



FACULTY OF EDUCATION AND BUSINESS STUDIES  
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# Small enterprises' marketing strategy in the digital era

## A study of hotels in Sweden

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# Abstract

**Title:** Small enterprises' marketing strategy in the digital era

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**Aim:** The aim of this study is to explore small enterprises' marketing strategy, and the digital tools that can improve their odds in the market against competitors and gain competitive advantage.

**Method:** Qualitative study was conducted using primary and secondary data for this study, where primary data was collected through ten semi-structured interviews. An inductive approach was used to complete this study. The sample taken were seven small hotels and ten respondents who own and manage the hotels.

**Result & Conclusion:** Findings of this study show that digital marketing tools demand fewer resources such as marketing expenses, number of employees, and make marketing activities simpler for the managers of small enterprises. As a result of digitalization, small enterprises are able to implement the marketing mix (4Ps), although their primary focus is price followed by providing customized product/service that fits the customers' needs to gain competitive advantage.

**Suggestion for future studies:** We found in our study that one hotel did not use social media at all, and it would be interesting to know if there are more enterprises that do not use it as well. Therefore, in future studies, a larger sample would produce more data about the use of social medias by small enterprises. Additionally, this study was conducted in a developed country context and further research would be beneficial to emerging-market countries if it is conducted in their context. Finally, a deeper investigation on marketing strategy between different sizes of micro and small enterprises can provide greater knowledge about how they operate.

**Contribution of the thesis:** This study has contributed to small enterprises' marketing strategy, which shows that they focus on customer preferences rather than what their competitors offer. It also contributes to SMEs' digital marketing where digitalizing an enterprise's marketing activities decreases costs and increases dynamic capabilities to gain and maintain competitive advantage.

Moreover, this study provides new thoughts about the marketing mix for SMEs, which includes that cost leadership strategy is mostly used, hence, making them the price followers. In other words, they set their prices based on their competitors.

**Keywords:** Marketing Mix, Hotel Industry, Digitalization, Social Media Marketing, Customer Satisfaction.

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It is with joy and pride we now have the opportunity to present our study here. This study is a result of hard job, good supervision, and accommodating respondents that all have contributed to make this study possible.

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**Best regards, *Daniel Tadesse & Tobias Pettersson***

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# 1. Introduction

*This chapter presents the background of small enterprises, their marketing strategies and explores the role of digitalization in marketing their products/services. Furthermore, research gaps research aim, research questions and delimitations are discussed.*

## 1.1 Background

Small to medium-sized enterprises (SMEs) are important for the European economies (Buhalis & Main, 1998; Antony, Kumar & Madu, 2005), and have a significant role in creating new jobs, growth in GDP, entrepreneurship and innovation (Karadag, 2015; Jasra, Hunjr, Rehman, Azam & Khan, 2011). SMEs are enterprises with under 250 employees and operate in small areas (Jasra et al., 2011). Moreover, SMEs are also one of the significant factors of socio-economic growth (Karadag, 2015), and play an essential role in the development of a nation (Kalique, Isa, Shaari, Abdul & Ageel, 2011; Jasra et al., 2011). For instance, more than 99% of the business enterprises in the UK, 99,9 % in Turkey are SMEs (Antony et al., 2005; Karadag, 2015), and 99,9 % in Sweden (European Commission, 2018), which shows the importance of these organizations in the market. According to Jasra et al. (2011), SMEs can be divided into micro-enterprises, small enterprises, and medium enterprises. This study focuses only at micro and small enterprises, which are companies with less than 50 employees (Jasra et al., 2011), because there is a lack of research in the area we are investigating.

Literature shows that small enterprises' marketing approach is different from larger enterprises (Carson & Cromie, 1989). Before we discuss the marketing strategies of small enterprises, there are some characteristics they possess that needs to be discussed. Carson and Cromie (1989) state that small enterprises have several features that make them what they are, including the owner is usually one person or a few people where the firm operates locally. Owner of a small firm is usually the manager of the firm with independent management and is financed by one person or a few people. Measuring the size of a small business can be in terms of capital investment, number of employees and sales capacity (Carson & Cromie, 1989).



Small enterprises face few challenges when it comes to marketing their products and/or services such as employing expert marketers, limitation of resources, and they have limited impact in the marketplace since they usually have a small number of customers (Carson, 1985). In a comparison of small enterprises to large enterprises' marketing strategy, the small ones have different marketing attitude with more flexibility, have a closer relationship with customers and they are more flexible (Hill, 2001).

Marketing planning is critical in a business' success since it gives a manager a sense of direction on how to move forward. Although the term marketing planning implies formal planning, small enterprises conduct informal planning too (Carson & Cromie, 1989). Take the hotel industry, for example, the marketing literature shows that small hotels have limitations in gaining competitive advantage, e.g. pricing, the perception of their market position and managing customer relationships (Moriarty, Jones, Rowley & Kupiec-Teahan, 2008). In their study, Moriarty et al. (2008), found that small hotels can use specific marketing with a low budget by providing customized service, e.g. customer knowledge obtained through computers.

Moreover, marketing literature shows that the performance, growth, and competitiveness of SMEs is positively affected by digitalization (Taiminen & Karjaluoto, 2015). Establishing an online exposure through associating one's business with other websites, managing the business's website rank in search engines and creating a web-brand is an important tool to succeed in the digital era (Kucuk & Krishnamurthy, 2007). Additionally, the emergence of social media has revolutionized the way businesses communicate with their customers (Hafele, 2011), thus, providing equal opportunities to businesses regardless of their size and resources. Digital marketing minimizes SMEs' marketing spending unlike the traditional marketing channels that require a lot of resources (Chong & Pervan, 2007).

## **1.2 Research gap**

Researchers have been studying SMEs for quite some time, however, the literature in this particular field lacks the knowledge about what strategy these small firms use in this modern day and age to compete against other enterprises. The marketing strategies by small enterprises are planned for a short-term due to the lack of resources and since most of them operate in a localized

manner and, therefore, the strategy used is incomprehensible to be measured for competitiveness (Singh, Garg & Deshmukh, 2008). Marketing literature has been focusing on large enterprises regarding marketing strategies to gain a competitive advantage with a minimum focus to SMEs (O'Donnell, Gilmore, Carson & Cummins, 2002). Carson (1990) argues that small enterprises lack professional marketers, resources and, therefore, they have no standard marketing structure. Reijonen (2010) also claims the marketing mix/4Ps does not seem to fit small enterprises as they mainly focus on promotion or sales as their primary strategy to marketing. However, recent studies show that the digitalization of marketing requires fewer resources to reach out current customers and potential customers giving a chance for small enterprises to compete against large enterprises taking marketing to a new level (Taiminen & Karjaluo, 2015).

On the other hand, Jones, Simmons, Packham, Beynon-Davies, and Pickernell (2014), state that small businesses demonstrate distinctive attitudes towards the adoption of technology in marketing, and it heavily depends on the manager/owner's interests and capabilities in using technology. That being said, there are inadequate studies regarding the owners' or managers' attitude towards adapting to technology-aided marketing (Alford & Page, 2015).

Alford and Page's (2015) research has shown that technology and marketing competencies by managers/owners have played a big role in their attitude towards technology adoption. Considering the technology advances annually or even more frequently, its ease of use and price can be different. Most of the literature has been written when technology in marketing was expensive with a need of experts to operate them, but nowadays there are several marketing applications that are cheap or even free with minimum knowledge requirements to operate them. Since a business's success depends on the technological aspects of running a business, there is a call for SMEs to be adaptive to current trends of using digital tools (Jasra et al., 2011), such as social media that has changed the conventional way of marketing and it has altered customer behavior (Kaplan & Haenlein, 2010).

Study shows that small businesses, at their initial growth stage, focus on internal activities that require attention first (Kenny & Dyson, 2016). Depending on the financial stage of a company, resource allocation becomes crucial. Internal activities such as production process, managing the

requirement of the employees, financial reporting and purchasing come first before marketing the products and/or services. These types of situations put small businesses at a disadvantage in competing in the market. Therefore, it is important to investigate how these businesses survive these situations and are able to gain a competitive advantage later in their growth cycle (Kenny & Dyson, 2016).

### **1.3 The aim of the study**

Small enterprises face challenges such as limitations of financial resources, marketing experts and they compete at a disadvantage against others within the industry to attract and retain customers. In determining small firms' competitive advantage, this study considers the firms' marketing strategy in pricing, customer loyalty, offering tailored products/services, customer satisfaction, and the role of digitalization in enhancing the marketing activities. Moreover, this study aims to fill in the above-mentioned gap in the small enterprises' marketing strategy literature and contributes to a successful marketing strategy in competing with market-dominating enterprises. Therefore, the aim of this study is to explore small enterprise marketing strategies and the digital marketing that can help level the playing field in competing against others and gain competitive advantage.

#### **1.3.1 Research questions**

This study addresses the following questions:

*RQ 1 – How do small enterprises develop marketing strategies in order to gain competitive advantages?*

*RQ 2 - How does digitalization influence small enterprises' marketing activities to strengthen their competitive advantage?*

### **1.4 Delimitation**

To achieve the aim of our study, we conducted a qualitative study with ten semi-structured interviews with managers and owners of micro and small firms in Sweden. Small enterprises within the hotel industry that are located in the regions of Gävleborg and Härjedalen were chosen

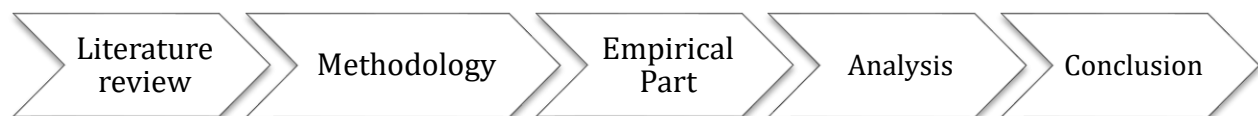
for this study. We decided to choose companies that are located close to where we live in order to gain access faster and avoid delays. Nevertheless, we believe that the selected sample represents other enterprises in other regions of Sweden. The interviews ended when we achieved saturation, i.e. when the interviewees did not give us any new information.

This study is conducted exclusively in the B2C context of small enterprises. Furthermore, the study conducted is not from a customer perspective in determining factors such as customer satisfaction and customer loyalty in gaining competitive advantage. Hence, no data was collected from customers. Instead, we limited our study to how the businesses achieve those factors to gain a competitive advantage.

Competitiveness can mean different things to different researchers. Therefore, this study explored the sources of creation and sustainability of competitive advantage, but the part it plays in GDP growth, unemployment rate, trade performance and trade terms are excluded (Ceptureanu, 2015). Instead, the study is limited to the internal factors that influence competitiveness specific to marketing such as technical know-how, competencies, and other resources.

## **1.5 Disposition**

The rest of the study is followed by literature review regarding the topic and methodology is discussed thereafter. Afterward, the empirical data is presented in the empirical chapter and then, it is analyzed in the next chapter. Finally, a conclusion is drawn and answers for the research questions are presented as well as the implications of the study.



## **2. Literature review**

*This chapter discusses and reviews the literature about small enterprises' marketing strategy to gain a competitive advantage in a market where large enterprises are dominant. It also discusses the role of customer loyalty, customer satisfaction, and technology for the small enterprises to be able to compete with others and gain market share. Furthermore, we constructed a model based on our literature review.*

### **2.1 Small enterprises' marketing strategy**

To understand and assess small enterprises' marketing activities and strategies, first, one must understand what a small enterprise means and its characteristics. Carson and Cromie (1989) discuss four small enterprise characteristics namely; independent management where the manager is the owner, it is financed and owned by one person or a small group, mainly operates locally, and is small in size (number of employees and sales volume). The authors further argue that small enterprises exercise different marketing approach compared to large enterprises.

Carson (1990) points out that the difference between large and small enterprises is mainly in their marketing and management style, not just their size. Small enterprises' market is limited to local/regional, unlike large enterprises that serve the national or international market and have a bigger market share. Management style practiced by small businesses is more personalized in the sense that a manager participates in all manner of running the business where all the decisions are made by the manager independently (Carson, 1990).

Moreover, small enterprise marketing has lack of marketing experts, resources and have a low impact on the market (Carson, 1990). Because of small businesses' sales volume, i.e. fewer customers, fewer employees and, therefore, fewer sales than large businesses, they have limited impact on the market. On the economic development of a country, however, SMEs play a big role in facilitating it (Jasra et al., 2011). Berthon, Ewing, and Napoli (2008) also argue that SMEs have a big impact on a country's GDP and employment. But then again, in order for those SMEs to have that impact in a country's economy, there are key determinant factors for their success. Those factors are government support, financial and technological resources. SMEs require these

supports because they play a key role in creating a job in a country and help eradicate poverty as a result (Jasra et al., 2011). Therefore, developing a marketing strategy that fits SMEs is critical for the businesses success and it benefits a country as a whole.

Most small enterprises are known to have no standard structure in marketing their product/service and they are criticized for it, but they tend to practice marketing their own way (Carson, 1990). Small businesses have certain features that differentiate them due to limited resources. Those are, informal structure, restricted range, simplistic and price oriented. Those restrictions on resources combined with lack of marketing competencies lead small enterprises to have difficulties in the ability to perform market research, designing content and choosing the appropriate promotional media that fits the enterprise (Berthon et al., 2008). Marketing activities of small enterprises are often described as sensible, practical, and situation specific applied to fit individual business needs (Berthon et al., 2008). A study in small enterprise marketing shows that there is a practice of marketing to some extent, varying from almost no marketing to advanced marketing tactics depending on the owner's prior experience or education in marketing (Hogarth-Scott, Watson & Wilson, 1996).

