



# **XAMK BEYOND 2020**

At Your Service – Business Development,  
Co-operation and Sustainability

Marja-Liisa Neuvonen-Rauhala (ed.)

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**SOUTH-EASTERN FINLAND UNIVERSITY OF APPLIED SCIENCES**

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# FOREWORD

Universities are based on open knowledge and public interaction. This universal idea of openness and publicity is not only about the results of academic research, but all activities in higher education institutions.

Traditionally, the reading of texts has been, and it still is, the common way in the context of higher education institutions to learn, share ideas and to get to know the latest activities of other higher education institutions.

In order to be a part of the internationally open and ever-growing universe of knowledge, it is vital to be active in opening and sharing one's ideas and experiences. In the new social media environment, there are various opportunities for this purpose. However, I believe that a well-structured and not too short academic text with good references has a special role in the openness of the Universities of Applied Sciences.

Sometimes it makes sense to write and read slowly and thoroughly.

In Finland, the Universities of Applied Sciences have a strong connection with business, industries and regional development. Thus, the audience of the articles published by the Universities of Applied Sciences has been mainly professional and regional.

In order to share these regional and professional experiences more widely, there should be more interaction between regional developers and higher educational institutions. Xamk Beyond is responding to this need.

Xamk Beyond aims to give voice to teachers, researchers, other staff members and our partners in South-Eastern Finland in a form of academic texts. I hope this publication could be of interest to other similar institutions and regions abroad.

Xamk Beyond gives the readers a good insight on what kind of themes and problems are relevant to the teaching and research staff at the moment in the University of South-Eastern Finland. Thus, Xamk Beyond reflects the reality professional communities meet in South-Eastern Finland.

Finally, I would like to thank all those who contributed to producing the first Xamk Beyond publication: the writers, the publication board of Xamk, Marja-Liisa Neuvonen-Rauhala, the editor of this Xamk Beyond issue, information specialists Henni Laitala, Eeva-Maria Suojärvi, Soila Eräniemi and Pekka Malvela.

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# ONLINE MARKETING CHALLENGES OF MICRO AND SMALL COMPANIES

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## ABSTRACT

Different online marketing tools are effective in attracting and retaining customers and increasing companies' competitiveness in today's global market. The main problem of the online marketing tools for micro and small enterprises lies in their complexity, which exceeds the capacities of one employee. In addition, the employee is expected to be able to manage all these tools together with following the newest trends and managing other activities of his scope of work. The aim of the article is to identify the educational needs

of small and medium enterprises (SMEs) in the field of online marketing. The paper is written on a basis of a study focused on micro-enterprise via international research (Czech, Bulgaria, Finland, Hungary, Italy) and small and medium enterprise areas. The research was conducted as part of international INSOM (Innovative support network for students in the field of online marketing) project, in which Xamk is one partner.

*Keywords:* online marketing, digital marketing, small company, micro company, SME

## 1. Introduction

Small and medium-sized enterprises (SMEs) are globally acknowledged as crucial for economic development (Savlovski & Robu 2011, 280). They commonly employ the most significant amount of workforce and play a significant role in income generation. However, global competition also sets the major challenges for them as they typically operate locally or regionally (Singh & Gang 2010, 54-55.) Given the increasing use of technology, SMEs should be able to grasp the opportunities provided by online marketing tools find new customers and retain the existing ones, hence, survive in the global competition (Alford & Page 2015, 655). Online marketing can offer many benefits for SMEs. With the help of online marketing SMEs can grow sales, add value to customers by interacting with them frequently, increase and deepen the relationships with customers, save costs and extend the brand online (Chaffey & Ellis-Chadwick, 2019, 15.) In fact, flexible marketing capabilities have an essential and positive impact on the business performance (Maryanti et al. 2020, 165), but the complexity and the rapid changes characterizing online marketing are highly difficult to be managed by SMEs. The aim of this paper is to report on a study, which focused on identifying the use of online marketing tools and improvement areas, especially for SMEs of 5 countries: Bulgaria, Czech, Finland, Hungary, Italy.

The primary data was gathered using an electronic questionnaire (n = 376) focused on the enterprises and semi-structured interviews (n = 18) conducted with online marketing agencies. By comparing questionnaire survey results and semi-structured interviews, were identified. Research findings identify the main challenges in the effective use of the online marketing tools (complexity of the proper tools; lack of human resources, time and finance, lousy past experiences; lack of knowledge and competencies). Furthermore, this article suggests some recommendations for micro and small companies, such as educating staff's general knowledge of online marketing tools and activities with the help of online courses. As a result, educated individuals are then able to communicate more fluently with online marketing agencies when purchasing online marketing services externally.

