

Network relationships and marketing in Italian small firms.
Some evidences from the furnishing industry

by

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Publication summary

With the aim of providing some further elements to the key question “how do small companies manage marketing activities?” a triple case study has been applied to three Italian very small furnishing producers.

Coherently to Gilmore et al. (2006), we assert that networking can be seen as a complete marketing model in small firms since it supports marketing management even in the presence of strong resources constraints.

However, results show that some pre-conditions are necessary so that networking could deploy all its usefulness in sustaining SMEs in their marketing activities. And, in particular, entrepreneurs must be able to recognize the drivers of competitiveness within the new global scenario; to develop a coherent vision of their companies within it; and finally to be able to set up and manage wide networks that go beyond dyadic relationships and specific advantages that they can guarantee.

1 Introduction

In the late Fifties and the early Sixties marketing scholars discussed a lot about the absence (and the presence) of marketing activities in companies before the “marketing management framework” has been set by the pioneers of the field. As many companies applied several marketing tools, but in a complete absence of a general framework, some scholars defined this period a “without marketing” era. Others posited that the huge theoretical work that was carried out by Kotler and many other scholars has been fundamental for systematizing what more innovative companies were already doing.

Something similar happened more recently for SME’s marketing activities. For a long time, SMEs had been banned from academic debates on marketing strategies (Davis et al., 1985). There was not a “formal reason”; simply nobody was doing research on marketing in small companies because everybody believed that small companies did not do marketing or followed the same behavioural models that big firms did.

Things began to change more or less twenty-five years ago as the field started to develop rapidly (Rhys, 1989; Grandinetti, 1989).

Some events defined important milestones. The birth of the “Entrepreneurial Marketing” research field has been fixed on 1982, when the first research meeting on marketing and entrepreneurship was developed by Gerard Hills (Hills et al., 2008).

The scientific community gradually accepted the many “specificities” of marketing when applied to small firms: between 1989 and 1991 within the AMA special interest groups on

entrepreneurial marketing were established and in 1995 David Carson, Stanley Cromie, Pauric McGowan and Jimmy Hill published their *Marketing and Entrepreneurship in SMEs. An innovative approach*” which is considered still today a milestone on the small firms’ marketing field. Though basic principles of marketing were considered universally and applicable to both large and small and medium business, marketing frameworks suitable for small firms were developed. Authors started to focus on crucial dimensions for SMEs’ marketing as, for instance, the central role of the entrepreneur and the relevance of his/her personal contact networks.

After the 2000 turning point, globalization started to profoundly change industries and to deeply impact on companies strategies. Even those of small companies.

Many SME tried to develop new competitive advantages in order to work in new global niches. But moving from a local competitive context to a global competitive arena can be very difficult for a small company: on one side it has inherent financial and managerial resources constraints; on the other such limitations become more important as marketing activities increase their relevance as a source of competitive advantage. This caused a further rise of interest in marketing in SMEs. Among others, Gilmore et al. (2006) focused on how marketing networks work in an increasing competitive scenario.

Italy is an optimal standpoint from where to observe these dynamics. The 99,7% of Italian manufacturing companies are SME and the 97,7% are small (less than 50 employees). Notwithstanding this, Italian companies still show a good level of internationalization and global competitiveness. The latest version of the “Trade Performance Index” elaborated by Unctad/Wto depicts the picture of a “gold medal” country on almost three (clothing, textiles and leather products) out of fourteen macro-sector. Italian small companies remain still high competitive in the furnishing industry too.

The objective of the paper is to analyze how marketing activities could be carried on with success within a SME. In particular we focus on the role of networking marketing, analyzing the extent of its use and the existence of conditions that allow to exploit all the networking potential.

The first part of the paper is focused on the review of the literature, with a specific attention to the literature on entrepreneurial/SME marketing and networking marketing. In the second part of the paper three case studies will be presented. They are three Italian very small companies, all belonging to the furnishing industry, that have understood the relevance of doing marketing into the global competitive scenario and found some original ways of performing marketing activities. The study is still preliminary in its terms, but it shows how

companies' network capability (related to the owner or his/her collaborators) was crucial in order to do such activities despite firms dimensions and in order to obtain good performances.

2 Literature review

2.1 The rise of interest in marketing of SMEs

More than twenty years have passed since researches about marketing in small companies began to be better structured (Carson, 1985a, 1985b; Davis et al., 1985; Cozzi, 1985; Grandinetti, 1989).

Many authors have underlined the specificities of SMEs and the need to re-think some basic marketing concepts within the context of small firms (Carson and Cromie, 1989). But in what SMEs really differ from bigger companies and, hence, what are the main aspects that make SMEs' marketing so different from the mainstream theory?

