
OVERVIEW OF CHARACTERISTICS OF BOTTOM-UP MARKETING AS AN INNOVATIVE MARKETING PARADIGM IN SMALL AND MEDIUM ENTERPRISES

■ **Abstract:**

In various perceptions of transition, in countries which have found themselves in this process, whether to authors who examine this process with liking or authors who have opposite attitudes there are certainly a few among them who would deny the need that entrepreneurship and entrepreneurial spirit has to take a special place in that process. Entrepreneurship does not have to be necessarily considered the same as small and medium enterprises, although the setting up and development of small and medium businesses can be considered as one of the most significant elements in the change of transitional economies structure, but can also be related to building entrepreneurial business within the existing corporation, that is, „intrapreneuring“ (internal entrepreneurship). Expressing itself through the readiness and will to introduce novelty by experimenting and creative processes directed toward the development of new products and services, as well as new processes, innovativeness imposes itself as infallible element of the enterprise behaviour. When the application of marketing concept in small and medium enterprises is in question, certain authors placed in the centre of their interest the question of possibility whether the full spectrum of what conventional marketing involved can be included in these enterprises. This had implications on understanding the innovativeness of marketing in these companies. However, in light of the fact that the modern tendencies in the development of marketing have brought a number of new marketing paradigms, some of which are particularly suitable for the application in small and medium enterprises, the emphasis can be placed precisely on the display of such new opportunities. One of them, called bottom-up marketing, based on the appreciation of corporate strategy from the aspects of their tactical feasibility and ability to prevent competition in threatening company's tactic, is the central theme of this paper.

■ **Keywords:**

Bottom-Up Marketing, Innovation, Marketing, Small and Medium Enterprises, Transition

■ **INTRODUCTION**

The last decade of the 20th century was marked, among else, by the process of transition in a number of countries in which central planning was the main characteristic of their economies before this process started. Causing changes not only in economies of these countries, but also in foundations of other parts of their existence, such as law, culture, life habits of their people

and many others, this process was at the beginning widely welcomed and embraced by many authors as positive and vital for these countries. After two decades of experience in performing this process and some poorly planned and examined steps undertook within it, the general level of enthusiasm has decreased and authors are nowadays very often divided from strong supporters to categorical opponents of transition [1].

However, in various perceptions of transition, in countries which have found themselves in this process, whether to authors who examine this process with liking or authors who have opposite attitudes, there are certainly a few among them who would deny the need that entrepreneurship and entrepreneurial spirit has to take a special place in that process. It could freely be said that the quality of a new formed ambient significantly depends on the level in which the total economic reality is being characterized by the development of entrepreneurship. Entrepreneurship does not have to be necessarily considered the same as small and medium enterprises, although the setting up and development of small and medium businesses can be considered as one of the most significant elements in the change of transitional economies structure, especially in the light of the fact [2] that 91% of firms in European Union have less than 20 employees and that even 99,8% of firms have less than 250 employees.

Entrepreneurship can also be related to building entrepreneurial business within the existing corporation [3], that is known as „intrapreneuring“ (internal entrepreneurship). Regardless which of these two possible views of entrepreneurship one can have in mind, there are common characteristics for both of them [3], such as: having autonomy, being innovative and proactive, showing competitive aggressiveness and taking on a risk. Expressing itself through the readiness and will to introduce novelty by experimenting and creative processes directed toward the development of new products and services, as well as new processes, innovativeness imposes itself as infallible element of the enterprise behavior. However, the innovativeness of marketing in small and medium business was brought in question by many authors, as well as the need to practice marketing in such firms. Displaying "bottom-up marketing" as the modern, innovative paradigm in the development of marketing, particularly suitable for the application in small and medium enterprises, is the central theme of this paper.

■ **MARKETING IN SMALL AND MEDIUM ENTERPRISES**

The question of marketing in small and medium enterprises can be understood in several ways. Although it is generally accepted that the basic

principles of marketing are universally applicable to large and small businesses [4], in some studies it is questionable whether small businesses need to practice marketing at all to survive and grow [5]. The study that had questioned the need to practice marketing in small businesses [5] concluded, after all, with accepting that marketing contributed positively to small business success and the ability to think strategically in despite of the fact that small business owner-managers were often generalists, not marketing specialists and the fact that complex marketing theories may not be appropriate for small businesses and probably would not aid in the understanding of their markets. In most cases, it was said in this study, competitive advantage was based on quality and service, while those competing on price were in the highly competitive markets with little or no product differentiation and low entry barriers. Product differentiation was a source of competitive advantage in some businesses while others were looking for niche markets.

It is also shown that the role of marketing shouldn't come only to contribution of thinking strategically in small and medium enterprises. Denison and McDonald [6] point out that studies have consistently shown that firms which were marketing orientated, or competent practitioners of marketing, performed better in terms of return-on-investment (ROI) and market share.