Lewis and Churchill (1983) describe the growth of the business as *existence, survival, success, take-off, and resource mature*. The first stage of business development is where marketing tends to be a problem as it is handled by the owner/manager who usually has no marketing capability. Consequently, the marketing system is almost non-existent. As the business develops and grows, the owner hires professionals and only then the business has a structured marketing system with formalized sales function, thus from entrepreneurial marketing to professional one (Lewis & Churchill, 1983).

Owners/managers are known to reflect their personal characteristics on their marketing activities, and Siu and Kirby (1998) suggest that this is important only in the first stage of starting a business. However, as the firm moves on into the next stage, it evolves to a more professional marketing strategy. Although, the growth stages are described as less reliable to build a base for studying small enterprise marketing, but some businesses' owners have previous marketing knowledge and are able to apply systemized and formalized marketing from the get-go (Siu & Kirby, 1998).

### **2.1.1 Sources of competitive advantage**

For the most part of the business literature, it has been focusing on studying large business competitive advantage lacking attention to SMEs (O'Donnell et al., 2002). The assessment, creation, and maintaining of the competitive advantage have, therefore, not been studied enough in previous research. When a business is applying a value-creating plan that its current competitors in the industry are not doing at the same time is called a competitive advantage (Barney, 1991). Planning and implementing to gain competitive advantage require a business to identify its competitors first (O'Donnell et al., 2002).

According to Clark and Montgomery (1999), businesses tend to identify its competitors by observing other businesses that share similar characteristics and categorize few businesses as competitors based on the supply-based/competitor characteristics instead of demand-based/customer characteristics. Therefore, SMEs' competitor identification process is only from the owner/manager perspective rather than from the customers' perception of the businesses. In their study, Gilmore, Carson, and Grant (2001) discovered that managers/owners of SMEs personally know their competitors, communicate and network with one another. This cooperation can be either to keep some customers within local businesses or when some projects are too big for one business to do it by itself/need new resources.

Essentially, competitive advantage is evaluated based on the customers, products/services, market and the structure of the industry. An enterprise gains competitive advantage through higher value-creation for customers at the lowest price possible, and its outcome on the business' performance in the market (O'Donnell et al., 2002). The aptitude of enterprises to acquire know-how and keep adapting to the constant change of customer behavior and technology is known as *dynamic capability* (Teece, 2007). That is the ability to seize the opportunity and handle threat in the business environment and sustain an enterprise's competitive advantage.

Teece (2007) argues, in the constantly changing global market, customer needs and behaviors change as well as new opportunities arise (e.g. technological know-how) putting both existing and

new enterprises in competition with one another. Which in small enterprises' case can include the digitalization of marketing such as online presence, advertisement, faster way of reaching out customers at minimum expense creates a chance to compete against large enterprises (Taiminen & Karjaluoto, 2015). Teece (2012) argues dynamic capabilities undergo three main steps and those are, sensing (identifying opportunity), seizing (utilizing resources to seize the opportunity), and transforming (constantly reevaluate and renew it). Later on, Fernandes, Ferreira, and Rese (2017) suggested constant "learning" as the fourth step in SMEs, that is linked to an individual/entrepreneur process for SMEs' sustainability and to gain competitive advantage. Small enterprises develop sustainability through those steps as market and technology constantly change (Teece, 2012).

Teece (2012) emphasizes that dynamic capability to gain competitive advantage is different in entrepreneurial management, because it is less about standardized analysis that large enterprises have and more about creativity, finding out new opportunities and how to seize it rather than maintaining and perfecting current procedures. Furthermore, one of the competitive advantages that can be obtained by SMEs with dynamic capabilities is the speed of decision making unlike large enterprises (Fernandes et al., 2017).

Furthermore, the marketing mix (4Ps) appears to be unfit for SMEs especially product, price and place are least considered (Reijonen, 2010). For SMEs, promotion seems to be their primary marketing strategy. Small enterprises tend to focus in getting the information out to their customers about their company, meaning they are mostly sales oriented. Hence, they lack clear marketing strategies in differentiation and segmentation of their products and services (Reijonen, 2010).

## **2.2 The role of Digitalization**

Jasra et al. (2011) argue that business's triumph is directly dependent on the technological aspects of running the business, which is why it is crucial for SMEs owners who manage their businesses in a traditional way need to be more adaptive to technology. Digitalization has changed the conventional way of marketing, and the digital platforms such as social media has altered customer behavior (Kaplan & Haenlein, 2010). Kucuk and Krishnamurthy (2007) argue that digitalization is for customers as industrialization was to manufacturers. Digitalization is about customers and



how they are part of creating market value, and it is a way for customers to be heard in voicing their opinion as feedback (Kucuk & Krishnamurthy, 2007).

Literature shows that SMEs' performance, growth, and competitiveness are positively affected by digitalization (Taiminen & Karjaluoto, 2015). The authors state that digital marketing aid in luring customers and increases communication with current customers. Digitalization is an opportunity for small enterprises to get exposure in a market, and as Teece (2007) indicates, investing on enhancing technological capabilities of an enterprise to improve and promote its goods and services is part of taking advantage of opportunities to attain a position in the marketplace. Therefore, establishing a web presence/findability by associating an enterprise to as many websites as possible, managing the website's rank in search engines (e.g. Google) and creating "web brand" is an important marketing tool in the digital world (Kucuk & Krishnamurthy, 2007).

Moreover, the usage of internet minimizes SMEs' expenses in marketing, reaching a target group which otherwise would demand resources (Chong & Pervan, 2007). A study conducted in Finland shows that SMEs have not embraced the digital tools for marketing (Taiminen & Karjaluoto, 2015). Nevertheless, apart from SMEs' lack of using digital channels, they used websites and Search Engine Optimization (SEO) to gain visibility online and promote their marketing mix.

### **2.2.1 Social media marketing**

Social media allow companies to interact with their customers in a new innovative way which exceeds traditional marketing methods, and this creates new opportunities for word-of-mouth (WOM) since messages can be shared and spread out rapidly (Hafele, 2011). By using social media appropriately, companies comprehend trends and understand what customers really want (Vernuccio, 2014). Clark and Melancon (2013) state that the use of social media increases customer relations and that companies need to communicate with their customers to be competitive.

In a study on social media marketing in hotel industry, Chan and Guillet (2011) found that hotels have a misunderstanding of social media's use in marketing because they use it as just another

advertising channel. They neglect the fact that they need to interact, socialize, and establish relationships with the customers. Vladimir (2018) claims that social media can be used to strengthen the communication between the customer and the enterprise, which in turn contributes to a stronger relationship. It is crucial for businesses to choose an appropriate social media, and it can be helpful to check out what social media the competitors are using to build relationships with customers to ensure the same opportunity as competitors (Chan & Guillet, 2011).

According to Sashi (2012), marketing with social media has already been shown to be an effective marketing tool. It has changed an enterprise's way of managing its brand to a more customer-centered open-source branding where customers are those who generate branding content (Gensler, Völckner, Liu-Thompkins & Wiertz, 2013). Furthermore, Ashley and Tuten (2015) claim that social media creates a chance for two-way communication between customers and companies and involve customers in the marketing process which can reinforce the relationship among them.

### **2.3 Marketing Mix**

In an effort for businesses to gain profit in a market, associate professor James Culliton came up with an idea of the "*mix of ingredients*" in 1948, who was working on mixing marketing policies and processes (Borden, 1964). Borden (1964) later on rephrased the mixing of ingredients to what commonly known as "*Marketing mixes*". The awareness of those marketing ingredients was not enough to develop a profitable enterprise, but also realizing that there are market forces that are causing management to have those marketing mixes (Borden, 1964).

The aforementioned marketing mixes include *price, place, promotion, and product/service*. Product planning includes policies and strategies regarding the market where, when, and to whom the products to sell, in what amount, the product qualities and design. Physical handling or place refers to the strategies and policies regarding inventories, transport, and warehousing. Whereas procedures enterprises relating to when and how to reach out to target groups in a market with distinct selling design is known as promotion. Finally, price in the marketing mix refers to the margin of price to adapt to in a market and planning on whether to standardize or differentiate a

product's price to make a profit (Borden, 1964). The marketing forces affecting the marketing mix are behaviors of consumers, trade, competitors, and government.

Before setting the provision of product/service in motion, an enterprise should reflect on what measures should be taken about the marketing mix because these four elements of marketing aid in establishing a strategic plan to gain a competitive advantage as well as customer satisfaction (Singh, 2012). Marketing concerning small enterprises is determined by factors such as their stage of growth, specific situations, type of product/services, quality management and nature of the market (Hogarth-Scott, Watson & Wilson, 1996). Accordingly, for the general theories of marketing to be applicable to small enterprises, it needs to be customized to different stages of the enterprises' stage of growth, situation specific, and industry specific (Reijonen, 2010). Moreover, Hogarth-Scott et al. (1996) suggest that enterprises need to have a basic knowledge of marketing to run a successful business. Reijonen (2010) on the other hand suggests small enterprises focus mainly on promotion and the marketing mix tends to be unfit for them.

Studies show that price, product, and place as marketing variables are ranked below promotion as far as small enterprises are concerned (Reijonen, 2010). The author further explains that the marketing practiced in SMEs differ depending on the enterprises' size and consumer market, hence, there is no uniform marketing practice in SMEs. Marketing in SMEs, compared to large enterprises, does not require complex marketing practices since in SME owners or managers work in a small environment with their employees, and simple structure of their organization does not demand formal procedures (Hogarth-Scott, 1996). In large enterprises, however, the complexity of their organizational structure demands sophisticated marketing practices.

Product/service is a crucial element in the marketing mix that involves product life cycle and customer life cycle. A product's life cycle helps guide how to market it whereas customer life cycle pays attention to building customer relationship and also helps enterprises to be customer oriented rather than product/service oriented (Singh, 2012). Obtaining information from customers and competitors is significant for small enterprises' marketing mix decision making and when the information is effectively utilized, it increases an enterprise's performance (Ken, Nguyen & Ng, 2007). Setting a price of product or service is dependent on several factors such as product cost,

marketing related expenses, transport and price variations in the market the product is sold in (Singh, 2012). Keh et al. (2007) suggest that small enterprises usually in the service and retail industry are the “*price followers*” in the market because they lack the capacity to shift the price level, so they fall in line with large enterprises and set their prices after them.

Publicity, public relations (PR), and advertisement are some of the key elements in one of the most important elements of the marketing mix, promotion. Promotion is one of the crucial factors that aid enterprises achieve their marketing goals by getting information about a product out and attract customers in an effective method (Singh, 2012). Small enterprises usually lack enough resources compared to large enterprises and therefore, they should convey their limited marketing budget to the marketing mix element that has priority (Keh et al., 2007). In small enterprises’ case, promotion of the product through raising awareness of the consumers about what enterprise offers and establish a customer retention plan that is crucial to increasing the performance of a business (Keh et al., 2007). A system by which an enterprise’s product or service reaches from the provider (the enterprise) to consumers is the fourth marketing mix that is known as place (Singh, 2012). Singh (2012) states that this marketing mix element deals with the distribution networks, warehouses transportation modes, and inventory management to make sure product availability and effectively deliver products to customers.

## **2.4 Customer Satisfaction**

Customer satisfaction in the service sector has been significant for many years (Sim, Mak & Jones, 2006), and it is considered one of the biggest vital results of all marketing activities in market-oriented companies (Kandampully & Suhartanto, 2000). It is thought that customers who are satisfied are more likely to show loyalty, repeat purchases, and spread advantageous word-of-mouth (Sim et al., 2006; Choi & Chu, 2001). On the other hand, customers that are dissatisfied are more likely to express their dissatisfaction (WOM, reviews), and affect the business’s competitiveness by damaging the marketability of their product/service (Özgener & Iraz, 2006).

The quality of service and customer satisfaction have been recognized as key factors in the fight against competitive differentiation and customer retention (Su, 2004). Many researchers suggest that customer satisfaction positively affects customer loyalty, which in turn affects profitability

and growth for companies for the better (Su, 2004; Heskett, Jones, Loveman, Sasser, & Schlesinger, 1994; Skogland & Siguaw, 2004). Companies with satisfied, loyal customers have higher margins of success, and thus greater profits (Barsky & Nash, 2003). Su (2004) claims, however, that one of the greatest contemporary challenges in the management of the service sector is to provide and maintain customer satisfaction. The customers nowadays are highly value-oriented, in other words, they want to get the experience for what they paid for (Heskett et al., 1994). For instance, value has been considered influential in determining the travelers' overall satisfaction level and their likelihood of returning to the same hotels, and the price of a hotel visit can play a significant role in customer satisfaction or retention (Sim et al., 2006). However, Barsky and Nash (2003) claim that customers are willing to pay significantly more per night for the promise of having a good experience during their stay. Consequently, it is essential for companies in the hotel industry to identify their customers' requirements and meet their demands.

The greatest function of the service companies is to carry out the delivery of quality service to their customers (Su, 2004). According to Heskett et al. (1994), satisfaction is mainly affected by the value of services offered to customers. The value is shaped by satisfied, loyal, and productive employees. Employee satisfaction is, in turn, primarily of high-quality support services and policies that allow workers to bring results to customers (Heskett et al., 1994).