One important difference concerns the role of the entrepreneur. Small companies quite often don't have any middle-management structure. As a consequence, all the strategic decisions are concentrated into the apical figure: the entrepreneur. This led many scholars to ascribe SME's marketing within the "entrepreneurial" theoretical context (Hills, Hultman and Miles, 2008); that means recognizing almost three main aspects:

1. entrepreneurs are risk-takers, and so their conception of risk influences all the marketing decisions (Carson et al., 1995; Marchini, 2000a; Guercini, 2005). However, since relational marketing is perceived as a simpler marketing activity (Zontanos and Anderson, 2004) small companies' marketing strategies are quite often characterized by an high flexibility in products' adapting and personalizing and by an high investment in long-lasting relationships. Moreover, entrepreneurs are triggered by higher motivations rather than bigger companies' managers or shareholders;
2. entrepreneurs do not plan or strategize. As many authors acknowledged (see, for example, Scase and Goffee, 1982, or Bhide, 1994) the business organization in SMEs is mainly based on a daily problem-solving activity rather than on visualizing future scenarios. Hence, no much time is devoted to marketing planning and SME's marketing tends to *bereactive* rather than *proactive* (Carson and Gilmore, 2000; Mattiacci and Ceccotti, 2005). This happens especially in small firms (that for EU standards corresponds to companies having less than 50 employees). However we should also recognize Jimmy Hill's divergent opinion (Hill, 2001b).

After many years of in-field research, the Irish scholar concluded that, differently from what expected, there're so many SMEs engaged in "*fairly sophisticated marketing planning*"¹;

3. entrepreneurs own "special" competencies. The mainstream literature highlighted that the lack of financial and managerial resources was the main barrier to a full deployment of SMEs' competitiveness; so, marketing scholars were forced to focus on "other" resources (and capabilities) in order to explain the unexpected global success of many small companies. Somebody recognized in SMEs' "networking" a distinctive ability in supporting marketing activities while overcoming internal constraints (Gilmore et al., 2006); on the contrary, Hill (2001a) among others, decided to provide further understanding on specific internal resources as the key marketing determinants in SMEs.

Studies on SMEs' marketing showed that different marketing models were possible also in the case of small companies (Marchini, 2000a; Mattiacci and Cecotti, 2005). Carson et al. (1995) categorized three distinct level of companies' involvement in marketing activities: a) little or no marketing; b) implicit and simple marketing and c) explicit and sophisticated marketing. As the authors stated, the second (that had also been described as an "instinctive activity") is the one which is largely prevalent in SMEs.

To sum up, there are many distinctive features of small companies that impact on their way of doing marketing. Most of them come from the "entrepreneurial" nature of the small firm and consequently have been put under scholar's lenses only after the "entrepreneurial" paradigm gained enough legitimacy into the scientific community.

Today, the fact that marketing in small companies differs from the one in bigger firms is no more a matter of discussion and even if there's still not a perfect convergence on the "what" and on the "how" of those differences, the "entrepreneurial" perspective on marketing has achieved a strong internal compactness thanks to the huge work that has been done on it.

2.2 The various aspects of doing marketing in SME

One of the main topic within the entrepreneurial marketing research field is the "competency" debate (Carson, 1993; Hill, 2001a). Among the questions that scholars have tried to answer in the recent past there are two that we consider the most important: what does "marketing capability" means? And, which capabilities can enhance the marketing ability of a small firm? Vorhies (1998: 4), between others, defined marketing capabilities in a very broad sense as "the integrative processes designed to apply the collective knowledge, skills and resources of

¹ See also Collesei and Checchinato (2006) as far as Italian SMEs and their planning activities are concerned.

the firm to market-related needs of the business, enabling the business to add value to its goods and services, adapt to market conditions, take advantage of market opportunities and meet competitive threats”.

Also Day (1994), Slater and Narver (2000) and Fahy et al., (2000) made different attempts, but as Guenzi and Troilo (2007: 99) pointed out “all of them share the view that this specific bundle of a company's capabilities has two pillars: learning about markets and relating to customers”.

Notwithstanding theoretical research has been quite prolific, one could quarrel that many of the definitions given by the literature are not immediately applicable, above all in the case of SME.

One should never forget that within the SME context management and marketing strategies/policies tend to overlap and that they're also strongly influenced by the “visible hand” of the entrepreneur.

That's why as far as it concerns the most important marketing capabilities in SMEs, the entrepreneurial marketing literature has often underlined the founder's (a) ability to communicate (Carson et al., 1995), (b) its former experience (Maclaren et al., 1997) and (c) its innate entrepreneurial spirit (Ford and Rowley, 1979).

To similar conclusions came also Hill (2001b: 212) since he asserted that: “there is a spectrum of competencies that can be associated with the practice of effective marketing in SMEs [that] comprised experience, knowledge, communication, judgment and intuition”.

Experience is “...*what makes or shapes a competency in opportunity identification*” (*ibidem*: 212) and so it leads to the entrepreneurs' instinct in taking the best decisions and choosing the best opportunities. It can be seen as the output of a never-ending learning activity since it doesn't have any upper limit. Then there's knowledge (and especially technical/product knowledge), communication (which is mostly voted to relationships building), judgment (that is a sort of “high-quality” experience) and intuition (that is easily self-understandable). Many other competences complete the entrepreneurial marketing “bouquet” (vision, commitment, trust, adaptability, motivation and ambition among many others), but those mentioned have, in Hill thinking, a major importance in defining the marketing orienteering of a SME.

