

# Supporting Small Businesses' Penetration of New International Markets - Practitioner's Approach.

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## ABSTRACT

Small businesses typically have limitations in areas of modern marketing and the use of ICT and I-commerce (Internet-commerce) in particular for penetration of new (mainly international) markets. An approach that can be used to address these limitations – i.e. method and implementation concepts based on the use of external consulting team (including University students) - is presented in this paper. Our approach is practically oriented and has attractiveness for small businesses in that it typically can provide practical results in relatively short time (several months) with reasonable costs. Practical usefulness of this approach, which is also an example of University–Industry partnership, is illustrated by implementation of method in a small Czech business.

**Keywords:** I-marketing, small business, SME, 1:1 marketing, CSF

## 1. INTRODUCTION

Small businesses often aim at penetration of new, often international, markets. For this purpose not only traditional means and ways (methods) but also means of ICT (Information and Communication Technologies) and corresponding methods are used. Small businesses often don't have own employees with required qualification – especially in areas of marketing, ICT (including Internet) etc. This is the main reason why above mentioned activities of small businesses are often executed with assistance of external consulting team. These services are often expensive and project often lasts long. For these reasons it seems reasonable to support these small businesses activities by consulting team, which includes University students. They often have reasonable qualification and can join project for fraction of costs of professional consultants.

“Small business” includes not only SME (Small and Medium Enterprise -classification of which can be different in different countries) but also other enterprises, which can find presented approach as valuable.

Although our approach is not limited to small businesses it has a special attractiveness for them in that it typically can provide practical results in relatively short time (several months) with reasonable costs.

Paper is oriented towards support of small business's expansion to new (mainly international) markets using ICT, namely Internet and Internet marketing and Internet commerce.

This support was executed as project with specified duration, resources and goals. Project was executed in small business using consulting team (including University students) with following main goals

- development of method for finding new (mainly international) markets for small business's penetration, resulting in new contracts
- demonstrate to small businesses the advantage if ICT's (mainly Internet-based) use in internal and external commercial activities
- training of small business's employees in novel approaches and use of ICT in such a way, that they can use these means further even after conclusion of the project

Paper topics include namely

- development of simple practical method for support of small business's penetration of new markets and it's practical execution as project
- University - Industry partnership, by inclusion of University students into consulting team
- knowledge transfer between members of consulting team and small business's employees during the Project

## 2. ROLE OF CONSULTING TEAM

The method (see below) is based on use of consulting team consisting typically of experienced professional (acting as project manager) and 3 to 4 university students

- consulting team is group of external experts, who execute those activities for which small business does not have own qualified employees. These are especially areas of marketing, e-commerce, use of ICT in business, project management.
- from the point of view of perspective customers/partners consulting team works fully “in the background” i.e. all external commercial activities are carried out by small business
- consulting team members can be permanently located in different geographical localities (in one country, even in different countries). They collaborate on reaching the objectives and deliverables of methodology for small business. Based on project plan they participate in



specified activities (submission of deliverables to small business's approval etc.) with small business management. For these reasons the use of convenient methods and technologies for collaboration is important.

Consulting team completes the following tasks

- manages individual steps of method, which are implemented as processes, proposed and managed by consultant. At the same time, the current small business processes are executed, i.e. project processes are mapped "on top" of current processes. After project termination small business can decide to adapt some of these project processes as his new processes, which are now executed by small business's own employees. Small business appoints own employees (typically with limited qualification) for execution of particular project steps
- proposes structure and the way of project management, project goal, expected project resources. After approval by small business this is the basis of the project
- proposes partial methods and approaches used in individual steps of project, ICT used in project as well as methods of communication and collaboration in project
- for particular tools/methods used in project (e.g. Internet market research using search engines, collaboration technology) provides training of small business employees (at least of those who take part in project) so that after project termination they can use these tools by their own.
- provides (with small business's assistance) actual execution of those activities for which small business does not have own qualified employees