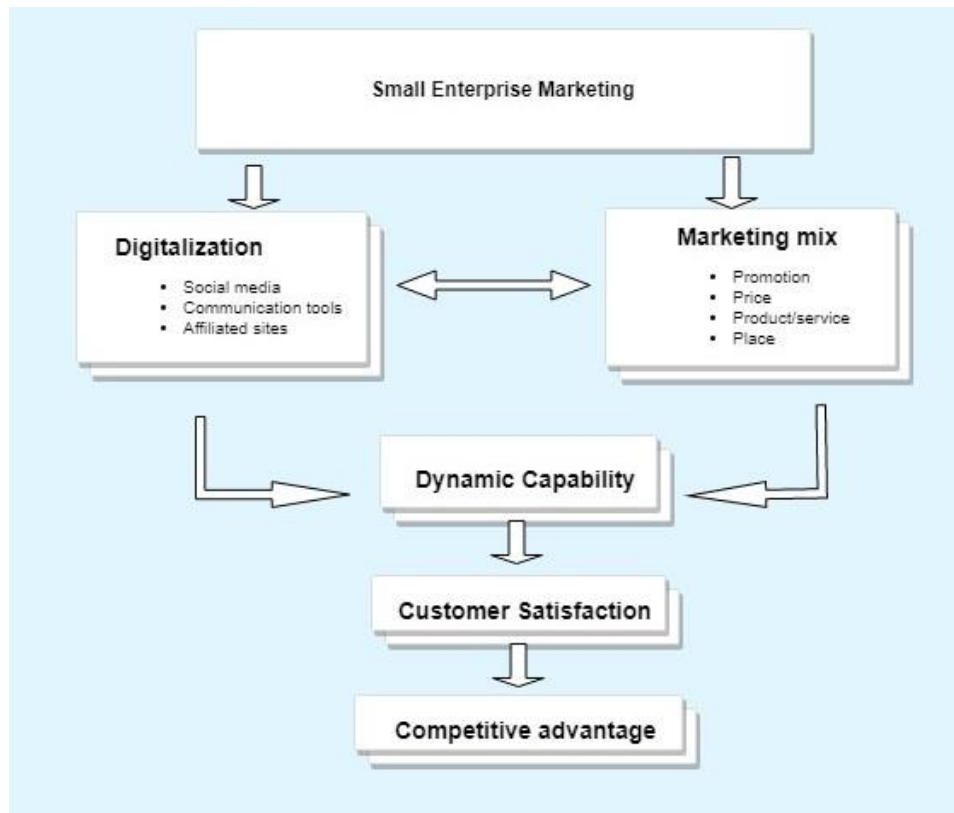
Delivery of high-quality services and products is a strategy that many companies use to increase their competing ability (Costa, Glinia, Goudas, & Antoniou, 2004), and is important for survival in a competitive environment (Zeithaml, Berry & Parasuraman, 1996). Providing high-quality service and increased customer satisfaction are widely regarded as key factors leading to the success of companies in the service sector, such as hotels, and ultimately will improve the company's market share and profitability (Choi & Chu, 2001). Linked to the hotel industry, Kandampully & Suhartanto (2000) claim that the quality of services is the key to a hotel's ability to distinguish itself from its competitors and to achieve customer loyalty. Choi and Chu (2001) state that in a competitive industry, such as the hotel industry, which offers similar products and services, it is necessary for managers to make their products and services to stand out among the others. Therefore, hotel owners must understand their customers' needs, and meet or exceed these needs (Choi & Chu, 2001).

Moreover, according to Ansari and Mela (2003), customized communication can decrease excess information, and help the customer in making the right decisions. The authors also state that a enterprise that can provide highly relevant products for the customer can increase customer satisfaction. This can, in turn, lead to increased income and higher profits and can create long-term relationships (Ansari & Mela, 2003). According to Stojanova, Suzic, and Orcik (2012), SMEs have competitiveness against larger enterprises, because of their flexibility advantages and closeness to customers. Hence, they can offer fully customized products to the customers, which is more difficult for larger enterprises that are not as close with their customers as SMEs (Stojanova et al., 2012). However, Ansari and Mela (2003) claim that customization is hard to use regarding implementation challenges, inadequate customer information, and further issues.

Zeithaml et al. (1996) argue that it is more advantageous for an enterprise to invest in existing customers than finding new ones. Moreover, customer retention is essential for SMEs because of their limited resources (Baumeister, 2002). A regular customer becomes less costly to service due to learning effects and reduced service costs, while that customer buys more, pays higher prices, and gladly makes recommendations in the form of word-of-mouth to others (Skogland & Siguaw, 2004). Retaining customers in the hotel industry have become increasingly important with increased competition (Sim et al., 2006). Sim et al. (2006) claim that companies in the hotel industry that can entice, uphold, satisfy and retain customers are more likely to survive. In general, the longer the customer stays in the long-term relationship, the more profitable the relationship with the company (Sim et al., 2006). Furthermore, Özgener and Iraz (2006) state that SMEs' survival in the global market has become heavily dependent on customer-focused strategy as a key factor.

## 2.5 Theoretical framework model

*Figure 1 Theoretical model*



*Source: Own construction*

The model above (Figure 1) illustrates the factors that aid small enterprises' marketing in order to achieve competitive advantage. To construct this model, different theories from the literature review of this study were used. The figure shows different variables that are connected leading up to gaining competitive advantage. These variables are marketing mix (4Ps) and digital tools such as social media, communication tools and other websites affiliated with small enterprise that assists the enterprise to execute its marketing mix (Borden, 1964; Hafele, 2011; Clark & Melancon, 2013). Based on our review of the SMEs literature, we were able to construct this model. Due to the lack of resources small enterprises have when investing in marketing, the managers use a different approach to marketing (Carson, 1990). Therefore, the owners/managers use cost-effective inputs i.e. technology aided marketing tools (Taiminen & Karjaluo, 2015).

The combination of marketing mix and the digital tools provides the opportunity for an enterprise to acquire a dynamic capability. Digitalization of the marketing strategy can increase detection of

the constant change of customers' needs and behaviors and adjust the marketing strategy accordingly as well as how they communicate with the customers. Therefore, digitalization plays an important role when Teece's (2012) three steps of acquiring dynamic capability; *sensing, seizing, and transforming* are applied. Consequently, an enterprise is able to customize its services according to customers' preferences, detect new opportunities in a market, and expand its promotional activities. Moreover, satisfied customers are more likely to develop loyalty, repeat purchases, and positive word-of-mouth. This, in turn, positively affects the profitability and growth for companies (Skogland & Sigauw, 2004). The quality of services is essential for companies in the service sector. Providing high-quality service and increased customer satisfaction is the key factors to get success in the service sector (Su, 2004). Hence, the importance of a satisfied customer is crucial for a company's success and achieve competitiveness against others. Therefore, all the variables in the model play a crucial role in an enterprise's marketing strategy to achieve competitive advantage.



### **3. Methodology**

*This chapter describes the process used to collect the data on small enterprises' marketing decisions and strategies. These include both primary and secondary data collected during the study on small enterprises marketing. This chapter comprises a description of the research method and design of the study, the evaluation of our choice of research method, and its limitations.*

#### **3.1 Business research**

When discussing the term “*research*”, Saunders, Lewis, and Thornhill (2011) describe it as a gathering of information from different sources interpreted systematically with a clear purpose of finding new information. The authors argue that collecting data from books, articles, and interviewing people on its own is not regarded as research. The data should be collected systematically and interpreted/analyzed accordingly, and there should be a clear purpose to the research. Thus, research can be defined as a systematized way of uncovering information to increase one's knowledge (Saunders et al., 2011).

Therefore, we have conducted this study using several methods to increase our knowledge of small enterprises' marketing. It is important to point out that research methods and research methodology are different things, where research methods refer to ways of data collection and research methodology refers to the theoretical understanding of how the research is conducted (Greener, 2008; Saunders et al., 2011). Both of them are explained throughout this chapter with regard to our study.

In academic business research, the questions asked must be valid, specific, and relevant to the research intended, which means, the researchers are not only collecting data, but they have an objective that has a clear purpose (Greener, 2008) as indicated in the introduction chapter of this study. Business research is regarded as a multi-disciplinary, because it does not involve one field of study like, for example, chemistry. When conducting business research, it may involve multiple academic fields of studies such as sociology, psychology, mathematics, language, physics, economics, history, and politics. Therefore, conducting business research involves several academic disciplines with a broader focus than other fields of academic research (Greener, 2008).

Leonidou, Barnes, Spyropoulou, and Katsikeas (2010) state that marketing as a discipline was predominated by the US but it became a global phenomenon thereafter and its evolution globally has positively affected the diversity of the discipline. Therefore, we would like to be part of the contribution to its global diversity by conducting our study in Sweden.

In this study, we used previous and current theories about small business marketing in general, and narrowed it down to the hotel industry, the role of digitalization and customer satisfaction, and then compared the results against the empirical data we gathered from our qualitative study. Bjereld, Demker, and Hinnfors (2009) argue that this is regarded as an inductive study since we built the theories based on the empirical data and thus challenge or question existing theories, which will be discussed later in this chapter.

### **3.2 Research philosophies: Ontology and Epistemology**

When investigating any phenomena systematically, three questions need to be addressed, and those are ontology, epistemology, and methodology (Guba & Lincoln, 1994). Simply put, when researchers examine the reality and nature of social entities like organizations is known as *ontology*, the relationship the researchers have with the reality being examined is called *epistemology*, and *methodology* is the method used to examine the reality (Healy & Perry, 2000). Therefore, ontology in this study questions the reality of how marketing strategy is implemented within small enterprises in the digital era i.e. how it actually is in the real world and what else can be known about this reality (Guba & Lincoln, 1994). Regarding ontology, a *subjectivist* view is adopted since social phenomena (e.g. marketing) are established as a result of the perception and consequent actions of the social actors/managers (Saunders et al., 2011).

When studying a particular phenomenon to develop knowledge in social science, there are several epistemology philosophies about reality depending on what is being studied (Saunders et al., 2011). Those philosophies that epistemology deals with include *realism*, *positivism*, *interpretivism*, and *pragmatism*. The philosophy we adopted was interpretivism since it supports the knowledge we were trying to obtain on the subject and the method on how to get the knowledge. According to Saunders et al. (2011), interpretivism is associated with subjectivism of the reality (ontology) when dealing with social constructivism, because it studies the motives of

social actors' actions. This is because the actors' view of the world is likely affected by their interpretation since reality is constructed individually (Scotland, 2012). Therefore, as the ones conducting the study, we had to enter their world to understand marketing from their point of view in order to interpret their actions and make adjustments of the view we have on the phenomena (Saunders et al., 2011).

Saunders et al. (2011) claim that the interpretivist view is appropriate when studying within business and management such as marketing, human resource management, and organizational behavior. When conducting a study with an interpretivist philosophy, in our case, marketing in small enterprises is socially constructed. Therefore, it is subjective to the respondents' interpretation and requires an in-depth qualitative method to gain an understanding of the phenomena, and how they apply it to their organization. Hence, it is appropriate to adopt a qualitative approach to our study, considering our aim is to obtain a deep understanding with small sample size and investigate through in-depth interviews (Tuli, 2010).

### **3.3 Research Approach**

The terms qualitative and quantitative are used widely in business and management research to differentiate both data collection techniques and data analysis procedures (Saunders et al., 2011). According to Marshall (1996), the selection of an appropriate method depends on the aim of the study. Therefore, the following section discusses different approaches of conducting research including inductive and deductive approaches and the appropriate approaches selected for the aim of this study.

#### **3.3.1 Qualitative and quantitative approach**

The choice between quantitative and qualitative research methods should be determined by the research question, not by the preference of the people conducting the research (Marshall, 1996). Saunders et al. (2011) state that, one way of distinguishing between the two methods is the focus on numeric or non-numeric data. Furthermore, the authors argue that the quantitative method is mainly used as a synonym for any data collection method or data analysis method that produces or involves numerical data. Conversely, qualitative is a term used mainly for any data collection

method or data analysis method that produces or involves non-numerical data, and it can refer to data other than words such as pictures and video clips (Saunders et al., 2011).

The purpose of all quantitative sampling methods is to draw an illustrative sample from the population so that the results of studying the sample can then be generalized back to the population (Marshall, 1996). Although numbers and quantities appear in qualitative research, and words are essential for quantitative studies, the two forms of research - qualitative and quantitative - are distinguished by their emphases on words and symbols versus numbers and statistics (Cortina & Landis, 2013). According to Repstad (2007), it is common within the quantitative method to get results on how common something is or what that something is. Marshall (1996) states that the purpose of the quantitative method is to test pre-determined hypotheses and generate generalizable results. Such studies are useful for answering more mechanistic 'what?' questions (Marshall, 1996). Hence, we conducted a qualitative study. We needed to collect accurate and sufficient data to accomplish this. Thus, we were in need of qualitative data that is characterized by describing what qualities or properties the marketing phenomenon has (Bjereld et al., 2009).

Our plan was to conduct a study on previous literature to help us formulate questions appropriate and specific to the research questions. Afterward, we conducted interviews as primary data to our study. It was semi-structured in-depth interviews with several hotels in the region of Gävleborg and Härjedalen. We had open-ended questions during the interview in order to get the best out of the interviews and get as much information as we can get to better answer our research questions. Repstad (2007) argue that a qualitative method often goes in depth rather than going on the breadth, with a smaller number of environments but where the whole is studied. Qualitative data are associated with such concepts and are characterized by their richness and fullness based on the opportunity to explore a subject in as a real manner as possible (Robson, 2002). Qualitative research uses linguistic symbols and stories to produce descriptions and interpretations of actual behavior in specific settings (Cortina & Landis, 2013). Furthermore, it aims to provide illumination and understanding of complex psychosocial issues and are most useful for answering humanistic 'why?' and 'how?' questions (Marshall, 1996).