## 2. Methods

For data collection, an electronic questionnaire was distributed to the employees and the CEOs of firms of different sizes (i.e., <10 employees; <50 employees; <250 employees). For all five countries (Bulgaria, Czech, Finland, Hungary, and Italy), in total 376 responses were received from the companies. For a more detailed country-specific split, see Table 1. The data was collected during December 2019 and February 2020. The questionnaire aimed to investigate two essential topics. Firstly, what online marketing activities are performed internally and/or externally. Secondly, in which areas the companies recognize the greatest opportunities for improvement. In Finland, 34 micro-sized companies (<10 employees) responded to the questionnaire, 28 small companies (<50 employees), 16 medium-sized companies (<250 employees) and 3 online marketing agencies responded to the questionnaire.

**Table 1.** Questionnaire survey responses in all 5 countries

|                           | Czech | Bulgaria | Finland | Hungary | Italy | Total |
|---------------------------|-------|----------|---------|---------|-------|-------|
| Micro companies <10       | 70    | 14       | 34      | 25      | 44    | 187   |
| Small companies <50       | 46    | 10       | 28      | 4       | 18    | 106   |
| Medium companies <250     | 56    | 4        | 16      | 1       | 6     | 83    |
| Online marketing agencies | 9     | 3        | 3       | 3       | 3     | 21    |

The questionnaire contained 3 different question categories. The first category focused on sector, company size, and location. The next 6 questions focused on the use of individual online marketing tools in the company (see Table 2). Finally, the last 6 questions focused on the need for improvement in individual online marketing tools (see Table 3). Both of the latter categories were answered through a 5-degree Likert scale. The Kruskal-Wallis test was used to confirm the difference based on the size of the enterprise.

In addition to questionnaire, primary data were also collected through semi-structured interviews (n = 18) with randomly selected online marketing agencies. In Finland, 6 interviews were conducted by phone during December 7-18, 2020. The aim of the interviews was to identify possible challenges in working with SMEs companies in the implementation of online marketing activities.

## 3. Results

Firstly, it was analyzed what online marketing activities are mainly performed internally, externally, partly internally or not being performed at all by enterprises. In the questionnaire survey, micro-companies (<10 employees) prevailed in all countries.

### 3.1 Micro and small companies rarely outsource online marketing activities

The results revealed that micro-companies mostly deal internally with following online marketing tools - websites, social media, e-mail marketing and analytics. On the other hand, they don't implement all the online marketing tools such as SEO and PPC (see Table 2). Small companies (< 50 employees) implement internally most of the online marketing areas (website, SEO, social media, e-mail marketing and analytics) except PPC, which is not commonly implemented at all. At the same time, most of the medium-sized companies (< 250 employees) outsource SEO and execute internally websites, PPC, social media, e-mail marketing and analytics. On the contrary, 33% of medium-sized companies deal with PPC activities internally and 33% of them do not implement PPC at all.

**Table 2:** The use of online marketing tools within the companies

| Category                              | Areas         |               |               |               |               |               |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>&lt; 10 employees</b>              | Website       | SEO           | PPC           | Social Media  | E-mail        | Analytics     |
| Internally implemented                | <b>55,61%</b> | 33,16%        | 26,20%        | <b>75,94%</b> | <b>52,41%</b> | <b>55,61%</b> |
| We use outsourcing                    | 14,97%        | 18,18%        | 17,11%        | 3,74%         | 6,42%         | 14,97%        |
| Partly internal and partly outsourced | 14,97%        | 5,35%         | 6,42%         | 6,95%         | 3,21%         | 14,97%        |
| Not being used                        | 14,44%        | <b>43,32%</b> | <b>50,27%</b> | 13,37%        | 37,97%        | 14,44%        |
| <b>&lt; 50 employees</b>              | Website       | SEO           | PPC           | Social Media  | E-mail        | Analytics     |
| Internally implemented                | <b>68,87%</b> | <b>43,40%</b> | 25,47%        | <b>71,70%</b> | <b>65,09%</b> | <b>68,87%</b> |
| We use outsourcing                    | 16,04%        | 23,58%        | 15,09%        | 5,66%         | 7,55%         | 16,04%        |
| Partly internal and partly outsourced | 12,26%        | 8,49%         | 5,66%         | 7,55%         | 2,83%         | 12,26%        |
| Not being used                        | 2,83%         | 24,53%        | <b>53,77%</b> | 15,09%        | 24,53%        | 2,83%         |
| <b>&lt; 250 employees</b>             | Website       | SEO           | PPC           | Social Media  | E-mail        | Analytics     |
| Internally implemented                | <b>59,04%</b> | 31,33%        | <b>33,73%</b> | <b>65,06%</b> | <b>68,67%</b> | <b>59,04%</b> |
| We use outsourcing                    | 4,82%         | <b>33,73%</b> | 10,84%        | 2,41%         | 1,20%         | 4,82%         |
| Partly internal and partly outsourced | 36,14%        | 25,30%        | 22,89%        | 4,82%         | 26,51%        | 36,14%        |
| Not being used                        | 0,00%         | 9,64%         | 32,53%        | 27,71%        | 3,61%         | 0,00%         |

