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Impact of the coronavirus pandemic on the marketing approach of Hungarian entrepreneurs in Slovakia

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Abstract: In our research, we sought to find out how Hungarian-speaking owners of businesses in Slovakia approach marketing and answer the question of the impact and consequences of the coronavirus pandemic on self-employed individuals and micro-enterprises in Slovakia. We also look at the changing marketing approach of businesses, highlighting the increasing importance of online marketing. Our primary questionnaire research was based on an online, anonymous questionnaire with a sample of 122 items. For responding entrepreneurs, the COVID-19 has clearly brought economic difficulties. Half of the businesses surveyed expect their profits to fall in 2021 compared to 2020, and their situation is worse compared to 2019. A quarter of respondents do not carry out any marketing activities. Typically, they do market research, price research, product research, usually the whole marketing activity, individually. For 29.5% of respondents, marketing expenditure is a revenue generator and an investment in the future of the company with a gradual return. 62.3% are taking advantage of new opportunities by using the online space for marketing and sales. Because of the economic impact of COVID-19, 52.5% would make changes to the marketing of their own business: by strengthening online marketing.

Keywords: small business; marketing; online marketing; coronavirus; Slovakia



1 Introduction

Years 2020 and 2021 are both considered the years affected by the coronavirus pandemic because the impact of the pandemic is felt in different areas of life worldwide. Our research focused on the group of self-employed and micro-enterprises affected by the coronavirus's impact. Industry difficulties can be clearly defined and opportunities, which some businesses have been able to take advantage of, while others have faced closure or closure. It is here that various supply chain problems should be mentioned and the exploitation of the potential of new ways of meeting consumer needs, and the monitoring and use of state aids as an opportunity. The changes in the economy and the opportunities offered have also brought changes in marketing. Therefore, research on traditional and online marketing and sales is relevant. The focus of our study is to analyze the economic situation and the marketing approach of the entrepreneurs we studied. Emphasis will be placed on offline and online marketing tools and the perception of marketing activities in the wake of the epidemic.

2 Literature Review

2.1 Characterisation of enterprises and theoretical background

The marketing activities of SMEs depend on several factors: ownership or managerial characteristics, size and stage of development of the enterprise, different financial, time and marketing knowledge constraints (Gilmore et al., 2001).

The failure of SMEs is often due to a lack of market clarity, poor cash flow, or limited marketing activity. As they grow, marketing activity is increasingly trying and may use various techniques to promote products or services (Gilmore-Carson, 2018). In the case of family businesses, where professional managers are mostly lacking, developing the owner's education and skills is one of the prerequisites for successful business operations (Virglerova et al., 2017).

Current practice emphasizes social media as a modern technique in marketing, but a vital control element is needed for business effectiveness. Social media has many uncontrolled elements, a challenge for many SMEs. As the business becomes more stable, the SME owner-manager develops its unique marketing style and practices and becomes aware of what works for the business (Gilmore-Carson, 2018).



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Practical experience shows that companies need to focus more on marketing activities as they can be the key to the survival, progress, and overall development of the (family) business. Marketing has already proven to be an essential catalyst for the revitalization of entrepreneurial and commercial activity in the earlier period of the economic crisis (Mura, 2020). The development of the business under current conditions requires applying the tools offered by marketing in everyday practice, whether in the field of products or marketing services (Prokopenko-Omelyanenko, 2018).

The company's processes can be divided into two main components (1) which add value to the product, and (2) which do not add value to the customer. Product value is increased by adding attributes to the product such as functionality, aesthetics, corporate brand, and similar aspects that are important to the customer - this helps to sell it at a higher selling price relative to the total cost (Prokopenko et al., 2020).

2.1.1 Data relating to enterprises

In the case of small and medium-sized enterprises (SMEs), the three main factors in the European Union's definition are staff numbers, financial parameters, and independence/ownership (European Commission, 2003). Thus, a distinction is made between micro-enterprises (number of employees <10 persons; annual net turnover ≤2 million € or balance sheet total ≤2 million €), small enterprises (number of employees <50 persons; annual net turnover ≤10 million € or balance sheet total ≤10 million €) and medium-sized enterprises (number of employees <250 persons; annual net turnover ≤50 million € or balance sheet total ≤43 million €). As of 31.12.2019, the number of active enterprises in Slovakia is shown in Table 1. Micro-enterprises (0-9 persons) were the most numerous (557 827 in total - 96.9% of all active enterprises in Slovakia) (SBA, 2020; Szigeti-Józsa, 2021).

