

Full Length Research Paper

Factors critical to the success of small-medium sized business marketing: A view from the tourism industry in Saudi Arabia

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Small-medium sized enterprises have acquired increasing importance in recent years within the Middle Eastern states of Saudi Arabia and Bahrain where they are regarded as a significant component of the economy and creator of jobs. However, their marketing has often been deficient and this paper examines factors which are critical to success within the context of the countries' tourism industries. Particular attention is devoted to the contributions of customer orientation, market planning, and internet use and personal/social networks. A survey of businesses was conducted and the results indicated that customer orientation was considered to be the single most important factor in successful marketing. Marketing planning was also found to be essential while Internet use and personal/social networks were deemed to have little or no effect.

Key words: Marketing, small-medium sized enterprises, tourism industry, Saudi Arabia.

INTRODUCTION

Research into small-medium sized enterprises (SMEs) and their marketing tends to focus on industries such as manufacturing, petrochemicals and pharmaceuticals while services and especially the tourism sector is often overlooked. This paper seeks to fill the gap and examines marketing activity by hotels and travel agents meeting the criteria of SMEs in Saudi Arabia where the service sectors are expanding rapidly.

Saudi Arabia originally devoted little attention to conventional international leisure tourism for a combination of social, political and economic reasons. There were few financial incentives to do so give its wealth accruing from the discovery and exploitation of oil reserves and the fourfold increase in oil prices in the 1970s. The central role of religious tourism must be stressed, however, with over a million travelling annually for the Hajj (Aziz, 1995) which requires a massive organizational effort by the authorities (Travel and Tourism Intelligence, 1997). The Hajj is a pilgrimage to Mecca which all Muslims are expected to make, if their circumstances permit, at least once in a lifetime. Umrah

also involves a visit to the holy cities, but is not restricted to a specific date and may be undertaken on numerous occasions. Those on the Hajj and Umrah together accounted for 3.6 million of the 6.3 million tourists in 2000 and almost half of tourism expenditure. In comparison, business and conference travel constituted 17% of spending while the proportions for vacation or leisure tourists were 18 and 2% respectively (Intel, 2002).

Although support for the tourism industry has been limited, Saudi Arabia was a leading Middle East destination by the beginning of the new millennium when it was drawing 27.1% of regional tourists and 29% of receipts (WTO, 2002). Domestic tourists were also a significant sector with about 14.5 million participants annually (Intel, 2002). Tourism is now Saudi Arabia's third largest industry after energy and manufacturing, and has recently emerged as the second most important in terms of foreign exchange earnings and job creation. In 2001 tourism contributed US\$9.6 billion or 5.6% of GDP and employed 489,000 people. By 2020, revenue from the tourism industry could exceed SR86 billion (US\$22.93 billion) (Khan, 2003) and it is anticipated that it will provide 1.5 million additional jobs for Saudis (The Economic Intelligence Unit, 2002). There will be spin-off benefits in the wider economy and tourism could boost

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revenue in the communication and housing sectors by between 20 and 25% (ITP, 2003) Such figures and projections have led to a shift in formal attitudes to tourism at a time when oil revenues are no longer as lucrative as they once were, leading to the exploration of alternatives. There is also concern about unemployment levels amongst the rapidly expanding and young population. At present, only 10.5% of the jobs in Mecca and Medina are taken up by Saudi nationals and the Secretary General of the Supreme Commission for Tourism (SCT) would like to see this increased to 70% or more (Kirby, 2003). A relatively new phenomenon is that of Saudization which entails reducing the number of expatriate workers and replacing them with Saudi nationals. Senior government officials recently ordered the establishment of a committee to implement such a move across 21 job categories in several stages over the next three years, at the end of which the workforces should consist entirely of Saudis.

Greater official interest has thus been expressed in tourism in recent years with the formation of specific policies and an administrative framework. There had been no formal agency devoted to tourism prior to 1999 when the SCT was established to promote the sector. Another national body, known as the High Tourism Authority (HTA), was set up in early 2002 to further encourage tourism and is chaired by Prince Sultan, Second Deputy Prime Minister and Minister of Defence and Aviation. It is tasked with developing the tourism industry, implementing the recommendations of earlier studies and preserving key archaeological sites and monuments. Seminars and discussion forums on tourism and its future prospects have also been organized, additional evidence of its higher priority.