So, it should be concluded that marketing capabilities in small companies seem to be quite specific.

Another important topic in marketing studies applied to small companies is the role of the network. The application of the network paradigm by management scholars has significantly

grown in the last years as a consequence of recognizing the importance of both formal and informal relationships between people and/or companies (Ferrero, 1992; Marchini, 2000b).

Networking is considered a useful way to expand marketing expertise and knowledge.

In particular, personal contact networking (PCN) has been recognized as a tool of a primary importance in small companies management (Coviello and Munro, 1995; Street and Cameron, 2007). Hill et al., (1999: 72) defined it as “the management of relationships or alliances, which the individual has with others in their society”.

Moreover, Carson et al. (1995) recognized that the networking potential can go beyond specific relationships advantages such as in the case of the “networking broker” figure. Also Chiarvesio et al. (2007) acknowledged the importance of specific network gatekeepers within small companies.

Small companies manage networks in order to overcome their congenital constraints. As Zontanos and Anderson (2004) acknowledged, networking allows entrepreneurs to increase their resources availability and, in doing so, enhances companies’ likelihood of success. Hill (2001b: 223) goes further and states that networks, in SME, are “*de facto* operating system of the firm”.

As far as marketing activities in SMEs are concerned, networking has been related, above all, to the decision-making process. Webster (1992) posited that networking gives small companies the chance to improve the quality of their marketing decisions. Also Hill and McGowan (1996), among many others, concluded almost the same.

The work by Gilmore et al. (2006) is a partial exception since they recognized that networking contribution to SMEs’ marketing activity is also extendable to “4P” management activities or to New Products Development ones. What’s new in their perspective is recognizing that networking can be seen as a complete “marketing model” in small firms rather than a simple information source feeding their marketing decision process.

However, no one would disagree on the conclusion that personal networks are intangible assets that entrepreneurs and small companies put in value with the aim of getting specific objectives that they wouldn’t be able to reach by themselves due to their scarceness of resources.

Finally, in an evolutionary perspective, Hill, McGowan and Drummond (1999) observed that personal contact networks tend to be more important in the very earlier stages of a company’s life-cycle. Afterward they start to be supported, but not substituted, by more formal business networks. This is quite interesting as it proofs that networks maintain their importance even

when a small company grows. In a certain sense, they become the foundations upon which entrepreneurs build more evolved marketing strategies and policies.

3 Methodology

3.1 Methodology, method and research questions

Case study methodology was used to carry out this study. Consistent with Yin [2003] multiple sources of data (interviews, balance sheets, information gathered from web-sites and furnishing magazines) were collected, compared and merged.

Our main research questions are the following: “do small companies use their networks in order to carry out marketing activities?” and “how do they do it?”.

As well known both in literature and in business practice, Italian small companies frequently belong to industrial districts². So many of them have used the network as a “business model” in order to carry out some activities.

But while in the past the “network business model” was mainly used by small companies in order to manage manufacturing activities, in the present study we aim to analyse “if” and “how” similar models are applied also for non-manufacturing ones. And, in particular, for knowledge-intensive activities such as marketing.

So, coherently with Gilmore et al. (2006), we pose that networking can be seen as a complete “marketing model” in small firms since it can support the management of marketing activities even in the presence of strong resources constraints.

To do so, we firstly need to investigate the scope of marketing activities carried out by the interviewed companies and secondly to verify how external actors are involved in them and how focal companies manage these marketing networks.

The “marketing activities” range comes from Gilmore et al. (2006): planning marketing activities, increasing marketing knowledge, managing distribution, managing product decision, managing promotional activity, managing pricing and marketing innovation.

We further consider other two variables: (a) owners/managers’ background which numerous authors widely acknowledged as crucial for small firms’ marketing activities; (b) operation management (“managing operations”). This latter has been introduced with the aim of

² In fact, the Italian manufacturing system has been deeply investigated in the past for its peculiar division of labour within Industrial Districts (Porter, 1990 and 2000; Corò and Grandinetti, 1999). Piore and Sabel (1984), among others, pointed out that this way of organizing manufacturing activities has been a credible alternative to the “Chandlerian way” since ID can provide externalities and shared resources that small companies wouldn’t be able to achieve by their own.

understanding if there are similarities (or not) in the way companies manage the division of labour as manufacturing and marketing activities are concerned.

3.2 The furnishing industry in Italy

Italy is one of the main world furnishing producers and exporters. Despite the very short average dimension (7 employees per company) of its 30 thousand furnishing producer companies (ISTAT, 2001), Italy still counts for about the 10% of the world total export of furnishing (2005 data; source ONU-ComTrade) and shows a widely positive trade balance (it fills the second position into the world ranking after China).

Notwithstanding many competitive and financial difficulties (the rise of low-cost furnishing products in consumer markets and the unfavourable dollar/euro exchange rate among others), Italian furnishing export levels haven't stop to rise even in 2007 approaching the 9.5 billions euro threshold. Also the trade balance remains strongly positive at a + 7.5 billions eur³.