### 3. METHOD – BASICS

For formulation of method for supporting small business expansion to new international markets mainly the following factors are taken into account

- method is based on known concepts of marketing, I-marketing, ([1], [2], [4], [8]) e-commerce, I-commerce ([5], [6], [9]). These concepts are applied in such a way that concrete benefits for small business are reached within reasonable time (several months) and with reasonable costs. Approach to method formulation is not governed by full-width theoretical approach but more by an attempt to formulate relatively straightforward method, which could be implemented relatively quickly under conditions, which are typical for most small businesses. The core of the method is the discipline of Internet marketing.
- it is assumed that small business typically does not have own employees with required qualification in areas like ICT, marketing, I-commerce. This is (on the basis of our practical experience) particularly true for smaller businesses. Therefore the implementation of method with the use of external consulting team is typical. In case small business has own qualified employees it can implement method by its own staff.

- Implementation of method is considered to be a project, with all required attributes. Project is typically managed by head of consulting team. Project team includes consulting team members as well as small business's employees

#### 3.1 Marketing – Basic Approach

Typical marketing activities are executed as steps of the method. However specific approaches have been selected for their implementation. These are namely the following

- Internet advertising (banners, search engine marketing etc.) was not used at all. Only active approach to market analysis was adopted. ICT based methods were primarily used – heavy use of Internet for analysis of company web sites, B2B info portals, e-marketplaces (as source of info) as well as search engine use – supported by traditional methods – analysis of printed materials acquired by project team, phone contacts etc. Info on particular potential business partner ("lead") was made more accurate until the responsible person was found, who was then contacted
- For ethical reasons the responsible person at potential partner was typically first contacted by short phone call in order to find out whether he/she agrees with product info being sent to him/her (i.e. "permission-based promotion")
- Marketing info including product info was delivered to potential partners typically by e-mail, company web site (only very basic info – this web site was operational before start of the project) or by 1:1 presentation in separate rooms of Quickplace (for potential partners with the greatest "value" – see below) which was (in step 6 of the method) further made more accurate so that it reacts to the exact requirements of particular partner

In the course of marketing activities several strategic decisions has to be made:

- Mass marketing versus direct marketing  
Approach of direct marketing was adopted in which only the selected potential partners (included in marketing database – see below) were contacted
- OEM versus brand marketing  
Depending on the characteristics of target market as well as on type of potential partner (i.e. wholesale – distributor or integrator) combination of OEM and brand marketing and sales was used on all markets, with OEM having greater success.

#### Marketing database

Specific marketing database tool was designed and developed as part of the method [3]. It includes up-to-date and relevant marketing meta-information on analyzed markets. This information includes among others – information content, info available on-line or off-line, business subject concerned (customer, competitor, distributor, integrator,...), market segment (i.e. small business's product concerned), region and country, format of primary info (catalogue, on-line



catalogue, corporate web-site,...), importance, contributor (into database).

In the project it's content is updated continuously by members of project team. It is used mainly in steps 5 and 6 of the method by all participants of the project. It was developed in Linux/Apache/PHP/MySQL environment as Web application and made accessible by URL from Quickplace.

### 3.2 Collaboration Technology

Innovative use of collaboration technology stems from the fact that it is used not only for collaboration but also (and to significant degree) for marketing purposes (see below)

Geographical distribution of project participants (small business, members of consulting team, potential customers) has led to use of collaboration technology. This distribution as well as requirement of asynchronous ("anytime") communication have resulted in the requirement for technology from "different time – different place" quadrant of collaboration technology classification [7]. Lotus Quickplace – Team Workplace, which belongs to category of "web-based team/project rooms" was selected.

Quickplace, implemented in client/serve architecture, requires only Web browser as client, has simple user interface, which makes it very easy to use even by non-specialists. It is based on specification of different "rooms", which can be used by different (groups of) users. Browser-based client/server architecture makes it very convenient also for inter-organizational collaboration.