According to Golafshani (2003), a qualitative study is conducted in a real-life setting through a naturalistic approach to come into conclusion without maneuvering the phenomena being studied. We chose a qualitative method for this research due to the fact that our objective is to gain a deeper understanding of the marketing phenomena of small enterprises in context-specific setting or in its natural setting. Furthermore, the qualitative and the inductive nature of our study allowed us to go in-depth to get the answers we are looking for. When conducting a study on a small sample, it is fitting to take an inductive approach and researchers are likely to gather qualitative data in order to build different perspectives of the phenomena they are studying (Saunders et al., 2011). Therefore, since the aim of the study is to get a deeper understanding of how small businesses market their products/services to be able to compete against other firms, and because the sample of respondents is small but carefully selected, we believe we can dive deeper into the topic through qualitative research.

### **3.3.2 Inductive approach**

According to Saunders et al. (2011), an inductive approach focuses on an understanding of a research context, while deductive approach explores the relationship between concepts or variables. In the inductive approach, data relating the research topic is collected and investigated using various methods then the theory or theories are formulated (Saunders et al., 2011; Greener, 2008). The deductive approach, however, is when a theory is developed first to establish a hypothesis that is relevant to the research topic and then test the theory. Therefore, it all depends on what approach one wants to use regarding reading the literature. Some researchers depend on the literature to formulate a theory and then test their theory with the data collected (deductive approach), while others examine their data collected and relate it to the literature later on (Saunders et al., 2011).

Our study has a small sample and, therefore, we cannot draw a generalized conclusion, but our intention was to conduct an in-depth qualitative study of the topic with a flexible structure allowing us to make adjustments throughout our study. Quantitative approach is more related to the deductive approach in order to test the theory and qualitative approach is often related to the inductive approach that helps researchers establish a theory (Greener, 2008).

Since in this study qualitative method was used, we have, according to Saunders et al. (2011), decided to use an inductive approach to accomplish our aim in this study. We started the process by doing an investigation of previous theories about the phenomena, that we presented in the literature review. From those theories, we constructed an interview guide that we used during the collection of empirical data through the ten in-depth interviews. Furthermore, after we analyzed the primary data collected with the previous theories, we made adjustments and confirmations of the theories which lead us to our conclusion.

### **3.4 Data Collection**

This section discusses the types of data we collected throughout our study on small enterprises' marketing. It is divided into two, secondary and primary data as follows:

#### **3.4.1 Secondary data**

There are wide ranges of secondary data available on the internet that are accessible to the public, which makes the whole process time saving, and those data serve researchers as a benchmark for formulating their research design (Greener, 2008). In our case, we used our access to the University's database, Google Scholar and other academic journals to collect secondary data relevant to our topic of study. The advantage of collecting secondary data is to re-analyze the data collected from a secondary source and provides comparative data against the primary data collected (Saunders et al., 2011). Consequently, we collected previously collected data by researchers in marketing, small enterprise marketing, digitalization of marketing, customer retention and satisfaction among others. We used these data as a base for our study by reanalyzing them to narrow it down to our aim of the study.

#### **3.4.2 Primary data**

Here we present the collection process of the primary data in this study, and how we were able to get access to the enterprises that we investigated.

### Access process to the respondents

We started our data collection by investigating the hotels closest to where we live. Through a Google search, we found three hotels in our town that were appropriate for our study. Further, we spread out our search for hotels in cities close to our town and found four more hotels. Out of those seven hotels, we were able to interview ten respondents. Almost everyone was willing to participate in our study but only one hotel rejected our request due to time constraints. To get in contact with those respondents, we visited their websites and found a phone number of each hotel. Then, we called them and asked if they wanted to participate in our study. We explained what our purpose with the study was and assured them that their participation would be anonymous in our paper. When they said yes, we set a date when we would do the interviews in a place of their choice. Therefore, getting access to these hotels was not challenging, and they were very helpful and open to contribute to our study. The selected sample description is provided in the Table 1 below.

*Table 1 Selected sample description*

<b>Small Enterprise</b>	<b>Founded in</b>	<b>Annual Turnover (SEK)</b>	<b>Number of Employees (Excl. the owners)</b>	<b>Marketing Budget/year (SEK)</b>
<b>SE1</b>	1997	1.5m	1	None
<b>SE2</b>	2017	17m	18	100,000
<b>SE3</b>	2017	4.6m	5	100,000
<b>SE4</b>	2017	450,000	0	None
<b>SE5</b>	2002	4.3m	5	12,000
<b>SE6</b>	2002	13m	15	30,000-50,000
<b>SE7</b>	1983	7m	7	250,000

**Source:** Own construction

### Interview guide

Harrell and Bradley (2009) state that interviews are discussions, usually one-on-one between an interviewer and an individual, that is meant to gather information on a specific set of topics.

Interviews can be conducted in person or over the phone and differ from surveys by the level of the structure placed on the interaction (Harrell & Bradley, 2009). There are three types of interviews in business research, namely structured, semi-structured, and unstructured interviews (Saunders et al., 2011). Structured interviews use questions based on a predetermined and ‘standardized’ or identical set of questions and are referred to as an interviewer-administered interview guide. In semi-structured interviews, the researcher has a list of themes and questions to be covered, although these may vary from interview to interview. Unstructured interviews are informal, the interviewee is given the opportunity to talk freely about events, behavior and beliefs in relation to the topic and this type of interaction are sometimes called ‘non-directive’. (Saunders et al., 2011)

Although the selected respondents and their enterprises are anonymized in this paper, they are given code names for each respondent and their respective enterprises. The respondents’ demography is listed on the following page in Table 2.



*Table 2 Respondents' demography*

<b>Respondents</b>	<b>Gender</b>	<b>Age</b>	<b>Experience (years)</b>	<b>Position</b>	<b>Education Background</b>	<b>Enterprise</b>
<b>R1</b>	Female	62	4	Manager/owner	Chef	SE1
<b>R2</b>	Male	41	14	Finance manager/ Owner	Electrician	SE2
<b>R3</b>	Female	37	20	Personnel manager/ Owner	Hotel & restaurant	SE2
<b>R4</b>	Male	39	6	Manager/owner	Chef	SE3
<b>R5</b>	Male	45	15	Finance manager/ Owner	Business Administration (Komvux)	SE3
<b>R6</b>	Female	50	3	Manager/owner	Economics	SE4
<b>R7</b>	Female	55	22	Manager/owner	Business Administration (Komvux)	SE5
<b>R8</b>	Female	57	17	Manager/owner	Cosmetologist	SE6
<b>R9</b>	Male	59	39	Manager/owner	-	SE7
<b>R10</b>	Female	49	17	Co-manager/owner	-	SE7

**Source:** Own construction

In this study, we have decided to carry out semi-structured interviews with open-ended questions, because this provided us with the opportunity to ‘probe’ answers, where our interviewees explain or build on their responses (Saunders et al., 2011). Harrell and Bradley (2009) claim that semi-structured interviews are often used when the researcher wants to investigate deeply into a topic, and to understand the responses from the interviewee thoroughly. In semi-structured interviews, an interview guide is used with questions and topics that must be explored. The interviewer has

some freedom in deciding about the order of questions asked, but the questions should be standardized (Harrell & Bradley, 2009).

Moreover, Horton, Macve, and Struyven (2004) state that the flexibility of semi-structured interviews outweighs the limitations that statistical analysis produce. Furthermore, the authors argue that flexibility both in designing and refining the interview guides and in actually conducting the interviews is the most important key to success in using this method (Horton et al., 2004). Therefore, in this study semi-structured interviews were chosen in order to allow the interviewees the freedom to explain their thoughts and to highlight areas of particular interest and expertise that they felt they had, as well as to enable certain responses to be questioned in greater depth, and particularly to bring out and resolve apparent contradictions.

In our study, we chose to use a tape recorder where we recorded the interviews. This is to avoid missing valuable information and at the same time avoid focusing on writing answers, and actively engage with the interviewee. We were able to focus entirely on the interview, which Repstad (2007) also sees as a great advantage in qualitative studies. By avoiding notes during interviews, the researcher can instead focus on important facial expressions and gestures from the respondent (Repstad, 2007). The advantage of the tape recorder is also that one can get with verbatim what the respondent speaks about and different tone sounds that they use in the interview, which could not be seen if one only takes note (Repstad, 2007). This is something that can help the study and its result become even more reliable.

### **3.5 Presentation and analysis of the data**

Since we used a qualitative method, we acquired a great deal of information from the interviews that need to be analyzed and interpreted. General inductive approach was used to analyze the raw data, as the findings directly arise from the data collected rather than previous models or expectations (Thomas, 2006). However, evaluation objectives such as questions developed from previous theories were used to provide focus and serve as a domain of relevance for carrying out the analysis. When we analyzed our data, we had to deal with various challenges. One challenge that we faced was that all material was in disorder after the data collection. Inductive approach allowed us to identify patterns and relationships of the qualitative data to establish theories and

links to our research objectives (Thomas, 2006). To identify themes and categories, we read the raw data several times for the coding process.

The coding process in inductive analysis of this study started with “data cleaning” i.e. preparation of raw data and then we identified specific text segments that are relevant to our objective and categorized them into 24 themes and categories. This was done by applying tags (assigning code names) to portions of the texts transcribed into same categories which later on can be easily retrieved. For example, we tagged all texts relevant to price from marketing mix as “price” and when the time comes, all texts tagged as price can be extracted into one document. The categories include, digital channels, marketing mix (4Ps), small enterprise characteristics, budget, customer service and so on. The next step of the coding process was reduction of overlapping categories/themes to prevent certain types of text from being coded into more than one category and remove the texts that are not relevant to the evaluation objectives and that are not allocated to any categories (Thomas, 2006). Afterward, we were able to retrieve the most relevant and similar data from different themes and put them under their respective categories in separate documents. Finally, they were reduced into twelve groups and subgroups that are refined and ready to establish a model that incorporates the most important categories.

### **3.6 Validity and reliability**

A research tool used to conduct a study is regarded as reliable when the outcomes of the study have a good quality, whereas validity measures whether the study really does achieve the proposed objective and the truthfulness of the results (Golafshani, 2003). Just as the triangulation method is used in quantitative research to test validity and reliability, it is only fair to find some ways to test the validity and reliability of a qualitative method (Golafshani, 2003). Thus, to ensure the quality of this study, two quality measures have been taken.

The first one is *construct validity*, the construction of effective measures that is appropriate to the concepts in our study, to make sure that the questions for the data collection designed for this study indeed answer the research question with minimum subjectivity (Rowley, 2002). In this study, interview questions were asked to the people who are directly related to their enterprises' marketing to get the most accurate data on how their small enterprises operate. The second quality

measure taken was *reliability* to ensure that our data collection method and analysis produces consistent findings (Saunders et al., 2011). There were ten respondents from seven different small enterprises, and this made sure that the data collected has persistency and the same conclusion can be drawn by external observers. Furthermore, all respondents were their own bosses and, therefore, their responses were not biased because they had no reason to tell us what their bosses would have wanted them to say when answering the interview questions.

### **3.7 The ethics aspects**

We anonymized our respondents so they feel confident that their words cannot be linked to them. The collected data will only be used for educational purposes and is confidential so that third parties are not in possession of it. Furthermore, the transcription of the interviews was emailed back to the interviewees to avoid misinterpretation and strengthen the validity of the data. The research ethics aspects that we described above are recommended by Rienecker and Stray Jørgensen (2014), and we followed these to ensure that this study meets the requirements. Our research process was through interviews and scientific articles. We believe this way gave us good opportunities to gain an increased understanding of marketing in the hotel industry specifically, and in small enterprises in general. We also gained a deeper understanding about the role of digitalization and its effect on delivering customer satisfaction.

Through qualitative interviews, we got a detailed picture of how they work. The most relevant individuals were contacted through telephone and via e-mail, where we informed them about the purpose of the study and what their participation will contribute, and then we interviewed appropriate individuals for the study in a predetermined location. Through the personal meeting, we were able to analyze and interpret different body languages and gestures from the respondents, which we would not have identified through a telephone interview. Some potential risks that we have reflected on were whether the selected individuals do not choose to participate, refuse to answer our questions or postpone our meetings so that the time is not enough and thus do not get enough material. In order to avoid that we end up in such a situation, we had several alternative hotels in mind that we would be able to contact if any of these problems arise, but everything went smoothly.

## **4. Empirical Part**

*In this chapter, we present the data collected through interviews from the ten respondents about their respective enterprises, how important marketing is to them, and how it is carried out. It is divided into several categories including the importance of marketing to the small hotels selected for our study, how digitalization has influenced the way they market their products and services, and how they work to provide customer satisfaction.*

### **4.1 Importance of marketing to small enterprises**

The selected sample of small hotels has been operating on a range since 1983 to 2017. Three out of the ten respondents believe that they are better off not investing money in marketing and try to market their products and services with minimum resources possible with the help of digitalization. This is because they consider marketing as less important thing when running a small enterprise. The other seven, however, believe that investing in marketing is important to the company in creating a brand and to increase sales.

Respondents R2 and R3, who have been running the hotel SE2 since 2017, stated that marketing is important at the early stage of the company as well as later on. They claimed to have invested 100,000 SEK per year since the beginning to make their existence known to consumers everywhere, both virtually and physically. SE2 works hard to make the company visible online and have put an 8-meter-long neon sign on the top of the hotel to let the customer know they exist and open for business. R2 stated that they waited a year after the hotel was established, in order to research and figure out what they should market to customers through this big neon sign regarding their hotel. Similarly, SE3 spends around 100,000 SEK per year in the effort to attract customers. They stated that investing in marketing did not seem important in the year of establishment, but after running the business for a year they discovered that they need to market their services.