While consolidating their presence on the main European markets (France and Germany) and in the USA, in 2007 Italian exports started growing also in new markets such as Russia, Turkey, Saudi Arabia and Emirates.

China is the primary import partner (the second is Germany and the third is Austria) with 364 millions of Euro of imported goods. Notwithstanding Italian export values to China nearly doubled from 2006 to 2007 (from 28 millions to 51 millions of Euro), the trade balance deficit remains largely negative.

Coming down with the level of the analysis, the situation of Italian companies is becoming more and more dichotomous. As Lojacono (2007) widely documented while some companies have learned how to effectively compete in a global scenario acquiring new capabilities, there are also many companies that seem to be not able to understand the importance of competitive sources different from cost efficiency.

Sometimes, at a district level, this dynamics appear even more clear. For example, the chair Italian industrial district, that has been for many decades the main world production pole for chairs manufacturing, lost more than the 30% of its manufacturer population in the last ten years⁴.

Corò and Grandinetti (1999) observed that many Italian industrial districts are undergoing an “evolutionary reproduction” process that is causing the local rise of new adaptable species but also the disappearance of those not able to evolve.

³ Our elaborations on Coeweb-ISTAT data.

⁴ Source: Udine Chamber of Commerce.

For SMEs, acquiring new marketing capabilities can be an effective way in order to “upgrade” to a more evolved level. In this sense, the dissemination of best-practices can be very important to enhance companies strategies and so give to SME the opportunity to look for a way out⁵.

4 The case studies analysis

In the following sections three case studies will be presented. They refer to three micro and small furnishing companies located in the Friuli Venezia Giulia region, in the North East of Italy.

Each case is preceded by a brief description of the company and by a company-profile summarizing the most important companies’ data (age, turnover, export, etc.). For privacy reasons, companies’ names have been omitted and substituted with letters “A”, “B” and “C”. Also entrepreneurs’ and collaborators’ names have been changed with fancy names.

4.1 Company “A”

Company “A” is a micro-company built in 1997 by a graphic designer (Carla Sellerio) and a marketing and communication consultant (Fabio Rusconi). The firm started to grow significantly in the last years: the turnover has doubled since 2004 and in 2006 the 1 million euro threshold has been overtaken. Profits, also, are constantly growing.

Today, 4 people work in it (the two entrepreneurs and two employees). Despite its smallness and youth, the company shows well settled international supplying and trade relationships that make it a good example of a “born global firm” (Oviatt and McDougall, 1994).

Table 1: Company “A” company profile

Company age	10 years
Head quarter location	Udine (N-E Italy)
Industry	Home furnishing
Main products	High design furniture and objects
Staff Headcount (2007)	4
Turnover in euro (2005)	900.000
(2006)	1.100.000
(2007)	1.230.000
Export % (on 2007 turnover)	30%

⁵ For an overview on the “Italian way” of doing marketing in SMEs see, between many others, Varaldo et al. (2006) and Fortezza (2006).

Entrepreneurs' previous experience and market knowledge

Fabio Rusconi worked for many years as a marketing and communication expert in a small service company. In a certain sense, company "A" can be considered a partial "spin-off", but differently from more traditional spin-off processes, only marketing activities were involved in this case. In short, Fabio Rusconi's former experience has a primary importance in order to comprehend the company's predisposition to marketing strategies implementation such as market segmentation and brand positioning. But also his personal contact network has been fundamental in order to identify the best external partners (advertising and marketing agencies) to involve into the new project and that could help the company's communication and branding activities to find an echo within the most important furnishing magazines.

Also Carla Sellerio's former experience has a great relevance for understanding the "happy wedding" of competences that took place in company "A". She was (but still is within the company) an artistic designer with a strong passion for handcrafting and hence she brought to the company a mix of creative capabilities, artistic receptivity and manufacturing knowledge. Also her former personal network of peers (artists and industrial designers) has been a huge heritage for the new company, since it permitted to rapidly increase the products-portfolio by involving external creators.

Planning marketing activities

Production and supplying volumes are annually forecast in accordance with subcontractors (this is above all an activity that allows to meet suppliers and share/collect information on new materials and market trends); on the contrary no marketing planning activities exist at the moment, with the only exception for a very limited communication strategy.

Increasing market knowledge

Business exhibitions are very important in order to comprehend new market trends. Every year the entrepreneurs visit at least five of the main world trade-fairs of furnishing products. Also competitors observation is carried out systematically even if in an unstructured way by simply observing their company's websites. However this activity permits to the company to be always informed about competitors' new products and communication, price and distribution strategies.

Managing (new) products

The company has two different products line. The first is a collection of ceramic-made products personalized (or interpreted) by different artists and graphic designers. The second is an undifferentiated line that incorporates all the remaining product categories (such as chairs, tables, bags, vases, photo albums, etc.).

Both the product-lines are partially renewed every six months. This means developing almost a couple of new product ideas per week with all the product development processes. Obviously, all this work can't be done by a four-employee company alone. Despite the majority of new ideas comes from the inside (by Carla Sellerio), company "A" has developed during the years a wide and stable network of external artists and designer whom which it constantly collaborates. There are more than twenty of them at the moment.