In pilot project Quickplace was used mainly for  
- communication and collaboration inside consulting team as well as for collaboration "consulting team – small business"

- o collaboration on preparation and approval of deliverables of project (reports, lists, Web presentations)
- o project management – activity plans, tasks monitoring, calendars etc.
- o knowledge repository (e.g. marketing database)
- o (simple) workflow
- o automatic notification of users by e-mail under defined conditions (e.g. weekly summary "what is new", new task)
- o use of URL for access to other Internet resources (e.g. to project marketing database developed as Internet client/server system from this environment).
- marketing purposes - communication with potential customers
- o specifically for 1:1 marketing (personalized Web presentations for limited number of potential customers in step 5 of the method)

Quickplace server was used as service - in ASP

(Application Service Provider) mode. This has led to very short "lead time" of using it in project, as no installation and very limited administration activities were required. Quickplace's use in pilot project has led to considerable savings in project costs.

## 4. METHOD – DESCRIPTION

Method consists of the following 6 steps

- Step 1 - Introduction. Small business's analysis, Project – Start - up
- Step 2 - Business model documentation
- Step 3 - Selection of new (potential) markets
- Step 4 - Market research
- Step 5 - Internet marketing plan development
- Step 6 - Sale supported by ICT and I-commerce

**Step 1** Introduction. Small business's analysis, Project – Start - up

Objectives

Main objective of this step is execution of small business analysis including firm description, organizational structure, financial situation, preparation of report on current firm situation, preparation of SWOT (Strengths Weaknesses Opportunities and Threads) analysis.

Second objective is mutual acquaintance of consulting team with people from small business. Consulting team introduces to small business concept of this method. Project manager (typically head of consulting team) presents to small business management the basic project plan (steps, dates, resources, deadlines) Project team members from both sides are appointed.

Key deliverables:

- document "description of the firm"
- document "SWOT analysis"
- document "project management and project team"

All deliverables (in all steps) must be approved by small business management. Decisions included in these deliverables are then interpreted as small business's management decisions taken on recommendation of consulting team.

Steps (Tasks):

- visit of consulting team to small business premises
- analysis of internal firm documents by consulting team
- interview of consulting team with management of small business (mainly in the areas of organization, production, sales, marketing)

**Step 2** Business model documentation

Objectives

Main objective of this step is mapping and documentation of current "business model" mainly on the basis of internal company information, which can be – if the need be – extended from external sources. Consulting team acquires this information from small



business employees (mainly from sales and marketing) and eventually from company's ERP system, if available. Business model includes

- current products (properties, comparison with competition)
- production capacities (evaluation, possibility of expansion)
- current markets (description, CSF (Critical Success Factors))
- current distribution channels (partners, conditions, way of price specification, profit creation)
- current customers (products, volumes of sale, price specifications, customers requirements, customers satisfaction)
- specification of "core business" i.e. the main activity of the small business, which produces profit

Key deliverables:

- documents "products", "production capacities", "current markets", "currents distribution channels", "current customers". Some of these documents may already exist, some even in database form.

Steps (Tasks):

- analysis of firm's internal materials/documents by consulting team (see above)

### **Step 3 Selection of new (potential) markets**

Objectives

Main objective of this step is preparation of list of several new potential markets (or their segments), which will be analyzed in greater detail in next step. List contains the basic attributes of markets (advantages/disadvantages for small business, entry barriers etc.) List should contain the markets, on which – according to current information from steps 1 and 2 – the small business could have a chance of success (i.e. realization of sale), i.e. such a markets for which there are no known barriers for small business's penetration of the market (product quality, prices, after sale service, market requirements etc.)