Although it plays an important role, in small and medium enterprises marketing is likely to be [7] haphazard, informal, loose, unstructured, spontaneous, reactive and conform to industry norms. The study that has presented this conclusion was focused on the fact that marketing in practice in small firms seemed to rely on personal contact networks and was often driven by the particular way an owner-manager did business. Personal contact networks were understood as communication between the small and medium enterprise's owner-manager and his/her competitors, so the competing firms might be quite supportive of each other, as well as it could be understood as networking with customers where building relationships were vital to a company's success, so companies invested considerable time and effort in maintaining good relations with regular clients. Such an approach was concerned with maximizing marketing opportunities and

ensuring the enterprise's survival and development.

Although presented studies, as well as others that are not mentioned at this place, deal with marketing in small and medium enterprises, there is a conclusion of certain authors that academic research appears unable to resolve a number of questions about small businesses and their relationship with the use of marketing and that insufficient knowledge about marketing in small business remains. In that sense should be understood what Siu and Kirby [4] were pointing out when they were saying that empirical evidence has been generated in an ad hoc manner as a consequence of a general absence of a systematic approach to the subject.

■ **BOTTOM-UP MARKETING AS AN INNOVATIVE MARKETING PARADIGM IN SMALL AND MEDIUM ENTERPRISES**

When the application of marketing concept in small and medium enterprises is in question, from the previous text could be driven implications on understanding the innovativeness of marketing in these companies. However, in light of the fact that the modern tendencies in the development of marketing have brought a number of new marketing paradigms, some of which are particularly suitable for the application in small and medium enterprises, the emphasis can be placed precisely on the display of such new opportunities.

One of them, bottom-up marketing, is presented in the book named *Bottom-Up Marketing* by Al Ries and Jack Trout [8], at the time when they wrote it, the first Chairman and the second President of Trout & Ries Inc. This was the third book of those two authors that came after *Positioning: The battle for your mind*, in which they described the process of putting company's brand into the mind of the prospect, and also after *Marketing Warfare*, showing marketing as war where the competitors are enemies and the customer is ground to be won. The first book was mostly devoted to communications, that they presented as the tactic of a business, while in the second marketing, as the strategy of business, was in the center of authors' focus. The third book by those two authors dealing with the practical issues of the usage of marketing in companies' activities was in some way integrating two previous books. This book

published in 1989, was integrating business' strategy and tactic in revolutionary new manner, that was the essence of this approach, nowadays incorporated in activities undertaken by companies in the developed countries.

Bottom-up approach understood not only as possible radically new marketing approach is also a way of thinking that is "challenging the obvious" when saying that tactics dictate strategies. The authors point out that the relation between tactics and strategy can be shown when saying that a tactic dictates strategy and then the strategy drives the tactic. The tactic is the angle that produces the results while the strategy is the organization of the company to produce the maximum tactical pressure. However, since the ancient times, say the authors, the wisest people like Seneca thought in top-down manner and were saying that their plans miscarried because they had no aim and even those people who understood that the best strategic plan was useless if it couldn't be executed tactically like Field Marshal Erwin Rommel worked for top-down thinkers. It was not only the common way of thinking that was causing domination of the top-down approach. Some characteristics of human nature that are seen at behavior of the top managers who like to be "free" of tactical details of business, but to participate in the "fun side of marketing, the development of the grand strategy" could also be the reason to prefer top-down approach. That situation in which top-down approach dominates prevents marketing to be what it actually should be—"the art of the possible, like politics."

Bottom-up approach presented in this book differs from bottom-up style of Japanese management, which considers incremental steps, consensus building and decision making from the bottom up. In such an approach it takes time to reach consensus, the concept is getting unanimous approval inside the company, so the marketing becomes more a question who "does" the marketing, than it is "what" is being done. In bottom-up approach by Trout and Ries, marketing is a question "what" tactic to use, how to build a tactic into a coherent marketing direction and then, at the end, to determine "who" should execute the strategy.

This innovative approach is vital in solving two main problems or "sins" of top-down thinking, as authors call them. Those two „sins“ are that it is

the refusal to accept failure and that it is the reluctance to exploit success, often combined together and determining each-other. The principle of bottom-up marketing is to work from the specific to general, from the short term to the long term. The implication of this principle is that first what should be done is to find adequate tactic, which means one tactic, not more, and to build it into a strategy.