In addition, the company is a global exclusivist for chairs and ceramic-product manufacturing reproducing the images of the world-wide known American artist Keith Haring and this is very important to give an international visibility to the company's brand.

Managing distribution

Company "A" sells products through a network of approximately 400 independent shops. More than 50% of them are located in Italy and the rest all over the world, even if Latin Europe Countries (such as Spain, Portugal, France and Greece) count for the most.

Relationships with the shops are managed directly by the company using both "traditional" (phone, fax, e-mails) and "less traditional" (a company magazine) tools. No intermediaries or sales agents are provided even for approaching new sales points.

However, private people can buy products through the company's web-site as well. E-commerce is encouraged especially for those clients that are not covered by the company's sales network.

Managing promotional activities

Even if communication activities are internally conceived, company "A" promotes itself and its products with the help of an advertising and a marketing agencies located into the Udine province. Relations with both the agencies are managed by Fabio Rusconi since they belong to his "personal contact network".

This relationships have been very important since they allowed the company's brand and products to be periodically cited into the main home and furnishing Italian magazines.

Attending to international trade-fairs is mainly a good way for strengthen relationships with old clients and looking for prospects but it seem to have not a primary importance for presenting new products.

Managing prices

Final prices at the consumption are set by the company and they are the same for every shop. Also the prices within the company's web-store are aligned. However, discount percentages are negotiated shop by shop and they depend on the clients' bargaining power and/or on the total amount of the orders.

Even if prices are set by using the cost-plus method, the company keeps in consideration competitors' price strategies in order to harmonize price policies with the positioning strategy. In other words, the mark-up percentage is not fixed for every product but depends also on the relative positioning.

Marketing innovation

The sources of a company's creativity are not always easy to identify, especially when innovation processes are not formalized and scheduled as in the case of company "A". For sure, a huge amount of work is done internally by Carla Sellerio that dedicates the greater part of her (labour and private) time to design new products and discover new applications for traditional raw materials. However, the company also appears to be affected by a "magnetic" force since it is able to attract the curiosity and the willingness to collaborate of many international artists and industrial designers.

This is important in order to generate an innovation-favourable atmosphere in a company within the which everything tells about creativity: starting from the architecture of the building, continuing with the organization of the work-spaces and ending with staff's dresses and hairstyles.

Managing operations

Production activities are totally outsourced. Company "A" coordinates dozens of suppliers and subcontractors (both local and international) that form its "production network".

Even if not formalized through contracts, relationships with the main suppliers are generally stable. Annually production forecasts are shared with these strategic partners with the aim of facilitating logistic but no periodical production programs exist.

The company's supplying network is mostly local. Wood-made products (chairs and tables) are produced into the regional industrial district of the chair (which is located around the city of Manzano, 20 kilometres far from Udine).

Also the largest share of ceramic products and fabrics are externalized to local handcrafts. However, the company shows also noteworthy global supplying ties. High technical textiles are imported from China and India and some semi-finished products as well.

4.2 Company "B"

Company "B" was born in 2000 as a spin-off of a former wood-made chair producer belonging to the General Managers' father. Notwithstanding this, the breakthrough from the previous experience has been immediate: the new management decided just from the company's conception to bet on new high design content products, on high-tech materials (so, no more wood), on new export markets and on different communication strategies. In short, the new management decided to give priority to innovation and marketing aspects rather than to production ones.

The company is now collecting some good results, despite difficulties that are involving the Italian chair industry. In 2007, it reached a turnover of 3.7 millions Euro and positive profits.

Table 2: Company "B" company profile

Company age	8 years
Head quarter location	Udine province (N-E Italy)
Industry	Home furnishing
Main products	High design furniture
Staff Headcount (2007)	16
Turnover in euro (2005)	2.200.000
(2006)	2.400.000
(2007)	3.700.000
Export % (on 2007 turnover)	75%

Entrepreneurs' previous experience and market knowledge

The first actor of the company transformation is Renzo Marini, the current General Manager (GM) of the company. When the company was founded, no managers and employees had an adequate experience into the chair industry; however Marini's strong passion for industrial design coupled with a clear strategic vision of the business helped the company to fill the gap.

He recognized from the beginning that the drivers of competitiveness were rapidly changing within the furnishing industry, especially for chairs: many design-oriented firms with a “natural” international orientation were becoming more and more successful within the global scenario. Contrary to many other entrepreneurs of the local industrial district of the chair, the GM intuited that this trend was not a “flash in the pan”. The market was asking for chairs with innovative shapes and colours; so researches on new raw materials began to be carried out in collaboration with emergent industrial designers and some small subcontractors of the plastic and mechanic sectors.

So, in this case the lack of knowledge on wood manufacturing and on chair production has not been a weakness. On the contrary, a clear vision on new trends into the furnishing market helped the company to rapidly find its path.

