

UDK:005.591.6:658.1

Paper received: 15.11.2022.

Paper accepted: 2.12.2022.

Journal of Entrepreneurship
and Business Resilience
Year V • Vol 5, No 2.
pp. 15–23

ORIGINAL SCIENTIFIC PAPER

ANALYSIS OF THE SMES INTERNATIONAL PROMOTION FACTORS IN THE FUNCTION OF ENHANCING ORGANISATIONAL RESILIENCE

VAPA Bojan

*Faculty of Entrepreneurial Business and Real Estate Management,
University Union-Nikola Tesla (SERBIA),
Emails: bojanvapa@gmail.com*

VAPA TANKOSIĆ Jelena

*Faculty of Economics and Engineering Management in Novi Sad,
University Business Academy in Novi Sad (SERBIA),
Emails: jvapa@fimek.edu.rs*

ABSTRACT

The choice of an adequate international promotion strategy is a key issue for every company that strives to perform business outside national borders. Due to the specifics of implementation and sensitivity of different segments of the international environments, the SMEs international market promotion strategy needs to be carefully planned in order to enhance organisational resilience, especially in terms of increasing international sales volume and international market share. The findings have shown that the Serbian SMEs need to improve quality of advertising, the ability to improve sales and direct marketing on the international market. The regression analysis has determined that quality advertising predicts international sales volume and international market share while the profitability of exports is influenced by the SMEs ability to improve sales in the international markets. In order to achieve effective and efficient promotion and enhance organisational resilience in the future, SMEs should carefully plan their promotional activities on the international market implementing the adequate model of their promotion strategy.

Keywords: *promotion strategy, SMEs, international market, export, Serbia*

JEL classification: *L1, M3*

INTRODUCTION

International market structure, determined by supply and demand, shapes the behaviour of sellers and consumers. The organizations must be resistant to negative impacts in order to achieve the resilience of economy [1]. In the literature several market resilience responses have been identified: emphasis on data, staying agile, reviewing and optimizing the market technology, prioritizing the spending, examining new opportunities, digital marketing and loyalty programs [2]. The improvement of the company's activities on the international market is carried out through the adequate promotion strategy. It is one of the essential activities in the implementation of the marketing concept on the international market. It expresses the authentic characteristics of the "company culture" of a company that operates on the international market, and can be realized through an active policy of product marks (brands), an active price policy, the engagement of numerous and different marketing intermediaries, and there are very common examples of marketing communication using adequate promotion instruments on the international market. The sector of SMEs is a very important factor of economic development as it affects employment, as well as the reduction of regional disparities [3]. In regard to Serbian SMEs, previous research findings by Vapa Tankosić, Ignjatijević & Gardašević [4] have shown that Serbian SMEs in the international market, primarily in the EU market, have obstacles regarding complexity of export documentation, poor organization of the export department, inadequate design products, high transportation costs, and inadequate promotion in the export markets. Žunić-Kovačević, Vapa Tankosić & Lazić [5] pointed also out that qualitative export performance factors related to the level of entrance to the European single market represent high costs of export financing, lack of effective government programs for exporters, strong international competition and the complexity of export procedures are most significant barriers for SMEs in Croatia and Serbia. A majority of SMEs in Serbia do not possess an export strategy, and export sales are often a result of sporadic contact from foreign markets. The previous findings indicate that the SMEs adequate international distribution network [6] and the quality of the product [7] has a significant influence on the volume of international sales and international market share. Therefore, the purpose of the paper is to determine the factors of promotion strategy that can influence successful business performance on the international market of SMEs from the Republic of Serbia. The authors shall perform the analysis of the effect of promotion factors on the SMEs on the international sales volume, the international market share and the profitability of exports.

LITERATURE REVIEW

Promotion is a marketing activity whose task is to create awareness about the existence of certain products and services on the market, to arouse interest in them, to provide additional information and to develop the consumer's inclination to buy them, as well as to foster positive ideas about the company and the country. It includes various activities through which companies try to make their products and services known by using different communication media to convince potential consumers of the usefulness and

necessity of making purchase decisions [8]. Promotion, first of all, psychologically prepares the consumer to buy the product, and in doing so, care is taken to ensure that the conveyed message is remembered by the consumer and to convince them that it is the best choice for them [9]. Marketing communication on the international market includes any form of communication by which the organisation informs, explains, convinces and influences the attitude and behaviour of consumers. The main purpose is to convey messages to consumers on the international market on the values and benefits that certain products and services offer. Communication in international marketing is a process of two-way exchange of information from the sender to the recipient and is related to all instruments of the marketing mix, but the most prominent role is promotion [10].