A long term tourism master plan was prepared by the SCT and is now being implemented, while provincial plans are about to be drawn up. The intention is to attract 8.1 million arrivals in 2010 and 10.9 million by 2020, 3 million of whom will come from outside Arab areas and the countries of the GCC (Gulf Cooperation Council whose members are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates). The principal target markets will be Saudi residents and expatriates living in the kingdom, followed by Muslims worldwide and then niches of those interested in culture and heritage, ecotourism and pursuits such as diving and trekking. Possibilities of enhancing religious tourism have been acknowledged with initiatives such as 'Umrah Plus' which aims to boost the movement of pilgrims outside the main centres of Mecca and Medina, exploiting a relaxation in visa regulations (AME Info, 2002). There are also opportunities regarding extended short break travel by GCC nationals who do not require visas.

Selling to non-Muslims internationally is more challenging due to matters of cultural sensitivity and security, fears about the latter intensified by the terrorist bombings in Riyadh in 2003 and general regional

instability. There are also problems related to mutual suspicions between the Islamic and Western worlds and political uncertainties which are likely to deter many visitors. Although visa restrictions have been eased to some extent, the rules are still inconvenient for foreign tourists who wish to visit certain more remote locations. Nevertheless, and assuming the presence of a degree of political stability, long haul tourists might be attracted by the county's unique culture and landscape and the national flag carrier has already had some success in transporting groups from Europe, America and Japan. Hotel stock has also been extended lately to take care of the future potential in tourism industry.

The objective is to identify and explore factors which are perceived to be critical to successful marketing of tourism with particular attention devoted to customer orientation, marketing planning, Internet use and personal/social networks which emerge as key themes from a study of the literature.

LITERATURE REVIEW

Small-medium sized enterprises and marketing

There is no universally accepted formal definition of an SME (De Chiara and Minguzzi, 2002) but Rundh (2001) captures some central qualities in his description of a business in which 'one or two persons are required to make all the critical management decisions such as finance, accounting, personnel, purchasing, processing or servicing, marketing and selling without the aid of internal specialists and with specific knowledge in only one or two functional areas'. The number of employees is another defining feature and is usually less than 250, according to a European Union classification, with the owner often acting as manager. Overall, the sector expanded in the twentieth century worldwide and continues to do so. Many governments regard SMEs as having considerable economic significance with the potential to make a major contribution to job and income creation (Sajini, 2004).

At the same time, some researchers indicate that smaller firms have a high failure rate (Davis and Keys, 1996). They must thus strive to improve their competitiveness and viability in the marketplace and survival and success can depend on marketing. However, many authors cite a lack of marketing awareness as a regular cause of failure (De Chiara and Minguzzi, 2002). Aspects of SMEs marketing have been widely discussed in the literature, often linked to entrepreneurship, although there have been calls for a more systematic approach to empirical data collection in order to improve knowledge and understanding (Shalaby, 2004). Based on existing research, it seems that SMEs frequently do not adopt a long term perspective and neglect research and analysis. Instead, they rely on the instincts of managers

and actions designed to deal with immediate problems and pressures. There is a risk of veering from one crisis to another which eventually leads to unacceptable levels of stress and ultimate burn-out (Zain and Ng, 2006).

Such a situation is partly explained by the influence of the character and behavior of owners-managers of SMEs and stage of enterprise development. Possible drawbacks are shortages of finance and time, lack of expertise (as owner-managers tend to be generalists rather than specialists), and limited impact in the marketplace. These weaknesses have implications for marketing which can be informal, loose, unstructured, spontaneous, reactive and built upon and conforming to industry norms (Gilmore et al., 2001). SMEs marketing may be haphazard because of the way owners-managers do business, often making decisions on their own in response to prevailing opportunities and circumstances. At the same time, there is an appreciation that SMEs marketing is distinctive and its challenges are different to those confronting larger businesses (Moriarty et al., 2008). Studies of SMEs marketing indicate an emphasis on four key dimensions of customer orientation, marketing planning, Internet usage and personal/social networks which are summarized in the study.

Customer orientation, marketing planning, internet usage and personal/social networks

It is a common assertion among management and marketing theorists that a strong customer orientation is essential to business success (Zimmerer and Scarborough, 2002). Firms that satisfy customers by providing superior service experience higher economic returns than competitors that are not so service-minded. Satisfied customers lead to repeat purchase, loyalty, positive word of mouth and increased profitability. These observations apply to the tourism sector where a customer focus has been found to produce results. Many SMEs have a marketing policy founded on developing customer relationships with assorted tools being used in pursuit of this goal, but the customer orientation concept is not always fully understood, let alone practiced (Stanworth et al., 2004).