Planning marketing activities

Marketing planning can't be considered a systematic activity in company “B”. Anyway, the company is now implementing a strategic plan result of a marketing research on brand positioning and brand perception carried out by an external marketing agency in 2006.

The research revealed that while the company brand was known and appreciated among architects and designers as a high-quality and high-design chair producer, its limited market-share was probably due to an insufficient product-portfolio extent.

As a consequence, the strategic plan provided a fulfilment strategy of the product-portfolio to be completed within the following five years.

Increasing market knowledge

Information about competitors are mainly gathered through web-sites, magazines and trade-fairs. No specific analysis are carried out within the company. An important role is played by an external designer that is also the creative director of the company. This person is crucial to fill the blank between the company and the designer “universe” on the supply side and between company “B” and the architects on the trade side since he represents an important channel for knowledge transferring (on new products, new materials, new business opportunities, etc.). It was the creative director that in 2005 pushed the company to carry out the marketing research which revealed its weakness into the product-portfolio.

Managing (new) products

In the past, all the main strategic decisions concerning the product-portfolio and new projects to be developed were taken by the general manager. Now, it is no longer this way. New products come mainly from the creative director or need to be approved by him. Another important aspect concerns relations between products. The company produces less and less “lone standing” products and more product “families” (for example, a chair, a stool and a little table that share the same product-idea).

This way of structuring the product-portfolio is crucial for a company that aims at competing also into the “contract” market (hotels and restaurants supplies).

Managing distribution

Different distribution models cohabit in company “B”. This is the consequence of an internationalization process that, coherently with the evolutionary perspective (see, for example, Johanson and Vahlne, 1977 and 1990), proceeded step-by-step.

While a network of twelve independent agents covers the internal market, different solutions have been observed in foreign markets. In general, the number of distributors in farthest markets is low (normally only one) even if into the South Korean market there are three intermediaries.

Further markets still not directly covered by the company (China among others) are managed through an Italian sales agency highly specialized into the furnishing industry.

Relationships with architects is another important aspect as far as distribution is concerned, especially in the contract market. As the GM told to us: “architects must have your catalogue handy if you want to have the chance to be part to important supplies”.

Managing promotional activities

Communication activities are carried out internally and this is a strength of the company. The company staff creates the advertising campaigns, the products catalogue, the folders but also the stands for trade-fairs.

However not all the communication activities are also “conceived” internally. An important role is played in this sense by the art director who has the responsibility to align the company’s communication activities to the brand positioning strategy.

Specialized magazines for architects have a primary role in company’s advertising campaigns. As the GM told us: “we still don’t have enough resources to impose our brand to the final consumer. That’s because we choose to focus on intermediate figures such as architects”.

As a consequence, trade-fairs and one-to-one communications are the most important communication activities carried out by the firm.

Managing prices

As we observed in the previous case-study (company “A”) prices are mainly set through a cost-plus method even if price strategies are always harmonized to brand positioning ones: “we perfectly know that our brand is not as known as Kartell into the furnishing industry. That’s because our prices are generally lower than theirs even if our strategic positioning can be considered similar”.

Differently from company “A”, company “B”’s resellers are much more free to set the final price to the consumers even the company communicates its preferences.

Marketing innovation

The role of the artistic director is crucial as far as product innovation activities are concerned. He proposes new product concepts that the management has to evaluate from both a technological and an economic perspective. He also decides the “who” and the “how” about external designers involvement in new projects.

As regards other innovation aspects that can be relevant for marketing – such as market and organizational innovations – here we see the “orchestrating” role (Bortoluzzi et al., 2008) of the GM that uses both his personal and business contact network in order to collect relevant information from distributors, architects, designers, competitors (etc.) and to identify appropriate strategies.

Managing operations

Industrialization and production activities are totally outsourced. From both an economic and a cognitive perspective it would be very difficult to internalize the production of so many different products encapsulating so many different technologies.

From a strategic point of view, Company “B” is a producer of “furnishing ideas” not a technology supplier. So its core capability is following and interpreting the evolution of fashion within the furnishing industry, not the evolution of technology despite its great importance.

As the GM told us: “following automotive trade-fairs is a good way to be up to date on plastic-based new materials. Since it would be impossible for us to do research on this

materials, we simply ask subcontractors of this sector their willingness to collaborate on new projects”.

4.3 Company “C”

Company “C” is a lighting producer that was set in 2005 in Udine. Its limited turnover reveals all its youth: 520 thousand Euro at the end of 2007, even if increasing. Notwithstanding its smallness – two entrepreneurs and two employees form the company’s staff – almost the eighty percent of the company’s turnover is sold abroad.

One of the distinctive characteristics of the company’s mission is producing lighting products that are design-oriented and made with innovative materials.

Table 3: Company “C” company profile

Company age	3 years
Head quarter location	Udine (N-E Italy)
Industry	Home furnishing
Main products	Lighting products and lighting systems
Staff Headcount (2007)	3
Turnover in euro (2005)	180.000
(2006)	400.000
(2007)	520.000
Export % (on 2007 turnover)	80%

Entrepreneurs’ previous experience and market knowledge

The business arose from an idea of two “serial entrepreneurs” in the meaning given by Onetti et al. (2008): the current General Manager, Giovanni Tassone , and Marco Volpi. The General Manager had previous work experiences into the carbon-made products manufacturing (for the sea-sports and fishing industries). Marco Volpi is an entrepreneur with numerous experiences in service firms where he built personal and business relations useful for the new firm.