The key elements in the communication process are the sender of the message, the message and the recipient of the message [11]. Over the years, a model of communication that contains nine elements has been developed to include [12]:

- sender (source or communicator) – the party that sends a message to another partner,
- coding – the process of conveying ideas with symbols,
- message – a set of symbols emitted by the sender,
- media – communication channels through which the message flows from the sender to the recipient,
- decoding – the process by which the receiver explains the meaning of the sender’s symbols,
- recipient (audience, destination) – the party that receives the message from another party,
- response – the sum of the recipient’s reactions after receiving a certain message,
- feedback – part of the receiver’s response through which he communicates back with the sender and
- interference – unplanned stoppage or distortion of messages during the communication process, which affects the recipient receiving a different message than the one sent by the sender.

In recent times, along with the term “commercial propaganda”, the term “advertising” is increasingly utilized [8]. Communication in international marketing has certain specificities, i.e. limitations or barriers compared to communication in domestic marketing, which is reflected in the language barriers, cultural obstacles, local attitude towards advertising, weak media structure and legal regulation of advertising [13]. The mentioned barriers are not under the control of the company and for this reason it is considered necessary to adjust the strategy in order to achieve the most effective promotion positioning on the market.

On the other hand, the advantages of standardization of marketing communications are not negligible because they include: reducing costs, cheaper and easier coordination and control of communication programs, building recognizable brands and a consistent and corporate image around the world, as well as minimizing consumer confusion, because there can be an “overflow” of promotional activities from neighbouring markets. In

practice, a combination of standardization and adaptation is usually implied in order to adapt marketing communication to each market [14].

In international business, the implementation of sales promotion is influenced by certain factors of a local character, of which the following stand out [13]:

- Market maturity, i.e. development – it is reflected in a large number of products because in some markets the products are in the early stages of the life cycle, while in cases of greater market maturity, sales promotion techniques are used that stimulate repeat purchases, which leads towards the stimulation of loyalty to product brands.
- The degree of economic development of different markets (e.g. low incomes, high illiteracy of the population, etc.) can influence the fact that some sales promotion techniques seem unattractive.
- Cultural perception of promotion – differs greatly in some countries, so certain techniques of sales promotion can have the effect of creating a negative image instead of a positive one.
- Legal regulation of promotion represents a very important, and one can say – the most critical factor in combining the promotional mix because there are different legal solutions in the world. For this reason, it is necessary to know the legal regulations of each country, that is, the market that regulates this area (e.g. in Norway, the use of vouchers, coupons and securities in sales promotion activities is prohibited).

METHODOLOGY

The preliminary research was carried out in 50 companies engaged in the export of various types of products on the territory of the Republic of Serbia. In order to increase the representativeness of the sample and the quality of research, the survey covered companies from the production and export of alcoholic beverages, agricultural productions, cables and boilers, electrical appliances, furniture, clothing and telecommunication equipment. In accordance with the subject and objectives of the research, the appropriate theoretical and methodological framework has been set up. SPSS 17.0 (Chicago, IL) was used to analyze data from this study. In accordance with the research variables, the questionnaire is divided into two thematic areas. The first thematic area is related to the independent variables of promotion factors, and the respondents evaluated the degree to which a certain statement is true for the business of the company. A scale from 1 to 3 has been used: 1) not present at all, 2) present to a medium degree, 3) completely present. The second thematic area of the questionnaire is related to the dependent variables which the respondents evaluated using a scale from 1 to 3, (1) poor, (2) average and (3) excellent. The regression analysis shall be used as to determine the relationship between a response variable and one or more predictor variables [15]. The promotion strategy factors, which have been identified for the purpose of this research paper as the predictor variables, are the quality of advertising on the international market, the ability to improve sales on the international market, the ability to improve direct marketing and the ability to introduce personal selling on the international market. The response

or dependent variables are international sales volume, international market share and profitability of exports.

RESULTS

Table 1 shows descriptive statistical indicators for the total score on the first part of the questionnaire related to promotion factors. Based on these results, it can be estimated to what extent companies consider that a certain statement is correct, i.e. to what extent it is present in their operations.