R9 and R10, who manage SE7, spend around 250,000 SEK per year on marketing activities, and this particular business is the only one of all the hotels in this study that outsources marketing activities to a marketing consulting firm. One respondent running a fairly new and small hotel (SE4) with no employees, on the other hand, stated that she wants to keep marketing expenses to

a minimum at this stage of business growth because of the lack of resources. Thus, Hotel SE4 does not set a budget for marketing purpose. SE5 spends 12,000 SEK per year on paid Google Ads otherwise they do not have other marketing expenses.

The respondent running SE1 claims that she never needed to invest in marketing. Respondent R8 tries to keep marketing expenses from 30,000 to 50,000 SEK maximum, in order to use most of the hotel's resources into what she considers more important and necessary, while R7 believes that the business cannot compete with large businesses so she invests as little as she can in marketing. When R8 was asked how important investing in marketing is to her hotel, she said:

*“I am trying to keep marketing expenses as low as possible and instead I invest in what I have considered important and necessary”.* (Interview, 2019)

#### **4.1.1 Marketing background**

All the respondents are owners who are running small hotels with a different education background. But these business owners share one thing in common when it comes to educational background, and that is none of them have studied marketing. The respondents' educational background includes hotel management, chef, tourism, electrician and two have no education at all, but have been running a business for the past 36 years. Granted two of the respondents (R5 & R7) have studied Business Administration in high school, and they are a little familiar to the basic concept of marketing.

Most of the respondents have developed marketing capabilities when they started running their own businesses and several respondents through experience in sales (R2, R3, R6). The respondents mentioned that they learned how to market their products and services on the job, for example, R3 said:

*“Working as a salesperson is very good because you develop selling skills all the time”.*  
(Interview, 2019)

According to all respondents, no one in their company has education in marketing, thus, the owners handle marketing activities as part of running their business and they have not hired anyone to do the marketing for them except for SE7.

#### **4.1.2 Marketing Mix**

Here we present the data collected from our respondents about their small enterprises on how they operate and their priority within the marketing mix. The data is categorized into four of the marketing mix (4Ps).

##### **Price**

Price, according to the respondents seems to be the most important element in the small enterprise of all the marketing mix when it comes to competing in the market. There was only one hotel (SE2) that has similar prices to large hotels, sometimes even higher, because they are confident that they have a lot to offer. R3 stated that:

*“We can happily stay 50-75 SEK over because we still have a completely different one, we sell with a sea view, a small cozy place compared to perhaps our competitors who may not have any restaurant e.g., so then you can add 50 SEK extra so you know that there is a restaurant to go to.*

*We try to stay a little over”.* (Interview, 2019)

All the respondents mentioned that they can easily work with setting the prices and can act faster than those who are chain hotels with someone at the head office controlling price with less local market knowledge. However, price discounts can be challenging with fewer rooms because they cannot compensate for price discount (e.g. half price) of ten rooms when they only have 28 rooms to rent out.

Most respondents have the lowest price in their respective towns since it is their best option in competing with the larger hotels that provides high-class services. Thus, they target different customer groups who are price-conscious travelers or those who rent rooms for a longer period of time than just one night or weekend. These customers include small enterprise owners on a work

trip, families who are in town for wedding ceremonies or memorials and wants to rent all rooms. All except SE2 and SE7 said that they look at competitors' price and try to set the price much lower and attract customers that way. Here is the perfect example of price competition stated by R8:

*"...I still have the same prices as when I took over the hotel in 2016. I have not dared to raise prices generally due to intense competition. Yes, we are trying to adapt to the competitors, but have difficulty in lowering prices further in the event of a "price war" as prices are already quite low". (Interview, 2019)*

Moreover, SE2 and SE3 provide price discounts with companies who enter into a contract for a couple of years with the hotels to stay only with them.

## **Place**

As stated by the respondents from the seven small hotels, the place their customers look for their products and services are mostly online but at the same time they encourage customers to visit them at their location to let them see the experience they offer. To most hotels except for SE3, the location of the hotels is important, and it is their selling point. For example, SE1 is located near train/bus station, and the biggest church in town (e.g. for wedding/memorial service guests). Then here is how she promotes the hotel's location on the website:

*"The small hotel in the center of the town, a walking distance from bus and train. It is only a few hundred meters to shops, restaurants and the harbor with the fishing area". (Interview, 2019)*

Most of them claim that they do not need to use sales force or attend trade affairs to promote their businesses, but respondents managing SE2 mentioned that they went to big companies in the area to promote their business and from there word-of-mouth took over so now they receive calls from other companies too. R2 and R3 said that they sell the "ocean-view" and they use that to attract tourists, tourists that sail their boats during summer, and others like families looking to have a nice experience. These hotels promote their location in different ways such as town square, near college, hospital, concert hall, train station, and near highways like E4.



## **Promotion**

The competition in the hotel industry has influenced the respondents on how and when they get their marketing message across to their target customers. Creating a website and social media is used by six hotels except one hotel (SE5) does not prefer to use social media for marketing but they have their own website. Otherwise, the rest of the respondents stated that they reach their current customers and potential customers through social media. R1 uses paid Facebook Ads whereas SE2 and SE5 use Google Ads to direct the traffic towards their website. The respondents specified that their approach to marketing depends not only “where/how” but also “when”. They promote their products and services according to different seasons updating it at least twice a year. R2 stated that:

*“...if we think of the seasons from Sep-May, then our target groups are 75% companies, it is the business travelers who are our largest target group. Since 25% may be private individuals... in the autumn and winter we market hotels and conferences because we sell a lot of conferences as well”. (Interview, 2019)*

Therefore, depending on the season, they focus on different targets where, for example, during summer 100% of their customers are tourists. Other important promotion channels the hotels use are third parties such as booking.com, hotels.com, etc. to be as visible as possible, but the number of usages of those third parties by the hotels varies from one (SE4) up to ten (SE2) different websites. This difference is due to the fact that those websites take commissions for their services, and it can create a loss for hotels with fewer rooms and low resources to work with several third parties, so they stick to one website. Other than online, R2 and R3 promote their services on radio and the local newspaper, R5 said they use flyers and sponsorship. Furthermore, R8 pays to post lunch menu for the hotel’s restaurant every week on a local newspaper and on their webpage. R9 and R10 claim that they do sponsorship to promote their hotel locally.

## **Product/Service**

In this section, respondents’ answer provided is about what features do the hotels want to market about the products and services they provide. All respondents except R2 and R3 do not market their services as a high-class/fancy experience but they focus on the provision of *“feeling like*

*being at home*” experience with the flexibility to meet customer needs. R6, when talking about her hotel stated:

*“The small hotel with the big heart! There are many regulars who feel that they come home when they check in - they feel comfortable because it is so small, personal and welcoming - just as the goal was when I started my business in 2017!”*. (Interview, 2019)

The hotels want their customers to feel at home during their stay, and many things can be arranged upon their request which is not usually possible in chain hotels where they stick to their rules and standards. For example, in SE3, breakfast can be arranged for people leaving earlier than the breakfast time, which is not possible in chain hotels where they have to wait or leave without breakfast. Therefore, they try to differentiate their services that way.

R2 and R3 stated that they preferred to have bigger and nice rooms with handicap accessibility, instead of trying to save space to build more rooms because they preferred quality over quantity. Another selling point for SE2, SE3, and SE6 was the convenience of having a restaurant in the hotel, due to the fact that their customers can just go down and have meals. The others are too small to have restaurants, SE1, however, provides restaurant service when booked ahead. R6 mentioned that they provide good quality beds, TV, working place, different in color and size rooms to meet customers’ different preferences.

## **4.2 Role of Digitalization**

Many of our respondents argued that they have not faced any challenges by digitalization, because they were relatively new at the market and did not have to use the traditional way. As R1 stated:

*“It is on the internet you exist”*. (Interview, 2019)

R2 had a company in the ski resorts before and recognize that the emergence of social media has changed their way of marketing. Now they can promote their products and service on the same day. Previously, they had to leave their marketing to, for example, a newspaper a week before and had no option to show the things that occurs daily. R1, R5, and R7 argue that digitalization

decreases their costs because they do not need to have personnel at the hotel around the clock. However, R9 argued that digitalization has initially increased their costs through the implementation of new technology, and they are now dependent on the internet. He stated:

*“If there is any problem, for example when the internet is down, then we cannot do anything. It becomes chaos if the internet does not work”.* (Interview, 2019)

#### **4.2.1 Visibility**

The interviews show that all our respondents use many different forms of online channels to be visible to their customers. Except for R7, everyone uses social media, such as Facebook and Instagram, as a marketing tool to interact with their customers. R1 states that marketing on Facebook is *“excellent”* because it gets information spread out fast, and R9 claimed that social media provides them an *“extreme spread”*. R10 stated that the emergence of social media has made their marketing activities *“driven almost only by social media”* (Interview, 2019). R3 claims that social media marketing is faster and more impulsive marketing, where a company can market what happens the same day, which is not possible in a newspaper. Moreover, R5 claims that they put most of their money on Facebook Ads. However, the frequency of use of social media varies between the companies. Some hotels use it daily, while others use it only a few times a month. For example, R6 stated that they use Facebook once a month or when they have time for it. R3, however, stated that they use their social media daily since they send out *“today’s lunch”* for their restaurant.

R7 was the only one that did not use social media. She claimed that she did not want Facebook and Instagram to be ruined by advertisements. She stated: *“My ego thinks some forum is for private individuals”* and that *“You should not mix pears and apples because they rot”* and connect it to Facebook that has started to *“rot”* because it is too many advertisements, and the private individuals disappear from the news feed (Interview, 2019). R4 and R5 also argue that it is easy to overestimate social media. E.g. R5 state that just because we get a lot of views, it is hard to make sure that everyone has actually read it.

Third parties, such as hotels.com, booking.com, and expedia.se, are websites that have become an essential element for small hotels in their marketing. Through those channels, they can market their available rooms for potential customers when customers search for hotels by location on those websites. R5 stated that:

*“You have to be there. They are so incredibly good at getting at the top of the search list. If you are looking for hotels in a certain location, then it does not matter how much money you spend on internet marketing, they will still be at the top”.* (Interview, 2019)

R7 stated that those parties take care of their marketing, so they do not need to be on social media. Moreover, R1 claims that booking.com is an incredibly important marketing channel for them, and it created a positive effect for the company when she started to work together with them.

However, SE7 did not have a collaboration with any third party. R9 stated: *“It cost more than it benefits”* and that is the reason they do not have it (Interview, 2019). Further, he claimed that those parties take too much commission, so it was not worth for them to invest in it. The competitors at their market did not have any cooperation with those third parties either, so he felt it was unnecessary for them too. R10 mentioned that they instead use directory assistance sites, such as hitta.se and eniro.se as marketing channels, which the other hotels did not mention. However, R1 stated that the commission this third-parties take is worth it because you get it back in the long-term. She also stated that *“tourists”* usually use booking.com when they are booking rooms in her hotel.

Another important factor for our respondents in digitalization was the use of their own website. With the hotel’s own website, they could promote their hotel, accept bookings, create customer interaction, and show their special offers to their customers. It seems that this is how most of the hotels started with on the internet. For example, R1 stated that she created a new website as soon as she took over the hotel. SE2 use their website as a strategic tool and have recently changed it so it has become more user-friendly and easier for their customers to book rooms. Since third parties take commission it is better for small enterprises if the customers book directly with the enterprise. As R2 stated:

*“Since these booking channels take so much percentage on the bookings, we would instead like to guide the guest directly to the website”.* (Interview, 2019)

Finally, Google Ads were something we investigated if the hotels used to be visible to their customers. Surprisingly, it was only three of the hotels that used this. R7 stated that they spend around 1000 SEK/month on “click” at Google, and R2 claimed that they use Google Ads to guide their customers to their own website, instead of going to the third parties’ websites. Also, R10 stated that they use Google as a marketing tool. However, most of the hotels did not use Google Ads, and instead they use third-party sites as their main marketing channels.

#### **4.2.2 Communication**

All the hotels use numerous forms of communication to interact with their customers. These includes phone calls, e-mail, face-to-face, and social media. R7 said that they also use a “*guest book*”, where the customers could write good or bad reviews about the hotel. R1 argued that she does not use emails to integrate with customers, because she felt that the guests become irritated if she sends newsletters to them. Instead, she focuses on SMS to communicate with her customers, and that she is available on her phone 24-hours a day, seven days a week. However, R5 stated that they use email to interact with companies, but not to their tourists. They differentiate their communication depending on the type of the customers. For instance, they have a different way of communicating with tourists than the way they communicate with restaurant guests or business guests. To interact with their lunch guest, R4 stated that they had used surveys to get more knowledge about their food.

R1 claimed that the personal meeting is essential to her. She stated:

*“All I do is try to take care of them when they are at the hotel. Good service. Say good morning, that I want them to come back and ask how it was. Through personal treatment”.* (Interview, 2019)

R3 mentioned that they always try to have the communication directly face to face with their customers when they check in and out. When a customer leaves their keys, the receptionist can see if the guest was satisfied or not. If it is something they were dissatisfied with, the hotels get direct results, and it is easier to know if they need to change something in the future so the customer returns.

Before SE2 was established in the town, they went around to the local businesses that they know that has a lot of conferences. Through those meetings, they were able to market their hotel and establish a relationship with them. After a while, other companies heard about them and started to contact them. Similarly, R5 stated that they use meetings in person with potential customers (companies) to integrate and market their products/services. At the first stage, to get out and promote themselves was, therefore, an essential factor to get in touch with customers.

### **4.3 Competition vs Cooperation**

It was a little different in what type of hotels the respondents felt as their main competitors. R1, R3, and R8 mentioned the big hotel chains as their main competitors, but R6, on the other hand, named other small hotels and B&Bs (bed & breakfasts) as their main competitors.

