Tables 22/a, 22/b, 22/c.): own compilation

## Measurability of internal factors

Research by Deschoolmeester and Izquierdo (2008) studies the different types of company leader competencies which overlap with the majority of internal factors examined in the literature summary (Subsection II.3., pp. 79-84). During empirical interviews, Lukovszki (2011) identified the measurement items that are relevant in the Hungarian context. Based on the suggestion of Man, Lau, Chan (2002), and Deschoolmeester and Izquierdo (2008), the researcher and the entrepreneurial standpoints were compared and scales developed by interpreting the intersection of the two.

## Entrepreneurial orientation

For the measurement of the entrepreneurial orientation, one of the internal factors, the scale of Smart and Conant (1994) was used. This appeared in the context of SMEs in the empirical research of Fairoz, Hirobumi and Tanaka (2010). The concept was measured in the study by Nagy et al. (2012) using a sample of Hungarian enterprises, thus was applied in the empirical research phase of this dissertation. The basic characteristics of the scale are shown in Table 23/a.

**Table 23/a. Measurement dimensions of the entrepreneurial orientation (N=122)**

Sources	Dimensions	Average	Standard deviation	Cronbach's $\alpha$	How does it measure?
Nagy et al. (2012) Fairoz, Hirobumi, Tanaka (2010) Smart, Conant (1994)	Our enterprise is more willing to take risks as compared to our competitors.	4.66	1.46	0.82	<b>Scale type:</b> Non-comparative, discrete scale Seven-point Likert scale <b>Points:</b> How typical is it in the enterprise? 1: Not typical at all 7: Very typical
	Our enterprise performs strategic planning activities more often as compared to our competitors.	4.54	1.33		
	Our enterprise has better skills to identify customer wants and needs as compared to our competitors.	5.26	1.16		
	Our enterprise has a higher innovation level as compared to our competitors.	5.23	1.30		
	Our enterprise is capable of realising its business vision in practice at a higher level as compared to our competitors.	5.12	1.25		
	Our enterprise has better skills to explore new market opportunities as compared to our competitors.	5.04	1.37		

Source: own compilation

## Ability to adapt

The scale applied by the Competitiveness Research Centre was used for the measurement of the ability to adapt, which was tested and analysed with the help of repeated questionnaires conducted with samples consisting of enterprises before being used in this dissertation. For the scale suitable for the measurement of the ability to adapt, the relevant establishments of Menon and Menon (1997) were also used. The basic characteristics of the scale are shown in Table 23/b.

**Table 23/b. Measurement dimensions of the ability to adapt (N=122)**

Sources	Dimensions	Average	Standard deviation	Cronbach's $\alpha$	How does it measure?
Competitiveness Research Centre, In competition with the world research programme Menon and Menon (1997)	We are able to adapt our marketing activity to the changing market environment more successfully as our competitors.	3.63	0.99	0.75	<b>Scale type:</b> Non-comparative, discrete scale Five-point Likert scale <b>Points:</b> Agreement: 1: Strongly disagree 2: Disagree 3: Neutral 4: Agree 5: Strongly agree
	Our enterprise has got the flexibility to give more competitive marketing answers to the new challenges than others.	3.80	0.93		
	If necessary, we can change our current marketing practice faster than most of our competitors.	3.68	0.96		
	Our enterprise is capable of initiating market changes, which our competitors are compelled to follow.	3.36	1.18		

Source: own compilation

## The importance of marketing

Moorman and Rust (1999) draw attention to the increasing role of marketing in the organisation, which is recognised and applied in the form of different marketing tools by everyone in the enterprise. This thought appears in the Competitiveness Research Centre questionnaire, too. For the measurement of the perceived importance, a scale was elaborated that viewed the marketing function from the perspective of the company leader, and examined the perceived importance of marketing from the point of view of the SME leader. In the qualitative phase of this dissertation, the relevance of the importance of marketing was analysed during in-depth interviews. Furthermore, the operation of the importance of marketing scale was checked with the help of test questionnaires. The basic characteristics of the scale are shown in Table 23/c.



**Table 23/c. Measurement dimensions of the importance of marketing (N=122)**

Sources	Dimensions	Average	Standard deviation	Cronbach's $\alpha$	How does it measure?
Moorman and Rust (1999) Competitiveness Research Centre, In competition with the world research programme	The marketing activity is important to our enterprise.	4.04	1.035	0.87	<b>Scale type:</b> Non-comparative, discrete scale Five-point Likert scale <b>Points:</b> Agreement: 1: Strongly disagree 2: Disagree 3: Neutral 4: Agree 5: Strongly agree
	The marketing function is essential to the everyday operation of the enterprise.	3.93	1.118		
	The marketing function is at least as important as other corporate departments (e.g. finance, sales).	3.83	1.180		

Source: own compilation

### Marketing communications skills

Of the marketing skills, it is the marketing communications skills that fit best with the research questions of this dissertation. Consequently the scale applied by the Competitiveness Research Centre was used for the measurement of the variable, complementing it with the relevant considerations made by Vorhies and Morgan (2005), as well as Morgan, Vorhies, Mason (2009) (separating the items advertisement skills, brand equity, and sales). The basic characteristics of the scale are shown in Table 23/d.

**Table 23/d. Measurement dimensions of the marketing communications skills (N=122)**

Sources	Dimensions	Average	Standard deviation	Cronba ch's $\alpha$	How does it measure?
Vorhies and Morgan (2005) Morgan, Vorhies, Mason (2009) Competitiveness Research Centre, In competition with the world research programme	Development and implementation of advertising campaigns	3.00	1.10	0.86	<b>Scale type:</b> Non-comparative, discrete scale Five-point Likert scale <b>Points:</b> How do you perform as compared to your main competitor? 1: Perform much worse 2: Perform worse 3: Perform alike 4: Perform better 5: Perform much better
	Management of the advertising activity and creative skills	3.29	1.11		
	PR skills	3.02	1.15		
	Creation and management of efficient sales	3.72	0.86	0.70	
	Management skills and processes of brand image	3.56	0.97		
	Management of corporate image and reputation	3.63	1.01		

Source: own compilation

## Market orientation

For the measurement of market orientation, the measurement dimensions of Narver and Slater (1990) were used, which are also applied by regular studies of the Competitiveness Research Centre focusing on SMEs (Gyulavári, Csepeti, Nagy, 2012). According to the relevant establishments of the literature (Ngai and Ellis, 1998) each part of the scale (customer orientation, competitor orientation, and inter-functional co-ordination) is treated as separate dimensions. The basic characteristics of the scale are shown in Table 23/e.

**Table 23/e. Measuring dimensions of the market orientation (N=122)**

Sources	Dimensions	Average	Standard deviation	Cronbach's $\alpha$	How does it measure?
Narver and Slater (1990) Ngai and Ellis (1998) Gyulavári, Csepeti, Nagy (2012) Competitiveness Research Centre, In competition with the world research programme	Our business objectives are driven by customer satisfaction.	6.28	1.16	0.72	Scale type: Non-comparative, discrete scale Seven-point Likert scale Points: How typical is it in the enterprise? 1: Not typical at all 7: Very typical
	We monitor our level of commitment and orientation to serving customers' needs.	4.55	1.76		
	Our strategy for competitive advantage is based on our understanding of customer needs.	5.78	1.24		
	Our business strategies are driven by our beliefs about how we can create greater value for customers.	6.15	1.04		
	We measure customer satisfaction systematically and frequently.	4.45	1.70		
	We give close attention to after-sales service.	5.02	1.70	0.67	
	Our salespeople share information within our business concerning competitors' strategies.	5.63	1.47		
	We target customers and customer groups where we have, or can develop, a competitive advantage.	5.12	1.62		
	The top management team regularly discusses competitors' strengths and strategies.	5.46	1.50		
	Our top managers from every function visit our current and prospective customers.	5.02	1.70		
	We communicate information about our successful and unsuccessful customer experiences across all business functions.	5.40	1.91	0.516	
	All of our business functions (e.g. marketing and sales, manufacturing, R&D, finance and accounting, etc.) are integrated in serving the needs of our target markets.	6.06	1.13		
	All of our managers understand how everyone in our company can contribute to creating customer value.	5.96	1.24		
	The company employees regularly discusses competitors' strengths and strategies.	6.00	0.87		

Source: own compilation

### **Measurability of the external factors**

After Gnyavali and Fogel (1994), Szerb (2000) analyses the external, environmental factors affecting SME marketing in four sub-divisions (social, economic, political, and enterprise-specific factors). Enterprise-specific factors include – among other things – the basic characteristics of SMEs, like the sector and the market type, which were asked during the questionnaire study. As a consequence of this, the effect of these factors on the marketing activity was analysed among the external factors in the quantitative analysis, taking into account Lukovszki's (2011) relevant considerations. The enterprises in the sample, especially the manufacturing and service-providing SMEs, were separated from each other by sector, a differentiation which was primarily taken into account during this research. By market type, SMEs operating more at inter-organisational markets and SMEs typically operating at end-customer markets were differentiated.

### **Measurability of performance**

After Szilágyi (2008) and Némethné (2009), the features that could be included in the output side of the theoretical model of the research were selected as success factors of SME marketing (and its online equivalent). Accordingly, measurement of the marketing and corporate performance in the empirical part of this dissertation was carried out.

### **Marketing and corporate performance**

Marketing performance we measure based on the marketing efficiency scale applied by the Competitiveness Research Centre, a scale that measures how the given SME performs with respect to the marketing function, i.e., the main marketing efficiency indicators. For the measurement, the relevant considerations of Sullivan and Abela (2007) were taken into consideration, and later on this measuring instrument was applied accordingly. The dimensions of the corporate performance were created according to Morgan's (2012) relevant considerations, along with the factors measured by the Competitiveness Research Centre.

The basic characteristics of the scales are shown in Tables 24/a and 24/b.

The full questionnaire applied during the quantitative research can be found in Annex 7.

**Table 24/a. Measurement dimensions of marketing performance (N=122)**

Sources	Dimensions	Average	Standard deviation	Cronbach's $\alpha$	How does it measure?
Competitiveness Research Centre, In competition with the world research programme Sullivan and Abela (2007)	Customer satisfaction rate in the recent full fiscal year as compared to the previous year	3.80	0.68	0.85	<b>Scale type:</b> Non-comparative, discrete scale Five-point Likert scale <b>Points:</b> How do you perform as compared to your competitor/the previous fiscal year? 1: Much worse 2: Worse 3: Alike 4: Better 5: Much better
	Customer satisfaction rate as compared to competitors	3.85	0.76		
	Customer loyalty rate in the recent full fiscal year as compared to the previous year	3.82	0.84		
	Sales volume in the recent full fiscal year as compared to the previous year	3.97	0.92		
	Sales volume as compared to competitors	3.50	0.92		
	Market share in the recent full fiscal year as compared to the previous year	3.54	0.89		
	Market share as compared to competitors	3.45	0.91		
	Customer judgement of the main brand in the recent full fiscal year as compared to the previous year	3.68	0.88		
	Customer judgement of the main brand as compared to competitors	3.64	0.90		

**Table 24/b. Measurement dimensions of corporate performance (N=122)**

Sources	Dimensions	Average	Standard deviation	Cronbach's $\alpha$	How does it measure?
Competitiveness Research Centre, In competition with the world research programme Morgan (2012)	Persisting competition	3.76	0.92	0.89	<b>Scale type:</b> Non-comparative, discrete scale Five-point Likert scale <b>Points:</b> How do you perform as compared to your main competitor? 1: Clearly worse 2: Slightly worse 3: Alike 4: Slightly better 5: Much better
	Getting new customers	3.70	0.93		
	Increase in customer satisfaction	3.99	0.70		
	Retaining existing customers	3.88	0.85		
	Realised profit	3.40	1.05		
	Profit margin	3.40	0.95		
	Return on capital	3.38	0.97		
	Sales volume	3.48	1.12		
	Market share	3.33	1.04		

Source (Tables 24/a., 24/b.): own compilation

### **III.3.6. Empirical research plan**

Table 25 provides a detailed guidance to the stages of this research. The literature review directly helped to create the theoretical analysis framework and provided sufficient basis for the research questions and the methodology. The qualitative data collection and analysis formed the exploratory research phase, which assisted in better understanding the quantitative stage of the research, and in comprehending previously unclear concepts. The quantitative data collection and analysis helped obtain numerical and conditionally generalisable results in connection with the topic, based on the grounding secondary and primary qualitative research results, taking into consideration the particularities of the research field of SME marketing. These results were reinterpreted with the help of a secondary qualitative phase (methodological triangulation; Subsection III.3.2., pp. 106–107).

**Table 25. Activity, time, and implementation schedule of the doctoral research**

		2011												2012											
Activities	Aims	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
Literature review and analysis (1)	To create a theoretical analysis framework, and provide sufficient basis for the research questions and the methodology																								
Qualitative data collection and analysis (1)	Exploratory research (for the creation of the theoretical framework)																								
		2013												2014											
Activities	Aims	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
Literature review and analysis (2)	To create a theoretical framework, and provide sufficient basis for the research questions and the methodology																								
Qualitative data collection and analysis (2)	Exploratory research (for the creation of the theoretical framework)																								
<b>Oral defence of the thesis proposal</b>	<i>Presentation and defence of the thesis proposal in the scientific community by means of answers to reviews, and committee hearing</i>																								
Literature review and analysis (3)	Modification of the theoretical framework, defence of the thesis proposal, incorporation of the suggestions of the committee to the final dissertation																								
Qualitative data collection and analysis (3)	Exploratory research (for the modification of the theoretical framework)																								
		2015												2016											
Activities	Aims	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
Quantitative data collection and analysis	Quantifiable results																								
Qualitative data collection and analysis (4)	Interpretation of the qualitative results																								
Finalisation of the dissertation	Synthesis of the theoretical and practical results																								
<b>Oral defence of the dissertation</b>	<i>Presentation and defence of the dissertation in the scientific community by means of answers to reviews, and committee hearing</i>																								

Source: own compilation

### ***III.4. Preliminary studies***

In the next section, the results of the preliminary studies are presented, made with the participation of the author, which are valuable from the point of view of this dissertation.<sup>13</sup> The author makes use of the possibility of making interpretive and analytical statements in addition to presenting the conclusions and research results of already published studies, taking into consideration the original added value of the referred studies.

#### **III.4.1. Influencing factors of the social media presence of SMEs**

According to Fillis (2002: p. 151), for research into SME marketing, it is worth collecting **success stories** from which lessons can be learned. Therefore, during the preliminary studies related to this dissertation, the online marketing communication of SMEs capable of applying the digital manifestations of SME marketing successfully was examined.

Broadening communication opportunities result in **social media** extending the marketing communication possibilities of the enterprises. By means of the democratisation of information, not only do enterprises talk to their customers, but customers also talk to each other (Parsons, 2011), a phenomenon which makes social media platforms a kind of **hybrid marketing communication mix element**. That is, there is still a possibility of **paid advertising**, but enterprises can also create their **own platforms**, where they can get to know, access, and possibly integrate these acquired platforms into their marketing communication strategy (Corcoran, 2009). Thus, in many cases, social media can replace some functions of officially owned platforms (e.g. an official web page), and enterprises are compelled to accept this tendency (Gáti, Markos-Kujbus, Csordás, 2015: pp. 65–66).

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<sup>13</sup> Republishing has taken place with the written consent of the co-authors.

A Facebook community is capable of providing an enterprise with a wide range of opportunities: it has the possibility of listening and talking to its customers, getting them committed, and encouraging them to co-operate in the development of products and services. Thus, even though the spread of information cannot be controlled by the enterprises, they can follow and shape it. According to Parent, Plangger, Bal (2011), the enterprise is capable of replacing the customer participation, i.e., activity, with the help of the right content. These characteristics make it possible for flexibly adaptive SMEs, often working with limited resources, to establish a proper relationship with their customers, and deepen it with the help of a correctly managed social media strategy, thereby opening up the opportunity to compete with larger enterprises.

Within the framework of an exploratory, **qualitative content analysis**, Gáti and Csordás (2014) analysed the official Facebook page of 20 SMEs according to the digital content uploaded to the social network. The research can be interpreted as **netnography**,<sup>14</sup> too (Kozinets, 2006). A sectoral narrowing was performed, where the Facebook pages of restaurants were studied. With the help of 1281 analysed posts, including 3559 fan comments, they examined how much the SMEs using social media can take advantage of it for their marketing communication, and how they can integrate it into their marketing strategy. Enterprises – even though to a limited extent – are capable of encouraging motivated users to create various digital content preferred by these enterprises but to achieve this, it is necessary for them to use marketing tools consciously. These enterprises often face the *long tail*<sup>15</sup> phenomenon of advertising, namely that they must search for more creative and more cost-effective solutions to reach their target markets. There are high entry barriers to mass markets, and to overcome these barriers, they have a more limited supply of resources than larger enterprises. **Higher flexibility and innovative marketing communications skills** can make it possible for these enterprises to achieve good performance in their markets.

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<sup>14</sup> Netnography: a qualitative research method adapting ethnographic research techniques to the study of the culture of online communities (Dörnyei and Mitev, 2010: p. 55).

<sup>15</sup> The meaning of the expression ‘long tail’ is that, thanks to digital technologies, small firms are also capable of making use of their advantage deriving from the search and exploitation of their niche markets, because they have many opportunities to reach their target markets in a cost-effective way (e.g. targeted online marketing communication, taking advantage of e-commerce sales channels). In this way, many SMEs can remain competitive against large enterprises at certain markets (Anderson, 2006).



As a result of the specific characteristics of SME marketing (intuitive, unstructured, informal, reactive), and the high dependence on the company leader, social media is an excellent terrain for examination. The **SME leaders' personal contact network** can also be an efficient tool in using social media, since the comprehension of the complexity of connections can lead to a significant improvement in marketing communications as each SME can create its own personal brand on a digital social platform. Based on the research results, it can be seen that the SMEs in the sample are capable of taking advantage of their innovative nature, despite their limited resources. Besides, based on further conclusions, **the marketing activity of SMEs – taking advantage of the opportunities offered by the social media – greatly depends on the personal characteristics of the SME leader (risk-taking, innovative nature, etc.)**, where social media can be present as a complementary information source besides the normally existing low market power and capitalisation. This non-conventional information surplus can substitute for classic marketing activities like marketing research while involving its users, often in a sufficiently cost-effective way.

Gáti, Markos-Kujbus, Csordás (2015), and Markos-Kujbus et al. (2015) analysed these considerations within the framework of a **qualitative content analysis**, based on 151 customer narratives. A parallel between the conclusions in the examined cases and the results of Gáti and Csordás (2014) can be obtained: namely the extended marketing communications opportunities of SMEs in social media. However, the studies highlight that **the right positioning is essential** during the activities of these SMEs, i.e., the extended marketing-mix elements transmitted by means of their services can only reach the target group if sufficient time, energy, and human resources are available for the marketing communications applied in social media (He, Wang, Zha, 2014).

## References:

1. Gáti M., Csordás T. (2014): The New (Marketing) Role of Firms as Media Content Providers: The case of SME's Strategic Social Media Presence. Budapest Management Review / Vezetéstudomány 45 (2), pp. 22-32.
2. Gáti M., Markos-Kujbus É., Csordás T. (2015): „Lájk első látásra” – Mi inspirálja a márkák kedvelését az online térben, kis vendéglátóhelyek esetében? [”Like at first sight” – What inspires consumers to like pages of small catering establishments in social media?] Az Egyesület a Marketing Oktatásért és Kutatásért XXI. Országos Konferenciája, 2015. augusztus 27-28., Budapest.
3. Markos-Kujbus É., Kiss T., Gáti M., Csordás T. (2015): „Lájkolom őket, de ennék is náluk?” – Aktivitásra buzdító kis- és középvállalati közösségimédia-tevékenységek fogyasztói fogadtatása magyarországi vendéglátóhelyek példáján keresztül [“I like them, but would I eat at their place?” – Special contents and their consumer reactions in the case of Hungarian catering establishments]. Az Egyesület a Marketing Oktatásért és Kutatásért XXI. Országos Konferenciája, 2015. augusztus 27-28., Budapest.

### **III.4.2. Scope of the marketing activity of SMEs**

In the study by Gáti (2014), the main question was the following: What theoretical and practical approaches were created in the scientific community, regarding the interpretation of marketing activity, and to what extent do these approaches apply to the Hungarian SME sample? The aim of this research is to give a possibility of interpreting SME marketing in addition to the characterisation of SMEs, and to help the scientific community to see the characteristics and significance of the marketing of small firms more clearly. The research studies the following research questions (hereinafter referred to as RQX, where X=1,2, [...] n):

**RQ1: How do SMEs interpret marketing activity (What do they mean by *marketing*)?**

**RQ2: What significance do SMEs usually attribute to marketing activity?**

The research was carried out with an exploratory nature. The primary research was done with the help of content analysis and case stories written on the basis of company interviews. The content analysis contains 122 cases. The enterprises were not narrowed by market (end customer [business-to-consumer; B2C] or inter-organisational [business-to-business; B2B]) or industry sector, since primarily it was interesting to see how marketing is generally interpreted in an SME environment, and what significance is attributed to it. The 122 cases received were analysed with the help of qualitative content analysis. The results were used to clarify the research questions, and thus to finalize this dissertation.

During the analysis of the case studies, several results were obtained, which provided interesting information about the marketing activity of SMEs. The initial questions were intended to reveal conceptual associations and thoughts regarding the interpretation of marketing activity.

The smaller the size of the studied SME, the more typical that marketing is interpreted as marketing communications, or some of its tools (e.g. advertising, coupons, and online marketing communications [e.g. creation and maintenance of web pages]). Some companies think that the right combination of the knowledge of marketing-mix tools is necessary for the successful market operation, but not many of them acknowledge that it is the synergistic combination of these elements that can

lead to success. The interviewees consider the significance of product policy to be top priority almost without exception, while marketing communications, and especially – as these firms call it – *advertising* are important but often a sort of *necessary evil* for the enterprise.

