

Family Businesses: A study regarding the use of marketing tools by small-medium family businesses in Greece

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Abstract: This paper focuses on family businesses, the backbone of the Greek economy. Most of them are small and very small businesses with fewer than 10 employees. Although many of the challenges facing family businesses also concern small and medium sized Enterprises (SMEs) in general, some affect family owned firms more particularly and others are exclusive to only them. This paper investigates to what degree the use of marketing tools can be a particular challenge for Greek family businesses. More specifically we want to find answers to the following questions: To what extent do Greek family businesses adopt a marketing philosophy including vision, mission and a marketing strategy; what are the key factors that affect the applicability or not of marketing tools; which marketing tools are been selected as most useful or effective and finally what is the role of family members in the process of applying marketing tools?

A primary study based on in-depth semi-structured open-ended interviews was carried out from September to November 2012. In total twenty-two family businesses in the prefecture of Thessaloniki were interviewed. The results show that SME-sized family businesses make very limited use of marketing tools. The qualitative analysis following the interviews unfolded several root-causes, which are revealed and discussed in the paper. Future work concentrates on other characteristics of family businesses.

Keywords: *Family business, marketing tools, entrepreneurship.*

1. INTRODUCTION

Research carried out on family businesses in Greece is very limited. According to “Grand Thornton” revue, to the Industrial Chamber of Athens and the PWH research, the vast majority of enterprises in Greece (over 80%) are family business (Grand Thornton, 2006; Industrial Chamber of Athens, 2010; PWH, 2010).

Regarding the size of the family business, there is an assumption that the Greek family businesses are SMEs, especially small and very small firms employing 1-10 employees and comprising more than 98% of the total Greek business (SMEs in Europe, 2008; ESEYE, 2011). According to a recent study, these firms lag behind in strategic planning and the use of marketing tools (Koufopoulos et al., 2010). The same study shows that less than half of SMEs in Greece have invested in structured strategic planning. The study reveals that the personal character of the administration and the emotional involvement of the owners in strategic planning have a negative impact on the implementation of targeted design.

Theoretically, every business whether it is 'big' or 'medium' or 'small' or 'very small', has at its disposal the same marketing tools. The implementation of marketing techniques concerns neither the size nor the type of the activity or the character (family or nonfamily) of the business (Cromie, 2001).

But how does this apply in practice; Orpen (2004) has identified that in small family businesses the following factors interface: the personal character of the administration, the lack of expertise in marketing techniques, the engagement of the "family system", the different cultures that coexist in the "business system", the vision of different generations that are involved in administration and finally the administration's distrust as regards to the usefulness of marketing tools and techniques. Stokes states that marketing in small family businesses is being sparingly used and has more reactive than creative character (Stokes, 2005).

The purpose of this paper is to investigate to what extent the family businesses in Greece use marketing tools as a means to extroversion and development. In particular we are interested in understanding which marketing tools are been selected as most useful or effective, what are the key factors that affect the applicability or not of marketing tools, what is the role of family members in the process of applying marketing tools?

This paper builds on existing literature and the result of a survey conducted in 22 family businesses in the prefecture of Thessaloniki and is developed as follows: In chapter 2 a literature review is presented, chapter 3 documents the choice of methodology, chapter 4 lists the results of research along with suggestions regarding how to improve the situation. We conclude and suggest future research in chapter 5.

2. LITERATURE REVIEW

Family businesses demonstrate extraversion and willingness in taking business risks, in the early years of their lives. This contributes to the rapid growth and wealth creation (Zahra, 2005). It also is a precondition to the survival of the business (Rogoff & Heck, 2003). However, subsequently the family business are characterized by conservative policy, fear of continuing to taking business risks, attempts to maintain what they already have acquired, feeling of being trapped in a kind of routine and finally the loss of contact with the rapidly changing environment, which is their biggest weakness (Zahra, 2005). According to Young (2004) the greatest danger for enterprises is the complacency after a successful development. He suggests continuous action, even when "the things are going well". The family business should aim to the extraversion, either in terms of strategy or in marketing (innovation and seeking new markets).

The personality of each of the family members that shape the business culture and the business goals determine the development mode, the intention for extraversion and the use of marketing techniques (Nicholson, 2003). The family business can achieve greater extroversion when a person with specific education and work experience in other companies undertakes the business administration (Royer et al., 2009). The extroversion or introversion of a family business is being determined more by the values and beliefs of the family than on actual business needs (Staurou, 2003). Family values and the understanding of them are of vital importance, because they are the basis of influence in the further development of the family business (Bhalla et al., 2006). In cases where the manager is not a member of the family and he despite that has the power to influence the business strategy, the results are positive (Gomez-Mejia et al., 2001). The entrepreneurial spirit is not necessarily hereditary (Morck & Yeung, 2003).

