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## Article

### Micro, small and medium enterprises and social networks in tourism industry in Manzanillo, Colima, Mexico

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# **MICRO, SMALL AND MEDIUM ENTERPRISES AND SOCIAL NETWORKS IN TOURISM INDUSTRY IN MANZANILLO, COLIMA, MEXICO**

*JESUS SOSA, ANDREE ROY, ADRIANA BAUTISTA*

## **Abstract:**

Nowadays, the use of social media has become an important tool to introduce new products and services in the world. However, in some countries social networks are very important to show what the company is and what they are doing with their businesses, it means that they sharing everything with their customers, like products, services, goals, some cases they try to educate their public about the use of the product or service, among other things.

When people started using social networks on the internet, these were conceived as a mean to communicate with relatives or friends. However, with time, the social networks have evolved to a point that they now allow people to use them to generate sales and increase the competitiveness of enterprises.

The purpose of this research is to demonstrate the lack of training and knowledge about the use of social networks by local businesses and the barriers they face when they decide to use them as sales platforms, and to demonstrate the impact it could have on their businesses.

Four SMEs located in Colima State in Mexico were studied, selected to be sufficiently successful and representative in terms of industry and size, for theoretical generalization purposes. These tourism SMEs stem from various sectors, such as: travel agencies, tour operator, hotel and restaurant. Data were collected through semi-structured tape-recorded interviews, ranging approximately one hour and a half each, with the owner-manager or the manager responsible for social media. Interview transcripts were then coded and analyzed following Miles and Huberman's (1994) prescriptions with the assistance of the Atlas.ti application.

The results allow us to conclude that the investigated companies believe that the use of social networks is extremely important to be able to compete in the market. However, due to a lack of training, they were not able to implement properly the utilization of social networks in their companies.

## **Keywords:**

Social networks, enterprises, barriers, Micro, small and medium business

**JEL Classification:** D22, D23, O39

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## INTRODUCTION

The way of doing business in the world is being modified especially in the most developed countries where society's creativity has revolutionized the way businesses reach their clients and promote their products and services. The marketing rules have changed, and businesses are focusing on the use of information technology in order to get new markets. Nowadays, a lot of business is being generated through technology, more specifically technology that incorporates technological innovations to approach customers and potential customers. Consequently, more accessible websites and applications for smart electronic devices have become very useful tools in the process of market generation through social networks.

Social networks online were first created in order to create links between all the people that were part of them; those links were intended to share issues on personal nature. The idea of social networks has evolved to such a level that now they are used the same way by some businesses as individuals except that instead of sharing personal information or personal experience, businesses share information on their products or services in order to promote and increase online sales.

Currently social networks are used to analyze, to monitor and to talk to customers in real time. They provide an environment that allows the study and the analysis of massive marketing data, sales strategy, advertising campaign, and the direct dealing with the client. Through social networks, companies have created new markets and increased existing ones since social networks allow them to interact with existing and potential clients and to address in a faster way the comments, suggestions and doubts they have. One of the consequences of these interactions is a higher consumption since existing clients or potential ones have a better knowledge of the products or services.

In Mexico, according to some data published in the study "Habits of Internet Users in Mexico 2013" by the Mexican Internet Association (AMIPICI, 2014), the use of social networks was ranked at third place of the most important activities done by internet users; the first place was access to e-mail, and information searching was in second position.

According to the National Institute of Geography and Statistics (INEGI) in Mexico, there are approximately 4 million 15 thousand enterprise units from which 99.8% are SMEs that generate 52% of Gross Domestic Product (GDP) and 73% of all jobs in the country.

The SMEs are part of an intense debate in the Mexican economic politics because of the reasons previously mentioned. However, there is a qualitative element that has helped revolutionize many enterprises; it's known as innovation. Through innovation, enterprises can operate and adapt to changes in a faster way.

This research is based on a great weakness SMEs are suffering in Mexico: the lack of updating and training related to new technologies. SMEs belonging to the tourism and the gastronomic sectors in Manzanillo are no exception. Because of this, an empiric

analysis in the tourism industry including the gastronomic sectors is performed in order to know the perception, the usage, and the barriers SMEs in this sector have in the implementation of social networks in their business processes.