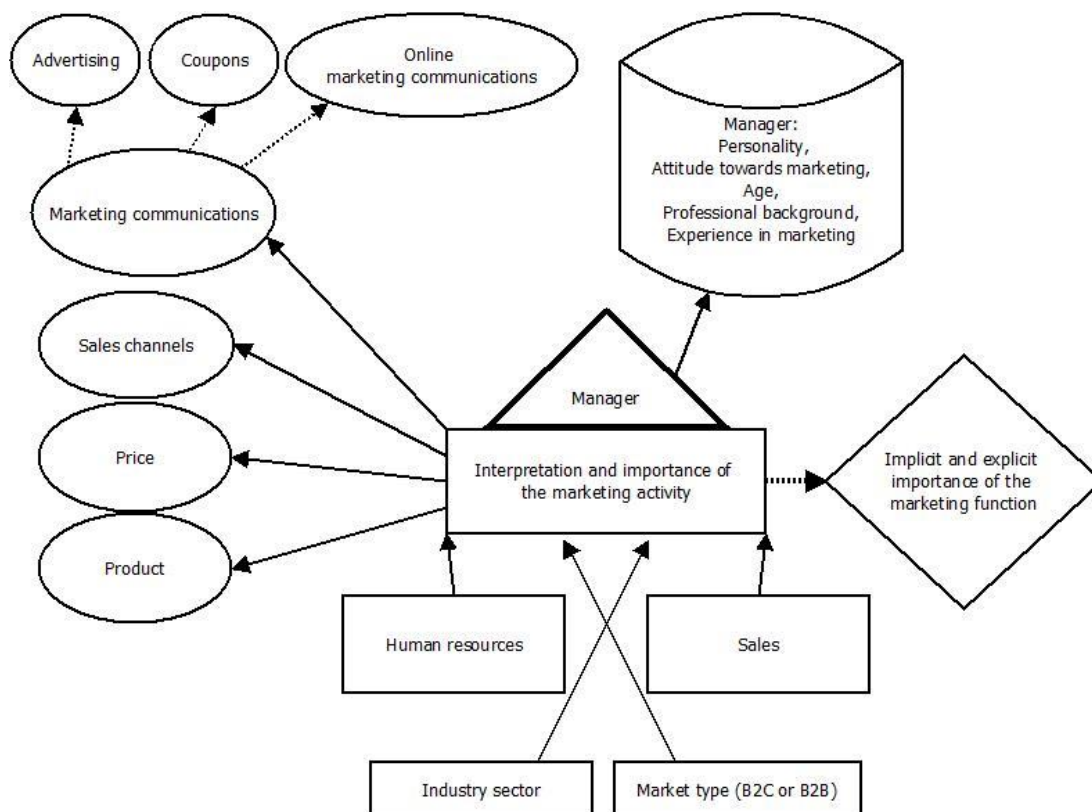
Since the majority of SMEs interpret marketing in their own way, the orientation of firms that blur the different corporate functions like the treatment of human resources, sales, and marketing is not negligible either. They primarily think that the reason behind this is the limited resources described in the literature review, whose existence has a serious influence on the marketing perception, too. If there are no resources for the maintenance of a marketing department – because there is not enough capital or enough employees, or possibly the market does not make it necessary, or it is not relevant due to the characteristics of the sector – firms must figure out solutions that conform to the customers, and the specific market conditions. In most cases, the issue of the interpretation of marketing is concentrated in the hands of the company leader. Consequently, it can be said that a **strong impact of the manager in connection with the interpretation of SME marketing** as it was the case with the results of the sources presented in the literature review.

Company leaders set the direction of how the marketing function should be prioritised within the organisational structure. It also depends on the leader whether marketing activity is called marketing at all. Many cases refer to the **leader's background knowledge** and **preparedness**, which already predestines whether or not they should recruit marketing specialists to the firm. If the leader does not deem it necessary, the required steps will not be taken in this direction. In addition, the attitude towards marketing also largely depends on the leader's personality. Other influencing factors can be the leader's **character, age, professional background, and marketing experience**.

Besides, the importance of marketing activity strongly depends on the industry sector in which the given SME operates. The marketing activity is completely different in an agro-industrial firm, or in an innovative enterprise providing IT solutions that operate in an inter-organisational (B2B) market, than in a service-providing enterprise operating in an end-customer market (B2C), for example in the catering

industry. The dissolution of this diversity is carried out by the belief that some of the dimensions of marketing appear to play an important role in the operation of the given SME in all analysed cases. In several cases, enterprises emphasised in the case studies that regardless of the markets they serve and the sector they operate in, they cannot dispense with the performance of marketing activity, since without it they would not be capable of offering their products or services at the market, and selling them at special prices and through special sales channels. SMEs cannot ignore the task of acquainting their supply with the market, whether it is a classic marketing communication towards end customers, or specific solutions of inter-organisational markets. As a consequence of this, **the implicit acknowledgement of the importance of the marketing function took place in most cases, even if it is indisputable that the existence of the resistance against the managerial scepticism and marketing communications was explicitly mentioned in the previous subsection.**

**Figure 9. Lessons from analysis of the case studies**



Source: own compilation

Figure 9. Conclusions drawn from the case studies, and summary of the characteristics of the respondents' approaches.

In summary, respondents rarely interpreted marketing with a marketing strategy approach, and **they often considered certain elements of the marketing-mix to be the marketing activity (RQ1)**. In many cases, the leader's personality strongly influenced the marketing approach. **The interpretation and definition of SME marketing in the case of the given SME therefore largely depend on the leader's personality, attitude, and marketing knowledge, too (RQ1, RQ2)**. **The importance of the marketing function greatly depends on the type of the examined market (B2B, B2C), and the sector in which the SME operates (RQ2)**. Overall, in light of the analysis, it can be concluded that the range of interpretation of the marketing activity in the case of SMEs does not differ so much from the statements in the secondary review.

The conclusions of this research include that the marketing activity basically identifies itself with the marketing-mix tools in a practical sense. The Hungarian SME marketing literature entered scientific public consciousness with the works of Rekettye (2007; 2012), and Vecsenyi (2011). Within the framework of empirical, large-sample studies, the Competitiveness Research Centre has worked with SME marketing. Theoretical models discussing the correlations of SME marketing have yet to be modelled within the relevant, published Hungarian discipline.

#### **Reference:**

Gáti M. (2014): A kis- és középvállalati marketing értelmezési tartománya – hogyan azonosítják és jellemzik marketingtevékenységüket a hazai kis- és középvállalatok? [The scope of small and medium-sized enterprise marketing – how do small and medium-sized enterprises identify and characterize themselves?] A Magyar Marketing Szövetség Marketing Oktatók Klubja 20. országos konferenciája, 2014. augusztus 27-29., Szeged.

### ***III.5. Research: Factors influencing the marketing of SMEs***

In light of the preliminary studies, and on the basis of the relevant considerations of the literature, the research questions were analysed in the empirical phase, with the help of qualitative and quantitative methodologies. First, in-depth interview data were analysed in an exploratory nature. Then the results of the quantitative questionnaire were analysed to find answers to the main research questions.

#### **III.5.1. Qualitative phase**

The research questions were analysed using qualitative methodology. For this **key informant interviews** were conducted. From the point of view of this dissertation, **personal presence** was important during the interviews due to the nature of the research problem, where the interviewer could provide help for respondents to interpret the more difficult questions. In addition, when using this methodology, it is very important that the researcher should act as the interviewer at the same time. Rich content deriving from personal presence – gestures, facial expressions, body posture, looks, and signs of non-verbal communication – cannot be replaced with telephone or other remote conversations (e.g. Skype). During the in-depth interviews, respondents' **perceived anonymity was assured**, i.e., the data obtained from the in-depth interview would not identify any of the SMEs. Furthermore, the data was treated as confidential (Gyulavári et al., 2014; see business invitation letter, Annex 5).

#### **Sampling in the qualitative phase**

During the qualitative study, all Hungarian SMEs were considered to be **population** that could apply online marketing tools for their operation. The study of each enterprise of this population would require a much higher capacity than that available in a doctoral dissertation. Therefore, an **observation unit** was any enterprise that was selected. During the empirical research process, the necessary information was provided by company leaders (owners, managing directors, store managers, etc.), and marketing specialists (**unit of account**).

For qualitative methodology, in order to examine the management elements more profoundly, the factors of the application of the online SME marketing were analysed, using **semi-structured key informant interviews** from the point of view of company leaders, and marketing specialists. There was no justification for random sampling, since during the research firms that could apply online marketing tools were sought, therefore **non-random sampling** was used (Gyulavári *et al.*, 2014: pp. 216-217). Within this category, **snowball sampling**<sup>16</sup> was selected, because in this case the group examined was hard to define (it is difficult to find a database containing firms that apply or wish to apply online SME marketing). The snowball sampling is successfully applicable for the research topic in general (e.g. Hinson and Mahmoud, 2011). With the snowball method, interview subjects are found by means of recommendations, in order to get to know the various attitudes and beliefs from which the comprehension of the problem can be better outlined (Malhotra, 2005: p. 410; Truong and McColl, 2010). The possible – but consciously handled – limitations of this methodology include that during the snowball method (i.e., the sampling based on recommendations) the sample subjects are somehow connected to each other, therefore there is a greater chance for *similarities*. Consequently the data can be systematically distorted towards one single behavioural pattern. During the conduction of the in-depth interviews, this situation was handled, and attempts were made not to view the similar phenomena as a Pygmalion effect.<sup>17</sup> The saturation of the sample size in this case – according to the works of Guest, Bunce, Johnson (2006) – occurred after 15 enterprises. By Mason (2010), together with Wilson and Coakes (2014: p. 150), it was established that an acceptable number had been defined as regards the sample size, from the point of view of both the thematic and the theoretical saturation. Therefore, the final sample size in the qualitative phase was **15 SMEs**.

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<sup>16</sup> Snowball sampling: data collection from several company leaders belonging to the target population, after which they are asked to give the contact data of their other acquaintances belonging to the same population (Babbie, 2003: p. 206).

<sup>17</sup> Pygmalion effect: a self-fulfilling prophecy, where expectations are developed as a consequence of distorted perceptions that become real events and activities, in accordance with the imagined information (Rosenthal, 1973).

In order to ensure the perceived anonymity, the interviewees' names and contact data were not revealed, nor the name and seat of the enterprises. Due to anonymity, the interviewees are referred to by their unique identifier (ISX, where IS=interview subject; X=1,2,3, etc.). The duration of the interviews ranged from 30 to 90 minutes, with one interview lasting an average of 48 minutes. Each sample subject worked either as a company leader or as a marketing manager in the given SME. The sample subjects were SMEs by company size, and a mix of end-consumer and the inter-organisational market representatives by market type. Since the actors of the two market types may have had different behaviour patterns – as described in the literature review – and market type may also have affected the nature of the marketing activity of an SME, it was important that both market types should appear in the sample. The detailed composition of the sample is shown in Table 26.

### **Data preparation in the qualitative phase**

The literal extract of the interview texts became available after being cleaned and formatted. The 164-page<sup>18</sup> research corpus formed the basis of the qualitative phase after data cleansing. The interviews were conducted according to the interview outline in Annex 6. During the process, the characteristics of the semi-structured in-depth interviews and the dynamics of the dialogues were taken into account, i.e., the questions did not follow each other in strict order during the interviews.

The analysis of the data was carried out with a **coding** technique, where the codes were related to the SME marketing presented in the literature review, and its influencing factors, the marketing performance, and the performance interpreted at the corporate level, too. By analysing the research questions, the aim was to get closer to the interpretation of the research problem using an exploratory nature, and to make the research questions of the quantitative research phase easier to interpret, allowing it to be analysed at a deeper level (see methodological triangulation, Subsection III.3.2., pp. 106-107). During the creation of the codes the concepts defined in the literature were brought to the fore, but during the research process, the code generation had a kind of iterative nature, i.e., new codes were also generated during the data analysis (the initial code system is shown in Figure 10.).

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<sup>18</sup> Format: 2.5 cm margins, Times New Roman typeface, font size 12, 1.5 spacing, justified, 610 000 characters



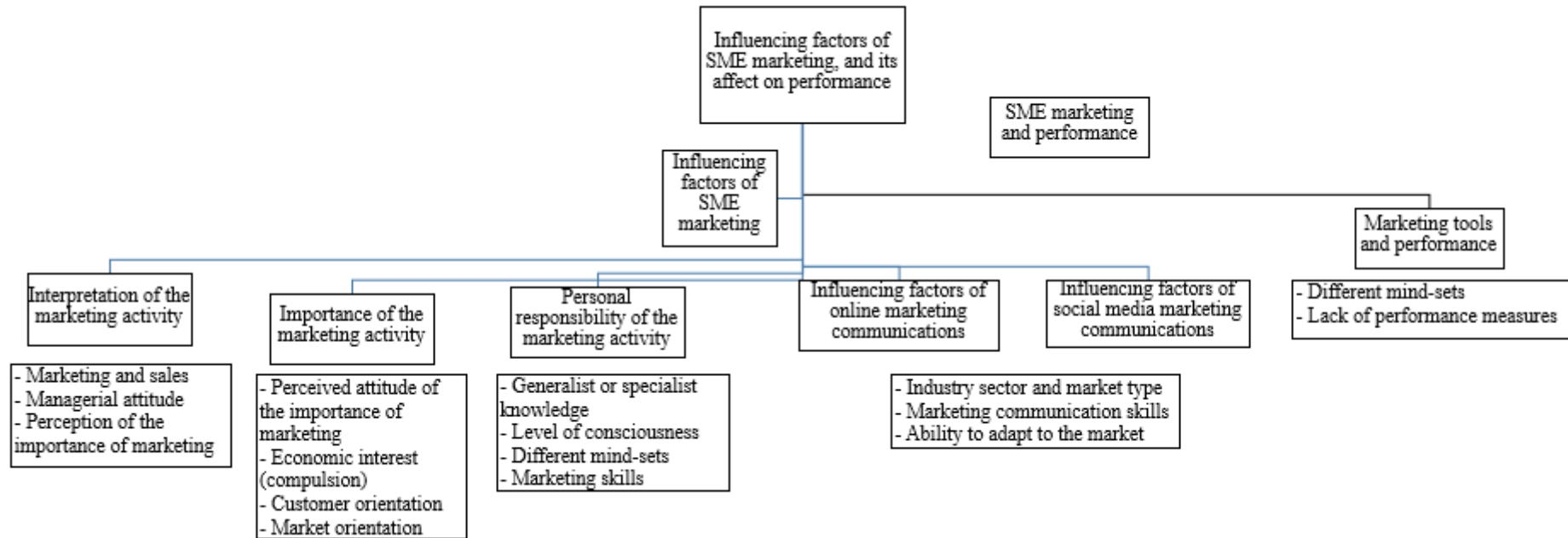
**Table 26. Sample characteristics of the qualitative in-depth interview research**

Interview subjects' identifier	Date	Location (settlement)	Duration (minutes)	Interviewee's title	Size category of the SME	Type of the market the SME serves (in order of importance)	Industry sector of the SME (according to TEÁOR'08 <sup>19</sup> )
IS1	22 February 2013	Budapest	75	Managing director	Medium-sized enterprise	Inter-organisational	Manufacturing
IS2	2 December 2014	Budapest	51	Marketing consultant	Small enterprise	End consumer/Inter-organisational	Other services
IS3	26 February 2015	Gödöllő	50	Managing director	Small enterprise	End consumer /Inter-organisational	Accommodation and food service
IS4	31 March 2015	Budapest	32	Marketing consultant	Small enterprise	End consumer /Inter-organisational	Other services
IS5	1 April 2015	Budapest	31	Managing director	Small enterprise	Inter-organisational	IT
IS6	2 April 2015	Budapest	37	Digital and client service director	Medium-sized enterprise	Inter-organisational	IT
IS7	2 April 2015	Budapest	54	Marketing consultant	Small enterprise	End consumer /Inter-organisational	Other services
IS8	30 April 2015	Budapest	62	Marketing manager	Medium-sized enterprise	Inter-organisational	IT
IS9	15 June 2015	Budapest	50	Managing director, Creative director	Medium-sized enterprise	Inter-organisational/End consumer	IT
IS10	15 June 2015	Budapest	52	Managing director	Medium-sized enterprise	Inter-organisational/End consumer	IT
IS11	19 June 2015	Balatonfüzfő, Füzfőgyártelep	55	Managing director	Small enterprise	Inter-organisational/End consumer	Trade and car repair
IS12	20 June 2015	Budapest	30	Marketing manager	Small enterprise	Inter-organisational/End consumer	Trade and car repair
IS13	22 June 2015	Budapest	45	Managing director	Small enterprise	End consumer /Inter-organisational	Other services
IS14	27 June 2015	Budapest	64	Marketing consultant	Small enterprise	End consumer /Inter-organisational	Other services
IS15	28 June 2015	Budapest	40	Managing director	Small enterprise	End consumer /Inter-organisational	Accommodation and food service
							N=15 interview subjects

<sup>19</sup> See TEÁOR'08 (NACE equivalent in Hungarian) Methodological Guide (KSH [CSO], 2015d) for details.

Source: own compilation

**Figure 10. Initial codes of the qualitative in-depth interview analysis**



Source: own compilation

## Qualitative data analysis

The research questions will first be examined with the help of qualitative data analysis. This research phase has a twofold aim in accordance with the parameters of the triangulation, based on mixed-method research methodology. On one hand, it was important to specify the research questions as precisely as possible. The exploratory in-depth interviews on one hand help to clarify the research questions established based on the literature review, and to adapt them to the research problem. On the other hand, it is also intended to employ the results of the qualitative in-depth interview analysis for the interpretation of the results of the quantitative survey to be presented in the next phase.

## Interpretation of the marketing activity

Marketing appears in various aspects of interpretation in the life of SMEs included in the research. (Table 27). The majority of scientific definitions (Annex 1) provide assistance in interpreting the notion of marketing activity, still, light remains to be shed on the particularities related to the SME context (intuitive, spontaneous, less conscious, and largely depends on the leader's attitude and the perception of the importance of marketing), which were regularly mentioned by the interviewees. Confirming prior conclusions (Gáti, 2014; Hill, 2001a; 2001b), it seems that the interpretation of **marketing** activity on the level of SMEs is in certain cases associated to the **sales** activity. This pattern is in line with the related literature that essentially state that in the case of SMEs a marketing activity in the broad sense is tendentiously invisible or has not taken shape yet – due to these businesses' size constraints –, even though there always is a product or service which has to be taken to the target group, and for this sales is indispensable, thus its role is not negligible either.

*In the SME sector these two things are intertwined and even many medium-sized enterprise leaders do not have proper information on what the difference is between sales and marketing. (IS2)*

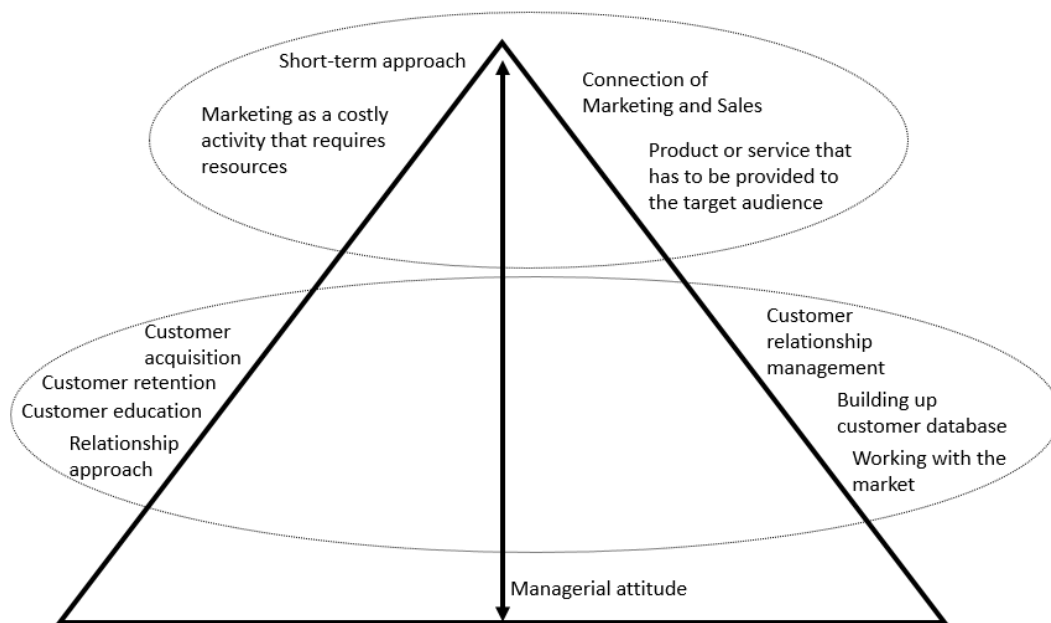
In a broader sense, based on the opinions of the interviewees, marketing can be equal to the process of **customer acquisition**, where the acquisition of new, potential customers, the **retention** of existing ones and in certain cases the customer education are also included.

Of course, besides the basic meaning of marketing, several additional factors are mentioned which are related to the fundamental existential conditions of marketing in a broader sense.

*Unfortunately [...] we lose customers, whose replacement is of key importance and marketing plays a great importance in this. (IS7)*

Such factor is the issue of **leaders' attitude**, which, based on the opinions of the interviewees, may have a strong influence on the nature of the marketing activity. In the interpretation, if marketing is considered to be an important element in the life of an SME, the given firm will presumably apply the various marketing-related tools and activities in a different way. Linked to this is a managerial SME approach, which is ideally sufficiently far-sighted (long-term) to produce results and according to which marketing is not just an expensive “burden” requiring large capacities, but it can be a substantial condition for the basic operation of the SME. This is interpreted as **the perception of marketing importance** which shall be explained in the next section on the importance of marketing. The importance of marketing is explained in detail in Figure 11. The more narrow and broad interpretations of the concept the interviewees provide during their own phrasing, the broader the area of the interpretive figure will be, which area thus is greatly influenced by the leader's attitude.

**Figure 11. Interpretation of the marketing activity by SMEs (N=15)**



Source: own compilation

**Table 27. Interpretation of the marketing activity**

	<b>Innovation, product development</b>
1	<i>If we are talking about marketing, it is obvious that it is very closely linked to product development and innovation and I do not know if we can treat them separately. This is the basis of it by all means. (IS3)</i>
	<b>Image-value</b>
2	<i>Everything which takes our reputation to the market. (IS7)</i>
	<b>Leaders' attitude-issue</b>
3	<i>Creeped out customers say: [...] I have no money, I don't know exactly what I'd like to do and I'm convinced that you want to trick me while it was the one to come to you. Consequently, this is a problematic attitude which can come forward already in the beginning. (IS10)</i>
	<b>Customer acquisition and retention</b>
4	<i>We view marketing as something which deals with the market. (IS11)</i>
5	<i>Unfortunately [...] we lose customers, whose replacement is of key importance and marketing plays a great importance in this. (IS7)</i>
6	<i>Roughly speaking, marketing to me is something which brings the guest, let's say, here to my door. On one hand. (IS13)</i>
7	<i>On one hand marketing is for the new guests we acquire and on the other hand it is for our existing guests. And obviously these are two different things in terms of communication and strategy. (IS3)</i>
	<b>Customer development (education)</b>
8	<i>We continuously try to educate our existing customer connections and [...] network. (IS7)</i>
	<b>Customer database</b>
9	<i>The biggest value you will ever be able to produce in your firm is your customer database. (IS4)</i>
10	<i>We build database and this is usually a newsletter-type, i.e. a web-based database with the result that we can send weekly, monthly, daily or any newsletters to the customers. (IS14)</i>
	<b>Interconnection of marketing and sales</b>
11	<i>In the SME sector these two things are intertwined and even many medium-sized enterprise leaders do not have proper information on what the difference is between sales and marketing. (IS2)</i>
12	<i>[...] if a small firm finds out a good service or a good product, one or two operating persons will sell it who try to perform some kind of marketing, but actually initially this activity is rather pushed into the background besides production. We had to invent this product, we had to produce it, and it had to be created physically, just like in the case of a service, because there are also physically definable things, even in the case of an info product, because there is also a computer and all the programs which you develop. This is what I call production. And when we sell the product, then it is something different, from then on it is called marketing. Initially, in our case it was only a sale as well. (IS12)</i>
13	<i>We have a department which deals with matters between marketing and sales, it is a kind of telemarketing department which qualifies all the leads<sup>20</sup> so there is no lead without calling up the client. More precisely, there is, but we do not hand over a lead to the sales before the client has been called by the marketing. Somebody calls him and there are qualification questions. (IS8)</i>
14	<i>Marketing ends when we have our enquirer. We also add to this that we do not only have the name and the e-mail address of the enquirer but usually there is also a placement test and this is where marketing ends in our firm, everything afterwards is called sales. (IS6)</i>
15	<i>I would like to automate this sales process too, because I have one consultation day per week when I hold five consultations on Skype consecutively. To us this is the aim after marketing, I sell here. (IS15)</i>
16	<i>In most cases marketing is used for direct sales. (IS4)</i>
17	<i>As I see it, marketing and sales are often mixed in people's minds. (IS3)</i>
	<b>Short-term SME approach</b>
18	<i>They see a chance to invest in marketing only in the very-very short term, but they are only willing to invest if the results are tangible and can be seen immediately. (IS4)</i>
	<b>Marketing as a costly and resource-intensive activity</b>
19	<i>[...] the market-related work which is anyway expensive and much, therefore marketing is expensive and much. (IS12)</i>

Source: own compilation

<sup>20</sup> Lead or sales opportunity: indirect sales level (e.g.: request for quotation, product sample, product recall). Lead generation: when an enterprise would like to create as many such opportunities as possible. (Marketo, 2015)

## The importance of the marketing activity

The mention of **marketing as a forced activity** by the interviewees is interesting, because the recognition of the “need” or interest (that is, when managers become aware of the lack of a marketing activity at their firm) can also lead to the more intensive use of marketing tools just like any innovation skill or market adaptation ability. In detail, this dimension means that it is not the higher profit, the greater marketing or corporate performance which determine the intensity of the marketing activity in an SME, but instead a well-understood economic interest or necessity. The question is when this activity of necessity becomes a competitive advantage and shifts to a higher level in the life of an enterprise.

