

UNIVERSITY OF HULL

MARKETING COMMUNICATIONS PRACTICES IN SMES THROUGH A
CULTURAL LENS
A ONE NATION PERSPECTIVE: ICEALND

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Abstract

The marketing environment has in the past two decades changed dramatically. The Internet has given businesses of all sizes the opportunity to compete throughout the world with brands of seemingly similar quality, and to promote their wares in ways previously unimagined. Simultaneously, media fragmentation and the overarching need for cost-effective and efficient marketing has changed the way marketers conduct and evaluate their marketing and marketing communications activities (De Pelsmacker et al, 2004).

This research explores the emergence, relevance and applicability of marketing communications/Integrated Marketing Communications (IMC) within SMEs in Iceland and if marketing communications activities are affected by organisational culture. Iceland was chosen because prior to this research, its economy was in stage of growth and substantial proportion of GDP was derived from SME activity.

In order to answer the objectives, a mixed methods design was used in which senior managers in SMEs were interviewed in the first phase and surveyed, via a questionnaire, in the second phase.

The findings confirmed and corroborated the previous literature regarding SMEs as managers were found to be using mostly traditional advertising methods. The results also showed that they were not using systematic methods when planning, budgeting or

measuring their marketing communications activities. However, some findings were contradictory as managers were also found to be gathering information about their customers and appeared to be interested in what was happening in their field of business abroad. The research discovered that IMC was not regarded as important by the managers. Findings from the first phase gave foundation for the belief that a traditional culture may be a barrier towards marketing and marketing communications practise. Therefore, eight hypotheses were developed and subsequently tested in the second phase of the research. The findings offered an indication that hierarchy culture could act as a barrier towards marketing communications and that adhocracy culture could act as driver. However, further research needs to be conducted to reaffirm these findings.

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Dedication

This thesis is dedicated to my mother, Þórunn Friðriksdóttir, and Jósefína.

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Chapter 1

Introduction to the Thesis

1.1 Introduction

The topic of this doctoral thesis is marketing communications practises in Icelandic Small and Medium Sized Enterprises (SMEs) from a cultural perspective. Small and Medium Enterprises have increased in importance over the decades but have not received much attention in the literature regarding their marketing communications and especially Integrated Marketing Communications (IMC) activities. Iceland was chosen because its economy was at the time experiencing an upswing and the majority of companies were micro, small or medium sized. This formed the basis for the investigation reported in this thesis.

The present chapter provides an overview of the study topic, a statement of the research problem, the approach used to bring insights and understanding to the research problem, background information on marketing communications, country of study, anticipated benefits of this research, and other relevant information.

1.2 The Research Problem

Communications is significant part of marketing discipline (Fill, 2005). Research of marketing communications has progressed and from the beginning of the 90's researchers have started to view it in integrated way.

Integrated marketing Communications (IMC) is an approach to marketing communications concerned with coordinating a marketer's message and developing relationships with customers and other stakeholders. There appears to be some

acceptance by marketers around the world as numerous studies indicate (Duncan and Everett, 1993; Linton and Morley, 1995; Schultz and Kitchen, 1997; 1998; 1999; Reid, 2005). Nevertheless IMC has been heavily criticised as there is no agreed definition, lack of empirical evidence and some believe it is nothing new (Hutton, 1996, Cornelissen and Lock, 2000; Kitchen and Schultsz, 2009). Most of the research that has been undertaken has investigated the adaption of IMC within large companies and agencies. Little research has been undertaken to explore the relevance of IMC in the context of small and medium sized enterprises, even though some of the early literature suggested that IMC was more likely to be found in smaller companies (Nowak and Phelps, 1994; Low, 2000) . Therefore this research will investigate the relevance and applicability of marketing communications and more specifically IMC within SMEs.

Small and medium-sized businesses based almost anywhere in the Western world can communicate by means of the Internet (Johnson and Turner, 2003). Marketing and marketing communications, therefore, becomes more important and SMEs need to ensure that they are communicating effectively with target markets, and that these markets respond in behavioural (i.e. sales) terms. SMEs have increased in importance in recent years and their unique characteristics and the potential development and implementation of marketing communications practises in these organisations warrants more detailed investigation (Burns, 2001 McCartan-Quinn and Carson, 2003).

Marketing in SMEs is usually the responsibility of the owner/ managing director which will have other responsibilities and often uses the marketing communications activities he/she knows best (Carson *et al.*, 1995). SMEs often have a narrow customer base and this means shorter lines of communication between them and their customers

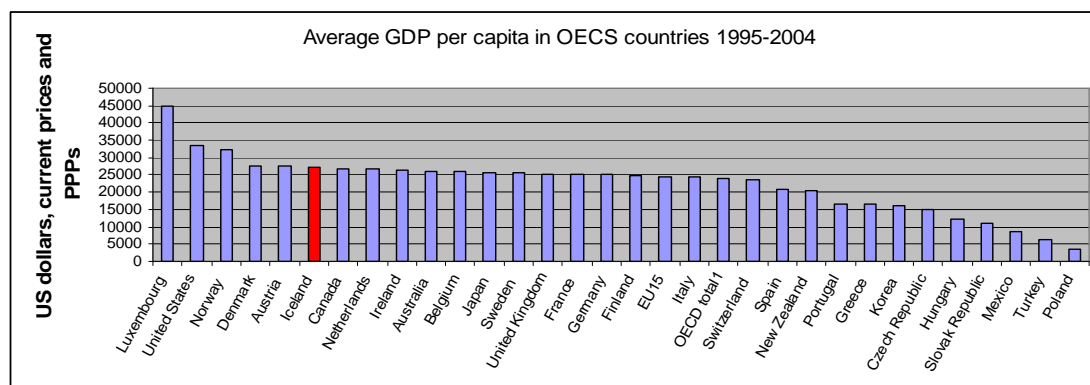
(Burns,2001). However, many SMEs managers do not have the time to work on their marketing properly, they have limited capital market power and network access (Knight, 2000; Verhees and Meulenber, 2004; Gilmore *et al.*, 2006).

Globalisation has changed the way companies do business and in this new environment cultural studies have become more important. Several such studies have been conducted about how significant it is to use diverse marketing approaches when marketing to different counties (e.g., Yaprak, 2008). Organisational culture has been identified as being important for marketing strategy implementation and development of customer orientations (Despande, 1989, Ridnour, 2001). Studies conducted within large organisations have shown that organisations with an external outlook are likely to be more customer-oriented and innovative than those with an internal outlook. However, no studies have as yet focused on SMEs and in what way organisational culture affects marketing and marketing communications practises within these types of companies. In the current climate, where SMEs are becoming more important, it seems of urgent need to investigate this. Hence, the purpose of the research is to investigate how applicable marketing communications and more specifically integrated marketing communications are to SMEs and in what way organisational culture affects marketing communications practises.

Given a research problem of this type, one cannot deal with the entirety of SMEs everywhere. This research is therefore located in a country (Iceland) where a significant proportion of GDP is derived from SME activity. Moreover, when this research was conducted the Icelandic economy was in a stage of significant growth. At the same time, the economic growth rates in the UK were small whilst in the USA the market was simply too large to undertake meaningful research adequately (OECD, 2006c). It was on

this basis that Iceland was selected for research into the marketing activities of its SMEs. The Icelandic population numbers approximately 300,000, living mostly along the coast. The capital city is Reykjavik, and approximately 62 percent of the population live within the Reykjavik capital region (Statistics Iceland, 2005). The interior of the country contains stunning contrasts. It is largely an arctic desert, punctuated with mountains, glaciers, volcanoes and waterfalls. Iceland is probably richer in hot springs and high-temperature activity than any other country in the world (Jonson, 2002). In 1998 the exploited capacity of geothermal power reached the equivalent of 15.5000 GWh p.a., bringing 85 percent of the population geothermal heating into their homes (Icelandic Foreign Services, 2006) The economy is based primarily on the use of renewable natural resources, the most important of which are the coastal fishing banks; hydroelectric and geothermal power; and the grasslands that support the livestock industry. Although the economy has traditionally been based on fisheries and agriculture it has in the last few decades diversified into manufacturing and services (Jonson, 2002). Iceland is participating in the European Economic Area, with partners in the European Free Trade Association and is a member of the European Union. At the time of study Iceland had undergone one of the most rapid and dynamic economic transformations in the world in recent years and ranked among the ten wealthiest countries within the OECD (Timmons, 2006; OECD 2006a). A view of GDP per capita from data for 2006 shows that Iceland ranked in sixth place, as illustrated in Figure 1.2:

Figure 1.2: Average GDP per capita in OECD countries, from 1995-2004



(Source: OECD, 2006b)

The majority of companies in Iceland are micro and small and typically there are few companies numbered within each sector (Statistics Iceland, 2009a). Consequently, communications channels tend to be shorter and less sparse than in other European countries. For example, there are just three national newspapers and four television stations in the country. Nevertheless, Icelanders are well connected to the outside world. Figures show that 90 percent of the population, aged 16-74 years use computers and the Internet regularly, 92 percent of homes in the country own a computer and 88 percent of homes enjoy Internet access (Statistics Iceland, 2008).

There may well be lessons to be learned from the Icelandic SME sector, given Icelandic SME developmental activity and its recent nature. Thus Iceland appears to provide an ideal setting, not just in terms of SMEs but in relation to their potential adoption and usage of marketing communication and more specifically integrated marketing communications. In addition, due to technological innovation organisations can trade with customers all over the world and therefore it is interesting to see if Icelandic SMEs are trading internationally. It is anticipated that this exploration of integrated marketing communications practises in one specific national setting may provide

valuable knowledge for subsequent further developments in other countries. Given this scenario, it seems evident that there is urgent justification for the need to explore the emergence, relevance and applicability of marketing communication and more specifically IMC within SMEs in Iceland.

1.3 Research Philosophy and Approach to the Problem

This research will follow the constructionist ontological perspective as a method of this investigation is to explore the importance of marketing communications/IMC by interviewing senior managers or executives within SMEs. It was thought that senior managers were most likely to be the decision makers within SMEs and therefore they have been identified as subjects for the interviews. Additionally, they were asked about how they perceived their company, staff involvement and the company culture, in order to attempt to establish and identify their organisational culture. As such, the findings depend upon perceptions of social actors within the stated specific context i.e. upon how SME executives in Iceland perceive their marketing practises and marketing communications activities.

This research used a mixed method approach. Considering the nature of this research problem, the first phase of the research attempted to look for patterns, ideas or hypotheses from exploratory research conducted with senior managers in SMEs in Iceland. The second phase tested further hypotheses that were generated after analysing the findings from phase one. It is assumed that by using the mixed method approach, a better understanding of marketing communications and organisational culture would be developed. Bryman (2004) points out that qualitative research is often helpful as a

source for ideas or intuition that then can be tested using a quantitative strategy. A mixed method approach would, in addition, strengthen the research validity.

1.4 Overview of the Research

The primary aim of this research is to explore the emergence, relevance and applicability of marketing communications/Integrated Marketing Communications within Icelandic SMEs and to determine whether it is affected by organisational culture.

This key aim will be pursued through the following objectives:

1. To explore the current perceptions of SME management with regard to the perceived importance and application of marketing communications practises and more specifically IMC.
2. To identify barriers to the use of marketing communications and more specifically IMC.
3. To examine the extent to which marketing communications practises in SMEs are affected by organisational culture.

Eight hypotheses were developed after the results from phase one had been analysed, see below:

H1a: The higher the adhocracy culture (B), the greater the likelihood that SME senior managers will use targeted approaches

H1b: The higher the market culture (C), the greater the likelihood that SME senior managers will use targeted approaches

H2a: The higher the adhocracy culture (B), the greater the likelihood that SME senior managers will be measuring the effectiveness of their marcom activities

H2b: The higher the market culture (C), the greater the likelihood that SME senior managers will be measuring the effectiveness of their marcom activities

H3a: The higher the adhocracy culture (B), the greater the likelihood that SME senior managers will be gathering information about their customers

H3b: The higher the market culture (C), the greater the likelihood that SME senior managers will be gathering information about their customers

H4a: The higher the adhocracy culture (B), the greater the likelihood that SME senior managers will be outward looking in terms of their marketing communications activities

H4b: The higher the market culture (C), the greater the likelihood that SME senior managers will be outward looking in terms of their marketing communications activities

H5a: The higher the clan culture (A), the greater the likelihood that SME senior managers will adopt a flexible marketing communications approach

H5b: The higher the adhocracy culture (B), the greater the likelihood that SME senior managers will adopt a flexible marketing communications approach

H6a: The higher the clan culture (A), the greater the likelihood that SME senior managers will face financial and time constraints regarding their marketing communications activities

H6b: The higher the adhocracy culture (B), the greater the likelihood that SME senior managers will face financial and time constraints regarding their marketing communications activities

H7a: The higher the clan culture (A), the greater the likelihood that SME senior managers will maintain an 'old' culture view on marketing/marketing communications

H7b: The higher the hierarchy culture (D), the greater the likelihood that SME senior managers will maintain an 'old' culture view on marketing/marketing communications

H8a: The higher the market culture (C), the greater the likelihood that SME senior managers see their environment as more stable

H8b: The higher the hierarchy culture (D), the greater the likelihood that SME senior managers will see their environment as more stable

1.5 Significance of the Research

As mentioned in section 1.2, the literature of marketing communications practises has focused mainly on adoption and practises within large companies. This research aims to increase scientific knowledge managerially and theoretically in the field of marketing communications and discover how organisational culture affects marketing communications practises within SMEs.

The significance of the research rises from the fact that little is known about the extent to which SME management engages in marketing communications and IMC; when it may have become important to them; and how and in what ways they may have been implementing such an approach. Very few research projects have actually been conducted focusing completely on marketing communications/IMC within SMEs. In addition, few researchers have demonstrated the relationship between organisational culture and marketing communications practises as has been done in this research, with

the use of the Organisational Culture Assessment Instrument described in Cameron and Quinn (1999).

In addition, despite detailed investigation, there appears to be a lack of evidence of any research on this scale on marketing communications/IMC and organisational culture ever being conducted in Iceland. The country has changed dramatically in the last ten years and still appears to be very dynamic in relation to its economic situation it seems appropriate to conduct this research at this time in order to generate new knowledge for SMEs.

The thesis provides a response to calls from leading academics and practitioners for empirical research within businesses (Kitchen, 2005; Kitchen *et al.*, 2004a; Reid, 2005; McGrath, 2005;), and supports an early and potentially unexplored avenue in IMC research (Low, 2000; Schultz *et al.*, 1993; Nowak and Phelps, 1994); that is, with SMEs. Findings will undoubtedly offer a significant contribution to the present body of literature in marketing communications, IMC and organisational culture in relation to SMEs.

1.6 Organisation of the Thesis

This thesis is composed of nine chapters. Chapters 2 and 3 provide a literature review of marketing communications, SMEs and organisational culture. Chapter 4 contains the methodology for the research and Chapters 5 to 7 report the findings of the two research phases. Chapter 8 brings together the findings from the two research phases and compares and contrasts them with previous literature. Finally Chapter 9 presents the conclusions and recommendations. The chapters are described in greater detail below.

Chapter 2: Discusses marketing communications, Integrated Marketing Communications (IMC), and gives an overview of the marketing communications mix.

Chapter 3: Offers a definition of Small and Medium Sized Enterprises (SMEs) and gives an overview of marketing activities within SMEs. Additionally it gives an overview of studies of organisational culture and explains why this thesis focuses on organisational culture.

Chapter 4: Concerns the methodology. It defines the research paradigm, the ontology and epistemology of this research and the research phases.

Chapter 5: Presents the analysis of phase one of this research. For the first phase twenty interviews were conducted with senior managers in SMEs. The findings revealed that companies with external outlook used more target marketing approaches than companies with more internal (old culture) outlook.

Chapter 6: Presents the descriptive findings from the phase two of this research. The second phase consisted of a survey approach, in which online questionnaires were sent to senior managers in Icelandic SMEs. The findings indicate that while SMEs in Iceland seems not be paying too much attention on marketing and marketing communications activities, they regard information gathering as truly important and want to take measurement seriously. Time and financial constraints were not considered to be as big barriers towards marketing communications practises as was identified in the first phase of the research.

Chapter 7: Presents the cultural analysis of phase two of this research. The findings reveal that culture plot for Icelandic SMEs is considerably different than for companies in previous studies by Cameron and Quinn (1999); the score for Icelandic SMEs being considerably higher. The companies emphasise internal culture values, small companies' dominant culture was hierarchy culture but clan culture for medium sized companies. The majority of the hypotheses formulated and discussed in chapter four were not supported but these tentative findings give indications that hierarchy culture can act as a barrier towards marketing communications activities, and adhocracy culture as a driver.

Chapter 8: Compares with and analyses the empirical findings of the two research phases with the literature review provided in chapter 2 and 3. It examines each of the objectives of the thesis and highlights the contributions made. The application of marketing communications practises was found to confirm what was discovered in the literature, as majority of companies were using traditional media when communicating with their customers and even though they found marketing and marketing communications to be important for their company, it seemed they were not changing the way they had conducted these. IMC was not regarded as important and only one company was working systematically towards integration. The major contribution of this thesis is the findings regarding organisational culture and implications for marketing and marketing communication practises. The tentative findings give valuable information that needs to be researched further.

Chapter 9: Presents the overall conclusions of the thesis. It draws attention to the implications of the findings for SMEs, the limitations of the thesis and potential areas for further research are recommended.

1.7 Conclusion

This chapter has outlined the main aspects of the study, drawing attention to research problems, research aims and objectives and the significance of this research. Furthermore, the chapter outlined the main aim of the research which was to explore the emergence, relevance and applicability of marketing communications/Integrated Marketing Communications within Icelandic SMEs via two phases (semi structured interviews and questionnaires) of research design.

The chapter also highlighted the structure of the thesis and the main purpose of each of the chapters and main findings. The area of organisational culture and its linkage with marketing communications practises is identified as an area for further research.

The next chapter examines the literature of marketing communications and Integrated Marketing Communications.

Chapter 2

Marketing Communications

2.1 Introduction

The purpose of this chapter is to establish the context for this thesis with regard to current marketing communications literature as this is the conceptual area of marketing that is the most central to this research. It will provide a review of existing literature about the marketing communications mix in order to understand how the potential for applications have changed in order establish the current environment.

The chapter will start with defining marketing communications and an overview of integrated communications, and will follow with a brief discussion on the mechanics of communications. Finally, discussion on each of the components of the marketing communications mix will be provided before moving on to the summary and conclusion.

2.2 Marketing Communications Defined

Communication is an essential part of marketing discipline (Clark, 1925; McCarthy, 1968; Pickton and Broderick, 2005; Kitchen, 2005). This has been evident since the early days of marketing discipline (McCarthy, 1968). Over the last twenty years, the marketing communications landscape has changed dramatically with developments in communications and information technology which have resulted in increased interest in the subject with many academics contributing to this area with numerous texts and journal articles (De Pelsmacker *et al.*, 2004; Kitchen, 2005; Fill, 2005). In addition, a

number of academic journals and scholarly conferences are focusing entirely on marketing communications, e.g. *Journal of Marketing Communications* and the International Conference on Marketing and Corporate Communications.

Marketing communications have been defined in a range of ways, but the definition used in this research defines it as: *'a management process through which an organisation engages with its various audiences'* (Fill, 2005:7). Kitchen (1999: 8) describes the role of marketing communications in a new environment: *'The role of marcoms in a consumer-driven and consumer-focused society is still the responsibility to drive exchanges. In an age when products are increasingly similar, when price strategies display with uniformities, when distribution shelf facings and organizational frontages have all the differentiation of the row of detergent packets on a supermarket shelf, promotion carries pole position. Thus, the function of marketing communications is to use promotional techniques to underpin and support brand identity and accelerate or maintain behavioural loyalties or switching behaviour.'*

The study of marketing communications has evolved in recent years where practitioners and academics have started to view the elements of marketing communications in an integrated fashion (Schultz *et al.*, 1993, Kitchen and Schultz, 1999; Cook, 2004; Grove *et al.*, 2007; Taylor 2010). The next section will discuss the studies of integrated marketing communications in greater detail.

2.3 Integrated Marketing Communications

Integrated marketing communications (IMC) is a product of the late twentieth century. Its growth can be traced to emergent academic interest in the work at the Medill School of Journalism, Northwestern University, led by Professor Schultz. The recession at the

beginning of the 1990s, fragmentation of media and the technological evaluation drove the need for IMC.

IMC is based on the application of one of the primary principles of the marketing concept: an ongoing dialogue between consumers and marketers (Stewart, 1996; Schultz, 1998; Duncan, 2005). At first it was a rather simple concept, only aligning and coordinating a marketer's message and directing it to customers and prospects:

IMC is a concept of marketing communication planning that recognises the added value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines- for example, general advertising, direct response, sales promotion, and PR- and combines these discipline to provide clarity, consistency, and maximum communications impact
(Schultz ,1993:17).

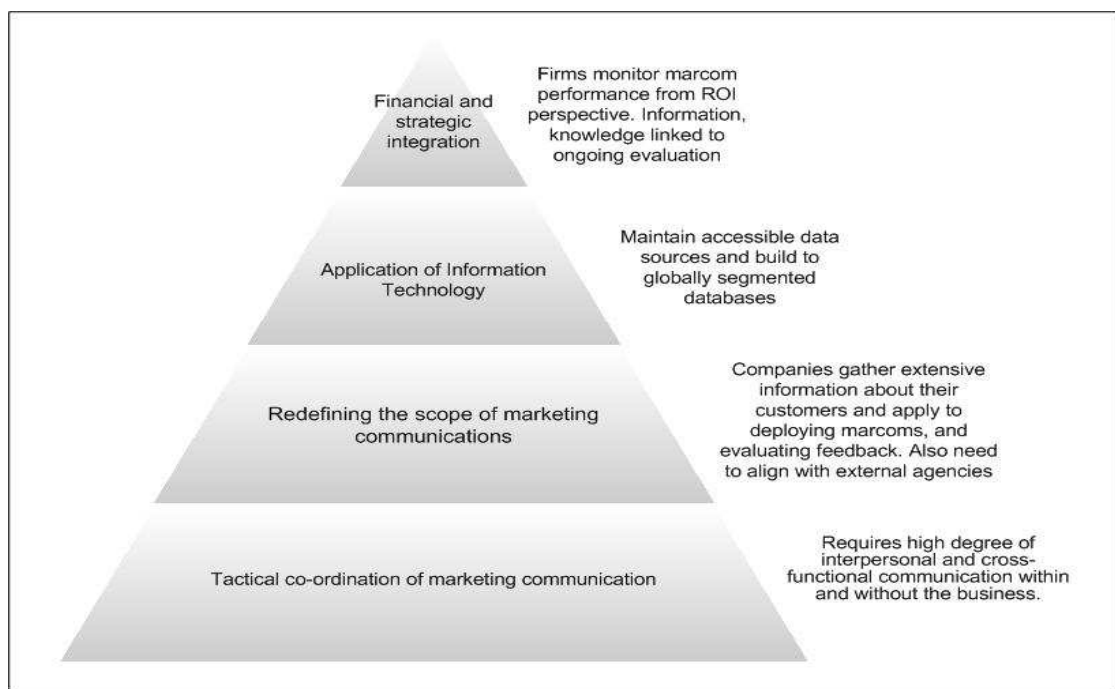
As understanding of IMC grew, marketers began to include internal customers and audiences such as employees and suppliers in the definition and subsequent definitions focused on building relations between brands, customers, stakeholders or prospects (Kitchen and De Pelsmacker, 2004). Moreover, IMC became a strategic business process:

IMC is a strategic business process used to plan, develop, execute, and evaluate coordinated measurable, persuasive brand communication programs over time with consumers, customers, prospects, and other targeted, relevant external and internal audiences
(Schultz and Kitchen 2000: 65).

According to the research team of the American Productivity and Quality Center (1998 cited in Kitchen and Schultz, 1999) companies do not simply decide to become integrated but in fact evolve as integrated companies over a period of several years. The team created a basic model that potentially captures the myriad marketing and communications activities of a firm. The model assumes (see figure 2.1) that firms proceed through various

stages of development and implementation: first communication coordination; second redefining marketing communication through consumer research and feedback; third, building globally segmented databases to refine customer communication and behaviour measurement; and fourth, and most sophisticatedly, financial and strategic integration, which involves monitoring return on investment performance for each audience segment (Kitchen & Schultz, 1999; Schultz & Schultz, 2004).

Figure 2.1: Stages in IMC Development



Source: (Kitchen & Schultz, 1999)

Some of the early work of Schultz and Kitchen (1997; 1998; 1999) investigated the question of whether marketers and agencies were practising IMC, the success factors and the main barriers from the advertising agencies' point of view. In 2004 agencies were revisited in order to establish IMC implementation within advertising and PR agencies. The results showed that agency practitioners know what IMC is, how it can be operationalised on behalf of clients and its relative strengths and weaknesses. However, they were not practising IMC (Kitchen et al., 2004b). Another study showed that two of the world's famous global companies failed comprehensively or effectively to have

integrated their communications functions. Both companies were strong in marketing but remain weak in public relations and employee communications. The reason, to a great extent, was said to lie in their respective organisational structures (Pettegrew, 2001).

This result is in line with the views of some marketers that believe that IMC can never be valuable in reality because of how large companies are structured (McArthur and Griffin, 1997; Schultz, 2000). People are working in departments; some do 'advertising', others 'PR'. In addition, several writers have suggested that control of IMC should be a top management function (McArthur & Griffin, 1997; Schultz et al, 1994; Pettegrew, 2001).

Another pressing matter is how the success of IMC programme and campaigns can best be measured. For decades, marketers have used the long-established communications disciplines of advertising, PR, sales promotion and direct marketing to achieve a diverse range of objectives. Traditionally companies erected strong barriers around these functions by managing each separately with different objectives, goals and budgets. Today, these previously independent tools are increasingly being coordinated under an IMC umbrella in an attempt to increase communications effectiveness

Cornelissen and Lock (2000) identified some problems within the theoretical foundation of IMC. The first problem is that there is no agreed definition on the subject. This allows "*for various interpretation and the loose use of the term IMC and has allowed researchers to choose whichever conceptualization best fits their research agendas at any given time.*" (Cornelissen and Lock, 2000:8) Therefore IMC's theoretical foundation is weak and will be so until researchers arrive at widespread belief in

constructs or a technique of measurement as an evidence of existence (Cornelissen and Lock, 2000).

The second problem with IMC is regarding the nature of the concept. Researchers like Hutton (1996) believed it was nothing new and something that marketers have been practising for a long time. Marketers have always had to adjust to changes in the external environment and adjust their marketing communications to a different market. Saying that IMC is therefore a new concept or theory is not true. It seems that even the supporters of and the main authors of IMC have started to doubt if the concept is anything new. *“As a result of these issues [no agreed definition, no agreed measurement technique] and others, perhaps IMC was really nothing more or less than another ‘false dawn’ which has been exposed by the financial demands of today’s market place”* (Kitchen and Schultz, 2009). They, however, will not declare the death of IMC but state it is necessary to have a wholesale review of IMC research, management, and practise in order to determine if IMC is truly an new dawn.

Nevertheless, IMC has found a widespread acceptance among academics (Kitchen and Shultz, 1999; Kotler and Keller, 2006; Brassington and Pettitt, 2007; McGrath, 2010). When looking at the marketing textbooks available, the majority of the new books seem to allocate one or more chapters to IMC (Kotler and Keller, 2006; McDaniel et al., 2006; Brassington and Pettitt, 2007). However not all of them define IMC in the same way and some authors like Jobber and Fahy (2009) conceptualise IMC as little more than coordination of organisations promotional activity, which is what Kitchen and Schultz (1999) identified as stage one of the development of IMC. Therefore, whilst

IMC appears to have achieved widespread acceptance within both practitioner and academic communities it remains a poorly defined and conceptualised.

This research aims to look at marketing communications and especially IMC in Small and Medium Sized Enterprises. Even though IMC has significant weaknesses it still has a useful role to play within marketing and marketing communications practises. The reason for conducting a research within SMEs is that findings from the early literature (Nowak and Phelps, 1994; Low, 2000) suggested that IMC was more likely to be found in small companies than large because communications channels are shorter in SMEs and they often have a narrow customer base.

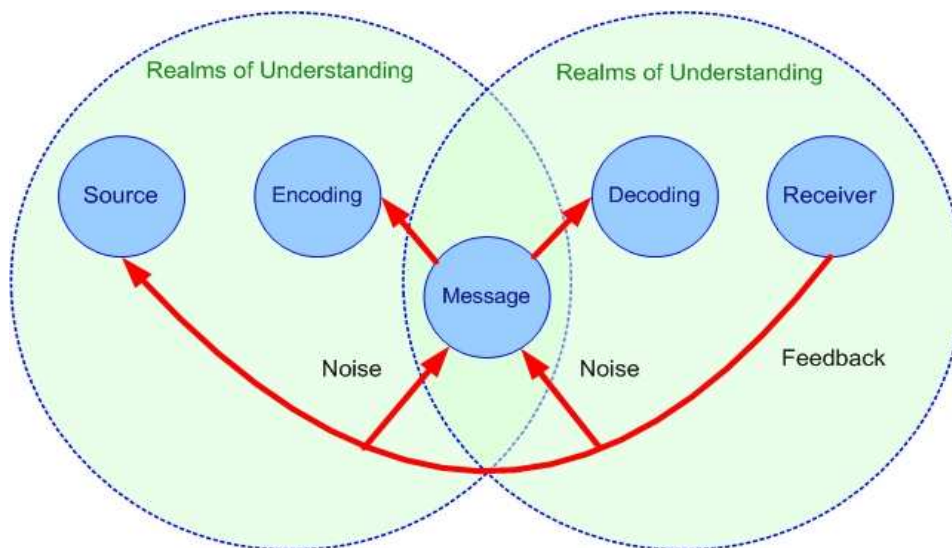
The research applies Schultz and Kitchen (2000) definition, as at the time of research was conducted it was thought to offer the best insight into the phenomena, taking into account that IMC was more than tactical execution and including all stakeholders that a company can have.

