
UNIQUENESS OF TOURISM SMES: STRATEGIC MARKETING FRAMEWORK PROPOSITIONS

Hamed Al Azri

Purdue Tourism and Hospitality Research Center
Department of Hospitality and Tourism Management
Purdue University USA

Liping Cai

Purdue Tourism and Hospitality Research Center
Department of Hospitality and Tourism Management
Purdue University USA

ABSTRACT

The study of SMEs in general and of those operating in the Tourism industry particularly is relatively recent. A comprehensive and strong strategic marketing model for SMEs in general is yet to be developed. The purpose of this paper is to offer conceptual propositions that would help in realizing a conceptual framework of studying strategic marketing for SMEs in the Tourism industry. This framework would work as a basis for developing a conceptual model of strategic marketing for Tourism SMEs.

Key words: SMEs, Tourism, strategic marketing, entrepreneurship

INTRODUCTION

SMEs are vital in the development of any industry and especially so for the Tourism industry. Several models have been developed to explain marketing behavior of SMEs, two of which are examined in this paper. Essentially, a contextually adjusted framework is needed to better understand the marketing of SMEs working in the Tourism industry.

This study examined a number of issues related to the strategic marketing of tourism SMEs. In addition to issues facing the marketing of SMEs in general, tourism SMEs are operating in an industry that has been recognized as being unique and challenging. The study examined existing research on tourism SMEs and related them to two recent analyses of existing generic marketing models for SMEs. In theory, the generic models could be applied to tourism SMEs since they share common characteristics with all SMEs. However, given the unique nature of the tourism industry, a suitable strategic marketing model for tourism SMEs needs to be developed. Theoretical propositions were developed to suggest plausible alterations of the generic models.

LITERATURE REVIEW

SMEs:

Small & Medium Enterprises (SMEs) are known to be the heart of strong economies, especially for service industries like Tourism (Sproule 2006:2), as well as being the backbone of development in rural areas and small towns (Getz and Carlson 2005:247). Longenecker, Moore, and Petty (2003) explain that a "small business" is one that employs 100 or less people, have geographically localized operations, and is financed by 1-15 individuals (2003:10). A related useful database developed by Marta Kozak (2006) reveals that, for countries close in nature to Oman, number of employees in an SME is below one hundred.

As opposed to larger corporations, SMEs are established to fulfill personal objectives of the owners or entrepreneurs (Getz and Carlson 2005:243). As a consequence, SMEs usually benefit from an emotional attachment and a stronger hold from the owner/operator, which probably has much less weight in larger

corporations. They also lack the bureaucracy usually seen in larger organizations, which makes them in a better position to provide good customer service than that of larger companies (Longenecker et al. 2003:17 and 371). On the negative side, however, SMEs usually suffer from weak management skills (Wanhill, 2000:135). Most decisions are made informally by the founders (Getz and Carlson 2005:241-242). This could be a major contributor to the fact that almost 1/3 of SMEs are struggling and another 1/3 should not have been started (Wanhill, 2000:135).

Small Business Marketing:

The starting point of a successful business is the core idea. An insightful, inventive, and promising idea is the difference between a successful and unsuccessful venture (Longenecker et al. 2003:3). Business idea is a "concept in search of an application," but an entrepreneurial opportunity is "a desirable and timely innovation that creates value for interested buyers or end users".

Small business marketing consists of business activities relating to: identifying a target market, analyzing its potential, and delivering what it takes to satisfy the market (Longenecker, Moore, & Petty, 2003:218). A market is "a group of customers or potential customers who have purchasing power and unsatisfied needs." (Longenecker et al. 2003:225). In his discussion of strategic marketing planning for the tourism industry, Morrison (2002) defined a strategic market plan as "... a written plan for marketing a hospitality or travel organization covering a period of three or more years in the future" (Morrison, 2002:599).