*The reason why I deal with marketing is not because it is my hobby. It is simply our well-understood interest. Economic interest is something which is either recognised or not. If it is recognised, the firm will move in the right direction, in terms of marketing, product development, technology development, warehousing, or any other aspect, but if the economic interest is not recognised well – which may happen in some cases – the company will be at a standstill or will move in the wrong direction. (IS11)*

**Marketing activity** is mentioned in the in-depth interviews as an element of **major importance**, which was mentioned at several occasions to play a role in the creation of good image and reputation of the SME transmitted towards the market (Table 28). Mentioning the other basic activities (management, finance, human resources, product policy) together with marketing is an attitude we cannot ignore, because it explicitly – not in a latent form, not from a few uttered words but clearly and understandably – indicates that marketing can be at the same level as the other basic corporate functions (see Table 28/ 6). What is more, in certain cases it plays a key role and has special functions as compared to the other basic activities (Figure 12). If so, a kind of tendency can be observed, namely that the given enterprise seems to be more likely to use marketing tools than the marketing-sceptical enterprises.

*[...] if I have to mention the basic pillars of the company these are the product, marketing, finance, management and HR. Roughly speaking, we need to stand on these five stable legs, and if any of them breaks off, the company will be tilting. (IS3)*

It is worth mentioning the role of the different **marketing trainings** which can show what value marketing has for an SME. Marketing training appears in two dimensions: on one hand, marketing skills can be a must for the performance of the marketing function (recruitment selection criteria), and on the other hand, the recognition and explicit need for vocational training of the person responsible for the

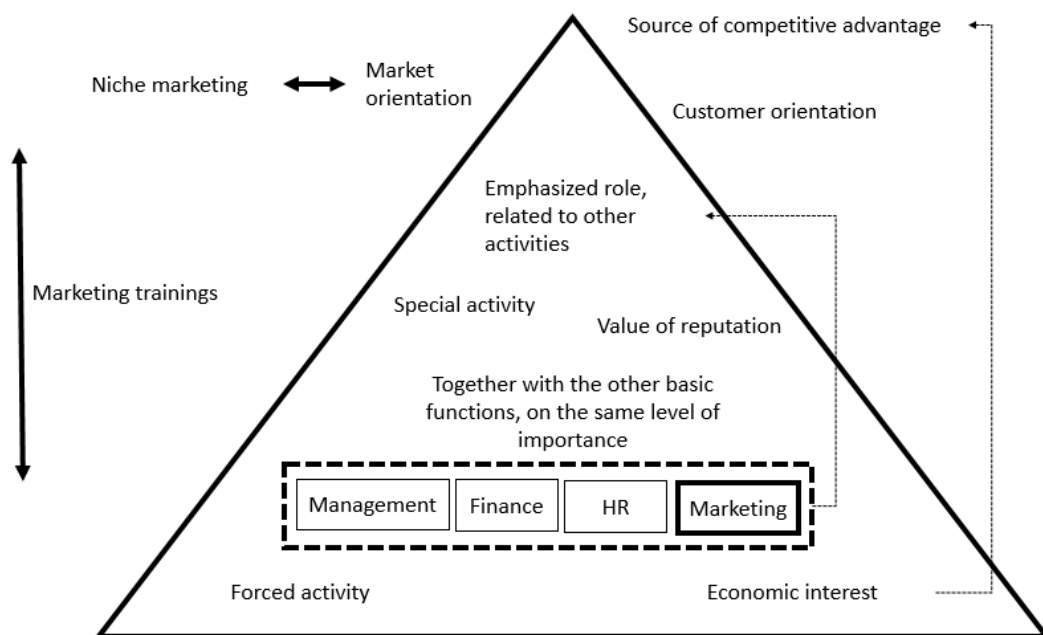
firm's marketing functions can equally help during the recognition of the importance of marketing.

Based on the interviews, **market sensitivity** or **customer focus** can be interpreted as another influencing element, which is also a recognition which can make the transition from the production-oriented organisations focusing only on their own internal return to the customer-oriented organisations which focus on the market they primarily strive to serve. The recognition of the importance of the marketing function may be associated with the recognition of the conditions of the market-oriented operation by the organisation (see Table 28/1.).

*It was pretty hard to get my production manager to accept that he should ignore that he thinks it is good. It is not about his opinion that it is good, it is about the customers' opinion that the product is good. (IS12)*

In the case of SMEs, where targeting a niche market is of primary importance because of the burdens and characteristics mentioned in the literature review, a market-oriented behaviour can also be realized in a more concentrated way (Figure 12). The higher level dimensions – like market orientation or customer focus – appeared much more in an implicit way rather than consciously during the interviews. In many cases the interviewees almost “realized” the interconnection of the market-oriented behaviour and the marketing function, which became clear later, during the analysis phase.

**Figure 12. The importance of the marketing activity by SMEs (N=15)**



Source: own compilation

**Table 28. The importance of marketing activity**

	<b>Customer orientation</b>
1	<i>One of the aspects is that we deal a lot with the works we somehow perform, but there is another one which I consider to be very important as well, namely that an approach [...] should be developed in the firm that we make our living from our customers. (IS11)</i>
2	<i>It was pretty hard to get my production manager to accept that he should ignore that he thinks it is good. It is not about his opinion that it is good, it is about the customers' opinion that the product is good. (IS12)</i>
	<b>Key role</b>
3	<i>It has a key role in our mind-set (IS7)</i>
	<b>Special activity</b>
4	<i>20% of our activity is "have fun" which takes the firm forward [...] In our enterprise marketing activity is "have fun" which is included in this 20%. (IS7)</i>
	<b>Has reputational value</b>
5	<i>It is easier for him to accept that they bought the A4 copy paper from an inappropriate supplier, after which he scolds the buyer a little, than to feel ashamed of his own leaflets or because he does not like the logo on his business card. And that is why this is a field of which many company leaders think that it is not important for him until he realises how much it is. (IS10)</i>
	<b>Mentioned together with the other core activities</b>
6	<i>[...] if I have to mention the basic pillars of the company these are the product, marketing, finance, management and HR. Roughly speaking, we need to stand on these five stable legs, and if any of them breaks off, the company will be tilting. (IS3)</i>
	<b>Economic interest (compulsion)</b>
7	<i>The reason why I deal with marketing is not because it is my hobby. It is simply our well-understood interest. Economic interest is something which is either recognised or not. If it is recognised, the firm will move in the right direction, in terms of marketing, product development, technology development, warehousing, or any other aspect, but if the economic interest is not recognised well – which may happen in some cases – the company will be at a standstill or will move in the wrong direction. (IS11)</i>
	<b>Importance of marketing trainings</b>
8	<i>They read things, buy e-books or go to trainings. As I see it, at least 20% of them train themselves quite seriously. Formerly many of them bought marketing training packages. (IS6)</i>
	<b>Niche marketing</b>
9	<i>That is why we are focusing on and dealing with one certain market segment but at the same time this also means a burden to our firm. It means protection, but also a burden, because when we quit this, we become weak. (IS1)</i>

Source: own compilation

### Personal responsibility of the marketing activity

The patterns seen in the field of SME marketing can also be found in the qualitative results. The **lack of consciousness** can be seen from the interviews which can affect marketing as a whole and this approach may occur in many cases among the SMEs of the sample.

*Small and medium-sized enterprises believe that if they have, say, ten subscribers they will have ten customers. (IS6)*

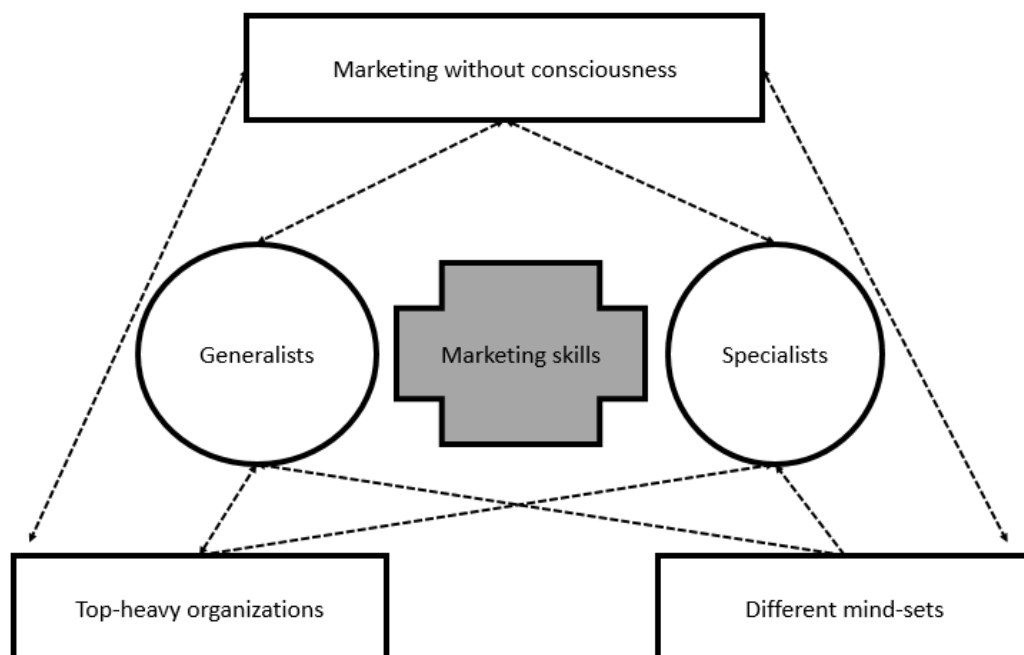
Another such potential burden is the **strong influence of the SME leader** (Table 29; Figure 13). In small firms, the managing director or the owner either cannot afford to employ a marketing specialist employee, or if they can – over a certain size –, the transfer and sharing of responsibility can be difficult. The strong influence of the SME leader during the interviews was shown in situations like the hindering of the employment of a marketing specialist employee, or the belittlement or marginalization of the whole profession.



Since marketing activity is an important function either at an implicit or an explicit level, but the recognition of marketing as a discipline can be problematic, therefore, i.e. because of the **different mind-sets** the co-operation between the SME and the colleague responsible for marketing (or marketing agency) cannot be realised. Of course, this raises the problem that SMEs ideally know their actual business, but the marketing profession does not belong to these fundamental knowledge elements.

In this sense – based on the interviewees’ opinions – **specialist knowledge** meets another profession in which the specialist trusts, so takes risk by entrusting a marketing employee with this declaredly important function, or the specialist does it itself, in many cases with a “top-heavy” control. In this case, specialists have to take responsibility for making more mistakes with the newly acquired **generalist knowledge** than a professional marketing specialist employed as a result of a good selection. In this respect, trainings with a marketing focus, self-educations, materials of “marketing gurus” and other trainings are rather against the choice that SME leaders should collect their marketing profession-specific knowledge for themselves. Based on Figure 13 it can be concluded that in the above mentioned dimensions it is not the dimensions themselves which are interesting from the analytical point of view but the tensions and overlaps between them, as well as the existence of the marketing skills repeatedly emphasized in the literature review which can connect the various thinking patterns and also persons with generalist and specialist knowledge in an SME.

**Figure 13. Personal responsibility of the marketing activity by SMEs (N=15)**



Source: own compilation

**Table 29. Personal responsibility of the marketing activity**

	<b>Marketing without consciousness</b>
1	<i>A very few of them approach marketing consciously, more likely in an autodidact way: now we should really do something, the market is tightening, we are in trouble, let us do something. I employ somebody, who deals with it, he has an annual budget of four million, he has to deal with it, but he will do what I tell him anyway, although I know nothing about it. This approach is rather out there at the market. (IS7)</i>
2	<i>In small firms they either come with a fixed task and then they know exactly what they want, or they come and ask us to help them. (IS10)</i>
3	<i>Small and medium-sized enterprises believe that if they have, say, ten subscribers they will have ten customers. (IS6)</i>
	<b>Generalists or specialists</b>
4	<i>Small firms who obviously cannot afford to employ an expert with a one million forint [3200 EUR] salary, must manage what they have, the company leader either tries to marketing – and I use this word deliberately –, or tries to pat someone on the shoulder saying: this is going to be your job. Both mean suicide. (IS7)</i>
5	<i>There is a marketing specialist here, but the company leader thinks he is a superman. He says: all right then, do the marketing, use Facebook, do the AdWords advertising, manage the web page, oh, and sell the product! But one man is not able to do this. (IS6)</i>
6	<i>They are professionals, and he wants to hold a training, repair shoes or fix a car. The client comes in somehow and then he just juggle there. (IS6)</i>
7	<i>Most small enterprises want to train themselves, which I think is a great dead-end. If everybody dealt with what they are good at, they would achieve better results. He is good at his profession and entrusts a man with it who is able to take responsibility and then he would do it. He can be an employee too. In many places the marketing specialist is an existing employee. (IS4)</i>
8	<i>The marketing specialist can often mislead the company leader in a way that the marketing specialist who is actually not a marketing specialist but rather something similar to it, starts to juggle and do this hocus-pocus, and shows and tells the company leader that none of what he is doing can be measured accurately. (IS14)</i>
	<b>Top-heavy organisations</b>
9	<i>Since small and medium-sized enterprises are often top-heavy and the company leader wants to have a strong influence on the life of the firm, it does not work in a way as in a multinational company where the organisation is managed by directives and strategies. Therefore, there the question for example arises whether the person still feels comfortable with letting an important function to an area where he does not exercise control. And there is the question again, what relationship this man has with marketing. Does he consider it to be a necessity or an advantage or opportunity? (IS2)</i>
10	<i>I am talking about firms with up to 15 employees. Over this size category there will appear persons who can work, say, as marketing directors, but there is no real distance between the positions. The managing director will every time want to be present at an important meeting and will expect to get the reports, which he considers to be a fundamental thing. Oh, and obviously, if a problem occurs he will be the one who always shows up. (IS14)</i>
11	<i>This guy for a long time felt that he was working only if his table was piled high with papers, and he kept an eye on everything. So this was actually his perception, that he controls the organisation if he is asked about everything and he answers everything, and then the organisation will operate well. (IS2)</i>
12	<i>Marketing is in my hands, so I consider it to be an important thing which I do not think I can let out of my hands for now. Obviously, this depends on the given person, so if there will be a suitable person, I would be happy to do that, but I think it is an important thing that I will not really let out of my hands. (IS3)</i>
13	<i>Our marketing specialists should work in accordance with the need that they should have their own new initiatives, new ideas etc. If I did not take care of this, they would remain at the expected level. It all depends on expectations. Managerial expectations. (IS12)</i>
	<b>Different thinking patterns, barrier makers</b>
14	<i>They do not have enough money to invest in this continuously and normally. A very kind, open-minded female colleague (not assistant) accompanied the company leader and from the asked questions it clearly turned out that we cannot make a deal with each other, because their mind-set did not include the concepts which would make it possible for us to understand each other and to make a deal. (IS7)</i>
15	<i>They would really like to acquire the expertise these people have, but they cannot afford or do not want to pay this amount of money, because they think that this professional knowledge he acquired in five or ten years in a firm is a sort of pseudoscience. These people are false, self-deceiving and comfortable. (IS13)</i>
16	<i>In case he does happen to afford to employ a relatively good expert, and this good expert is obliged to go there for a very low salary – which sometimes happens –, he will not let him do his job. And the management is arrogant enough to believe that they are good at everything. [...] And this is what will actually constrain them. (IS15)</i>

Source: own compilation

### Online marketing communication and its success

In certain SMEs – since online marketing communications are said to ensure an excellent opportunity for measurability, efficiency and cost-effectiveness – a kind of openness to online marketing can be observed. Furthermore market pressure also appears which “imposes” the application of recent trends on enterprises. Consequently, there is a kind of **openness** in the sample, but at the same time the already known **resource constraints** (money, time and human resources) can often put an end to the online manifestations of marketing communication, even if it seems that there is an explicit need for these solutions (Table 30).

*They would like to be online very much, they feel that it is really necessary, they can see that they should do it. Consequently, they are totally out of touch with it, just like most of the SMEs. (IS7)*

In these cases, the **sectoral and market type** issues explicitly separate the manifestations of the various SMEs from each other. We can see a kind of duality, which separates manufacturing enterprises from service providers. According to the experiences of the interviews, service provider firms operating at the end-customer markets may demonstrate a rich assortment of online marketing use, but at the same time it can be seen that manufacturing enterprises have completely different needs where a company brochure-like web page may ensure a sufficient function for the enterprise, while a restaurant or a technology-oriented IT SME may already be driven to try innovative online marketing solutions too (Gáti and Csordás, 2014). The interviewees’ answers reflect well on the conclusions of the literature, which emphasize the importance of the role of the sector in the use of online marketing.

As can be seen from the interviews, **mobile marketing** showed up as an interesting element, because it is actually not a marketing communication tool, but a platform, or channel through which – although with certain modifications – it is possible to apply the same display advertising, search engine marketing, e-mail newsletter or other classic online advertising tools, therefore its role may be more and more important with the spread of mobile tools. Users increasingly search for the products or services of a given enterprise from mobile tools. According to the interviewees this recognition encourages many SMEs to try to keep up with global trends – by the above mentioned limited consciousness – and thereby using the set of marketing communication tools of mobile marketing. All these are with the condition that these solutions are often promising, but according to the interviewees in at least the same number of cases they are unaffordable for an SME.

**Table 30. Online marketing communication and its success**

	<b>Openness, but little knowledge, continuing backlog</b>
1	<i>They would like to be online very much, they feel that it is really necessary, they can see that they should do it. Consequently, they are totally out of touch with it, just like most of the SMEs. (IS7)</i>
2	<i>The digital field develops so quickly that we cannot keep track of it, not even the client who – as we estimate – lags about two years behind the most recent Hungarian digital trends. (IS7)</i>
3	<i>It was a constant problem that the client did not understand that this was not a boxed product, and he could not enter the store and buy an AdWords service. (IS2)</i>
4	<i>Here, I am thinking of the classic AdWords SME customer, who comes in and says he wants everything immediately, but has no idea what it is in fact and what it means to spend 100 thousand forints for clicks. What does it mean to buy impressions<sup>21</sup> for this which will become clicks where the CTR matters and how will the clicks be really converted? (IS2)</i>
	<b>Not affordable</b>
5	<i>They would like it very-very much, they want it very-very much, they think that going online is cheap – but it is not, it is not cheap at all. (IS7)</i>
	<b>Indispensable</b>
6	<i>Online marketing cannot be avoided, especially in the SME sector. (IS2)</i>
7	<i>The online tool is also important, because, like I said, sooner or later the lead will get to the electronic channel from all the other channels. Consequently, it is in vain we have a partner or an event from telesales, if somebody is a little serious about it, he will immediately get to the online process. In fact, online is not a channel, it is something that brings all channels together. (IS8)</i>
8	<i>It is worth sending cookies to the customer. Once he has already received a cookie with a letter to his computer, from then on we can monitor what he is doing, our sales specialist colleague can see everything what he downloads [...] from our webpage and what he clicks on. Once he has received a cookie and we can assign a particular e-mail address to this cookie identifier then we already know everything of what he downloads. (IS8)</i>
	<b>Sectoral/market influence</b>
9	<i>The production of doors and windows is a topic just like that, beauty and health is a topic like that, baby products is a topic like that and I could tell you a few more regardless of whether it is a small enterprise it is totally focused on online. You do not have to explain this to them. (IS5)</i>
10	<i>To some extent it is important for production companies, but the possibilities are limited. (IS1)</i>
11	<i>Of course, we can create a nice website for a concrete plant, but that is all. Maybe we can make a form too which you must fill out if you want to send your enquiry. (IS9)</i>
	<b>Relevant and important in IT firms</b>
12	<i>If you are a more technological, geeker start-up company, and you spend your whole weekend browsing on Google, then it is conceivable that you can set a campaign for yourself. (IS5)</i>
	<b>Constantly changing – a matter of credibility</b>
13	<i>A man who comes from the marketing profession or especially from the field of PR or branding, is not used to and does not accept that you change what you do, what you optimize with and together with this a part of the indicators, within one year. Do you understand it? Then it is the category of juggling and then it is a kind of black box. (IS5)</i>
	<b>The spread of mobile marketing</b>
14	<i>Now this mobile has been a big thing – well, not now, we have already been using the mobile page for two years – which is practically set in a way [...] that it detects if it is called from a mobile phone, consequently, it is not a responsive page which automatically adapts it to mobile phone, but it is a web page operating on an independent link, but it basically detects if you search for it from a mobile phone. Anyway, it is interesting to see that now more than half of the visitors are mobile. (IS3)</i>

Source: own compilation

<sup>21</sup> Page impression: an advertisement, which can be for example a loading advertising for the potential customer in search engine marketing. In online marketing it is the number of downloads of a web page, which means the gross rating point of a web page (i.e. how many times the given page appeared on the internet user's screen). Csordás In: Horváth, Nyíró, Csordás (2013): p. 75

## Social media and its success

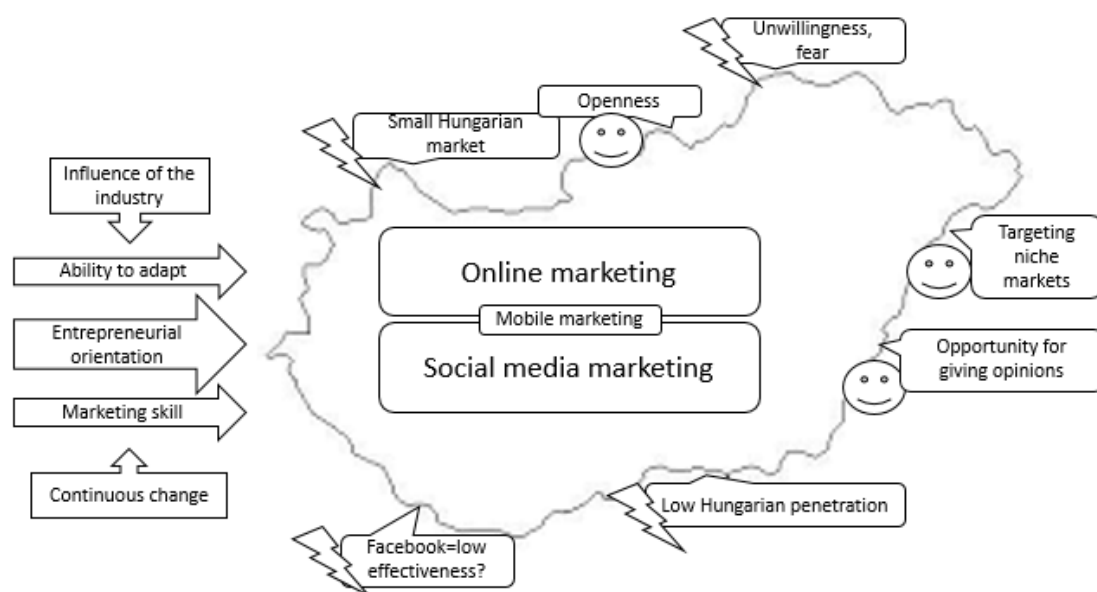
The marketing communication toolset of social media is broad, and countless platforms are available within this toolset for SMEs. In spite of this, especially **in Hungary**, it is the social networking sites, **mainly Facebook** which have spread the most, thus typically this platform and its opportunities are mentioned during the in-depth interviews. Considering Facebook in a marketing communications perspective is a complex issue, and due to the ever-changing advertising conditions it is no wonder that there is no common position among the interviewees about its efficiency. However, the possibility of allowing consumer opinions via social media is already a business opportunity for SMEs that may be in connection with the perspective of establishing customer social networks. Here, of course it is worth mentioning that the direct connection of social media and sales is not always a fortunate objective (Csordás, Markos-Kujbus, Gáti, 2014), therefore, based on the interviewees' opinions other aspects may play a greater role in the application of social media by SMEs (image-building, **improvement of brand image** towards the market, in contrast with the **direct response-type campaigns**). While other tools – micro blogging services (Twitter), blogs, content sharing sites – may occur in certain business niches, they are not widely used nor is their use typical to the country's enterprises. Based on Figure 14 and Table 31, it is interesting that the possible reasons, influencing factors together with the enabling and inhibiting factors of the online and social media marketing use also appear in the interviewees' often implicit conclusions. Skills mainly related to marketing communication, risk-taking entrepreneurial behavioural patterns and market adaptation were all factors mentioned by the respondents and confirmed by the literature. The recognition of the importance of new trends is more and more obvious in SME **niche markets**:

*Online marketing cannot be avoided, especially in the SME sector. (IS2)*

Nevertheless, the limiting factors of the **small Hungarian market** or the **general reluctance and fear** mentioned by the interviewees should be taken into account, which in the absence of entrepreneurship orientation and market adaptation may limit the success of online and social media marketing solutions too.