2.4 The Mechanics of Communication

Marketing of goods and services involves communication with target audiences where the communication itself is the process by which individuals share meaning. Wilbur Schramm (1960) developed what is now accepted as the basic model of communication, (Pickton and Broderick, 2005; Fill, 2005). This simple model involves a sender or a source, a message and a receiver. The sender formulates a message and selects a way to communicate that message to its recipient. Several updates have been made to this

module by authors like Shannon and Weaver (1962) as time has passed and figure 2.2 shows it as it appeared in Fill's (2005) *Marketing Communications*, 4th edition:

Figure 2.2: The Communication Process



(Source: Fill, 2005:37)

The addition here from Schramm (1960) version is first the encoding and decoding. Senders must know what audiences they want to reach and what responses they would like to receive. They must encode their messages so that the target audience can then decode them. They need to transmit the message through the media that reaches the target audience and develops feedback channels to monitor the responses (Fill, 2005; Kotler and Keller, 2009). Noise is the distortion of the communication process, making it difficult for the receiver to interpret the message as intended by the source. This could happen because the encoding of the message was inappropriate, making it difficult for the receiver to decode the message or because the receiver may have been physically prevented from decoding because of some distraction (Fill, 2005).

It appears that there is wide ranging agreement in the literature on this element of the communication process, as similar models are provided by a wide range of authors and in major textbooks about marketing communications (Fill, 2005; Pickton and Broderick, 2005; Kotler and Keller, 2009). However, authors have sought a deeper understanding of communications, specially applied to the movement of products and services from seller to consumer. These efforts are known as the response hierarchy or the hierarchy of effects models (Pickton and Broderick, 2005; Kotler and Keller, 2009).

The hierarchy of effect models attempt to define the process through which consumers decide to purchase and consume given product offerings. One of the earliest attempts to characterise this process is known as AIDA, developed by Strong (1925). The AIDA model assumes that consumers move from initial awareness of a product (A), through exposure to its advertising, to interest in the product (I), desire for the product (D), and finally action (A), in terms of purchase behaviour (Duncan, 2005). The hierarchy of effects model is an extension to Strong model, and emerged in early 1960 after notable development by Lavidge and Steiner (1961). The model assumes that consumers move over time through a variety of step stages: awareness, knowledge, liking, preference, conviction, and finally purchase. AIDA and other persuasive hierarchy models have been criticised for being unproven, too simplistic and for assuming that the brain works linearly through a series of stages (Vakratsas and Ambler, 1999; Shankar, 1999; Ambler, 2000; Weilbacher, 2001). Even so, they remain a central tenet of many marketing texts in spite of such criticism. DAGMAR (Defining Advertising Goals for Measured Advertising Results model) showed some improvements from the AIDA model. The model involves five stages, unawareness, awareness, comprehension,

conviction and action. The model is similar to AIDA with the main exception that it includes an unawareness stage. According to Crosier (1999) these models share some characteristics with the CAC model (cognitive-affective-conative) used to explain human responses to various stimuli. These stages are often paraphrased as ‘think-feel-do’. However, there are other types of purchase situation. During an impulsive purchase a consumer may ‘do-feel-think’ and in many low involvement purchases a consumer may ‘think-do-feel’ (McGoldrick, 2002).

As stated above, the academic community has issued a high degree of criticism regarding the aforementioned models, but the general view is that such models are better than possession of no framework at all. In fact, they can provide many benefits which contribute to enhancing understanding with marketing communications and consumer responses (Crosier, 1999).

2.5 An Overview of the Marketing Communications Mix

How the company communicates with its target groups and stakeholders to promote its products or the company as a whole can be crucial for its survival. Therefore, choosing the right communications mix is very important. It has to be designed in such a way that the effects of the tools are mutually reinforcing. Successful marketing depends on a well-integrated, synergetic and interactive marketing mix. The last couple of decades have seen some changes in the marketplace that have driven the need for better marketing communications and the change in all promotion mix area. For instance, the recession that emerged at the beginning of the 1990s due to high oil prices increased cost-awareness and the need for more cost-effective and efficient marketing (De Pelsmacker *et al.*, 2004). Therefore, there was growing need for increased levels of accountability. Consequently, mass media was

supplemented with, or replaced by, other communications tools with allegedly more impact that focused much more on influencing the behaviour of individual consumers directly, and the effectiveness of which could be measured more precisely, such as direct marketing (Shimp,2003). Adding more and more diversified tools to the communications mix led to more, and more fragmented media being used, and increased the need for integration of marketing communications (Schultz and Kitchen, 2000). As the time horizon of companies became more short-term oriented and the product life cycle became shorter companies were in greater need for directly effective marketing strategies which could be accessed instantaneously (Shimp, 2003).

Most markets in well-developed countries were mature. This meant that many products and brands were of similar quality. Low levels of brand differentiation increased the need to make the difference by means of communications (De Pelsmacker *et al.*, 2004). Mainly as a result of technological evolution and innovations, new marketing communication tools were becoming available. Scanning and database technology allowed more in-depth knowledge of the consumer and especially a more personalised and direct approach to her or him (Sheehan and Doherty 2001; Geissler, 2001; De Pelsmacker *et al.*, 2004; Pickton and Broderick, 2005).

Together with increased communications literacy on the part of the consumer, all this led to a market situation in which much of the power was at the receiving end. The marketing situation had gradually shifted from one in which all the power of knowledge and control was in the hands of the manufacturer to a market in which the retailers were the strongest part (De Pelsmacker *et al.*, 2004). Increasingly, the

process of distribution had been concentrated into comparatively few hands (Yeshin, 1998). The balance is shifting towards a market in which the consumer is the most powerful agent (Schultz and Kitchen, 2000; Nunes and Johnson, 2006).

As a result, consumers suffer from communication overload. In addition to advertising there are commercials on DVDs, on packages, billboards, direct-mail offers, telemarketing calls, and commercial e-mails all giving the consumer an avalanche of messages. Organisations are increasingly communicating with multiple audiences and stakeholders. Many of these stakeholders overlap. An employee may be a shareholder, a community leader may be a supplier, members of stakeholder groups are target customers, and all of them are exposed to different media (De Pelsmacker *et al.*, 2004).

Finally, markets are becoming increasingly global. Choosing not to participate in global markets is no longer optional so companies have to face increased competition and the challenge of marketing in many countries. Companies engage in global marketing for two reasons, to take advantage of opportunities for growth and expansion, and to survive. Companies that fail to pursue global opportunities are likely to lose their domestic markets because they will be pushed aside by stronger and more competitive global competitors (Paliwoda and Thomas, 1997; Gould *et al.*, 1999; Keegan, 2002; Kitchen and Eagle, 2002).

All these changes encouraged organisations to change the way they do their marketing (Nowak and Phelps, 1994). A modern marketing communication mix includes several activities such as advertising, PR, sponsorship, direct marketing, personal selling, sales promotion and others.

Each element has to be consistently coordinated and juxtaposed via different medias so what is received irrespective of form or media is perceived by consumer as one message, i.e. a seamless web of communications (Kitchen and De Pelsmacker, 2004:28).

Managing and coordinating this communication process calls for IMC (Kotler and Keller, 2006).

In the following section, an overview of each of the marketing communication tools is given, in order to establish the challenges companies face in the new environment and establish the ground for this research.

2.6 Advertising

Advertising is one element of the marketing communication mix. Shimp (2010) defines advertising as:

Advertising is a paid, mediated form of communication from a identifiable source, designed to persuade the receiver to take some action, now or in the future (Shimp, 2010:182).

There are many types of advertising available, see table 2.1:

Table 2.1: Some forms of advertising

Television Advertising	Radio Advertising	Newspaper advertising	Magazine Advertising	Cinema Advertising
Outdoor Advertising	Internet Advertising	Product Placement in Television	Videotapes / DVD Advertising	Product Placement in Movies

(Adapted from: Kitchen and De Pelsmacker, 2004:33)

When marketers practised mass marketing, advertising was the main promotion tool because it could reach many people at the same time. As time has passed advertising has lost its place because markets have been fragmented, competition has increased and new technology has changed the way marketers do business (Stewart, 1996; Shimp, 2003). However large sums are being invested in advertising. In the Marketing Expenditure Trends report (London Business School, 2003), which explores actual and planned marketing expenditure in the top five national markets (USA, Japan, Germany, UK and France) plus China and Brazil from 2001 to 2004, it is argued that companies will spend over 40% of total marketing expenditure on advertising. Nevertheless, advertising still has particular benefits over other promotional tools. The main benefit is that it can reach many people at one time, if the advertisements are carefully planned. In addition, it is successful at brand maintenance and many argue that it is also successful in brand development (Pickton and Broderick, 2005).

Advertising also has shortcomings. Although it reaches many people quickly, it is impersonal and cannot be as persuasive as direct communications. The amount of advertising on TV, radio and newspaper advertising has grown to the extent that 'clutter' is a real problem (Evans *et al.*, 1995). Further challenges to advertising effectiveness have emerged in the last decade. Reasons for this include the growing globalisation of markets and the need to consider cross-cultural communication. Companies need to understand the extent to which advertising can be standardised across national borders to meet the preferences of specific markets. In addition, cultural differences lead to different expectations of and attitudes towards advertising (Kitchen and De Pelsmacker 2004). Some critics believe that advertising can create harmful health effects and both tobacco and alcohol advertising are partially or totally banned in most European countries (Kitchen and De Pelsmacker 2004). The focus has now moved

from tobacco and alcohol advertisement to advertising of food products with claims of direct links between advertising, unhealthy dietary habits and obesity (French et al 2001). However, no studies support these claims: on the contrary, one study by Young and Webley (1996) undertaken for the Ministry of Agriculture Fisheries and Food found no evidence that advertising was a principal influence on children's eating behaviours.

These perceptions of advertising are based on the assumption that advertising is a strongly persuasive force and works through a hierarchy of effects (Meyers-Levi and Malviya, 1999). Blythe (2009) states that there little evidence to show that consumers develop a strong desire for a brand before trying and that the model only considers non-buyers who become buyers.

Studies show that a great deal of advertising has a weak impact on consumers (Heath, 2001). Ambler (2000) suggests that product preferences are often formed after an initial trial and that, in low involvement purchasing, experience with a product is a stronger influence on future purchasing decisions than advertising. Instead of advertising 'doing things' to people, people are consuming advertising and 'doing things' with it (Shankar, 1999).

One of the most difficult problems with advertising is measuring its effectiveness (Hall, 2002). Even though there are many techniques for assessing whether an advertisement is likely to communicate the intended message prior to it appearing in the chosen media, none of them can guarantee success in the marketplace (Kitchen and De Pelsmacker, 2004). In practice it seems that companies and agencies rely on qualitative methods and tracking studies when measuring the pre-campaigns and tracking studies/monitoring sales when measuring post-campaigns. The methods employed to measure advertising's

effect on sales volumes are Nielsen data or client ex-warehouse figures (Kitchen and De Pelsmacker, 2004).

Nevertheless, advertising can be a powerful tool within the overall marketing communications mix but it faces numerous challenges, particularly in terms of accountability in an increasingly competitive world. Traditional advertising approaches like TV and print advertising are experiencing the most difficulties (Wilkinson, 2005; Thompson, 2005). Launching campaigns and developing brands can now be done without TV advertising, something no marketer would have thought possible in the 1980s (Wilkinson, 2005). The internet has changed the print advertising industry as most newspapers and magazines are now available on the web for free (Thompson, 2005). Therefore, companies are increasingly using other communications tools, like interactive media when communicating with their consumers (London Business School, 2003).

2.7 Marketing Public Relations (MPR)

Another important communications technique is that of public relations. Kotler and Keller (2006:399) defined Public relations as:

Building good relations with the company's various publics by obtaining favourable publicity, building up a good corporate image, and handling or heading off unfavourable rumors, stories, and events.

While PR undoubtedly can be, and is, used for promotional purposes, its real role extends to establishing understanding between an organisation and those members of the public that have either a potential or an actual interest in it (Kitchen and Papsolomou 1999). PR departments perform many functions like creating and placing newsworthy information in the media to attract attention to a person, product or service, publicising specific products, building and maintaining relations with government

officials and media (Pickton and Broderick, 2005). In addition, PR plays an important role in guiding the company through crises without too much damage to its reputation (De Pelsmacker *et al.*, 2004).

Marketing Public relations (MPR) is expected to close the gap between marketing and PR. Kitchen and De Pelsmacker (2004) state that a close working relationship between marketing and public relations functions and all other communications activities within the organisation is very important whether or not they involve external specialist or in-house expertise. Harries (1993, cited in Pickton and Broderick, 2005: 555) defined MPR as:

The process of planning, executing and evaluating programs that encourage purchase and consumer satisfaction through credible communications of information and impressions that identify companies and their products with the needs, wants, concerns and interests of consumers.

As the power of mass advertising weakens, marketing managers are turning to MPR to build awareness and brand knowledge for both new and established products. In some cases it is even more cost effective than advertising (Kotler and Keller, 2006). Weiner (2005) states that MRP success will be contingent on PR's willingness to work in a more integrated fashion with other marketing agents and to use proven research techniques to demonstrate clearly a positive and meaningful return on investment (ROI). The internet has changed the brand-publicity process and the way PR departments operate. It can be used to bypass the media when they choose not to carry a news release or say something negative about a brand or company. Corporate websites, in particular, have become very important sources of public information, providing a profile of the company, its products, and its business philosophy (Shimp, 2003). However, it can be hard to measure MPR programmes. It is possible to measure the amount of media time and space achieved by a particular MPR programme but harder to measure the impact

on the image of the brand itself or the actual sales it generates (Kitchen and De Pelsmacker, 2004). Unlike paid media exposure such as advertising, MPR exposure in the media is harder to control; material must be newsworthy to even be considered for inclusion in editorial content. Often, the urgency with which MPR is required to act, particularly in a reactive rather than proactive situation, means that it is difficult to obtain initial benchmark data against which objectives can be measured. There is also little opportunity to test the effectiveness of the proposed activity fully before it is implemented. Even so, it is very important to get some PR measurement results and writers are stating the problem and possible solutions (Chong, 2001; Thellusson, 2003; Genasi, 2005). Some even state that all the information companies need to measure and demonstrate PR's contribution already exists; the problem is developing evaluation method or triangulation of methods that reveal this (Genasi, 2005).

The role of PR within IMC has always been quite difficult, and very early on it was identified to be less integrated than other marketing communication activities (Kitchen and Schultz, 1998). Pettegrew (2001) examined two companies that seemed to be very strong in marketing, but remained weak in public relations, employee communications or both. It was argued that the ground for this lay in the companies' respective organisational structures. Marketing dominated top management levels in the first company, and PR staff were organised around and directly supported each brand. In the other company most decisions were made by heads of business units without the collaboration and central planning required by IMC.

Smith (2002) argues that PR is extremely useful during economic recession, when there is increasingly demand for creativity and innovation in order to stand out in a cluttered

marketplace. Companies cannot stop talking during a recession, and companies believe that PR is the tool that allows them to reach most of their important constituencies.

MPR is another powerful tool within the marketing communication mix. It is constantly evolving and faces numerous challenges, such as deciding how its contribution towards overall communication effectiveness should be evaluated.

2.8 Direct marketing

The definition of direct marketing given by Kotler and Keller (2006:604) is:

Direct marketing is the use of consumer-direct (CD) channels to reach and deliver goods and services to customers without using marketing middleman. These channels include direct mail, catalogues, telemarketing, interactive TV, kiosk, Web sites, and mobile devices.

Both advertising and PR were developed in the context of mass marketing, targeting broad markets with standardised messages. However, in the last two decades, the direct marketing industry, together with e-communications, has been the fastest growing sector of marketing communications (Evans *et al.*, 1995; Kitchen and De Pelsmacker, 2004). There are a number of reasons for the increasing role of direct marketing in marketing communications, listed in table 2.2:

Table 2.2: Factors explaining the increasing role of direct marketing

Technology	Market forces	Opportunities
Database	Changing demographics and lifestyles	Increased customer confidence
New communications	Increased competition	Importance of contacts and relationship building
Online marketing	Media and audience fragmentation Increasing media and sales costs Need for short term results and accountability	More precise targeting Cross selling New distribution channels

Source: (Kitchen and De Pelsmacker, 2004: 68)

The first thing to mention is the evolution of database technology. The collection, storage, analysis, and use of data for marketing communications and customer contact have become increasingly simple and cost-efficient, due to improvements in database technology (Kotler and Keller, 2005; De Pelsmacker *et al.*, 2004).

More people than before who have jobs outside the home, have more income to spend and less time to spend it. Attracting new customers is increasingly difficult; therefore the focus has shifted towards retaining existing customers, which is not much easier, but more cost-efficient than having to build business by attracting new customers. Direct marketing is a tool that is particularly suited for building relationships (Kotler and Keller, 2006).

Advertising media is becoming more and more fragmented. In recent years there has been a proliferation of new television and radio channels, niche magazines and websites (Gurau, 2008). Audiences are more and more scattered over many different types of media. Consequently, it is increasingly difficult to reach a mass audience by means of a simple media plan. The increased cost of media and sales forces companies into exploring less expensive and more effective contact methods. The increasingly short-term orientation of companies and the need for quickly measurable results and accountability of the marketing communications campaign favours the use of direct marketing at the expense of mass media tools (De Pelsmacker *et al.*, 2004; Kitchen and Pelsmacker, 2004).

Direct marketing is effective in reaching specific target audiences, for example, through catalogues, direct mail and telemarketing. Companies that know about individual customer needs and characteristics can customise offers, messages, delivery modes and payment methods to maximise customer value and satisfaction. Today's companies have a very powerful tool for accessing the names, addresses and preferences of, and other information about, individual customers in their databases. Databases are essential for companies to customise their message and begin to move towards more purposeful two-way communications. Without the database, the interactive component of IMC is lost (Duncan, 2005).

Consumers benefit in many ways in direct marketing (Kotler *et al.*, 2001). First and foremost, direct marketing is convenient for them. They do not need to go from store to store to find and examine products. Buying is easy and private. In addition, commercial online services and the Web are interactive, so buyers will get an individual response (Peters, 1998). Direct marketing is also one of the communications tools the

effectiveness of which can be most easily and comprehensively measured (Kitchen and De Pelsmacker, 2004). On the basis of database information, purchasing trends and differences between the buying behaviour of customer segments and even individual customers can be tracked in detail.

Direct marketing therefore has an increasingly important role in the marketing communication mix. It enables the marketer to communicate interactively and directly with highly targeted consumer segments. It also allows the marketer to engage in long-term relationship-building with his customer. It is however important that companies target their direct marketing in order for it to be effective.

2.9 Sales Promotion

According to Shimp (2010, 446), Sales promotion refers to: *'any incentive manufactures, retailers, and even not-for profit organizations use that serve to change a brand's perceived price or value temporarily.'* Sales promotion has grown rapidly in the last decade. Several factors have contributed to this, such as greater pressure to increase sales, more competition, and decline of advertising efficiency. In using sales promotion a company must set objectives, select the right tools, develop the best programme, pre-test and implement, and evaluate the result (Pickton and Broderick, 2005).

According to the MET report, there seem to be large differences between countries. Sales promotion is estimated to have grown over the period 2001-2004 by almost 8 % in the USA and 20% in the UK but declined by 2-5% in Japan, Germany and France. This decline is partly due to the fact that interactive marketing is increasing (London Business School, 2003).

Depending on the type of incentive, three categories of sales promotion can be distinguished, i.e. monetary incentives, product promotions and the chance to win a prize (De Pelsmacker, *et al.*, 2004). Different types of monetary incentives can be used, but by lowering the price of the product they all lead to an improved price/quality perception by consumers. In product promotions, consumers are offered products free, either as an incentive to buy a product, or as a reward for having purchased it e.g. sampling and free in-mail promotions and premiums. In the last category, consumers have the chance to win a prize either in a contest, a sweepstake or a lottery (Kitchen and De Pelsmacker, 2004).

Sales promotion is most effective when it is integrated in the overall marketing communication effort, such as where manufacturers can support brands by means of advertising in which consumer promotions are highlighted (Kitchen and De Pelsmacker, 2004; Kotler and Keller, 2006). In addition, it appears that non-monetary promotions are more appropriate as a brand-building activity (Vidal and Delgado-Ballester, 2005). Sales promotions campaigns can be evaluated using sales data, consumer surveys and experiments. It is possible to analyse the types of people who take advantage of promotion, what they bought before, during and after the promotion. This method involves scanning sales data. Consumer surveys can be conducted to learn how many recall the promotion. Sales promotions can also be evaluated through experiments with various attributes such as incentive value, duration and distribution media (De Pelsmacker *et al.*, 2004).

Nonetheless, excessive use of sales promotions are considered to decrease brand loyalty, increase price sensitivity and reduce baseline sales for a brand (Low and Mohr,

2000). Brand managers use sales promotions frequently in order to reach their set targets for the brand or brands that they manage. Even though they think that sales promotions are effective they are not paying attention to the potential damage it can do to the brand, e.g. less brand loyalty and negative customer attitudes towards the brand (Low and Mohr, 2000; Kotler and Keller, 2006). This is specifically the case when companies use monetary sales promotion (Nijs *et al.*, 2001; De Pelsmacker *et al.*, 2004; Raghurir, *et al.*, 2004). In mature markets, brand choices seem to be in equilibrium and price promotions produce only temporary benefits for established brands (Nijs *et al.*, 2001; Pauwels *et al.*, 2002).

Sales promotion is an instrument of the marketing communication mix that attempts to persuade the customer to act immediately. They can be used to achieve a variety of objectives that are mainly short-term and sales oriented. Sales promotions need to be planned carefully in order not to harm the brand in any way. Sales promotion has been growing steadily but information from the MET report (London Business School, 2003) indicates that in some countries interactive marketing is increasing at the price of sales promotion.

2.10 Sponsorship

Duncan (2005:613) defined sponsorship as:

Sponsorship is financial support of an organization, person, or activity in exchange for brand publicity and association.

Sponsorship is an increasingly important instrument in the communications mix (Kitchen and De Pelsmacker, 2004). In the MET report (London Business School, 2003), brand PR and sponsorship are grouped together. The main pattern is one of fairly steady and moderate growth between 2001 and 2004, but with significant year-on-year

changes in individual markets, such as England, France and Japan. The growth of sponsorship can be attributed to a number of factors, for example a, decline in advertising expenditure (Fahy et.al, 2002). Some companies see alternative and cheaper forms of gaining exposure that avoid clutter and allow a sufficiently distinctive message. Sponsorship has increasingly been viewed as a way in which to generate audience awareness while at the same time create an association between the values the sponsored entity exemplifies and the sponsoring company (Pickton and Broderick, 2005).

There are three major types of sponsorship: event sponsorship, cause-related sponsorship and broadcast sponsorship. In event sponsorship the company itself organises an event or sponsors an event organised by someone else. In cause-related sponsorship the company associates itself with or supports a good cause or a social-profit organisation. Broadcast sponsorship implies that a company formally associates itself with a television programme or uses a television programme to promote its brands (Pickton and Broderick, 2005; Kitchen and De Pelsmacker, 2004).

The Internet offers the opportunity to combine aspects of traditional sponsorship innovatively and to extend marketing strategy in new directions. For example, sponsorship of virtual activities that engage the user, such as experiential online games and highly targeted online discussion groups, takes advantage of the Internet's interactivity facility. Potentially, Internet sponsorship will be superior to traditional sponsorship in terms of the ability to track consumers' attitudes towards the brand, measure traffic to the site, and obtain actionable feedback (Drennan and Cornwell, 2004).

Sponsorship attempts to improve brand or company perceptions by flanking individual beliefs about the company or brand, and connecting them to an event or an organisation that is highly valued by target consumers. As a result of this process, sponsorship creates a link in the mind of consumers between the company or brand and an event that targets consumers' values highly (Cornwell and Maignan, 1998; Cornwell *et al.*, 2001; Meenaghan, 2001).

Sponsorship should be more effective when it is coordinated with other marketing communications tools (Pickton and Broderick, 2005). If an organisation is thinking about sponsoring an event it should not only be consistent with the brand image, overall marketing plans and other marketing communications activities, but it should also benefit these (Kitchen and De Pelsmacker, 2004). However, sponsorship does not come without risks. It is difficult to measure the results of sponsorship because there are essentially long-term effects of many sponsorship projects. If sponsorship projects are not chosen carefully the image of the entity sponsored may have a negative impact on the company providing support. In addition, there a possibility that event may become overly sponsored which means that the effect of the sponsorship will be minimal (De Pelsmacker *et al.*, 2004). In sport-sponsorship projects there seems to be a movement towards using intent-to-purchase, product trial and sales as measurement techniques rather than rely on much easier measurement techniques that evaluate media exposure, awareness and image enhancement (Crompton, 2004; Lough and Irwin, 2001).

Nonetheless, sponsorship can be a powerful tool to create and support brand awareness, to enhance brand image and to build and support customer loyalty. In order to be affective, sponsorship projects should be carefully selected and managed into the marketing communications mix.

2.11 Personal Selling

Personal selling has also changed over the last few decades. Traditionally, the emphasis in sales was on the close of the sale, with little thought being given to the means by which the sale was obtained, customer expectations of the sales process, or the likelihood that any particular buyer would be a source of future business (Keillor *et al.*, 2000). However, as the marketplace is becoming more and more competitive, both in the number of competitors and the quality of products, this transaction-based emphasis in sales is being replaced by a relationally focused approach, which takes into account the customer wants and needs (Pickton and Broderick, 2005). The advent of new technologies for selling and sales activities has had the effect of increasing the number of points of customer contact. Sales strategies employed by organisations are now taking account of these additional distribution channels and routes to market (Duncan, 2005).

The main strengths and limitations of personal selling are shown in table 2.3:

Table 2.3: Strengths and limitations of personal selling

Strengths	Limitations
Two-way communication	Maintaining a sales force is costly
Fast direct feedback	Over-emphasis on a quick sale
Sales message tailored to each customer	Message inconsistency

Adapted from: (Fill, 2005:766)

The greatest strength of personal selling is the customised two-way communication, as the most powerful form of persuasion (Duncan, 2005; Fill, 2005). However, it can be costly to maintain a sales force and therefore it is important to select the ‘right’ individuals. (Jones *et al.*, 2005). The profession also has an image problem: the word ‘salesperson’ seems to be associated with unethical business (Jones *et al.*, 2005). Therefore many companies have started to entitle their sales people ‘marketing associates’ or ‘marketing representatives’ (De Pelsmacker *et al.*, 2004; Duncan, 2005).

The sales force obviously operates on numerous front lines when it comes to contacting customers and considering their needs. The selling function is increasingly receiving a higher profile with mounting emphasis on key skills such as negotiation (Dwyer *et al.*, 1987). Research shows that customer-oriented selling leads to increased profit and customer satisfaction, and that sales people are also likely to engage in customer-oriented selling when the benefits of developing a long-term relationship and the possible need to defer immediate sales in the interest of a larger payoff in the future outweigh the cost (Keillor *et al.*, 2000).

Personal selling can additionally be integrated into the marketing communications mix. The primary criterion for determining when personal selling should be integrated is whether the margin of each transaction is large enough to cover the cost of personal selling. Personal selling is chiefly used when a product is complex and the purchase will require assistance. In addition, personal selling is integrated into the marketing communications mix when there are limited numbers of customers (Duncan, 2005). Technological changes have affected the discipline of personal selling. Customers are now expecting more from the sales force, in relation to knowledge, speed of response, breadth and depth of communication and customisation of information and offerings

and therefore the selection and training process is more important than before (Jones *et al.*, 2005).

2.12 E-communication and interactive marketing

The rapid development of the internet in the past ten years has changed the conventional communication procedures (Gurau, 2008). This is perhaps not difficult to understand as there are currently more than 650 million people (200 million of whom are in Europe) with Internet access (De Pelsmacker *et al.*, 2004). Results from the MET report (London Business School, 2003) indicate that interactive marketing (Internet advertising, marketing websites and extranets, email marketing and new media such as wireless IDTV) are growing fast. Interactive media accounts for 10% of total marketing expenditure in business-to-business and 6% in business-to-consumer marketing.

Marketers have a large number of different e-marketing communications tools at their disposal. They can use brand websites, online advertising, online events, advergames, viral marketing, online contests, e-sampling and e-mail marketing (Pickton and Broderick, 2005). Other interactive marketing tools include interactive digital television and mobile marketing. The Internet can be used to send messages, transfer data, monitor news and opinions, search, browse, host and present information. This makes it a very important marketing tool which can be used for many purposes. It can be used as a direct sales and distribution channel or as a source of secondary information. Importantly, it can be used as a primary information source through Internet surveys and interactive websites where orders can be taken, product offerings updated frequently and customers can be stimulated to buy and pay online (Kitchen and De Pelsmacker, 2004).

Interactive digital television (IDTV) features television content that gives viewers the ability to interact with programme. The impact of digital television for marketers is considered important because the market penetration of television is much higher than that of personal computers. Mobile marketing uses mobile phones to communicate with customers to promote products and services using either short messages or multimedia messages (Kitchen and De Pelsmacker, 2004).

More recently, social media and networking sites, where people share and discuss information, have emerged. The shift into social media has come about because of highly accessible and usable publishing technologies that have emerged online and very popular sites have been developed, such as Facebook, MySpace, Youtube, Orkut and Twitter, to name but a few (McCann Bristol, 2009a). A study into the impact of social media and the way products are marketed shows that over half of the UK's marketing experts are not up to speed with social media and how it works as a marketing communications tool (McCann Bristol, 2009b). Correspondingly, the average UK citizen spend over 22 hours online a month on these sites and this figure is rising every year (Burmester, 2009). According to Burmester (2009) Facebook is one of the major factors contributing to the increasing amounts of time people are spending online. In April 2009, Facebook was the most heavily used web brand in the UK, followed by MSN and Google. Another significant fact for marketers is that the ten most heavily used web brands account for 45 percent of total UK Internet time (Burmester, 2009). It is evident that there are opportunities to reach out and form a relationship with consumers but marketers will have to step up their game and learn how to use this medium more effectively.

In large parts of Europe, the Internet reaches more than half of the population, mobile phone penetration is even higher and interactive digital television is expected to penetrate even further within a few years. As a consequence, the consumer's media attention is fragmenting and marketers will have to pursue them into the new digital media.

2.13 Exhibitions and trade fairs

Exhibitions and trade fairs and shows provide a temporary forum for sellers of a product category to exhibit and demonstrate their products to prospective buyers. Exhibitions are a powerful communications tool, since no other activity brings so many buyers and sellers together under one roof. There is controversy and dissent about their use and effectiveness (Pickton and Broderick, 2005). Like direct marketing and personal selling, exhibitions and trade fairs are considered to be personal. Exhibitions can be broadly divided into public fairs that are open to the general public, and trade fairs that are open to people working in a certain field of activity or industry (De Pelsmacker *et al.*, 2004). To enjoy certainty, exhibition managers need to have realistic objectives and be able to evaluate whether the exhibition has been successful. Exhibitions also require a considerable degree of commitment, needing both good preparation and then follow-up (Pickton and Broderick, 2005). Companies who successfully develop integrated communications programmes with an emphasis on trade shows do so because these trade fairs create sales for them. It seems that exhibitions and trade fairs are mainly, but not exclusively, used in business-to-business marketing as places for merchants of a certain product category or industry to meet and talk (Shimp, 2003; De Pelsmacker *et al.*, 2004).

