

# INSIDE THE SMEs DIGITALIZATION. A PERSPECTIVE OF THE MARKETING DECISION-MAKERS

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**Abstract:** *Digitalization generally speaking and marketing digitalization in particular are significant new topics on the Central and Eastern European market, also well embraced by ever more Romanian companies. The aim of this research is to determine opinions and attitudes of the Romanian high-tech small and medium enterprises' (SMEs) marketing managers in respect to the various marketing digitalization topics. The research reveals and analyses answers obtained from nine interviews, combining several analyses including content horizontal analysis and graphical analysis. The outcome can be used by academic researchers as the main starting point for more complex qualitative studies on the researched topic.*

**Key words:** *Digitalization, Marketing automation, Digital growth, Small and Medium Enterprises, High-tech industry*

## 1. Introduction

According to studies undertaken by McKinsey & Company, Romania is defined as a country with a low degree of digitalization, but a high potential for growth in this area. Along with Bulgaria, Croatia, the Czech Republic, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia, it is part of the Digital Challengers group, being a country specialized in the development of software solutions (Novak, et al., 2008). Unfortunately, Romania is at the bottom of the ranking in terms of the evolution of the digital performance, occupying in 2020 the 26<sup>th</sup> place out of the 28 member states of the European Union (European Commission, 2020).

Although Romania is well-known for programmers and IT experts, most high-tech companies develop software solutions for foreign markets, the Romanian SMEs being reserved for internal digitalization. The digitalization of the internal processes and activities is perceived by Romanian SMEs mostly as an expense and not as an investment. There is a fear that investment in digitization will not be recovered. A study undertaken by the European Commission shows that only 23% of the Romanian companies transmit information through electronic channels, 34% representing the

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average in the European Union, and only 8% use social networks. According to the same study, starting with 2019, 11% of Romanian SMEs have migrated to online sales, but only 5% of the total turnover has been generated through e-commerce platforms, compared to the European Union average of 11%. In addition, Romanian SMEs made the lowest investments in technology in 2019 among all EU Member States (European Commission, 2020).

Another study conducted by the Romanian consultancy company Valoria in 2017 shows that 73% of SMEs have been heavily influenced by digitalization. Only 60% say they are confident that they have the necessary knowledge to capitalize on digitalization, and 87% of entrepreneurs, representatives of the SMEs, do not consider digital business models a threat to the company. 64% of SMEs in Romania expect to generate 10% more revenue in the next 5 years using Big Data and Data Analytics, 64% using Internet-connected devices (IoT) and 28% via virtual reality (Magdalina, 2017).

The current paper presents specific results, part of a broader research regarding the Romanian high-tech SMEs digitalization. The aim of this specific part of the research is to identify and present the marketing managers' attitudes and opinions towards company's marketing digitalization.

The paper is structured into six sections. The first section comprises the introductory aspects. The second section creates the theoretical framework of the study, highlighting the importance that digitalization plays in the economy, the opportunities it generates and the potential of growth new technologies and digital transformation have for Small and Medium Enterprises (SMEs hereafter). The third section states the research method, objectives and hypotheses. The fourth section is reserved for research methodology while the fifth one for results and discussions, where the systematic content analysis conducted is presented, as well as the interpretation of the results obtained. The last section of this paper is dedicated to the conclusions, summarizing the whole presented research.

## **2. Literature Review**

According to the Organization for Economic Co-operation and Development (OECD), digital innovations can bring countries closer to sustainable prosperity (Kotler, 2008). McKinsey presents the most important innovations that have had the most significant economic impact in recent years, including mobile internet, automation, internet of things, cloud technology, advanced robotics and 3D printing. Technologies have significantly contributed to the development of several sectors of the economy, such as retail (e-commerce), transport (automated vehicles), education (online courses), health (electronic registration and personalized medicine), and the development of social interactions (social networks) (Manyika, et al, 2013).

Based on a study conducted in 2018, which aimed at determining the degree of use and knowledge of digital marketing elements in Romanian SEMs, digital marketing was revealed as a fairly new concept for Romanian managers, as only 53% of them were familiar with digital marketing terminology. More than 50% of companies considered that they had a relatively strong online presence, most of them being older companies, established before 1990. Regarding the development of digital marketing activities

within companies, 71.4% said that they had one or more employees who were responsible for digital marketing activities. The remaining 21.4% used outsourcing to coordinate digital marketing activity, and 7.1% had no one responsible for this type of activity. From this research it can be seen that a large part of small and medium companies on the Romanian market are still in the process of planning on the digital side, as 40% stated that they had not implemented a digital marketing strategy, and among 53% said that such a strategy would be developed and implemented. Out of the companies that reported that they did not have a digital marketing strategy, 57.3% were young companies established after 2000 (Dobrescu, 2018).