The issue in hand is whether strategic marketing models designed for larger corporations could be appropriately applied to SMEs. Gilmore, Carson, and Grant (2001) attest that applying these models to SMEs has been criticized. They consequently urged researchers to conduct studies that "are sensitive to the unique characteristics of small firms." A closely related topic is strategic branding, which is also a challenge for small businesses as their resources and budgets are limited (Keller, 2003:751). It is, hence, difficult to apply in SMEs. Keller (2003:752), however, gave some guidelines towards effective branding for small businesses. He recommends an emphasis on one or two brands, consistently focusing on one

or two key associations, employing creative brand elements, and capturing consumers' attention and demand through creative push and pull campaigns.

SMEs Marketing Models:

In response to these issues, a number of strategic marketing models for SMEs have been developed. This study investigated the missing or inappropriate constructs in the generic models with regards to tourism SMEs. Appropriate conceptual propositions to alter the models were then developed.

First model: Role and relevance of Marketing

Simpson, Padmore, Taylor, and Frecknall-Hughes (2006) carried out a study that assessed a new model of marketing in SMEs and reported the role and relevance of marketing for SMEs. The authors used a "positivist approach", which employs a "hypothetical-deductive" method to produce the theoretical model. They investigated the model using quantitative and qualitative methods, and then showed how companies performed via a large-scale survey and follow-up interviews. The model (Figure.1) analyzed the role of marketing among SMEs (internal focus) and the relevance of marketing in the industry in which the SMEs operate (external focus). The 'Role' relates to the actual marketing efforts carried out by the organization, its ambitions and ability to grow, and its marketing orientation. The 'Relevance' relates to the need of marketing activities to sustain and grow the company in the particular industry, which tends to increase with the increase in competition. The model visualizes the two-dimensional position of individual SMEs given their internal role of marketing and the external relevance. Organizations are identified as Marketing Led, Marketing Dominated, Marketing Weak, or Marketing independent organizations.

The authors identified a number of factors affecting the shaky marketing performance of SMEs. A fundamental issue is the misunderstanding of marketing as only being about selling and advertising, and the perception that it is time-consuming and only relevant for large organizations. Simpson et al. found many

SMEs to be reactive, lacking strong strategic awareness, and preferring technical expertise of potential employees over management skills.

ROLE OF MARKETING (Internal Focus)	Major	Marketing Dominated Organization	Marketing Led Organization
	Minor	Marketing Independent Organization	Marketing Weak Organization
		Minor	Major
		RELEVANCE OF MARKETING (External Focus)	

Figure.1: The role and relevance of marketing model (Simpson et al., 2006)

Second model: Key deterrents of effective SME marketing activities:

Jimmy Hill (2001) identified a competencies spectrum relevant to marketing activities in SMEs (Figure.2). They are divided into foundation level (experience, knowledge, ...), level two (vision opportunity focus, ...), and level three competencies (motivation, ambition, ...). He argues that the effectiveness of SME marketing activities depends on these sets of competencies. The strong sales orientation present in many SMEs indicates operational marketing decision making of SMEs as opposed to strategic decision making. Hill adds that the lack of experience tends to lead to sales orientation, which in turn is negatively affected by certainty and consistent industry trends.

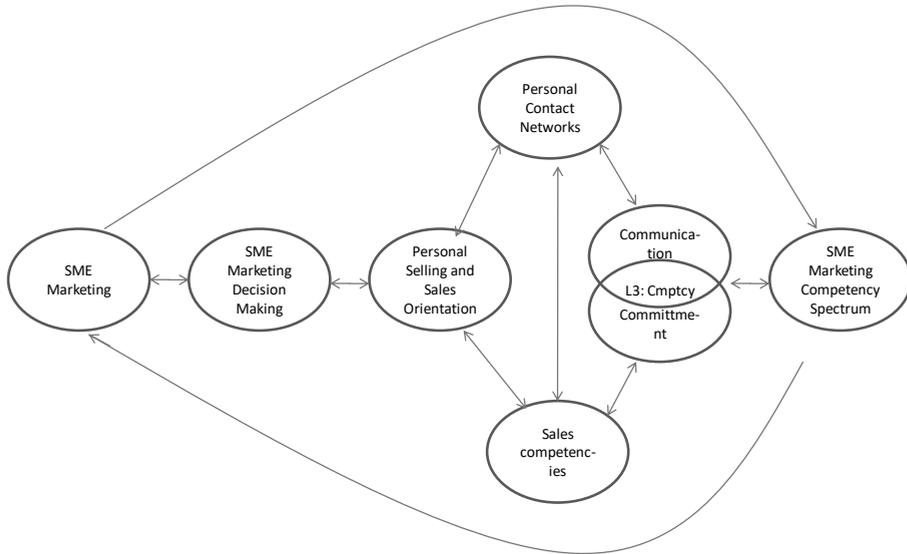


Figure.2: A holistic model of SME marketing (Hill, 2001b)