The seeking of new markets is a necessity for the company that anticipates growth. The export activity is a complex process that requires extensive planning and risk taking. The main

difficulties a company that intends to start to export faces seems to be the difficulty of market research, communication, lack of reliable and timely information, the difficulty in controlling the activities and also funding issues (Hajidimitriou & Azaria, 2004). The convenience of Internet access as new sales instrument abroad facilitates the export business, particularly regarding consumer products. However there are significant drawbacks such as problems in the security of transactions, inadequate privacy and lack of a single international legislative framework. The export activity through the internet is gaining ground and is suitable for small family businesses because it does not require large amounts of capital and costs related to employee compensation. The on-line sales abroad are easily manageable for SMEs. If preceded by careful planning, on-line sales abroad can be controlled by only one person (Melewar & Smith, 2003).

According to Mc Cartan-Quinn et al. (2003), small businesses are at disadvantage, both regarding economic management and the use of marketing tools. This view is reinforced by the fact that classical marketing concepts are often unsuitable for small businesses. Key factor explaining the success or failure of the business is the personality of the business funder and the lack of using marketing practices. While same marketing principles are applied to small and big businesses, small businesses have a shortage of good knowledge and understanding of these practices (Cromie, 2001). More over marketing practices are completely absent or rarely applied instead informal, intuitive and incoherent marketing attempts are applied. The family business owner devotes very little time in strategic thinking related to marketing options. He/she often believes that strategic planning will not provide any added value to the business (Brown, 2005). The marketing problems faced are mainly associated with: small customer base, lack of knowledge and experience in marketing issues, as well as the high dependence of the owner's activity. Mostly corrective action is made than action by design, and the family business owner seems not to understand or take into consideration emerging marketing opportunities (Stokes and Fitchew, 1997). In terms of marketing orientation, many family business managers act either based on previous experience or common sense. The separation between sales and marketing is very difficult; many managers confuse sales with marketing. They rarely have a formal education in Marketing. Generally in small-medium sized family businesses a strong brand name and the strength in markets are absent (Lilien et al., 2002). Another factor that affects the marketing concept for small businesses is the cost of marketing tools. They sparingly spend funds for marketing techniques due to lack of resources. Even when the entrepreneur has an interest in marketing, he/she seldom uses it to solve specific business problems (Carson, 2003). The education in marketing issues is also an important factor in influencing the implementation of marketing techniques. In small-medium sized family business managers rarely care for systematic training in marketing. They suggest that the best training is (on-the-job) experiential training (Kirby, 2000).

In terms of marketing tools which can be used by small family businesses Saranteas (2012) says that the main "inexpensive" tools of marketing that can be used even by the small businesses are those derived from the internet.

West (2008) made an evaluation of the different marketing tools.

Low cost marketing tools which can be used by the small businesses:

1. E-mail. It can replace the advertising through conventional mail, with a minimal cost. It gives the business the ability to target specific customers.
2. Campaigns in social media. Rapidly emerging marketing tool which provides high quality on-line capabilities.

Relative low cost marketing tools which can be used of the small businesses:

1. Brochures – flyers. They can communicate successfully direct and tangible benefits of the products and make notification of the specific financial offers and discounts.

Relative high cost marketing tools which can be used by small businesses which can spend some more money:

1. Public relations. It does not aim at an immediate increase in sales volume, can play an important role in the business image and the prospective buyer's idea about potential products and services. The public relations operate unconsciously many times on small family business; even the offer of a meal to a good customer is public relations and is usually more related good will rather than economic factors. Public relations with the concept of targeted actions rarely occur in SMEs.
2. Radio advertisement. It is a good alternative for smaller businesses; it has local geographic coverage and low cost.
3. Print advertisement. It is a very special tool useful to businesses that target specific audiences and can help to create a specific image.

High cost marketing tools which can seldom be used by small businesses:

1. TV and outdoor advertising. They are the most effective tools, the most expensive targeting to a larger audience. They are mainly suitable for big companies with a wide circulation of consumer products.

Small businesses can try those marketing instruments that do not require spending major funds, until they find what "works" for their business and what does not work (West, 2008). Marketing tools can be used in different ways, in various combinations by enterprises of all sizes and all types; they are an important weapon in helping a family business to keep in contact with the changes in the environment, to seek development and to ensure sustainability.

3. METHODOLOGY

This paper aims to investigate to what extent do Greek family businesses adopt a marketing philosophy and a marketing strategy as a means to extroversion and development. The research methodology includes a double-method approach, involving the use of qualitative and quantitative data collection techniques in a parallel sense, in order to provide data sets with overlapping information regarding the same phenomenon. This double- method of data collection (fieldwork and survey) provides obvious advantages in combining quantitative and qualitative data sets. By using semi-structured interviews the respondents are allowed to say what they think and to do so with greater richness and spontaneity than when using only quantitative research approaches. The quantitative collected data can be analyzed by the statistical tool SPSS, for verification of the results found in the interpretive approach. A primary study based on in-depth semi-structured open-ended interviews was carried out from September to November 2012. In total twenty-two family businesses were interviewed.