■ **THE PROCESS OF IMPLEMENTING BOTTOM-UP APPROACH IN A COMPANY**

The process of implementing bottom-up approach in a company considers at the beginning “going down to the front”, where the front line is understood to be in the mind of the prospect. It considers a process where one puts himself in a position to explore what customers and prospects might be thinking and the best way to collect information is to do it firsthand, without judging, but by observing with open mind, escaping looking for the facts that will confirm previously formed opinion what should be done. At the front should be found an angle, which means a fact, an idea, a concept, an opinion on the part of the prospect that conflicts with the position held by competitors.

It is also very important to monitor the trends. However, it includes the need to understand the differences between a trend and a fad because very often short term changes can block someone’s ability to notice long-term trend. If something is to be recognized as a trend it needs to be observed for a decade or more, it usually involves slow change, it’s essential to understand its causes and its effects and it is usually not in the center of the press’ interest. In order to monitor the trends, by the authors, it is needed to find out “what people have actually done” and not “what people will do” because their respond to questions is in most cases formed in socially acceptable manner and because basic habits change very slowly while the press often magnifies small changes. That is why authors claim that a company can not predict the future, as well as it can not predict the enemy, but can create the future by introducing product or service whose very success “creates” a trend.

Next very important step in bottom-up marketing approach in the company is narrowing its focus. The opposite process that is widely accepted in the practice of many firms is

line extension which is often caused by ideas of management that on the basic of already known brand could be gained financial benefits while introducing new products. However, authors offer several arguments that support focus instead of line extension. The first is that by focusing and becoming specialist the firm can send strong message to their customers and prospects instead of confusing them. The second is that specialists are often perceived by customers as experts or the best. “When a product tries to appeal to everybody, it winds up appealing to nobody.” It is very important for understanding this approach to know that authors point out that the perception is reality and that marketing is not to change minds, but to take advantage of the perceptions that are already there. The third advantage of focus is that the specialist can become “generic” for the category. “In an overcommunicated, overbranded, overbeered society, you are lucky if your brand can mean one thing.” Authors conclude that although line extension of company’s brands is widely embraced in many companies and often performed in situation of flat and declining markets or consumer’s concern about ingredients, the effect of such an approach is not only the long-term erosion of a brand’s identity, but also spreading the forces of the firm and becoming “vulnerable” to competitive attack, that can cause serious problems.

After narrowing company’s focus comes finding its tactic. The principles that authors recommend to be respected while finding tactic are that the tactic should not be company-oriented, that it should not be customer-oriented, but that it should be competitor-oriented. A good competitor-oriented tactic considers that it can not be copied quickly nor can it be copied economically. When finding tactic it’s important to have in mind that clearly superior product happens very often in which case it would be better to avoid attacking competitors on the positions where the competitor is strong. However, since such a situation happens very rarely, it could be said that marketing today is a battle of concepts, not products. The authors add some recommendations about firm’s tactic. If the firm dominates the category, it is sometimes recommendable to launch products to attack firm’s product that dominates, but to do that

under its own brand name. They also add that simple ideas are easier to implement and prospects find them easier to understand, that for the reason of credibility it is as important to promote negative as positive and that when forming the price, although it can implicate the quality of a product the firm should balance it with demand.

When the company finds its tactic the next step is building its strategy. In a bottom-up approach essential part of this process is making changes in the company, especially when admitting that there have been mistakes, or in the product. It is not recommended trying to change the environment, while facing the challenge to maintain "single-mined clarity over an extended period of time". The whole process results in a coherent marketing direction.

Making the changes is also very important. It is needed to understand authors' presumption that marketing efforts can't make much of the change in market's structure or buying patterns, nor can it substantially change the mind of the prospect. However, it is task of marketing to find a competitive mental angle that already exists in the mind of the prospect. In order to achieve that, a company can change name if it doesn't support the tactic that company is building into a strategy and can also change the product or service.

The authors recommend to the company that if it is not "winning the battle", it should "shift the battle field". It is not easy sometimes to accept the fact that company "can not win the battle." Management is also reluctant to "shift the battlefield" because the change is required and "people are rarely comfortable with change". When speaking of shifting a battlefield, a company can shift its audience, respecting the fact that it's better not to target the total market, but to benefit from the emotional opportunities created by narrowing of the target audience. A company can shift the product, the focus and the distribution, as well.

A company should also test its strategy. The key tactical weapon of a company is advertising. But when trying to test the advertising the paradox happens that the more novel and more unique the program is, the more likely it will succeed and the less likely it will test well. However, in condition where the volume of advertising increases and its relative effectiveness decreases, companies do test their advertising. In order to

avoid mistakes, one should have in mind that when looking at the numbers in the research report, those numbers are a consequence of artificial responses to artificial questions. In a bottom-up approach a company doesn't try to make its strategy interesting since its tactic is chosen to be interesting at first place. The testing of a strategy can be performed with a help of observing sales force and the level in which the tactic is "sold" to them, and of checking out the press through a potential news value of a company concept. The competition should also be checked and a way to do that is to reverse a company's statement and to see if the reversal is appropriate for its major competitor. The product line should be checked as well having in mind that when two brands have the same name, they are "locked together in mind" and that a company has to test both.