The price seems to be a vital part for most of the companies to differentiate them from their competitors. R1 argues that she always wants to have the lowest price in the town. Correspondingly, R5 mentioned that they always try to have a lower price than their competitors. R8 also stated that she was afraid to lower her price more to create a price war in the town, but she also claims that she tries to be below her competitors in price. R7 stated that: *“the price is our weapon”* in competition against their competitors. However, SE2 mentioned that they could have a higher price than their competitors because they have ocean-view and a restaurant in their hotel which their competitors may not have. Moreover, SE7 mentioned that they were “price leading”, i.e. have the highest price, and was the hotel that set the price in the town because of their good and central location.

Most of the enterprises did not see their competitors as rivals. Instead, they saw them as allies who fill each other’s gaps and cooperate instead. For example, R6 stated:

*“...but the city lacks hotel rooms, so we cooperate rather than compete! If one of us is fully booked, we recommend guests to go to the other”.* (Interview, 2019)

Similarly, R1 stated that she calls the other hotels if her hotel is full. *“We are allies, we are not competitors, because we do not have the same thing”* she stated (Interview, 2019). Moreover, R10 stated that their hotel cooperates with the other hotels in the town and did not see them as competitors. It seems that they have a relationship with each other at the times where they need to cooperate with one another but have different customer target groups and there is a difference in what they offer. Therefore, they do not feel threatened by their competitors.

#### **4.4 Customer satisfaction and retention**

Two of the most common words the respondents used in their responses are *“personal”* and *“flexible”*. By personal, they mean that the customer experience during their stay is personally customized rather than a standardized service. The respondents also emphasized that they are flexible to meet customer needs and to provide a satisfactory service. R5 pointed out that instead of striving to provide what the big hotels offer, and they try to market what the others are not offering and that way they keep customers happy.

Most respondents claim that they do not have a specific program for customer retention, however, some hotels have a contract with business owners and their employees with a certain percentage of discounts. One of the hotels with the fewest rooms (SE1), is fully booked on weekdays most of the time, so R1 fears that she would give false information when marketing. If she does a little too much promotional activities online to attract customers and then say the hotel is fully booked, it can affect the hotel negatively. Thus, she prefers to offer discounts (10%) when the guests come who already booked at least three nights and try to make them regulars that way. Otherwise, the respondents stated that the prices are already low, so they usually do not offer discounts to keep regular customers. For example, R6 stated that she has regular guests, but she does not do anything extra to retain the customers except for providing personal and “home-like” service.

#### 4.4.1 Customer knowledge

Most respondents believe the best way to get customer knowledge, for example, individual preferences, opinions, and feedback is in person rather than online. They try to make sure everything goes smoothly and if there is a problem, they address it immediately so their customers can leave satisfied. R6 stated that they always listen to customers' opinion and they are usually positive, and they also provide guests extra materials like books to read. Several respondents said that they develop enough knowledge about their regular customers' needs and preferences, and this makes the experience more personal to the guests. There was only one hotel (SE2) who kept customer register to actively work on collecting customer preferences. One of the owners of that hotel, R3 stated that:

*“Above all, we are quite attentive, and we have a customer register that we save, and then our receptionist has a face recognition ability that is completely scary, she knows who everyone is and which company they work for...and then we can do a little research on them”.* (Interview, 2019)

But all the respondents also check on social media, third party websites, and Google for customer reviews and try to make improvements.



*Table 3 Summary of empirical findings*

<b>Marketing characteristics and strategies</b>	<b>Small enterprises</b>
<b>Investing in marketing</b>	
We are better off not investing in marketing	SE1, SE4, SE5
Investing in marketing is important for business growth	SE2, SE3, SE6, SE7
<b>Marketing background</b>	
Moderate knowledge through experience	SE2, SE3
Basic knowledge	SE1, SE4, SE5, SE6, SE7
Knowledge through education	None
<b>Marketing mix</b>	
<i>Price:</i> cost leadership strategy	SE1, SE3, SE4, SE5, SE6
<i>Place:</i> location as a selling point	All except SE3
<i>Promotion:</i>	
Digital channels in general	All
Traditional channels (e.g. Sponsoring, flyers, newspaper)	SE2, SE3, SE5, SE7
<i>Product/Service:</i>	
Personal experience and flexibility	All
Offers high-class services and products (Quality rooms)	SE2
<b>Utilization of digital channels</b>	
Company website	All
Social media	All except SE5
Search engine advertising (Google ads)	SE2, SE5, SE7
Third-party sites	All except SE7
<b>Competition vs Cooperation</b>	
Competitive pricing	SE1, SE3, SE4, SE5, SE6
Cooperation between competitors	All
<b>Customer satisfaction</b>	
Obtaining customer knowledge through personal interaction	All
Obtaining customer knowledge online (e.g. reviews)	All
Customization rather than standardization	All

**Source:** Own construction

## **5. Analysis**

*This chapter analyzes the empirical data presented in the previous chapter with connections to the theories used in this study. The data analysis is divided and subdivided into categories to point out the relevance of the empirical data to previously discussed theories of marketing in small enterprises and the newly found knowledge in this study.*

### **5.1 Characteristics of small enterprises**

The small enterprises selected for this study showed similar characteristics as Carson and Cromie (1989) described them in their research. There are four main characteristics discussed by the authors that the seven enterprises in this study have. First and foremost, the small hotels are managed by their owners (either one or two people). They are financed by the owners/managers, they operate locally, and are small in size. The size of these hotels can be determined in their actual physical size, the number of employees, and sales volume. From the seven hotels, the relatively largest is SE7 with 43 rooms which means their sales volume is still limited. This limits their budget for marketing. Jasra et al. (2011) state that small enterprises have less than 50 employees and in the sample selected for this study, SE2 has the highest number of employees i.e. 18 employees.

Management style practiced by the participants in this study shows the same practice in Carson (1990), that it is personalized to the owners by which they participate in all manners of running the business. In other words, they have independent management style where all decisions are made by the owner/owners where they reflect their personal characteristics (Siu & Kirby, 1998). Carson (1990) also argues small businesses lack marketing experts and resources parallel to this study that none of the ten respondents possess, in fact, two of the respondents did not have any kind of education. There was no marketing structure found in this study and it confirms other previous researches (Berthon et al., 2008; Carson, 1990). Berthon et al. (2008) claim that resource limitations and lack of marketing competencies lead to difficulties to perform market research and choose appropriate promotional media.

Though Berthon et al.'s (2008) claim may be valid a decade ago, the information age has come a long way since then and the respondents use most digital promotional channels with minimum resource requirement except for the offline channels that they either consider unnecessary or too expensive. According to the respondents, even though all of them do not have education in marketing, some of them do practice marketing almost as professionals. For example, two respondents running SE2 showed professional marketing capability through experience in sales and running a business that they do what an expert in marketing would do. They even did "SWOT analysis" without even knowing it, in just less advanced way compared to large enterprises.

However, the owner of SE1 does little to market their services, whereas SE2 practice in a professional manner. This is supported by a study that shows small enterprises practice marketing ranging from very basic to a more advanced depending on the owner's prior experience or education in marketing (Hogarth-Scott et al., 1996).

## **5.2 Digitalization**

Jasra et al. (2011) argue SMEs need to switch from traditional marketing and be more adaptive to the technological aspects of running a business because their success depends on it. All the respondents who run these small hotels take advantage of the digitalization, although, their use of technology differs marginally. Few of the respondents use basic digital marketing, while most of them take advantage of it in a more advanced manner. Digitalization has certainly changed not only how these hotels market their service and manage their customer relationships, but it has also changed customer behavior on how they communicate with the hotels (Kaplan & Haenlein, 2010). Sticking to traditional marketing to these hotels in this era means that the customers are not able to know they exist, hence, they will not come to them. The first step, according to the respondents, is visibility.

Creating an online presence gives the hotels exposure without boundaries, plus customers are able to book with the hotels easily. Furthermore, digitalization makes interactions between the hotels and customers easier and faster. This interaction when managed properly benefits businesses in creating market value with customers involvement (Kucuk & Krishnamurthy, 2007). Consequently, by increasing the level of communication and attracting potential customers,

digitalization positively affects small enterprises' performance, growth, and competitiveness as previous literature states (Taiminen & Karjaluoto, 2015).

According to the respondents, around two out of seven hotels actively work on managing their websites' rank in Google, to get a greater exposure and direct customers to the websites to communicate with them. This is an important marketing tool in the digital world and continuous interaction aids in establishing a web brand (Kucuk & Krishnamurthy, 2007). Whereas the rest of the hotels only manage their websites and depend more on third-party sites (e.g. booking.com) to get new customers. However, the respondents claim the third-party sites take 15-22% commission when customers book through those websites. Instead, the hotels prefer the customers to book directly on their own websites to avoid paying commission to third-party sites but collaborating with these sites is the way they get more customers too.

### **5.2.1 The influence of Social media**

As Sashi (2002) state, the use of social media in marketing activities is an effective tool to interact with customers. Social media also increases customer relationships (Clark & Melancon, 2013), and companies can understand what the customers want and the latest trends on the market (Vernuccio, 2014). Therefore, six out of seven hotels in this study have decided to use social media as a marketing tool.

Social media have created new ways to interact with customers, and companies can reach a great number of customers through social media channels (Hafele, 2011). Some hotels stated that they can through social media act the same day to promote their service/products, which they were unable to do with traditional media. Moreover, social media has become a central part of the hotels marketing activities, and they stated that they have almost switched all their marketing channels to social media. With social media, most of the respondents claimed that they could send out messages instantly to a much broader range of customers, which is in line with what Hafele (2011) stated.

However, according to Chan and Guillet (2011), hotels struggle to use social media in the right way to engage with their customers, e.g. through holding contests or games in social media. This is in line with the findings in this study, where only one of the hotels use social media to engage with the customers, e.g. trivia quiz. The rest of the hotels rather stated that they use social media to promote their services. The use of social media could, therefore, be improved by the hotels to achieve greater advantages against their competitors. Additionally, since SMEs have a closer relationship with their customers than the larger companies, they have a greater opportunity to engage their customers through e.g. social media contests (Stojanova et al., 2012).

### **5.3 Identifying the Competitors**

O'Donnell et al. (2002) emphasize that the first step in planning and implementing to gain a competitive advantage is to identify the competitors. The respondents only identified competitors when it comes to setting their own price, otherwise most of them believe they have different things to offer to their customer target groups. Hence, it illustrates demand-based/customer-based characteristics unlike what Clark and Montgomery (1999) claimed which was the other way around.

Additionally, Gilmore et al. (2001) state that owners/managers in SMEs network and communicate with each other and cooperate when a project is too big for one to handle. Similarly, our study proves they recommend to each other when one is fully booked, however, they only communicate to check if the other one has rooms available and they do not have an established business relationship. Therefore, most of them do not even consider them as rivals but allies in times when they are unable to give their services to their customers and they are not threatened by the “competitors”.

#### **5.3.1 Sources of competitive advantage**

For enterprises to achieve competitive advantage and maintain this advantage, it is crucial to develop a dynamic capability in adapting to the constant change of technology and market (Tece, 2007). The hotels in this study are fairly adaptive to digitalization, especially social media since everyone is familiar with it as personal use. Although, very few (2 out of 7) seem to use social media to a greater extent while the rest use it only to advertise their services and products (food &

beverage). Taiminen & Karjaluoto (2015) argue digital marketing gives small enterprises a fighting chance against large enterprises since it requires far fewer expenses than traditional marketing channels. However, digital marketing such as social media offers a platform for opportunity, then how to proceed from there is up to the enterprises.

Most respondents (80%) are able to identify the opportunity regarding the location of their business, customer target group, and digital marketing, however, the latter two steps of Teece's (2012) dynamic capabilities varies between the hotels. The second step in developing dynamic capability is seizing the opportunity and especially in digital marketing, only 30% of the hotels seize the opportunity digitalization offers. 70% of the hotels did use, for example, social media to some extent but not remotely enough since they use it only as an advertisement channel. Nevertheless, all the respondents identify the opportunity to differentiate their services and provide a more personal and customized service at a low price. Hence, they seize this opportunity and attract their target groups.

Fernandes et al. (2017) argue that "learning" as the fourth step to Teece's (2007) dynamic capability for a competitive advantage in small enterprises, and this can be seen in the answers from the respondents. According to Teece (2012), entrepreneurial management is less about standardization and more about creativity and finding new opportunities. Therefore, the respondents as managers/owners seek to learn different ways to market their services by trying different channels. Overall, all respondents claim that they can make a fast decision without the burden of getting approval, unlike large chain hotels. This is supported by another study that SMEs have the competitive advantage of a speedy decision making (Fernandes et al., 2017).

## **5.4 Marketing mix**

According to Reijonen (2010), for the traditional marketing theories to be applicable to small enterprises, it needs to be customized to different stages of the enterprises' stage of growth, and industry specific. He further states that small enterprises focus most on promotion/sales and the marketing mix does not fit to their marketing practices. Obtaining information from customers and competitors is significant for small enterprises' marketing mix decision making and when the information is effectively utilized, it increases an enterprise's performance (Ken, Nguyen & Ng,

2007). Small hotels' approach to marketing mix in this study is discussed and analyzed below in four subcategories.