## 3.2 Micro and small companies are hailing for major improvements for all areas of online marketing

The results presented above need to be put in the context of the second part of the questionnaire, which focused on companies identifying their improvement needs in online marketing (see Table 3). For this part, results show that, based on self-assessment, micro and medium-sized companies need major improvements in all online marketing areas. Medium-sized companies identified major improvement needs in website and SEO activities. At the same time, they also identified needing some improvements in the area of PPC, social media, email marketing, and analytics.

**Table 3.** Self-assessment in the area of online marketing activities improvement

| Category                   | Areas         |               |               |               |               |               |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>&lt; 10 employees</b>   | Web           | SEO           | PPC           | SM            | E-mail        | Analytics     |
| We need major improvements | <b>29,95%</b> | <b>43,32%</b> | <b>36,90%</b> | <b>39,57%</b> | <b>35,83%</b> | <b>38,50%</b> |
| We need improvements       | 29,41%        | 25,67%        | 22,46%        | 26,74%        | 26,20%        | 33,16%        |
| We need some improvements  | 23,53%        | 11,76%        | 13,37%        | 20,32%        | 16,04%        | 11,23%        |
| We are fine                | 17,11%        | 19,25%        | 27,27%        | 13,37%        | 21,93%        | 17,11%        |
| <b>&lt; 50 employees</b>   | Web           | SEO           | PPC           | SM            | E-mail        | Analytics     |
| We need major improvements | <b>59,43%</b> | <b>64,15%</b> | <b>63,21%</b> | <b>48,11%</b> | <b>54,72%</b> | <b>70,75%</b> |
| We need improvements       | 18,87%        | 14,15%        | 10,38%        | 21,70%        | 16,98%        | 10,38%        |
| We need some improvements  | 11,32%        | 11,32%        | 10,38%        | 20,75%        | 14,15%        | 9,43%         |
| We are fine                | 10,38%        | 10,38%        | 16,04%        | 9,43%         | 14,15%        | 9,43%         |
| <b>&lt; 250 employees</b>  | Web           | SEO           | PPC           | SM            | E-mail        | Analytics     |
| We need major improvements | <b>54,22%</b> | <b>53,01%</b> | 25,30%        | 28,92%        | 38,55%        | 36,14%        |
| We need improvements       | 32,53%        | 7,23%         | 27,71%        | 30,12%        | 14,46%        | 16,87%        |
| We need some improvements  | 10,84%        | 37,35%        | <b>42,17%</b> | <b>34,94%</b> | <b>43,37%</b> | <b>40,96%</b> |
| We are fine                | 2,41%         | 2,41%         | 4,82%         | 6,02%         | 3,61%         | 6,02%         |

### 3.3 Lack of online marketing competencies, adequate time capacity and financial resources are the main challenges for SMEs

The third part of the questionnaire survey focused on identifying the main challenges in the effective use of online marketing in the companies. Based on this question, the following obstacles could be identified across all 5 countries:

- ✓ Staff competence is missing
- ✓ Lack of human resources
- ✓ Lack of financial resources
- ✓ Distrust in a quality service provider
- ✓ Poor past experiences
- ✓ Poor management willingness to invest in new communication channels
- ✓ Distrust in the effectiveness of online marketing
- ✓ High initial investment
- ✓ Lack of creativity

From the perspective of the companies, the biggest identified challenge is based on the combination of several different factors. These factors include the lack of in-depth online marketing competencies for the employees, the lack of adequate time capacity of the current employees, and the financial restraints to recruit new employees or employees solely focusing on online marketing. The companies also identified a lack of trust in online marketing agencies due to poor past experiences.

### 3.4 Outsourcing online marketing requires knowledge and skills

In addition to the questionnaire results, an expanded analysis of the challenges identified through the semi-structured interviews conducted with online marketing experts was created. The agency representatives were asked to explain what they see as the biggest obstacles in cooperating and working with SMEs. According to their perspective, crucial issues can be related to:

- ✓ **Lack of human resources and time** – In the micro and small companies, online marketing activities are often managed by one person who does not have proper competencies. In addition, this person is most commonly also responsible for other activities. Therefore, they lack the time to properly focus on online marketing, which can be seen.
- ✓ **High cost pressure** – The client company does not fully understand the complexity of individual options and tools of online marketing.