Table 1. Descriptive analysis of the promotion strategy factors

Promotion	Not present		Present to a medium degree		Completely present	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Quality of advertising on the international markets	20	40%	27	54%	3	6%
Ability to improve sales on the international markets	8	16%	27	54%	15	30%
Ability to improve direct marketing on the international markets	14	28%	29	58%	7	14%
Ability to introduce/improve personal selling on the international markets	15	30%	27	54%	8	16%

Source: Authors calculations

According to the results shown in Table 1, it can be concluded that SMEs companies assess, that in their international business, the quality advertising on the international markets is completely present (6%), while 54% of them estimate that it is present to a medium degree, and even 40% of them state that it is not present at all in their international business. On the other hand, 30% of companies estimate that the ability to improve international sales is fully present in their business, while 54% of them believe that the same factor is present to a medium degree. Also, the majority of SMEs companies have assessed that the ability to improve direct marketing on the international markets (58%), and the ability to introduce/improve personal selling on the international markets (54%) is present in a medium degree. On the other hand, 30% of companies estimate that their business does not have the ability to introduce/improve personal selling on the international markets, and that 28% of companies believe that the ability to improve direct marketing on the international markets is not present at all.

The next step was to perform regression analysis to further examine which set of predictors (promotion factors) influence the international sales volume.

Table 2. Regression analysis: promotion – international sales volume

	Sum of squares	Degrees of freedom	Mean Square	F	Significance level	R	R2	Adjusted R-squared
Regression	6.001	4	1.500	3.831	.009	.504	.254	.188

Source: Authors calculations

The results of the regression analysis in the Table 2 indicate that the model proved to be significant ($F = 3.831, p \leq .01$) and explained 18.8% of the variance (Adjusted $R^2 = .188$) of the dependent variable (international sales volume).

Table 3. Promotion factors as predictors of international sales volume

Predictors	Unstandardized coefficients		Standardized coefficients	T	Significance level
	B	Standard error	Beta		
Constant	1.224	.347		3.522	.001
Quality of advertising on the international markets	.450	.172	.384	2.615	.012
Ability to improve sales on the international markets	.274	.194	.264	1.410	.165
Ability to improve direct marketing on the international markets	-.027	.194	-.025	-.139	.890
Ability to introduce/improve personal selling on the international markets	-.132	.180	-.128	-.732	.468

Source: Authors calculations

Based on the results obtained in the Table 3, quality advertising on the international markets has been shown to be the only significant predictor ($\beta = .384, p \leq .05$) of the dependent variable. It is concluded that high-quality advertising on the international markets on the international markets contributes to the international sales volume, while the ability to improve sales, improve direct marketing and introduce/improve personal sales did not prove to be significant predictors of the international sales volume.

Table 4. Regression analysis: promotion – international market share

	Sum of squares	Degrees of freedom	Mean Square	F	Significance level	R	R ²	Adjusted R-squared
Regression	7.012	4	1.753	3.431	.016	.483	.234	.166

Source: Authors calculations

The results of the regression analysis in the Table 4, in which the international market share is included as a criterion variable, and the set of predictor variables are promotion factors indicate that the model proved to be significant ($F = 3.431$, $p \leq .05$) and explained 16.6% of the variance (Adjusted $R^2 = .166$) of the dependent variable.

Table 5. Promotion factors as predictors of international market share

Predictors	Unstandardized coefficients		Standardized coefficients	T	Significance level
	B	Standard error	Beta		
Constant	1.026	.397		2.585	.013
Quality of advertising on the international markets	.501	.197	.379	2.547	.014
Ability to improve sales on the international markets	.325	.222	.278	1.467	.149
Ability to improve direct marketing on the international markets	-.167	.222	-.136	-.752	.456
Ability to introduce/improve personal selling on the international markets	-.130	.206	-.111	-.630	.532

Source: Authors calculations

Based on the results obtained in the Table 5, quality advertising on the international markets has been shown to be the only significant predictor ($\beta = .379$, $p \leq .05$) of the international market share.

Table 6. Regression analysis: promotion – profitability of exports

	Sum of squares	Degrees of freedom	Mean Square	F	Significance level	R	R ²	Adjusted R-squared
Regression	4.021	4	1.005	2.945	.030	.456	.207	.137

Source: Authors calculations

The results of the regression analysis in the Table 6, in which export profitability is included as a criterion variable, and the set of predictor variables are promotion factors indicate that the model proved to be significant ($F = 2.945$, $p \leq .05$) and explained 13.7% of the variance (Adjusted $R^2 = .137$) of the dependent variable (profitability of exports).

Table 7. Promotion factors as predictors of profitability of exports

Predictors	Unstandardized coefficients		Standardized coefficients	T	Significance level
	B	Standard error	Beta		
Constant	1.608	.324		4.958	.000
Quality of advertising on the international markets	-.016	.161	-.015	-.100	.921
Ability to improve sales on the international markets	.524	.181	.558	2.892	.006
Ability to improve direct marketing on the international markets	.030	.181	.030	.163	.871
Ability to introduce/improve personal selling on the international markets	-.310	.168	-.331	-1.843	.072

Source: Authors calculations

In the Table 7, the ability to improve sales on the international markets has been shown to be the only significant predictor ($\beta = .558$, $p \leq .01$) of the dependent variable. Based on the obtained results, it is concluded that the ability to improve sales on the international markets contributes to the profitability of exports, while the quality of advertising, the ability to improve direct marketing and the introduction of personal sales on the foreign market did not prove to be predictors of the profitability of exports.