Key deliverables:

- list of new potential markets (including their basic characteristics)
- ev. basic vocabulary (terminology for foreign markets)

Steps (Tasks):

- searching in information sources (Internet, other digital sources – databases, traditional sources) in order to find new markets
- basic analysis of potential new markets (from the point of view of small business's penetration)
- small business management approves the markets recommended by consulting team

### **Step 4 Market research**

Objectives

The main objective of this step is preparation of

cost-acceptable analysis of selected markets, taking into account that the result need not be as complex as results from much more expensive specialized marketing firms or from international marketing databases oriented towards area of specialization. Analysis contains information on markets and is used in the following steps of method.

Key deliverables:

- for each analyzed market
  - o market functionality (rules, entry requirements)
  - o geographic location (language, culture)
  - o volume (in prices)
  - o distribution channels (structure/model, most important players – leads)
  - o specification of prices
  - o market and channels participants
  - o potential partners, customers
  - o influencers
  - o competition
- marketing database including up-to-date and relevant marketing information on analyzed markets. It's content is updated continuously. It is used mainly in steps 5 and 6.

Steps (Tasks):

- analysis of individual markets (executed by consulting team with assistance of small business employees), using Internet resources and ICT with the goal of creation of marketing database

### **Step 5 Internet marketing plan development**

Objectives

Planning of marketing activities, which will lead to interest in buying small business's products from new subjects in new markets. These subjects were identified in previous step. Although even the "traditional media" (phone, fax, print etc.) are used for these marketing activities, the emphasis of this step is on the use of ICT – namely Internet and Internet marketing.

"1:1" or "1:many" marketing as well as different ICT technologies can be proposed in the plan - E-mail, promotion on Internet sites, participation in vertical e-marketplaces, product presentation on Web-site etc.

Key deliverables:

- marketing plan

Steps (Tasks):

- preparation of marketing plan, which includes subjects of interest to small business as well as specification by which marketing approach they should be contacted

### **Step 6 Sale supported by ICT and I-commerce**

1<sup>st</sup> sub-step

Objectives

Execution of marketing plan prepared in previous step (communication, providing potential customers the marketing/product information needed), which result in



expression of interest from these subjects.

#### Key deliverables

- marketing plan's execution

Final "deliverable" of this sub-step is expression of interest of potential buyers, providing them the required info on small business's products.

#### 2<sup>nd</sup> sub-step

Main objective is to execute, especially by use of ICT and I-commerce, the remaining steps of commerce transaction – i.e. negotiation of contract (including price), delivery, payment, customer after-sales support. Small business uses also traditional means in these steps. But this sub-step puts emphasis on the use of ICT and I-commerce to supplement these traditional channels. However ICT and/or I-commerce can be used only if accepted by potential customer.

#### Key deliverables:

- execution of complete commerce transactions i.e. realization of sales (with potential customers), as it is also the main aim of all activities (both in methodology and in project)

#### Steps (Tasks):

- specification of means of ICT and I-commerce, which will be used for full execution of individual commerce transactions "partially" executed in 1<sup>st</sup> sub-step, with regard to specific conditions of each transaction.

As often negotiation of contract can take longer time (e.g. several months) the "final point" of this step in this project was set approximately to the start of two-side negotiation of contract on basis of information gathered during the project. Remaining activities were executed mainly by small business. If the need be, small business can use help of other subjects (lawyers etc) during the final stages of contract negotiations.

## 5. PROJECT

For project a production firm was selected, with about 400 employees, 3 product lines, limited marketing qualification, very basic brochureware Web-site.

Consulting team included 5 members. Project manager (located outside the country), 4 masters students (in different locations in the country) working on project part-time. They were oriented basically at - ICT (1), marketing (2), training (1). Project duration approximately 6 months.

Consulting team's activities - project management (including provision of professional Project Manager) and use of collaboration technology (Lotus Quickplace) were fully covered by IBM Software Group.