Nevertheless, there are a number of reasons why companies could have a negative attitude to participating in trade fairs and exhibitions. Visitors are overwhelmed with lots of information during a short period of time and it is likely that communicating a message in this clutter will be ineffective. Competitors are easy to contact and comparison is possible. In addition, trade fairs are often hectic and exhibitions with high visitor numbers will lead to superficial contact (De Pelsmacker *et al.*, 2004).

Exhibitions can be an important factor in the marketing communications mix. It is considered of importance to plan these events very carefully and to carry out analysis of the exhibition project.

2.14 Conclusion

The marketing environment has changed dramatically in the last two decades. The fragmentation of media and the need for more cost-effective and efficient marketing has changed the way marketers execute their marketing. New marketing communications tools, such as interactive marketing which is growing fast, have been developed. This has increased the need for consistency in everything the company communicates in all countries in which it markets its products.

Companies need to select the marketing communications blend carefully. All of the aforementioned marketing communications functions attempt to influence or persuade potential consumers by conveying a message. For integration of the marketing communications mix to be successful, all the elements have to be carefully planned in such a way that they form a consistent and coherent marketing communications plan. As shown in this chapter, a large variety of communication instruments exist, each with their own characteristics, strengths and weaknesses. Companies need to be able to evaluate each promotional tool and integrate the ones that they want to use.

The subject of the next chapter will be twofold. Firstly small and medium sized enterprises and their unique characteristics will be considered. Additionally, there will be discussion about culture in order to establish the significance of this research.

Chapter 3
Small and Medium Sized Enterprises,
Marketing Communications
Organisational Culture

3.1 Introduction

The previous chapter presented an overview of marketing and marketing communications activities, highlighting the changes that have occurred in the past ten to twenty years with the emergence of the World Wide Web. Taking into account that the majority of studies have focused on large companies, it seems appropriate to explore marketing and marketing communications practises in Small and Medium Sized Enterprises (SMEs). In addition, as this research addressed the influence of organisational culture on marketing communications activities, an overview of the theoretical framework and development of culture will be presented and discussed.

This chapter is divided into five sections: section 3.2 defines small and medium sized enterprises whilst section 3.3 examines SME marketing and marketing activities. Section 3.4 analyses the concept of culture and how it influences marketing and marketing communications practises and section 3.5 discusses the theoretical background of organisational culture and how it correlates with marketing and marketing communications practises. Finally, section 3.6 draws a conclusion from all the above.

3.2 Characteristics of SMEs

Over the last thirty years there has been considerable discussion related to the appropriateness of categorising SMEs by the number of employees. In 1996, the European Commission (EC) set out a definition of SMEs which was intended to be appropriate in all member countries. The definition used in this research is the 2005 version as defined by the European Commission (European Commission, 2005), which identifies small enterprises as those which employ fewer than 50 persons and have an annual turnover or annual balance sheet total that does not exceed 10 million Euros. Additionally, medium enterprises are defined as those which employ fewer than 250 persons and have an annual turnover that does not exceed 50 million Euros or an annual balance sheet total that does not exceed 43 million Euros, see table 3.1:

Table 3.1: European Commission definition of SMEs

Enterprise Category Size	Headcount	Annual Turnover
Medium	<250 (50-249)	≤ € 43million
Small	<50 (10-49)	≤€ 10 million

Source : (European Commission, 2005)

Unlike the UK and the European Union, which have one definition applied to all industries, the US has chosen to set standards for each individual industry. The most common size standards are less than 500 employees for medium sized companies and less than 100 employees for small companies (IIFT Centre for SME studies, 2009). This study however applies the European Commission definition as it is more fitting and useful for this research as the country of Iceland is small and the companies tend to be smaller than in larger societies.

Small and medium sized enterprises have increased in importance in the last two decades, measured in terms of their share of manufacturing employment and output (Burns, 2001; McCartan-Quinn and Carson, 2003). The number of SMEs has continued to rise, as does the number of people classified as self-employed. In 1979 there were only 2.4 million small businesses in the UK; by 1999 this had grown to 3.67 million and in 2007 they accounted for 99.9 percent of all UK enterprises (Burns, 2001; Department for Business Innovation and Skills, 2007; Department of Business Enterprise and Regulatory Reform, 2008). Even the latest recession has not affected entrepreneurs from creating their own jobs. Entrepreneurship rates have also increased from 2007 to 2008 in the US and early-stage entrepreneurial activity has increased significantly in Finland in the last five years (Anonymous, 2009; Westphal, 2009).

There are a number of factors influencing this growth of SMEs. There has been a shift in most economies away from manufacturing towards the service sector, where small firms often flourish because of their ability to deliver personalised, flexible, tailor-made service at a local level (Burns, 2001). Technology also plays an important role. Small companies have pioneered innovation in computers and the Internet. These technologies have actually facilitated the growth of self-employment and small businesses by easing communication, encouraging working from home and allowing smaller and smaller market segments to be serviced (Burns, 2001). International SMEs are capable of exploiting global opportunities more rapidly and efficiently than larger companies, and some are even participating in international activities shortly after their inception, an international born-global phenomenon (Knight and Cavusgil, 2004; Zhou *et al.*, 2007).

Small firms have features in common with all companies, and are more than simply smaller version of major corporations. According to Carson *et al.*, (1995) SMEs also

have unique characteristics and attributes which are reflected in the manner in which they are organised and managed, see table 3.2 :

Table 3.2: Characteristics of SMEs

* Size	*Ownership
* Scale of Operations	*Scope of Operations
*Independence	*Management Style

Source: (Carson *et al.*, 1995:144)

Small firms are not predominantly in a position to manipulate their markets and they do not have the volume to compete with large ventures on the basis of price. As a result, it has been suggested that their best option is to seek market niches and avoid market penetration or diversification as a developmental strategy (Perry, 1987). SMEs tend to be considerably more creative and innovative than their larger counterparts, given the freedom of expression inherent in most small firms, which facilitates and encourages creative and innovative behaviour (O'Shea, 1998; McCartan-Quinn and Carson, 2003). Small firms tend to have a very limited share of any given market. This means that small ventures have little impact on their surroundings and have limited power to modify environmental forces to their advantage. However, they can react quickly to environmental changes. In assessing entrepreneurial and market opportunities, SMEs, through their centralisation of strategic decision-making power and their flexible structure, respond rapidly to openings and use their creative skills to acquire the resources they need. Strategic planning and implementation are flexible though dominated by the lead entrepreneur's vision (Carson *et al.*, 1995; McCartan-Quinn and Carson, 2003).

The equity of SMEs is generally owned by one person, or at most, a very few people. Small firms tend to be managed directly by their owner or owners. Communications in a small company are easier as owners will ensure the opportunity for face-to face contact. SMEs are owner-managed; their marketing activities must be shaped and influenced to a large degree by the entrepreneur (Burns, 2001; McCartan-Quinn and Carson, 2003). Entrepreneur, entrepreneurial and owner manager are considered as meaning largely the same in the context of the literature. SMEs are independent in the sense that they are not part of a complex enterprise system as in a small division of a large enterprise. Independence also means that the firm's owner/managers have ultimate authority and effective control over the business, even though their freedom may be constrained by obligations to financial institutions (Carson *et al.*, 1995; Tilley and Tonge, 2003).

SMEs are generally managed in a personalised fashion. Managers of small firms tend to know all the employees personally; they participate in all aspects of managing the business; and there is no general sharing of the decision-making process. Most owner/managers are deeply committed to their ventures, but work is merely an instrumental activity for many people. This means that small firms do experience problems on acquiring resources and their lack of specialised expertise coupled with the small scale of their operations affords them little purchasing power (Carson *et al.*, 1995).

As SMEs have increased in importance in the current economy, studies about how they employ and practise marketing and marketing communications have flourished. Section 3.3 discusses this in greater detail.

3.3 Marketing Activities in SMEs

It is questionable whether small businesses need to practise marketing to survive and grow (Hogarth-Scott *et al.*, 1996). In their study, Hogarth-Scott *et al.*, (1996) conducted semi-structured interviews with small business founders. Their findings revealed that marketing is indeed practised to some degree in small businesses but because small business owner-managers are generalists, complex theories or formal processes are inappropriate for them. This could be the reason why marketing is often considered peripheral to many small business activities (Dwyer *et al.*, 2009). As well, marketing does not appear to fit with or have any significant or immediate impact on company performance (Carson *et al.*, 1995; Morris *et al.*, 2002; Beverland and Lockshin, 2004). SMEs still however have some marketing advantages compared to large companies, see table 3.3:

Table 3.3: Marketing Advantages of SMEs

*Loyalty	*SME/Customer Interface
*Flexibility	*Speed of Response
*Opportunity Focused	*Easy Access to Marketing Information

Adapted from (Carson *et al.*, 1995:87-88)

It has been suggested that the work environment in a small firm is likely to be more harmonious than within large companies, as the employees are usually closer to the lead entrepreneur or managing director. This is suggested because the latter may influence these employees and persuade them to conform to the entrepreneur's personality and style characteristics if they are to remain as employees. In many cases the owner/manager does have the opportunity to be acquainted with most of the employees

on an informal basis. When this is so, increased worker loyalty, pride and commitment are likely to ensue. This then translates into a marketing advantage for the SME (Carson *et al.*, 1995; McCartan-Quinn and Carson, 2003). Another marketing advantage of SMEs is closeness to the customer. It has been noted that SMEs quite often have a narrow customer base and customers are usually concentrated in a local market. This in turn means shorter lines of communication between the enterprise and its customers. Owner/managers consequently often know their customers personally and the resultant interactions from such relationships lead to benefits, including customer loyalty and higher levels of customer satisfaction (Burns, 2001).

Because of their size, SMEs are usually more flexible in responding to customer inquiries. SMEs' flexibility also implies speed of response to customers' inquiries. Their closeness to the market means they can identify changes in marketing trends, consumer demand and a host of other areas more easily than larger firms, and therefore are usually quicker to react. In large companies changes, however small, are often discussed for far too long and the lead-time between identification of a market opportunity and taking action upon it can be too long (Verhees and Meulenbergh, 2004). SMEs tend to be more opportunity-focused than large companies. Once identified, opportunities are analysed and decisions made quickly. This facility and willingness to embrace opportunities readily is another advantage they enjoy over larger companies (Tilley and Tonge, 2003).

Allied to the other advantages is access to and use of marketing information. SMEs marketing decision makers are close to their customers and markets, close to their staff and generally operate shorter lines of market communication. The entrepreneur usually gathers information in an informal manner and prefers face-to-face communication to

do this. As a consequence, small firm owner/managers are constantly accessing vital and inexpensive marketing information. They are able to synthesise this information and use it to make better marketing decisions. Experience of working with SMEs shows that although many small firm entrepreneurs do this, they do it unconsciously (Carson *et al.*, 1995).

Long-term success for any SME means there must be emphasis on the innovation of new products, services and processes. The owner/manager must strive to create a dynamic, entrepreneurial culture in which there is constant emphasis on the importance of regular access to new knowledge, resources and information. In this way, SMEs in all sectors can improve their prospects for longer-term survival, if not growth (Tilley and Tonge, 2003).

However, small enterprises perform various activities with less expertise than large firms because they have little room for the functional specialists required rather than flexible generalists (Verhees and Meulenber, 2004). The entrepreneur controls the marketing process and uses the promotional tools that he knows best (Carson *et al.*, 1995; Fam, 2001; Hausman, 2005). In addition, small enterprises have a lack of time, limited capital, market power and network access (Knight, 2000; Verhees and Meulenber, 2004; Gilmore *et al.*, 2006). It is therefore possible to assume that SME marketing is likely to be haphazard, informal, loose, unstructured, spontaneous and reactive (Carson, 1993; Blois and Carson, 2000; Gilmore *et al.*, 2001).

Marketing planning in SMEs is described as flexible, informal and short-term oriented (Carson, 1993; Gilmore *et al.*, 2006). However marketing planning by nature and design is formal. Entrepreneurial decisions are inherently informal, whereas marketing

decisions are inherently formal: entrepreneurial decisions are haphazard, creative, opportunistic and reactive, whereas marketing decisions are sequential, systems oriented, disciplined and structured, and entrepreneurs' decision timespan is short-term whereas market timespans are both short-term and long-term (Carson, 1993).

Managing directors/owners/entrepreneurs play a major role in marketing activities within the companies. Entrepreneurs are often risk takers, opportunistic, innovative, creative, adaptive, visionary, and individualistic (Carson, 1993; Blois and Carson, 2000). In their study, Verhees and Meulenbergh, (2004) discovered that the innovativeness of the owner, appears to be an important characteristic of a small firm as it is correlated highly with performance. Nevertheless, marketing does not seem important to them. Owner/managers claim to give marketing a low priority compared to the other functions of their business, often regarding marketing as something that larger firms carry out (Stokes, 2000). In addition, small business managers often lack the type of education and skills required in marketing (Verhees and Meulenbergh, 2004; Hausman, 2005; Gilmore *et al.*, 2006) and little evidence was found in Hills *et al.*, (2008) study that they held cognitive models of marketing that even approximated those offered in leading marketing textbooks e.g. Kotler and Keller (2006). The owner-managers usually spend a considerable part of their working day in contact with customers, which allows them to interact with their customer base. Interactive marketing for small firms implies responsiveness. Such interaction relies on word of mouth marketing to spread their message (Stokes, 2000).

Usually the decisions are made by the entrepreneur or the manager. The decision making characteristics of the entrepreneur are inherently informal; simplistic and haphazard and tend to be responsive and reactive to competition. The entrepreneur or

owner/manager does not need structures and frameworks, but instead will intuitively coordinate and perform decision making in a way that is natural to him or her (Carson, 1993; Blois and Carson, 2000).

Entrepreneurs tend to shy away from formal marketing research methods. They prefer more informal methods of gathering market information, usually through networks of contacts involved in the industry and they will interpret them in their own personal way (Blois and Carson, 2000; Carson, 1993; Stokes, 2000). Entrepreneurs respond to the voice of the customer rather than undertake formal market research to understand the market place (Stokes, 2000).

SMEs owner/managers tend to regard only a few firms as true competitors and this identification process is based mainly upon their own perceptions of those firms as opposed to customer perceptions of them (O'Donnell *et al.*, 2002).

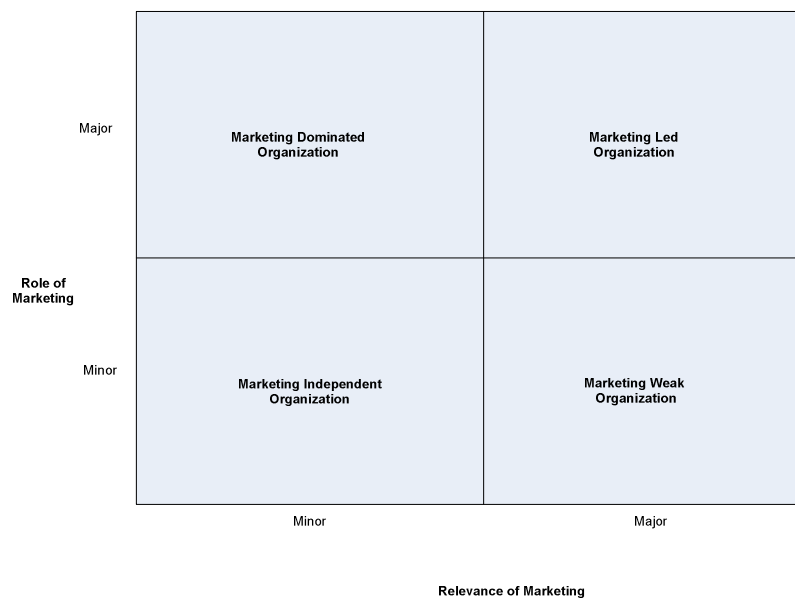
Entrepreneurial marketing communications activities do not fit easily into these existing models of the marketing mix. Owner/managers do not define their own marketing mix in terms of product, place and pricing although they usually include promotions, Entrepreneurs prefer interactive marketing and specialise in interactions with their target markets because they have strong preferences for personal contact with customers rather than impersonal marketing through mass promotions (Stokes, 2000).

Several authors have as well highlighted a need for research concentrated more on specific industrial sectors and some studies have been conducted on e.g. internet usage in agri-food companies or marketing in small hotels (Downie, 2003; Simmons *et al.*,

2007; Moriarty *et al.*, 2008). Others have attempted to develop models for marketing activities within SMEs (Simpson and Taylor, 2002).

Simpson *et al.*, (2006) described the role and relevance model of marketing in SMEs developed by Simpson and Taylor (2002). This model analyses the internal organisation for marketing activities, e.g. the role of marketing, and the demands of the external business environment. The description of the model suggests various strategies that might be adapted with the assumptions that SMEs could and should attempt to become ‘marketing-led’ organisations and by doing so they would achieve better performance. The model is shown in figure 3.1:

Figure 3.1: The Role and Relevance Model of Marketing in SMEs



Source : (Simpson and Taylor, 2002:372)

In marketing-led companies, marketing is very important to the company’s success and marketing is seen as highly relevant because the competition is severe in the markets they operate. In a marketing dominated organisation, marketing is seen as dominant in the strategy making process, using a lot of resources and producing a numerous plans

which are not useful because of the markets these companies operate in. Marketing weak organisation is seen as requiring marketing expertise in an effort to maintain its market share and to grow in the markets it serves. Marketing is relevant for the organisation but the company may spend little time or effort on marketing activities. Marketing an independent organisation is similar to marketing a marketing dominated organisation except that it is held back by a sizeable commitment to marketing. Marketing plays a minor role and the relevance of marketing is minor because it can be effectively absent altogether (Simpson and Taylor, 2002).

Simpson and Taylor (2002) have been able to find examples of three of four company types in the model, the marketing independent organisation, marketing weak organisation and marketing-led organisation. They have however, not found a marketing dominated organisation. According to their studies Simpson et al. (2006) found that marketing-led companies seemed to have more employees and higher turnover than other companies. They were as well, more likely to have a marketing department and an active business plan.

Even though this model has showed some capability for explaining the behaviour of SMEs towards marketing it neglects the effects of entrepreneurial behaviour which the authors noted themselves. Other authors have identified how important the behaviour and decisions made by the owner, entrepreneur or managing director is to the organisation (Carson *et al.*, 1995; Blois and Carson, 2000; Burns, 2001). Moreover, there is no mention of culture and how different cultures influence marketing activities within organisations.

From the above discussion it is evident that SMEs practise marketing in their own unique way. SMEs managers tend to be short-term focused and their marketing practises more flexible and less structured than within larger companies. One thing, largely ignored is how culture affects marketing, and marketing communications practises within these types of companies. The following section will discuss this in greater detail.

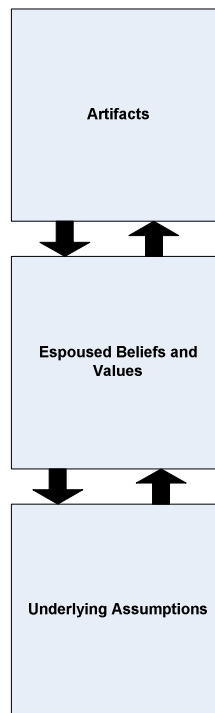
3.4 Culture

Previous sections discussed marketing activities in SMEs, as studies have focused on the environment, the influence of the owner/entrepreneur, decision making process and differences between SMEs and larger organisations. This section will address culture and how national culture can influence marketing and marketing communications activities within organisations.

For the purposes of this research, culture is defined as a complex and interrelated set of elements, comprising knowledge, beliefs and values, arts, law, manners and morals and all the remaining types of skills and habits acquired individuals as members of a particular society (Tylor, 1977; Mirosnikck,2002). The definitions of culture are numerous but as Triandis (1996) states, almost all researchers agree that culture is reflected in shared cognitions and standard operational procedures. The elements of culture are acquired and reinforced by languages, symbols, religion, social institutions, and values (Usunier and Lee, 2005; Fill, 2005).

According to Schein (1991), culture exists simultaneously on three levels. Artifacts are on the surface, underneath the artifacts lie values and at the core are basic assumptions, see figure 3.2:

Figure 3.2: Levels of Culture



Source: (Schein, 2004: 26)

Artifacts include all the phenomena that one sees, hears and feels when one encounters a new group with an unfamiliar culture. Artifacts are both easy to observe and difficult to decode. Espoused beliefs and values are those learned by the group and initially promulgated by founders and leaders in order to reduce uncertainty in critical areas of the group's functioning. As times passes, they gradually become transformed into assumptions supported by expressed sets of beliefs, norms and operational rules or behaviour (Schein, 1991). These basic assumptions tend to be difficult to change. Schein (2004) states that the human mind needs cognitive stability and therefore any challenge or questioning of basic assumption will release anxiety and defensiveness. Authors such as Hatch (1993) have based their frameworks on Schein's model.

Hofstede (2001) demonstrates that national and regional cultural groupings can affect the behaviour of societies. In his main and oft-cited study, conducted between 1967-1973 (Hofstede, 2001) he revealed five main conceptual dimensions on which national cultures exhibit significant differences: power distance, uncertainty avoidance, individualism versus collectivism, femininity versus masculinity and long term versus short term orientation and provides ratings of these dimensions for many countries.

The first dimension, power distance, measures the equality of power distribution between people of the society. High power distance resembles high inequity between individuals and hierarchical organisations while in societies with small power distance, individuals are regarded as equals. Uncertainty avoidance addresses how a society deals with risk and uncertainty about the future. High uncertainty avoidance societies prefer a highly structured rules and have limited tolerance for groups and individuals demonstrating deviant ideas or behaviour (Hofstede, 2001; Johnson and Turner, 2003). In societies where uncertainty avoidance is low, businesses is conducted in a less formal manner, with fewer standardised rules. Individualism versus collectivism refers to the degree to which the interests of the individual or of the group take priority. Individualist societies reveal a greater consideration for the individual's rights and freedom while in collectivist societies; it is the group that looks after the interests of individuals and gives them a sense of identity. Masculine society's exhibit aggressive and goal-oriented behaviour while cultures that place high value on social relationships, quality of life and sensitivity demonstrate feminine behaviour. In societies with short-term orientation the emphasis is on urgent gratification of needs and attention on the present and attainment of short-term goals. In cultures with a more long-term focus, the fulfilment of needs is deferred for the sake of long-term benefits and growth (Hofstede, 2001; Johnson and Turner, 2003) Despite criticism of its methodology and limited context as it was limited

to IBM employees (Fernandez *et al.*, 1997; Steenkamp, 2001) Hofstede's framework is still seen as the main measure of national cultures.

As business becomes increasingly globalised, it is important to understand cultural differences. Cultural studies are popular in international marketing studies; from 1990 to 1995 25 percent of international marketing articles published in the leading scholarly journals in international marketing incorporated culture. This figure rose to 44 percent for the period of 1995 to 2000 (Yaprak, 2008). The majority of these studies have applied Hofstede's (2001) framework or other dimensionalising frameworks e.g. Schwartz and Bilsky (1990) to marketing phenomena. Teng and Laroche's (2006) findings indicate that a culturally congruent appeal and a strong argument embedded in an advertisement created more favourable responses than culturally incongruent appeals. Madden *et al.*, (2000) investigated colour meanings and preferences in a cross-national study and the results showed cross-cultural patterns of both similarity and dissimilarity in colour preferences and colour meaning associations. Money *et al.*, (1998) examined how national culture in the United States and Japan affects referral behaviour for industrial services such as advertising, banking and accounting and discovered that business culture in Japan is vastly different to the US, and that acquiring business in Japan requires a different approach than 'do it alone' business culture in the US. Hewett *et al.* (2006) explored whether national culture directly moderated the link between buyer-seller relationship strength and repurchase intentions in industrial markets. The findings showed that national culture and corporate culture moderate the relationship repurchase link and more importantly that national culture is associated with corporate culture. From the studies mentioned above, it is evident that diverse marketing approaches are necessary when marketing to different countries with different cultures. Tellis, *et al.*, (2009) identified that national culture was not as

important a drive for innovation as organisational culture which was specified as a significant driver for radical innovation. The next section will address the topic of organisational culture and marketing.

3.5 Organisational Culture and Marketing

The previous section discussed national culture and how important is to recognise and understand national culture when marketing in a new environment and in a different country. This section will discuss the field of organisational culture which became important in the 1980s. Initially, anthropology and sociology formed the foundation of work in this area but now the majority of the work occurs in the field of organisational behaviour (Hofstede, 1986; Jelinek *et al.*, 1983; Ouchi and Wilkins, 1985).

Different definitions are available describing organisational culture. Here, only some of that number will be mentioned, and note made that the range of other alternative definitions exists in the literature. One definition outlined is that of Jelinek *et al.*, (1983) who state that ‘some underlying structure of meaning that persists over time, constraining people’s perception, interpretation, and behaviour’. Another definition by Martins and Terblanche, (2003) describes organisational culture as ‘the deeply seated (often subconscious) values and beliefs shared by personnel in an organisation’. For this research, organisational culture is identified as: ‘the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them with the norms for behaviour in the organization’ (Deshpandé and Webster Jr, 1989). This means that the organisational culture is related to the causality the members impute to organisational functioning (Deshpandé and Webster Jr, 1989; Deshpandé *et al.*, 1993).

Schein (1991) identified three factors influencing and underpinning organisational culture. The business environment in which an organisation operates will influence organisational culture as well as leadership style. The manner in which an organisation is managed is likely to influence positively or negatively the beliefs, attitudes and behaviour of the employees (Wilson, 2001). Finally, the informal socialisation process, which addresses how an individual behaves within the group context.

Ethnographic techniques and in-depth, open-ended interviewing are often used to study organisational culture and some research even argues that quantitative techniques have no place in empirical studies of culture (Ouchi and Wilkins, 1985; Zammuto and Krakower, 1991). However, different methods have been used to examine organisational culture such as the ethnoscience approach for semiotics studies (Gregory, 1983) and field observation (Barley, 1983). Quinn and Spreitzer (1991) state that the advantage of qualitative approaches have been bought at a cost because it is difficult to make analytic comparison across organisations. They presented survey instruments based on the competing values framework, developed by Kim Cameron and reported in Cameron (1978) and Quinn (1988). This survey instrument has been used in several studies (Quinn and Spreitzer, 1991; Zammuto and Krakower, 1991; Parker and Brandley, 2000; Lamond, 2003 and Igo and Skitmore, 2006).

Findings from studies using the competing values framework have showed that cultural strength can vary considerably between institutions (Zammuto and Krakower, 1991). Their study also supported Wilkins and Ouchi's (1983) argument that clan or group culture is likely to emerge in small organisations by committed sources. Two studies have investigated organisational culture in Australian organisations. Parker and Bradley, (2000) studied six organisations in the public sector which historically had

been exceptionally hierarchy dominated but had been encouraged to put greater emphasis on change, productivity and flexibility. Their findings revealed that four of six companies were still dominated by a hierarchical or internal process model of organisational culture. Their conclusion was that it is difficult to change organisational culture chiefly due to the fact that culture is deeply ingrained in the underlying norms and values of an organisation. Lamond (2003) investigated 462 managers' perception of their organisations. The findings showed that the majority of organisations represented in the study were likely to shape the individual action of their managers in ways that were unlikely to produce optimal results. It was thought that Australian organisations had changed dramatically over time and were now demonstrating flexible organisation, management leaders, open communications and focus on markets. However, the evidence from this study suggests that this has not happened as yet.

Several studies have been conducted about organisational culture in the field of marketing. Kohli and Jaworski's (1990) study showed that centralisation of decision making within an organisation can serve as a barrier to market orientation. Beverland et al's., (2006) study on sales and marketing departments identified that problems between these two departments were related to deeply embedded sub-cultural frames which were difficult to change. In addition, organisational culture is identified as important for marketing strategy implementation and the development of customer orientation (Deshpandé and Webster Jr., 1989; Ridnour *et al.*, 2001). Brooksbank (2007) discovered in his search for marketing-led company culture that high performance companies are more innovative and active and that their activities involved more non-marketing people. Senior marketing executives in high performance companies were more committed to their companies, acting as mentors, taking part in

projects and facilitated sessions. This was lacking in a low performance companies taking part in this study.

Deshpandé *et al.*, (1993) studied corporate culture, customer orientation and innovativeness in Japanese firms, and the result showed that companies with an external and responsive culture (market and adhocracy) outperformed those with a culture more internally oriented (clan and hierarchy). Tellis *et al.*, (2009) additionally established that organisational culture was a significant driver for innovation.

All of the above studies have been conducted within large companies. Gilmore *et al.*, (2006) investigated the issues involved in the consideration of how SMEs owner/managers could pass on their networks to other staff and identified organisational culture as the biggest barrier when handing over or expanding marketing networks. Both in Northern Ireland and Australia where the research was conducted, it was noticeable how much time and effort respondents had spent trying to encourage others in their companies to become involved in networking.

From this result and others above it is apparent that organisational culture affects marketing practises within large companies. However, SMEs' unique characteristics e.g. flexibility and closeness to their marketing and ownership status could mean that these barriers large companies are facing may not be significant for SMEs. As well, the studies above revealed that companies with some 'cultural attributes' like external outlook and differentiation are more likely to be performing better than others. However, this has not been pursued by studies within SMEs and further seems to be an urgent issue as SMEs are increasing in importance and even in recession, entrepreneurship rates are increasing. Whilst it may be possible to investigate national

culture, discussed in section 3.3, organisational culture seems a more appropriate topic due to its direct link with companies and marketing performance as shown in previous studies (Kohli and Jaworski, 1990; Deshpandé *et al.*, 1993; Beverland *et al.*, 2006 Brooksbank., 2007). Therefore, this research will study the effect organisational culture has on marketing and marketing communications practises in Icelandic SMEs.

3.6 Conclusion

This chapter has established the need to investigate marketing and marketing communications practises in SMEs. SMEs have increased in importance in the last thirty years and furthermore in the current economic crisis their number is still increasing (Westphal, 2009) .

As a result of globalisation, research on national culture and organisational cultural has become imperative. Studies have shown that culture, and especially organisational culture can have an impact on innovation and performance within an organisation. Therefore, this research will focus on marketing communications/IMC practises in SMEs and the ways in which their activities are influenced by organisational culture.