The survey questions are: what are the key factors that affect the applicability or not of marketing tools; which marketing tools are been selected as most useful or effective and finally what is the role of family members in the process of applying marketing tools?

The main hypothesis in our study is that there are no differences in the Greek family businesses in their use of marketing tools.

The population of our study consists of Greek medium and small sized family businesses that have the following characteristics: a) the majority of the adult family members are employed in the family business, b) the company's management is practiced by the members of the family, c) the income obtained from the family business is the main financial source for the family, d) the members of the family have inherited the business from previous generations or in case they are the founders themselves, they have explicitly stated their intention to bequeath the business to future generations, e) they are active in the Prefecture of Thessaloniki.

4. EMPIRICAL ANALYSIS

A. Statistical analysis of structured questions

From all the family businesses participating in the survey, 31,8% operate in the Greek market for more than 30 years, 45,4% of companies operate from 20 to 30 years, 13,6% from 10 to 20

years and 9% are relatively new to the market as they operate for less than 10 years. Regarding the legal form, 63,6% of family firms are partnerships (GP) with 2 co-owners. In most of the cases we have the model parent-child and wives, while by the rest there are two brothers. The vast majority of them employ up to 10 people (77,2%), in a presence of 13,6% employ 11-20 people, one family business has more than 20 and another one more than 50 employees. In most enterprises, all adult members of the family they work in the family business (72,7%) while there are some cases where adult family members they are not involved in the business. In most enterprises, (63,6%) two generations of family members have worked in the family business, since its inception, while by 31,8% has only one generation worked and in only one business have three generations worked. When asked who is the manager of the business 59% of the respondents replied that the founder of the company is also the manager, 22,7% replied that the successor is already the manager of the business and 18,25 replied that there is an equal allocation of administrative responsibilities in two or more successors (these companies have joint ownership). None of the family business has delegated the management to a corporate executive who is not a family member. Concerning the final responsibility of strategic decisions in business exactly half of the respondents said that the final responsibility lies exclusively with the founder, 32% said that some type of family council is carried out, where the founder has still the last word and in a percentage of 18% a formal family council decide on future strategy. In no-one business, strategic decisions that will affect the future of business in the long term are taken by administrative staffs who are non-family member. On the issue of succession more than 70% of respondents have already planned leadership succession in the family business as opposed to rest which has not planned any succession. All respondents (100%) responded that the successor will be a family member rather than a professional manager who does not belong to the family. To the question if it has been implemented certain preparation's procedure of impending successor more than half of respondents (54,5%) replied that the successor is already working in the business and has gained experience and skills for the future, 31,8% responded that the successor has done studies related to business needs and by the rest (13,6%) the prospective successor has not done any systematic preparation.

B. Answers and comments to open questions

Regarding the question if in the business exists a separate marketing department, no one company replied positively. Two companies have appointed a family member of the second generation as an executive member of marketing actions. The absence of formal or informal marketing department is mainly due to the a) small business size (allows neither administrative nor essentially creating a separate department) b) marketing activities does not happen in a continuous process.

In more than half of the businesses marketing decisions are taken by the owner / manager or in the case of co-ownership of one or more co-owners. In this case marketing decisions are made based on experience and intuition. There are cases where while the manager has the ultimate responsible for deciding he advised either the family council or even opinions of staff. Some entrepreneurs outsource marketing issues to their children, when they are working in the business and very few seek advice from external consultants.

The concepts marketing plan and swot-analysis are for the big majority (62,6%) unknown. In about 22% they know these marketing tools but they use them in a non-written and non-binding form. About 10% of the family business managers use systematically both marketing plan and swot-analysis. However, all enterprises, most of them systematically set sales targets. More than 38% follow systematically sales targets and review their policy if necessary.

Small and medium sized family businesses do not make systematic use of a customer management system (CRM). The responses we received were mostly negative in proportion of 82%. Major causes are: few in number customers, they are familiar to files printed form, do not find it useful, there is a lack of knowledge.