In Step 1 and 2 SWOT analysis was performed. Because of 3 different product lines, separate SWOT analysis

was executed for each product line. Project team was set-up for each product line, including 1 consultant and 2 small business employees. Quickplace was introduced and used heavily for communication and collaboration during the project, both inside consulting team as well as in "consultant – small business" area. Project organization, time-scale etc. was also set-up in Step 1.

In Step 3 - two or three new international markets were selected, based on consultant's recommendation, for each product line. Orientation towards international markets is important decision, as it influences many following activities, resulting in greater demands (on consultant, resources, costs, information etc.) than sole orientation to home markets.

In Step 4 several approaches have been used including Internet search engines, analysis of e-marketplaces. Between 20 and 70 potential new partners were located for each product line on markets selected in previous steps. Global marketing database Kompass was used on very limited scale, giving less than 10 contacts (for 2 Euro/profile).

Specific marketing database tool was developed in this step and used heavily from this step on. Database content was created in this step and used and made more accurate in next steps. Database contained about 270 entries.

In Step 5 marketing plan oriented mainly towards ICT and Internet's use was developed. Plan was oriented towards potential new partners located in step 4. "Value" of each partner for small business was evaluated (for each market and product line), which resulted also in order in which they will be contacted in next step.

As general approach 1:1 direct marketing was selected. For this purpose Web presentations in 3 languages were prepared in Quickplace. Collaboration technology is used in this case also for promotion. Individual presentations run in separate "rooms", which allow for great degree of personalization. Presentations are oriented towards small segment or in some cases even toward one (1:1 marketing) potential customer.

In step 6 the market plan was executed as planned, thus executing the "information step" of market transaction. Next transaction steps were executed mostly by tradition means, supported by e-mail.

Afterwards the results of the project were evaluated. The project achievements are shortly summarized below.

### 5.1 Project Results

Project's outcome can be – even taking into account some real-life limitations and shortcomings – evaluated



positively. Main project's goals have been attained

- method was developed
- small business has found new markets. At project conclusion there were 3 very promising negotiations under way regarding foreign markets which resulted in contracts later. One large contract has been signed in the home market. In this case the knowledge about the types of potential customers gained on international markets have led to contact in the home market with the type of partner which has not been contacted before.
- use of Internet – based ICT and Internet marketing for support of commercial activities has been demonstrated to small business and successfully used for gaining business benefits.

## 6. CONCLUSION

Based on results of practical verification the method can be evaluated as successful and as a useful tool for support of small business's commercial activities.

However implementation success is influenced by several success factors, some of which are basically critical (CSF – Critical Success Factors). As we have learnt, the basic CSF are the following:

CSF – global (in small business's country)

- the basic „support“ of small business's activities, i.e. state policies, legislation, taxes, governmental support
- this support strongly influences the way of project financing (which is critical). Financing can be provided by
  - o administration (state, region, Chamber of Commerce) – partly or entirely
  - o small business – partly or entirely
  - o sponsor i.e. ICT producer (as was the case of our project) or other – partly or entirely

CSF – small business

- fulfilment of basic requirements for expansion to new markets from production point of view, i.e. product which can compete with the products on international markets (in terms of quality, technology, price, after-sale service etc.), sufficient production capacity, ability to deliver product according to specific requirements of customers
- real interest in expansion to new markets
- strong support of small business management
- willingness of small business employees to take part in project activities and learn new approaches

- quick and qualified reactions to outside stimuli (e.g. reactions to questions and requirements of potential customers/partners)

project effort and it's length of time depends on level of knowledge of small business employees especially in areas concerned (marketing, ICT, foreign languages for new markets)

CSF – consulting team

- good project management
- qualification of team's members and their „entrepreneurial“ approach
- language qualification (for new markets) or possibility of external provision (for not so common languages)
- team spirit

Based also on results of this case our University has launched an open „Program of cooperation of Universities and Small Businesses“ called **eMSP**. Program is opened to any University in the Czech Republic, small businesses, administration, industry – producers, suppliers and offers services oriented towards support of various small business's activities.

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