The following chapter will outline the methodology of this research.

Chapter 4

Methodology

4.1 Introduction

This chapter will underline the main paradigms of research philosophy with the intention of defining the nature of this research. This is in order to determine assumptions about the world (ontology) and the nature of knowledge (epistemology). The present research will follow the ontology of constructionism, a position that implies that the world is socially constructed and only understood by examining the perceptions of its human actors or learners. Reality is subject to individual perceptions and the results of this research will depend on how senior managers of Icelandic SMEs analyse the emergence of IMC.

This research will take a mixed method approach as its epistemological standpoint. Historically, quantitative and qualitative research has been seen as grounded in incompatible epistemological principles (Bryman, 2004). However, researchers have recognised that these connections are not as fixed and disparate as traditionally thought. Therefore, designing a study in which multiple cases are used can greatly strengthen the research usefulness and validity (Collis and Hussey, 2003; Bryman and Bell, 2007). Hence the present research, involved a combination of qualitative and quantitative techniques, with the former being used to guide the latter.

This chapter also includes a discussion and explanation of the two research phases. The first research phase was designed to use semi-structured interviews, conducted with twenty senior managers in SMEs in Iceland. The second research phase consisted of an online questionnaire sent to a wider audience of SME senior managers. In addition, a

section is included on the research hypotheses, which tested the findings from the first phase of this research. Finally, methods of data analysis are discussed as well as the concepts of reliability, validity and generalisation and their applicability to this research.

4.2 Ontological Assumptions

The central point of ontology is the question of whether social entities can and should be considered objective entities that have a reality external to social actors, or whether they can and should be considered as social constructions built up from the perceptions and actions of social actors (Bryman and Bell, 2007). Researchers that adhere to objectivism believe that the world is concrete and external, and that science can only progress through observations that have a direct correspondence to the phenomena being investigated (Easterby-Smith *et al.*, 2002; Bryman and Bell, 2007).

The nominalist position revolves around the assumption that the social world external to individual cognition is made up of nothing more than names, concepts and labels which are used to structure reality. The nominalist does not admit to there being any 'real' structure to the world which these concepts are used to describe. The 'names' used are regarded as artificial creations whose utility is based upon their convenience as tools for describing, making sense of and negotiating the external world (Burrell and Morgan, 1979, 4).

Integrated Communications is a social activity which is interpreted by the people involved in the process, e.g. internal staff, stakeholders, agencies, customers and consumers. The aim of this research is to explore the importance of marketing communications/IMC by interviewing senior managers or executives within SMEs. The 'reality' to be investigated is seen through their eyes, and therefore it is likely to be subjective and multiple because these senior managers can have different views of marketing communications/IMC based on their own perceptions and interpretation of the concept/process. Therefore, it seemed appropriate to follow the constructionist

ontology perspective because it suggests that social phenomena and their meaning are continually being accomplished by social actors (Bryman and Bell, 2007).

4.3 Epistemological Assumptions

Paradigm is a term which occurs very frequently in research methods literature. As used in social science, it means a set of assumptions about the social world, and about what constitutes proper techniques and topics for inquiry. It is a very broad term, encompassing elements of epistemology, theory and philosophy, along with methods (Punch, 1998).

Within the social science community there has been a debate between two main competing paradigms for the past three decades; the positivist or empiricist approach and the constructivist or phenomenological approach (Tashakkori and Teddlie, 1998). The debate has included several conceptual issues: the nature of reality, the relationship of researcher to research object, whether theory is value-laden, whether generalisations can be made and if there are causal linkages (Tashakkori and Teddlie, 1998; Easterby-Smith *et al.*, 2002 Collis and Hussey, 2003; Bryman and Bell, 2007). Positivists believe that there is only one reality that is 'out there' to be discovered. They consider that they are detached from what they are researching and regard the phenomena which are the focus of their research as objects (Collis and Hussey, 2003; Bryman and Bell, 2007). Knowledge is only of significance if it is based on observations of this external reality. The aim of social sciences should be to identify causal explanations and fundamental laws that explain regularities in human social behaviour (Easterby-Smith *et al.*, 2002).

Phenomenologists argue that there are many realities that can be constructed. For them, the social world is essentially relativistic and can only be understood from the point of view of the individuals who are directly involved in the activities which are to be studied (Burrell and Morgan, 1979). Phenomenologists maintain that one can only understand by occupying the frame of reference of the participant in action. One should therefore try to understand and explain why people have different experiences, rather than search for external causes and fundamental laws to explain their behaviour (Easterby-Smith *et al.*, 2002). Researchers cannot be neutral, or objective, or detached from the knowledge and evidence they generate. Instead, researchers need to be reflective, to ensure that they make sensible and informed decisions whose products will constitute a meaningful, coherent, intellectually compelling and practicable research strategy (Mason, 1996). The contrasting implications are summarised in table 4.1 below:

Table 4.1: Positivism vs. Interpretivism

Implications	Positivism	Interpretivism
<i>The observer</i>	Must be independent	Is part of what is being observed
<i>Human interests</i>	Should be irrelevant	Are the main drivers of science
<i>Explanations</i>	Must demonstrate causality	Aim to increase general understanding of the situation
<i>Research progresses through concepts</i>	Hypotheses and deductions	Gathering rich data from which ideas are induced
<i>Units of analysis</i>	Need to be operationalised so that they can be measured Should be reduced to simplest term	Should incorporate stakeholder perspectives May include the complexity of 'whole' situations
<i>Generalisation through</i>	Statistical probability	Theoretical abstraction
<i>Sampling requires</i>	Large numbers selected randomly	Small numbers of cases chosen for specific reasons

Adapted from: (Easterby-Smith *et al.*, 2002:30)

According to Matthyssens and Vandenbempt (2003), the approach to marketing research has become dominated by hypothesis-testing and has therefore resulted in over-reliance on quantitative techniques with the use of qualitative techniques being considered as less scientific. This position may now be changing within the field of marketing, the positivism versus interpretivism debate is showing signs of slowing down, along with a growing acceptance of a diverse range of methods of representing marketing phenomena (Chung and Alagaratnan, 2001; Brown, 2003). Chung and Alagaratnam's (2001) study revealed that most research in marketing over the past three decades has its metatheoretical assumptions in the functionalist paradigm.¹ Nevertheless, during this same period there was an *'apparent trend towards wider acceptance of alternative philosophies, and this has resulted in the publication of an increasing number of articles in an interpretive nature'* (Chung and Alagaratnan, 2001:230)

The aim of the present research is to explore the emergence, relevance and applicability of marketing communications/IMC within the SMEs in Iceland and this can only be carried out by examining perceptions that senior managers within SMEs in Iceland have about their own marketing communications activities. Therefore, this research used mixed methods, in-depth interviews in phase one and a quantitative survey method, in the form of a structured questionnaire sent to SMEs in Iceland in phase two.

'Paradigmatically, mixed method research makes use of pragmatism as a system of philosophy' (Harrison and Reilly, 2011:8). Pragmatism moves past the paradigm wars

¹ Chung & Alagaratnam investigated marketing papers in the *Journal of Marketing*, *Journal of Marketing Research* and *Journal of Consumer Research* in the years 1970, 1980, 1990 and 1997. The aim was to identify philosophical orientation of the articles in these journals.

by offering a logical and practical alternative which gives the researcher the freedom to choose the combination or mixture of methods and procedures that works best for answering the research questions (Johnson and Onwuegbuzie,2004). A mixed method is the act of bringing more than one source of data to bear on a single point. Generally, qualitative and quantitative researchers have been associated with a particular epistemological and ontological position, qualitative with an interpretivist position and quantitative research with a positivist tradition. However, the concept of mixed methods has been fruitfully applied to social science inquiry (Denzin, 1978; Collis and Hussey, 2003) including marketing and marketing communications studies (Eagle and Kitchen, 2000). The in-depth knowledge acquired through the first phase of this research was used to inform the design of survey questions for the self-completion questionnaire (Bryman and Bell, 2007). Data from different sources can be used to corroborate, elaborate, or illuminate the research in question (Collis and Hussey, 2003). Designing a study in which multiple cases are used, multiple informants or more than one data gathering technique can greatly strengthen the study's usefulness and its validity (Collis and Hussey,2003; Bryman and Bell, 2007).

4.4 Research Phases

In order to carry out this investigation it was undertaken in two phases, using mixed method approach mentioned in section 4.3.

In phase one, the developments of marketing communications and usage of IMC was investigated through interviews with senior managers or executives within SMEs in Iceland in order to understand how senior managers perceived marketing communications and organisational culture. The concepts that emerged from the data collection in phase one were used as a source for hypothesis in the second part of the

research providing this research with greater validity and confidence in the findings (Bryman and Bell, 2007).

Interviews are the most commonly used data collection approach in qualitative research. The in-depth and semi-structured interview takes seriously the notion that people are experts on their own experience and best able to report how they experienced a particular event (Darlington and Scott, 2002). The use of interviews can help gather valid and reliable data relevant to the research questions. According to Punch (1998, 174/175) 'the interview is one of the main data collection tools in qualitative research' as it is a 'good way of accessing people's perceptions, meanings definitions of situations and constructions of reality'. Hence, the semi-structured interview was chosen here to explore the emergence, growth and importance of marketing communications/IMC within SMEs in Iceland. This method gave valuable insight into how senior managers regard the development of marketing communications or the application of IMC within SMEs. Semi-structured interviews were chosen because they offer flexibility with respondents being allowed to express their opinions freely, but still has a series of questions that forms structure with an interview schedule (Bryman and Bell, 2007).

The literature does not give any guidelines as to how many interviews should be conducted in order to generate enough data. However, the number of interviews needs to be manageable for the researcher with regard to his/her time and resources (Zikmund, 1999; Bryman and Bell, 2007). This research took this matter into consideration and conducted twenty interviews for the first phase. Twenty senior managers were interviewed in this research which is in line generally with other studies on marketing and marketing communications (Low and Mohr, 1999; Kallmeyer and Abratt, 2001; Maquire *et al.*, 2007).

The sampling technique used in this research is judgment sampling because it helps with selecting cases that will best fit the research objectives (Zikmund, 1999). Judgment (purposive) sampling is a non-probability sampling technique in which the researcher selects the sample based on personal judgment about some appropriate characteristics of the sample members (Zikmund, 1999). This sampling technique was chosen because the sample is based on personal judgments about the characteristics of the sample members, such as their geographic profiles and accessibility. The Icelandic telephone directory was used as a base and emails (appendix 1) sent out to companies that the researcher regarded as SMEs. If respondents did not respond to the email the researcher called them by phone to request an interview. The aim was to find ten companies that marketed themselves towards business and a further ten that marketed themselves directly to consumers. This appeared extremely problematic as the majority of companies sell to both businesses and consumers even though they often focus more on one sector than the other.

Before any interviews took place there needed to be some theoretical analysis and pre-testing that would guide the researcher in the selection of the sample and in the construction of an interview schedule (Gerson and Horowitz, 2002). The interview schedule (appendix 2) was written in English but then translated from its source language (English) into the target language (Icelandic) by the researcher. After the interview schedule was translated, an Icelandic colleague amended the translations and approved the translation. The Icelandic colleague (Maria Bjork Kristjansdottir) speaks fluent English and is a teacher at the Reykjavik College in Iceland. She has taught the Icelandic language in colleges in Iceland for twelve years both to native speakers and to non-native speakers.

The interviews (appendix 3) were conducted in December 2006 and January 2007 with the exception of one interview that was carried at a later date. They were all conducted in Icelandic. This was done in order that respondents could communicate effectively without having to speak in a language with which they were less familiar (Bryman and Bell, 2007). The interviews were then translated and transcribed directly into English. For the initial interview, both the researcher and the Icelandic colleague translated the interview and minor amendments were made. Due to time constraints and the experience from the first interview it was decided that only the researcher would translate the interviews but would discuss and revise points with the Iceland colleague if it was deemed necessary.

The interviews were pre-tested on two companies before the actual interviews started. This was carried out so that it was possible to test the questions in order to know if the respondents would actually understand them. As well, this order was maintained in order to identify possible questions that would make respondents feel uncomfortable. This method provides the researcher with some experience of conducting interviews and can infuse him with a greater sense of confidence (Bryman and Bell 2007). The companies that took part in the pre-testing are both subsequently included in the research. Two minor issues arose during the interviews with the managers; in both cases the manager did not fully understand the questions posed. In consideration of this matter the two questions were re-worded. Even though it was not necessarily evident in the pilot interviews some managers had difficulty answering the first three questions about the goal of the company, internal communications and company culture and on several occasions did not answer these questions fully.

The list of companies that consented to participate in the first phase of the research is shown in table 4.2:

Table 4.2: Participants in the First Phase of the Research

Company	Number of Employees	Turnover2006	Role	Operation
Interview 1	220	£41.907.954	Marketing Manager	Retailer
Interview 2	35	£ 3.657.421	Managing Director/ Owner	Manufacturing
Interview 3	125	£72.386.467	Marketing Manager	Car dealers.
Interview 4	249	£41.907.954	Marketing Manager	Manufacturing
Interview 5	15	£ 5.380.890	Managing Director	Safety Service
Interview 6	22	£.4.647.973	Managing Director	Printery
Interview 7	30	£5.493.309	Chairman of the Board	Retailer
Interview 8	40	£12.238.965	Marketing and Production Manager	Telecommunications
Interview 9	30	£1.523.925	Managing Director	Gym
Interview 10	65	£.7.619.628	Campaign Manager	IT solutions
Interview 11	18	£990.551	Managing Director	IT solutions
Interview 12	240	£38.098.140	Marketing Manager	Retailer
Interview 13	40	£5.333.739	Managing Director	Retailer
Interview 14	130	£11.429.442	Marketing Manager	Retailer
Interview 15	25	£3.809.814	Managing Director	Retailer
Interview 16	17	£2.438.281	Managing Director	Retailer
Interview 17	40	£11.429.442	Marketing and Sales Manager	Retailer
Interview 18	205	£20.572.996	Marketing Manager	IT solutions
Interview 19		£41.907.954	Marketing Manager	Tourist Industry
Interview 20	70	£16.321.201	Marketing Manager	Retailer

Phase two was a quantitative survey based on the findings of phase one, designed to answer the hypotheses developed from the findings in the initial phase. The questionnaire type used in this research was that of self-administered structured on-line questionnaires addressed to selected SMEs managers in Iceland. The questionnaire is one of the most widely used survey data collection methods and provides an efficient way of collecting responses from a large sample prior to quantitative analysis (Bryman and Bell, 2007). Judgment sampling, explained earlier in this section, was used as the researcher was able to purchase a list with the contact details of 594 SMEs in Iceland that fitted the correct profile for this research.

The survey questions were either newly developed for this thesis or taken from studies aiming to investigate similar topics. Question 1 addressed the business environment and the stages of competition and was amended and adapted from Simpson et al's., (2006) questionnaire about the role of marketing in SMEs, see figure 4.1:

Figure 4.1: Question 1

1. Please indicate the extent to which you agree with each of the following statements regarding the role of the marketing within the company:

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	N/A
A. We have guaranteed business in a relatively stable market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. We are trying to survive against the competition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. We operate in a market where it is relatively easy for new competitors to emerge	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. Our customers have a limited choice of suppliers and rely on our ability to supply their needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E. Marketing is of little use to this company because we have guaranteed business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
F. We are doing fine without marketing and it is not expected to be of much use in the future	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
G. The achievement of marketing goals involves everybody in the organisation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
H. Marketing is important for expansion and growth of the company	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 2, was amended and adapted from Warnaby *et al.*, (2005) questionnaire which addressed marketing communications in planned shopping centres in the UK, see figure 4.2:

Figure 4.2: Question 2

2. Please indicate the extent to which you agree with each of the following statements regarding the planning for marketing activities in your company.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	N/A
A. In our company the marketing planning process is 'ad hoc' and not very systematic	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. Our marketing plan tailors most marketing initiatives and activities to specific target groups	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. Financial/budgetary constraints affect our company marketing planning activities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. Our planning process is able to accommodate unexpected opportunities and threats	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 3 was adapted from a questionnaire provided by Professor Kitchen (2008). This question gives information about how managers in Icelandic SMEs are dividing their promotional budget between marketing communications activities, see figure 4.3:

Figure 4.3: Question 3

**3. Please indicate how much in percentages you will allocate to each promotional tool this year (2008).
An example could be:
Newspaper advertising 10%
TV advertising 30
Direct Marketing 20%
Sponsorship 20%
Personal Selling 20%**

Please remember that the total is 100%

Newspaper Advertising	<input type="text"/>
Magazine Advertising	<input type="text"/>
Radio Advertising	<input type="text"/>
TV Advertising	<input type="text"/>
Cinema	<input type="text"/>
Internet Advertising	<input type="text"/>
Another material on the Web	<input type="text"/>
Outdoor advertising	<input type="text"/>
Leaflets/promotional literature	<input type="text"/>
Public relations	<input type="text"/>
Events and festivals	<input type="text"/>
Direct Marketing	<input type="text"/>
Trade shows and Exhibitions	<input type="text"/>
Sponsorship	<input type="text"/>
Sales Promotion	<input type="text"/>
Personal Selling	<input type="text"/>

Question 4 was again adapted from the questionnaire provided by Professor Kitchen (2008). In the original questionnaire the question was identical to question 3, except respondents were asked about how they divided the promotional budget five years ago. However, when testing the questionnaire, respondents identified that it was difficult to remember how the promotional budget was divided five years ago. Therefore this question was amended to make it easier for respondents to provide an answer, see figure 4.4:

Figure 4.4: Question 4

4. Please indicate if your company was investing less/more or the same on those promotion tools five years ago - in 2003.

	Less	Similar	More	N/A
Newspaper Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Magazine Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Radio Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
TV Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cinema	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internet Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Another material on the Web	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Outdoor advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Leaflets/promotional literature	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Public relations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Events and festivals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Direct Marketing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Trade shows and Exhibitions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sponsorship	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sales Promotion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personal Selling	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 5 addressed the same topic as in question 3 and 4 and is adapted and amended from the questionnaire provided by Professor Kitchen (2008), see figure 4.5 below:

Figure 4.5: Question 5

5. Please forecast if your company is likely to invest more, less or same on those promotional tools five years from now - in 2013:

	Less	Similar	More	N/A
Newspaper Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Magazine Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Radio Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
TV Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cinema	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internet Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Another material on the Web	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Outdoor advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Leaflets/promotional literature	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Public relations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Events and festivals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Direct Marketing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Trade shows and Exhibitions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sponsorship	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sales Promotion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personal Selling	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 6 was also adapted from Professor Kitchen's (2008) questionnaire and is amended to render it simpler to respond to. The question in the original questionnaire also had several answer options identifying how unimportant each marketing communications activity was, but in this research there was only one answer option for unimportance, see figure 4.6 below:

Figure 4.6: Question 6

6. Please rate the importance of the following communication tools in your marketing communications campaigns:

	Unimportant	Limited Importance	Quite Important	Important	Essential	N/A
Newspaper Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Magazine Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Radio Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
TV Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cinema	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internet Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Another material on the Web	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Outdoor advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Leaflets/promotional literature	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Public relations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Events and festivals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Direct Marketing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Trade shows and Exhibitions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sponsorship	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sales Promotion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personal Selling	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 7 (A-F) was written for the survey and based on findings from phase one. One of the intriguing manifestations from phase one was that companies were gathering information about their customers, buying external surveys and investing in CRM systems. Based on these findings the following questions were developed, see figure 4.7 below:

Figure 4.7: Question 7

7. Please indicate the extent to which you agree with each of the following statements regarding information gathering:

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	N/A
A. Gathering information about our customers is important for our marketing communication activities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. Customer Relationship Management (CRM) systems are significant for our company to use information about our customers.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. Buying 'external' surveys about how our customers perceive our services or products is essential for our business.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. Financial constraints mean that no surveys are bought about how our customers perceive our product or service.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E. We know our customers and we do not have to gather information about them.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
F. Because of time constraints we are unable to gather as much information about our customers as we would like	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 8 addressed measurement. Questions 8A to 8D were adapted from Warnaby et al., (2005) questionnaire. Questions 8E to 8I were written for this thesis, discussing the topics discovered in the first phase. These included questions regarding financial constraints and feedback gathering see figure 4.8 below:

Figure 4.8: Question 8

8. Please indicate the extent to which you agree with each of the following statements regarding your measurement of your marketing communications activities:

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	N/A
A. Evaluating performance is an essential part of our marketing planning process.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. Financial constraints mean that little or no evaluation of marketing communications occurs.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. We regularly monitor and evaluate certain performance indicators.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. We need to be more rigorous in evaluating our marketing communications activities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E. Collecting evaluative data is essential for this company.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
F. Time constraints mean that little or no evaluation of marketing communications occurs.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
G. We are so close to our market that we get feedback from our marketing communications activities easily.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
H. Our company can easily get feedback from the marketing communications activities from the sales force.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I. We have been in this business for a long time and we have a quite a good feeling what is working and what is not.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 9 addressed marketing communications activities. The majority of questions were developed for this thesis and based on findings from phase one. However, four questions were adapted from previous studies. Question 9A was adapted from Ewing and De Bussy’s (2000) questionnaire about agencies, politics and Integrated Marketing Communications. Question 9D was adapted from Schultz and Kitchen’s (1997) questionnaire about Integrated Marketing Communications in U.S advertising agencies. Finally, question 9G and 9H were adapted from Eagle and Kitchen’s (2000)

questionnaire about IMC brand communications and corporate cultures. Question 9 is presented in figure 4.9:

Figure 4.9: Question 9

9. Please indicate the extent to which you agree with each of the following statements regarding your marketing communications activities:

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	N/A
A. Our company's advertising, PR, direct marketing and sales promotions all present the same clear consistent message to our target audience(s).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. Our company incorporates data sources into communication planning.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. Our company monitors marketing communications performance from a Return on Investment perspective (ROI).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. The idea of presenting "one voice" and "one brand personality" in all our marketing communications activities will increase in importance in the future.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E. We need to outsource some marketing communications activities, like advertising design and media planning to specialists.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
F. We do not have as much time as we would like for marketing and marketing communications activities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
G. We do not have enough specialists within this firm - hence we need to outsource	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
H. Staff in our company tend to be generalists across all areas of marketing communications, e.g advertising, promotion, public relation, direct marketing.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I. We do not have enough financial resources to undertake the marketing communications activities we would like.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
J. We monitor what is happening in other countries and markets, and use this information to adjust our marketing communication activities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
K. A significant proportion of our marketing activities concern international markets and opportunities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
L. We consider marketing communication to be statically important for our company.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Questions 10-15 were adapted from Cameron and Quinn's (1999) questionnaire about organisational culture, based on the organisational culture assessment instrument, see figure 4.10:

Figure 4.10: Questions 10-15

10. Please rate each of the statements by dividing 100 points between A,B,C and D depending upon how similar the description is to your organization (100 is very similar and 0 is not at all similar to this firm) The total points for each row (A,B,C,D) must equal 100. Rate for how you feel the firm is (NOW) and how you think it should be (PREFERRED). You may only use FOUR NUMBERS THAT TOTAL 100 IN EACH ROW.

	Row 1: Now	Row 2: Preferred
A.The organization is a very personal place. It is like an extended family. People seem to share a lot of themselves.	<input type="text" value=""/>	<input type="text" value=""/>
B.The organization is very dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.	<input type="text" value=""/>	<input type="text" value=""/>
C.The organization is very results orientated. A major concern is getting on with the job. People are very competitive and achievement orientated.	<input type="text" value=""/>	<input type="text" value=""/>
D.The organization is a very controlled and structured place. Formal procedures generally govern what people do.	<input type="text" value=""/>	<input type="text" value=""/>

11. Please rate each of the statements by dividing 100 points between A,B,C and D depending upon how similar the description is to your organization (100 is very similar and 0 is not at all similar to this firm) The total points for each row (A,B,C,D) must equal 100. Rate for how you feel the firm is (NOW) and how you think it should be (PREFERRED). You may only use FOUR NUMBERS THAT TOTAL 100 IN EACH ROW.

	Row 1: Now	Row 2: Preferred
A.The leadership of the organization are generally considered to exemplify mentoring, facilitating or nurturing.	<input type="text" value=""/>	<input type="text" value=""/>
B.The leadership of the organization are generally considered to exemplify entrepreneurship, innovation or risk taking.	<input type="text" value=""/>	<input type="text" value=""/>
C.The leadership of the organization are generally considered to exemplify a no-nonsense, aggressive, results-orientated focus.	<input type="text" value=""/>	<input type="text" value=""/>
D.The leadership of the organization are generally considered to exemplify coordinating, organizing, or smooth running efficiency.	<input type="text" value=""/>	<input type="text" value=""/>

12. Please rate each of the statements by dividing 100 points between A,B,C and D depending upon how similar the description is to your organization (100 is very similar and 0 is not at all similar to this firm) The total points for each row (A,B,C,D) must equal 100. Rate for how you feel the firm is (NOW) and how you think it should be (PREFERRED). You may only use FOUR NUMBERS THAT TOTAL 100 IN EACH ROW.

	Row 1 :Now	Row 2: Preferred
A.The management style in the organization is characterized by teamwork, consensus and participation.	<input type="text" value=""/>	<input type="text" value=""/>
B.The management style in the organization is characterized by individual risk-taking,innovation, freedom and uniqueness.	<input type="text" value=""/>	<input type="text" value=""/>
C.The management style in the organization is characterized by hard-driving competitiveness, high demands and achievement.	<input type="text" value=""/>	<input type="text" value=""/>
D.The management style in the organization is characterized by security of employment, conformity ,predictability and stability in relationships.	<input type="text" value=""/>	<input type="text" value=""/>

13. Please rate each of the statements by dividing 100 points between A,B,C and D depending upon how similar the description is to your organization (100 is very similar and 0 is not at all similar to this firm) The total points for each row (A,B,C,D) must equal 100. Rate for how you feel the firm is (NOW) and how you think it should be (PREFERRED). You may only use FOUR NUMBERS THAT TOTAL 100 IN EACH ROW.

	Row 1: Now	Row 2: Preferred
A.The glue that holds the organization together is loyalty and mutual trust. Commitment to the organization runs high.	<input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/>
B.The glue that holds the organization together is commitment to innovation and development. There is an emphasis on being on the cutting edge.	<input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/>
C.The glue that holds the organization together is the emphasis on achievement and goal accomplishment. Aggressiveness and winning are common themes.	<input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/>
D.The glue that holds the organization together is formal rules and policies. Maintaining a smooth-running organization is important.	<input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/>

14. Please rate each of the statements by dividing 100 points between A,B,C and D depending upon how similar the description is to your organization (100 is very similar and 0 is not at all similar to this firm) The total points for each row (A,B,C,D) must equal 100. Rate for how you feel the firm is (NOW) and how you think it should be (PREFERRED). You may only use FOUR NUMBERS THAT TOTAL 100 IN EACH ROW.

	Row 1: Now	Row 2: Preferred
A.The organization emphasizes human development. High trust, openness and participation persist.	<input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/>
B.The organization emphasizes acquiring new resources and creating new challenges. Trying new things and prospecting for opportunities are valued.	<input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/>
C.The organization emphasizes competitive actions and achievement. Hitting high targets and winning in the marketplace are dominant.	<input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/>
D.The organization emphasizes permanence and stability. Efficiency, control and smooth operations are important.	<input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/>

15. Please rate each of the statements by dividing 100 points between A,B,C and D depending upon how similar the description is to your organization (100 is very similar and 0 is not at all similar to this firm) The total points for each row (A,B,C,D) must equal 100. Rate for how you feel the firm is (NOW) and how you think it should be (PREFERRED). You may only use FOUR NUMBERS THAT TOTAL 100 IN EACH ROW.

	Row 1:Now	Row 2:Preferred
A.The organization defines success on basis of the development of human resources, teamwork, employee commitment and concern for people.	<input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/>
B.The organization defines success on the basis of having the most unique or the newest products. It is a product leader and innovator.	<input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/>
C.The organization defines success on the basis of winning in the marketplace and outpacing the competition. Competitive market leadership is the key	<input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/>
D.The organization defines success on the basis of efficiency. Dependable delivery, smooth scheduling and low cost production are critical.	<input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/>

Finally, there were seventeen general questions. Questions 22 and 23 were adapted from Warnaby *et al.*, (2005) with the remaining questions developed for the purposes of this research see appendix 5.

The survey was translated from English to Icelandic by the researcher. It was then sent to an Icelandic translator Bjarni Stefan Konradsson, who read and corrected it before forwarding the researcher his suggestions. The researcher read over the survey, compared it to the English version, amended it where necessary before returning the text to the Icelandic translator. This process took place repeatedly in order to ensure the exact same meaning was being translated from the English version to the Icelandic one. Finally a third person, María Björk Kristjánsdóttir, who had additionally proofread the interview schedule, read over the English and the Icelandic version to be certain that no oversights had been made.

The survey was pre-tested, both by researchers and fellow PhD students (the English version) as well as by five marketing directors in small and medium sized businesses in Iceland (both English and Icelandic version). Participants implied that it would take too long to answer questions 3, 4 and 5 (Kitchen 2008). Therefore the researcher decided to change question 4 and 5 from asking respondents to identify how much by percentage they would allocate to each promotional tool in 2003 and 2013 to asking if they would allocate less, more or the same for those years. However, question 3 remained the same.

Another part of the survey that participants found difficult to answer was the questionnaire by Cameron and Quinn (1999). The participants reported that they did not understand if they were supposed to calculate 100 points horizontally or vertically. In order to bring clarity to the question, the researcher decided to show an example of how to answer the question.

The third comment was made by one participant with a suggestion to add the answer option; *I do not want to answer* to questions 24-26. After careful consideration and discussion with the thesis supervisor the researcher decided to decline this proposal as it was thought it may encourage respondents just merely tick that box instead of answering those questions. It was therefore considered more important to obtain answers to these questions rather than change it.

The web based survey, hosted by SurveyMonkey.com (SurveyMonkey, 2008) was opened on 12th of June 2008 and was available for completion until 15th of September 2008. Telephone calls were additionally made to respondents throughout the survey period. The researcher also visited Iceland for a two week period and contacted the managers to request their participation. Three reminders by email were sent to all respondents that had not fully answered the survey. Following this, the results were downloaded from SurveyMonkey.com to a Microsoft Excel file, which was then converted into an SPSS file.