Table 1 Situation of SMEs in Slovakia

	Enterprise	Individual entrepreneur	Freelancer	SHR	TOTAL
Micro-enterprises	230054	322678	21391	3704	577827
Small enterprises	13399	1174	13	15	14601
Medium-sized enterprises	2900	42	1	0	2943
SMEs in total	246353	323894	21405	3719	595371

Source: SBA, 2020

2.1.2 COVID-19 pandemic and its effects in Slovakia

Our research occurred during the COVID-19 epidemic period, specifically in early 2021 (January - April), when Slovakia was experiencing its second major epidemic wave (Garaiová, 2021). The coronavirus outbreak affected Slovakia's GDP growth



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rate, which was 2.3% in 2019 (compared to 2018) but fell to -5.2% in 2020 (compared to 2019) (Statista.com, 2021a). In addition, the unemployment rate increased from a record low of 5.75% (2019) to 6.79% (2020) (Statista.com, 2021b).

The Association of Hungarian Entrepreneurs in Slovakia has carried out questionnaire surveys of Hungarian businesses in Slovakia, from which some of the main findings are as follows: 69% of the 530 entrepreneurs surveyed had an unfavorable assessment of the second half of 2020, with the very unfavorable assessment being held by those operating in the accommodation services, personal services, and tourism sectors. Furthermore, 89% of the entrepreneurs see the epidemic situation as a factor that will worsen their business prospects, and only 10% are neutral (they are not affected by the epidemic) - representatives of the agriculture, food, and construction sectors.

Almost two-thirds of respondents had experienced a more severe problem with a negative impact on their business's day-to-day running, and three-quarters did not have a contingency plan to prepare for such a situation. On the other hand, 60% of respondents had at most two months of financial reserves in 2020, and 55% predicted a return to original turnover in six months (Association of Hungarian Entrepreneurs in Slovakia, 2020). In the survey, repeated in 2021, the Association of Hungarian Entrepreneurs in Slovakia pointed out that 72% of Hungarian businesses in the Highlands were negatively affected by the first wave of the COVID-19 epidemic and that the second wave showed an increase of 6 percentage points (78%), while 5% had a positive impact during the first wave, which decreased to 3% after the second wave. Furthermore, 82% of the 869 responding entrepreneurs expect adverse impacts on their business in the future (Association of Hungarian Entrepreneurs in Slovakia, 2021).

3 Material and methodology

3.1 Research

In our scientific research, we collected primary data. The anonymous online questionnaire included Likert scale questions (we used 1-5 and 1-10 intervals), closed questions, and semi-closed questions. The questionnaire started with general demographic questions about the business, followed by questions on the market and financial situation, marketing and sales, and ended with questions on marketing activities, planning, and measurement. Responses were collected between January and April 2021 using a snowball sampling method - non-probability sampling. As a result, the sample is not representative and therefore represents the views of the surveyed entrepreneurs, but trends can be identified. A total of 122 valid responses to the online questionnaire were received.



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We aimed to find answers to the impact of the COVID-19 epidemic, its consequences, how the marketing approach of the surveyed businesses has changed, and whether online marketing has been enhanced as a result of the epidemic.

Statistical methodology:

the digital data were processed, organized, and cleaned using Microsoft Excel software, and the organized data were analyzed using IBM SPSS Statistics 24 software. Our results were considered significant at a 0.05 p-value. Descriptive statistical analysis was used to examine the general characteristics of the respondents who completed the questionnaire. Frequency values were also used. The parameters studied were recorded as mean, median, standard deviation (SD). In addition, nominal variables were subjected to cross-tabulation analysis to explore the relationship between responses, where Phi, Cramer-V, and Pearson's Chi-square test values were also examined. The results are presented in tabular form and bar charts.

Research questions:

Q1: Do the surveyed companies carry out their marketing activities independently?

Q2: Is marketing expenditure a waste of money?

Q3: Do the surveyed enterprises negatively assess the situation of their business as a result of the COVID-19 pandemic?

Q4: Have businesses adopted online marketing and sales tools over traditional tools as a result of the COVID-19 outbreak?