However, all the specific market knowledge has been collected while the business idea was developing, after 2003. An important role in the start-up phase (2003-2005) was acted by Giovanni Tassone and Guido Mareschini who previously worked together in other business projects.

The knowledge of Giovanni Tassone about the carbon-fibre was crucial in order to understand the potential of this raw material for the furnishing industry: he identified the opportunity to

utilise the carbon-fibre in the lighting industry, an industry where Italian firms are international leaders and the “made in Italy” is considered a valuable brand.

Guido Mareschini is a well known designer who co-operates with very famous companies in the lighting (and in the wider furnishing) industry. Mareschini has been involved in company “C” since the beginning of the business project and so the company can use his links with the designer community. Now Mareschini is the art director of the firm. Moreover he is the author of some of the most important products of the company.

In 2005 Company “C” presented its products in one of the most important international trade-fairs of the lighting industry. This event was the beginning of the firm’s growth that allowed the engagement of two employees and the collaboration with an external expert in charge of the product engineering and the supply management.

Planning marketing activities

A formal planning activity regards only decisions concerning new emerging markets and communication policies, as the participation to trade-fairs. No other decisions are planned.

Increasing market knowledge

No market analysis has been done during the start-up phase. Only previous work experience, competences and personal contacts (of the two entrepreneurs and Mareschini) were used to evaluate and develop the potentialities of the company business project.

Even now the research of information on products, markets and technologies is not-systematic. Further, it is totally internalized and mainly based on informal relationships. The GM and his business partners “squeeze” furnishing magazines, internet web-sites (etc.) in order to collect information on competitors, new markets, new fashion trends (etc.). Also public institutions have been used to collect information about emerging markets. Customers too could be a useful source of information.

Managing (new) products

The company has a unique product-line divided into eight collections. Each collection includes a complete set of lamps such as desk lamps, table lamps, floor lamps, hanging lamps, wall lamps and complementary lighting.

As the business develops and the company’s brand starts to be more known into the lighting sector, the use of carbon-fibre becomes less important. In today’s collection, the younger product lines (four out of eight, in total) are filled by non-carbon-made products.

The design and development of new products is based on a complex network of suppliers, architects and designers.

A cooperative and long-lasting partnership with the designer Mareschini has been crucial since the explorative phase of the innovation process. Mareschini acts as an interface between the company and the designers community. Sometimes he creates products on his own or he evaluates (with Giovanni Tassone) projects by other designers.

Then, when design project is defined, the company collaborates with an external actor in charge of the product development, who acts also as an interface between the company and its suppliers.

Market analysis is important in new products development. The company's job consists in adding "value" to these products by giving them an appropriate positioning in the market, by choosing the best and most suitable distribution channels and communication strategies, and so on.

Managing distribution

Products are mainly sold in the European markets through a network of independent agents. The company is now looking also to emerging markets, such as India and China, and new intermediaries. In total, the export covers about the 80% of the company's total sales.

Agents and customers are useful to collect information about market trends. However, information are collected in an informal way and not stored in any marketing information system.

Managing promotional activities

Due to its financial constraints, the company doesn't manage, at the moment, a planned and full communication mix but only some selected communication tools. Internet website, trade-fairs, product catalogue are the main instruments of its communication mix. Trade-fairs are particularly important not only to communicate new products but also to interact with potential customers. The art director designs also the company's stands for fairs.

A more complete and formalized communication strategy is already in the entrepreneurs' mind, only waiting for the required cash-flow.

The company has also arranged several co-marketing agreements with bigger and more known furnishing brands of the "Made in Italy". For example, in 2007 company "C" drew up a co-branding agreement with a kitchen producer (one of best 10 national kitchen producers)

and a worldwide known high design furnishing producer in order to co-furnish the showrooms and share the main international trade-fairs costs.

This strategy allowed the company to attend most important international exhibitions of the furnishing and lighting sectors such as the “Salone del Mobile” of Milan in 2008 or the Oportoshow and Euroluce fairs, both in 2007.

Also personal and business relationships with local photographers and an advertising agency are useful to communicate the company’s products. A lighting product is an accessory that simply can be used in a photography-set, thus making a no-cost communication for the company.

Managing prices

Prices are set by using the cost-plus method, even if the company keeps in consideration competitors’ price strategies in order to harmonize price policies with the positioning strategy.

Marketing innovation

The art director plays an important role within the company. It is a broker of relations between the firm and the designers’ community. The partnership between the entrepreneurs and this person is the key to reach further designers and to put their creativity at the service of the company’s mission.

Managing operations

Company “C” doesn’t produce or assembly anything. All the production activities (and delivering as well) are externalized to a small set of local subcontractors (two of them belong to the artistic-glass district of Murano) that deserve the company’s trust.