The questionnaire was prefaced by an explanatory cover letter and instructions for submission, (appendix 4). It contained 35 questions (appendix 5). Of 594 respondents included in the sample frame, the researcher was able to obtain the participation of 225 respondents. Data cleaning resulted in the removal of 125 cases where respondents had not fully completed the questionnaire, most commonly where the first page had been partly or fully completed but the questions discontinued at that point. Finally, the data from 100 questionnaires was analysed. This meant that a response rate of 17 percent was achieved. Saunders et al (2007) identifies that 11 percent or below is acceptable if the Internet is used. Cooper and Schindler (2006) mention that some early studies of

computer-delivered surveys show that participants indicate some level of enjoyment with the process but they also stated that the novelty was expected to decline with experience. Given the particular target of the survey, senior managers, the response rate was considered to be acceptable. However, senior managers that the researcher was able to talk to, identified they were regularly 'interrupted' with surveys, from business students as well from domestic and international confederations. The researcher tried to boost the response rate by calling respondents, around a week after sending out the emails and reminding and encouraging them to answer the questionnaire. Most promised to answer but rarely appeared to have the time to do so. Therefore it was essential to visit them and physically collect responses in person, which was done in August 2008.

The next section will discuss the hypotheses developed for the second phase of this research.

4.5 Hypotheses

As the second phase of empirical research was based on the findings from phase one it therefore concentrated on the main issues and areas raised by the interviewees. It seems as though cultural influences act as a barrier towards further development of marketing communications activities in Icelandic SMEs. This research offered new insights as cultural influences are rapidly becoming more important within the generic marketing and marketing communications literature (Keegan, 2002; Shimp, 2003; Usunier and Lee, 2005). Therefore the focus of the second phase of the research design was to explore the extent organisational culture in SMEs impacts upon and affects marketing and marketing communications activities. Hypothesis were either derived from the findings from phase one or the literature, see table 4.3:

Table 4.3: Hypothesis

Hypothesis		Findings Phase 1	Literature
H1	<p>a)The higher the adhocracy(B) the greater the likelihood that SMEs senior managers will use targeted approaches</p> <p>b)The higher the market (C) the greater the likelihood that SMEs senior managers will use targeted approaches</p>	<p>Findings from phase one showed that 8 companies were using more target marketing. Managers in these companies had defined target market and their marketing communications were targeted towards their target market.</p>	<p>Desphandé et al., (1993) found that Japanese companies with market and adhocracy culture outperformed those with culture more internally oriented in business performance.</p>
H2	<p>a)The higher the adhocracy(B) the greater the likelihood that SMEs senior managers will be measuring the effectiveness of their marcom activities</p> <p>b) The higher the market (C) the greater the likelihood that SMEs senior managers will be measuring the effectiveness of their marcom activities</p>	<p>Even though none of the respondents stated they were measuring overall campaign scientifically, 3 companies had started evaluate the goals set in the beginning of the campaign to see if they had been met, as well as looking at sales figures.</p>	<p>Adhocracy and market culture are a result oriented culture types and focus on the external position and differentiation (Cameron and Quinn, 1999) Therefore it was thought that measuring the effectiveness of their marcom activities would be more important for these types of cultures than those more internally oriented.</p>
H3	<p>a)The higher the adhocracy(B) the greater the likelihood that SMEs senior managers will be gathering information about their customers</p> <p>b)The higher the market (C) the greater the likelihood that SMEs senior managers will be gathering information about their customers</p>	<p>18 respondents stated they gathered information about customers, some were gathering sales data and others were buying tracking studies and consumers information.</p>	<p>Adhocracy and market culture are a result oriented culture types and focus on the external position and differentiation (Cameron and Quinn, 1999). Therefore it was thought that gathering information about customers would be more important than for culture more internally oriented.</p>
H4	<p>a)The higher the adhocracy(B) the greater the likelihood that SMEs senior managers will be outward looking in terms of their marcom activities</p> <p>b)The higher the market (C) the greater the likelihood that SMEs senior managers will be outward looking in terms of their marcom activities.</p>	<p>6 respondent had already considered or initiated exporting product and services abroad. These respondents as well identified they gathered information about their customers and used more targeted approaches when communicating to their customers .</p>	<p>Historically SMEs have serviced domestic markets but studies had shown that some SMEs are commencing international operations even before or simultaneously with domestic ones (Gabrielsson,2005; Rundh, 2011). Adhocracy and market culture are a result oriented culture types and focus on the external position and differentiation (Cameron and Quinn, 1999).</p>
H5	<p>a)The higher the clan culture(A) the greater the likelihood that SMEs senior managers will adopt flexible marketing communication approach</p> <p>b)The higher the adhocracy culture (B) the greater the likelihood that SMEs senior managers will adopt flexible marketing communication approach</p>		<p>In the earliest stages of a company's life, organisations are dominated by adhocracy culture, as they develop they move to clan culture (Cameron and Quinn,1999). Small companies are more flexible and managed in a personalised fashion (Verhees and Meulenber, 2004).</p>

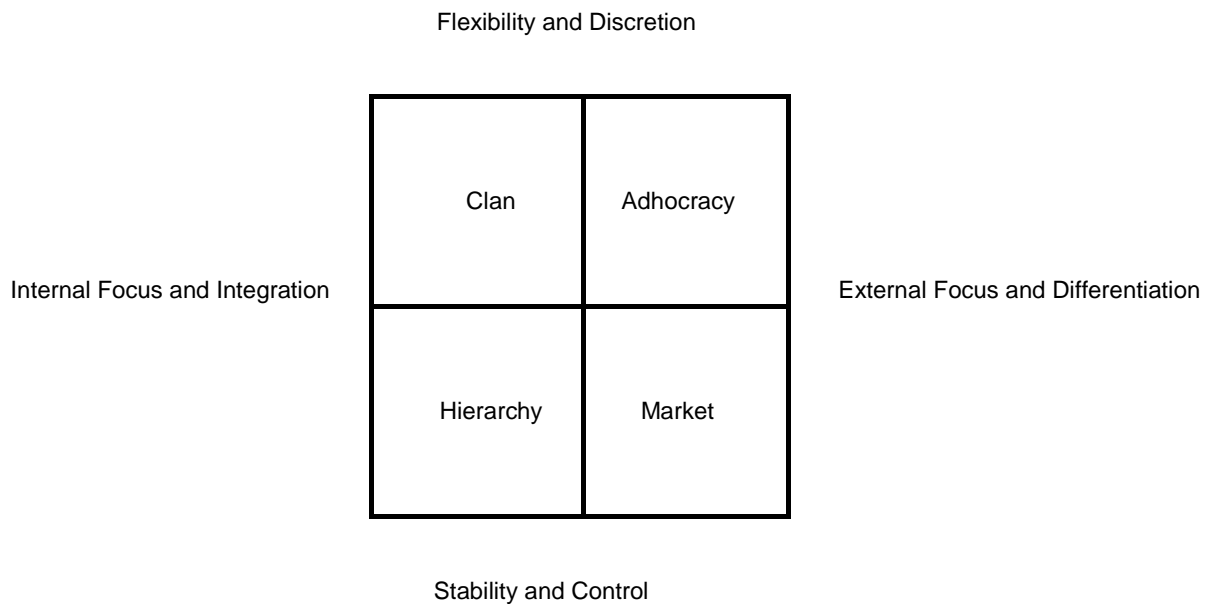
H6	a)The higher the clan culture (A) the greater the likelihood that SMEs senior managers face financial and time constraints regarding marcom activities b)The higher the adhocracy culture (B) the greater the likelihood SMEs senior managers face financial and time constraints regarding marcom activities	Majority of companies identified financial and time constraints as barriers to effective marketing communications.	These companies are more likely to experience time and financial constraints because they lack resources(Knight,2000;Verhees and Meulenber,2004).
H7	a)The higher the clan culture(A) the greater the likelihood that SMEs senior managers will maintain 'old culture' view on marketing/marcom b)The higher the hierarchy culture(D) the greater the likelihood that SMEs senior managers will maintain 'old culture' view on marketing/marcom	7 respondent described their company culture as old, and 5 of these wanted to change their culture to better reach companies goals.	Companies with internal focus emphasize rules, hierarchy, accountability and shared values, loyalty and tradition (Cameron and Quinn, 1999). Japanese companies that were internally oriented performed worse than companies with market and adhocracy culture in business performance (Desphandè et al., 1993).
H8	a)The higher the market culture(C) the greater the likelihood that SMEs senior managers will see their environment as stable b)The higher the hierarchy culture (D) the greater the likelihood that SME senior managers will see their environment as stable.	Medium sized companies in the first phase of the study specified that competition had increased but that their environment was stable.	As organisations grow they move from being dominated with clan and adhocracy culture to hierarchy and later marketing culture (Cameron and Quinn, 1999).

The entire eight hypotheses developed for the second phase of the research linked together organisational culture and marketing communications activities. The framework for organisational culture is based on the Competing Values Model (Quinn and Spreitzer, 1991). It has been utilised in a number of studies to examine organisational culture (Wilkins and Ouchi, 1983; Zammuto and Krakower, 1991; Deshpandé *et al.*, 1993; Parker and Brandley, 2000; Lamond 2003). The reason this framework was chosen for this research instead of Handy's (1978) or Hofstede's (2001) surveys is that it has been used and is used in current studies (Zammuto and Krakower, 1991; Quinn and Spreitzer, 1991; Igo and Skitmore, 2005). In addition, it has been

tested on more than 1000 organisations (Cameron and Quinn, 1999) it is also relatively shorter than the other surveys, which was considered of additional importance.

The Organisational Culture Assessment Instrument mirrors to a great extent the forms suggested by Handy (1978) and Pheysey (1993). It contains two major dimensions that are organised into four major clusters. One dimension differentiates effectiveness criteria that emphasises flexibility from criteria that emphasises stability. The second differentiates effectiveness criteria that emphasises internal orientations versus external orientations. Each continuum highlights a core value that is opposite from the value at the other end of the continuum, that is flexibility versus stability and internal versus external. Together, these two dimensions form four quadrants, each representing a distinct set of organisational effectiveness indicators. Each quadrant has been given a label that distinguishes its most noticeable characteristics: clan, adhocracy, market and hierarchy (Cameron and Quinn, 1999:59). The Organisational Culture Assessment Instrument is presented in figure 4.11::

Figure 4.11: The Organisational Culture Assessment Instrument



Clan Culture has some similarity to a family type organisation. The organisation is characterised as a friendly place to work where individuals share a lot of themselves, as in an extended family which is held together by loyalty and tradition. Success is defined in terms of internal climate and concern for people. The organisation places a premium on teamwork, participation and consensus (Cameron and Quinn, 1999).

The root of the word adhocracy is *ad hoc* - referring to a temporary, specialised and dynamic unit. An adhocracy organisation may frequently be found in industries such as aerospace, software development and film making. An important challenge for these organisations is to produce innovative products and services and to adapt quickly to new opportunities. This culture is characterised a dynamic, entrepreneurial, and creative workplace. The glue is commitment to experimentation and innovation (Cameron and Quinn, 1999).

Hierarchy Culture gives a formalised and structured place to work. Procedures govern what people do. Effective leaders are good coordinators and organisers. Maintaining a smooth-running organisation is important. Long-term concerns are of stability, predictability and efficiency. Formal rules and policies hold the organisations together (Cameron and Quinn, 1999).

Market Culture refers to a type of organisation that functions as a market itself. It is oriented towards the external environment rather than internal affairs. The core values that dominate this type of organisation are competitiveness and productivity. This culture is driven by customer focus, premium return on assets and improving corporate competitiveness (Cameron and Quinn, 1999).

While these four culture types appear to be incompatible, research has suggested that the different models of culture can and do co-exist within the same organisation. A balance between the four culture types is regarded as desirable (Parker and Brandley, 2000) Dysfunctional organisations are considered to be those in which particular culture types dominate, although certain types of culture may dominate within functional organisations because of a range of factors including the sector in which the organisation operates or its public or private status (Cameron and Quinn, 1999).

The analysis from the first phase of this thesis showed that companies with an external outlook tended to use a more targeted approach in relation to their marketing communications activities than those that had internal focus. The early literature indicated that smaller organisations were more likely to use more integrated approaches because they were closer to customers and utilised simpler marketing programs (Nowak and Phelps, 1994; Low, 2000). However, the first phase of this empirical

research showed that this was not the case with all Icelandic SMEs who participated in this research. The managers that had a more external focus tended to read marketing books and other literature about what was happening elsewhere around the world in their field of activity. Their aim was to manage their customers better in order to gain higher market share and achieve their goals. These are also the aims of companies with an external outlook (adhocracy and market culture) in organisational culture assessment instrument (Cameron and Quinn, 1999). Gathering information about their customers and measuring their marketing communication effectiveness is therefore likely to be more important for these companies.

Therefore the proposed hypotheses were:

H1a: The higher the adhocracy culture (B), the greater the likelihood that SME senior managers will use targeted approaches.

H1b: The higher the market culture (C), the greater the likelihood that SME senior managers will use targeted approaches.

H2a: The higher the adhocracy culture (B), the greater the likelihood that SME senior managers will be measuring the effectiveness of their marcom activities.

H2b: The higher the market culture (C), the greater the likelihood that SME senior managers will be measuring the effectiveness of their marcom activities.

H3a: The higher the adhocracy culture (B), the greater the likelihood that SME senior managers will be gathering information about their customers.

H3b: The higher the market culture (C), the greater the likelihood that SME senior managers will be gathering information about their customers.

The majority of those externally orientated companies were exporting their products and services abroad or thinking about doing so in the near future. Traditionally, small businesses have served their domestic markets and even larger businesses may have 'internationalised' through stages (Process/stage approach) (Johanson and

Wiedersheim-Paul, 1999) but now some high tech SMEs are commencing international operations even before, or simultaneously with, domestic ones (Gabrielsson, 2005).

Therefore the hypotheses were:

H4a: The higher the adhocracy culture (B), the greater the likelihood that SME senior managers will be outward looking in terms of their marketing communications activities.

H4b: The higher the market culture (C), the greater the likelihood that SME senior managers will be outward looking in terms of their marketing communications activities.

Because of their size, smaller companies are usually more flexible in responding to customer needs and enquiries. Their closeness to the market means they can more quickly identify changes in marketing trends, consumer demand and a host of other areas more easily than larger firms, and therefore may respond more rapidly and effectively (Verhees and Meulenber, 2004). Therefore, their marketing communications activities are likely to be informal and less structured (Gilmore *et al.*, 2001).

According to the organisational culture assessment (OCAI) clan culture and adhocracy culture are culture types that represent flexibility and dynamism. Clan culture is similar to family type organisations. Leaders are thought of as mentors and, perhaps even as parent figures. Adhocracy culture refers to a temporary, specialised, dynamic unit, where the entrepreneur often leads the way.

Two hypotheses were developed from the above:

H5a: The higher the clan culture (A), the greater the likelihood that SME senior managers will adopt a flexible marketing communications approach.

H5b: The higher the adhocracy culture (B), the greater the likelihood that SME senior managers will adopt a flexible marketing communications approach.

These companies are more likely as well to experience some time and financial constraints because they can lack resources. Smaller enterprises perform various activities with less expertise than large firms because they have little room for the functional specialists and require rather, more flexible generalists (Verhees and Meulenbergh, 2004). The entrepreneur controls the marketing process and uses the promotional tools that he/she knows best (Carson *et al.*, 1995; Fam, 2001) In addition, small enterprises have limited capital managerial resources; market power and network access (Knight, 2000).

Therefore, the proposed hypotheses were:

H6a: The higher the clan culture (A), the greater the likelihood that SME senior managers will face financial and time constraints regarding their marketing communications activities.

H6b: The higher the adhocracy culture (B), the greater the likelihood that SME senior managers will face financial and time constraints regarding their marketing communications activities.

The next two hypotheses address traditional Icelandic culture. One of the main findings from phase one was the discovery of traditional Icelandic culture being a potential barrier towards marketing communications. The companies influenced by the internal culture served the domestic market solely and their marketing communications activities were more spontaneous, and based on what has worked in the past. Looking at

the CVF, two types of culture have what is called ‘internal’ orientation which Cameron and Quinn (1999:31) explain as: ‘effectiveness criteria that emphasize an internal orientation, integration, and unity from criteria that emphasize an external orientation, differentiation, and rivalry’.

Two hypotheses were then developed:

H7a: The higher the clan culture (A), the greater the likelihood that SME senior managers will maintain an ‘old’ culture view on marketing/marketing communications.

H7b: The higher the hierarchy culture (D), the greater the likelihood that SME senior managers will maintain an ‘old’ culture view on marketing/marketing communications.

Finally, according to Cameron and Quinn (1999) as organisations grow larger they become stable, predictable and mechanistic. Managers are seen as organisers, coordinators, hard-driving and good at directing, producing results (Cameron and Quinn, 1999). Managers in hierarchy culture are good at organising, controlling, monitoring, administering, coordinating and maintaining efficiently. Under the market culture they tend to be hard-driving, good at directing, producing results and motivation. These managers are more likely to see their business environment as stable as they would have guarantee business.

The last two hypotheses were:

H8a: The higher the market culture (C), the greater the likelihood that SME senior managers see their environment as stable.

H8b: The higher the hierarchy culture (D), the greater the likelihood that SME senior managers will see their environment as stable.

These eight hypotheses were tested in the second phase of this research. The following section will provide a discussion of the data analysis methods used in this research.

4.6 Data analysis

As this research used semi-structured interviews and structured questionnaires to collect data it therefore used both qualitative and quantitative data analysis.

There are some major differences between qualitative and quantitative data see table 4.4 below:

Table 4.4: Distinctions between qualitative and quantitative data

Qualitative data	Quantitative data
Based on meanings expressed through words	Based on meanings derived from numbers
Collection results in non-standardised data requiring classification into categories	Collection results in numerical and standardised data
Analysis conducted through the use of conceptualisation	Analysis conducted through the use of diagrams and statistics

Source: (Saunders *et al.*, 2007: 472)

The nature of qualitative data has implications for both its collection and its analysis. To be able to capture the richness and fullness associated with qualitative data it cannot be collected in a standardised way. During analysis, the non-standardised and complex nature of the data that has been collected will probably need to be classified into categories before it can be meaningfully analysed. The main challenge for qualitative data analysis is that there is no clear and accepted set of conventions for analysis which corresponds to those observed in quantitative data (Robson, 1993). According to Mason (1996) this absence of clear conventions or blueprints for conducting and analysing qualitative research means that researchers need to ‘think on their feet’. The researcher will be faced with many decisions while conducting the research, e.g. about the research design, ethics and interpretation of data. The way these decisions are dealt with will be imposed at all stages of the research.

Content analysis was used to analyse the interview data. There has been a debate raised in the literature as to whether content analysis is a quantitative approach or a qualitative approach. Bryman and Bell (2007) defined content analysis as an approach to the analysis of documents and text that seeks to quantify content in terms of predetermined categories while Krippendorff (2004) defines content analysis as a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the context of their use. He argues as well that quantification is not the defining criterion for content analysis because text is always qualitative. Kapborg and Berterö (2003) concur and state that numbers do not play any role at all; the important thing is to cover the range of meanings that a word can express in normal use.

Content analysis is often used when the research is exploratory, and therefore the main analytic categories known, as in this research. Consequently, the key concepts in the interview questions will be the master codes. The methodological procedure followed in this research was the same as Kapborg and Berterö used in their (2003) study. Firstly, the material was summarised, and the sentences with identical meaning clustered together. Secondly, explicative content analysis was conducted, with the help of NVivo software (Bryman and Bell, 2007).

The key themes of marketing communications practices; IMC knowledge and organisational culture were identified beforehand from the interview questions and made up the master codes. Then second and third level nodes were attached to ascertain core themes within each main category. Following this, the researcher was able to conduct qualitative content analysis to clarify vague, unclear and contradictory sentences (Kapborg and Berterö, 2003). Finally, the researcher generated reports on

each initial code identified using the NVivo software but also generated mind maps to clarify relationships between culture and views on marketing and marketing communications activities.

The survey was analysed using SPSS software. The data was screened and cleared and 100 responses used for preliminary analysis to describe the characteristics of the sample, mostly using crosstabs and frequency tables to view the differences between answers from managers in companies with a marketing department and managers from companies without a marketing department, see chapter 6.

The Organisational Culture Assessment Instrument (OCAI) which is based on the Competing Values Framework was then analysed. This part of the questionnaire consisted of six questions, with each question having four alternatives (A, B, C and D). The respondents were asked to divide 100 points among these alternatives depending on the extent to which the alternatives were similar to their own organisation. When these scores were analysed, all the scores for e.g. A were added together and divided by six, as the questions were six. This gave an average score for the A. This was then repeated for the B, C, and D scores. Each of these scores related to a type of organisational culture, A standing for Clan Culture, B for Adhocracy Culture, C for Market Culture and D for Hierarchy Culture (Cameron and Quinn, 1999).

The OCAI uses a response scale in which individuals divide one hundred points among alternatives. This is known as an ipsative rating scale. The greatest limitation in using ipsative response scales is that they do not produce independent results. Nevertheless,

Zammuto and Krakower (1991) have calculated correlations between culture types and other variables. Some researchers like Quinn and Spreitzer (1991) have used the Likert scale instead of using the ipsative rating scale as it gives more opportunity to use standard statistical procedures (Cameron and Quinn, 1999). In this research, the the ipsative rating scale was used so it would be possible to receive the culture plot for Icelandic SMEs in order to ascertain if any differences existed between small and medium sized organisations as well as answering the hypotheses which was carried out by describing the strength and direction between culture types and variables by obtaining correlations coefficients, similar to Zammuto and Krakower's (1991) research, see chapter 7.

The next section addresses the issues of reliability, validity and generalisability of the research

4.7 Reliability, Validity and Generalisability

In the previous sections, the difference between qualitative and quantitative data analysis were explained. This section looks at the concepts of validity, reliability and generalisation, in order to assess the conduct of the research.

Reliability and validity are important criteria in establishing and assigning the quality of research. However, there has been some discussion among qualitative researchers concerning their relevance for qualitative research (Bryman and Bell , 2007).

External reliability is to the degree to which a research can be replicated. This can be quite difficult to meet in qualitative research as findings from non-standardised research methods such as interviews are not necessary intended to be replicable as they reflect

reality at the time they were collected (Saunders *et al.*, 2007). This is particularly true of this research as it was conducted before the international bank crisis and therefore it was unlikely that it could be replicated.

Internal reliability in qualitative research is concerned with if all the members of a research team agree about what they see and hear. As this research has a sole researcher, internal reliability did not concern this research (Bryman and Bell, 2007). Internal validity concerns the eradication of errors which are internal to the design of a research project. Validity meanwhile has been a key issue in debates over the legitimacy of qualitative research. However, since measurement is not a major preoccupation amongst qualitative researchers, the issue of validity as seen by quantitative researchers, would seem to have little bearing on such studies. Qualitative researchers have tried to provide criteria that qualitative research can be evaluated against. Guba and Lincoln (1998) provided two primary criteria for a qualitative study, trustworthiness and authenticity, however, the terms used to evaluate the qualitative part of this research are from Maxwell (2002). He evaluates qualitative research against descriptive validity, interpretive validity, theoretical validity, generalisability and evaluative validity.

Descriptive validity is concerned with the factual accuracy of an account e.g. did respondents actually say the things that the researcher reported in his research? In this research descriptive validity was obtained by recording and transcribing and translating the interviews in order to provide a clear picture of how the interviews proceeded and what the interviewees said. In addition, the translated versions of the interviews were compared to the original versions of the interviews by a third party to ensure that the equivalent meaning was being translated.

Interpretive validity is concerned with what the objects, events, and behaviours mean to the people engaged with them, e.g. the participants' perspective. 'Interpretive accounts are grounded in the language of the people studied and rely as much as possible on their own words and concepts' (Maxwell, 2002:49). It does not solely apply to the conscious concepts of participants but can affect their unconscious intentions, and beliefs. In this study, the researcher ensured there was a full understanding of all points that interviewees were attempting to make before terminating the interviews. This was in order to ensure that it would be possible to transcribe and translate the actual meaning of the participants' words accurately and faithfully. There is however a full understanding by the researcher that it is her own interpretation of what was said by the interviewees and that there will inevitably be some meaning lost, primarily due to differing views, beliefs and experiences.

Theoretical validity addresses the theoretical constructions that the researcher brings to, or develops during the research (Maxwell, 2002). In this research, theoretical validity was obtained by reviewing the literature about the topics investigated in order to create an interview schedule and finally by analysing the findings. The researcher used NVivo to help her categorise the themes from the interviews.

Generalisability refers to the extent to which one can extend the account of a particular situation or population to other situations than that directly studied (Maxwell, 2002). Usually, qualitative studies are not designed to allow generalisations to some wider populations, and this research is no exception. Internal generalisability is far more important to qualitative studies than external ones. It is however important that the

researcher understands that as he is only in the presence of the people interviewed for a short time and the informant's actions and views may differ in other situations.

Finally, evaluative validity involves the application of an evaluative framework to the objects of study (Maxwell, 2002). However, it is not central to qualitative research and many researchers make no claim to evaluate the things they have studied. In the first phase of this research, the researcher did not attempt to evaluate the findings.

Reliability in quantitative research refers to the consistency of measure of a concept. To test for reliability of the scales used in this research the researcher used Cronbach's alpha which tests if all the items that make up the scale are measuring the same underlying attribute (Bryman and Bell 2007; Pallant, 2007). Ideally, the Cronbach alpha coefficient of scale should be above .7. When the scales are short (e.g. with fewer than ten items) the Cronbach values will be low and therefore it is recommended to report instead the mean inter-term correlation for these items. An optimal range for inter-item correlation is from .2 to .4. Therefore, inter-item correlation is reported for the items with fewer items than ten. See table 4.5 below:

Table 4.5: Reliability of a scale

Scale	Number of items	Cronbach's Alpha	Inter item Correlation	
			Mean	Range
Target Marketing	11	0.7		
Measurement	3		0.3	0.2
Information Gathering	3		0.4	0.3
Exportation	3		0.2	0.2
Flexibility	3		0.3	0.4
Financial /Time Constraints	7		0.4	0.5
Traditional Culture	5		0.2	0.4
Business Environment	5		0.3	0.2
Clan Culture	6		0.2	0.5
Adhocracy Culture	6		0.2	0.4
Hierarchy Culture	6		0.2	0.4
Market Culture	6		0.3	0.5

Validity is concerned with the integrity of the conclusions that are generated from a piece of research. The main types of validity are measurement validity, internal validity, external validity and ecological validity (Bryman and Bell, 2007). Measurement validity is concerned with the question of whether or not a measure that is devised of a concept really does reflect the concept. In this research, the researcher looked to similar researchers such as Zammuto and Krakower (1991) to gain support from their research as well as requesting well established researchers to both answer the questionnaire as well as assessing the SPSS files in order to ensure that the measurements used were indeed measuring what they were intended to do.

Internal validity is concerned with the issue of causality and whether a conclusion that incorporates a causal relationship between two variables is actually showing some causal relationship. Correlations analysis which is employed in this research gives a good indication if there is a relationship between the variables investigated (Bryman and Bell, 2007; Pallant, 2007). Before conducting this research the researcher ensured that the relevant literature was investigated in order to establish the current knowledge about the topic. As well, the first phase of this research offered some indication that there were some causal relationship between culture and marketing that were subsequently tested in the second phase.

External validity addresses the issue of generalisability. In quantitative research the researcher is usually concerned that his or her findings can be generalised beyond the confines of the particular context in which the research was conducted (Bryman and Bell, 2007). However, as this research was conducted in a country, which has a different social setting to the majority of other countries, e.g. it does not have many large companies, it would be difficult to generalise these findings to other organisations in other countries in the Western world.

Finally, there is ecological validity, which is '*concerned with the question of whether or not social scientific findings are applicable to people's every day, natural social settings*' (Bryman and Bell, 2007:42). Sending a questionnaire via email to respondents would not be described as coming under natural, social settings but the only way in which the researcher was able to address this was to ensure that respondents would receive the questionnaire through their work email as opposed to their private email accounts. The findings, it must be said however, may have limited ecological validity.

As this research used a mixed methods design, as previously stated, see section 4.3, it provided the researcher with a greater opportunity to answer the research aim and objectives and to evaluate the extent to which the research findings can be trusted (Saunders at al., 2007).The following section will present an overall conclusion of this chapter.

4.8 Conclusion

This chapter has provided a discussion of relevant methodological issues, prior to identification of specific research objectives and the methodological approach. The research was undertaken in two phases. Phase one was an exploration of the marketing communications factors and developments through semi-structured interviews with senior managers in Icelandic SMEs. Phase two was based on the findings from phase one, and featured a semi-structured online questionnaire sent out to selected SME senior managers in Iceland. The next chapter discusses the findings from the interviews conducted in phase one.

Chapter 5

Findings: Phase One

5.1 Introduction

As this research focuses on the cultural implication of marketing communications practices in Small and Medium Sized Enterprises (SMEs) in Iceland, twenty semi-structured were conducted interviews with senior managers within these types of firms. As the main aim was to provide insights and understanding of the nature of marketing communication practices in SMEs, qualitative interviews were chosen (Malhotra and Birks, 2003).

This chapter describes the findings from these interviews, which mainly address managers' views on their marketing communications practices, Integrated Marketing Communications and their organisational culture. The first section discusses respondents' views about their marketing communications practices, followed by a section on Integrated Marketing Communications. This will be succeeded by a section on culture. Finally there will be a discussion and a subsequent summary of findings.

5.2 Marketing Communications

The majority of questions in the interview schedule addressed marketing communications practices within SMEs. Managers were asked several questions about the reasons behind their marketing communications activities, e.g. who made the decisions where to advertise, the budget decisions, information gathering, measurement and the benefits and barriers affecting marketing communications.

The initial enquiry addressed the marketing communications activities decisions and which individuals within the companies make the marketing communications decisions. The majority of respondents identified that they would make this decision. In eight cases only the respondent made the decision but in twelve cases it was made either by people in the department or with the owner/director of the company. Half of respondents within small companies made this decision themselves but only three respondents did within medium companies. Seven respondents within medium sized companies made these decisions with another person compared with five respondents within small companies who made decisions with another colleague from the company. In addition, these managers made marketing communications budget decisions as well with six managing directors stating they have the final word on budget decisions. These results are in accordance with the SMEs literature, managers in SMEs are usually involved in all aspects of the business, and will make the decisions themselves or with others working with them (Carson *et al.*, 1995; Gilmore *et al.*, 2001; McCartan-Quinn and Carson, 2003; Simpson *et al.*, 2006).