CONCLUSION

The adequate promotion strategy on the international market influences the international market success and represents a strategic asset. The results indicate that SMEs from Republic of Serbia consider that the level of quality advertising, sales, direct marketing and the personal selling on the international market can be further improved. The regression analysis has determined that the quality of advertising on the international markets on the international markets predicts international sales volume and international market share. The profitability of exports in the international markets is influenced solely by the SMEs ability to improve sales in foreign markets. Therefore, in order to achieve effective and efficient promotion and enhance organisational resilience, companies should carefully plan their promotional activities on the international market. In terms of planning an adequate promotion strategy, additional research would be of great benefit, considering also the ways in which other successful companies conduct all activities related to promotion, advertising, sales promotion, personal selling and direct marketing on the international markets. Further research need to be oriented towards deeper planning and adequate implementation of various models of the promotion strategy.

REFERENCES

- [1]. Alamzadeh, A., Radović Marković, M., & Salamzadeh Y. (2022). The economic resilience- entrepreneurship nexus. *Journal of Entrepreneurship and Business Resilience*, 5 (1), 7-12.
- [2]. Kumar, A., Gawande, A & Brar, V. (2020). Features of marketing resilience. *Vidyabharati International Interdisciplinary Research Journal*, 11(1), 250-253.
- [3]. Vujičić S., Radović Marković M., Nikitović Z., & Lapčević G. (2021). The innovative activities for the resilience of the SMEs in the Republic of Serbia. *Journal of Entrepreneurship and Business Resilience*, 4 (1), 15-24.
- [4]. Vapa Tankosić, J., Ignjatijević, S., & Gardašević, J. (2015). Analysis of export performance factors of enterprises from the Republic of Serbia in the process of European integration. *Teme*, XXXIX (4), 1257-1276.
- [5]. Žunić-Kovačević, N., Vapa Tankosić, J., & Lazić, B. (2016). The mechanism of SMEs internationalization towards the EU single market perspective. In D.Rabat, K.Černe and Zenzerović R. (Eds.) *European Union Future Perspectives: Innovation, Entrepreneurship and Economic Policy* (pp. 43-59). Pula: Juraj Dobrila University of Pula. ISBN 978-953-7320-24-9. UDK 339.13(497:4-6EU).
- [6]. Vapa, B., & Vapa Tankosić, J. (2019). Management of the international distribution channels in the SMES international business strategy, *School of Business*, (1), 32-46 UDC 339.5:334.72(497.11) DOI 10.5937/skolbiz1-23086
- [7]. Vapa Tankosić J., & Vapa, B. (2017) *The effect of product development and innovation on SMEs export performance*, Thematic Proceeding Innovation, ICT and Education for the next generation, Novi Sad: Faculty of Economics and Engineering Management, 26-27th May 2017, pp.154-171, ISBN 978-86-87619-84-5, UDK 37:004.738.5 (082).
- [8]. Previšić, J., & Ozretić Došen, Đ. (2000). *Osnove međunarodnog marketinga*. Zagreb: Masmedija.
- [9]. Salai, S., & Jovičić, D. (2010). *Tržišno komuniciranje: integrisano marketing komuniciranje*. Novi Sad: Visoka poslovna škola strukovnih studija.
- [10]. Salai, S., Hegediš, I., & Grubor, A. (2007). *Marketing komuniciranje*. Subotica: Ekonomski fakultet.
- [11]. Vezjak, D. (1991). *Međunarodni marketing*. Beograd: Savremena administracija.
- [12]. Kotler, P. (1988). *Upravljanje marketingom 1: analiza, planiranje i kontrola*. Zagreb: Informator.
- [13]. Kotabe, M., & Helsen, K. (2010). *Global Marketing Management* (5th ed.). Hoboken: JohnWiley & Sons.
- [14]. Mitić, S. (2014). *Upravljanje izvozom: nematerijalni i marketinški aspekti konkurentnosti*. Beograd: Ekonomski fakultet, Centar za izdavačku delatnost.
- [15]. Radović Marković, M. & Hanić, H. (2018). *Metodologija istraživanja u ekonomskim naukama*. Beograd: Beogradska bankarska akademija, Fakultet za bankarstvo, osiguranje i finansije, Institut ekonomskih nauka.