5 Main findings

Case studies’ analysis confirms the opportunity to adopt the networking marketing paradigm as defined by Gilmore et al. (2006). As a matter of fact, networking can be seen as a complete marketing model rather than simply a way for collecting information and taking decisions.

Relationships with external actors are crucial for SMEs’ marketing success for almost two reasons: (a) they allow companies to reach resources and capabilities that have not been internally developed and (b) they consent to owners/managers to get in touch with distant “universes” using single actors as networking brokers (Carson, 1993).

However, the presence of entrepreneurs with a marketing strategic vision is crucial for the success of the companies' interactions. This is a first finding.

All the three case studies revealed that entrepreneurs had enough marketing competence for taking strategic marketing decisions (positioning strategies, for example) and for selecting the best external actors (and their specialised competencies not available to the firms) with which collaborate.

Since the start-up phase all the entrepreneurs have worked to define a division of labour between internal and external actors. Strategic partnerships have been used to gain a superior control on crucial competences. These marketing networks are dynamic because entrepreneurs are continuously looking for improvements if relationships are not satisfactory. Network contacts showed to be relevant for carrying out both strategic and operation marketing activities, even if some of them, as price definition, are mainly developed internally.

Table 4 synthesizes some of the main external actors involved in companies' marketing activities and gives also evidences of the network brokering role played by some of these network "nodes".

Table 4: External important actors for companies' marketing strategies and policies.

Firms →	Company "A"	Company "B"	Company "C"
<i>Marketing activities ↓</i>			
<i>Planning marketing activities</i>	-	Marketing agency	-
<i>Increasing market knowledge</i>	Sales agents Customers Trade-fairs	Websites Magazines Trade-fairs Creative director*	Art director* Sales agents Informal contacts (i.e. other entrepreneurs)
<i>Managing (new) product decision</i>	Designers Artists	Creative director* Industrial designers Architects	Art director* Designers
<i>Managing distribution</i>	-	Sales agents Sales agency* Architects	Sales agents Subcontractors
<i>Managing promotional activity</i>	Advertising agency* Marketing agency	Creative director Industrial designers (for trade- fairs)	Art director Graphic agency Advertising agency
<i>Managing pricing</i>	-	-	-
<i>Marketing innovation</i>	Artists Industrial designers	Creative director*	Art director*

Actors marked with * can be considered "networking brokers" for the specific marketing activities on the left

As a matter of fact, many external actors have been selected and involved within specific projects not only because of their specific abilities but also because of their contact networks. In other words, acquiring an external collaborator can be not only a way to collect his/her

capabilities, but also his/her potential contacts-portfolio. In this case, a company's collaborator plays a brokering role in the meaning given by Carson (1993).

For instance, in company "C" the art director acts as a networking broker by linking the entrepreneur's personal network with the community of designers. Also in Company "B" this dynamic is verified.

External actors are relevant also for New Products Development process, but while in the past new products were mainly the result of technological innovations, in these firms innovation is strictly linked with the ability to manage marketing activities, such as communication and distribution.

Finally it is relevant that each of the firms invest on brand and consider it a fundamental leverage for their competitive advantage. In other words for those firms it seems that the major challenge is adding good marketing to good products.

6. Conclusions

This is a preliminary study that contributes to the "networking marketing theory" regarding how small firm owners/managers use networking to improve marketing activities.

The study confirms that "networking marketing" can be seen as a complete marketing model for small firms that can help them in carrying out marketing activities even in the presence of strong resources constraints.

However, some prerequisites appear to be necessary in order to exploit all the networking potential. The first is the strategic vision of the owner/managers (in our cases, the entrepreneurs) that supports the organization and the management of the network. In our cases it has been crucial the entrepreneur's capacity to recognize the evolution of the competitive drivers into the furnishing global scenario and the need of investing in "immaterial" source of competitiveness (as communication, branding and design).

The second prerequisite is the ability of re-designing the company's network coherently to the vision mentioned above (Normann, 2001). This means being aware of the potential role that can be played by third actors within the company's network constellation (Normann and Ramirez, 1993). One example is the "art director" in both the cases of Company "C" and Company "B". Acting as a "network broker" he helped the companies in getting in touch with distant "universes" (the architects world, the furnishing magazines, famous designers, etc.) that those companies would have never been able to reach by their own.

The third is the ability of managing those value relationships within the network and so to move partners' interest on new projects in which to involve them stably. Those partners can be designers and distributors but also suppliers and subcontractors.

In this sense, relationship marketing can be considered an interesting marketing paradigm to understand how marketing networks evolve.

The main implication for owner/managers is the following: doing marketing through networking is possible and potentially successful but it needs specific prerequisites and a sufficient marketing "absorptive capacity" for the most (Cohen and Levinthal, 1990). If not, networking activity for marketing purposes risks to be sterile since it is not supported by the ability of distinguishing between "high", "low" and "no" potential inter-connection as far as new competitive drivers are concerned.

However, further research – using a different methodology, methods and in other industries – is needed in order to test the validity of these preliminary conclusions.

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