Budget decisions were in eight cases based on past experiences, see table 5.1:

Table 5.1: Budget Decisions

Budget Decisions	No	Quotes
Past experience	8	<i>“We look at what we did last year, and try not to go far away from that figure” (Interviewee 2, January 2007).</i>
What we want to achieve	5	<i>“Because we have so many brands, we try to look at each and every one of them like small companies... how much do we have to sell, how much will it cost us to generate positive brand image maintaining its strength. What do we have to do in the stores, and what do we have to do to inform our customers?” Interviewee 14, January 2007).</i>
Percent of revenue	3	<i>“We use percentage of revenue, all from 2 percent up to 6 to 7 percent. It is just all up to what we are going to do that year” (Interviewee 7, January 2007). We often use percentage of revenue.. if I don’t feel that [the campaign]was successful then I will increase the budget.” (Interviewee 16, December 2006).</i>
Opportunity for the brand	3	<i>“The preparation of budget starts with analysis of opportunities for the brands. Then we develop strategy and action. Then the budget is made which is then it is incorporated into production plan and we lay out a model and if the outcome of that is not satisfactory then we have to cut here or add here and try to optimise the outcome” (Interviewee1, December 2006).</i>
3 different plans and budget	1	<i>“ We base it on the operational sales plan. I make three plans, the pessimism plan, one that I work after and one where we would like to be in the future” (Interviewee 17, January 2007)</i>

Five companies used a set figure based on what the company wanted to achieve that year. Three companies used percent of revenue when allocating the marketing communication budget. Another three companies identified that they started with the opportunity for the brand and its product life cycle and estimated certain figure of gross margin in marketing budget, and divide the figure to each of the stages of the product. One company made three operational sales plans, the pessimism plan, the one they work after and the one they want to follow in the future and another company uses amount per head.

As stated above, the majority of companies use the amount they have used in the past and that they can afford. Kotler and Keller (2009) call this method the ‘affordable

method' and state that it totally ignores the role of promotion on sales volume. Another well-known technique identified in the literature is the percentage-of-sales method, used by three Icelandic companies. This method leads to a budget set by the availability of funds rather than market opportunities. Only three companies had started to use an approach called the objective and task method, which unlike the others focuses management attention upon the goals which are to be accomplished, the task that must be performed to achieve these objectives and estimating the cost of performing these tasks (Fill, 2005; Kotler and Keller, 2009). Nevertheless, the majority of respondents are using methods that are not in any way connected with the marketing communications activities they want to perform every year. The possible reason could be that smaller firms are often opportunity driven and do not carry out any formal planning, and therefore their budget is not connected to any marketing activity (Hills *et al.*, 2008).

The second enquiry addresses information gathering within these types of companies. Eighteen respondents declared that gathering information about their customers was important for their business and fourteen of them were already engaged in gathering information, see table 5.2:

Table 5.2: Information Gathering

Information Gathering	No	Quotes
Using sales history	8	<p><i>“We have a lot of information about our customers, as when they send us their pictures for file processing we get their email addresses, their addresses and we can use this information. We are thinking about it this year to use more direct approach on these customers”</i> (Interviewee 7, January 2007).</p> <p><i>“ We gather a lot of data about our customers and about the car industry here in Iceland. We file everything about the car, has somebody owned it before, what parts have been bought for the car etc. From our new CRM system, then we are trying to get information about the customer, what kind of cars has she owned, what kind of communications has he had with us, we are going to record all telephone calls, emails, visits etc.”</i>(Interviewee 3, January 2007</p> <p><i>[When booking a trip] “we get very little information, your name and your ID number. We get as well your home address, and age, basic demographic information. We use this information a little bit and we are going to use it more. You can tick a box when you book your trip if you want to get information from us. As well we do basic analysis of destinations, the age of people booking. As well we are going to develop a loyalty scheme for our customers but we haven’t done it yet “</i>(Interviewee 19, January 2007).</p>
Buying consumer studies/sales figures	6	<p><i>“I always get sales figures from AC Nielsen (Gallup) every month. It is very good information you get there, you see what you are doing right and wrong. We are not doing anything else.”</i> (Interviewee 19, January 2007)</p> <p><i>“We also monitor our brands, e.g. How does the target group like the brand, is he going to buy the brand, how does he like the ads, the message etc. Then we have also used the life style surveys, what opportunities are there, what groups, other than our groups are using the product ... Then we have also had our own research done, like now about the beer buying behaviour. How do people choose their beer, do they always buy the same, does ads make them change their mind etc.”</i> (Interviewee 1, December 2006).</p>
Using CRM system	7	<p><i>“In the future I will want to build up a database with information about our customers just so I can send direct email to customers. ... Now we are getting a new system, Go Pro and CRM system and then I am hoping we use this system to analyse our target markets.”</i>(Interviewee 4, January 2007).</p> <p><i>“We use the CRM system here, which is a good system, it maintains all the communications between our company and our customers, and now we are connecting it with our financial accounting. But still we have to log ourselves into two to three systems to get the whole picture of our customers, and of course we would just log ourselves into one.”</i> (Interviewee 18, January 2007).</p>

Eight were gathering information about existing customers, using their sales force to acquire this but six companies were using external companies such as Capacent Gallup to gather information or buying sales figures. Seven companies were using CRM systems. From the quotes above it seems like companies are first now realising that gathering information about customers can help them building a relationship with them as many of the respondents stated this would be something they are going to be focusing on in the future.

These findings contradict the findings from in-depth interviews with entrepreneurs in the United States and Sweden where respondent's opinions regarding market research activities were overwhelmingly negative (Hills *et al.*, 2008). Icelandic managers seem to be able to see the benefits from gathering information about their customers even though one responded expressed concerns over relying too much on findings from surveys:

Yes of course this data comes in handy. However, I am like a typical French man when asked about surveys. I think they are just about what we have agreed upon to be the truth and nothing else. If I say that this company have been drooping in people's minds and if everybody here inside the company say, no it isn't true, than I have surveys from a couple of years ago and can tell them to look at these surveys, and as well at the sales figures. I have as well market share figures since I do not know when. I show the all these figures and tell them to believe me now." (Interviewee 19, January 2007).

The third enquiry addresses measurement and evaluation of marketing communications activities. None of the respondents identified that they would be measuring marketing communications activities individually or the overall campaigns scientifically. Nine participants identified that they first and foremost look at the sales figures. Five respondents did not measure and specified that this is difficult and problematic to do but that they could easily get feedback from their sales people or by checking enquiries.

One participant, (Interviewee 4, January 2007) even stated it would not be cost beneficial for them to measure their marketing communications activities:

I know this is not very exciting for you but in this company we do not have money to pre-test and measure the effectiveness. The market is too small for it to pay off, because the sales would never be higher than the cost. It could work if you had a 6000 percent margin.

Three respondents identified that after a campaign all the managers convened in order to evaluate the goals set in the beginning and examined sales figures and other aspects to evaluate how successful the campaign had been.

Nevertheless, from this finding it is clear that the majority of small and medium companies are only looking at sales figures, if anything, to evaluate if the marketing communications campaign is successful or not. A few issues could affect this. According to Blois and Carson (2000) a personal-contact network is extremely important for small and medium sized companies. These individuals will have mutual understanding of the businesses and the relationship between them and the manager of the company will be built on trust and effective communication. This network both helps to form and guide marketing decisions and the manager or entrepreneur will be able to easily obtain personal feedback from these individuals. In small societies like Iceland this personal-contact network could even be vital. Additionally, marketing within small and medium companies is often short term, and managers seem to focus on increasing sales quickly. Hills *et al.*, (2008) identified in their research about entrepreneurial marketing that entrepreneurs envisage the subject as a fragmented set of factors that affect sales performance. However, what the majority of small and medium sized companies in this research appear to be missing out on is the long term effect of marketing and marketing communications activities. By not measuring, companies miss out on an opportunity to understand how consumers perceive their products and

therefore may be unable to improve their marketing communications campaigns or long term brand image.

The next enquiry discussed the promotional tools companies were using and the reasoning and justification behind them. It became apparent that companies focusing on the consumer are mostly using traditional media such as newspapers, TV and radio advertising when communicating with their customers. Only three companies mentioned that the Internet was going to become more significant in the future for their respective types of businesses. Another two companies, specified how they would use newspapers to inform people, and TV and radio to build up image. One respondent (Interviewee 6, January 2007) explained his media choice like this:

We use mostly print advertising, mostly whole pages. We have noticed that the newspaper market is very competitive as well and we are able get cheap or very good prices from some newspapers.

The companies who focussed more on the b2b sector placed more emphasis on direct approaches. The most important thing for them was to find the person responsible for buying the product or service and establish some form of relationship with that particular individual. In addition, respondents identified ‘happenings’ and ‘meetings’ as very useful to reach their customers and provide them with information.

We are constantly in touch with them [their target group] and one plus is that they can come here, we have always on Friday mornings coffee and cakes, at 8am and sometimes when I arrive we have here twenty professional painters (Interviewee 13, January 2007).

Respondents were also asked about the average distribution between different promotion tools. Not surprisingly, advertising counts for on average over 60 percent for companies focusing on b2c whilst no other marketing communications activities count for more than 9 percent. The companies focusing more on business to business spend as well on average almost half of their marketing budget on advertising, mostly in

newspapers, trade magazines and on TV. Direct mail and direct sales followed in second and third place. Medium sized companies invest on average 60 percent of their budget on advertising while the figure is 53 percent for small companies (based on number of employees' definition). Interestingly, small companies invest 14 percent on direct mail while medium sized companies invest only 8 percent of their budget on direct mail.

Interviewee 18 (January 2007) stated that it is quite easy to reach their target market:

This is Iceland, there are only 300 000 people here, and what, around 7000 registered companies and our target market is maybe 2000 companies. If the sales people really wanted to, they could call them all.

The results from these findings reveal that small and medium sized companies are using traditional media, mostly advertising, when targeting their customers. At the same time although over 90 percent of Icelanders use the internet regularly, companies are doing little or nothing to use this medium to reach their customers (Statistics Iceland, 2008). In SMEs, the managing director, owner, or the entrepreneur makes the decisions which means that decisions are based on his personality, experience and style (Blois and Carson, 2000). It seems managers in SMEs in Iceland have not fully understood the advantages of the internet. They also have a weakness for a bargain, often choosing media where they can get the least expensive price instead of identifying who their customer is and endeavouring to make contact through the most appropriate and effective channels. This is well known in the literature of small and medium sized companies, managers tend to adhere to what they know well and what has worked well in the past (Blois and Carson, 2000; Burns, 2001; Megginson *et al.*, 2003). Rather than acting proactively, small companies tend to be reactive to the competition's marketing activity (Carson *et al.*, 1995). Three companies differentiate themselves from others when identifying the purpose for using the different kind of media and discussing different methods to reach different target groups.

Further, respondents were asked if they used any marketing communication agencies. The majority of respondents identified that their company would employ an advertising agency. However, six companies only used them on special occasions, for special projects or to request them to design templates that the companies were able to use for a couple of years. Only two respondents specified that they did not use an advertising agency. The reason respondents gave for not using advertising agencies exclusively were various. Brochures and printing material could often be done 'in-house' and two companies also mentioned that design costs would be too high if they were going to use an advertising agency every time they had to design a print advertisement. Therefore these companies had an employee charged with designing print material inside the company.

One respondent spoke about the benefits of using an advertising agency:

I need to be able to talk to somebody about this work that is not here internally and the guy I am working with has experience from working with other industrial companies (Interviewee 4, January 2007).

However, not many companies use a Public Relations office constantly, seven respondents stated using them intermittently, one identified that he used PR offices abroad, one carried out PR himself, one had employed a PR agency but no longer used it and eleven said they never had used a PR office. Respondents specified they merely used PR agency when they experienced crisis or when there was a special occasion occurring such as a company's anniversary. Other marketing communications agencies were not mentioned. Ten respondents said they used media houses or advertising agencies to conduct media plans and buy media spaces for them.

These findings imply that even though most companies are using advertising agencies, some also try to use resources available within the company to cut costs. However,

when companies grow companies tend to use advertising agencies more than before - at least this is the experience of interviewee 9 (January 2007):

I have myself been to seminars in graphic design, so I can make posters and we have a printer here where we can print out lot of stuff. But the company has been growing and I have been using the advertising agency more.

Megginson *et al.*, (2003) address this topic and state that by designing everything themselves companies are missing out on specialist views, concepts and ideas. However, financial limitations are one of the constraints SMEs face and as identified above it is the reason interviewees gave for not using advertising agencies.

The final enquiry investigates the benefits of and barriers towards marketing communications. All the respondents considered marketing communications to be important and beneficial activities in establishing themselves in the market. Fifteen companies regarded marketing communications as more important now than five years ago. The reason for this was first and foremost the apparent increased competition and fragmentation of media:

It is getting ridiculous, 10-15 calls per day where you are being offered to advertise in this and that newspaper (Interviewee 13, January 2007).

Eighteen respondents thought marketing communications would become even more important in the future. Interviewee 13 stated (January 2007):

I think it is more important now, because a couple of years ago Iceland was kind of unique. You were able to reach 90 percent of the population by buying a one whole page advert in Morgunbladid, and before Channel 2 was established [in 1986] we only had one TV channel. And I think it will become more important in the future because our kids are growing up with the Internet so maybe it will be even more different than it is today.

Respondents were asked about barriers to effective marketing communications, and they identified the constrictions of time and financial limitations as the main barriers:

Normally companies, and we are no exception, employ as few employees as possible. They are often employing too few people; therefore we are working too fast and carrying on as quickly as possible. (Interviewee 1, December 2006).

One respondent mentioned the size of the market as a barrier and said the country was too small. One mentioned language problems and foreign business culture as an obstacle when attempting to expand abroad. Other reasons mentioned were in dealing with the legal environment and with customs.

Both financial resources and time are well known problems for small businesses (Carson *et al.*, 1995; Megginson *et al.*, 2003). It is self-evident that small organisations have limited managerial resources and because of it they have little room for specialists but require instead more flexible generalists. However, this was not the case with all the companies examined. Five medium sized companies, exceed the turnover limit of £34 million with one company showing turnover of £72 million, additionally other companies showed a healthy and significant turnover, see table 4.2.

Some important aspects relating to marketing communications practices were discovered. Six companies had already considered or initiated exporting their products or services abroad and two of those companies had already bought a company abroad. Two companies sold their products and services through a local partner in the host country and these local partners were also responsible for the marketing communication in their country. One company (Interviewee 1) was unique. Their marketing and marketing communications tactic has changed dramatically since a marketing manager had changed the way in which they operated. Their marketing department now travelled abroad to seminars and their budget decisions are subsequently based on the task and goal method. They attempted to evaluate their marketing communications campaign and had been looking for an opportunity to export their beer abroad.

Another company (Interviewee 14) had recently bought Elisabeth Shaw, and were considering using their network abroad and combining production lines. Additionally, the company exported their products to Denmark, Holland, Russia and the US, even though these exports were not a major part of their turnover. The company had many brands and in the planning process looks at each and everyone as a small company. TV was the main medium the company used but they also used the Internet and considered that this will be a more important factor in the future. When the company advertised, the respondent made sure the product was visible in all the major grocery stores in the country. However, they did not attempt to measure their marketing communications activities, stating it was enough to look at the sales figures

The third company (Interviewee 11) was a company involved in web solutions and software production. They had three clients in the UK through a partner company. They were a small company with only eighteen employees but the nature of their business enabled them to compete internationally. The respondent claimed that the Icelandic market was saturated and that it was therefore necessary for them to operate abroad. Within the Icelandic market, they approach customers on a one-to-one basis, carefully choosing which companies they want to target. In the UK they use a PR agency.

The fourth company, (Interviewee 10) sold document and case management solutions in four countries in Europe as well as trying to establish themselves in Mid and Eastern Europe. Their marketing communications activities were usually carried out with the partner within each country but the Icelandic diplomatic services have hosted receptions for their potential customers within the embassy. In Iceland they had once or twice a year held an open house for their customers.

Another company (Interviewee 20) was exporting to seven countries, with a goal to own an international brand within 10 to 15 years. The external market counted for 85 to 90 percent of their turnover. Abroad they operated through distributors. Their distributors market the product abroad but are offered counselling and advice on how to market the product from the Icelandic company. They used TV advertising and they do not attempt to measure the effect of their marketing communications activities.

The final company, (Interviewee 2) which produces office furniture, were considering the option of exporting their products abroad. They had in previous years attended various trade fairs in Britain to discover if they would be able to sell their products abroad, but have not begun exporting as yet. However, it was not possible to confidently state that this company was outward looking as they appeared to be just using mass marketing approaches with little attention to a target group as the following examples indicate. The managing director identified that they were using more newspaper advertising now because they were receiving better prices than previously. As competition had increased in their line of business, the manager had determined that it was now more important to advertise.

Three companies, even though they did not export abroad, could be included with the aforementioned companies. One (Interviewee 5) was a subsidiary of a Danish corporation. The other one (Interviewee 3) imported cars. It closely followed what is happening elsewhere in the world in their area of business by attending seminars and reading trade magazines. The third of these three companies (Interviewee 4) was in the process of a merger and had yet to decide the aims and goals of the company. However, the marketing manager had researched the target groups for each product in a similar method as in the past and examined how to reach them accordingly. He followed what

was going on in the world in the field of marketing, has taught marketing in a least one university in Iceland and when Don Schultz's name was mentioned during the discussion, tried to remember what was the last thing he read by him.

Marketing and marketing communications practices did not seem important to the other companies. Of course they were advertising and promoting their products and services but it seemed to be done in random way, with little emphasis on their respective customers or who their target groups were and how to reach them. They often followed the 'offers' from the medium and advertised where they got the cheapest price. Of these eleven companies nine were small and two were medium sized which implied that smaller companies will use more 'ad hoc' marketing approaches than medium sized companies might.

This section has sought to examine and discuss the findings from the interviews regarding marketing and marketing communications practices within Icelandic SMEs. The findings reveal that almost half of the companies and the majority of the medium sized companies have moved towards increased target marketing and marketing communications approaches while others are still operating similarly to the way they have in the past.

The next section will focus on findings from questions addressing Integrated Marketing Communications.

5.3 Integrated Marketing Communications

This research will address the emergence, relevance and applicability of Integrated Marketing Communications (IMC) in Icelandic SMEs. As earlier literature stated that Integrated Marketing Communications was more relevant to small and medium sized companies it was presumed that this would be the case in Iceland (Nowak and Phelps, 1994; Low, 2000).

All twenty respondents were asked if they knew of the term ‘Integrated Marketing Communications’. Of twenty respondents, only six knew (or claimed to know) something about the term and three had heard of the term but had no recollection as to what it meant. Thus, fourteen respondents knew little or nothing of this term. The respondents that knew of the term were all medium sized, with turnover from £11.4 up to a staggering £72 million.

These respondents were shown two definitions of the term IMC, one from 1993 and the other one from 2004, see table 5.3:

Table 5.3: Two definitions of IMC

Definition 1	Definition 2
<p>“IMC is a concept of marketing communication planning that recognises the added value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines – for example, general advertising, direct response, sales promotion, and PR- and combines these discipline to provide clarity, consistency, and maximum communications impact” (Schultz, 1993, 17)</p>	<p>“Integrated marketing communication is ... a strategic business process used to plan, develop, execute and evaluate coordinated, measurable, persuasive brand communications programs over time with consumers, customers, prospects, employees, associates and other targeted, relevant external and internal audiences. The goal is to generate both short-term financial returns and build long-term brand and shareholder value.” (Schultz and Schultz, 2004:9)</p>

Two respondents identified definition one as being more specific and more related to their company as a whole but that definition two was also valid, see thoughts on the two definitions in table 5.4:

Table 5.4: Thoughts on definitions

Definition	Quotes
Thoughts on definition 1	<p><i>“Yes I recognise this term. I think this is more specific, this is more related to our company as a whole, and that maximum communications impact is guaranteed. You do not have one jingle in radio advertisement and another in your TV advertisement for the same product, and it looks like you have 2 products”</i> (Interviewee 1, December 2006).</p> <p><i>“I would say this was the core of our business”</i> (Interviewee 3, January 2007).</p> <p><i>“Yes I know the term, but I don’t know if I’m able to define it correctly. I have at some point read about the term. If I’m going to be honest, I don’t know. Probably in some ways and probably in some ways not”</i> (Interviewee 14, January 2007).</p> <p><i>“I can clearly see that the first one is older than the other. We of course need to integrate all our operations so we are all doing the same thing. For me it is like a common sense”</i> (Interviewee 19, January 2007).</p>
Thoughts on definition 2	<p><i>“I think this one is more general and extensive. There must be a lot of actions that follows this definition. This makes a lot of sense”</i> (Interviewee 1, December 2006).</p> <p><i>“Yes, with the value of the brand, we have been trying to build a scale to estimate the value of our brand in the beginning of the year and in the end, the brand equity. This one is valid here as well, just more detailed”</i> (Interviewee 3, January 2007).</p> <p><i>“I don’t think we do this as formally as is said here. I think this applies to a larger company, with many departments. I still think we are doing this in many ways, our goals are clear and we have information where we stand in relation to our goals. However, we don’t do it in organised way like is described here”</i> (Interviewee 14, January 2007).</p> <p><i>“I think we think this way, that everybody within the company are our salesmen, and we get a lot of business through the guys that are going out working for our customers and through the consultants. And as well through a person that knows another person etc. especially in a community of 300.000 people. We measure lots of things here, and we do it on monthly basis, and even firmer every 4 months.”</i> (Interviewee 18, January 2007).</p> <p><i>“I think both definitions define what we do “</i>(Interviewee 18, January 2007).</p>
Thoughts on IMC	<p><i>“ I have read about this term or I know the combination of these words, I know it can mean different things</i> (Interviewee 4, January 2007).</p>

Respondents were shown the five steps of the IMC development model and asked to identify if any of the steps were more relevant to them than others. Two thought that their company was located at stages 1 and 2, the stages of tactical co-ordination of marketing communications activities and redefining the scope of marketing communications. One respondent specified that they could not use stage 4 (the financial and strategic integration) because they could not measure systematically. One thought they were doing some parts of all the stages whilst one respondent identified they were working on stages 1, 2 and 4 currently. Nevertheless none of them had seen this model before. These respondents were also asked if they thought companies would progress through these stages and five of them thought this model at least looked reasonable and stated that companies would progress through these stages in some way. One respondent claimed he was unable to judge at this point, as it was the first time he had seen the model.

Only one company was working towards integration (Interviewee 1). They produce Coca-Cola and related drinks for the Icelandic market and also attended a seminar and training at Coca-Cola in the past year. After this seminar IMC became more important and they started working towards integration. The manager identified their company at stage two on the five steps of the IMC development model and stated that the company was trying to make marketing communications more systematic. The remainder of the companies were not working towards integration.

This early finding of lack of knowledge of IMC appears important in relation to the statements in the early literature (Nowak and Phelps, 1994; Low, 2000) as the relevance of IMC in SMEs seems misplaced or at least over optimistic. The findings from this section are really clear, majority of the respondents did not know the term IMC and the

respondents that did know the term were not working towards IMC. They might be practising something resembling IMC but they were not aware they were doing it. These findings support the view expressed by Hutton (1996) where he stated that IMC was nothing new and that marketers had been practising it for a long time. These respondents even specified that their companies were on the first or the second stage of the IMC triangle and some even stated they were doing something at each stage. However, this was all done without a formal knowledge of the term IMC or the IMC triangle. Therefore it cannot be said that respondents were practising or using IMC.

The next section discusses cultural findings.

5.4 Culture

Respondents were asked three questions about communications and organisational culture. They described their companies' culture in various ways; see table 5.5:

Table 5.5: Culture

Culture	No	Quotes
Old – traditional	7	<i>“The culture is what it is because many people have worked here for 30-40 years, it is very conservative” (Interviewee 1, December 2006).</i>
Mixture of old culture and new	5	<i>“The culture was a little bit old and we have to fire some people and getting new people in. We are trying to change the mind set and put people back in the driving mode” (Interviewee 7, January, 2007).</i>
Flexible and classless	2	<i>“We try to have a classless workplace here, if somebody is bringing in the merchandise, I can receive it if I’m not doing anything else, even though my title is Managing Director” (Interviewee 16, December 2006).</i>
Energetic	1	<i>“The core staff has period of employment up to 30 years. Everybody thinks about each other and also the employees thinks what is going to happen tomorrow, not just what is going to happen today “(Interviewee 3, January 2007).</i>
Unknown, merger in process	1	<i>“We are trying to merge both the companies and hopefully it will be finished before the end of May 2007 “(Interviewee 4, January 2007).</i>

Friendly	2	<i>“Friendly and lots of unity among the staff. We are all working towards the goal of contributing to better conditions and health of the people in Reykjavik” (Interviewee 9, January 2007).</i>
Geeky	1	<i>“The culture isn’t maybe as structured as in larger companies”(Interviewee 10, January 2007).</i>
Knowledgeable	1	<i>“The culture is family oriented and many people have worked here for a long time, almost 10 years. It is very uncommon in this business” (Interviewee 18, January 2007).</i>

Of these seven companies, specifying their culture as old and conservative, five identified that this culture needed changing, that staff needed to work together increasingly in order to reach the company’s goals instead of carrying out the same procedures and working practices that they have done for many years. In all of these companies, work on changing the culture had already started: Interviewee 1 (December 2006) stated:

When I came in here and was trying to learn how to do everything and calling people I thought knew things according to the organisation chart. The widespread answer was: This is not my responsibility. After the first week I thought there were many people that knew what they were not supposed to do but did not actually know what they were supposed to do.

This respondent specified that even though they were in the process of changing this culture, major changes had occurred in the marketing department with excellent results.

The communications within small companies were more informal than in medium sized companies where in seven cases out of ten, employees were in two different sites within the country or abroad. Respondents identified that this made their communications difficult but that they used Internet methods such as, email, Skype or the Microsoft portal, MSN to communicate more effectively. One respondent from a small company specified he did not like using email and that he would phone his staff in preference to sending them electronic mail. Interestingly, five respondents mentioned the cafeteria as a perfect environment for informal conversations between staff.

Finally, respondents were asked about staff involvement in marketing decisions. Twelve respondents stated they involved staff in their company in this way, the majority in an informal manner during coffee breaks. Two respondents identified that they would immediately be contacted by their sales team if something was not working in their marketing communications campaign. Three respondents conversely specified that they would only involve other directors within the company in marketing decisions.

The most interesting findings in these section is how respondents described their culture and that in seven cases it was described as old and conservative. Of these seven companies five wanted to change their culture and its staff to become more goal oriented. Respondents identified the process as being difficult, Interviewee 1 had been working on this for a couple of years and gone through re-engineering while Interviewee 17 and Interviewee 19 had just started the process. Interviewee 7 had made many employees redundant and hired new staff in order to change the mindset within the company and put people back in the driving mode with a more dynamic culture. The goal was for staff to demonstrate initiative and thirst for innovation and new and superior service standards. Interviewee 17 had similar problem as Interviewee 7 and had dealt with it in a similar way. Interviewee 15 had departmental problems even though only 25 people were working in the company. Staff were used to doing things the way they had always been done. However as the print trade is increasingly becoming digital the company needed to act quickly and change with the environment. Interviewee 19 was merging two companies into one but one of the companies had a strong hierarchy management where the managers gave orders and staff followed. However, the company needed staff to show initiative and problem solving skills.

Four companies stated they were trying to integrate the culture so that everyone felt they were working for the same company. The focus was therefore on internal affairs. Some differences existed between small and medium sized companies, informal communications and a more family type atmosphere existed in small companies but communications within mediums sized companies were a mixture of both.

The following section will provide a discussion of the findings from this chapter.

5.5 Discussion

As seen in the previous sections, the marketing communications practices within these twenty companies interviewed for this research varied greatly. Those companies that were identified as having a more external outlook were using more target marketing approaches because they were all following what was happening in the line of business abroad, which lead to more focused marketing. Another interesting finding that emerged from this data was the discussion about ‘old culture’ and the views of five managers that actually wanted to change this culture so that the company would become more goal-oriented. These results imply that what respondents identify as ‘old culture’ could be a barrier towards more target marketing communications approaches.

As stated in chapter 4, Hofstede (2001) revealed five main conceptual dimensions on which national cultures exhibit significant differences: power distance, uncertainty avoidance, individualism vs. collectivism, femininity vs. masculinity and long term vs. short term orientation. In his study, Hofstede uses data from Gibbons *et al.*, (1996), who had performed a classroom exercise with adolescents in Guatemala, Iceland, Mexico and the US. Hofstede correlated the reported country mean scores with the four IBM

indexes substituting Norway for Iceland. He stated that this can be done because Iceland was colonised by the Norwegian Vikings and the two countries were then at about the same level of economic development, according to data from 1990. However, Iceland has changed immensely in the last two decades. Icelanders like to show off possessions even though they might have had to borrow the whole amount to acquire them. Harding (2004) says in his book about Iceland that Icelanders work hard and enjoy a very high standard of living but that keeping abreast materially comes at a price. They love fashionable clothing, nice cars and above all, gadgets, especially electronics and are avid users of cell phones and the newest telecommunications devices. Therefore is it not unusual for young people out of school to borrow money to buy a house or a four-wheel drive vehicle and spend the rest of their days paying off loans and living on credit.

Interviewee 1 (December, 2006) commented on the Icelandic market: *'My views on that [the market] is what I have seen, companies are not following some marketing strategy. It is all about just making great advertising and being funny'*. Erika Wolfe worked as a contract-based writer, copy editor and proofreader in Iceland (Wolfe, 2005). She specified, *'Icelanders tend to put everything off until the last minute, which is why everything we do seems like a last minute emergency'* (Wolfe, 2005: 2). Icelanders even make costly, important decisions in a hurry. A telephone survey, conducted for interviewee 3 (January, 2007) showed that for over 40 percent of Icelanders it takes less than a week to make the decision about buying a car until it is outside their door. It might explain why decisions are made in a hurry without careful planning.