TOURISM INDUSTRY:

Tourism industry is especially attractive to SMEs because they normally blend well with the usual objectives of community development and Marketing implementation (Wanhill, 2000:134). In fact, the majority of businesses operating in tourism are small (Getz and Carlson, 2005:239). Tourism SMEs face the problem of seasonality. This creates issues in profitability (Baum, In Getz and Carlson, 2005) as well as peak time pressure on owners causing them to work longer hours and employ part-time workers (Getz and Carlson, 2005). Based on tourism organizations' classifications by Al-Haddad (2006), and Ritchie and Goeldner (1994), this study will classify tourism SMEs as being part of one of the following sub-sectors:

- 1- Accommodation: serviced and self-catering.

- 2- Travel intermediaries: travel agencies and tour operators (independent, packaged, escorted, incentive tours, etc)
- 3- Transportation: Land and sea transportation (including car rentals)
- 4- Conventions, meetings, & events management
- 5- Attractions & services: Cultural (including historical and heritage), natural (including eco-tourism), adventure, visitor info centers, etc.
- 6- Restaurants or food service
- 7- Tourism research: companies providing specialized research services

Ateljevic (2007) analyzed SMEs management practices in New Zealand. The model below (Figure.3) was accumulated by the researchers based on the work of Ateljevic's. He argues that there's a misunderstanding of the complexity of Small Tourism Firms (STFs) in the literature. Ateljevic explains that informal business planning and strategy building is the norm among STFs especially when the owner-manager is less educated and when the size of the business is smaller.

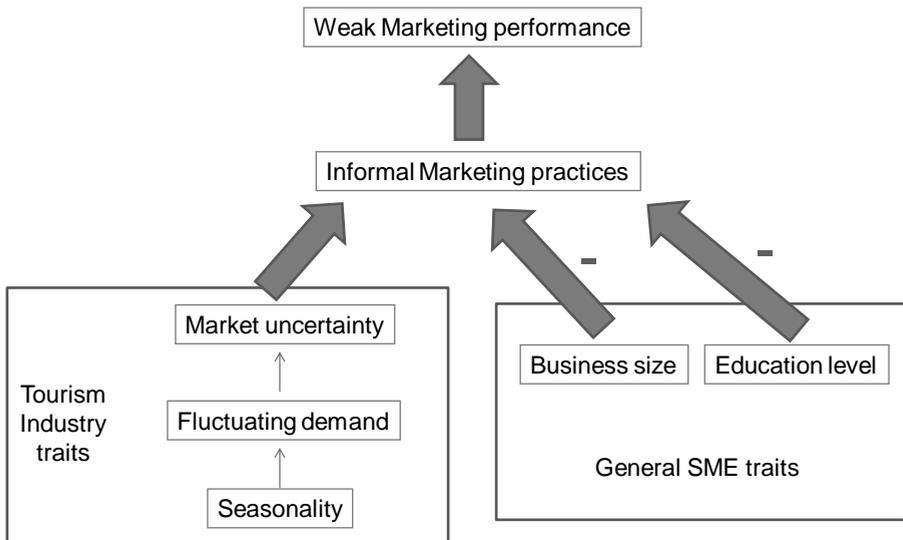


Figure.3: SMEs management practice

A major factor for informality among STFs is the difficulty to project future trends in the industry because of seasonality and uncertainty. The consequence for marketing is a lack of consistency and little or no consumer research. For STFs, these factors lessen the significance of formal management. Part-timers are employed in high seasons and the workforce is expected to be multi-tasked in the off season. Ateljevic also found that a destination-dependant demand creates inconsistent promotion efforts among STFs, which tends to focus on word-of-mouth and internet. The recruitment of employees in STFs is mainly based on personality traits, rather than experience and education.