*They simply get frightened by Facebook not to mention the people's abuse in a forum from '92 on Reddit and they do not understand why it would work. (IS2)*

**Figure 14. Success of the online and social media marketing by SMEs (N=15)**



Source: own compilation

**Table 31. Social media and its success**

	<b>Facebook=Inefficiency?</b>
1	<i>We think that the money spent on Facebook, is a good money thrown after bad. Not in our field, but generally. Unfortunately, in most cases. Not always, but in most cases. We are very sceptical. (IS7)</i>
2	<i>There is an economics concept called the principle of the invested value. Unfortunately, Facebook performs totally poorly. Consequently, if now I should invest one million forints in, say, an AdWords-based lead generating campaign or a Facebook-based earned media solution, Facebook would not even come into play. (IS7)</i>
3	<i>On Facebook, which operates the best or most efficiently in acquiring new customers, we usually run various prize games which provides us with a list of about one thousand people per month. (IS3)</i>
4	<i>From the money we spend on AdWords, we generate a tenfold turnover on Facebook. (IS11)</i>
	<b>Content marketing and the blog</b>
5	<i>Its content marketing part, and its blogging part has proven to be very useful. Its aim was different there, it generated many leads and consequently we would like to keep using it. (IS7)</i>
	<b>Reluctance, fear</b>
6	<i>They simply get frightened by Facebook not to mention the people's abuse in a forum from '92 on Reddit and they do not understand why it would work. (IS2)</i>
	<b>Creation of the possibility of delivering opinion</b>
7	<i>When you take your telephone or computer, open the browser, you expect that you will be able to make your voice heard. Therefore, it is you who can create this possibility by integrating a Facebook page into your communication which can only be that on your web page you insert news feed as a forum below a news, [...] it is important that you should give them the possibility to deliver their opinion. (IS2)</i>
	<b>Independence from sales</b>
8	<i>In the SME sector, due to the already mentioned compulsion to realize profit, sales is an extremely important aspect. You should not expect social media to help you sell anything. We have tried sales campaigns and some of them were successful, but most of them were not and you cannot really sell many things. (IS2)</i>
	<b>Small market, low domestic diffusion</b>
9	<i>Social media consist of Facebook only in Hungary. Because there are a lot of channels which are simply not used here, because we react slowly to foreign trends. (IS2)</i>
	<b>Niche markets and Twitter for SMEs</b>
10	<i>If you want to establish a good communication it is worth creating a clever Twitter channel where you gather only that 20 people who count in your sector. And we are not talking about 100 thousands or millions there, still, it works fine in Hungary. (IS2)</i>

Source: own compilation

## Relationship between marketing tools and marketing performance

The example of the SMEs in the sample shows that there is a connecting in the use of marketing tools and the measurement of marketing performance. However, based on the interviews, small firms often have very limited knowledge about performance measurement because they do not have the necessary conditions which would make them able to create and handle this kind of measurement (see Table 32/2). In many cases, the **lack of joint thinking patterns** with agencies also results in a situation where these firms do not manage to measure performance.

*Performance marketing is about measurability, analysability, analysis of metric results, optimisation – that is what they want. However, they cannot even tell me what I have just listed here, because they have no mind-set. They only want them to say: ok, but how much income will it generate? That is what SMEs call performance marketing. (IS14)*

Agencies speaking the language of marketing measurements do not speak the language of the leaders or marketing specialists of SMEs, since they do not speak the same (professional) language, if they meet at all, because in many cases, due to the burdens mentioned in the literature review they do not even manage to establish contact with each other (see Table 32/1.). Furthermore, it can be seen from the interviews that in order to achieve marketing efficiency there is a sort of “impatience” among SMEs which expect **aims to be met as soon as possible, with an immediate return** (see Table 32/5.). Based on the results of the interviews this characteristic is in connection with the formerly mentioned sales approach.

According to the results, an important aspect during the application of marketing tools is that a long supply chain has emerged through which any enterprise can advertise (online) (see Table 32/6.). Furthermore, based on interviewees’ perception, **at the moment intermediaries have been left out**, a process has started to result in the increasing chances of small actors, who can thus have services cheaper and with the use of fewer actors (see Table 32/6.).

Many SMEs do not necessarily expect a strict set of requirements of the efficiency indices, since the personalisation of the marketing communication can be much more important. Consequently, it is not so relevant to speak about strict marketing performance, since its requirements do not always exist either, and as can be seen from the interviews, **the fair, traceable performance measuring systems are often missing.**

**Table 32. Relationship between the marketing tools and the marketing performance**

	<b>Missing thinking pattern (mind-set)</b>
1	<i>Performance marketing is about measurability, analysability, analysis of metric results, optimisation – that is what they want. However, they cannot even tell me what I have just listed here, because they have no mind-set. They only want them to be worded as: ok, but how much income will it generate? That is what SMEs call performance marketing. (IS14)</i>
2	<i>If we are talking about click-through, conversion, or PPC<sup>22</sup>, what the hell are we actually talking about? For example, twenty employees of a firm dealing with insulation technology came here. They have been doing it really great for years, but they do not know anything about this. (IS8)</i>
3	<i>They need performance marketing very much, but they do not even know what it is; although they know what they want to use it for. (IS7)</i>
	<b>Wrong commercial approach in the SME</b>
4	<i>Did you say during one of the last conversations how much discount you offer from the half of it? (IS7)</i>
	<b>Online marketing and efficiency</b>
5	<i>They strive to focus their activity more on selling their services quickly and efficiently. That is precisely why online marketing works very well in such firms. (IS2)</i>
	<b>Disintermediation in the advertising costs– long tail for SMEs</b>
6	<i>What are advertising costs spent on? There is the client, after the client there is usually a lead agency, below the lead agency there is a performance or a digital agency and beside or below them there is a sales house. [...] the substantive change – and here I refer back to the SME sector – is a very positive, progressive thing, namely that the actors have started to be left out of this chain, because marketing cannot maintain them. (IS2)</i>
	<b>Personalisation or efficiency?</b>
7	<i>In the SME sector, personalisation and the creation of the feeling that they deal with you are much more important than what really there is at the end of the day (...), what he really gets for his money. (IS3)</i>
	<b>Missing performance measuring system</b>
8	<i>Since you are talking about SMEs, there is no system behind them in the firm which would measure the performance objectively, that is why the measurement depends on that particular person. (IS15)</i>
9	<i>Meanwhile they get on a list where we guide them through a process, and they continuously get the different very favourable offers which are hard for them to resist. (IS3)</i>

Source: own compilation

<sup>22</sup> PPC (pay-per-click): an advertisement in online marketing communication where the advertiser pays if the visitor clicks on the advertisement (onlinemarketing.hu).



### III.5.2. Conclusions of the qualitative phase

As a result of the research, based on the answers of the interviewees some recurring patterns have been found, which helped us understand the interpretation of the marketing function in the SME sector. Starting from Gáti's (2014) results, the marketing function in the SME sector is noticeably not a result of conscious preparation and planning. We can rather see in the case of this company size that sales and marketing are closely linked and treated together and the scope of interpretation of marketing is narrowed to the two-fold task of customer acquisition and retention. Examining the definition that delineates the marketing of SMEs<sup>23</sup> inspires the conclusion in the qualitative phase that marketing practise operates under the circumstances of limited resources and strong managerial control, typically satisfying niche market aims. However, it cannot be stated that all the four conditions mentioned in the definition occurs always altogether.

In connection with the **internal factors** it is interesting to note that the leader's role as an influencing factor is mentioned several times during the interpretation of the marketing function, supporting the idea that the perception of the importance of marketing is typically defined by means of the company leader's attitude (RQ3).

When emphasizing the role of marketing, customer focus (customer orientation) appears as an influencing factor (RQ5). The analysis of personal responsibility in the marketing function helps us see the important role of SME leaders in decision-making and in the application of marketing tools. Market adaptation (RQ2), and innovativeness (entrepreneurship orientation) (RQ1) are mentioned in some form as influencing factors of the marketing activity, but their exact mechanisms of action are measured in the quantitative phase.

As for the **external factors** the commonly present openness of SMEs to the innovative marketing tools typically appeared in connection with the issue of online marketing activities, at the same time the negative consequences of the limited resources were also mentioned. Online marketing activities have different roles by sector and market type (typically, end-customer and inter-organisational markets are separated; RQ7). In certain sectors (e.g.: IT, services) online presence can be more typical, while the emphasis on marketing activities can be completely different in the

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<sup>23</sup> The marketing of SMEs is a marketing practise that affects the market in a limited scope, operates with the contribution of the owner/manager, builds on limited resources, and lacks specialist marketing knowledge (p. 37).

case of manufacturing companies (RQ6). An exciting field of the analysis is the question as to how much the use of Internet-based technologies for marketing purposes depend on the innovative nature and attitude (RQ1) of the SME, when in many cases the “*well-understood economic interest*” is also mentioned as if it “forced” the company leader to apply new technologies. However, necessity is not equal to knowledge. When applying new technologies and innovative solutions there is no guarantee that these tools will be applied properly, or in a professional way going beyond mere buzzwords (e.g.: online marketing, mobile marketing) but without thorough understanding. In the interviews, it was mentioned several times that marketing specialists and responsible leaders of SMEs speak in a different way about online solutions and that they have exaggerated expectations concerning these. With regard to social media marketing it can be seen that Hungarian enterprises typically mention Facebook during their concept association, which can be explained by the limited Hungarian market. Niche markets (e.g.: IT) are also mentioned where certain services are successful within their own market segment (RQ6). This confirms the advantages of targeting niche markets in online marketing which can create rich opportunities for SMEs. Social media marketing can be a relevant tool for SMEs, since it allows to deliver opinions, but at the same time the measurement of direct performance cannot always be carried out easily.

As for marketing and corporate **performance**, SMEs from many aspects lack traceable measuring systems and leaders’ thinking patterns do not always follow recent trends either – partly, due to the formerly presented specialist approach –, and there can exist an approach expecting immediate return which does not allow the disciplined application of the long-term performance indicators (RQ8). Nevertheless, it should be noted that the association in connection with online marketing which presupposes better efficiency may also result in better corporate performance indicators in the case of more conscious SMEs (RQ9), provided that SMEs operating at niche markets succeed in advertising in a targeted way, cost-effectively.

A more thorough understanding of the factors presented in the qualitative phase has helped to decide in which form the variables of the quantitative interviews wished to measure should be queried. In addition, the analysis of the in-depth interviews has helped to better interpret the results of the quantitative data analysis.

### III.5.3. Quantitative phase

To examine the research questions with the help of a quantitative methodology, **paper-based questionnaire surveys** were conducted. This allowed the flexible collection of data as the interviewer and the respondent met personally during the interview (Malhotra, 2005). Personal interviews however, pose a risk because of the potential personal distortion of the answers; the objectivity of the interviewer can also be compromised in many cases. From the point of view of the dissertation, personal presence was important during the face-to-face interviews conducted with the help of the interviewer due to the nature of the research problem; the interviewer could help respondents interpret the more difficult questions. From the perspective of time, telephone interviews were precluded. Consequently personal interviews ensuring the most comfortable time frame seemed the optimal solution. Response rates in corporate research are lower than in the case of consumer samples (Baruch and Holtom, 2008). In addition, the general willingness to respond is also lower (Baruch, 1999), thus postal or online interviews were excluded, too. The paper-based personal interviews chosen assured respondents of **perceived anonymity**, i.e., the data obtained from the questionnaire could not identify any of the SMEs, but was treated as confidential in an aggregated database (Gyulavári et al., 2014; see business invitation letter, Annex 5).

#### Sampling in the quantitative phase

The sampling plan was structured in a similar way as in the qualitative phase. During the research, all Hungarian SMEs were considered a **population** which could apply online marketing tools for their operation. The study of each individual enterprise would have required a high capacity not available when writing a doctoral dissertation. Therefore, enterprises selected were deemed to be **observation units**. During the empirical research process, the necessary information was mainly provided by company leaders (owners, managing directors, store managers, etc.), and marketing specialists (**unit accounts**).

Since the study of the whole population was too costly and time-consuming, a sampling procedure was used to select appropriate firms study by quantitative methodology. Random sampling was not justified, as firms able to apply online marketing tools at different levels were sought, a condition which narrowed the population. Therefore, **non-random sampling** (Gyulavári et al., 2014: pp. 216-217) was applied. Within this category sample subjects were selected using **convenience sampling** and **judgement sampling** (Babbie, 2003: p. 206, Malhotra, 2005: p. 408), i.e., personal interviews were conducted based on the aims of the research and the features of the population. Judgement sampling was used to decide if the enterprises selected by university students met the selection criteria. The research began with contact firms which did not yet use online SME marketing, those who partly used it, and those that used it regularly in order to come to know the various attitudes and opinions from which the factors determining and resulting from the marketing activity could be better outlined. Interviews were conducted with the help of university students acting as interviewers. In order to fulfil their role as interviewers and to achieve reliable data collection, the students acquired the necessary knowledge of the marketing research field of the marketing discipline (Babbie, 2003: pp. 296-302), and are also informed by a detailed description. The **sample size** was determined as **200 SMEs**, because this sample size can theoretically be suitable for the performance of multivariable statistical processes, too (Sajtos and Mitev, 2007; Székelyi and Barna, 2008; Ketskeméty, Izsó, Könyves Tóth, 2011). The final query took place in the spring of 2015.

### **Data cleansing in the quantitative phase**

Due to the relatively low level of the sample subjects' willingness to respond, fewer data were received than the number of the initial sample subjects. During the data cleansing process of the received answers, SMEs that had not given evaluable answers to the questionnaire were eliminated. Some other cases were also eliminated by means of the treatment of the missing values (if a given number of questions were not answered by one respondent), and due to the various outliers (gratuitous, extreme values). Since the operations of micro enterprises often radically differ from the operations of SMEs, their study is not part of the present dissertation. Consequently, by eliminating some further cases, the final sample size was **141 SMEs**.

The summary of the basic corporate statistics of the sample can be seen in Table 33/a.

**Table 33/a. Basic characteristics of the corporate sample of the survey (1)**

Market type (%)		Number of employees (%)		Annual turnover (HUF; %)	
Mainly B2C	51.8	Small enterprise	76.6	1 - 29 999 999	16.3%
Mainly B2B	38.3	Medium-sized enterprise	23.4	30 000 000 - 59 999 999	7.8%
B2C~B2B	9.9	Year of establishment (year)		60 000 000 - 119 999 999	6.4%
Geographic market (%)		Mean	2000	120 000 000 - 299 999 999	17.7%
Domestic	87.9	Standard deviation	9	300 000 000 - 599 999 999	12.8%
International	12.1	Mode	2007	600 000 000 - 2 999 999 999	11.3%
Scope of activities (%)		Median	1999	3 000 000 000 - 5 999 999 999	3.5%
Service providing	81.6	Minimum	1951	over 6 000 000 000	6.4%
Manufacturing	18.4	Maximum	2014	NT/NV	17.7%

N=141 enterprises

Source: own compilation

The part of the questionnaire referring to the respondents consisted of two main parts where one phase revealed the basic characteristics of the enterprises. Three-quarters of the enterprises (76.6%) were small, while one-quarter (23.4%) were medium-sized enterprises. Because of their distinct features and the necessity of a radically different researcher approach, micro enterprises were not included. As a consequence, this company size category was not involved in the sample either. The overwhelming majority of the enterprises studied (87.9%) mainly operated in the Hungarian market. From the point of view of the examination of the market type, it is important to note that sample subjects operating at an inter-organisational market (primarily B2B: business-to-business) perform their activity under completely different conditions than those operating at an end customer market (B2C: business-to-consumer). Therefore, the two categories were separated while enterprises operating in both markets simultaneously were also considered. Based on this, approximately half of the sample subjects (51.8%) operated at end customer markets, while slightly fewer enterprises (38.3%) operated more likely at inter-organisational markets. The ratio of the service providing and the manufacturing enterprises in the sample was 81.6% to 18.4% in favour of the former (Table 33/b.).

**Table 33/b. Basic characteristics of the corporate sample of the survey (2)**

<b>Sectors (%)</b>	
Wholesale and retail trade	16.3
Other services	15.6
IT	14.2
Catering industry	8.5
Art, entertainment, leisure	7.1
Building industry	7.1
Manufacturing, processing industry	6.4
Administrative and service supporting activity	5.7
Production of household products and services for own consumption	4.3
Professional, scientific and technical activity	4.3
Human health and social services	3.5
Real estate	2.1
Financial intermediation and insurance	2.1
Education	0.7
Transportation and warehousing	0.7
Water supply, sewerage, waste management and remediation	0.7
Agriculture, forestry and fishing	0.7
N=141 enterprises	

Source: own compilation

Half of the sample enterprises operated in the wholesale and retail trade or service provision, IT, or catering industries. Therefore, it can be concluded that the prevalence of the service providing enterprises in the sample is significant.

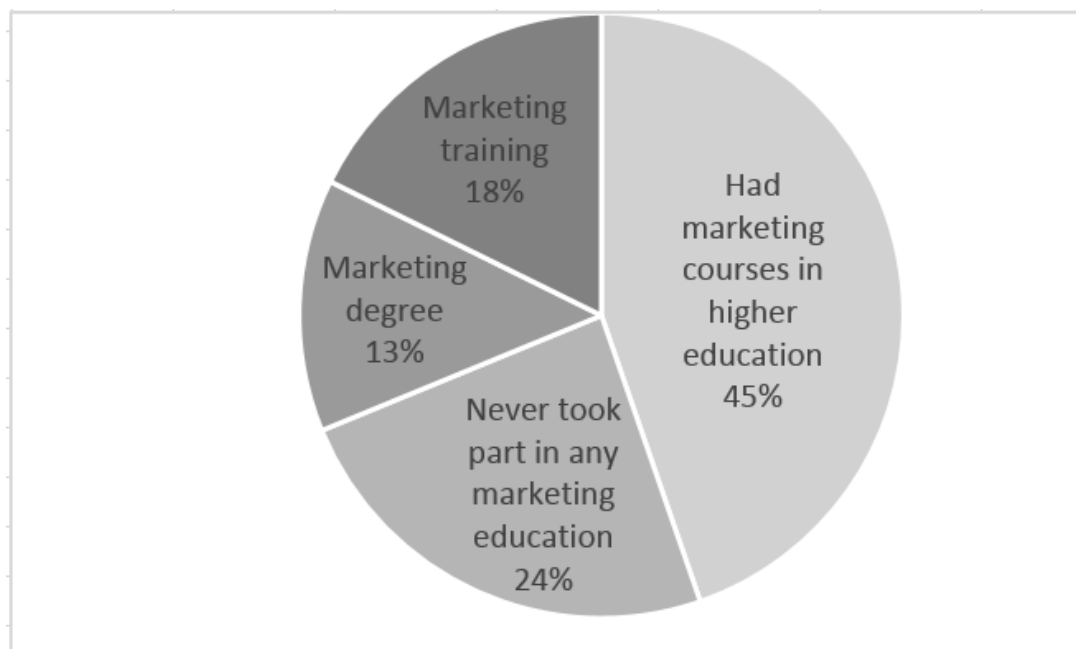
The enterprises in the sample belonged to various turnover categories. Table 33/a demonstrates that relatively many firms have low turnover figures, while those with medium figures (120–300 million HUF) constituted 52% of the sample, and the enterprises with high turnover data (3–6 billion HUF) made up only 12% of the sample.

Looking at the years of establishment, it can be seen that the enterprises in the sample were established at the beginning of the 2000s on average, yet two outstanding high-frequency values came to the fore: the years after the change of regime in Hungary, and from the mid to late 2000s.

Besides the description of the basic characteristics of the corporate sample, certain demographic features of the responding individuals were also taken into account. Based on this, 78% of the sample subjects were managing directors and/or owners, or colleagues in other management positions. With respect to the actual jobs, 24.8% of the respondents worked in marketing-related positions (marketing manager, marketing communication manager, marketing assistant, marketing consultant). Overall, 56% of the respondents were familiar with company management. In addition, nearly 37% of them were familiar with the field of marketing regardless of their actual position.

In the questionnaire, sample subjects were asked about their educational attainment as well. As a consequence, it turned out that 83% of the sample subjects had a higher education qualification. As for specific, marketing-related qualifications, the distribution of the respondents' answers is shown in Figure 15. In accordance with this, it can be concluded that one-quarter of the respondents had not been in contact with marketing at all during their education.

**Figure 15. Marketing qualifications of the respondents of the survey (N=141)**



Source: own compilation

## Creation of dependent variable groups for discriminant analysis

All sample subjects applied some kind of **classic marketing activity**. The question is to what extent they applied it and what types of marketing activity orientations existed. To examine this, a factor analysis<sup>24</sup> was run on the marketing activity variables with 22 variables initially involved in the analysis. With the help of an exploratory factor analysis,<sup>25</sup> the values of the observed variables with latent variables are now explained.