It is needed for the strategy to be accepted inside the firm. Suggestions how to achieve that goal authors present in a chapter named "selling your strategy". When presenting strategy inside the firm it is recommended that it is simple, that alternatives are not shown and that it should not be presented to the top management before it's presented to their subordinates in order to gain their support. A strategy's accepting can be disturbed with the lack of support from senior or junior executives who from their own interests are not prepared to make significant changes. In order to eliminate such a behavior it is possible publicly to identify the person who will benefit from the success of a new product or venture. The name plays an important role for the strategy, it is even said that it is the strategy, so it is better to accept an internal defeat on the name issue than to accept an inferior name and "lose everything on the marketing battleground". Getting the resources is also part of authors' interest. They claim that it is better not to launch a program at all than to launch one without the sufficient resources. The problem of small entrepreneurs is that although they are "long on ideas", they are "short on money". Quite opposite is inside a large company. Small firms can use the regional approach or franchising to overcome their problems while in large companies top management should be included in the process that will lead to centralization which concentrates company's resources. There is also a need to test the objectivity by "calling in the outsider". The outsider can be the

advertising agency and in bottom-up marketing approach the agency is focused on the tactic while the company is focused on the strategy. Although agencies can play an important role especially when seeing "obvious tactical idea" that is not noticed in the company, in some occasions agencies can lose their objectivity. When presenting launching company's program, the authors reveal that although they support bottom-up approach in planning, when it comes to execution they prefer top-down approach. If a company founds its strategy on a tactic that works, it becomes strategy driven. There are two possible choices of launching a program. The first, so called "big bang" approach has its advantages when it comes to making the first impression and "striking quickly". One should have in mind that "no good idea stays lonely for very long", but also that it is not necessary to have everything perfectly prepared before launching. On the other hand, the "roll-out" approach is more suitable for smaller companies that face larger competitors and launch their program in a single city or a state or a region. Smaller company can not afford the "big bang" not just because of funds but because of infrastructure needed to support a growing business, as well. "Roll-out" approach also provides small companies the possibility to avoid attracting too much attention from their big competitors. However, regardless which approach a company chooses, authors recommend aggressive behavior. Maintaining strategy to be successful is very important, but very difficult as well. In order to do that a company must have lines of communication to the front and to reinforce success, understanding that, on the other side, early losses are usually followed by even greater losses when reinforcing such project. Authors point out the significance of centralized company because although a decentralized company is closer to the front, it is usually not able to turn an effective tactic into a strategy. When considering possible success of the project it is good to remember that it's not the size of the success that matters, it's the direction that counts. The strongest protection from competitive inroads is a massive investment in resources. However, if the program doesn't become successful, a company should abandon it. There are three reasons for such a condition:

wrong strategy, attempting things beyond resources or happening of something totally unexpected.

■ CONCLUSION

The differences between top-down and bottom-up approaches are presented by Trout and Ries mostly by describing examples of large companies where exists clear differentiation between top managers who create strategies and those employees who implement them using various tactics (in top-down approach). On the other hand, in small and medium enterprises functions of owner, entrepreneur and manager are very often integrated that implicates that strategy creator would also be its executor in potential top-down approach in such companies or at least would be in a better position than strategy creator inside large company to see if strategy couldn't be executed. The authors say that small companies have an advantage because they "are mentally closer to the front than big companies." "Entrepreneurs are down at the front. Their ideas and concepts tend to spring from their own personal experiences. They have the power to make decisions since they don't have to seek the approval of others. As a result, a vast majority of the big marketing successes have sprung from the entrepreneurial ranks. Money, however, is a major barrier to success".

This analysis of the advantages of small and medium enterprises doesn't mean that the need for bottom-up approach is less expressed in such companies. This, especially considering the lack of experience in the market environment, that is characteristic of entrepreneurs in countries in transition, and the percentage of the small companies that don't survive for long at the market, that is not only characteristic of countries in transition. Even if owner/entrepreneur/manager discovers easier that the strategy can't be executed tactically, it still doesn't mean that top-down approach is abandoned. Bottom-up approach is not about how strategies are created and how tactics are executed. It is about finding one, adequate, competitive tactic and building it into a strategy that would make it hard to be copied by competitors. It is also about a way of thinking and acting in one company that allows escaping from the mistakes of the refusal to accept failure and the reluctance to exploiting success. It is, at

last, new marketing paradigm suitable for the application in small and medium enterprises, making their marketing innovative and creating new opportunities for their progress.

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