PROPOSITIONS FOR TOURISM SMES MARKETING MODEL

Tourism SMEs Marketing Framework:

From the discussion above, and in order to better understand SMEs in Tourism, it is best to look at the generic SMEs marketing models and incorporate essential Tourism context factors to arrive at a modified and suitable framework. The below framework (Figure.4) was developed to better understand Tourism SMEs and preceding the development of a prescriptive conceptual model of Tourism SMEs marketing.

Basically, Simpson et al.'s model was initially used. Since the relevance of Marketing in the Tourism industry is almost always high, only respective cells in the original model are kept. The Relevance of Marketing is high, as the competition is high locally as well as internationally among destinations. The lack of certainty and consistency in the industry explains why Tourism SMEs are sales oriented (making them Marketing Weak Organizations - MWO).

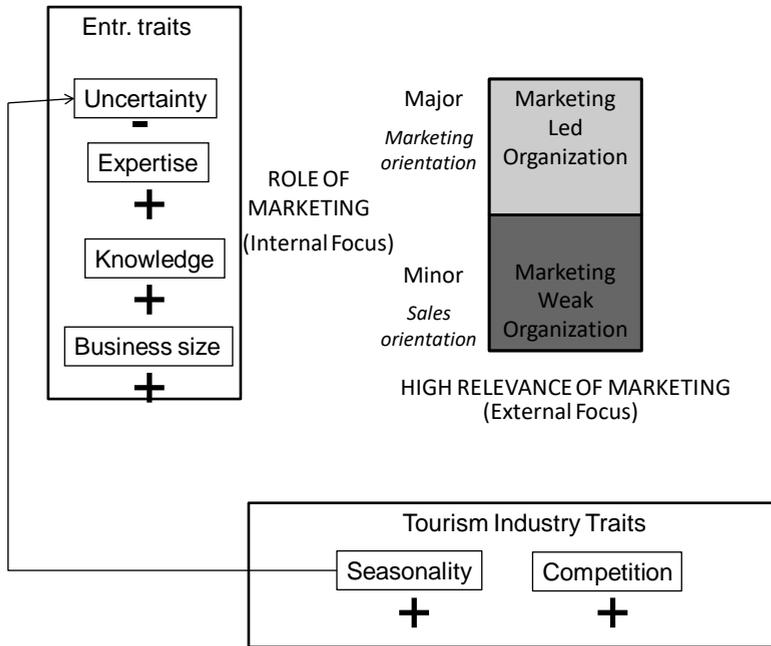


Figure.4: Tourism SMEs marketing: conceptual framework

Specific Propositions:

To summarize, below are some propositions needed to develop a framework for understanding Tourism SMEs marketing:

- Seasonality and high competition lead to high relevance of marketing in the industry. This would eliminate the need to evaluate cases pertaining to low relevance of marketing.
- There is a negative relationship between business size and the role of marketing. Since most companies operating in Tourism are small, the role of marketing for them is expected to be minor.
- There is a negative relationship between education and the role of marketing. Since most SMEs operators in Tourism are less educated, the role of marketing for them is expected to be minor.

Additional, initial propositions for a conceptual Marketing model for Tourism SMEs follows:

- Stronger partnerships of governments with SMEs would reduce the uncertainty factor, which in turn would increase SMEs marketing performance.
- Cooperative consumer research among SMEs would help minimize the cost of this vital tool for all participating SMEs. Uncertainty would be reduced and marketing performance would increase.
- Cooperative marketing among SMEs would increase collective resources and improve overall destination marketing for the good of all participating SMEs.

NEXT STEPS:

Further theoretical analysis is needed by incorporating one or two generic additional models and further understanding the nature of Tourism SMEs. Afterwards, data collection phase will commence. Scope of the study will cover organizations with less than 100 employees, including travel intermediaries, attractions and services, and other tourism sectors as identified earlier. Interviews, focus groups, and case studies are going to be used to collect the data. The findings will be compared with the propositions developed in order for them to be validated and complemented.

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