In accordance with the assumption of the factor analysis, normally distributed variables were used. In order to examine this, the necessary histogram and normality tests were carried out to check the distributions. After running the check, variables which radically deviated from the normal distribution were eliminated so that finally, 18 variables remained. On the basis of further considerations, the online marketing activity variable was removed, since it would be measured in detail in the next variable group. Another three variables (lead of sales teams, selection of commercial partners, product development) were also removed in the data cleansing phase due to normality considerations. Following the data cleansing phase, after examining several processes and running the simplest principal component analysis<sup>26</sup> (PC), it can be seen that the data may be suitable for factor analysis ( $KMO=0.769$ , which is a good value; Sig:  $<0,05$ , i.e. according to Bartlett's test as well because there is a correlation between the variables). Looking at the number of principal components, a selection was made based on several criteria: during the analysis of a scree plot, 4 or 5 principal components were assumed depending on the point where the slope of the curve suddenly changed and started to become a line. According to the Kaiser criterion, only the principal components whose eigenvalue was higher than 1 (eigenvalue: a variance explained by a factor from the variance of all variables) were taken into account. As a consequence of this, five principal components met this condition (together they explain 64% of the total variance). The next step was the examination of the component matrix which showed the correlation between the principal component and the manifest variables (structural matrix).

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<sup>24</sup> Factor analysis: a statistical process aiming to reduce and group data (Malhotra, 2005).

<sup>25</sup> Exploratory factor analysis: exploratory, model formulating factor analysis to reveal the factor characteristics explaining the correlation (Sajtos and Mitev, 2007).

<sup>26</sup> Principal component analysis: a multivariable data reduction process which can be regarded as a special form of factor analysis (Malhotra, 2005).



Depending on its value (from –1 to 1), contents were assigned to each component. Based on the results of the component matrix, the axes of the factors were rotated in order to get better interpretable results. Finally, after the factor rotation (varimax rotation) five principal components were identified (Table 34) on the basis of the values of the factor weight matrix.

**Table 34. Principal components of the marketing activity variables**

	Name of variables	Factor weight
<b>Factor name</b> 1. Production-logistics orientation <b>Name of new variable</b> PRODLOGINT	Stocking of finished goods use intensity	0.805
	Packaging use intensity	0.804
	Warehousing use intensity	0.790
	Delivery use intensity	0.776
	Taking and registration of orders use intensity	0.658
	Production planning use intensity	0.597
	Market introduction of new products use intensity	0.568
<b>Factor name</b> 2. Planning-strategic orientation <b>Name of new variable</b> PLANNINGSTRATINT	Formulation and operation of the marketing strategy, marketing planning use intensity	0.842
	Marketing research use intensity	0.674
	PR use intensity	0.658
	Management of corporate social responsibility projects use intensity	0.649
	Sales planning use intensity	0.602
<b>Factor name</b> 3. Price-cost orientation <b>Name of new variable</b> PRICECOSTINT	Pricing use intensity	0.869
	Cost calculation use intensity	0.789
<b>Factor name</b> 4. Customer relationship orientation <b>Name of new variable</b> CUSTOMERRELINT	Establishing contacts with customers use intensity	0.846
	Customer relationship management use intensity	0.792
<b>Factor name</b> 5. Offline advertising orientation <b>Name of new variable</b> OFFLINEMARKCOMINT	Offline advertising use intensity	0.807
	Sales promotion use intensity	0.525

Source: own compilation

The next group of variables was the **online marketing activities**. The analysis of these variables was similar to the analysis of the classic marketing activities, therefore the main indicators and the final classification are now presented instead of the methodological details.

Online marketing activities contained a total of 9 variables which were examined with the help of normality tests. During the data cleansing process social media use was removed, because it would be dealt with it within the framework of a separate group of questions. Following the data cleansing phase, after running several analysis procedures, the Maximum Likelihood (ML) method provided the best result. The data can be suitable for factor analysis (KMO=0.830, which is a good value; Sig: <0.05, according to Bartlett's test as well because there is a correlation between the variables). According to the Kaiser criterion only those factors whose eigenvalue was higher than 1 were taken into account. Based on this, two factors met this condition (together they explain 47% of the total variance).

The next step was the examination of the component matrix. On the basis of the results of the component matrix the axes of the factors in order were rotated to get more interpretable results. Finally, after the factor rotation (varimax rotation), two factors were identified in Table 35 on the basis of the values of the factor weight matrix.

**Table 35. Factors of the online marketing activity variables**

<b>Factor name</b>	<b>Name of variables</b>	<b>Factor weights</b>
1. Web page orientation	Search engine optimisation use intensity	0.984
<b>Name of new variable</b>	Search engine advertising (pay-per-click advertising [e.g.: Google Adwords]) use intensity	0.604
WEBPAGEINT	Own webpage use intensity	0.486
<b>Factor name</b>	E-mail marketing (online direct marketing [e.g. e-newsletter]) use intensity	0.629
2. Innovation orientation	Display advertising (banner) use intensity	0.583
<b>Name of new variable</b>	E-sales promotion (e-sample, e-coupon, e-prize game) use intensity	0.523
INNOVATIONINT	Mobile marketing use intensity	0.509
	Online sales use intensity	0.477

Source: own compilation

The use intensity variables of **social media marketing activity** were examined. Social media marketing activities contained a total of 10 variables which were examined with the help of normality tests. During the data cleansing process, three variables were removed because respondents used the given tools to a minimum extent (social brainstorming users: 5%; social financing users: 2%; trading community users: 7%). Following the data cleansing phase, after running several analysis procedures, the principal component analysis provided the best result. The

data can be suitable for a principal component analysis (KMO=0.656, which is a good value; Sig: <0.05, according to Bartlett's test as well, because there is a correlation between them). With regard to the number of principal components, according to the Kaiser criterion only those principal components whose eigenvalue was higher than 1 were taken into account. Based on this, there are two principal components which meet this condition (together they explain 59% of the total variance). The next step was the examination of the component matrix. On the basis of the results of the component matrix, the axes of the factors were rotated in order to get more interpretable results. Finally, after the factor rotation (varimax rotation), two principal components were identified in Table 36 on the basis of the values of the factor weight matrix.

**Table 36. Principal components of the social media marketing activity variables**

<b>Factor name</b>	<b>Name of variables</b>	<b>Factor weights</b>
1. Own network orientation	Corporate forum use intensity	0.894
	Corporate activity-related forum with general topics use intensity	0.809
<b>Name of new variable</b>	Own social network of the enterprise use intensity	0.683
OWNNETWORKINT	Corporate blog use intensity	0.572
<b>Factor name</b>	Official corporate web page on social network sites (e.g. Facebook, LinkedIn) use intensity	0.797
2. Market network orientation	Content sharing sites (e.g. YouTube, Flickr, Pinterest, Instagram) use intensity	0.762
<b>Name of new variable</b>	Microblog (e.g. Twitter) use intensity	0.674
MARKETNETWORKINT		

Source: own compilation

The separation of the factors in the sample indicates that the different enterprises use the classic marketing mix elements with different intensity. Various patterns can be observed according to the intensity of the online marketing or social media marketing tool use. In order to treat these variables separately in the multivariable analyses later, indicators were formed from each group relating to a total of nine separate factors which contained the averages of each variable by factor. Then the distribution histogram of the averages of each variable was created, from which – by dividing it into three equal parts – groups with approximately the same number of cases were created for the different levels of intensity: . For this categorical, low measurement level, ordinal variables were created (1: does not use it; 2: uses it to a moderate extent; 3: uses it intensively), which were suitable for the multivariable data analysis fitting to the research. The exact names of the nine dependent variables obtained are listed in Table 37.

**Table 37. Names of the dependent variables**

1. PRODLOGINT
2. PLANNINGSTRATINT
3. PRICECOSTINT
4. CUSTOMERRELINT
5. OFFLINEMARKCOMINT
6. WEBPAGEINT
7. INNOVATIONINT
8. OWNNETWORKINT
9. MARKETNETWORKINT

Source: own compilation

### **Creation of independent variables for discriminant analysis**

In order to examine the research questions, high measurement level variables were needed, measured by an interval or ratio scale suitable for the multivariable data measurement selected for the stated aims. For this, the ability to adapt, entrepreneurial orientation, marketing communication skills, marketing importance, and market orientation variables were used, which – according to the literature summary – determine how intensively the different enterprises use each marketing activity. In order to work with an indicator which could be measured by an interval or ratio scale, data reduction methods were needed by which these variables could be divided into subgroups and the variables separated for further examination. Based on this, in the case of the ability to adapt, (ABADAPT), the entrepreneurial orientation (ENTREPROR), and the marketing importance (MARKIMP), each subgroup had one factor which explained each construction (exploratory factor analysis). From these variables indices were formed by adding the variable values (the indices consisted of the sum of all the measured items in the case of each independent variable). Marketing communication skills comprises two factors as a result of the factor analysis: the variable is explained by an advertising skills (ADVSKILLS), and a brand image and sales (BRANDSALES) oriented latent factor. Therefore, marketing communication skills was formed with the help of two indicators by separating these measurement items. Finally, a factor analysis for the market orientation variable was performed. The factor weights resulted in three factors in the rotated factor matrix, of which the first one was customer orientation (CUSTOMEROR), the second one competitor orientation (COMPETOR), and the third one inter-functional co-ordination (INTFUNCTIONOR), confirming the results of

Narver and Slater (1990). In accordance with this, high measurement level independent variables were created to keep working with. For this, indices were formed by summarising the measurement items belonging to the identified variables, to provide the basis for the next analytical phase. The exact names of the eight independent variables obtained are listed in Table 38.

**Table 38. Names of the independent variables**

1. ABADAPT
2. ENTREPROR
3. ADVSKILLS
4. BRANDSALES
5. MARKIMP
6. CUSTOMEROR
7. COMPETOR
8. INTFUNCTOR

Source: own compilation

### **Satisfaction of the conditions of the discriminant analysis**

With the help of the created dependent and independent variables, the multivariable data analysis seeking answers to the research questions could be performed. However, satisfaction of the conditions of the DA had to be examined with respect to the given sample (see Table 22 for details of the conditions).

**1. Measurement level of the variables:** dependent variables were measured on a nominal scale, while the independent variables were measured on an interval or ratio scale. → **The condition was satisfied.**

Measurement level of the independent variables:

1. PRODLOGINT (nominal; non-/rare, medium, intensive user)
2. PLANNINGSTRATINT (nominal; non-/rare, medium, intensive user)
3. PRICECOSTINT (nominal; non-/rare, medium, intensive user)
4. CUSTOMERRELINT (nominal; non-/rare, medium, intensive user)
5. OFFLINEMARKCOMINT (nominal; non-/rare, medium, intensive user)
6. WEBPAGEINT (nominal; non-/rare, medium, intensive user)
7. INNOVATIONINT (nominal; non-/rare, medium, intensive user)
8. OWNNETWORKINT (nominal; non-user, user)
9. MARKETNETWORKINT (nominal; non-/rare, medium, intensive user)

Measurement level of the dependent variables:

1. ABADAPT (metric variable)
2. ENTREPROR (metric variable)
3. ADVSKILLS (metric variable)
4. BRANDSALES (metric variable)
5. MARKIMP (metric variable)
6. CUSTOMEROR (metric variable)
7. COMPETOR (metric variable)
8. INTFUNCTOR (metric variable)

**2. Independence of data:** All observations must be independent, i.e., the data cannot be correlated, they cannot be longitudinal data deriving from a panel research. → **The condition was satisfied**, since data deriving from a cross-sectional research was used.

**3. Exclusivity of groups:** Each observation of the dependent variable can belong to only one group, the groups are mutually exclusive. → **The condition was satisfied.**

**4. Group size:** Group sizes must be roughly identical. Each group of the dependent variable must contain at least two cases. → **The condition was satisfied**, because the group sizes were almost identical, and even the smallest dependent variable group contained 13 cases.

**5. Sample size:** The number of independent variables must be less than the number of cases in the smallest group. Furthermore, the total sample size should be at least five times as big as the number of the independent variables. → **The condition was satisfied**, because the number of cases in the smallest group was 13 and the number of the independent variables was 8. In addition, five times the number of the independent variables is 40, while the total sample size, even with the elimination of the extreme cases during the DA was **124** (as compared to the initial 141), which is the final sample size on which the DA methodology was run.

**6. Linearity:** There is a linear connection between the independent variables. → **The condition was partly satisfied.** A linearity test was performed between the variables with the help of the analysis of scatterplot matrices.

**7. Single-variable and multivariable normality:** Each group derives from a multivariable, normally distributed population. All estimator variables should be normally distributed. → **The condition was partly satisfied**, because during the analysis of the Shapiro-Wilk test, the box-plots, the graphs of the normality tests, and the histograms, it turned out that not every independent variable was normally distributed, but at the same time it was improbable that this would have influenced the final result of the DA (Sajtos and Mitev, 2007: p. 334).

Normality test of the independent or estimator variables:

1. ABADAPT (S-W test: not normal; graphs of normality tests: almost normally distributed)
2. ENTREPROR (S-W test: normal; graphs of normality tests: normally distributed)
3. ADVSKILLS (S-W test: normal; graphs of normality tests: normally distributed)
4. BRANDSALES (S-W test: normal; graphs of normality tests: normally distributed)
5. MARKIMP (S-W test: not normal; graphs of normality tests: not normally distributed)
6. CUSTOMEROR (S-W test: not normal; graphs of normality tests: almost normally distributed)
7. COMPETOR (S-W test: not normal; graphs of normality tests: not normally distributed)
8. INTFUNCTOR (S-W test: not normal; graphs of normality tests: not normally distributed)

**8. Multivariable normality, treatment of outliers:** The multivariable normality test is necessary because the estimator variable should be normally distributed around the fix values of the other independent variables → **The condition was satisfied** after the treatment of the outliers. The Mahalanobis distance indicator (hereinafter referred to as MDI) helped measure how big the deviation from normality was. The DA was very sensitive to outliers, therefore extreme cases where the quotient of the MDI and the number of the independent variables did not exceed 4 were removed, even in the case of sample sizes larger than 100. Every case which was regarded as outlier due to the box-plots or the MDI values was eliminated (cases number 9, 37, 74, 105, 13, 29, 88, 78, 123, 40, 41, 44, 60, 64, 79, and 136).

**9. Homogeneity of variance (homoscedasticity):** The variance values of the independent variables can differ from each other; however the variance of each independent variable must be similar within the groups of the dependent variable. → **The condition was partly satisfied.** The Box's M indicator tested the homogeneity of the covariance matrices. According to the null hypothesis, the covariance matrices were similar within the groups of dependent variables. If the result was not significant then there was no difference between the covariance matrices. This was beneficial from the point of view of the DA. The indicator was checked every time the DA was run, and according to these checks the condition of variance homogeneity was met in some of the dependent variable groups. For illustration purposes, the results of Box's M test run in the groups of the PLANNINGSTRATINT dependent variable are presented in Table 39.

**Table 39. Values of Box's M test**

Box's M		121.856
F	Approximate value	1.530
	degree of freedom 1	72
	degree of freedom 2	39 302.061
	<b>Significance level</b>	<b>.003</b>
Tests the null hypothesis, that the covariance matrices are homogeneous within the groups of the dependent variable.		

Source: own compilation

**10. Multicollinearity:** The independent variables supposedly correlate only with the dependent variables not with each other. The rate of the correlation of the independent variables defines how reliably the standardised discriminant coefficients estimate the relative importance of the independent variables. → **The condition was satisfied.** Usually, the independent variables correlated not only with the dependent variable but also with each other, therefore it is worth thinking about the aggregation of certain variables, and the elimination of others from the analysis, but the conditions of multicollinearity are rarely satisfied in full (Sajtos and Mitev, 2007: p. 336). In this case, the collinearity statistics: Variance Inflation Factor (VIF) between the independent variables remained within the limits (which, according to Kovács [2008] is regarded as acceptable by a value of 3, at most), thus the conditions were satisfied for all independent variables. During the analytical process of the DA, multicollinearity was checked once again with the analysis of the intra-group correlation matrix, which also suggested that the co-movement of the estimator variables was not at an extremely high level.

### **Testing of the dependent variable groups and the independent variables with an analysis of variance**

The separation of the groups of dependent variables can presumably be performed with the help of the DA. However it was worth examining with an  $\chi^2$  test whether there was a significant correlation between the dependent and the independent variables ( $\chi^2$  test; Sajtos and Mitev, 2007: p. 141). Furthermore, with an analysis of variance, whether the various dependent variable groups had significantly different average values along the different values of the independent variables was also tested (analysis of variance, F-test; Sajtos and Mitev, 2007: p. 174). As a result of the crosstab examinations and the related test results, it can be seen that there was a correlation between the dependent and the independent variables, and that – since there was a close relationship between the analysis of variance and the DA, although they seek the answers to different questions<sup>27</sup> – in most cases the average values of the dependent variable groups significantly differed from each other along the independent variable values.

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<sup>27</sup> While the analysis of variance examines how much the groups are different from each other, according to the averages of the given variables, the DA searches for the answer to the question of which variables cause the biggest differences between the groups (see subsection III.3.4.).



## **Conduct of the discriminant analysis**

**1. Definition of the problem:** In this case, the aim of the DA was to examine the main characteristics of those SMEs in the sample which performed their marketing activities with different intensity. According to Churchill (1991), the DA is suitable for the demonstration of the underlying influencing factors of the differences between the various use levels. The dependent variables are the nominal variables of the belongingness to a group whereby an enterprise can be a non-/rare, medium and intensive user with respect to the different marketing activities. The different features and characteristics which can influence to what extent an SME applies classic and less classic (online and social media) marketing tools act as independent or estimator variables. These influencing factors are measured by five- or seven-point interval scales and are usually variables of attitude or ability nature (Subsection III.3.5., pp. 122-132 Applied scales). For the analysis of these research questions we selected the multi-group DA to separate the use intensity of the classic and the online marketing activity due to the number of the groups of the dependent variable, while for the examination of the two categories (non-/rare users, users) of social media use intensity, the two-group DA was applied.

**2. Estimation of the coefficients of the discriminant function:** Of the estimation processes, the direct method was chosen, because the model involved several independent or estimator variables (Malhotra, 2005: p. 650). After running the analysis, some forward-looking conclusions could already be drawn from the comparison of the group averages. Overall, the reports of the DA run for the analysis of the dependent variables of a total of nine marketing activity groups contained a lot of summary tables, indicators, and statistics. However, due to space limitations, only a part of the results is presented in detail, while in the case of the other groups summarizing establishments are made and the results to be interpreted shown together in Table 34. Of the classic marketing activities, groups of the PLANNINGSTRATINT variable are explained (Table 37). During the primary analysis of the group averages and standard deviations, some initial, forward-looking establishments could already be made (e.g. it could be seen that the MARKIMP variable had different average values in the different groups, i.e., the more intensively an SME uses marketing tools, the higher the related marketing importance value).

It seems that the distinct groups differ from each other by several influencing factors (Table 40). However, the detailed description and analysis of the influencing factors becomes clearer in the next sections.

**Table 40. Group averages and standard deviations**

PLANNINGSTRATINT		Average	Standard deviation
Non-/rare users	ABADAPT	13.0250	2.99133
	ENTREPROR	27.2250	4.90676
	ADVSKILLS	7.0250	2.39109
	BRANDSALES	10.0250	2.05673
	<b>MARKIMP</b>	<b>9.5750</b>	2.80007
	CUSTOMEROR	25.1000	4.30146
	COMPETOR	18.7750	4.96907
	INTFUNCTOR	23.5750	3.01184
Medium users	ABADAPT	13.9250	2.73053
	ENTREPROR	28.1250	4.14597
	ADVSKILLS	9.3000	2.18620
	BRANDSALES	10.4000	1.99743
	<b>MARKIMP</b>	<b>11.5500</b>	2.59141
	CUSTOMEROR	26.4500	4.74990
	COMPETOR	20.7250	3.11314
	INTFUNCTOR	22.5750	3.60831
Intensive users	ABADAPT	16.4048	2.56676
	ENTREPROR	34.0952	5.45406
	ADVSKILLS	11.5476	2.44153
	BRANDSALES	12.3095	2.06584
	<b>MARKIMP</b>	<b>14.2143</b>	1.22047
	CUSTOMEROR	30.0238	4.15251
	COMPETOR	24.0952	3.45571
	INTFUNCTOR	24.1190	3.56953
Total	ABADAPT	14.4836	3.09954
	ENTREPROR	29.8852	5.73549
	ADVSKILLS	9.3279	2.97772
	BRANDSALES	10.9344	2.26266
	<b>MARKIMP</b>	<b>11.8197</b>	2.97931
	CUSTOMEROR	27.2377	4.84649
	COMPETOR	21.2459	4.47825
	INTFUNCTOR	23.4344	3.44253

Source: own compilation

The intra-group, unified correlation matrix suggested negligible or low correlation (the correlation coefficient is 0.461 between the ability to adapt and the entrepreneurial orientation, which is a certain but weak co-movement) between the estimator variables, i.e., in accordance with the formerly examined conditions the multicollinearity would probably not cause any problem during the analysis (Table 41).

**Table 41. Intra-group correlation matrix**

	ABADAPT	ENTREPROR	ADVSKILLS	BRANDSALES	MARKIMP	CUSTOMEROR	COMPETOR	INTFUNCTOR
ABADAPT	1.000							
ENTREPROR	<b>0.461</b>	1.000						
ADVSKILLS	0.267	0.032	1.000					
BRANDSALES	<b>0.402</b>	0.288	0.330	1.000				
MARKIMP	0.294	0.071	0.185	0.048	1.000			
CUSTOMEROR	0.266	0.273	0.025	0.099	0.052	1.000		
COMPETOR	0.142	0.292	0.032	0.145	0.114	0.268	1.000	
INTFUNCTOR	0.165	0.266	-0.014	0.167	-0.091	0.251	0.074	1.000

Source: own compilation

The significance level of the single-variable F-values suggested that with the examination of each estimator variable, significant differences could be observed between the enterprises which do not use the various marketing tools and those which do according to all estimator variables except the inter-functional coordination (INTFUNCTOR) variable (where the significance level was lower than 0.05). The value of Wilks's  $\lambda$  can range between 0 and 1, and the lower it is, the more significant is the effect of the independent variable on the discriminant function. Consequently, the independent variables affected the belongingness to the various groups to different extents and the non-significant correlations confirmed the  $\lambda$  values (Table 42).

**Table 42. Wilks's  $\lambda$ , single-variable F-value (2 and 119 degrees of freedom)**

	Wilks's $\lambda$	F	Significance level
<b>ABADAPT</b>	0.783	16.518	<b>0.000</b>
<b>ENTREPROR</b>	0.711	24.217	<b>0.000</b>
<b>ADVSKILLS</b>	0.609	38.142	<b>0.000</b>
<b>BRANDSALES</b>	0.800	14.879	<b>0.000</b>
<b>MARKIMP</b>	0.585	42.139	<b>0.000</b>
<b>CUSTOMEROR</b>	0.812	13.754	<b>0.000</b>
<b>COMPETOR</b>	0.754	19.374	<b>0.000</b>
INTFUNCTOR	0.965	2.151	0.121

Source: own compilation

The number of the discriminant functions depended on the number of the groups and the number of the independent variables. We subtract 1 from the smaller value, and thus obtained the number of the functions. With three groups (except the variable of the own network use intensity: OWNNETWORKINT), and eight independent variables, two discriminant functions could be estimated. The eigenvalue showed the

relative importance of the given discriminant function during the classification of the cases of the dependent variable. There are two dimensions and two functions can be seen in the order of their explanatory power (Table 43). Based on the eigenvalues and the explained variances, it can be concluded that the first discriminant function is more significant than the second one. The canonical correlation expresses the ratio of the inter-group variance and the total variance. The high value (0.786) indicated significant correlation, i.e., the given function explains a significant part of the total variance. The square of the canonical correlation shows that the model explains  $0.786^2 = 0.618$ , approximately 62% of the standard deviation of the dependent variable. Therefore, it can be assumed that the first function plays an exclusive role in the separation of the groups.