## LITERATURE REVIEW

According to Moreno (2009), *“the classification of the SMEs varies according to the country. In general all countries tend to follow a pattern, in which some aspects are considered: number of employees, volume of yearly sales, and the value of their activities”*. For Deniz (2010), SMEs are also determined by a certain number of employees working in them that don't exceed a determined limit and whose main purpose is production, transformation, and in some cases provision of a service. Also according to Déniz, SMEs are created in order to be profitable as well as to be independent entities.

In Mexico, the Ministry of Economy and the Ministry of Finance and Public Credit modified the classification of the SMEs in order to increase access to governmental programs designed for those businesses. The classification published by the Federal Official Gazette of Mexico on June 30<sup>th</sup>, 2009 establishes that the enterprise size is determined by the number of workers times 10%, plus the amount of yearly sales times 90%. This quantity must be same or lower than the Combined Maximum Top of each category which goes from 4.6 employees for micro enterprises to 250 for medium ones.

SMEs are businesses that include small and medium-sized enterprises. The micro ones are defined for having up to 10 workers and sales for 4 million pesos; the small ones can reach up to 50 workers and sales for 100 million pesos; finally the medium enterprises can have as many as 250 workers and sales for 250 million pesos. Their activities are focused on production, transformation, trade, agriculture and the services.

Based on the data found in Dávila (2010), Mexico has approximately 4 million small and medium-sized enterprises coming from industry, trade, and services sectors. Moreover, it was found that:

- 65% of the SMEs in Mexico have a family-run nature.
- More than 80% don't have any kind of certification.
- About 50% don't apply techniques for quality and productivity.
- Only 24% have gotten a license or a patent.
- 83% don't perform any activity at all to consolidate their presence abroad.

About 20% of all SMEs in the state of Colima are located in Manzanillo (a city in the state of Colima, Mexico), according to the National Institute of Geography and Statistics (INEGI) in its 2009 economic census. Even though the port of Manzanillo is mainly focused on foreign trade, the second most important sector is the tourist-gastronomic sector because of its contributions to the state economy.

SMEs have some advantages above their competitors. Some of the most important ones are: personalized service, better client support, better access to market information, greater flexibility to adapt to changes of the market, greater flexibility to satisfy all needs, likes and particular preferences, greater capacity for innovation and reaction, faster and better decisions, and more worker commitment. Because they have a smaller organizational structure, it's easier to make appropriate changes to generate more incomes. On the other hand, they also have disadvantages; some of them were exposed as part of a research by the World Bank and the Ministry of Economy, and they are: ignorance of the market, lack of managerial consultancy, low-skilled human resources, poor management and bad organization, as well as lack of knowledge of the information technologies which contribute to a low competence of SME's in Mexico (World Bank, 2008.)

In this context, one technological tool that has become popular over the years is the Internet. In fact, 80% of SMEs have internet access (OECD, 2012) and in Mexico, 45.1 million people had internet access in 2012, and 37% of these internet users made online purchases (Mexican Internet Association, 2014).

The wide use of the Internet throughout the world and its development in the years has brought new technological tools more specialized for individuals and also for businesses such as social networks. Social networks are systems that allow people to establish relationships with other people: people that we might know really well and others that we might not. Social networks are becoming more and more popular since they offer the opportunity to exchange information and generate relationships.

Prato (2010), mentions that "*Social Networks began their history in 1997*". It's a platform that allows to create a personal profile and a list of users who share a relationship. It also provides an access to the list of others' links offering graphic, audiovisual, and written content. Their name was created by Tim O'Reilly, founder of the Publishing company specialized on technology, O'Reilly Media.

The first social network created was SixDegrees in 1997. It consisted of a website and chat services. The social network platform gave the possibility to create a personal profile and a list of contacts. Then, in 2001 the social network SixDegrees stopped its activities. In 2002, the dating site Match.com launched Friendster offering similar services from SixDegrees. Internet users liked this new network, and three years later Friendster reached 300,000 members. It was MySpace that democratized the access to a "real parallel world". In MySpace, all Internet users could discover and get in touch with musicians from any country. The site also offered the opportunity to develop a highly detailed profile which users fell in love with. The best part of this social network site was that members who belonged to this network could share content they'd composed themselves or taken from other websites. In a similar and simultaneous way, Hi5 was created using a concept more focused on the person.