SMEs play an important role in the European economy and in Romania they generate half of the added value and up to two thirds of the jobs in the non-financial economy (Pele, 2018). However, the implementation of Industry 4.0 is still in its infancy (Türkes, et al., 2019). Considerable effort is being made for Romanian SMEs to make the transition from Industry 2.0 to Industry 4.0. In this regard, the Ministry of Economy has created special funding lines to accelerate the implementation of new technologies and innovative concepts for the digital transformation of enterprises (Minister of Economy, 2018).

Various studies show that Romanian SMEs are willing to adopt digitalization, but there are certain obstacles in adopting new technologies, such as: lack of financial resources, lack of knowledge (know-how), insufficiently specialized human resources etc. (Gilmore, et al., 2006).

In the context of technological change, two basic levels can be distinguished: first, the creation of new (scientific) knowledge, which often takes place in specific (public) research institutions and which serves as a basis for the second level, the implementation of the real technological innovations in the form of new products, services and production processes. The second level, in particular, is an essential part of the private enterprise (especially SMEs) sector's economy. Consequently, economic policy concludes that those SMEs that take over this function, "high-tech SMEs", play a strong role for growth and employment (European Commission, 2001).

There is no widely accepted definition for SMEs in the high-tech industry, neither in academia nor in economic policy. Moreover, the notion regularly associated with the term high-tech SMEs is surrounded by a variety of terms with often similar or related meanings, such as: new technology-based firms (NTBFs), SMEs innovative companies, knowledge-based firms, R&D intensive companies, IT companies or biotechnology companies (European Commission, 2002).

### **3. Objectives and Hypotheses**

The main objectives of the current qualitative research, having as a central topic the digitalization in the Romanian high-tech SMEs as perceived by the marketing decision-makers, were the following:

- (1) to identify the degree of digitalization perceived by the respondents.
- (2) to determine the respondents' opinions on the current marketing budget allocation inside the company.
- (3) to determine the participants' attitudes on digital marketing planning actions.

The hypotheses underlie the research conducted and are defined below:

- (1) The marketing decision makers consider the current degree of digitalization as being high.
- (2) Most of the respondents would not change anything on the company's current way of dealing with digital marketing.
- (3) A part of the respondents is content with the current marketing investments.
- (4) Many respondents would not invest the marketing budget in different activities.

#### **4. Research Methodology**

The current research was carried out by conducting individual, structured, in-depth phone interviews [Holstein and Gubrium, 2003], targeting to identify the opinions and attitude of the Romanian high-tech SMEs' marketing managers on the marketing automation and company's degree of digitalization.

The researched population was represented only by companies in the high-tech sector, as the authors considered them to own the highest degree of know-how on the digitalization related topics. Thereby, the sample was represented by companies developing and/or re-selling digital solutions. The fact that the companies are SMEs gave a clearer view of the Romanian markets as, in most cases, they do not have any external influence (e.g. headquarter/parent company located abroad).

Since the analysed companies were geographically dispersed, the in-depth phone interview method was used, as a workable option for qualitative research. Beside the opportunity to connect with more companies, this type of in-depth interview offered higher confidentiality, openness of the respondents and greater flexibility in scheduling or rescheduling the interviews.

The qualitative research methodology was based on interviewing 9 decision-makers from the marketing department of Romanian SMEs in the high-tech industry. Each interview lasted for about 20-25 minutes, being individually held. The research took place between January and April, 2020.

The sample involved individuals holding a leadership position in the marketing department (Marketing Manager or Chief Marketing Officer) of the companies matching the J63 NACE (Nomenclature of Economic Activities) code - Information service activities, with less than 250 employees and up to 50 million euros net annual turnover.

The interviewees were preliminary contacted via the business-oriented social network - LinkedIn or by email. Once the research purpose was clarified and their agreement was obtained, they were interviewed by telephone. Finally, approximately 60 companies were contacted and 9 interview agreements were obtained.