Researchers also argue that marketing planning is a major determinant of business performance. However, it demands resources that may be beyond the capabilities of many smaller companies. SMEs do not possess the same human and financial capital as their larger counterparts and have comparatively negligible buying power. Their deliberations often involve informal and unplanned activity that relies on the intuition and energy of an individual, normally the owner-manager. Individuals may give marketing a low priority compared to other business functions, especially if they have less formal education and make all the decisions (Hair et al., 2003). Within the context of small hotels, Harris (1998) claims

that an unclear view of the customer, contentment with the status quo, inadequate marketing knowledge and expertise, lack of competitive differentiation, limited resources, perceived inappropriateness and a short term mentality all frustrate marketing planning. Nevertheless, it is clearly important to SMEs survival and growth.

Alongside the business community in general, SMEs have come to realize the power of the Internet. Internet marketing content is important, but interactivity is vital in forging relationships with customers. A web site that engages the customer differentiates the Internet from other forms of marketing and can give a competitive advantage, operating from informational through transactional to relational levels. It is possible to create virtual communities online involving customer groups with similar needs and offer virtual tours, thereby strengthening the relationship between enterprises and customers.

Finally, SMEs networks take various forms which include personal (Knoke and Kuklinski, 1982), social business (Donckels and Lambrecht, 1997), industry and marketing (Piercy and Cravens, 2009). Marketing in SMEs appears to depend heavily on personal contacts (Gilmore et al., 2001), and is often driven by the particular management style. Owner-managers tend to have relatively small and inexpensive networks with little resort to expected external contacts. While these networks are used deliberately to solve problems, their formation and development are largely unstructured and coincidental in nature. Nevertheless, building relationships is acknowledged to be vital to a company's success and SMEs invest considerable time and effort in maintaining good relations with regular clients (Gilmore et al., 2001).

Based on the preceding account, an analytical framework was devised and is presented in Figure 1. The model informs the questionnaire survey as explained in the study and is tested in the analysis of results. It is argued that customer orientation, marketing planning, Internet usage and networks are crucial to marketing success which can be measured in assorted ways. Financial measures are usually employed to evaluate performance (Kokkinaki and Amber, 1999), but market share is another guide and is commonly linked to cash flow and profitability (Buzzell and Gale, 2009). Other possible indicators of success relate to customer satisfaction and loyalty and innovativeness.

Hypotheses

Based on the literature and research model shown in Figure 1, four hypotheses were formulated for this study as follows:

H₁: Customer orientation relates positively to SMEs marketing success.

H₂: Formal marketing planning relates positively to SMEs

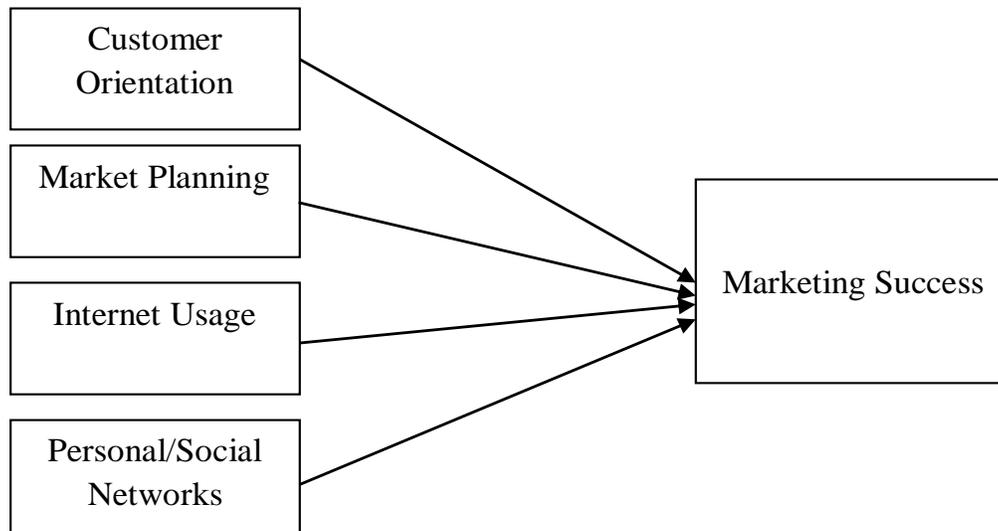


Figure 1. Analytical framework and research model.

marketing success.

H₃: Use of the internet (for marketing purposes) relates positively to SMEs marketing success.

H₄: Utilization of personal/social networks relates positively to SMEs marketing success.