**Table 43. Canonical discriminant functions**

Discriminant function	Eigenvalue	Percent of variance	Cumulated percent	Canonical correlation
1	1.622 <sup>a</sup>	95.9	95.9	0.786
2	0.069 <sup>a</sup>	4.1	100.0	0.254

a. The two canonical discriminant functions which remained in the analysis.

Source: own compilation

### 3. Determination of the significance of the discriminant function

We have to check the significance of the estimated discriminant functions so that the interpretation of the analysis would make sense later. According to the null hypothesis, the averages of all discriminant functions in the population were the same in all groups and could be checked with a statistical test. Our test here is Wilks's  $\lambda$ , which – after being converted into  $\chi^2$  – has a value of 119 by a degree of freedom 16, which is significant at a level of 0.05, with respect to the first discriminant function (Table 44). Based on the test, it can be concluded that the effect of the first discriminant function is more important, and it is also significant. In conclusion of the results so far, the first function played a significant role based on the eigenvalue and the explained variance, and this effect was significant, too. The role of the second function was negligible and the effect was not significant (Tables 43 and 44).

**Table 44. Significance of the canonical discriminant functions**

Test of the discriminant functions	Wilks's $\lambda$	$\chi^2$	Degree of freedom	Significance level
Function 1	<b>0.357</b>	<b>119</b>	<b>16</b>	<b>.000</b>
Function 2	0.936	7.68	7	.362

Source: own compilation

#### 4. Interpretation of the results

During the interpretation of the discriminant coefficients or weights, it is important to note that the other independent variables also influenced the value of the estimator variable involved in the analysis. The standardized coefficient is a partial coefficient which explains the variance value explained by each independent variable; it does not include the variance value explained by the variables together. The significance of the positive or negative signs is not major; however we can draw some conclusions on the basis of the absolute value. In general, coefficients with a relatively big absolute value contribute the most to the discriminating ability of the function (ENTREPROR, ADVSKILLS, and MARKIMP). Such independent variables can be entrepreneurial orientation, advertising skills, and marketing importance (Table 45). During the examination of three groups, analysis of the structural matrix and the group centroids leads to better results in the interpretation of data.

**Table 45. Coefficients of the standardized canonical discriminant function**

	Function 1	Function 2
ABADAPT	-0.184	-0.041
<b>ENTREPROR</b>	<b>0.365</b>	0.485
<b>ADVSKILLS</b>	<b>0.510</b>	-0.539
BRANDSALES	0.107	0.455
<b>MARKIMP</b>	<b>0.550</b>	-0.024
CUSTOMEROR	0.221	0.010
COMPETOR	0.216	-0.165
INTFUNCTOR	-0.028	0.439

Source: own compilation

We can gain information about the relative significance of the estimator variables if we analyse the structural correlations which we also call canonical or discriminant weights (Malhotra, 2005: p. 651). Pearson's correlation matrix or the structural matrix shows the correlation between each independent variable and the discriminant function. These simple correlations between each independent variable and the discriminant function express the part of the variance with which the given estimator variable explains the function. The correlation coefficients in Table 46 can be interpreted as the factor weights of a factor analysis, that is to say each variable within each dimension can be named. The main difference between the standardized discriminant coefficients and Pearson's correlation matrix is that while the standardised coefficients show the individual contribution of the estimator variables to the discriminant function – eliminating the effects of all other independent variables – Pearson's correlation coefficients also show their importance, but based on the total correlation. During the analysis of the structural matrix we can see that all independent variables contribute to the discriminant function, although to a different extent. The difference between the coefficients of the standardised canonical discriminant function and the weights of the structural matrix derives from the limited multicollinearity presented in the section about the analysis of the DA conditions. It can be concluded that from the point of view of the first discriminant function, marketing importance, advertising skills, market adaptation ability, competitor orientation and customer orientation can play a significant role. Therefore, the dimension is named as **risk-taking at the service of marketing**.

**Table 46. Structural matrix (Pearson's correlation matrix)**

	<b>Function 1: "risk-taking at the service of marketing"</b>	<b>Function 2</b>
<b>MARKIMP</b>	<b>0.660*</b>	-0.138
<b>ADVSKILLS</b>	<b>0.623*</b>	-0.400
<b>COMPETOR</b>	<b>0.448*</b>	0.051
<b>ABADAPT</b>	<b>0.410*</b>	0.266
<b>CUSTOMEROR</b>	<b>0.375*</b>	0.228
<b>ENTREPROR</b>	0.483	<b>0.649*</b>
<b>INTFUNCTOR</b>	0.071	<b>0.637*</b>
<b>BRANDSALES</b>	0.382	<b>0.449*</b>
We show the variables in the order of the absolute values of their correlations in the case of both functions.		
* The biggest correlation between each variable and either discriminant function.		

Source: own compilation

Group centroids –discriminant values calculated from the group averages – can also be analysed. These averages are standardised, formed as a result of the linear combination of the independent variables, and called centroids. The first group, i.e., the enterprises which are non- or rare users of the various planning-strategic level marketing activities receive negative values, while intensive users receive a positive group average (Table 47). This means that the higher the entrepreneurial orientation of the given enterprise, the greater importance it attaches to marketing, the better it adapts to the changing market environment, the higher its marketing communication skills are, the more market oriented it is, and the more likely it is to apply marketing activities related to planning and strategy to a larger extent (marketing strategy, marketing research, PR, social responsibility, sales planning).

**Table 47. Canonical discriminant functions by group average**

PLANNINGSTRAT	Function 1	Function 2
<b>Non-/rare users</b>	<b>-1.432</b>	.225
<b>Medium users</b>	<b>-.254</b>	-.367
<b>Intensive users</b>	<b>1.606</b>	.136
Average values of standardized canonical discriminant functions by group.		

Source: own compilation

## 5. Evaluation of the validity of the discriminant analysis

One of the aims of the DA is the grouping of cases; therefore the classification table is one of our most important results and it is also **the global performance indicator of the DA** (Ketskeméty, Izsó, Könyves Tóth, 2011: p. 274), which studies the **adaptation of the model** (Székelyi and Barna, p. 336). Table 48 shows the situation prior to the grouping, where the chance to belong to a given group is 33.3%<sup>28</sup> based on the principle of random dice roll, since we have three groups and the weights of the groups are identical because they contain the same number of cases.

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<sup>28</sup> The expected hit rate is the hit rate obtained in the case of a random categorisation, which is 1/n percent in the case of n groups (in the case of 3 groups: 1/3=0.33, ~33.33%), and identical group sizes which exist in our analysis (Sajtos and Mitev, 2007: p. 346).

**Table 48. Chances to belong to a group prior to discriminant analysis**

PLANNINGSTRAT	Chance to belong to the group	Cases in the analysis (pieces)
Non-/rare users	<b>0.333</b>	40
Medium users	<b>0.333</b>	40
Intensive users	<b>0.333</b>	42
Total	1.000	122

Source: own compilation

The hit rates of the cases actually grouped by the DA can be seen in Table 49. This rate can range between 0 and 100%, and it must be compared with the expected hit rate, 33.33%, which can be seen in Table 48. Based on the classification results, it can be seen how much the originally observed values of the dependent variable categories and the values estimated by the independent variables differ from each other. Table 49 consists of two parts of which the first one is the result of the original analysis, while the second one is the cross-validation. Looking at the original analysis, we can see from the results that in the case of the first and second group, the proportion of the correctly categorised cases is 70%, while in the third group this is 83.3%, thus the procedure is more successful among the intensive users. Overall, the proportion of the correctly categorised cases is  $(70+70+83.3)/3=74.6\%$  with the original procedure. However, this result usually overestimates the actual results; therefore we must look at the cross-validated calculations, too. The point of this procedure is that the program performs the analysis multiple times but always omits one observation; thus all in all it will provide a more accurate result because we carry out the classification on an independently checked set of data. As a consequence of this, the proportion of the cross-validated, correctly classified cases is 66.4%, which is less than the original hit rate, but 33.1% higher than the random classification. According to Malhotra (2005: p. 655) the classification accuracy of the DA exceeds the accuracy of the random classification by at least 25%.



**Table 49. Classification results of the cases <sup>a, c</sup>**

PLANNINGSTRATINT			Predicted group membership			Total
			Non-/rare users	Medium users	Intensive users	
Original	Pieces	non-/rare users	28	12	0	40
		medium users	7	28	5	40
		intensive users	0	7	35	42
	Percent	non-/rare users	70.0	30.0	.0	100.0
		medium users	17.5	70.0	12.5	100.0
		intensive users	.0	16.7	83.3	100.0
Cross-validated	Pieces	non-/rare users	25	15	0	40
		medium users	9	23	8	40
		intensive users	0	9	33	42
	Percent	non-/rare users	62.5	37.5	.0	100.0
		medium users	22.5	57.5	20.0	100.0
		intensive users	.0	21.4	78.6	100.0
a. The percentage of the original, correctly classified cases is 74.6%.						
b. During the cross-validation, the classification of each case is calculated based on the other cases.						
c. The percentage of the cross-validated, correctly classified cases is 66.4%.						

Source: own compilation

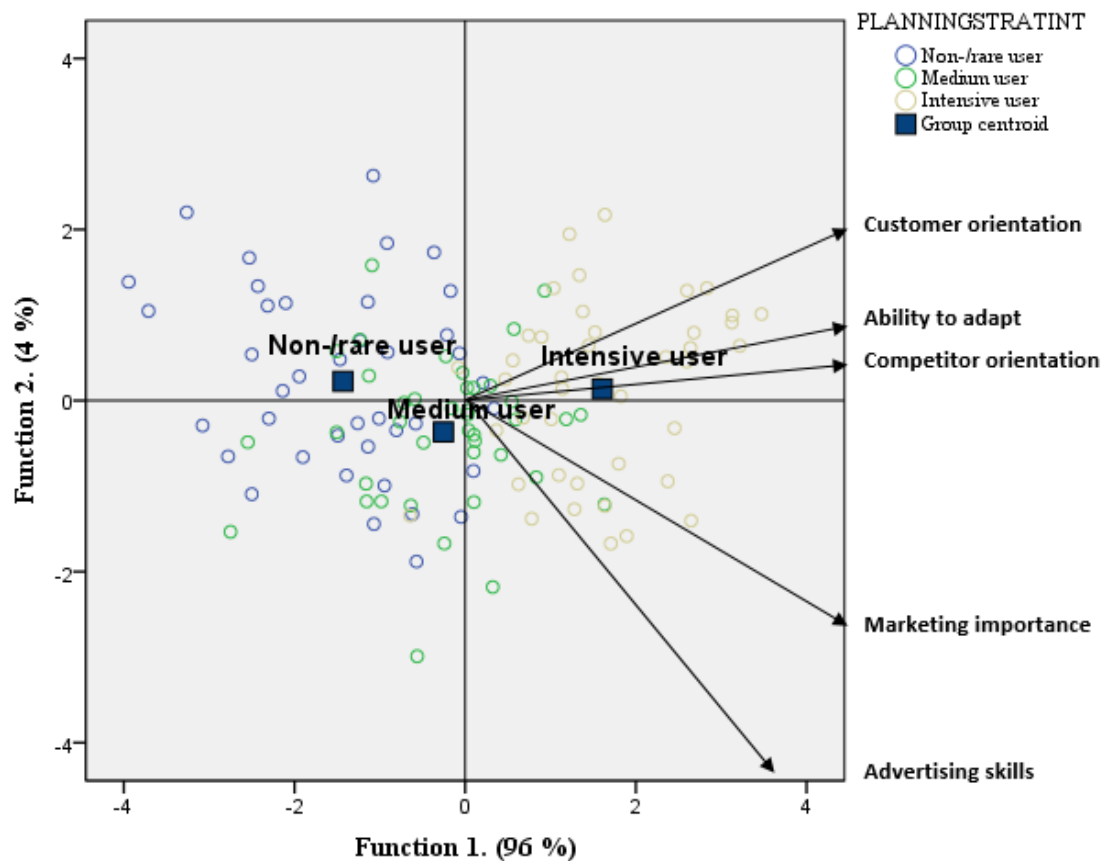
The evaluation of the results of the DA can be interpreted with the help of a scatter-plot as well, in the case of three groups (Figure 16). Figure 16 depicts the group averages of the discriminant functions in each group (group centroid). The axes are represented by the discriminant functions (indicating the explained variance in the case of both functions). The points of different colours show the group averages of the dependent variable as a function of the two dimensions. The higher the standard deviation of the points with respect to the given dimension, the more significant the differentiating (discriminating) effect of the given dimension. Based on Figure 16, and related calculations, it can be concluded that in the first dimension there are significant differences between the values of the various estimator variables. The third group, i.e., the group of intensive users, has the highest values. In contrast, in the second dimension, considerable differences between the values of the independent variables cannot be observed by group<sup>29</sup>.

It can be established that the third group, i.e., the group of intensive users, has a higher hit rate than the groups of the medium and the non-/rare users. In addition, it can be noticed that incorrect hit rates are most common in the classification results of the rare and medium users, i.e., the differences between these groups are much smaller than the values of the intensive user group or any other group. This can also be suspected during the analysis of the overlaps of the users in the scatter plot.

<sup>29</sup> Working with two discriminant functions, these do not necessarily produce significant difference among dependant variable categories (Székely and Barna, 2008: p. 336.). Thus in our analysis, the first function represents a significant part among the categories of the dependant variables. This result means that the solution of DA is mainly demonstrated by the interpretation of the first function.

The correlation between the discriminating variables and the discriminating functions, i.e., the values of the structural matrix (Table 46), clearly shows which dimensions the estimator variables contribute to more significantly. The feature vectors drawn on Figure 16 (arrows and the related independent variable names) indicate the reasons for the differentiation of the enterprises. Intensive users adapt better to the changing market environment (ability to adapt), consider the marketing function to be important (marketing importance), pay more attention to their customers and consumers (customer orientation), and react stronger to the activities of their competitors (competitor orientation). Finally, their advertising skills are more developed than those of the enterprises using fewer planning and strategic marketing tools.

**Figure 16. Scatter plot depicting the groups (PLANNINGSTRATINT)**



Source: own compilation

The analysis of the other eight dependent variables is similar to the description above. Due to space limitations, in the following sections the DA results of each group are demonstrated in an abbreviated form (Tables 50a–50c). This is followed by summarised conclusions.

**Table 50/a. Significance level of the independent variables for discriminant analysis**

Dependent variables <sup>a, b</sup>	DA type	Independent variables							
		ABADAPT	ENTREPROR	ADVSKILLS	BRANDSALES	MARKIMP	CUSTOMEROR	COMPETOR	INTFUNCTOR
		Significance							
<sup>a</sup> 1: non-/rare users, 2: medium users, 3: intensive users <sup>b</sup> 1: non-/rare users, 2: users									
PRODLOGINT <sup>a</sup>	multigroup	non-sig.	non-sig.	non-sig.	non-sig.	non-sig.	non-sig.	non-sig.	non-sig.
PLANNINGSTRATINT <sup>a</sup>	multigroup	sig.	sig.	sig.	sig.	sig.	sig.	sig.	non-sig.
PRICECOSTINT <sup>a</sup>	multigroup	non-sig.	non-sig.	non-sig.	non-sig.	non-sig.	sig.	sig.	non-sig.
CUSTOMERRELINT <sup>a</sup>	multigroup	non-sig.	sig.	non-sig.	non-sig.	non-sig.	sig.	sig.	non-sig.
OFFLINEMARKCOMINT <sup>a</sup>	multigroup	sig.	sig.	sig.	sig.	sig.	non-sig.	sig.	non-sig.
WEBPAGEINT <sup>a</sup>	multigroup	sig.	non-sig.	sig.	sig.	sig.	sig.	non-sig.	non-sig.
INNOVATIONINT <sup>a</sup>	multigroup	sig.	sig.	sig.	sig.	sig.	non-sig.	non-sig.	non-sig.
OWNNETWORKINT <sup>b</sup>	two-group	non-sig.	non-sig.	non-sig.	non-sig.	sig.	non-sig.	non-sig.	non-sig.
MARKETNETWORKINT <sup>a</sup>	multigroup	sig.	non-sig.	sig.	non-sig.	sig.	non-sig.	non-sig.	non-sig.

**Table 50/b. Correlation coefficients of the structural matrix for discriminant analysis**

Dependent variables	Independent variables							
	ABADAPT	ENTREPROR	ADVSKILLS	BRANDSALES	MARKIMP	CUSTOMEROR	COMPETOR	INTFUNCTOR
	Structural matrix correlation coefficients (which proved to be significant)*							
PRODLOGINT	—	—	—	—	—	—	—	—
PLANNINGSTRATINT	0.349	0.665	0.242	0.413	0.277	0.671	0.779	—
PRICECOSTINT	—	—	—	—	—	—	—	—
CUSTOMERRELINT	—	0.665	—	—	—	0.671	0.779	—
OFFLINEMARKCOMINT	0.455	0.400	0.637	0.635	0.505	-	0.717	—
WEBPAGEINT	0.684	—	0.239	0.599	0.622	0.172	—	—
INNOVATIONINT	0.446	0.321	0.627	0.373	0.826	—	—	—
OWNNETWORKINT	—	—	—	—	—	—	—	—
MARKETNETWORKINT	0.383	—	0.824	—	0.471	—	—	—

\*The correlation coefficients are not displayed where the discriminant function is not significant, furthermore in the case of the non-significant estimator variables (Table 50/a).

**Table 50/c. Test of discriminant functions for discriminant analysis**

Dependent variables	Discriminant function		
	Cumulative variance (%)	Wilks's $\lambda$	Significance
PRODLOGINT	65.1	0.854	non-sig.
<b>PLANNINGSTRATINT</b>	<b>95.9</b>	<b>0.361</b>	<b>sig.</b>
PRICECOSTINT	100	0.879	non-sig.
<b>CUSTOMERRELINT</b>	<b>81.5</b>	<b>0.734</b>	<b>sig.</b>
<b>OFFLINEMARKCOMINT</b>	<b>76.6</b>	<b>0.683</b>	<b>sig.</b>
<b>WEBPAGEINT</b>	<b>65</b>	<b>0.730</b>	<b>sig.</b>
<b>INNOVATIONINT</b>	<b>89.6</b>	<b>0.647</b>	<b>sig.</b>
OWNNETWORKINT	100	0.935	non-sig.
<b>MARKETNETWORKINT</b>	<b>89.5</b>	<b>0.700</b>	<b>sig.</b>
* The significance of the other function was also tested where the analysis calculated two discriminant functions, and if one of them was significant, that function was retained.			

**Table 50/d. Cross-validation of the discriminant analysis**

Dependent variables	Hit rates of the discriminant analysis		
	Expected hit rate (random classification, %)	Original hit rate (%)	Cross-validation hit rate (%)
PRODLOGINT	—	—	—
<b>PLANNINGSTRATINT</b>	<b>33.33</b>	<b>74.6</b>	<b>66.4</b>
PRICECOSTINT	—	—	—
<b>CUSTOMERRELINT</b>	<b>33.33</b>	<b>51.6</b>	<b>48.4</b>
<b>OFFLINEMARKCOMINT</b>	<b>33.33</b>	<b>56.6</b>	<b>53.3</b>
<b>WEBPAGEINT</b>	<b>33.33</b>	<b>51.6</b>	<b>45.1</b>
<b>INNOVATIONINT</b>	<b>33.33</b>	<b>54.1</b>	<b>47.5</b>
OWNNETWORKINT	—	—	—
<b>MARKETNETWORKINT</b>	<b>33.33</b>	<b>59.0</b>	<b>50.0</b>
* Hit rates were not calculated where there was no significant discriminant function, and where the groups could not be explained by the given estimator variables.			

Source (Tables 50/a, 50/b, 50/c, 50/d): own compilation

### III.5.4. Conclusions of the quantitative phase

Before starting the analysis it was indicated that the DA is suitable for revealing the influencing factors behind the cases with different levels of use (Churchill, 1991). Furthermore, it may also be capable of predicting whether SMEs with specific characteristics are more likely to apply certain marketing activities or not (Churchill, 1991: p. 895). Various discriminant functions can be estimated, but not all of them are significant, furthermore not all estimator variables are able to act as a grouping factor in the model. The results of DA show a mixed picture. In a specific part of the groups the independent variables act as discriminating factors in the creation of the different dependent variable groups. The extent of this varies with each case, but generally it can be seen that the independent variables separate the dependent variable groups by one function. This function means that the more important the marketing, the higher the ability to adapt, the higher marketing communication skills the companies have, and the more important the marketing is from the point of view of the company leader, the more non-users and users will be separated from each other. Users have higher independent variable values.

Looking at the different **classic marketing activities**, it can be seen that marketing activities related to production and logistics, furthermore marketing tools related to pricing and cost determination do not have significant values with respect to the influencing factors, i.e. in this case the research questions could not be justified. However, in the case of planning and strategy-related marketing activities, almost all influencing factors have significant effects, where these effects are positive, that is the more an SME adapts to the changing market environment, the higher risks it takes, the more open it is to innovation, the higher marketing communication skills it has, and the more market-oriented it is, the more likely it can be characterised as being intensive marketing user, related to marketing strategy, marketing research, or any marketing planning activity. The next dependent variable group is the group of customer relationship activities, where entrepreneurial orientation and two elements of market orientation (customer orientation and competitor orientation) has justifiable effects on the related tool use, which can partly be explained by the fact that the related tools are mostly actually linked to customer relationship management and the CRM systems. The use of offline marketing communication tools depends on

several factors simultaneously: only customer orientation does not affect its extent in a positive way. With respect to the classic marketing communication tools it can be concluded that, in line with the research questions, all measured independent variables within the internal factors (ability to adapt, entrepreneurship orientation, advertising skills, branding and sales skills, customer orientation, competitor orientation and marketing importance) have positive effects on the categories of the dependent variable in a partly justifiable way. Only inter-functional co-ordination does not have a significant effect on use intensity, but this generally exists, in the case of classic offline, classic online, and social media marketing (Table 50/a.; RQ1-RQ5: partly justified).

In the case of classic **online marketing activities**, web page-related activities (search engine advertising, search engine optimization, own web page) and innovation tools (e.g.: mobile marketing) are applied with different intensity depending on how much an SME manager considers marketing to be important, and what skills he or she has with respect to marketing communication, thus in this sense, the majority of the research questions become partly justifiable (Table 50/a.; RQ1-RQ5: partly justified).

As for **social media marketing**, in the case of the users of platforms which are related to own networks (e.g.: corporate forum, corporate blog) the research questions could not be justified, since no significant relationship was found between the independent variables and the dependent variable groups. However, in the case of market networks (official corporate web pages on social network, content sharing sites, microblog) the positive relationship can already be justified with respect to several independent variables. Accordingly, the more an SME adapts to the changing market conditions, the more important it considers marketing function to be and the better advertising skills it has, the more obvious the intensive tool use is. Based on this, the research questions can partly be justified in the case of social media marketing, too (Table 50/a.; RQ1-RQ5: partly justified).

In the next step it was examined how much the above-mentioned correlations change by **industry sector and market type**. Based on this, it can be concluded that in the case of manufacturing SMEs the relationships are similar in terms of classic marketing activities and weaker in terms of online marketing and social media marketing than in the case of service providing enterprises. This can partly be explained by the fact that different marketing activities can be attributed to manufacturing enterprises (classic activities are much more typical) and to service providing enterprises, which latter companies are more likely to apply the various innovative, online, and social media marketing tools to a greater extent.