Each respondent expressed his/her opinion without any restrictions during the phone interview. From the beginning they were informed that there were no right or wrong answers, data collected being reported anonymously to ensure the confidentiality of respondents. The interview guide was structured in several major directions, the following three topics being analysed in the current paper:

- The degree of the company's processes automatization and digitalization

- Investment categories within the marketing department
- Future directions

The qualitative raw data was firstly gathered using natural language, by writing down all the answers exactly as received. For the data analysis and interpretation, the authors used content analysis, summarizing the answers by the mean of key words. Vertical content analysis helped to determine how each company conducts its marketing and digitalization effort, providing a clear picture of each entity. The horizontal analysis offered the possibility to analyse the answers as part of a specific sub-topic and to draw important conclusions on each area of interest.

## 5. Results and Discussions

The sections below present the research findings using the graphical analysis in order to better structure and show the main results.

### 5.1. Attitude towards the company's degree of digitalization

Regarding the degree of satisfaction with the digitization of the company's processes, 5 out of 9 respondents, i.e. 56%, stated they are satisfied. Arguments included statements such as: all products and customer interactions are online, "for current needs the degree of digitization is very good". A respondent trusting the company's IT capabilities said that if they wanted more digitalization, they could develop more technologies.

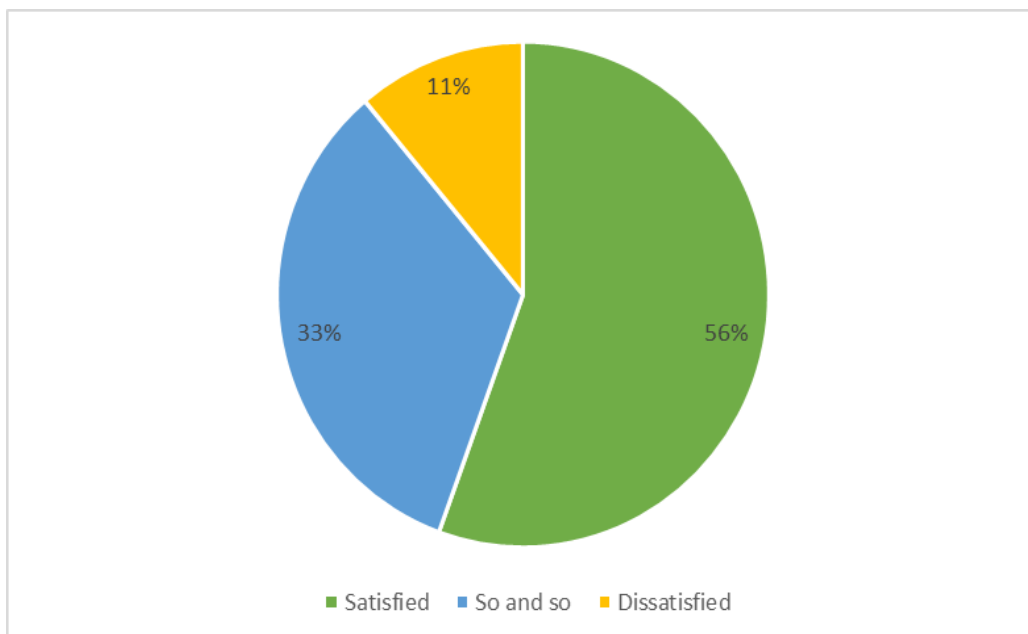


Fig. 1. *Marketing managers' attitude towards the company's degree of digitalization*

Figure 1 presents the overall picture and the structure of the answers. With a less positive attitude, 3 subjects stated that their degree of satisfaction with digitization is so and so. They blame some of their dissatisfaction on the lack of a budget for internal digitization. Only one respondent out of 9 is dissatisfied with the degree of digitization, saying that there would be potential for digitization and automation, but currently many tasks (especially reporting) are done manually.

## 5.2. Investment categories within the marketing department

This topic analysed the current investments and the planned ones, according to the interviewed marketing managers.

### • *Current investments*

Although the marketing activity is a main component of the companies operating on the current market, 2 out of 9 representatives of the studied SMEs state that they do not have a specific budget allocated for it (Table 1).