METHODOLOGY

Sample and data collection

The target respondents for the study were representatives of tourism industry SMEs, defined as employing less than 250, in Saudi Arabia. Most of these representatives were either general managers or marketing managers of the firm. A questionnaire was delivered personally by the researchers and self-administered, but there was subsequent contact by email, telephone or in person in order to encourage participation. Out of the 45 questionnaires¹ distributed, 27 valid responses were received. These comprised 17 responses from hotels (63%) and 10 responses from travel agencies (37%). Unfortunately, due to the lack of research culture in the Kingdom the sample was considered sufficient for further processing. Overall, the response rate was disappointing and is indicative of the problems confronting researchers regarding the collection of marketing activity data in the Middle East. Nevertheless, the survey captures a mix of opinion and the material thus gathered was deemed sufficient for the exercise.

¹ A total number of 45 sample statistics was considered adequate to measure the characteristics of the population. This sample comprises Saudi owned companies. The top executives (all Saudis) working for SME's in franchising sector both in hotels and travel agencies administered the questionnaire. Since the sample comprises of franchised hotel and travel agencies in Saudi Arabia, and the fact that Saudi Arabia does not have research culture, the sample size of 45 was regarded justifiable. The sample size in this case was also in line with the convenience sampling procedure described by Zikmund (2004) and Kumar et al. (2009). All these writers agree that the sample size depends on people willing and available for questioning as well as the size is convenient, economical and relatively quick to approach. No suggested range of sample size is advised by the writers to make inferences about the population parameter.

Measures

The questionnaire was derived from the literature review and examined four aspects of marketing outlined in Figure 1 which represent constructs and serve as independent variables in the analysis. Marketing success is the dependent variable, allowing the relative importance of each dimension to be assessed. There was a mix of nominal and scale measurements in the survey which asked a total of 34 questions, mainly using a 5 point Likert scale. After an opening question about the size of the company, Questions 2 to 6 sought to ascertain perceptions of overall marketing success while Question 7 covered customer satisfaction. Questions then followed about the company's customer orientation (8 to 10), marketing planning (11 to 20) internet usage (21 to 25) and personal/social networks (26 to 32). Final questions related to the age of the firm and its website. SPSS software was employed in the data analysis, making use of regression tools to examine the relationship between independent and dependent variables. Other statistical tests completed were factor analysis, R² and correlation.

Data analysis

In order to check the reliability and validity of the variables, tests for Cronbach's alpha and factor analysis were conducted (Table 1). The results of factor analysis confirmed the validity of the four variables which are Customer Orientation, Marketing Planning, Internet Usage and Personal/Social Networks. Marketing Success, however, has further been divided into two more constructs of Quantitative Measure of Marketing Success (Marketing ROI and Quantifiable Marketing Objectives) and Qualitative Measure of Marketing Success (Customers' Attitude, Brand Image and Market Share). For the purposes of this study, Marketing Success is only considered in the qualitative dimension. The main reason is that most of the surveyed SMEs did not have any procedures for the quantitative measurement of Marketing Success, leading to invalid responses.

After confirming the validity of the variables, descriptive statistics and correlations were computed for each of the constructs as presented in Table 1. It is clear from the means of the constructs that most SMEs are customer focused. They also do marketing

Table 1. Descriptive statistics and correlations among study constructs.

Scale	No. of Items	Mean	Standard deviation	1	2	3	4	5	Reliability (Cronbach alpha)	Variance extracted
1 Marketing Success	3	4.06	0.79	-	0.53	0.49	0.19	0.31	0.71	63.59
2 Customer Orientation	3	4.25	0.91	0.53	-	0.37	0.29	0.40	0.71	74.01
3 Marketing Planning	9	3.78	0.87	0.49	0.37	-	0.50	0.45	0.91	59.49
4 Internet Usage	3	3.22	1.13	0.19	0.29	0.50	-	0.51	0.69	62.7
5 Personal/Social Networks	6	3.72	0.88	0.31	0.40	0.45	0.51	-	0.85	57.05

Table 2. Regression Results [standardized regression coefficient (t value)]

Independent variables	Dependent variable
	Marketing success
Customer orientation	0.404 (2.156)**
Marketing planning	0.390 (1.910)*
Use of internet	-0.144 (-0.693)
Personal/social networks	0.048 (0.231)
Overall F (df)	3.540 (5)
R2 (Adj. R2)	0.392 (0.281)

* One-tailed probabilities: p <0 .10. **One-tailed probabilities: p < 0.05.

planning and use personal networks to some extent for their marketing. However, use of the Internet for marketing by the respondents is low.