Sample characteristics:

The gender distribution of respondents was as follows: male 63.9%, female 36.1%. The age distribution by age group as recorded in the questionnaire was as follows: 18-23 years (2.5%), 24-29 years (13.1%), 30-35 years (23.0%), 36-41 years (16.4%), 42-47 years (22.1%), 48-53 years (10.7%), 54-59 years (8.2%) and over 60 years (4.1%). Based on the responses to the questionnaire sent out during the survey, self-employed persons represented 56.6% of the sample and micro-enterprises (under ten persons) 43.4%. The registered offices of enterprises are located in different counties of Slovakia: Nitra county (50.8%), Banská Bystrica county (20.5%), Sibiu county (18.0%), Kosice county (5.7%), Bratislava county (4.1%), and Zsolna county (0.8%). 21.3% of the respondents are active in construction, 18.1% in trade, 12.3% in food, and 6.6% in tourism and catering. The highest educational qualifications of the respondents in the questionnaire were a college or university degree (36.1%), a vocational secondary school leaving certificate (35.2%), a vocational school leaving certificate (18.9%), and a high school leaving certificate (9.8%). Respondents sell their products and services in the following markets.



3.2 Results

3.2.1 Results for marketing activities

Table 2 Use of marketing (N=122)

	Market research	Price research	Product research	Full marketing activity
Individually	58,2%	52,5%	37,7%	30,3%
We do not make	23,0%	23,0%	19,7%	25,4%
External marketing agency	4,1%	3,3%	2,5%	4,1%
External marketing specialist	1,6%	3,3%	2,5%	5,7%
In-house colleague (non-marketing professional)	4,1%	4,9%	3,3%	1,6%
In-house marketing professional	4,1%	7,4%	4,1%	4,9%

Source: own research, 2021

The primary responses of respondents on the topics of market research, price research, product research, and carrying out or have carried out a total marketing activity are presented systematically in Table 2. Typically, the four activities surveyed are carried out individually or not.

Marketing expenditure is seen by 29.5% of the responding entrepreneurs as a revenue enhancer and an investment in the company's future with a gradual return. According to the cross-tabulation analysis, respondents who ticked these two boxes are more conscious of using online marketing tools, but only 18% of them run an online shop. The following most popular opinion is "money wasted" (14.8%), followed by "regular cost factor" (12.3%) and "market share increase factor" at 9.8%.

3.2.2 Market situation and outlook

Compared to 2019, respondents (N=122) gave an average rating of 2.78 (median 3; standard deviation 1.24) to their business position on a Likert scale of 1-5 (1=Very poor; 5=Very good) at the time of completing the questionnaire. Responding entrepreneurs rated their business situation as close to medium, rather negative. In response to the question "On a Likert scale of 1 to 5 (1=Very unfavorable; 5=Very favorable), the calculated mean value for the business outlook of your company in 2021 compared to 2020 was 2.91 (median 3; standard deviation 1.22), i.e., a moderately favorable outlook for 2021.

The existence of marketing changes in response to the economic impact of the Crown virus was examined in our next question. The main areas of change are:



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strengthening online marketing (52.5%); new market research, price research, product research (36.1%); conscious marketing planning (25.4%); strengthening offline marketing (11.5%).

Further disaggregating the results, we conclude that out of the 122 respondents, a total of 76 entrepreneurs (62.3% of respondents) have used an online marketing tool or an online sales tool in their business. This number is split equally between self-employed and micro-enterprise respondents. The 76 entrepreneurs who use online marketing or sales tool indicated a Likert scale of 1-10 (1=Not at all; 10=To a large extent) that online sales have been affected by the epidemic, with an average score of 5.54 (median 6; standard deviation 2.86). The online form was, therefore, the most pronounced. In a follow-up control question ("In your own business, what proportion of sales will be online versus traditional sales in 2020?"), the calculated mean on a Likert scale of 1-10 (1=100% Traditional sales; 10=100% Online sales) was 4.73 (median 5; standard deviation 2.88). In this case, the response rate is slightly skewed towards traditional sales.