*Marketing budget allocation*

Table 1

Is there an allocated budget?	Yes (n)	Yes (%)	No (n)	No (%)
	7	78%	2	22%

As shown in Figure 2, the marketing action for which most companies (3 out of 9) allocate a large part of the budget is Google ADS. Other mentioned activities, having the same level of popularity are events and networking, or the development of outbound campaigns (Social Media and Email). The content and graphics creation is the action with a sole frequency of occurrence.



Fig. 2. *The use of the marketing budget - activities*

• *Planned investments*

In terms of a marketing budget plan, 1 respondent out of 9 mentioned not having any plan as there is no marketing budget existing in the company.



Fig. 3. *Planned marketing budget investments - activities*

Figure 3 shows that most investments would be made in events and networking as the respondents consider they can build a closer relationship with customers and partners. The second category of investments involves assets creation, Google ADS, Social Media and also partnership programs. Only one company mentioned the investment in more advanced technologies, such as conversational bots, while another would like to focus on the rebranding part.

**5.3. Future directions**

This topic refers strictly to the personal opinion of the interviewees and provides a clear picture on the perception of the current stage of digitalization. 2 out of 9 subjects are satisfied with the company's current marketing policies and strategies and would not bring any change (Table 2).

Table 2

*Changes in the company's marketing policies and strategies*

<b>Would you make any changes in the company's marketing policies and strategies?</b>	No (n)	No (%)	Yes (n)	Yes (%)
	2	22		
<b>Changes in the company's marketing policies and strategies</b>			Drawing up a marketing plan	
			Creating ultra-specialized and targeted content	
			Increasing the marketing budget	
			Updating the existing technologies	
			Integrating cloud technologies	
			Distribution of the budget for testing	
			Clearer delimitation of the marketing manager role	

Table 2 presents also the affirmative answers and the plans and ideas the marketing managers have. Three responses address the marketing budget and its distribution. Thus, it is necessary to draw up a “marketing plan with allocated budget”, increase the budget allocated for creation or “distribute 10% of the budget for testing”. Other changes that a subject would bring within the company refers to technological progress, namely the use of cloud applications. Another respondent would make some changes in respect to the employees’ role in the company, preferring a clearer delimitation of roles within the marketing department.

#### 5.4. Limitations

The first limit is represented by the fact that the marketing data obtained from qualitative research cannot be extrapolated to the entire researched population.

Another important limitation was the difficulty of finding contact details for the management staff within the marketing department. Thus, in many cases it was necessary to contact the company at a generic email address, this leading to a lower response rate.

For the people contacted on LinkedIn, the problem of not accepting the invitation to connect arose, giving the impossibility to provide more information about the purpose of the research. This happened due to the word limit imposed by LinkedIn (non-Premium version) for messages intended for people who are not in the contact list.

Another limitation was given by the global situation at the time of the interviews, namely the COVID-19 pandemic. The overlap of this pandemic with part of the scheduled interviews led to the refusal of the subjects to participate in the interview and to the reduction of the number of interviewees.

For smaller and relatively new SMEs on the market there was fear and refusal to answer certain questions, which resulted in a series of incomplete interviews. These interviews were not taken into account for the final research, reducing the total number of subjects surveyed to 9 companies.



## 6. Conclusions

The marketing technologies market (MARTECH) is constantly changing, requiring continuous adaptation, readjustment or innovation. The SMEs in the high-tech industry on the Romanian market have knowledge and a fantastic potential in the field they represent.

An overview shows that most respondents are satisfied with the degree of digitalization of the company. The dissatisfaction, present among two subjects, has as main reason the lack of the internally allocated budget and not the company's potential.

The marketing action in which most of the budget is invested is advertising. For advertising, most investments are made in Google ADS and future investments are planned for publicity on social media. Third-party partnerships are another investment plan for some companies, aiming to connect with more potential customers and increase advertising efforts.

As for the changes that are to be made within the company, they are primarily aimed at the budget and its reallocation. Other changes include a clearer delimitation of roles in the marketing department or a focus on cloud technologies.

In conclusion, the overall attitude of the Romanian high-tech SMEs' marketing managers over the degree of the companies' digitalization is a good one. Most of them are content with the digitalization done internally by the company they represent and also with the current marketing budget allocation. Minor changes on the budget reallocation would be done. In the end, useful information about the upgrades on the companies' marketing policies and strategies were provided. Increasing the sample and being able to extrapolate the results can help on building new and relevant marketing plans for the Romanian SMEs, leading to an increase in the competitive advantage and client interaction.

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