- ✓ **Unrealistic demands** – There is great difficulty in finding a match between budget and client expectations.
- ✓ **Lack of ability to articulate fundamental business** – Companies' challenges often translate into problems in setting up suitable business vision and strategy, given their inability to define target groups, people, and related marketing strategies.
- ✓ **Lack of knowledge** – In most cases, companies do not understand their potential in terms of advantages, disadvantages, possibilities of targeting, and measuring online marketing.
- ✓ **Poor experiences** – The client tries individual tools of online marketing without the necessary knowledge.
- ✓ **Wrong or insufficient problem definition** – The client seldom has any idea of the need to define the objectives of individual activities.
- ✓ **Unwillingness to try new things** – The client is seldom aware of the wealth of online marketing options or is reluctant to trust them.
- ✓ **Unwillingness to invest money in analyses** – The client does not want to invest money into conducting analyses.
- ✓ **Selling services to companies when you speak a “different” language** – The client does not know the online marketing terms and what they mean.

When comparing the questionnaire results and the semi-structured interviews, the main challenges that can be identified are the lack of human resources, time, and financing as well as poor previous experiences. Both micro and small companies identified a need for major improvements in the use of all online marketing tools. However, at the same time, they do not possess the necessary human resources or the time. One solution to solve the lack of human resources could be outsourcing, which is often used by medium-sized companies. However, outsourcing increases costs. The decision not to outsource to an online marketing agency and keeping advertising expenses as low as possible seems to be the most satisfactory solution to generate profit return for small companies. Therefore, one option would be to offer an online course for the personnel of SMEs and other individuals to improve their online marketing skills and knowledge.

## 4. Discussion

Online marketing tools provide an effective way to attract and retain customers as well as increase competitiveness in the marketplace for companies of all sizes. Online marketing landscape has evolved and rapidly changed over years. The landscape is full of service providers – online marketing agencies and platforms - enabling a large scale of online marketing services such as marketing research and customer profiling, websites, mobile marketing, search engine marketing, affiliate marketing, influencer marketing, online display marketing, social media and email marketing.

Based on the results in the 5 countries, it is possible to identify that websites are handled by SMEs' internal resources. Micro-sized companies do not utilize SEO, small-sized companies implement SEO both internally and externally, and medium-sized companies implement SEO mainly through outsourcing. The least used online marketing tool is PPC, both for micro and small companies. For medium-sized enterprises, the amount of those who implement PPC internally and those who do not use it at all is about equal. For social media, e-mail marketing, and analytics, the situation for micro, small, and medium-sized businesses is relatively similar, with mostly internal resources being used for these online marketing activities.

For micro and small companies, the challenge in utilizing online marketing often comes down to not being able to invest more time and resources to online marketing activities. One employee, who also has other duties, is not enough. At the same time, online marketing tools and activities develop at a rapid pace, and thus following trends and the fast development and utilizing competitive, operational online marketing activities on a daily basis is too much to handle for one person. Therefore, the main recommendation based on the research results is that micro and small companies should use the services of professional marketing agencies and additionally providing their employees, who are responsible for managing online marketing, the necessary training in the field of general orientation in online marketing tools, campaign goals, and their measurements.

For the SMEs, having an online marketing agency as a close business partner should be as natural as having an accountant partner. Since the online marketing service portfolio is so wide, the partner would be an inherent partner to provide the right service assortment to the company whether the agency is able to provide that themselves or if providing it would require networking with other online marketing agencies.

Having the online marketing agency right partner, who knows the SMEs needs, wants, desires and challenges, enables the SMEs to focus on brand management and continuous development of brand, increase the competitiveness and better success in the market.

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## Terminology

### **Analytics (web or digital)**

Techniques used to assess and improve the contribution of digital marketing to a business, including reviewing traffic volume, referrals, clickstreams, online reach data, customer satisfaction surveys, leads and sales.

### **Pay Per Click (PPC)**

The abbreviation PPC means Pay-per-click. Put in a very simplified manner, we can say that this concerns advertising on the internet when you only pay if the user clicks on the advert.

### **Search Engine Marketing (SEM)**

Search Engine Marketing (SEM) is a set of activities which increase the visibility of websites in search engines via optimisation of content. The primary tool used in SEM is paid advertising – PPC (Pay Per Click). SEO (Search Engine Optimisation) is frequently included in SEM from the point of view of improvement of the quality of content to achieve a better-quality score in PPC systems. PPC and SEO are described in the following subchapters including the term quality score.

### **Search Engine Optimisation (SEO)**

Search Engine Optimisation (SEO) is an abbreviation for “Search Engine Optimisation”. SEO is a set of techniques used to optimise websites for search engines (Google and Yahoo, etc.).

### **Social Media Marketing**

Social media marketing can be defined as a process in which we achieve marketing objectives via activities on social networks by establishing a brand, increasing sales, or guiding people to our other content (website, podcasts or videos, etc.).

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