Companies were as well associated with US culture. According to Hofstede study (2001), US culture is little bit different from Norwegian culture. The most marked difference in his research is in masculine and femininity, while Norway scored 8,

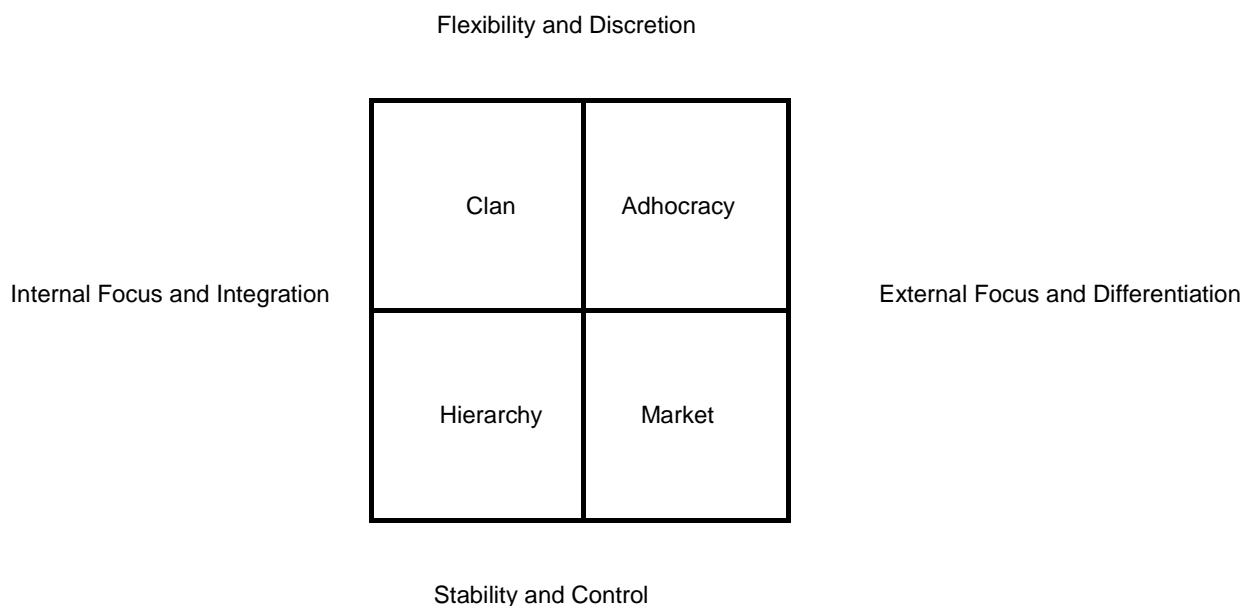
Americans scored 62. Coca-Cola is one of the best known brands in US culture and the Icelandic company (Interviewee 1) who produce Coca-Cola in Iceland seeks inspiration and knowledge from the headcounters. The car dealers (Interviewee 3) looked as well towards the US for influence, buying journals and magazines published there to better follow what is happening in their industry.

Even though Icelandic culture was moving away from its Scandinavian roots, Scandinavian countries still played an important role for Icelandic companies. One company (Interviewee 10, January, 2007) started its export activities to Scandinavia. Countries often start exporting to countries that are close to them geographically or to those that have a similar, language, culture, political system, level of education or level of industrial development. Therefore it is not strange that Icelandic companies started exporting to Denmark or Norway (Johanson and Wiedersheim-Paul, 1999). One company interviewed was owned by Danfoss International which has its headquarters in Denmark. This subsidiary in Iceland has had some problems adjusting to international culture. What the Icelandic manager mentioned was that in Denmark the sales people move around and visit their customers, but he stated that in Iceland it is not necessary to visit them, and that the customers know where to find him. His belief was that the customers would quickly become bored by receiving visits from sales staff on a weekly basis.

Additionally, managers in this research were asked about their organisational culture as stated in section 5.4. Organisational culture can be identified as “the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them norms for behaviour in the organization” (Deshpandé and Webster Jr, 1989). For nine companies the culture was changing, because companies were merging

but also because the management of the companies wanted to change the culture to make it more result oriented. When trying to map Icelandic SMEs using the Organisational Culture Assessment Instrument (OCAI) as specified in Cameron and Quinn's book (1999) and explained in chapter 4, it is clear that companies that were outward looking were exporting or following what was happening in their line of business elsewhere in the world used more target marketing approaches. Their culture type would be either adhocracy culture or market culture which both have external focus and differentiation, see figure 5.1 below:

Figure 5.1: The Organisational Culture Assessment Instrument



The companies trying to change their organisational culture identified their 'old culture' as being conservative, hierarchy focused and possessing departmental issues. However, they wanted the company to become more goal oriented, where staff showed initiative and thirst for innovation. From these findings it seems like hierarchy culture has been

the dominant culture but managers would rather see some change towards more external focus, towards adhocracy or market culture. The companies that were in the process of a merger, being bought or buying companies, were focused on integrating their company culture and bringing people together, focusing on internal issues and integration.

From this discussion it appears that the 'old' culture, which focused on internal approaches, hierarchy and stability could act as a barrier towards marketing and marketing communications practices. In the second part of this research, a survey was sent out to small and medium sized companies in Iceland to investigate this matter further.

5.6 Conclusion

The main findings from this chapter are:

Marketing and marketing communications activities in Icelandic SMEs are traditional and in accordance with previous literature (Blois and Carson, 2000; Megginson *et al.*, 2003; Simpson *et al.*, 2006; Hills *et al.*, 2008). Managers in Icelandic SMEs make the majority of the decisions about marketing communications activities themselves or with other managers working with them. Additionally, the budget was either based on past experience or what they could afford.

Respondents were gathering information about their customers but not measuring or evaluating their marketing communications activities, mostly referring to sales figures to see if their campaigns were effective or not. Respondents from medium sized companies identified they would use mostly traditional media when trying to communicate with their consumers. Nevertheless, respondents identified marketing communications as important and beneficial, and fifteen respondents thought it was

more important now than five years ago. The major barriers were identified as time and financial limitations. Only six respondents knew of the term 'Integrated Marketing Communications' and only one company were working towards integration of their marketing communications. One important aspect relating to marketing communications practices emerged from the data. It became clear that companies with an external outlook used more target marketing approaches than the other companies. The majority of them were exporting their products and services abroad but others followed closely what was happening elsewhere in the world in their field.

Respondents described their culture in various ways, but it was clear that the culture in many of these companies was going to change imminently. Four companies were merging or buying other companies and five respondents wanted to change their company culture to become more achievement oriented. Another important aspect related to marketing communications practices emerged from the data. It was evident that companies with an external outlook used more target marketing approaches than those that had the 'old culture' as some respondents referred to it.

Subsequently in this investigation, a survey was sent out to SMEs in Iceland aiming to explore this further. The findings from this survey will be discussed in chapters 6 and 7. The former will discuss the descriptive findings while chapter 7 will discuss organisational culture and answer the hypothesis formulated and discussed in chapter 4.

Chapter 6

Findings: Phase Two

6.1 Introduction

The purpose of phase two was to verify the results from phase one of this research and to establish how and in what ways organisational culture impacts upon and affects SME marketing and marketing communications activities. This chapter presents the descriptive results of phase 2 regarding marketing and marketing communications whilst chapter 7 will discuss culture and cultural implications on marketing communications.

Two topics emerged from the interview data discussed in chapter 5. Firstly outward looking companies were using more targeted methods when communicating with their companies than those who had more domestic focus. Interestingly, the majority of the companies that were outward looking were medium sized companies. As well, five managers specified that their organisational culture was 'old' and that it needed to change because they wanted it to become more goal oriented. These two topics formed the basis for the survey, see hypothesis in chapter 4.

The web based survey, hosted by SurveyMonkey.com was opened on 12th of June 2008 and was available for completion until September 15th. Additionally, telephone calls were made to respondents throughout the open survey period and the researcher also visited Iceland for a two-week period and contacted the managers to request their participation. Three reminders by email were sent to all respondents that had not fully answered the survey. Following this, the results were downloaded from

SurveyMonkey.com to a Microsoft Excel document, which was then converted into an SPSS file.

The chapter will discuss the descriptive data from this survey. It will begin with a discussion of demographic information of the respondents and companies involved in the survey before revealing the findings of the marketing communications section of the questionnaire. Finally there will be a summary of the major findings.

6.2 Demographic Information

The second phase of this thesis investigates marketing communications in small and medium sized companies and how, and in what way it is influenced by organisational culture. This section describes the company's demographic information e.g. the industry sector, if companies have a formal business plan, market plan or marketing department. The turnover and marketing budget figures for 2007 will be revealed as well as the individuals identified who make the marketing communications decisions. Furthermore, it will be shown which companies export their services or products abroad. All the questions appertaining to the above were part of 'general questions' (questions 16-33) at the end of the survey.

Table 6.1 presents company business characteristics. Of the 100 respondents answering the survey, 61 percent worked in a small company and 37 percent in a medium sized company. The definition used in this thesis is the European Commission definition (European Commission, 2005). This result was anticipated as a larger number of companies in Iceland are micro and small, rather than of medium size:

Table 6.1: Businesses Characteristics

Businesses	Percent
Small Business	61%
Medium Business	37%
Total	98%
Missing	2%
Total	100%

Table 6.2 shows turnover figures for 2007. As can be seen, the figures vary considerably, with 23 percent of Icelandic companies having a turnover between £6,400,100 and £31,800,000 which is relatively high for SMEs and at least five companies exceeding the turnover limit of €43 million or £63,605,100 (exchange rate in March 2007). Five companies declined to give information regarding their turnover:

Table 6.2: Turnover 2007

Turnover 2007	Percent
£318,000 or less	4%
£318,100 to £636,000	3%
£636,100 to £1,273,000	13%
£1,273,100 to £1,909,000	9%
£1,909,100 to £2,500,000	9%
£2,500,100 to £3,180,000	10%
£3,180,100 to £3,816,000	8%
£3,816,100 to £4,400,000	7%
£4,400,100 to £5,700,000	1%
£5,700,100 to £6,400,000	4%
£6,400,100 to £31,800,000	23%
£31,800,100 to £63,605,000	4%
£63,605,100 or more	5%
Total	100%

The companies in this research are spread over various industries in Iceland with wholesale/retail and manufacturing being the largest sectors in this research, see table 6.3 below:

Table 6.3: Icelandic Companies segregated by Industries

Industries	Percent
Wholesale/ Retail	33%
Manufacturing	18%
Publications/Printers/TV stations	8%
Banks/Insurance	6%
IT	6%
Car Dealers	4%
Tourist Industry and Hotels	4%
Bakeries/Restaurants	3%
Fishing Industry	3%
Agriculture	2%
Others	12%
Total	100%

Respondents were asked if their company was targeted towards businesses or directly to consumers. One of the findings from phase one was that the majority of companies were trading to both businesses and consumers, even though they focused essentially on one business form. Table 6.4 shows the result:

Table 6.4: Businesses vs. Consumers

Businesses	Percent
Businesses	25%
Consumers	11%
Both but more to Businesses	42%
Both but more to Consumers	22%
Total	100%

The majority of companies were trading to both consumers and businesses but targeting businesses more. 25 percent were targeting businesses, and 22 percent both but more to consumers. Only 11 percent in this survey were targeting consumers exclusively. The marketing communications practises that these companies utilised was quite different as was established both in the literature and in phase one of this research (Garber and Dotson, 2002; Brassington and Pettitt, 2007).

The next question addressed the job position of the respondents. It was found that 48 percent of respondents held the managing director position in their company. In 24 percent of cases the marketing manager answered the survey whilst 12 percent held the Sales and Marketing Manager position, see table 6.5:

Table 6.5: Job Positions of Respondents

Position	Percent
Managing Director	48%
Marketing Manager	24%
Sales and Marketing Manager	12%
Other Managers	15%
Total	100%

This result was anticipated as a majority of companies in this research are small with few staff and the managing director is likely to be the one who makes the marketing decisions.

The findings for who is responsible for marketing in the company are very similar to those identifying job position. In 47 percent of cases it was the managing director. These results were expected and suggest that for many SMEs, the owner, entrepreneur or the managing director makes most of the decisions within the company (Burns,

2001; Brassington and Pettitt, 2007). This supports the findings from the interviews in phase one. Marketing Managers/Sales Managers are responsible for marketing in 40 percent of cases, see table 6.6:

Table 6.6: Person Responsible for Marketing

Person Responsible For Marketing	Percent
Managing Director	47%
Marketing Manager/Sales Manager	40%
Myself and Managing Director	2%
Other Managers	10%
Nobody	1%
Total	100%

The education levels of respondents were quite diverse, with all of them having some form of further Education. The majority, 41 percent, had studied for an undergraduate degree and 23 percent had finished some form of craft education, see table 6.7:

Table 6.7: Level of education

Education	Percent
Advanced Level OR Equal Education	15%
Craft Education	23%
Undergraduate Degree	41%
Masters Degree	16%
Other	4%
Total	100%

Table 6.8 shows the approaches Icelandic SME companies in this research base their marketing communications budget on. These methods are all well known within marketing literature. 53 percent of respondents stated they base their budget on the objectives they want to reach. This method is similar to objective and task method

which focuses management attention upon the goals which are to be accomplished (Megginson *et al.*, 2003). It was found that 22 percent of respondents used the all we can afford method. This method does not have any market or task orientation, it focuses on what is left, after making an allowance for profit, is spent on marketing communications. Another common approach is to set the budget at a level equal to some predetermined percentage of past sales or turnover. In this research 15 percent of respondents used this method. Finally 8 percent invested the same amount as last year to make up their marketing budget. All these methods, except the objective and task method, ignore the market and do not take into account what kind of campaigns and projects companies are going to take on during the year (Kotler and Keller, 2006):

Table 6.8: Marketing Communications Budget

Market Communications Budget	Valid Percent
Certain Percent of Turnover	15%
All We Can Afford	22%
Based On Objectives	53%
Same As Last Year	8%
Other	3%
Total	100%

Respondents were asked if they used any kind of marketing communications agency. It was recorded that 40 percent of respondents used an advertising agency and another 18 percent used an advertising agency or some other marketing communications agency, most often a media planning agency. However, 39 percent of those who answered did not use any agency which suggests that they designed and planned their marketing communications activities themselves, as was identified in phase one, see table 6.9:

Table 6.9: Communications Agencies

Agencies	Valid Percent
Advertising Agency	40%
PR Agency	3%
Other Agencies, Media Planning, Direct Marketing	18%
No Agency	39%
Total	100%

According to the literature, smaller companies use more flexible marketing, and marketing decisions are often made by the owner or the managing director (Gilmore *et al.*, 2001; Verhees and Meulenbergh, 2004). Therefore it was essential to ask the respondents if their company had a marketing department and if their company formulated a business and marketing plan. The findings from this research support previous studies in the area, because only 27 percent of companies had a marketing department, 67 percent formulated a formal business plan and just 49 percent formulated a formal marketing plan, see table 6.10:

Table 6.10: Marketing Department, Business Plan and Marketing Plan

Marketing Department	Valid Percent
Yes	27%
No	73%
Formal Business Plan	Valid Percent
Yes	67%
No	33%
Formal Marketing Plan	Valid Percent
Yes	49%
No	51%

Cross tabulation was used to see if any differences existed between managers views in companies with a marketing department and those without. It is though important to note that only 27 companies in this survey have a marketing department.

It was seen that 82 percent of managers in companies with marketing department formulated a business plan, while 62 percent of companies with no marketing department did likewise. The results were quite different for the next question. As before, 82 percent of managers in companies with marketing department formulated marketing plan and only 37 percent of managers in companies with no marketing department, see table 6.11:

Table 6.11: Business Plan and Marketing Plan²

Formal Business Plan	Marketing Department	No Marketing Department
We formulate a formal business plan	82%	62%
We do not formulate a formal business plan	18%	38%
Formal Marketing Plan	Marketing Department	No Marketing Department
We formulate a formal marketing plan	82%	37%
We do not formulate a formal marketing plan	18%	63%

Respondents were asked how much they would invest on their marketing budget. As company turnover figures vary, see table 6.2, it was expected that the marketing budget figures would reflect this. This was not the case, as seen in table 6.12.

Table 6.12: Marketing Budget 2007

Marketing Budget	Percent
Nothing	11%
£31,800 or less	38%
£31,900 to 63,600	14%
£63,700 to 318,000	19%
£318,000 to 636,000	18%

This table shows that the majority of companies are investing very little on their marketing budget. It was also seen that 38 percent of companies are investing £31,800 or less, 14 percent of respondents between £31,900 and £63,600 and 11 percent as little as nothing.

When looking at the difference between companies with and without marketing departments a significant finding is discovered. 46 percent of managers in companies with a marketing department specify they invest up to £318,000 on their marketing budget whilst 80 percent of managers in companies with no marketing department state the same. 50 percent of managers in companies with a marketing department invest from 318,100 to 636,600 on their marketing budget but only 7 percent of companies with no marketing department do this, see table 6.13:

Table 6.13: Marketing Budget 2007 2

Marketing Budget 2007	Marketing Department	No Marketing Department
None	4%	13%
Up to £318.000	46%	80%
From 318.100 to 636.600	50%	7%

As a number of managers in the first phase of the research had specified they exported products and services abroad, the last question asked the managers in this phase of the research the same question, see table 6.14:

Table 6.14: Exportation

Export Abroad	Valid Percent
Yes	24%
No	76%
Planning to Export Abroad	Valid Percent
Yes	22%
No	78%

Of the companies, 24 percent had already started to export their product and services abroad and another 22 percent were planning to do so in the future. When investigating the differences between companies with and without marketing departments it became clear that companies with marketing departments are more likely to be exporting their products and services abroad than companies without a marketing department, see table 6.15:

Table 6.15: Exportation 2

Export	Marketing Department	No Marketing Department
Yes	41%	18%
No	59%	82%
Planning to Export	Marketing Department	No Marketing Department
Yes	37%	16%
No	63%	84%

The findings from this section demonstrate the characteristics of Icelandic SMEs. The majority of respondents were working in small companies trading to both businesses and consumers. Turnover figures were quite high with over 30 percent of companies with a turnover in excess of £6,400,000. Even though turnover figures appeared to be healthy, managers still invested a relatively humble amount on their marketing budget. Companies with a marketing department invested a significantly higher share of their marketing budget than those without a marketing department. In accordance with the literature, marketing decisions are made in most cases by the managing director, based on the objectives the companies set themselves. Advertising agencies were used in 40 percent of cases but almost the same percentage (39 percent) did not use any marketing communications agency, which suggests that these companies are using their companies' resources when planning, designing and conducting marketing communications activities. Finally, 24 percent of companies were exporting their products or services abroad which is a one percent lower figure than given in Johnson and Turner (2003) for manufacturing SMEs which compete internationally. A noticeable difference was identified between companies with a marketing department and companies with no marketing department. Companies with a marketing department were more likely to export their services or products abroad.

The following section will describe the findings derived from questions from the marketing communications section of the questionnaire, questions 1-9.

6.3 Marketing Communications

This section illustrates the findings from the marketing and marketing communications element of the survey of questions 1-9 with their attendant sub-questions. The aim of these questions was to identify the views and attitudes of SME senior managers in

Iceland towards marketing and marketing communications practise. Some organisations do not have the manpower to operate a marketing department but it could be argued that those that do should place more emphasis on marketing relative activities. Therefore the next section will discuss the differences between enterprises with and without marketing departments.

Cross tabulation was applied in this section. In order to avoid violating an assumption of chi-square concerning the minimum expected cell frequency which should be 5 or 'strongly disagree', the 'strongly disagree' and 'disagree' options were grouped together under the name 'disagree'. Similarly the 'strongly agree' and 'agree' options were grouped under the name 'agree' also (Pallant, 2007).

This section comprises seven subsections which each discuss relevant part of the questionnaire, i.e., business environment, marketing, marketing planning, promotional tools, information gathering, evaluation and finally, marketing communications.

6.3.1 The Business Environment

The first four questions discuss the business environment of Icelandic SMEs. Carson et al. (1995) identified that SMEs have little control or influence on the environment in which they operate and therefore can find it difficult to position themselves against competitors. The situation could however be different in Iceland and companies could be more influential because most of the companies are micro, small and medium sized. Of 26,127 companies operating in the country in 2005, 23,863 were micro sized, 1,816 small, 366 medium and only 82 were large (Statistics Iceland, 2009a).

The findings from the first question reveal that the majority of Icelandic SME managers consider their company to have guaranteed business. This numbered 81 percent of managers in companies with a marketing department and 71 percent of managers in companies with no marketing department.

The second enquiry addressed competition and if managers felt overwhelmed by the competition they face. 22 percent of managers in companies with marketing a department agree and specified that they are trying to survive against the competition while 27 percent of managers in companies with no marketing department agreed to the statement. However, over 50 percent of managers in both groups disagreed with this statement which indicates they do not believe they have severe competition.

The third question addressed whether managers believed it was easy for new competitors to emerge into the market. 33 percent of managers in companies with a marketing department agreed that it was easy for competitors to emerge while 38 percent of managers working in a company with no marketing department agreed to the same statement.

The last enquiry discussed the topic if customers had much choice of suppliers and if they relied on these companies to supply their needs. The results showed that 52 percent of managers in companies with a marketing department considered their customers to have a limited choice of suppliers and relied on them to supply their needs. This figure is less for managers in companies with no marketing department with 38 percent of them believing their customers would rely on them to supply their needs. Further statistics are provided in table 6.16:

Table 6.16: Business Environment

Business Environment	Marketing Department			No Marketing Department		
	Disagree	Neutral	Agree	Disagree	Neutral	Agree
We have guaranteed business in a relatively stable market	19%	0%	81%	18%	10%	72%
We are trying to survive against the competition	59%	19%	22%	55%	18%	27%
We operate in a market where it is relatively easy for new competitors to emerge	56%	11%	33%	43%	19%	38%
Our customers have limited choice of suppliers and rely on our ability to supply their needs	40%	8%	52%	49%	12%	39%

The results from these four questions show that managers in Icelandic SMEs consider themselves to have guaranteed business. The majority state additionally that they do not have to survive against the competition, which implies that the competition they face is not fierce. They also specify that it can be difficult for new competitors to emerge into the market. In addition, more than half of managers in companies with a marketing department specified that their customers have a limited choice of suppliers and relied on them to supply their needs but this figure was only 39 percent for managers in companies with no marketing department. However, there were no significant differences in views on business environment between managers in companies with a marketing department and managers in companies without a marketing department. The next subsection discusses manager's views on marketing.

6.3.2 Marketing

The following four questions in the questionnaire addressed respondents' attitudes towards marketing. The use of marketing is often considered peripheral to many of the small firms because it does not appear to have any significant or immediate impact on company performance (Carson *et al.*, 1995). In addition their marketing activities, which are often shaped and influenced by the owner, entrepreneur or the managing director, are often simple and spontaneous.

Managers in companies with a marketing department disagree more strongly with the first statement which says marketing is of little use to the company because it has guaranteed business. 81 percent of managers in companies with a marketing department disagreed with this statement but 63 percent of managers in companies without marketing department wording missing here. In addition 23 percent agreed with the statement compared to 19 percent of managers in companies with a marketing department.

The difference in responses is greater for the second statement. There, 92 percent of managers in companies with a marketing department disagreed with the statement that they are doing fine without marketing and it is not expected to be of much use in the future. Only 55 percent of managers in companies with no marketing department disagreed with this statement, while 18 percent were neutral and 27 percent agreed. 4 percent of managers in companies with a marketing department were neutral and only 4 percent of managers agreed with this statement.

The third statement is supported by the majority of managers in both groups. They agreed that achievement of marketing goals involves everybody in their organisations, 85 percent of managers in companies with a marketing department agreed, 7 percent were neutral and 8 percent disagreed. 71 percent of managers in companies with no marketing department agreed with the statement, 12 percent scored neutral and 17 percent disagreed.

The final statement discussed if marketing is important for expansion and growth of the company. 96 percent of managers in companies with a marketing department considered marketing to be important for the expansion of the company whilst 4 percent believed it not to be important. 82 percent of managers in companies with no marketing department

agreed with this statement, 9 percent disagreed and another 9 percent were neutral.

Statistics for these four questions are shown in Table 6.17:

Table 6.17: Marketing

Marketing	Marketing Department			No Marketing Department		
	Disagree	Neutral	Agree	Disagree	Neutral	Agree
Marketing is of little use to this company because we have guaranteed business	81%	0%	19%	63%	14%	23%
We are doing fine without marketing and it is not expected to be of much use in the future	92%	4%	4%	55%	18%	27%
The achievement of marketing goals involves everybody in the organisation	8%	7%	85%	17%	12%	71%
Marketing is important for expansion and growth of the company	4%	0%	96%	9%	9%	82%

The findings from these four questions reveal positive views about marketing but there is a notable difference between responses of managers from companies with marketing a department and those without. The former appear to consider marketing to be more useful and important than the latter. The next section will address the views of managers regarding marketing planning.

6.3.3 Marketing Planning

The following four questions discuss marketing planning but as identified in section 6.2, only around half of respondents had formulated a marketing plan. Carson (1995) stated that it has been noted that SME owners/managers have a limited knowledge of marketing planning practices, and their planning or decision making is intuitive, loose and unstructured as well as invariably short term. At the same time they are able to respond quickly to changes in the environment. As only half of the respondents in this research had formed a marketing plan it was expected that the findings from these four questions would manifest similar results.

The first statement addressed how systematic the marketing planning process is within SMEs. Only 18 percent of managers in companies with a marketing department agreed with the statement that the marketing planning process is 'ad hoc' and not very systematic while 32 percent of managers in companies with no marketing department agreed with the same statement identifying that their marketing planning is more loose and unstructured than in companies with a marketing department.

The second enquiry discussed whether marketing plans tailor most marketing initiatives and activities to specific target groups. What was revealed was unexpected because as previously mentioned above, it was suggested that SME managers had limited knowledge of marketing planning practise. This finding however indicated that 70 percent of managers in companies with marketing department agreed with this statement as did 56 percent of managers in companies without marketing department.

The third statement discussed financial/budgetary constraints that were identified as a barrier to marketing and marketing communications practises. Surprisingly, managers in companies with a marketing department agreed more strongly with this statement, as 92 percent of these managers identified that financial constraints affected their company marketing planning activities while only 72 percent of managers in companies with no marketing department did.

The last question addressing how SMEs formulated their marketing plan discussed if the plan is able to accommodate unexpected opportunities and threats. It was shown that 66 percent of managers in companies with marketing a department stated their marketing plan is able to accommodate unexpected opportunities and threats while 43 percent of managers in companies with no marketing department thought the same.

Further information is given in table 6.18:

Table 6.18: Marketing Planning

Marketing Planning	Marketing Department			No Marketing Department		
	Disagree	Neutral	Agree	Disagree	Neutral	Agree
In our company the marketing planning process is 'ad hoc' and not very systematic	78%	4%	18%	51%	17%	32%
Our marketing plan tailors most marketing initiatives and activities to specific target groups	26%	4%	70%	23%	21%	56%
Financial/budgetary constraints affect our company marketing planning activities	0%	8%	92%	15%	13%	72%
Our planning process is able to accommodate unexpected opportunities and threats	15%	19%	66%	21%	36%	43%

To sum up, the majority of respondents in this research identified their marketing plan as structured and tailored towards specific target groups. These findings are difficult to explain because 51 percent had previously specified they did not formulate a marketing plan. This inconsistency in answers may be due to the fact the respondents did not understand one or more questions, or it could be that respondents conducted these things without necessarily identifying or conceptualising it as a marketing plan.

As suspected, managers in companies with a marketing department were more able to use a systematic approach in relation to marketing planning, tailor their initiatives and activities and accommodate unexpected opportunities and threats than managers in companies with no marketing planning. Interestingly they also appeared to be more affected by financial and budgetary constraints. The following subsection will subsequently discuss marketing communications activities.

6.3.4 Marketing Communications Activities

Question 3 addressed which specific marketing communications activities respondents were using. Respondents were asked to identify (in percentages) how much they would allocate to each promotional tool during the year 2008.

Table 6.19 reveals the average percentage for each of the promotional tools and in addition how many answered and used each promotional tool as well as the number who found it not applicable:

Table 6.19: Usage of each Promotional Tool (Average)

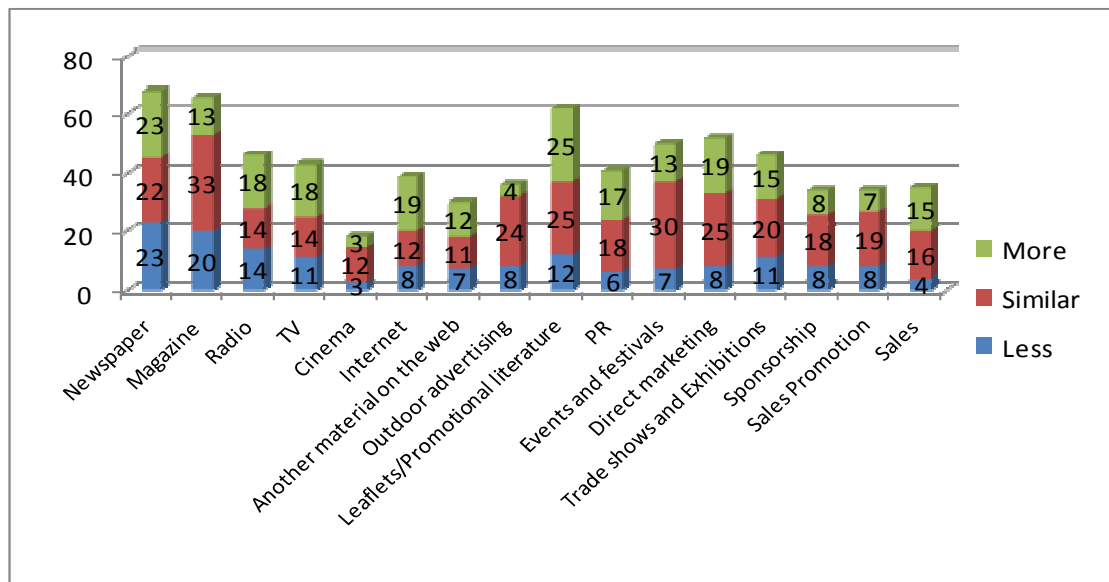
Promotional Tools	Average in percentage	Total Answered	Not Applicable
Newspaper	31	71	29
Magazine	13	63	37
Radio	16	40	60
TV	20	40	60
Cinema	4	12	88
Internet	8	39	61
Other material on the web	16	17	83
Outdoor	10	34	66
Leaflets/other promotional literature	16	61	39
PR	12	26	74
Events and festivals	9	43	57
Direct marketing	21	43	57
Trade shows and exhibitions	13	32	68
Sponsorship	7	22	78
Sales Promotions	7	20	80
Sales	18	26	74

This table illustrates that the promotional tools that receive the largest proportion of marketing budgets are newspapers (31 percent), direct marketing (21 percent) and TV (20 percent). Radio advertising, other material on the web and leaflets/other promotional literature follow with an average of 16 percent. Only 7 percent on average is spent on sponsorship and sales promotions and just 4 percent on cinema advertising.

These findings suggest that apart from direct marketing, other material on the web and leaflets/other promotional literature, companies are just using older, more traditional advertising. Affirming this view, similar results were obtained from the interviews in phase one of this research.