About the media chosen for their visibility, top choice is the electronic media (internet, social media) 86,4%, quite high are the handing out flyers 63,5% and radio 59%, at lower positions are print advertising 27%, and outdoor advertising 13,6%. No one business makes television advertising in a main channel. Three companies said they plan to advertise in a local channel. One company said does not make some kind of advertising. They also show very high preference to the registration of the company in various business directories. The public relations that are used are mostly informal friendly terms with customers and suppliers. Dinners with clients or suppliers are the most common public relations. Only 13,6% of the companies act out more formal activities of public relations. The participation of the company in commercial fairs, even though is made by less than half of companies (45%) is considered as very important marketing tool, by those who do it. Most of the businesses make sales promotion activities in various ways. Actions which are preferred, by order of preference are: offers, regular discounts, coupons, gift packages, contests. The total numbers of respondents use the Internet in different ways. More than 80% of them use it for finding customers and suppliers, as also for creating, securing and updating of company's website. Some of them (18%) have used specialized online databases (for example proz.com). Approximately the same rates of the respondents consider the name of their business to be important to very important, particularly when it involves their surname, because it is the identity of their business. But when they mentioned to their products they declare that they don't have a strong brand name of products, known to the wider consumer public.

On the quest for expert advice they answer in a percentage of 70%, that they don't seek advice from outer consultants. The main reasons are: the professional experience of older family members is sufficient for the development of their business; they don't consider it necessary because things are going well and there is lack of time for discussions and lack of resources. Those who answered that they sought advice they did on issues such as: know how to improve production, finance, accession in a development law, accession in a subsidized program, quality certification, marketing and products promotion.

Finally as to the attitude of the responders for training and education in marketing, the vast majority (85%) considers it from significant to very significant. They believe that the younger members of the family and some key staff must be trained, and they view as main barriers for not training, their deficits in time and funds.

5. DISCUSION-CONCLUSIONS

According to the literature, the key factor influencing strategic decisions and tactics followed are the fundamental family values. Our research confirms the above view, as the strategic decisions are taken either by the manager / founder of the firm (centralized governance cases) or through family counselors (formal or informal), while only in a few cases are involved non-family members. This is closely correlated with the existence of family values and the need to maintain these values.

From the literature review it becomes clear that one of the major factors that can influence the future and longevity of a family business is the process of selecting a successor. Most family businesses have prepared their succession and all of them have chosen as successor a younger family member. The majority of respondents believe that the experiential (on-the-job) training is the perfect preparation for the successor, but also a significant percentage considers that studying in a related field, to the activity of the enterprise, is a key factor in the preparation of a successor.

The literature suggests that every family business must strive extraversion either for innovation or in the search for new markets or in marketing. There is no evidence from our research on innovation. As for the search for new markets, we found that most businesses tend to be extroverted. By taking advantage of the internet, they look for new partnerships with suppliers in Greece and abroad or they broaden their clientele.

The secondary data suggest that marketing for small family businesses is used sparingly and has mostly "responsive (reactive) " than "creative (creative)" character. Primary survey data confirm this hypothesis. None of the companies have distinct marketing department, also none systematically shall prepare marketing plan. Research shows that this is due to reduced business activity, to the small size of the company and to the lack of resources. Marketing is mostly applied with emotionally-empirical criteria rather than based on a planned strategy. Specifically, family businesses, in the vast majority, choose to be listed in electronic directories in order to communicate with the operating environment and they find important that there is an inscription on their premises. They choose to advertise in the most economical media, such as the internet, print and radio. The most popular advertising medium seems to be the internet which provides visibility, an economic way of approaching new customers at home and abroad, it offers targeted message transmission and has a very broad potential audience. Participation in sectorial trade fairs also seems to be important, since either already they are involved in such events regularly or they intend to participate in the near future. In connection with their company name (brand name) acknowledge that apart from trade value has also sentimental value, especially in cases where the corporate name is associated with the family surname (often found). As important factors in maintaining a strong brand name, they find securing and maintaining quality over time, the purpose of promotion (mild or dynamic) and the strengthening of personal relationships with customers. They recognize the lacking of the strong brand name in their business. Public relations in the sense tactically actions rarely performed on small businesses. Public relations in the sense of tactically activities are rarely performed on small family businesses, typically operate unconsciously. This fact is confirmed by the data from our survey as the vast majority of businesses perceive public relations as informal friendly relations with customers.

For decisions related to marketing, references point to that persons who have charged with the responsibility of making decisions tend to take rational decisions when they are trained / prepared properly. Our research shows that the owners/ managers rarely cared until now for systematic training in marketing issues and believed in the view that the best training is experiential education. This assumption, that family businesses are rarely interested in systematic education, was shot down by the results of our research. The education through specialized seminars seems to be very important for the vast majority of respondents, as suitable persons for this training are proposed the younger members of the family. Finally, most of the businesses do not look for specific advice on marketing issues by external consultants, either because of lack of resources or because they consider their empirical knowledge is most important, for their sector of activity.

The survey reveals that only the new generation in family businesses can and will become familiar with the issues of marketing and use in the future the marketing tools as a driver for extroversion and growth.

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