In 2004, a group of students of Harvard University led by Mark Zuckerberg presented Facebook, a network for students linked by internet. Facebook became popular very soon and became a global mean of communication through "profiles" in which someone posts personal information, likes, purchase habits, etc. in order to get linked to other users and get relevant content. Seven years later, the term Web 2.0 and social networks

appeared officially for the first time. Experts in digital marketing refer to this as the most complete expression of a bigger phenomenon: the social web.

According to the third edition of the Studies of Digital Media Consumption made by the consulting company Millward Brown for IAB Mexico, 85% of those who browse the Internet are members of a social network. The study also stated that 30% of the respondents mentioned having Internet access from a mobile device compared to 12% of those in 2009. Another research published in January by Millward Brown Mexico shows that 9 of 10 Mexican Internet users are members of platforms like Facebook or Twitter, while 7 of 10 use them as their second tool to get information about several topics besides search engines. Finally, a research conducted by AMIPICI based on data given by the Federal Telecommunications Commission of Mexico (COFETEL) shows that the third most popular activity on Internet is accessing social networks; this research reveals that 9 out of 10 internet users have access to a social network.

Statistics don't lie! Mexican people adopted social Web, not only to make it an essential element in their lives, but also to share their personal information. Being a member of a social network means gold for all the companies that ever dreamed of having access to a large number of potential customers – as long as they know how and when to take advantage of the information of these potential customers.

Internet users are devoting more and more time online. 33 % of people participating in MillWard Brown survey said they usually spend five or more hours a day online, and social networks definitely influenced this tendency (Brown, 2011). The reason behind this is that Internet users have the power to be heard through social networks. Consequently, ignoring them would be a very bad decision made by the companies that belong to all sectors, especially in services sectors like tourism and gastronomy because if customers don't perceive a nice service they won't be back even if they like some products offer by the company.

The user's power in social networks is such that *"they let enterprises know what they want, what they don't want, and what they hate about certain products and services; they create, they strengthen and destroy loyalty links, and they even modify business models"*, says Ana Paula Blanco, Communication Manager for Google North America.

With the advent of social networks, the role of consumers has changed. They have become active and participating members in all actions related to marketing in the enterprises. *"It's the client, the one who allows or not that advertising gets in contact with him; he is the one who decides what kind of information he wishes to get, when and where"*, Vázquez (2013) said.

Social Web transforms everything it reaches, and it reached people to change them into "prosumers": a smart consumer, one generation of consumer whose decision to purchase is based on the information acquired from social networks, and even proposes to enterprises what to sell or to improve (Blanco, 2011).

Blanco (2011) defines the phenomenon of prosumer like this: *"the users themselves recommend, rate, and give opinions; in that way they offer valuable information for those who are interested in making a purchase"*. Consequently, companies are forced to

establish an open and constant interaction with consumers.

*“Nowadays consumers are at the same level than enterprises to express and share messages”*, indicates Pablo Pozo, Marketing director for IAB Mexico. One of the consequences of this is that areas like “customer service” are improving the quality of the services they are offering or even creating a subdivision in charge of addressing users’ problems through social networks.

Mexican Internet Association (AMIPCI, 2013), in its Second Study about marketing and social networks in Mexico, shows the following data: 5 of 10 enterprises use digital marketing and/or Internet advertising mainly to increase sales, to reach new clients, to be known, and to advertise new products and services. From all surveyed enterprises, 68% use social networks as an advertising and sales tool and 82% of those enterprises increased their budget for digital advertising, however, 85% of the enterprises have a social network, and the missing 15% mention they are creating some or they consider social networks unnecessary. From the 85%, 51% of the enterprises have had a social profile for 1 year or less. The main social networks in Mexico, according to the %, (AMIPICI, 2013) are Facebook Twitter, YouTube, Google+ and LinkedIn. 13% of the enterprises spend more than 20 hours a week addressing their profiles on social networks. Almost 7 of 10 enterprises train their staff to deal with social networks and the other businesses consider that it is not necessary, they don’t have enough time, or those training services have not been offered to them.

According to the AMIPICI, E-Business in Mexico 2013 (2014), Mexican Internet users feel they get a lot of influence when purchasing from social networks. 59% mention they have been influenced by this medium before purchasing, 60% have clicked on some advertising inside a social network and more than 60% of social network surfers declare to be interested in purchasing using this medium.