At the same time, manufacturing enterprises typically operate at inter-organisational markets, while many of the service providing enterprises serve their customers rather at end-customer markets. Based on this, after running an analysis, it can be concluded that with regard to online and social media marketing, the relationship between the independent and dependent variables is much stronger in the case of enterprises operating at end-customer markets than in the case of the actors of inter-organisational markets. An explanation for this can be that the latter enterprises perform marketing activities of different nature, they concentrate much more on the classic marketing activities and the classic marketing mix, than enterprises operating at end-customer markets. This may also explain that there is no significant difference between the two market types with respect to the intensity of the classic marketing activities among the examined SMEs. Consequently, related to the use intensity of SMEs, the research questions are partly justified (RQ6, RQ7).

### **III.5.5. Discussion of the results**

By means of qualitative and quantitative results, the research questions have partly been justified. The considerations in the literature which refer to the marketing activity of SMEs – and which were examined by means of secondary analysis in the literature summary and primary qualitative and quantitative data analysis phases in the empirical section – studied a wide range of important influencing factors of SME marketing, with particular regard to innovative marketing solutions and online marketing activities including their special cases, social media marketing activities. The effects of marketing tools on the marketing performance and company performance were mainly explained in the preliminary studies (Subsection III.4., pp. 135-141), and the qualitative chapter of the empirical research phase.

#### **Results of the research questions, and conclusions**

Research questions were studied with the help of a primary empirical methodology. Consequently, the study was looking for influencing factors which cause the examined SMEs to apply either classical or innovative, online marketing solutions, or social media marketing tools to different extents. On the other hand, the research was looking for the relationship between SME marketing activities and marketing/company performance. Based on the results the following considerations were made:

#### **Internal factors:**

**[RQ1]: To what extent does an SME apply marketing solutions as a function of the entrepreneurship orientation of the SME?**

Conclusions: The susceptibility to take risks and innovate was mentioned in the qualitative phase, however the mechanism of action was revealed in more detail by the quantitative analysis. According the expectations, the high level of the SME manager's willingness to take risks and susceptibility to innovate (entrepreneurship orientation) entail the increase in the application of the various classic, online, and social media marketing solutions. Within the classic marketing activities, in the group of customer relationship activities, the entrepreneurship orientation and two



elements of the market orientation (customer orientation, competitor orientation) have justifiable effect on the related tool use, which can partly be explained by the fact that the related tools are in connection with the customer relationship management and the CRM systems. The assumption that SME leaders who are more innovative have more proclivity to apply developed marketing solutions in the organisation was partly justified. However, another question is if the use of online marketing and social media marketing tools is the consequence of the innovative nature, or compulsion. The answer is blurred, because in this question professionals of this discipline (social media experts) and SME leaders think differently.

**[RQ2]: To what extent does an SME apply marketing solutions as a function of the market adaptation skills of the SME?**

Conclusions: The recognition of opportunities is the central element of entrepreneurship, and it is presumable that SME leaders must look beyond the use of the well-established tools. During the qualitative analysis, it was mentioned that market adaptability is in connection with the use of marketing tools, however the mechanism of action was revealed in more detail by the quantitative analysis. The higher the ability to adapt, the more non-users and users of marketing tools are separated from each other, and this correlation is typically mentioned in the case of online and social media solutions.

**[RQ3]: To what extent does an SME apply marketing solutions as a function of the leader's perception of marketing importance?**

Conclusions: The company leader's attitude towards marketing, and the recognition of marketing importance were mentioned in the qualitative analysis, however the mechanism of action was revealed in more detail by the quantitative analysis. According to this, the more important marketing is, the more non-users and users of marketing tools are separated from each other, and this relationship is typically mentioned in the case of online and social media solutions.

**[RQ4]: To what extent does an SME apply marketing solutions as a function of its marketing communication skills?**

Conclusions: The relationship between marketing communication skills and the use of marketing tools is mentioned in the qualitative phase, too. In the quantitative analysis, it can be seen that the higher the marketing communication skills, the more non-users and users of marketing tools are separated from each other, and this relationship is mentioned more often if we talk about online or social media marketing tools.

**[RQ5]: To what extent does an SME apply marketing solutions as a function of its market orientation?**

Conclusions: When emphasizing the role of marketing, the customer orientation – as an important element of market orientation – is mentioned both in the qualitative and the quantitative phase of the analysis.

According to the results – which equally refer to the group of the internal influencing factors (RQ1-RQ5) –, the more an SME adapts to the changing market circumstances, the higher risks it takes, the more open it is to innovation, the higher skills it has in respect of marketing communication, and the more market-oriented it is, the more likely it can be characterized as being intensive marketing user, which marketing refers to classic marketing activities related to marketing strategy, marketing research, and different marketing planning activities. Looking at the use of online and social media marketing tools, it can also be seen that customer-oriented SMEs with advanced marketing skills which recognise market opportunities, which are susceptible to innovate, and that apply a managerial-level approach of considering marketing to be important are clearly separated from other SMEs.

### **External factors:**

#### **[RQ6]: To what extent does an SME apply marketing solutions as a function of the sectoral characteristics?**

Conclusions: Company-specific factors determine the extent and nature of the marketing activity. The effect of the industry sector in itself has an influence on the tool use of an SME, for example by means of the separation of the production and service providing sectors. Certain sectors (e.g.: IT, services) are more likely to apply online marketing solutions – based on the qualitative and quantitative results –, while in the case of manufacturing companies, the emphasis on the different marketing activities can be different, since they apply more classic marketing tools. The narrow interpretation of social media exists in all sectors, except at certain (e.g.: IT) markets, where companies take advantage of the opportunities offered by the platform in the form of successful, well-measured tools. For manufacturing enterprises, marketing tools related to the classic activities can be obvious as opposed to service providing enterprises.

#### **[RQ7]: To what extent does an SME apply marketing solutions as a function of the type of the market the SME serves?**

Conclusions: Innovative marketing solutions more typically exist at end-customer markets. Based on the quantitative results, among companies operating at end-customer markets, the relationship between the independent and the dependent variables is much stronger in case of online and social media marketing than among the actors of inter-organisational markets. Related to the intensity of the classic marketing activities, there is no significant difference between the two market types, among the examined SMEs.

### **Performance:**

#### **[RQ8-RQ9]: In what extent, and in what direction does the choice among marketing solutions contributes to the marketing performance and corporate performance of an SME?**

Conclusions: A positive relationship seems to exist between marketing tool use and marketing performance, but the well-traceable measuring systems are missing, and an immediate return approach and laggard thinking patterns of the company managers are typical, which do not follow the actual marketing trends. In the case of more conscious SMEs, online marketing may result in better overall corporate performance indicators, provided if the targeting of SMEs operating at niche markets is well-directed and cost-effective.

Table 51/a. b. present the summary of qualitative and quantitative results of this dissertation.

**Table 51/a. Summary of qualitative dissertation results**

Research questions (RQ)	Qualitative research
RQ1	Innovativeness (entrepreneurship orientation) (RQ1) is mentioned in some form as influencing factors of the marketing activity.
RQ2	Market adaptation (RQ2) is mentioned in some form as influencing factors of the marketing activity.
RQ3	The analysis of personal responsibility in the marketing function can drive to see the important role of SME managers in decision-making, and in the application of different marketing tools. The leader's role as an influencing factor is mentioned several times during the interpretation of the marketing function, supporting the idea that the perception of the importance of marketing is typically defined by means of the company leader's attitude (RQ3).
RQ4	How much the use of Internet-based technologies for marketing purposes depend on the marketing communications skills (RQ4), innovative nature, and attitude of the SME, when in many cases the "well-understood economic interest" is also mentioned as if it "forced" the company leader to apply new technologies. However, necessity is not equal to knowledge. When applying new technologies and innovative solutions there is no guarantee that these tools will be applied properly, or in a professional way going beyond mere buzzwords (e.g.: online marketing, mobile marketing) but without thorough understanding. In the interviews, it was mentioned several times that marketing specialists and responsible leaders of SMEs speak in a different way about online solutions and that they have exaggerated expectations concerning these.
RQ5	When emphasizing the role of marketing, customer focus (customer orientation) appears as an influencing factor (RQ5).
RQ6	In certain sectors (e.g.: IT, services) online presence can be more typical, while the emphasis on marketing activities can be completely different in the case of manufacturing companies (RQ6). With regard to social media marketing it can be seen that Hungarian enterprises typically mention Facebook during their concept association, which can be explained by the limited Hungarian market. Niche markets (e.g.: IT) are also mentioned where certain services are successful within their own market segment (RQ6).
RQ7	Online marketing activities have different roles by sector and market type (typically, end-customer and inter-organisational markets are separated; RQ7).
RQ8	As for marketing and corporate performance, SMEs from many aspects lack traceable measuring systems and leaders' thinking patterns do not always follow recent trends either – partly, due to the formerly presented specialist approach –, and there can exist an approach expecting immediate return which does not allow the disciplined application of the long-term performance indicators (RQ8).
RQ9	The association in connection with online marketing which presupposes better efficiency may also result in better corporate performance indicators in the case of more conscious SMEs (RQ9), provided that SMEs operating at niche markets succeed in advertising in a targeted way, cost-effectively.

Source: own compilation

**Table 51/b. Summary of quantitative dissertation results**

Research questions (RQ)	Quantitative research
RQ1	<p>The higher the market adaptation skills (RQ2), the marketing communications skills (RQ4), and the marketing importance (from the view of the leader) are, the higher is the differentiation between the users and non-users of marketing activities.</p> <p>Marketing activities tied to production and logistics, marketing tools connected to pricing and costs do not have significant influencing effects.</p> <p>Marketing activities tied to planning and strategy are significant in the case of nearly all of the influencing factors, and this effect is positive. Thus, the better an SME adapts to the changing market environment (RQ2), the more risk-taking and innovative behaviour it possesses (RQ1), the higher marketing communications skills it possesses (RQ4), the more market oriented it is (RQ5). It is more typical that this SME uses marketing more intensively, concerning activities connected to marketing strategy, marketing research, and different activities tied to marketing planning.</p> <p>Group of activities connected to customer relationships, where entrepreneurship orientation (RQ1) and two elements of market orientation (customer orientation, competitor orientation) (RQ5) have significant effect on the related marketing activities, is partly explicable by the fact that most of the related tools are connected to customer relationship management, and CRM systems.</p> <p>Application of classic marketing communications tools is influenced by different factors at the same time. In the case of classic marketing communications tools, all of the independent variables measured among internal factors (market adaptation skills [RQ2], entrepreneurship orientation [RQ1], advertising skills [RQ4], brand and sales skills [RQ4], customer orientation [RQ5], competitor orientation [RQ5], and marketing importance [RQ3]) have partly justifiable positive effect on the dependent variables.</p> <p>Application of online marketing communications tools (web page based and innovative tools, too) depend mostly on how important the SME sees marketing activity (RQ3), and what marketing communications skills it possesses (RQ4), but nearly all of the other internal factors strongly influence the intensity of marketing tool usage.</p> <p>Among social media tools, in the case of own network users (e.g. corporate forum, corporate blog), there is no significant connection among independent and dependent variables. In the case of market networks (e.g. official company web page on social network, content community, microblog), several independent variables are justifiably significant, and the relationship is positive. Thus, the more an SME adapts to changing market conditions (RQ2), the more important it perceives the marketing function (RQ3), and the better marketing communications skills it possesses (RQ4), the more intensively it applies social media marketing tools. Based on that, research questions are partly justified in the case of social media.</p> <p>In the case of manufacturing companies, more classic marketing activities can be found than in service companies. The latter typically use online and social media marketing activities more intensively.</p> <p>For companies operating in end-consumer markets, the connection between independent and dependent variables is much stronger in the case of online and social media marketing, than in the case of inter-organisational market actors. In the case of the intensity of classic marketing activities, there is no significant difference among SMEs from different market types.</p>
RQ2	
RQ3	
RQ4	
RQ5	
RQ6	
RQ7	

Source: own compilation

## **Theoretical and practical significance of the dissertation**

Theoretical significance of this dissertation is that it **defines SME marketing** by creating a new definition, then the theoretical definition is analysed in practise, with different methods. This dissertation **refines online marketing definitions**. This dissertation finds relationship among the different research questions – mainly the internal factors – and marketing tool usage. **Mainly the managerial perception of marketing importance, and market adaptation skills showed strong influence on marketing tool application.**

This dissertation formulates proposals for SMEs that can be applied in practice, too. SME leaders who do not necessarily apply their marketing activities as consciously as large enterprises, have many opportunities that they might not be aware of. With the good solution of intuitive decision-making situations enabling fast market adaptability, and with an open-minded and flexible managerial attitude, the efficiency of the marketing activity in SMEs can be improved significantly. **Company examples of real SMEs presented in this dissertation can help – primarily Hungarian – SMEs by showing best practices, in several industry sectors, in both inter-organisational and end-customer markets.** The online manifestation of marketing activity and, in particular the social media-related marketing tool usage were analysed, taking into consideration the resource constraints of the SME sector, and the potential benefits that online marketing solutions can provide for these companies. Thus, **in the possession of the research results, the realisation of the marketing-focused catch-up process of the – mainly Hungarian – SME sector might be possible by industry sector and market type, in the form of real, practical consultancy projects.**

## **Limitations of the research and future research directions**

One limitation of this dissertation is that in the case of methodologies applied in the empirical phase, qualitative and quantitative analysis were elaborated in different groups. Data was collected in a limited time period, but by the reason of the fast development of online marketing tools, the occurrence of some new tools may have changed the emphasis of the applied marketing tools, and the appearance of new tools may have influence on the results.

In the narrow sense of the topic, earlier, broad analyses were not conducted, so other methodologies would have been taken into account. In the sample of the quantitative analysis, other methodologies would have been used on the data with a larger sample, so further conclusions would have been revealed.

In-depth interviews and case studies are excellent ways to study SMEs. Therefore, in the future, it will be worth doing analyses with a professional research team and in a larger scale, involving various qualitative methodologies (e.g.: content analysis) in order to get closer to the heart of the research problem, and to complement former research results gained from case studies.

The results presented in this dissertation analyse the state of the Hungarian SME sector, and do not analyse empirically international SMEs. The main reason for this was that the analysis could be conducted on the basis of the resource constraints of this doctoral research. So, without extended international database, or large researcher team, the available frame was applicable for the main research aims.

Online marketing changes continuously, and in future studies, this change has to be followed by the decrease in old tools, and by the occurrence of new ones.

The performance dimensions in this research can be the subject of further analyses with quantitative methodologies.

Participating in the data collections of the Competitiveness Research Centre would provide an opportunity to test the research questions on the representative, large-scale database. To do this, research co-operations would be necessary that would make it possible to carry out, and later analyse SME-specific studies. Based on this, in the future it would be desirable to take part in the nationwide research projects on competitiveness, and to analyse – time series – data which are comparable over time by means of repeated data collections. Testing the already existing dimensions on new data is regarded as an integral part of future research directions in this dissertation.

## IV. CONCLUSIONS

*[...] Wrapped in my fate I hardly heard the chatter  
Of the surface, while the deep was silent.  
As if my own heart had opened its gate:  
The Danube was turbulent, wise and great.*  
Attila József (1936): By the Danube (fragment)

The aims formulated in this dissertation were intended to be achieved by analysing the literature, and conducting the empirical research. With the theoretical foundation, this research would like to contribute to marketing theory by locating SME marketing within the broader marketing discipline, by the collection and interpretation of the relevant scientific sources found in the literature. Accordingly, in addition to grounding the differentiation between SMEs and large enterprises, the unique nature of the marketing activity interpreted in SMEs was also identified in the literature summary. The theoretical approaches and models relevant in SME marketing (e.g.: role and relevance model, holistic model) were also presented. In the next theoretical section, the effect of the internet on the sectoral competition was presented. It was noted that in certain industry sectors, some SMEs acting as players of the internet-based value chain can compete with large enterprises. Related to this, the role of the internet in SME marketing was explained by defining and characterizing the concept of online marketing.

The marketing activity of SMEs depends on various factors inside and outside (environmental factors) the company. Among the internal factors, the role of the company manager was emphasized, highlighting some of its elements in further parts of the literature review. The external, environmental factors were also interpreted and characterized. Finally, the research identified the concepts and dimensions of marketing performance and corporate performance, and then revealed the role of SME marketing in performance.

During the empirical phase, a mixed research methodology was applied, where quantitative and qualitative methodological phases were used successively. During the quantitative survey, the theoretical concepts were made measurable by relevant scales. The qualitative phase of the research was realized partly by interviews, in the form of in-depth interviews conducted with SME leaders and marketing specialists, and partly through the analysis of qualitative case studies. The empirical phase of the research provides guidelines about SME marketing practice by examples of SMEs.



# APPENDIX

## ***Annex 1. Marketing definitions from a historical perspective***

**Marketing definition [1]:** “Social process through which any organization, individual, or institution (military, business organization, church, governmental institution, hospital, political party, etc.) can link to its external environment. In this relationship, the organization provides services and trades values with its environment, and justifies its right for further operation” (Rogers, 1963: p. 184)

**Marketing definition [2]:** “The analysing, organizing, planning and control of the firm’s customer-impinging resources, policies, and activities with a view to satisfying the needs and wants of chosen customer groups at a profit” (Kotler, 1967: p. 12).

**Marketing definition [3]:** “Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market” (Elridge, 1970: p. 4).

**Marketing definition [4]:** “Marketing is that process through which a business enterprise, institution, or organization 1. selects target customers or constituents, 2. assesses the needs or wants of such target customers, and 3. manages its resources to satisfy those customer needs or wants” (Star et al., 1977: p. 2).

**Marketing definition [5]:** “Marketing is an exchange process between producers and consumers, in which producer matches a marketing offering (the product or service plus its promotion, distribution, and price) to the wants and needs of the consumer” (Mandall and Rosenberg, 1981: p. 6).

**Marketing definition [6]:** “Marketing is to establish, develop and commercialize long-term customer relationships, so that the objectives of the parties involved are met. This is done by a mutual exchange and keeping of promises” (Grönroos, 1989: p. 57).

**Marketing definition [7]:** “Marketing is the management function responsible for assuring that every aspect of the organization focuses on customer relationships by delivering superior value, recognizing that the organization’s ongoing relationships with customers are its most important asset” (Webster, 1992: p. 14).

**Marketing definition [8]:** “Marketing is the managerial function that identifies, predicts, and satisfies consumer needs, all this in a profitable way (Wilson and Gilligan, 1999: p. 4; Brassington and Pettitt, 2003: p. 4).

**Marketing definition [9]:** Marketing is the planning and executional process that satisfies individual and organizational aims through the definition, pricing, marketing communications, and distribution of ideas, goods, and services. (Wilson and Gilligan, 1999: p. 4; Brassington and Pettitt, 2003: p. 4).

**Marketing definition [10]:** “Marketing is a sum of organizational functions and processes that creates value, communicates, and provides value for customers, and manages relationships that benefits the organization and the stakeholders” (McDaniel, Lamb, Hair, 2006: p. 6).

**Marketing definition [11]:** “Marketing is a form of constructive engagement - a societal function and a systemic set of processes for creating, communicating, and delivering value to customers and for managing customer and societal relationships in ways that benefit local and global stakeholders of these processes” (Schultz, 2007: p. 293).

**Marketing definition [12]:** “Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others” (Kotler et al., 2009: p. 7).

Source: own compilation

## Annex 2. Types of IT systems<sup>30</sup>

Name	Definition	(Major) SME presence in Hungary
<b>TPS (Transaction Processing System)</b>	Data collection and saving on the topic of daily operations, database of higher-level systems, monitoring of implementation of casual business events.	Small firms Medium-sized firms
<b>OAS (Office Automation System)</b>	IT systems that collect, forward, and save electronic messages, documents, and other communication forms among individuals, working groups, and organisations.	Small firms Medium-sized firms
<b>MIS (Management Information System)</b>	Regular creation of pre-defined reports by need or in the case of special events that concentrate on the information need of managers; provides help for well-defined, structured problem-solving.	Medium-sized firms
DSS (Decision Support System)	Development of MIS, focused on a given problem; interactive.	–
EIS (Executive Information System)	Satisfies the needs of top management, because it is comprehensive, graphical, and summarises the most important information, while enabling detailed insight.	Small firms Medium-sized firms
<b>ERP (Enterprise Resource Planning)</b>	Integrated planning of production-related resources (financial, human, etc.), but contains the management of customer and supplier relationships, and the management of the supply chain.	Medium-sized firms
<b>CRM (customer relationship management)</b>	System that works with customers; helps customer service, marketing, and product development; and enables marketing strategy in an operative way.	Small firms Medium-sized firms
<b>SRM (Supplier Relationship Management)</b>	System connected to suppliers and purchase designed for tactical and operative decisions.	Small firms Medium-sized firms
SCM (Supply Chain Management)	Helps cooperation among firms in buyer-supplier relationships; its aim is to increase the efficiency of the supply chain; for tactical and operational decisions.	–
BI (Business Intelligence)	Use of cleaned and pre-computed data as an information source; data mining procedures.	–
EPM (Enterprise Performance Management)	Calculation, monitoring, and hierarchic organisation of performance measures	–
KM (Knowledge Management),	Collection and allocation of corporate knowledge	–
ES (Expert System)	Provides a solution for structured problems in a specific field, with the formal use of expert knowledge.	–

Source: own compilation, based on Dobay (1997), Raffai (2003), Vecsenyi (2011: p. 279), GVOP (2012), Sasvári (2012: p. 58), and Dallago (2012).

<sup>30</sup> Bold if an IT system is more relevant to SMEs.

### ***Annex 3. Offline/online marketing communications tools***

<b>Offline tool</b>	<b>Online fit</b>
Print advertisement	<b>Display advertisements</b> <b>Paid advertisements (PPC)</b> <b>Search engine marketing (SEM)</b>
Television, radio	<b>Audio-visual contents</b> (YouTube, Instagram, Pinterest) Interactive television Webinars (web + seminar) Podcasts
Public Relations (PR)	<b>Blogs</b> Publication in online articles
Sales promotion	<b>E-samples</b> <b>E-coupons</b>
Events	<b>Social media</b> (sponsoring events)
Direct marketing	<b>E-mail</b> <b>Mobile marketing solutions</b> (e.g. SMS, MMS)
Sponsorship	<b>Display banners</b> <b>Paid search advertisements (PPC)</b>

Source: own compilation, based on Roberts and Zahay (2008), Akunuri (2011), Bányai and Novák (2012), and Fehér (2012).