#### **5.4.1 Price**

According to the respondents in this study, from the 4Ps in the marketing mix, the hotels focus primarily on price. Keh et al. (2007) argue that small enterprises in the service industry are the price followers, because they lack the capacity to alter the price level and end up setting their price after large enterprises. Almost all the respondents, therefore, claimed that they check prices of larger hotels in their respective towns, and set their prices as low as possible. This depends on the hotels' size. The micro-enterprises have limited resources to compete, so they use price as their "weapon" because it is their best option and their survival depends on it. While the ones who own one of the relatively largest small enterprises do not mind setting their own price of their services, because they believe they have as much to offer as any other hotels. Otherwise, the rest of the hotels are price oriented due to limited resources (Carson, 1990).

The costs of a product/service, marketing-related costs, variation of prices in a market are the main determinants when setting a price (Singh, 2012). Hence, these small hotels have little to no marketing expenses nowadays due to digital marketing and have much fewer other expenses in comparison to larger hotels. Reijonen (2012) argues marketing in SMEs depends on their size and consumer market and, therefore, there is no uniform marketing practice.

However, because of their simple organizational structure and small size, there is no demand for formal and complex marketing practices either (Hogarth-Scott, 1996). This results in reduced marketing expenses for small enterprises, since the advanced marketing practiced by large enterprises demand expert employees and other related costs. Consequently, the small hotels are able to set their prices low and due to the fact that they practice independent management style, they can easily make price decisions faster than chain hotels (Fernandes et al., 2017).

### **5.4.2 Place**

Though the location where the service is being provided in by the hotels is not as important for them as its price, it is still an important selling point. Since services, unlike products, cannot be separated from their provider, the owners of the hotels offer their services in different rather unique locations to attract customers. Unlike products where several factors such as distribution networks, warehouses, transportation modes, and inventory management are needed to ensure its availability (Singh, 2012), service to these hotels requires much less marketing activities and resources. Most of the respondents claim that they use social media and hotel website to promote their unique locations in their towns as a way to let them know where the service is provided and most importantly to attract customers. The respondents argue that nowadays most customers turn to the internet for help to figure out which hotel they want to stay in, and therefore the managers/owners find it important to advertise their location.

There is one hotel (SE7) especially that has a disadvantage when it comes to location. It is located in a small village and it has 43 rooms which makes it relatively the largest hotel in this study. The hotel's annual turnover (7 million SEK) is considerably lower than the others keeping their size in mind and SE7 spends much more on marketing (250,000 SEK) than the others. This shows that this hotel needs to spend much more on marketing to compensate for its location disadvantage in hopes of attracting more customers.

### **5.4.3 Promotion**

Promotion is one of the most crucial factors in small enterprises success through raising potential customers' awareness of what the enterprise offers but small enterprises usually lack resources in comparison to large enterprises (Keh et al., 2007). Nevertheless, the competition in the hotel industry in this digital era has influenced the way small hotels promote their services. All respondents except one use social media to reach current and potential customers. One hotel has paid Facebook Ads while other three have Google Ads. The respondents also specified that it is about "when" as much as "where" they promote their services, because they advertise depending on the season. They claim that they have two major customer segments; tourists and business travelers. They approach those customer segments depending on the season. Hafele (2001) argues traditional way of marketing is now revolutionized by digital marketing enabling businesses to



reach customers in a whole new and instant way. Most small hotels in this study use third-party sites, social media, Google Ads and their own websites. However, one hotel claims that they also use the traditional way like ads on a radio while other one uses flyers.

#### **5.4.4 Product/Service**

Service as a marketing mix element plays a vital role in the customer life cycle in building customer relationships as well as to be customer oriented rather than service oriented (Singh, 2012). In this study, the hotels place their focus in the customers' needs/preferences to customize their services accordingly. They appeal to their customers with their personal home-like experience and flexibility to win their loyalty, instead of providing high-quality rooms that requires much more resources. Providing fancy foods, and fancy rooms such as suites with jacuzzi would also require them to raise their price and lose their competitive advantage, i.e. price. Obtaining customer knowledge helps small enterprises satisfy their customers and ultimately increase their performance (Ken et al., 2007), and that is what the small hotels do. They address issues personally, listen to customers, online reviews to help improve customer service and make adjustment according to the customers' needs.

### **5.5 Customer satisfaction and retention**

Early research shows that the importance of satisfied customers is essential for a company's survival (Sim et al., 2006). Moreover, since SMEs have limited resources, customer retention is crucial for them to survive (Baumeister. 2002). A dissatisfied customer can, through negative WOM or reviews, damage a company's reputation (Özgener & Iraz, 2006). However, our study shows that the hotels did not use any special programs to keep their customers. Instead, the respondents stated that they focus more on good service and personalized meetings to enhance customer satisfaction. For instance, R3 argued that they instead offer free nights or discounts, they could offer a personalized service, e.g. a special food only for the guest depending on what they like, which she thought created greater value for the customer, and hence, a greater satisfaction to the customer. Additionally, some of the hotels wanted to interact face-to-face with the customers when they checked out of the hotel. Then they had the opportunity to discuss with the guests if something was bad and could solve the problem directly, instead the customer leaves the hotel dissatisfied and talk negatively about the hotel through WOM or reviews.

According to Barsky and Nash (2003), customers are willing to pay a higher price for a good experience in a hotel. This corresponds with the fact that SE2 stated when they argued that they could have a higher price because of the ocean-view that the hotel could offer. If hotels can offer special or unique offers that differentiates them from their competitors, they can then have a higher price of their rooms, and hence increase profit (Su, 2004). This can, in turn, create increased customer satisfaction, and then create a positive word-of-mouth (Skogland & Siguaw, 2004). This is also in line with that Heskett et al. (1994) state, that people today are more value-oriented and that the price can play a significant role for the customer satisfaction or retention (Sim et al., 2006).

Moreover, research shows that the quality of service is a key factor to achieve customer retention (Su, 2004), and is essential for companies to survive in today's competitive environment (Zeithaml et al., 1996). In this study, we recognized that many of the hotels focused on offering good quality to their customers and good comfortable beds in their guest rooms. They were also willing to help their customers and adapt their offers to their needs and behaviors. For example, some hotels offered a fridge full of groceries where the customers could make their own breakfast if they leave early in the morning. Understanding and meeting customer needs is something that also Choi and Chu (2001) mention as important factors for the hotel manager to gain competitive advantage and satisfying their customers.

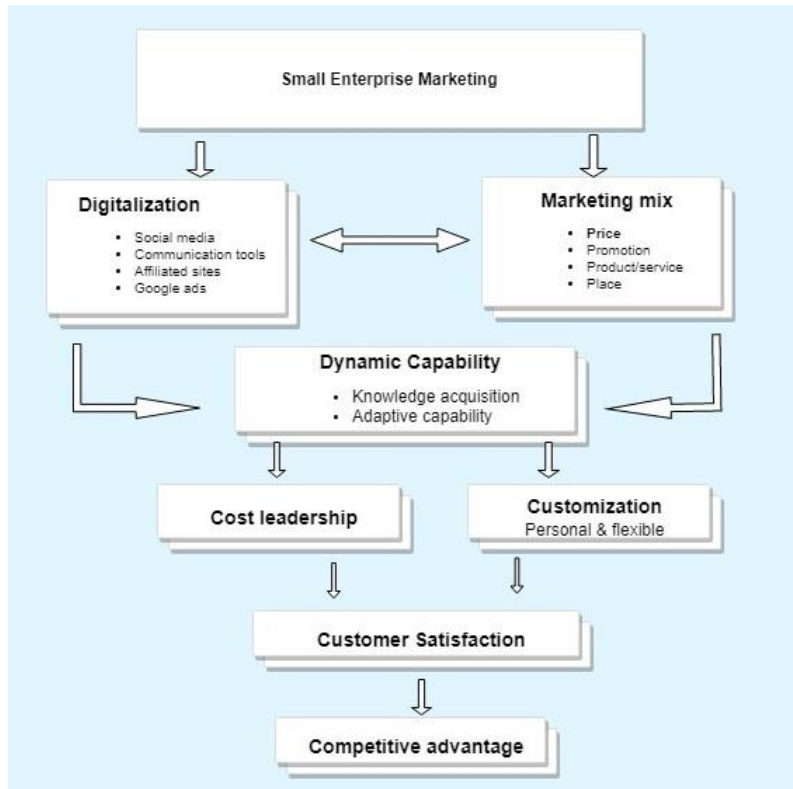
### **5.5.1 Customization**

Ansari and Mela (2003) claim that customized marketing can bring a greater profit for businesses by targeting customer segments and create successful long-term relationships with customers. As Sim et al. (2006) state, the longer a customer stays in the long-term relationship, the greater the profit for the company. A returning customer is more beneficial for a company since they, for example, are more gladly to recommend the hotel to others (Zeithaml et al., 1996). However, the hotels did not invest money in e.g. loyalty cards to retain their customers. Instead, they argued that personal service was more strategically advantageous for them to get the customer to come back.

As it can be seen in the empirical chapter, the importance of giving a personal and flexible service to the customers seem to be a vital factor for the hotels to gain competitiveness. For example, R5

stated that they can be more flexible and unconventional, so they feel as they are at home, which he saw as a competitive advantage for them. This is in line with what Stojanova et al. (2012) argue about SMEs competitiveness, that SMEs can be more flexible and closer to their customers than larger companies. Moreover, Özgener and Iraz (2006) claim that SMEs need to have customer-focused strategies to survive on the global market, which is in line with the hotels' idea of customized services for their customers. Further, Ansari and Mesari (2003) argue that highly relevant products can enhance customer satisfaction. As the hotels mention, they offer services to their customers according to their individual needs and preferences upon their request on top of the basic services provided.

**Figure 2** *Small enterprises marketing to gain competitive advantage*



**Source:** Own construction

Digitalization and marketing mix (4Ps) coincide to assess a competitive market and identify opportunities and threats for small enterprises. Digitalization of marketing activities is a key factor for a business's success. Through digitalization, an enterprise can get exposure internationally,

enhance communication, acquire customer knowledge, and adapt to customer behaviors and preferences. By digitalizing an enterprise's marketing activities, learning ability and assessing opportunities and threats in a market is increased and the 4Ps can be modified accordingly to gain and maintain competitive advantage. Afterwards, we found at that the small enterprises in this study were able to come up with a cost leadership strategy, having the lowest price possible in the market and are flexible to customer preferences and needs. In other words, they provide customized services at low price to increase customer satisfaction and retention. Therefore, their competitive advantages are a customized personal and flexible service and low price.

**Table 4** Summary of data analysis

<b>Themes</b>	<b>Theories</b>	<b>Author(s)</b>	<b>Findings</b>
Management & marketing	Independent management style and marketing activities are done by owners.	Carson & Cromie (1989)	Findings support the theory
Marketing mix	4Ps do not fit small to medium size businesses especially product, price and place are least considered.	Reijonen (2010)	Findings differ from the theory
	Small enterprises are price followers.	Keh et al. (2007)	Findings support the theory
Digitalization	SMEs need to switch from traditional marketing to digital marketing.	Jasra et al. (2011)	Findings shows that they have switched
	SMEs need to be adaptive to current trends of using digital tools.	Jasra et al. (2011)	Findings shows that they are adaptive
	Investing on enhancing technological capabilities of an enterprise to improve and promote its goods and services is part of taking advantage of opportunities to attain a position in the marketplace.	Teece (2007)	Findings support the theory
	Resource limitations and lack of marketing competencies lead to difficulties to perform market research and choose appropriate promotional media.	Berthon et al. (2008)	Findings differ from the theory
	Hotels have struggles to engage their customers through social media.	Chan & Guillet (2011)	Findings support the theory
Competition vs Cooperation	SMEs cooperate to keep some customers within local businesses or when some projects are too big for one business to do it by itself/need new resources.	Gilmore et al. (2001)	Findings support the theory
	SMEs have a supply/competitor-based characteristic.	Clark & Montgomery (1999)	Findings differ from the theory
Customer satisfaction	The small enterprises have different marketing attitude with more flexibility, have a closer relationship with customers.	Hill (2001)	Findings support the theory
	Quality of service is a key factor to achieve customer satisfaction and is essential for enterprises to survive in today's competitive environment.	Su (2004) Zeithaml et al. (1996)	Findings support the theory

## **6. Conclusion**

*This is the final chapter of this study where the research questions are discussed and answered as well as the purpose of the study. Furthermore, the contribution of this study to small enterprises marketing strategy is discussed. Finally, the managerial, theoretical and societal implications of this study, critical reflection, limitations, and suggestions for future research are discussed.*

### **6.1 Fulfillment of purpose of the study**

The aim of this study was to identify the key factors of small enterprises' marketing strategy for competing in a market with the help of digitalization. Furthermore, it is important to identify the digitalization's role in small enterprises, and how it has changed the way they market their products/services to gain competitive advantage. Previous studies show that limitations and lack of marketing competencies lead to difficulties to perform market research and choose appropriate promotional media. However, information technology has revolutionized the whole game and it has brought businesses and customers closer.

Literature states that small enterprises' limitations of resources, such as marketing experts and budget leads them to compete at a disadvantage against the large enterprises. The study shows that digitalization has improved small enterprises' limitations. This study shows that digitalization requires fewer resources such as marketing expenses, number of employees, and marketing expertise is not as highly demanded as before. This is due to the fact that the managers/owners have the chance to reach potential customers instantly and in a broader range easily thanks to social media, Google, third parties and their own websites. Small enterprises managers/owners' attitude towards digital marketing is found to be adaptive, and they are responsive to change.

### **6.2 Discussion of the research questions**

***RQ 1 – How do small enterprises develop marketing strategies in order to gain competitive advantages?***

To answer the first research question it can be concluded that small enterprises do not have a strategic planning process, however, they fulfill the marketing mix necessities though they do not place equal importance between the 4Ps. Price is the primary marketing strategy that keeps them

in the competition, as they have low pricing and that is how they attract customers. Moreover, small enterprises have the advantage of making speedy decisions in setting prices as opposed to chain enterprises that are controlled by their headquarters (HQ). Through digitalization, they are able to easily keep track of their competitors' pricing and offer lower price, which makes them the “price followers”.