In the tourism-gastronomy industry, there are several examples of success story from companies that have had success with social networks. The use of social networks has allowed these companies to grow considerably. Some of these successful stories are presented.

Starbucks is one of the most successful worldwide business with more that 1.5 million followers on Twitter. The business practically tweets 24 hours a day about its products. The plus factor given by this business is sharing day-by-day messages like *“how are you today?”* or *“it’s already the weekend, enjoy it”* besides sharing pictures, videos, conducting surveys and trivias in order to allow followers to get a prize as well as spending some time answering followers’ messages and doubts. (Adame, 2011).

TOBLERONE, a chocolate business, used Twitter in order to increase their number of followers on social networks, to be more known in Philippines and also to increase their sales. They achieved their goals by establishing the National Thank You Day in order to show their gratitude to the country. The initiative generated a 132% increase of their sales and got 500,000 mentions as a consequence of their initiative on Twitter.



[Foiled Cupcakes](#), an online gourmet cupcake business based in Chicago, United States. Using Twitter, Foiled Cupcakes went from zero to 2,200 targeted followers in less than six weeks. It has given the business a variety of national public relations (PR) coverage, and surpassed its initial revenue target numbers by over 600 percent.

In Mexico, there are several cases of SMEs that have successfully used social networks such as Máscara de Látex, 144 Rayos, and Autocinema Coyote. These SMEs have learnt how to use social networks in order to reach their current clients and potential ones in order to increase their revenue. Rubén Vázquez describes the Autocinema Coyote (<http://www.autocinemacoyote.com/>) project. This project began in 2012. Even before the opening, the auto cinema was already famous thanks to the interaction and expectation caused in social networks. Isaac Ezban, founding partner, believes that social networks are essential because of all the promotion done through them. He also believes that the success of the business is the result of all the interaction and the free promotion on social media. Probably one of the biggest problems this auto cinema faces, paradoxically, is its success. Indeed, they need to move into a new building constantly because of the increasing number of clients, so they need larger facilities. They are about to open a third branch and they have now 112 thousand followers on Facebook and 106 thousand followers on Twitter.

## METHOD

The method used for this article includes a census of the literature on social media combined with a qualitative and exploratory research approach, i.e. multiple case studies given the present state of knowledge on social media in SMEs. The literature census covers more specifically what social media consists of and some successful cases using it. The case study method is well adapted in situations where theoretical propositions are few and field experience is still limited (Yin 1994).

A multiple-site case study allows one to understand the particular context and evolution of each firm in regard to the use of social media. Four SMEs located in Colima State in Mexico were studied, selected to be sufficiently successful and representative in terms of industry and size, for theoretical generalization purposes. These tourism SMEs stem from various sectors such as travel agencies, tour operator, hotel, and restaurant.

Data was collected through semi-structured tape-recorded interviews ranging approximately one hour and a half each with the owner-manager or the manager responsible for social media. Interview transcripts were then coded and analyzed following Miles and Huberman's (1994) prescriptions with the assistance of the Atlas.ti application. For reasons of confidentiality, fictitious names of individuals and firms participating in the study were used.

## RESEARCH RESULTS

The research is based on four businesses belonging to the tourism and gastronomy sectors as shown in the Table 1. Because of their characteristics, all of these four businesses are SMEs. Indeed, Company D is the one that has the most employees with 35 employees and each of them exceed sales of one million pesos. Consequently, the required characteristics (size and budget) to be a SME in Mexico are met. All four SMEs are incorporated which means that they are entities for the tax base of Mexico. They were acquired because of their expertise in the field since three of them (A, C, and D) have been in the touristic sector for more than 20 years and have a worldwide geographical market.

Table 1: Profiles of the SMEs

PROFILES	SMEs			
	A	B	C	D
Size				
No. of employees	5	5	15	35
Type of business				
Incorporated	Yes	No	Yes	Yes
Industry				
Tourism and gastronomy	Travel agency	Restaurant	Tour operator	Hotel
Geographical Market	Worldwide	State of Colima, Mexico	Worldwide	Worldwide
Budget				
Marketing	Informal	Informal	Informal	Informal
Social Networks	Informal	Informal	Informal	Informal

The SMEs who participated in the study are knowledgeable of marketing and offer definitions that closely resemble those found in the literature as indicated in Table 2.