RESULTS

The hypotheses were tested using Multiple Linear Regression and the results are shown in Table 2. The first hypothesis tested the relationship between Marketing Success and Customer Orientation. The results showed that Marketing Success is positively related to Customer Orientation of SMEs. (B=0.404; p < 0 .05). Thus H₁ is supported. The second hypothesis was

related to Marketing Planning and its impact on Marketing Success. Results revealed that there is a positive relation between SMEs Marketing Planning and Marketing Success. (B=0.390; p < 0 .10). Thus H₂ is supported. The third hypothesis examined whether use of the Internet can be related to Marketing Success by SMEs. It was found that no relation exists between the two variables and H₃ is not supported. The last hypothesis was regarding the utilization of Personal and Social Networks and their role in the Marketing Success of SMEs. The Marketing Success of SMEs does not have any relation with the use of Personal Networks and H₄ is not supported.

DISCUSSION

Two out of four hypotheses were therefore supported and two were not supported. Multiple regression analysis showed that customer orientation and marketing planning are seen as crucial elements of SMEs marketing. As mentioned at the beginning of this paper, SMEs generally cannot afford very costly marketing such as expensive advertising campaigns. By being customer focused, however, SMEs can improve their marketing effectiveness without spending large sums of money. Especially in the tourism industry, where customer care and satisfaction are primary goals of the firm, concentrating more

on customers can bring substantial benefits. Most of the world's largest corporations do engage in some kind of marketing planning and it is easy for a company to lose direction without such planning. Formal marketing planning has many dimensions which include segmentation of the market, taking care of the 4P's (product, price, promotion, and place), analyzing competition and forecasting demand. Again, to execute such planning necessitates expertise and time which represent costs. SMEs cannot spend so much on elaborate marketing planning due to their limited resources, yet they cannot ignore it completely and must undertake a certain amount in order to prosper.

With regard to Internet issues, it is widely agreed that the Internet is a revolutionary global force and that organizations and individuals are affected by the information superhighway created. Most companies have websites where they post company information and also advertise their offerings, taking advantage of the fact that it is a comparatively inexpensive medium. Nevertheless, the marketing success of SMEs in the Saudi Arabian tourism industry is believed to be unrelated to Internet usage. The reasons for this result may be that the Internet is still a new technology; for example, one-third of the respondents in the study do not have a company website and the mean of the construct use of internet (at 3.22) suggests adoption is not widespread. It is likely that in future years, as internet popularity and its impact grows, Middle East SMEs will eventually make full use of the technology for marketing and other tasks. It is therefore very important for current SMEs managers to understand the capabilities of the Internet and its cost effective nature so that they can employ it to secure a competitive edge.

Another surprising result of the study is that no relation was found between personal networks and marketing success, especially since most of the tourism industry SMEs in Saudi Arabia are family owned businesses. According to the literature also, personal connections and social networks commonly play a vital role in SMEs operations. The mean of this construct, close to agree at 3.72, hints that the respondent SMEs do use personal/social connections in their businesses, yet do not exploit them in marketing. It may be that most SMEs in Saudi Arabia do not harness personal/social networks to their marketing efforts due to insufficient knowledge about marketing techniques and terminology.

The findings provide guidelines for all SMEs (particularly in the tourism industry) who are restricted in their resources, but want to be effective in their marketing. The model presented identifies critical marketing factors, although further studies can be conducted to explore the importance of each crucial variable in detail and address a series of key questions. For instance, if SMEs must do marketing planning, what are the most cost effective methods and which aspect of marketing planning should they concentrate on? Customer orientation is crucial, but

what steps can SMEs in the tourism industry take to become more customer focused? How can the Internet be used in SMEs marketing? The answers to such questions are vital for SMEs marketing managers in the tourism industry and more generally.

CONCLUSION AND RECOMMENDATIONS

It has been found that the single most important factor behind marketing success is believed by tourism sector representatives to be customer orientation which generally includes satisfying customer needs and providing them with a good service. Most of the companies realize its importance, yet agree that there is a room for improvement. Akin to big corporations, formal market planning is also regarded as very beneficial and relevant for SMEs. The companies surveyed generally feel positive about the activity, but most of them do not practice market planning properly and this is another area for attention in order to enhance performance.

Although appreciation of the internet's commercial value is widespread, respondents consider that it does not contribute to marketing success. The finding may be due to the fact the internet is still a comparatively new technology in the Middle East and SMEs do not fully appreciate its potential. However, most have a very favorable attitude towards information technology and increased usage seems probable in the longer term. According to the literature, one of the most important tools for doing business for SMEs is personal/social networks, but this paper indicates that such networks are judged to have no effect on marketing success. Respondents think that personal and social connections are important for SMEs and utilize them to a certain extent, but they do not agree that there is a close relationship with marketing returns. Again, this stance would seem a merit reassessment to make the most of opportunities.

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