Furthermore, the second most important element in their marketing strategy is the customization of their services according to their customers' preferences. They offer personalized service and they are more flexible, unlike large enterprises who offer a more standardized service. Small enterprises are closer to their customers and place high importance in personal interaction with their customers to make them feel welcome, and then the customers are prone to be regulars because they feel treated specially. Other than that, small enterprises in this study do not offer loyalty programs to retain their customers. Literature shows that businesses identify their competitors based on supply-based/competitor characteristics rather than demand-based/customer characteristics. This study shows that the small hotel owners view the competition from a customer perspective, and they do not feel threatened by larger hotels since they target different customer groups and offer different services.

As for the third element in the marketing mix, i.e. promotion, they use mostly digital channels to promote their products and services. They use a similar approach to digital marketing mostly, however, it varies depending on how much the businesses are willing to spend on it. Only few of them use paid promotional sites. This shows that promotion is prioritized much lower in the marketing mix. Furthermore, small enterprises promote their unique location to attract customers on their websites and social media, though, it does not have an important role in gaining a competitive advantage.

***RQ 2 - How does digitalization influence small enterprises' marketing activities to strengthen their competitive advantage?***

Previously, companies used traditional media, such as newspaper, radio, and TV, to market their products and services. Then, the larger the amount of money an enterprise spends on those marketing channels, the more exposure they can get. It was hence difficult for small enterprises

with fewer resources to compete with the bigger ones. Digitalization has provided opportunities for small enterprises to participate and compete on the market, because it demands fewer resources to marketing a service or product. For example, social media is an easy marketing tool for small enterprises to use, to reach customers and identify their preferences and needs through interactions. With this, a business can also spread out messages faster, and promote events that occur the same day. Therefore, they can offer personalized goods/services that is much harder for a larger enterprise that has a longer decision process and have more standardized offers. With social media marketing, businesses can get their customers to engage, e.g. through holding contests or games.

Moreover, through digitalization, enterprises can show their products/service on internet 24-hours a day, seven days a week. and can, hence, show what they offer to potential customers anywhere around the world. Through the emergence of third-party sites, small enterprises get the same exposure in websites as the larger ones. Here, they can also compare their hotel prices with others, and are able to work with their price strategy daily to get competitive advantages. For larger enterprises, that have their HQ in different cities, it is more difficult and time-consuming since it demands a lot of work and requires careful planning, unlike small enterprises.

### **6.3 Theoretical implication**

Previously, marketing literature has focused on large enterprises regarding marketing strategies to gain a competitive advantage with a minimum focus on SMEs (O'Donnell et al., 2002). Consequently, this study aimed to get a deeper knowledge of small and micro enterprises' marketing strategy. Marketing literature claims that small enterprises lack professional marketers, resources and, therefore, have no standard marketing structure (Carson, 1990). Nevertheless, the small hotels in this study presented their marketing capability that fits their business plan with the influence of digitalization despite their lack of marketing educational background. This would be highly unlikely without the aid of digitalization. It shows that there is no great demand for financial and human resources to practice basic marketing activities considering their sales volume limits. Therefore, the demand for a standard marketing structure is less compared to large enterprises.

Moreover, Reijonen (2010) argues that the marketing mix/4Ps does not seem to fit small enterprises as they mainly focus on promotion or sales as their primary strategy to marketing. But



this study shows that these small hotels are customer oriented, i.e., they prioritize customer service along with a lower price. Furthermore, the hotels in this study implement all the 4Ps although their priority within the marketing mix varies marginally as their primary strategy is price. The competitiveness does not seem to be a driving factor as the small hotels keep track of their “competitors” mostly for price reasons, otherwise they cooperate more than they compete. Moreover, although the marketing mix does not seem to fit small enterprises in the traditional sense, it is achievable through digital marketing (e.g. social media management, web optimization).

The small hotels focus on price, service, promotion and place in that order. Additionally, Alford and Page (2015) claim that there are inadequate studies regarding the owners/managers’ attitude towards adapting to technology-aided marketing, and it can be seen that the hotel managers have become accustomed to digital marketing and seek help from an external source when needed. The respondents understand the need for keeping up with the technology in order to prosper as their business grows as well as at the initial stage of their business. This study shows that small enterprises’ marketing strategy that they focus on customer preferences than what the competitors offer, unlike Clark and Montgomery’s (1999) claim that they have supply/competitor-based characteristics.

#### **6.4 Managerial implication**

In this study, we have identified important implications that managers can use to achieve greater success in their businesses. We have in this study focused on the hotel industry, but we think this also can be applicable for managers within other service industries too.

First, we believe it is important for a small enterprise to find its own unique characteristics and use it to their advantage when designing marketing strategy. A larger enterprise with the HQ in a different city does not have the same opportunity to take advantage of flexibility, since they are more standardized and need to follow formal structure. On the other hand, small enterprises can easily adjust their prices instantly and they have no burden of control from the HQ.

Second, in this study, we have identified the importance of collaboration with third parties. It helps small enterprises in their marketing activities, and they do not need to spend resources in marketing when those sites help smaller enterprises to get exposure. Therefore, we believe it has significant importance for small enterprises to interact with those third-party sites since they have fewer resources to invest in marketing activities. Moreover, the use of their own websites is also of great importance for small enterprises for exposure as well as to interact with customers. With a customer-friendly website, enterprises can also save money if they can lead the customers to book their rooms directly through the website, instead of using third parties.

Third, the influence of social media has created new ways for small enterprises to compete on the market. Nowadays, small enterprises with limited resources can reach a great range of different customer segments through social media and are able to compete with larger enterprises. Anyone can with minimum effort post on social media. Additionally, we have recognized the importance of accommodating customers' preferences and needs. By social media, enterprises can interact and encourage customers to engage with the company, and hence get a greater knowledge about their customers' behaviors. This enables them to adjust their products/services to be more customized regarding those requests.

## **6.5 Societal implication**

SMEs are essential for the development of a nation, and they play an important role in creating new jobs, growth in GDP, socio-economic growth, entrepreneurship, and innovation. In this study, we have focused on small enterprises in the hotel industry, which provides a town with opportunities to create jobs in the region. This in turn gives money back to the society through taxes, decreases unemployment and poverty. Moreover, local enterprises with successful business and marketing strategy attract customers that are both national and international, and consequently generate revenues that brings in money to the businesses and to the community in general. Therefore, SMEs' cooperation and success are beneficial to the society provided that they are equipped with financial resources, technological resources and have full support from the government.

## **6.6 Critical reflection of this study**

In this study, we have conducted the research in the region of Gävleborg and Härjedalen, which cannot be generalized to the whole country. We suspect that the result could differ in a bigger city such as Stockholm. This was also something that two of the respondents stated as a difference in the hotel industry, since they thought it would be easier for a hotel chain to establish businesses there. We also believe that small hotels would be difficult to run successfully in such big cities, since the expenses are higher, and there are too many powerful competitions.

Moreover, we believe that the data obtained from our ten respondents has high validity as they are the owners and managers of their respective hotels, and they are directly involved in marketing except for one hotel that outsourced most marketing activities. The fact that the respondents are their own bosses guarantees that they responded freely without any pressure from their superiors. This gave us accurate and valid data for our study. The secondary data collected for this study provides a deeper understanding of small marketing phenomena and digitalization that is relevant to this study and the articles used are from reliable sources.

Finally, we believe that one of the greatest strengths we had working on this study is our teamwork, where we used each other's strength to be efficient and effective, such as language, gaining access, writing, and analyzing etc. We had also the advantage of living in the same city, so we could meet often to accomplish this study. We had a mutual leadership, where we shared the responsibilities of the tasks each of us are good at.

## **6.7 Limitations and Suggestion for future research**

We have conducted a study on seven small and micro enterprises in the hotel industry and may not reflect on all other industries as it was focused on services rather than products. The study was based on Sweden and the results cannot be generalized to the rest of the world as digitalization may differ between different parts of the world.

For future research, we suggest that a quantitative study to be conducted to get accurate results on the use of social media and other digital channels used by small enterprises. We found in our study that one hotel did not use social media at all, and it would be interesting to know if there still are

more enterprises that do not use it as well. Additionally, this study was conducted in a developed country context and further research would be beneficial to emerging-market countries if it is conducted in their context. Finally, a deeper investigation on marketing strategy between different sizes of enterprises ranging from micro to small can provide greater knowledge about how they operate.

# Appendices

## Appendix 1: Interview guide in Swedish

### Information om respondent

Ålder:

Kön:

Utbildning:

Roll i företaget:

Arbetserfarenhet inom hotellindustrin:

### Information om företaget

Omsättning per år:

Antal anställda:

Huvudsaklig kundgrupp:

Grundat:

Marknadsföringsbudget:

### Digitalisering

1. Hur arbetar ni för att vara synlig på internet? Till exempel, använder ni Google-annonser?
2. Vilka kommunikationsverktyg använder ni för att nå ut till kunder? T.ex. hemsida, sociala medier etc?
3. Hur ofta använder ni dina kommunikationsverktyg för att interagera med era kunder?
4. Hur har uppkomsten av sociala medier förändrat ert sätt att marknadsföra företaget?
5. Hur fungerar samarbetet med tredje man, t.ex. Hotels.com, tripadvisor?
6. Hur arbetar ni med att marknadsföra era tjänster på annat sätt som synliggörs för era kunder? Ex tidningar, TV, radio, sponsring?
7. Hur har digitaliseringen påverkat er som företag? Vilka utmaningar har ni ställts inför?

### Marknadsföringsstrategi

8. Hur viktigt är det att investera i marknadsföring för ert företag? Har ni en separat budget för marknadsföring? Investerar ni i att marknadsföra ert företag i detta skede av tillväxt i verksamheten?
9. Vem hanterar marknadsföringsaktiviteterna i ert företag, har någon en marknadsföringsbakgrund?
10. Hur bestämmer ni hotellpriserna? Anpassar ni er efter era konkurrenter?
11. Hur arbetar ni för att skilja er från era konkurrenter?
12. Hur arbetar ni med att tillhandahålla högkvalitativ service för era kunder?
13. Hur har ni redogjort för utformningen av era rum? Är kvaliteten på era rum viktig för er marknadsföring?
14. Är er lokalisering viktig för er att nå till kunder? Om så, hur?
15. Kan ni beskriva era målgrupper? Anpassar ni er marknadsföring / erbjudanden något efter dessa? Om ja, hur?
16. Vilka företag / hotell skulle du kategorisera som era konkurrenter som kan påverka ditt företag?

17. Hur håller ni koll på dina konkurrenter? Har ni någon relation till varandra?
18. Om du planerar en affärsplan eller marknadsföringsstrategi, anpassar du dig något till dina konkurrenter då?

### **Kundnöjdhet och lojalitet**

19. Hur arbetar ni för dina kunder att återvända? Eller är det viktigare att locka nya kunder?
20. Har ni några rabatter / kampanjer till era kunder så kommer de ska återvända?
21. Hur arbetar ni för att få ökad kunskap om era kunders behov? Samlar ni in kunders åsikter?  
Lägger ni mycket tid/resurs på det?
22. Hur arbetar ni för att tillgodose era kunders behov?
23. Vad gör ni för att skapa mervärde för era kunder?
  
24. Finns det något annat du vill berätta för att hjälpa oss i vår studie?

## **Appendix 2: Interview guide in English**

### **Information about the respondent**

Age:

Gender:

Education:

Role in the company:

Work experience in the hotel industry:

### **Information about the company**

Turnover per year:

Number of employees:

Main customer segments:

Established in:

Marketing budget:

### **Digitization**

1. How do you work to be visible on the internet? For example, do you use Google ads?
2. What communication tools do you use to reach out to customers? E.g. website, social media, etc.?
3. How often do you use your communication tools to interact with your customers?
4. How has the emergence of social media changed your way of marketing the company?
5. How does the cooperation with third parties work, eg Hotels.com, tripadvisor?
6. How do you work to promote your services in other ways that can reach your customers? Ex newspapers, TV, radio, sponsorship?
7. How has digitalization affected the way you do marketing? What challenges have you faced?

### **Marketing strategy**

8. How important is it to invest in marketing for your company? Do you have a separate budget for marketing? Do you invest in marketing at this stage of business growth?
9. Who manages the marketing activities of your company, is there anyone with marketing background?
10. How do you determine hotel rates/prices? Do you adjust according to your competitors?
11. How do you work to differentiate your product/services from your competitors?
12. How do you work to provide high quality service for your customers?
13. How would you describe the design of your rooms? Is the quality of your rooms important to your marketing?
14. Is your location important for you to attract customers? If so, how?
15. Can you describe your target groups? Do you customize your marketing/offers according to your customer segments? If so, how?
16. Which companies/hotels would you categorize as your competitors that can affect your business?
17. How do you keep track of your competitors? Do you have any type of communication with each other?
18. When making a business plan or marketing strategy, do you keep your competitors in mind?

**Customer satisfaction and retention**

19. How do you work to have regular customers? Or is it more important to attract new customers?
20. Do you offer any discounts/promotions to your customers so will they return?
21. How do you work to gain an increased knowledge of your customers' needs? Do you encourage customer reviews/opinions/feedback? How much time/resources do you spend on it?
22. How do you work to meet your customers' needs?
23. What do you do to add value to your products and services for your customers?
24. Is there anything else you want to tell us to help us in our study?



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