Table 2: Illustration of marketing definition offered by SMEs

<i>"... in my opinion marketing is negotiation, I mean the way we sell ourselves".</i> Ana (A:42-42)
<i>"Marketing is all the techniques you use, well for me it's about the techniques you use to promote and advertise your business"</i> Brenda (B:44-44)
<i>"Well for me marketing, in the case of my enterprise, is what in a certain time you offer or advertise. It is like an investment, not only an economic investment but also an investment in the community activities that we support, that will generate revenue down the row. It is to advertise our services by using different means. It could be directly or by supporting activities. For me marketing represents the value and the impact that I may cause through the services I offer and also through my clients."</i> César (C:45-45)
<i>"Marketing is a way to convince people that your product is a good product, it is something necessary, and it is to convince someone that they need your product or service."</i> Daniela (D:32-32)

The article also shows that even though some SMEs perform some marketing activities, each of the four enterprises has a formal or specific budget for marketing issues focused either on sales or social networks. However, if there is an investment on marketing, after some months and depending on the events happening, some financial resources are invested. For example, César mentions *"Everything is based on direct visits, we call it, in our touristic slang: Blits"*. (C:28) Brenda says *"... the only things we invest in is time and brain, for everything, we want it to look nice"*. (B:158)

Table 3 shows that SMEs in Manzanillo use social networks in an informal and inconstant way to attract their current and potential clients. During the research, all enterprises used at least one social network in an informal way in order to attract clients. This tends to confirm what (Pavana, 2012) assures when he says that social networks are being used to attract clients to the enterprises, but sometimes at a minimum level, a level which still allows a business to be successful like "Movistar Equator" that uses only the social network Facebook.

Table 3: Use of social networks to attract clients

SOCIAL NETWORKS	SMEs			
	A	B	C	D
Current Clients	x	x	x	x

Potential Clients	x	x	x
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Among all possible reasons to use social networks, the main ones are: to inform current clients about the products and services the enterprise offers, as well as to increase sales as shown in Table 4. Only one of the enterprises uses social networks to educate the current and potential clients about its products or services and any of them to inform their own helping partners. Brenda gives us an example by saying: *"We upload not only promotions, but we also upload information, our concept is Colima, so we share information about Colima, interesting facts, not only advertising and promotions"*. (B:102-102)

Table 4: Reasons for using social networks

SOCIAL NETWORKS	SMEs			
	A	B	C	D
Inform potential clients	x	x	x	x
Educate potential clients		x		
Inform current clients	x	x	x	x
Educate current clients				
Inform employees				
Educate employees				

Ana gives us an example of how they are using social networks as a mean to inform their current and potential clients: *"...if we see a promotion on internet or e-mail, we copy it and then we upload it to Facebook"*. (A: 05-105.) Daniela gives another example of how and why they use social networks to inform their clients: *".... A Facebook account was created, we constantly post different things there like events in the hotel or we mention some new promotions to come in the future according to the dates we already know, and all that stuff ... it is what we post"*. (D: 60-60) She adds that they use them because *"... a big number of people visit us on our page"*. (D: 64-64) On the other hand, César just says *"we only use them to be known"*. (C:74-74).

During interviews, enterprises' managers and owners considered social networks to be important for the development of their businesses and for increasing their numbers of

clients and sales. However three SMEs mention that they didn't know enough about social networks. Ana, for instance, says: *"we know that we can have more sales through social networks, like promotion of all bundles, promotion of airlines fares... everybody are on social networks now, I mean, if you don't have a Facebook account you're not up-to-date"*. (A:78-78) She adds *"that's what we have today, and it's a cheap way. Let's say it is like that because it's for free and it doesn't have a limit when reaching people"*. (A: 208-208)

César claims *"... I can tell you that I haven't done any business with social network except for LinkedIn. I was there for a year. After one year I already have more or less like 700 contacts"*. However, he says he does not have a complete knowledge of social networks since he mentions: *"... I clearly declare I am a person with a lack of knowledge in a way, in a global way, about all scopes related to social networks and how they will come, how to get into them ... so business could be something feasible; so this is why I have looked for someone who could do it, who does it?"* (C: 81-81). César makes it clear that he did not know how to use social networks or how they function, but he realized it was important for his business, and for this reason, he hired a specialist to create a few social networks.