Conclusions

In our research, we have shown that the impact of the COVID-19 epidemic is real for Hungarian self-employed and micro-enterprises in Slovakia:

The impact of COVID-19 was noticeable (some self-employed respondents had ceased their activities and survived the epidemic as employees or unemployed). Financial difficulties (decrease in turnover and profit) were observed in the enterprises - which can be paralleled with the results published by the Association of Hungarian Entrepreneurs in Slovakia (2020-2021), but many micro-enterprises also showed an increase in profit - based on the responses received. The responding entrepreneurs assessed the situation of their businesses as medium and foresaw a relatively positive outlook for 2021.

A quarter of respondents do not carry out any marketing activities. Typically, they carry out market research, price research, product research, and all marketing activities individually. For 29.5% of respondents, marketing expenditure is a revenue generator and an investment in the company's future with a gradual return. They are more conscious of their use of online marketing tools! (Only 18% have an online shop.) 62.3% do online marketing. 52.5% would make changes to their business marketing due to the economic impact of the QEO: strengthening online marketing.

Q1: Do the surveyed companies carry out their marketing activities independently?

This assumption is confirmed by the results summarised in Table 3, i.e., they carry out market research (58.2%), price research (52.5%), product research (37.7%), and all marketing activities (30.3%) individually.

Q2: Is marketing expenditure a waste of money?



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14.8% of respondents considered that marketing expenditure is money wasted in their business. So our assumption was not confirmed.

Q3: Do the surveyed enterprises negatively assess the situation of their business as a result of the COVID-19 pandemic?

Regarding our third hypothesis, the respondents rated their business situation as almost medium, rather negative (mean 2.78), so our hypothesis was confirmed.

Q4: Have businesses adopted online marketing and sales tools over traditional tools as a result of the COVID-19 outbreak?

We could not provide a clear answer to this hypothesis, like businesses using traditional and online tools. Instead, we obtained different results in response to two different questions, with the calculated average skewed towards online and traditional.

The conclusion is that businesses have tried different solutions to survive the coronavirus epidemic's consequences, but these solutions have tended to be more of an idea-based approach, with little awareness of planning. This is what needs to be changed most in the period ahead.

Summary

Our research aimed to find out about the impact of the COVID-19 epidemic, its consequences, how the marketing approach of the surveyed companies has changed, and whether online marketing has been valorized as a result of the epidemic. We pointed out that the impact of the COVID-19 epidemic was present and felt and real among Hungarian self-employed individuals and micro-enterprises in Slovakia. Financial difficulties (decrease in turnover and profit) were observed in the enterprises, which can be paralleled with the results published by the Association of Hungarian Entrepreneurs in Slovakia (2020-2021), but an increase in profit was also observed in many micro-enterprises - according to the responses received. The responding entrepreneurs assessed the situation of their businesses as medium and foresaw a relatively positive outlook for 2021.

A quarter of respondents do not carry out any marketing activities. Typically, they carry out market research, price research, product research, and all marketing activities individually. However, due to the economic impact of the QE, 52.5% of businesses would make changes to the marketing of their own business: by strengthening online marketing. Here it is helpful to consider the ideas noted by Prokopenko and Omelyanenko (2018): to improve business activity; it is necessary to apply the tools offered by marketing in everyday practice, whether in the field of products or marketing services. As for social media marketing on the online platform, we share the ideas of Gilmore and Carson (2018): the practice emphasizes social media as a modern technique in marketing, but for business effectiveness, a robust control element is also needed, it is helpful for the SME owner-manager to



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develop his/her unique marketing style and practices, and in addition to being aware of what works for the business.

Businesses have tried different solutions to survive the aftermath of the coronavirus outbreak, with little planning awareness. It is recommended that conscious marketing planning activities be undertaken and carried out in the future. With the rise of online marketing, which is also booming due to the COVID-19 epidemic, it is worth outsourcing to specialist marketing agencies. A change of mindset is needed for businesses to understand and experience the impact of marketing activities.

The limitations of the research were the low number of items returned from the respondents during the COVID-19 epidemic period, and we were able to work with this to assess current trends and compare them with the results of other surveys and research. In the future, we would like to increase the sample size, as increasing the proportion of small businesses would make the survey more relevant. Shortly, it would also be helpful to carry out surveys after the end of the COVID-19 epidemic, which will give an idea of the period of the lifting of the epidemic restrictions and the effectiveness of the recovery measures among self-employed and micro-enterprises.

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