## Annex 4. Categories of Hungarian SMEs

Source	Categorization criteria	SME typology
Bálint (2006)	Ownership	<ul style="list-style-type: none"> <li>• Multinational firm</li> <li>• International, family-owned enterprise</li> <li>• Large and medium-sized firm owned by Hungarians</li> <li>• Micro and small firm owned by Hungarians</li> <li>• False self-employment</li> <li>• Tactical enterprise</li> <li>• Public corporation</li> <li>• Municipal corporation</li> </ul>
Czakó (1997)	State of owners	<ul style="list-style-type: none"> <li>• Full-time entrepreneur</li> <li>• Part-time entrepreneur</li> <li>• Entrepreneur and pensioner</li> <li>• Multiple owner</li> </ul>
GKM (2004)	Analysis of economic performance measures	<ul style="list-style-type: none"> <li>• Immature entrepreneur</li> <li>• Lifestyle-entrepreneur</li> <li>• Entrepreneur wishing to grow</li> <li>• Hero</li> </ul>
KSH (2006)	Life-cycle analysis conducted with unified European methodology	<ul style="list-style-type: none"> <li>• Active enterprise</li> <li>• Real starting enterprises</li> <li>• Real dissolved enterprise</li> <li>• Survivor enterprise</li> </ul>
Lengyel (2002)	Regional economic development	<ul style="list-style-type: none"> <li>• SMEs connected to local large-scale firms</li> <li>• Innovative, mainly knowledge-based SMEs</li> <li>• SMEs operating in local or regional markets</li> <li>• SMEs satisfying local household demand</li> </ul>
MoET (2007)	Performance measures	<ul style="list-style-type: none"> <li>• Fast-growing enterprise</li> <li>• Stable enterprise</li> <li>• Lagging enterprise</li> </ul>
Palócz (2010)	Manner of growth	<ul style="list-style-type: none"> <li>• Nominally decreasing firm</li> <li>• Stagnant firm</li> <li>• Dynamic firm</li> <li>• Extraordinarily growing firm</li> <li>• Rocket</li> </ul>
Román (2006)	Life-cycle analysis	<ul style="list-style-type: none"> <li>• Nascent enterprise</li> <li>• Self-employed enterprise</li> <li>• Enterprising firm</li> <li>• Lifestyle-enterprise</li> <li>• Enterprise wishing to grow</li> <li>• Survivor enterprise</li> </ul>
Török (1997)	Role of enterprises in the division of labour	<ul style="list-style-type: none"> <li>• Firm using passive wage works</li> <li>• Firm using active wage works</li> <li>• Passive supplier firm</li> <li>• Active supplier firm</li> <li>• Firm capable of individual development</li> <li>• Firm able to be competitive individually</li> </ul>
Vecsenyi (1999)	Business and operational experience, Entrepreneurship skills, and skills of change	<ul style="list-style-type: none"> <li>• Ant</li> <li>• Gazelle</li> <li>• Tiger</li> <li>• Dinosaur</li> </ul>

Source: own compilation, based on Lukács (2012: pp. 88-89.) and Dallago (2012).

## ***Annex 5. Letter of invitation for survey and in-depth interview***



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<http://marketing.uni-corvinus.hu>

Dear Sir or Madam,

My name is Mirkó Gáti. I am writing my dissertation at the Corvinus University of Budapest.

I am employed at the university as an assistant research fellow. My research topic is the marketing activity of small and medium-sized enterprises. I am interested in the online representation of marketing in the online sphere, and considered as a research field, I am interested in social media solutions, too.

The aim of my research is to create publications that can help Hungarian small and medium-sized enterprises.

Would you be willing to meet with me to undertake an **in-depth interview/survey** as I inquire about the marketing activities of your company?

Neither the respondent nor the relating company or the interview subject will be identifiable in the final study, i.e., any respondent or company information will not be disclosed in the interview/survey-based research report.

Protection of the privacy of interview subjects is guaranteed, data will be handled confidentially, respecting the data provider, and analysed in an aggregated way.

My dissertation supervisor is Dr András Bauer, CSc, full professor, who is available should you have any questions. He can be contacted by phone: +36 (1) 482-5106, or by e-mail: [andras.bauer@uni-corvinus.hu](mailto:andras.bauer@uni-corvinus.hu)

Concerning any detail or harmonisation, or if you have any questions, do not hesitate to write. If you would like to talk by phone, please let me know, and I will call you any time convenient for you.

Yours faithfully,

Mirkó Gáti

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Source: own compilation

## ***Annex 6. Interview outline***

- How do you interpret marketing activity in your company?
  - What do you mean by the term “marketing”? What do you mean by the word “sales”?
- How important is the marketing activity in your company? Why?
- Who is in charge of marketing in your company?
  - Do you have a specialised marketing employee in your company?
    - If you do, then, are they a marketing professional?
    - If not, then why not?
  - If you do not have any specialized marketing employee, then, why not?
- What is the key factor in the success of your marketing activity? What does success mean in the context of marketing? Why?
- What is required to do your marketing well? Why?
- How is the marketing-mix (4Ps) manifested in your company (product, price, place, marketing communications)?
  - Is the marketing-mix harmonised in your company?
    - If yes, then why?
    - If no, then why not?
- How are marketing communications mix (advertising, PR, sales promotion, personal selling, direct marketing) manifested in your company?
  - Which marketing communications tools does your company use, and why?
  - Which marketing communications tool(s) are considered of primary importance, and why?
- Do you use online marketing communications in your company?
  - If you do, then which online marketing communications do you use? Why that/these?
  - If you do not, then why not?
- If you do use these tools, then how successful do you think these online solutions are? Why?
  - If you do not consider these solutions successful, then why not?
- What is your attitude towards social media (Facebook, Twitter, blogs, etc.) in your company? Do you use it?
  - If you do, then why?
  - If you do not, then why not?
- In your opinion, how is the use of marketing tool application and marketing performance tied together? Why do you think like that?
- In your opinion, how is the use of marketing tool applications and company performance tied together? Why do you think like that?

Source: own compilation

## Annex 7. Survey

This survey asks questions about the marketing activity in your company. By participating in the research, you contribute to a study being conducted at the Corvinus University of Budapest, analysing **the marketing activity of small and medium-sized enterprises.**

Filling in the questionnaire takes around 15 minutes. Thank you for your cooperation.

The survey is **voluntary and anonymous**. Data collected are handled confidentially.

Based on the given data, the company will not be identifiable after the analysis.

### **V01. You can find different statements concerning the market orientation of the company. Evaluate these statements in the context of your company's daily operation.**

*Note: 1: not at all suits your company; 7: absolutely suits your company (one option per row)*

		1	2	3	4	5	6	7
<b>A</b>	Our business objectives are driven by customer satisfaction.							
<b>B</b>	We monitor our level of commitment and orientation to serving customer needs.							
<b>C</b>	Our strategy for competitive advantage is based on our understanding of customer needs.							
<b>D</b>	Our business strategies are driven by our beliefs about how we can create greater value for customers.							
<b>E</b>	We measure customer satisfaction systematically and frequently.							
<b>F</b>	We pay close attention to after-sales service.							
<b>G</b>	Our salespeople share information within our business concerning our competitors' strategies.							
<b>H</b>	We target customers and customer groups where we have, or can develop, a competitive advantage.							
<b>I</b>	The top management team regularly discusses competitors' strengths and strategies.							
<b>J</b>	Top managers from every function visit our current and prospective customers.							
<b>K</b>	We communicate information about our successful and unsuccessful customer experiences across all business functions.							
<b>L</b>	All of our business functions (e.g. marketing and sales, manufacturing, R&D, finance and accounting) are integrated in serving the needs of our target markets.							
<b>M</b>	All of our managers understand how everyone in our company can contribute to creating customer value.							
<b>N</b>	Company employees regularly discuss competitors' strengths and strategies.							

### **V02. You can find different statements concerning the entrepreneurship orientation of the company.**

**Evaluate these statements in the context of your company's daily operation.**

*Note: 1: not at all suits your company; 7: absolutely suits your company (one option per row)*

		1	2	3	4	5	6	7
<b>A</b>	Our enterprise is more willing to take risks compared to our competitors.							
<b>B</b>	Our enterprise performs strategic planning activities more often compared to our competitors.							
<b>C</b>	Our enterprise has better skills to identify customer wants and needs compared to our competitors.							
<b>D</b>	Our enterprise has a higher innovation level compared to our competitors.							
<b>E</b>	Our enterprise is capable of realising its business vision in practice at a higher level compared to our competitors.							
<b>F</b>	Our enterprise has better skills to explore new market opportunities compared to our competitors.							

**V03. 1. Do you practice any of these marketing activities in your company? Please indicate the activities that your company uses.**

*Note: Use: Yes / No. (one option per row)*

**V03. 2. If you use any marketing activity, then to what extent? Please indicate on a 1-5 scale how intensively your company uses the given marketing activity.**

*Note: 1: don't use at all; 5: use intensively (one option per row)*

		1. Use		2. If yes, extent of use				
		Yes	No	1	2	3	4	5
<b>A</b>	Sales planning							
<b>B</b>	Offline advertising							
<b>C</b>	Establishing contacts with customers							
<b>D</b>	Customer Relationship Management (CRM)							
<b>E</b>	PR							
<b>F</b>	Online advertising							
<b>G</b>	Production planning							
<b>H</b>	Formulation and operation of the marketing strategy, marketing planning							
<b>I</b>	Marketing research							
<b>J</b>	Product development							
<b>K</b>	Market introduction of new products							
<b>L</b>	Cost calculation							
<b>M</b>	Pricing							
<b>N</b>	Management of the sales team							
<b>O</b>	Delivery							
<b>P</b>	Warehousing							
<b>Q</b>	Sales promotion							
<b>R</b>	Packaging							
<b>S</b>	Stocking of finished goods							
<b>T</b>	Taking and registration of orders							
<b>U</b>	Selection of business partners							
<b>V</b>	Management of Corporate Social Responsibility (CSR) projects							

**V04. 1. Do you practice any of these online marketing activities in your company? Please indicate the activities that your company uses.**

*Note: Use: Yes / No. (one option per row)*

**V04. 2. If you use any online marketing activity, then to what extent? Please indicate on a 1-5 scale how intensively your company uses the given online marketing activity.**

*Note: 1: don't use at all; 5: use intensively (one option per row)*

		1. Use		2. If yes, extent of use				
		Yes	No	1	2	3	4	5
<b>A</b>	Own web page							
<b>B</b>	Display advertising (banner)							
<b>C</b>	Search engine optimisation (SEO)							
<b>D</b>	Search engine advertisement (SEA: pay-per-click advertisement [e.g. Google Adwords])							
<b>E</b>	E-mail marketing (online direct marketing [e.g. e-newsletter])							
<b>F</b>	E-sales promotion (e-sample, e-coupon, e-prize game)							
<b>G</b>	Online sales							
<b>H</b>	Mobile marketing							
<b>I</b>	Social media marketing							

*Note: if your company uses social media marketing solutions, skip to question V05; if not, then skip to question V13.*



**V05. 1. Do you practice any of these social media marketing activities in your company? Please indicate the activities that your company uses.**

*Note: Use: Yes / No. (one option per row)*

**V05. 2. If you use any social media marketing activity, then to what extent? Please indicate on a 1-5 scale how intensively your company uses the given social media marketing activity.**

*Note: 1: don't use at all; 5: use intensively (one option per row)*

		1. Use		2. If yes, extent of use				
		Yes	No	1	2	3	4	5
<b>A</b>	Official corporate web page on social network sites (e.g. Facebook, LinkedIn)							
<b>B</b>	Own social network of the enterprise							
<b>C</b>	Corporate blog							
<b>D</b>	Microblog (e.g. Twitter)							
<b>E</b>	Operation of corporate forum							
<b>F</b>	Corporate activity-related forum with general topics							
<b>G</b>	Content sharing sites (e.g. YouTube, Flickr, Pinterest, Instagram)							
<b>H</b>	Crowdsourcing							
<b>I</b>	Crowdfunding							
<b>J</b>	Commerce communities (e.g. Amazon, eBay)							

**V06. If your company uses social media platforms for your marketing activities, then which platforms do you use?**

*Note: write the name of the social media platform(s). (more than one option is possible per row)*

		Name of platform(s)
<b>A</b>	Official corporate web page on social network sites (e.g. Facebook, LinkedIn)	
<b>B</b>	Own social network of the enterprise	
<b>C</b>	Corporate blog	
<b>D</b>	Microblog (e.g. Twitter)	
<b>E</b>	Operation of corporate forum	
<b>F</b>	Corporate activity-related forum with general topics	
<b>G</b>	Content sharing sites (e.g. YouTube, Flickr, Pinterest, Instagram)	
<b>H</b>	Crowdsourcing	
<b>I</b>	Crowdfunding	
<b>J</b>	Commerce communities (e.g. Amazon, eBay)	

**V07. For how long has your company been using social media?**

..... year(s)

**V08. When your company decided to use social media, what were the main barriers?***Note: 1: totally disagree; 5: totally agree. (one option per row)*

		1	2	3	4	5
<b>A</b>	Lack of resources/budget					
<b>B</b>	Lack of technical skills					
<b>C</b>	Lack of management's support					
<b>D</b>	Concerns about security issues					
<b>E</b>	Concerns about possible negative comments, reputational risk					
<b>F</b>	Social media requires a big investment in terms of time					
<b>G</b>	Other, namely: .....					

**V09. Why did your company decide to use social media?***Note: 1: totally disagree; 5: totally agree. (one option per row)*

		1	2	3	4	5
<b>A</b>	Competitors already used it					
<b>B</b>	To cultivate relationships with stakeholders					
<b>C</b>	To increase the reputation of the company					
<b>D</b>	To align with our marketing strategy					
<b>E</b>	To align with our communication strategy					
<b>F</b>	A new social media manager had been hired					
<b>G</b>	To attract new customers					
<b>H</b>	Other, namely: .....					

**V10. To what extent does your company use social media to improve the following?***Note: 1: don't use at all; 5: use intensively (one option per row)*

		1	2	3	4	5
<b>A</b>	Sales planning					
<b>B</b>	Offline advertising					
<b>C</b>	Establishing contacts with customers					
<b>D</b>	Customer Relationship Management (CRM)					
<b>E</b>	PR					
<b>F</b>	Online advertising					
<b>G</b>	Production planning					
<b>H</b>	Formulation and operation of the marketing strategy, marketing planning					
<b>I</b>	Marketing research					
<b>J</b>	Product development					
<b>K</b>	Market introduction of new products					
<b>L</b>	Cost calculation					
<b>M</b>	Pricing					
<b>N</b>	Management of the sales team					
<b>O</b>	Delivery					
<b>P</b>	Warehousing					
<b>Q</b>	Sales promotion					
<b>R</b>	Packaging					
<b>S</b>	Stocking of finished goods					
<b>T</b>	Taking and registration of orders					
<b>U</b>	Selection of business partners					
<b>V</b>	Management of Corporate Social Responsibility (CSR) projects					

**V11. What are the main results gained through social media in your company?***Note: 1: totally disagree; 5: totally agree. (one option per row)*

		1	2	3	4	5
<b>A</b>	Increased profits					
<b>B</b>	Increased customer relationships					
<b>C</b>	Improvement of the brand reputation					
<b>D</b>	Collect data for customer relationship management					
<b>E</b>	Increased stakeholder engagement					
<b>F</b>	Other, namely: .....					

**V12. Which metrics does your company use to determine the success of social media initiatives?***Note: Please choose the option(s) that suit(s) your company. (more than one option is possible)*

<b>1</b>	Do not measure
<b>2</b>	Specific measures delivered by the platforms (i.e. number of like, number of followers)
<b>3</b>	Financial measures (i.e., cost reduction, increased sales)
<b>4</b>	Organisational effectiveness (i.e., customer satisfaction, customer retention)
<b>5</b>	Personnel (i.e., employee satisfaction)
<b>6</b>	Other, namely: .....

**V13. Does your company employ an individual/standalone person who is responsible for marketing?***(circle only one option, please)*

<b>1</b>	Yes	<i>(if it does, then skip to question V15)</i>
<b>2</b>	No	

**V14. If your company does not employ any individual/standalone person responsible for marketing, then marketing-related tasks are performed from which position?***..... (name the position)***V15. Please indicate which of the following tasks are exercised by the marketing manager, or by the employee who works in a different field but works with marketing? (one option per row)**

		Yes	No
<b>A</b>	Sales planning		
<b>B</b>	Offline advertising		
<b>C</b>	Establishing contacts with customers		
<b>D</b>	Customer Relationship Management (CRM)		
<b>E</b>	PR		
<b>F</b>	Online advertising		
<b>G</b>	Production planning		
<b>H</b>	Formulation and operation of the marketing strategy, marketing planning		
<b>I</b>	Marketing research		
<b>J</b>	Product development		
<b>K</b>	Market introduction of new products		
<b>L</b>	Cost calculation		
<b>M</b>	Pricing		
<b>N</b>	Management of the sales team		
<b>O</b>	Delivery		
<b>P</b>	Warehousing		
<b>Q</b>	Sales promotion		
<b>R</b>	Packaging		
<b>S</b>	Stocking of finished goods		
<b>T</b>	Taking and registration of orders		
<b>U</b>	Selection of business partners		
<b>V</b>	Management of Corporate Social Responsibility (CSR) projects		

**V16. Evaluate the most important business branch of your company, based on the following skills, compared to the main competitor, please.***Note: 1: in the given aspect, in the most important business branch, your company performs much worse than its competitors; 5: performs much better than its competitors (one option per row)*

		1	2	3	4	5
<b>A</b>	Creation and management of efficient sales					
<b>B</b>	Development and implementation of advertising campaigns					
<b>C</b>	Management of the advertising activity and creative skills					
<b>D</b>	PR skills					
<b>E</b>	Management skills and processes of brand image					
<b>F</b>	Management of corporate image and reputation					

**V17. 1. Do you measure the following factors with any prescribed or generally applied index?***Note: Yes / No. (one option per row)***V17. 2. Indicate on a 1-5 scale how important you consider measuring the given factors.***Note: 1: totally unimportant; 5: totally important (one option per row)*

		1. Measure		2. Importance				
		Yes	No	1	2	3	4	5
<b>A</b>	Customer satisfaction							
<b>B</b>	Employee satisfaction							
<b>C</b>	Proportion of brand-loyal consumers							
<b>D</b>	Brand equity of company brand(s)							
<b>E</b>	Effectiveness of advertising campaigns/corporate marketing communications (e.g. recall)							
<b>F</b>	Effect of advertising campaigns/corporate marketing communications on turnover							
<b>G</b>	Effectiveness of salespeople							
<b>H</b>	Profitability of customers							
<b>I</b>	Price elasticity of consumers							
<b>J</b>	Effectiveness of online marketing (e.g. click-through rate, cost of one click)							

**V18. Based on the following aspects, please evaluate your company.***Note: 1: much worse; 5: much better (one option per row)*

		1	2	3	4	5
<b>A</b>	Customer satisfaction rate in the recent full fiscal year compared to the previous year					
<b>B</b>	Customer satisfaction rate compared to competitors					
<b>C</b>	Customer loyalty rate in the recent full fiscal year compared to the previous year					
<b>D</b>	Sales volume in the recent full fiscal year compared to the previous year					
<b>E</b>	Sales volume compared to competitors					
<b>F</b>	Market share in the recent full fiscal year compared to the previous year					
<b>G</b>	Market share compared to competitors					
<b>H</b>	Customer judgement of the main brand in the recent full fiscal year compared to the previous year					
<b>I</b>	Customer judgement of the main brand compared to competitors					

**V19. The following statements measure the adaptation skills of your company. To what extent do you agree with them?***Note: 1: totally disagree; 5: totally agree. (one option per row)*

		1	2	3	4	5
<b>A</b>	We are able to adapt our marketing activity to the changing market environment more successfully as our competitors.					
<b>B</b>	Our company has the flexibility to give more competitive marketing answers to the new challenges than our competitors.					
<b>C</b>	If necessary, we can change our current marketing practice faster than most of our competitors.					
<b>D</b>	Our company is capable of initiating market changes, which our competitors are compelled to follow.					

**V20, V21, V22. How do you evaluate your company's performance, compared to your main competitors, based on the following aspects (considering the average of the past 3-5 years)?**

*Note: 1: your company is clearly weaker; 5: [...] is clearly stronger than the competitor (one option per row)*

V20		1	2	3	4	5
		clearly weaker	somewhat weaker	the same	somewhat stronger	clearly stronger
A	Holding on in competition					
B	Acquiring new customers					
C	Raising buyer satisfaction					
D	Retaining current consumers					
V21		1	2	3	4	5
A	Realised profit					
B	Profit margin					
C	Return on capital					
V22		1	2	3	4	5
A	Sales volume					
B	Market share					

**V23. Geographical market that the company sells to (proportional to sales):** *(circle only one option, please)*

1	National market
2	International market

**V24. Company is involved in B2B or B2C markets?** *(circle only one option, please)*

1	Primarily business-to-consumer (B2C) market
2	Primarily business-to-business (B2B) market
3	Equally B2C and B2B markets

**V25. Main activity of the company?** *(circle only one option, please)*

1	Manufacturer
2	Service provider

**V26. In which industry sector does your company primarily operate?** *(circle only one option, please)*

1	Agriculture, forestry, and fishing
2	Mining and quarrying
3	Manufacturing
4	Electricity, gas, steam and air conditioning supply
5	Water supply; sewerage, waste management and remediation activities
6	Construction
7	Wholesale and retail trade
8	Transportation and storage
9	Accommodation and food service activities
10	Information and communication
11	Financial and insurance activities
12	Real estate activities
13	Professional, scientific and technical activities
14	Administrative and support service activities
15	Public administration and defence
16	Education
17	Human health and social work activities
18	Arts, entertainment, and recreation
19	Other service activities
20	Production of household products and services for own consumption

**V27. Year of company establishment:** ..... *(year)*

**V28. How many employees does the company employ (full-time and part-time employees in sum)?**

..... people

**V29. How much is the company's annual average turnover in HUF? (circle only one option, please)**

<b>1</b>	1 – 29 999 999 HUF
<b>2</b>	30 000 000 – 59 999 999 HUF
<b>3</b>	60 000 000 – 119 999 999 HUF
<b>4</b>	120 000 000 – 299 999 999 HUF
<b>5</b>	300 000 000 – 599 999 999 HUF
<b>6</b>	600 000 000 – 2 999 999 999 HUF
<b>7</b>	3 000 000 000 forint – 5 999 999 999 HUF
<b>8</b>	More than 6 000 000 000 HUF
<b>9</b>	I don't know/ I don't want to answer this question

**V30. Which of the following statements suits your company best? (circle only one option, please)**

<b>1</b>	The main aim of our enterprise is to develop and grow through searching for and exploiting new business opportunities. Our company can be described as a growth-oriented enterprise.
<b>2</b>	The main aim of our enterprise is to provide a fair livelihood for the entrepreneur. Entrepreneurial spirit can be described primarily by the lifestyle of the entrepreneur. Growth is not an elemental aim in our company.

## **XI. Demography**

**V31. What is your position in the company? (circle only one option, please)**

<b>1</b>	Entrepreneur
<b>2</b>	Manager and/or Owner
<b>3</b>	Other managerial position
<b>4</b>	Expert
<b>5</b>	Functionary (clerk)
<b>6</b>	Employee

**V32. In which field do you work in the company? (circle only one option, please)**

<b>1</b>	Management
<b>2</b>	Production
<b>3</b>	Marketing/Commerce
<b>4</b>	Finance (accounting, controlling)
<b>5</b>	I function as an owner, and I do not work with operative company issues
<b>9</b>	Other, namely: .....

**V33. What is your exact position in the company?**

.....  
**9** I don't want to answer this question

**V34. For how many year(s) have you been working altogether?**

..... year(s)

**V35. For how many year(s) have you been working for this company?**

..... year(s)

**V36. . For how many year(s) have you been working in your current position?**

..... year(s)

**V37. What is your highest level of education?** (circle only one option, please)

1	Less than primary school
2	Primary school
3	Vocational school
6	High school
7	College
8	University
9	Other, namely: .....

**V38. Which of these statements suits you the best?** (circle only one option, please)

1	I have a marketing degree
2	During my higher education, I took marketing courses
3	I obtained my marketing qualification during specific training
4	I took part in a short-term marketing training course
5	I have never taken part in any marketing education

**V39. Please evaluate your attitude to the following statements.**

*Note: 1: totally disagree; 5: totally agree. (one option per row)*

		1	2	3	4	5
A	Marketing activity is important to our company.					
B	The marketing function is essential to the everyday operation of the company.					
C	The marketing function is at least as important as other corporate departments (e.g. finance, sales).					

Thank you for filling in the questionnaire.

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