SMEs in Manzanillo face some barriers when they want to use social networks as shown in Table 5. These barriers involve the fact that companies do not fully utilize social media to increase their productivity and revenues. This finding is in accord with what can be found in The Mexico SMEs Institute (2013) report which is *"The micro, the small, and the medium-sized enterprises consider the lack of access to technology as one of the most important obstacles to increase productivity in their business"*. Ana gives us an example of the lack of knowledge of certain SMEs about social networks. She says, *"right now if you don't have a Facebook account you cannot see my information"* (A: 82-82). This means that this SME considers that you need a Facebook account in order to see a business Facebook page which is not the case. It may also mean that the business considers that Facebook is the only qualified social network, and this may limit their market.

Table 5 Illustration of barriers encountered by SME's to use Social Media

BARRIERS TO THE USE OF SOCIAL MEDIA	SMEs			
	A	B	C	D
Lack of knowledge		x	x	x
Lack of training		x	x	x
Little or any budget for social networks	x	x	x	x
Negative perception		x		x

(it's a waste of time)				
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Among the most stressed problems when implementing the use of social networks within their enterprises, the lack of knowledge about the different social networks seems to be the most important one. All four SMEs surveyed mentioned that they needed better knowledge of social networks and the way they could positively impact their enterprises. Three of these four SMEs only knew Facebook and they only knew it as a traditional publication mean. The SMEs also mentioned they needed to transmit information to their clients and employees through social networks in order to increase their sales and reduce the costs of advertising and promotion. The lack of training on social networks was another problem mentioned, and the SMEs mentioned that government should offer training on these new technologies. However, they seem to ignore that some training courses already exist on different social networks. For example, the Mexico SMEs Institute in partnership with the World Bank's International Finance Corporation and some other institutions have designed and implemented some programs ("Conecta tu Empresa") and practical guides that until recently were only offered to larger companies and corporations.

Another problem is that little or no budget is allowed for social networks due to different reasons such as: they do not have the resources - either financial or human, they don't know precisely why they should invest money and how much money they should invest compared to traditional marketing. Brenda gives us an example. She says "*the money is obviously the problem, we started the business not too far ago, we don't have incomes and it's really hard to invest in advertising, we do it, but it's not enough*". (B: 60-62.) This means the money intended for marketing via social networks is considered an expense, not an investment; in addition, expenditure for marketing is not budgeted.

Finally, last but not least, some SMEs have a negative perception of social networks. They are worried about using social networks because they consider it a waste of time. They are worried about the fact that some of their employees could use them for chatting, publishing issues related to their private lives or lose their time on them instead of working.

## CONCLUSIONS

All SMEs in the study want to use social networks, and they use them to a certain degree to promote their business to their current and potential customers. Facebook is the social network most commonly used to attract current and potential customers. Twitter and LinkedIn are also sometimes used by some SMEs. The main reasons SMEs use social networks are to inform customers of the products or services they are offering and to increase sales.

SMEs encountered some problems when they wanted to use and implement social networks in their business. Among the problems mentioned are the lack of knowledge about the different social networks and the lack of training on social networks. SMEs consider that they do not have enough information on social networks. They are not sure

exactly what they can do for them. They don't fully know how to implement them, how to use them in order to have good results and to generate interest from their current clients and potentials ones, and how to increase their revenues while reducing advertising expenses.

Another problem mentioned by SMES when they want to use social networks is the fact that since they are small entities, they don't have much money. Consequently they have little or no budget for marketing and social networks. Finally, they fear that their employees will spend their time on social networks rather than working, and that fear ensures that they have a negative perception of social networks.

As Blanco (2011) says, *"To establish a communication with the Web community, a business needs a strategy. It is a lot of work, responsibility, and above all, you need to know what you want to achieve. Once a business has decided to start a relationship on a social network with Web, it must be open-minded and it must know that it has a responsibility with all those who are related to their social network"*.

Consequently, in order to offer SMES training tailored to their needs and to ensure that they can use and maintain usage of the main social networks, a complementary investigation should be conducted in order to have a better understanding of the barriers encountered by SMES when they want to use social networks.

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