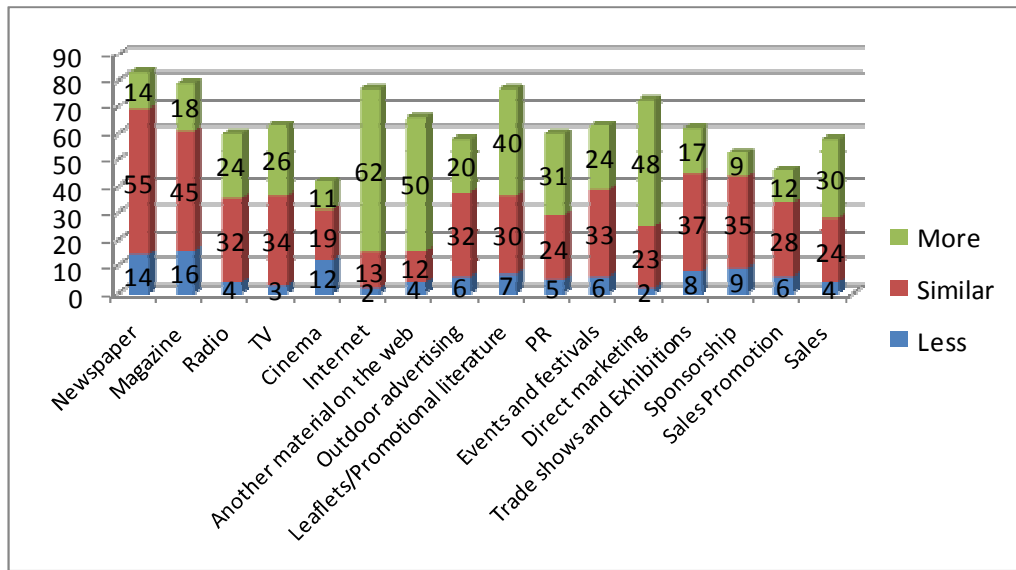
In question 4, respondents were asked to specify if they had spent less, more or the same on these promotional tools five years ago. The results are shown in figure 6.1:

Figure 6.1: Promotional Tools 2003 (compared to 2008)



From this figure it appears that companies were using promotional tools in a similar way five years ago. Nevertheless respondents were using leaflets more than now, 25 respondents identified they used leaflets more in 2003. Newspapers and magazines showed similar results. As in 2008, the majority of respondents were using, newspaper, leaflets and other promotional literature and direct marketing to communicate with their customers. It is interesting to compare this figure with how respondents think they would invest in the future. Figure 6.2 shows the difference between usage of promotional tools in 2008 and a projected five years hence:

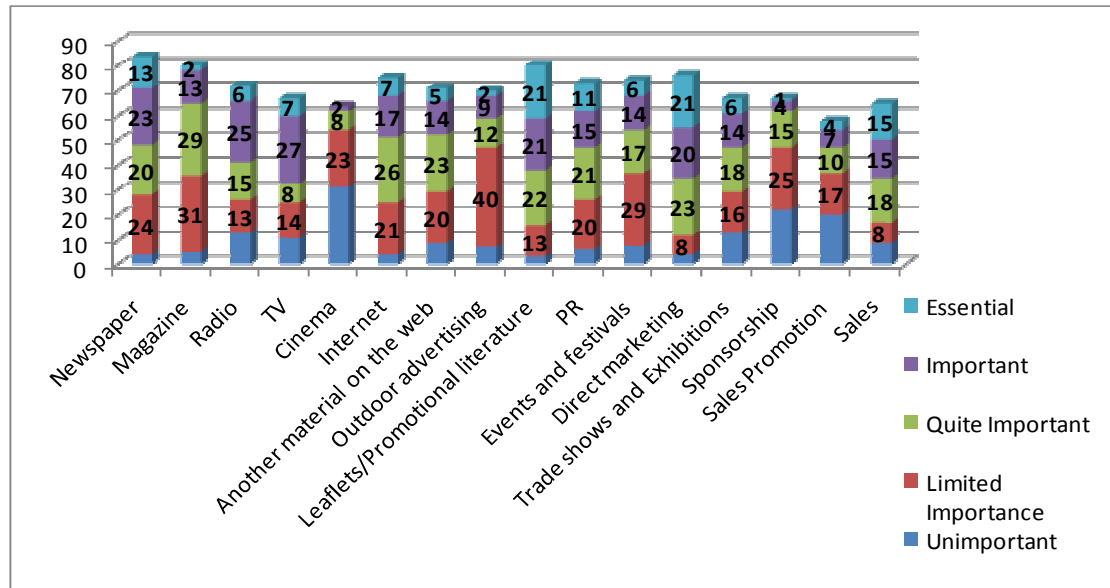
Figure 6.2: Promotional Tools 2013 (compared to 2008)



This figure shows that while the majority of companies are going to invest similarly in traditional advertising it seems that direct approaches may well increase, e.g. direct marketing, leaflets and other material on the web. The Internet is potentially going to increase the most. There will be further developments in technological innovation and SMEs, as other business types, will be required to respond to that. Other communications activities purported to increase in the future are other material on the web, leaflets, PR, direct marketing and sales. In addition, it seems like companies are going to invest similar or larger amounts on these promotional tools. Importantly, few projected that they will invest less.

Question five gives an indication of the importance that respondents perceive each promotional tool to have, see figure 6.3:

Figure 6.3: Importance of promotional tool



This frequency figure reveals some interesting points. As some promotional tools are rated as unimportant, e.g. cinema and sponsorship and sales promotion it comes as no surprise that these are the same communications tools companies identified they would use the least, see table 6.12. Magazines, outdoor advertising and events are of limited importance but the Internet and other material on the Internet are rated as quite important. TV, radio and newspaper advertising are seen as important but direct marketing and leaflets were the most frequent essentials.

The results corroborate what had previously been investigated in the literature. Direct marketing has increased in importance due to technological changes and changing buying habits (Fill, 2005). At the same time, the traditional assertive techniques such as advertising have declined even though these techniques appear to be still considered important for SMEs from what was discovered in this research. The next subsection will discuss manager's views on information gathering.

6.3.5 Information Gathering

The next six questions addressed respondents' attitudes towards information gathering. The results from phase one of this research showed that the majority of respondents were gathering information about their customers. Some companies collated customer information and used CRM systems to store information in order to enhance customer service. Others were purchasing tracking studies to obtain information about how customers perceive their company and/or their brand. Financial and time constraints were identified as the biggest barrier and some respondents specified that they did not need to gather information about their customers as they had a relationship with them already. Therefore, six questions were devised for this phase of the survey.

Gathering information is important for the majority of managers in this research, and it did not appear to be relevant whether they worked in a company with a marketing department or not, 86 percent specified that gathering information was important for their marketing communications activities.

The next enquiry discussed CRM systems, however, as stated in phase one of this research, a number of companies were using CRM systems to preserve information about their customers. 58 percent of managers in companies without a marketing department specified that CRM were significant for their companies whilst 78 percent of managers in companies with a marketing department said the same.

The third statement addressed external surveys. 78 percent of managers in companies with a marketing department agreed that buying external surveys was essential for their company but only 48 percent of managers in companies with no marketing department agreed that this was the case.

The fourth enquiry discussed financial constraints. Managers interviewed in the first phase of this research identified financial constraints as a barrier towards marketing and marketing communications practises. However, it seem like this does not apply here as only 23 percent of managers in companies with marketing a department agreed with the statement that financial constraints mean that no surveys are bought about the subject of how the customers perceive their products or services. 30 percent of managers in companies with no marketing department agreed with the same statement.

The fifth enquiry addressed a topic identified in the first phase of the research. Several managers had discussed that they did not have to gather information about their consumers as they already knew them. The findings show that 32 percent of managers in companies with no marketing department agree with the statement that they know their customers and do not have to gather information about them. However, only 11 percent of managers in companies with a marketing department agreed with the statement and a surprising 78 percent disagreed with it compared to 51 percent of managers in companies with no marketing department who disagreed with it.

The last question about information gathering discussed time constraints that as in financial constraints were identified as barriers toward marketing communications practises. 30 percent of managers in companies with a marketing department stated that due to time constraints they were unable to gather as much information about their customers as they would have liked. 50 percent of managers in companies with no marketing department agreed with the same statement. Further statistics can be viewed in table 6.20:

Table 6.20: Information Gathering

Information Gathering	Marketing Department			No Marketing Department		
	Disagree	Neutral	Agree	Disagree	Neutral	Agree
Gathering information about our customers is important for our marketing communications activities	7%	7%	86%	7%	7%	86%
CRM systems are significant for our company to use information about our customers	4%	18%	78%	11%	31%	58%
Buying external surveys about how our customers perceive our services or products is essential for our business	11%	11%	78%	27%	25%	48%
Financial constraints mean that no surveys are bought about how our customers perceive our product or services	62%	15%	23%	46%	24%	30%
We know our customers and we do not have to gather information about them	78%	11%	11%	51%	17%	32%
Because of time constraints we are unable to gather as much information about our customers as we would like	48%	22%	30%	25%	25%	50%

From these six questions regarding information gathering, it is evident from this part of the research that SMEs managers in Iceland consider information gathering as a really important aspect of their marketing communications activities. Additionally, information gathering was more important to managers in companies with a marketing department than to managers in companies without one. A significant difference between the two groups was on the topic of not requiring information gathering about their customers as they know them. It appeared that managers in companies without a marketing department considered they knew their customers whereas managers in companies with a marketing department tended not to.

Surprisingly, financial and time constraints were not perceived as significant barriers towards information gathering as was implied in the first phase of this research, it seemed however that managers in companies with no marketing department considered financial and time constraints as influential on their information gathering more so than did managers in companies with a marketing department.

The next subsection will discuss manager's views on the measurement of marketing communications effectiveness.

6.3.6 Measurement

The next nine questions examine measurement. The results from the first phase of the research revealed that companies were not measuring marketing communications effectiveness but instead only examined sales figures or collected information from their sales people in order to establish if their marketing communications campaigns or activities were showing effectiveness or not.

The first enquiry addressed whether evaluating performance was an essential part of the companies' marketing planning process. 82 percent of managers in companies with a marketing department agreed with this statement and 75 percent of managers in companies with no marketing department did. This result was quite different from the result in the first phase of the research where a number of managers stated that they did not attempt any measurement at all.

Managers were again asked if financial constraints affected their evaluations process. Only 15 percent of managers in companies with a marketing department agree with the statement and considered financial constraints as a barrier which meant that little or no evaluation of marketing communications activities occurs. This figure was 26 percent for managers in companies with no marketing department.

The fourth enquiry addressed whether managers and companies were regularly monitoring and evaluating certain performance indicators. 78 percent of managers in

companies with a marketing department agreed with the statement while only 53 percent of managers in companies with no marketing department agreed.

The fifth statement discussed whether managers felt they were doing enough evaluation or if they felt they needed to more be rigorous in evaluating marketing communications activities. 74 percent of managers in companies with a marketing department agreed with the statement while 67 percent of managers in companies with no marketing department agreed with it.

The next enquiry addressed if managers were collecting evaluative data. 86 percent of managers in companies with a marketing department identified that collecting evaluative data was essential for their company but only 46 percent of managers within companies with no marketing department believed it essential.

Managers in the first phase of this research identified time constraints as a barrier towards marketing communications. Only 19 percent of managers in companies with a marketing department in this part of the research agreed with the statement that constraints meant that little or no evaluation of marketing communications activities occurred while 34 percent of managers of companies without a marketing department agreed with the statement.

The final three questions addressed a topic identified in the first phase of the research. A number of managers had specified that the Icelandic market was so small that they could easily get feedback from their customers. When asked, 70 percent of managers in companies with a marketing department agreed with this statement against 77 percent of managers in companies with no marketing department. Managers were also asked if

they could easily get this feedback from the sales force and did. 64 percent of managers in companies with a marketing department agreed with this statement as against 73 percent of managers in companies with no marketing department. The final statement covered the view that was identified in the interviews, that managers do not have to evaluate their marketing communications practises because they have been in the business for a long period of time and understand what is effective and what isn't. 73 percent of managers in companies with a marketing department agreed with this statement as against 81 percent of managers in companies with no marketing department.

The statistics for the above can be seen in table 6.21:

Table 6.21: Measurement

Measurement	Marketing Department			No Marketing Department		
	Disagree	Neutral	Agree	Disagree	Neutral	Agree
Evaluating performance is an essential part of our marketing planning process	7%	11%	82%	6%	19%	75%
Financial constraints mean that little or no evaluation of marketing communications activities occurs	59%	26%	15%	45%	29%	26%
We regularly monitor and evaluate certain performance indicators	4%	19%	78%	17%	30%	53%
We need to be more rigorous in evaluation of our marketing communications activities	15%	11%	74%	6%	27%	67%
Collecting evaluative data is essential for this company	7%	7%	86%	20%	34%	46%
Time Constraints mean that little or no evaluation of marketing communications activities occurs	51%	30%	19%	30%	36%	34%
We are so close to our market that we get feedback from our marketing communications activities easily	15%	15%	70%	10%	13%	77%
Our company can easily get feedback from the marketing activities from the sales force	20%	16%	64%	12%	15%	73%
We have been in this business for a long time and we have a quite a good feeling what is working and what is not	4%	23%	73%	6%	13%	81%

These findings contradict the findings from phase one in many ways. It seems that the majority of respondents take measurement and evaluation seriously and want to be more rigorous in evaluation of their marketing communications activities. Significant differences exist between managers in companies with a marketing department and those without, especially in two instances. The statements ‘We regularly monitor and evaluate certain performance indicators’ and ‘Collecting evaluative data is essential for this company’ received greater support from managers in companies with a marketing department than from managers in companies with no marketing department.

However, although the majority of managers claim they want to evaluate their company’s performance they also state that they can easily get feedback about their marketing communications activities from their sales team or other staff. In addition, the majority state they have a reasonably good feeling for what is works and what doesn’t. O’Donnel *et al.*, (2002) states that the managing directors or entrepreneurs of SMEs form a personalised contact network (PCN) with people around them, which they consult in the process of taking decisions. This could explain why managers believe they can get feedback easily or why they trust their ‘feelings’. However, this can be a dangerous practise as it ignores their customers’ needs and requirements.

The final subsection addresses manager’s views on marketing communications

6.3.7 Marketing Communications

The final twelve questions discuss marketing communications activities. According to Simpson *et al.*, (2006) marketing communications activities in SMEs tend to be spontaneous and opportunistic because decisions are generally made by a single person,

the managing director. Some SMEs outsource some parts of their marketing communications functions such as advertising design and media planning but often, because of financial constraints, have to undertake these aspects themselves. The findings from phase one of this research revealed that smaller companies often had somebody within the company working on graphic design but when the companies grew would then begin using agencies, especially advertising agencies.

The first enquiry addressed whether companies were presenting a consistent message in all their marketing communications activities to their target customers. According to Kitchen and Schultz (1999) this is identified as the first stage of IMC paradigm where companies bundle their marketing communications activities together in order to ensure that they look and sound the same. 62 percent of managers in companies with a marketing department state they made sure their marketing communications activities present the same message and 49 percent of companies with no marketing department said similar.

A more notable difference occurred in responses to the next question where managers were asked if they incorporated data sources into communications planning. While 62 percent of managers in companies with a marketing department agreed with the statement only 20 percent of managers in companies with no marketing department do the same. It is at this stage, when marketing communications move from an inside-out perspective to one of outside-in, and this begins with customer value (Kitchen and De Pelsmacker, 2004).

The next question addressed the issue of whether managers monitored marketing communications performance from a return on an investment perspective. However,

because of their loose and unstructured methods of conducting marketing communications activities it was not expected that SMEs would be able to invest resources needed to monitor marketing communications performance from a ROI perspective. Surprisingly, 40 percent of managers in companies with a marketing department agreed with the statement but only 16 percent of managers in companies with no marketing department did.

Managers were then asked in the fourth enquiry if they thought that one brand personality and one voice in all their marketing communications activities would increase in importance in the future. Marketing communications practises have changed profusely in the last two decades with technological inventions such as the Internet so companies have had to adapt to new environment in order to gain the attention of their customers. 68 percent of managers in companies with marketing a department agreed with this question with just 16 percent of managers in companies with no marketing department in agreement.

The next question addressed outsourcing. SMEs often need to outsource as they do not have necessary and adequate resources within the company. The responses to this question gave an indication as to whether SMEs have the financial resources to outsource some of their required marketing communications activities to marketing communications agencies or alternatively if they take care of these activities themselves. It appeared that companies with a marketing department outsourced more than those without, as 80 percent of managers identified that they would outsource their marketing communications activities such as advertising design and media planning to specialists, whilst by comparison 67 percent of managers in companies with no marketing department did this.

The sixth question discussed time constraints as mentioned previously. 46 percent of managers of companies with a marketing department did not have as much time as they would have wished for marketing and marketing communications activities, as against 60 percent of managers in companies with no marketing department who said the same.

Carson et al (1995) stated that if the volume of work in the company does not warrant the recruitment of a specialist, the work would have to be carried out by someone else, e.g. by a consultant, a non-specialist or the owner of the company. The next two questions aimed to address this topic. 50 percent of managers in companies with a marketing department specified that they did not have enough specialists within the firm and therefore they needed to outsource as against 57 percent of managers in companies with no marketing department. 62 percent of managers stated that their staff tended to be generalist across all levels of marketing communications while only 34 percent of managers in companies with no marketing department stated the same. This lack of resources for companies with no marketing department could be the reason they are unable to implement more integrated approaches like managers in companies with a marketing department tend to.

The ninth enquiry addressed financial constraints as mentioned prior. 42 percent of managers in companies with a marketing department and 41 percent of managers in companies without a marketing department identified that they do not have sufficient financial resources to undertake the marketing communications activities they would ideally wish to.

The next two questions discuss exportation, as it was clear from the findings that some companies were exporting abroad and also that some managers were following extensively what was happening in their line of business elsewhere in the world. 67 percent of managers in companies with a marketing department stated they monitored what was happening in other countries and markets and that they used this information to adjust their marketing communications activities but only 50 percent of managers in companies with no marketing department did this. 36 percent of managers in companies with a marketing department specified that a significant proportion of their marketing activities concerned international markets and opportunities whilst only 12 percent of managers in companies with no marketing department said the same.

The final question concerned the strategic importance of marketing communications. Marketing and marcom is often considered peripheral in SMEs because it does not have immediate impact on company performance but this does not seem to be the case in Iceland. 89 percent of managers in companies with a marketing department identified that marketing communications was strategically important for their company and 65 percent of managers in companies with no marketing department agreed.

The statistics can be seen in table 6.22 below:

Table 6.22: Marketing Communications

Marcom	Marketing Department			No Marketing Department		
	Disagree	Neutral	Agree	Disagree	Neutral	Agree
Our company's advertising, PR, direct marketing and sales promotions all present the same clear, consistent message to our target audience(s)	19%	19%	62%	29%	22%	49%
Our company incorporates data sources into communication planning	15%	23%	62%	56%	24%	20%
Our company monitors marketing communications performance from a ROI perspective	20%	40%	40%	52%	32%	16%
The idea of presenting one voice and one brand personality in all our marketing communications activities will increase in importance in the future	16%	16%	68%	18%	36%	46%
We need to outsource some marketing communications activities, like advertising design and media planning to specialists	12%	8%	80%	17%	16%	67%
We do not have as much time as we would like for marketing and marketing communications activities	27%	27%	46%	13%	27%	60%
We do not have enough specialists within this firm, hence we need to outsource	35%	15%	50%	22%	21%	57%
Staff in our company tend to be generalists across all areas of marcom.	15%	23%	62%	36%	30%	34%
We do not have enough financial resources to undertake the marketing communications activities we would like	31%	27%	42%	27%	32%	41%
We monitor what is happening in other countries and markets and use this information to adjust our marketing communications activities	15%	18%	67%	20%	30%	50%
A significant proportion of our marketing activities concerns international markets and opportunities	56%	8%	36%	60%	28%	12%
We consider marketing com to be strategically important for our company	0%	11%	89%	9%	26%	65%

The findings from this part of the research show really significant results. Companies with a functional marketing department seem to be practising more integrated approaches than are found in companies with no marketing department. These companies do not seem to be practising some form of IMC but rather, they outsource more, monitor what is happening elsewhere in the world and export more than companies with a marketing department. From these results it seems that an important

premise for SMEs is to employ and assign people to a marketing department in order to become more marketing oriented.

The final section offers a summary and conclusion to this chapter.

6.4 Conclusion

This chapter provides some significant results. The findings from demographic information reveal that even though the majority of companies will have a healthy turnover, they invested relatively small amounts on their marketing budget; companies with a marketing department though invested significantly more than companies without. In addition, companies with a marketing department were more likely to export their services and products abroad.

The majority of Icelandic SMEs appeared to have guaranteed business and competition seemed not to be great, for either group. Managers considered marketing to be important for their businesses, with managers in companies with marketing departments offering greater support than managers in companies without a marketing department. In addition they were more able to use a systematic approach in relation with marketing planning, tailor their initiatives and activities and accommodate unexpected opportunities and threats than managers in companies with no marketing department.

SMEs managers in Iceland are using mostly traditional media when communicating to their customers, but direct approaches have increased in importance. They consider information gathering as a vitally important component of their marketing communications activities, take measurement and evaluation seriously and want to be more rigorous in evaluation of their marketing communications activities, with a greater

support from managers in companies with a marketing department. However, at the same time, they state they can easily receive feedback about their marketing communications activities, from their sales force or other staff.

Managers in companies with a marketing department seemed to take marketing more seriously and use more integrated approaches than managers in companies without. Surprisingly, financial and time constraints were not perceived as big barriers towards marketing communications practises as was implied in the first phase of this research but overall it seems that managers in companies with no marketing department consider financial and time constraints as a more significant barrier than managers in companies with a marketing department.

These findings will be analysed further in chapter eight. The next chapter analyses findings from the cultural element of this research.

Chapter 7

Culture and Marketing Communications

7.1 Introduction

This chapter reveals findings from the cultural part of this research. As identified in the research's first phase, companies that were outward looking used more targeted methods when communicating with their customers. This finding was combined with the Organisational Culture Assessment Instrument described in Cameron and Quinn (1999) and it was hypothesised that these companies would be characterised by market and adhocracy culture as the core values of these culture types are external focus and differentiation. The findings from phase one also identified internal focus and 'old culture' as a barrier towards marketing and marketing communications. From these findings, four main hypotheses were formulated, as described in chapter 4, and will be investigated in this chapter.

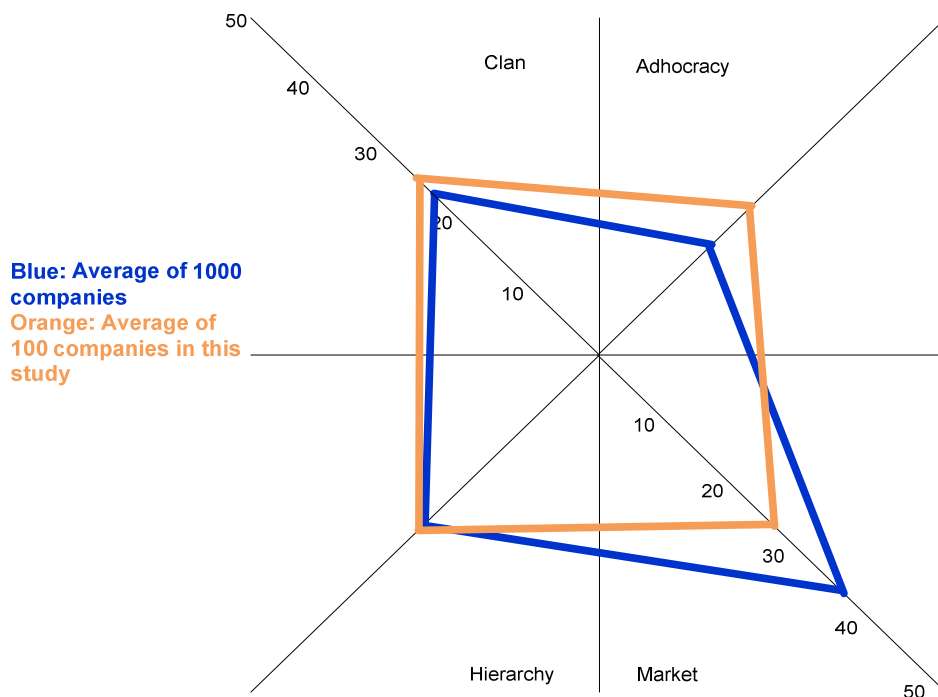
As the findings in phase one specified that majority of companies that were identified as outward looking were medium sized companies, it was essential to investigate the differences between small and medium sized companies.

This chapter will begin by identifying the culture plot for Icelandic small and medium sized companies in order to identify if any differences exist between these types of companies. The hypothesis will be tested. Finally there will be a summary and conclusions drawn.

7.2 Culture Plot for Icelandic SMEs

The aim of questions 10 to 15 was to investigate the cultural profile of the companies in this research, and in order to see if any differences existed between small and medium sized companies regarding their leadership and management style which could explain differences in marketing and marketing communications practices. However prior to this, the average of these six questions was compared with figures from Cameron and Quinn's (1999) study as seen in figure 7.2. Cameron and Quinn surveyed more than forty thousand managers representing over one thousand companies. The majority of the companies were U.S. firms but Western and Eastern European, Canadian, South and Central American, African, Australian and Asian firms are also included in the data set (Cameron and Quinn, 1999).

Figure 7.1: Comparison between 100 Icelandic companies and 1000 other companies



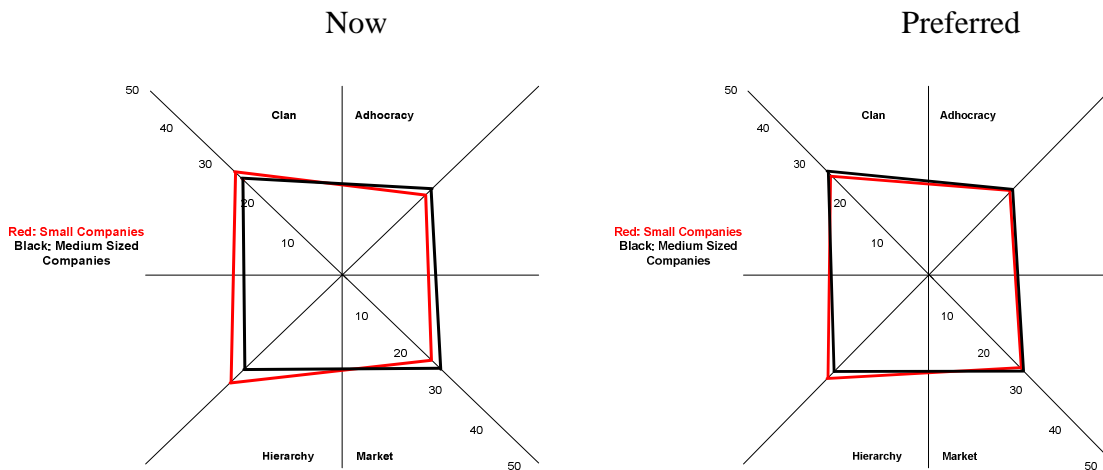
As seen, these culture plots are very different. Adhocracy culture is much higher within Icelandic companies than with the comparison group, with figures of 23 and 17 respectively. It is evident that Icelandic respondents rate their companies more adaptable, flexible and creative than the comparison group. However, as this figure shows a comparison between Icelandic SMEs and 1000 companies from all over the world, it is understandable that some difference exists. The clan culture for Icelandic companies is a little higher than for the comparison group, 26 in contrast to 23. Hierarchy culture scored high as well with 26 compared to 25. The dominant culture for the comparison group is market culture but this only scored 25 points with Icelandic companies. Companies dominated by market culture were focused on transactions with mainly external constituencies, including suppliers, customers, and contractors to create competitive advantage. This seemed not to be the focus of Icelandic companies who seemed to value organisational cohesion and consonance and focus on internal operations instead of external focus and organisational separation and independence.

As it is in SMEs nature to be flexible, creative, and be able to respond quickly to changes in the environment, it was expected that adhocracy culture would be higher than for the comparison group.

When analysis was carried out on this part of the survey, i.e. questions 10 to 15, it became evident that some respondents had not understood the questions or the explanation and the example given to help people to respond to these items. Some had therefore divided the 100 points equally between each culture type which resulted in an average score overall. Therefore, in order to retain validity in the research the researcher disregarded 43 responses and carried out an analysis of the remaining 57 responses. Figure 7.2 reveals the findings between small and medium sized companies

as a significant difference between the two was identified in the first phase of the research:

Figure 7.2: Difference between Small and Medium Sized Enterprises

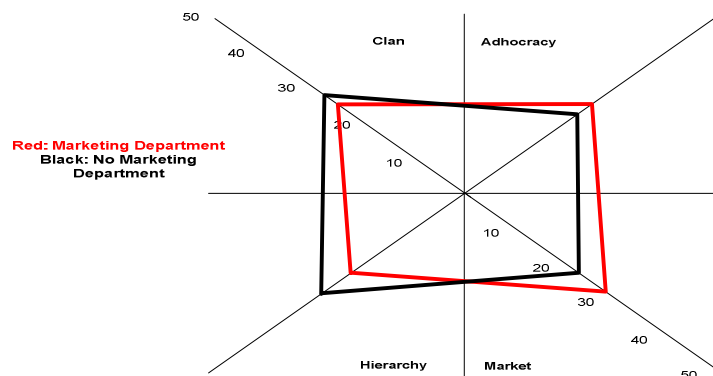


The first culture plot on the left shows the cultural difference between small and medium sized companies. Firstly it displays that the clan culture is a strong and dominant force for both small and medium companies. The culture plot for small companies shows clan scoring 28, adhocracy 21, market 23 and hierarchy 29 and respective scores of 27, 23, 25 and 25 for medium sized companies, based on number of employees. Smaller companies are also strong in hierarchy culture which is often the dominant culture in larger companies where the long term concern is stability, predictability and efficiency (Cameron and Quinn, 1999). However, in phase one of this research, one manager, describe the ‘old’ culture in his company as very hierarchical oriented even though there were only 25 staff in the company. In addition, medium sized companies focused on clan culture (like the smaller companies) which could be explained by the fact that staff in Icelandic companies tend to feel quite equal and close to one other in their daily work relationships (Hofstede, 2001).

The culture plot on the right reveals how companies prefer the organisation to operate. The culture plot for small companies shows scores of 26, 22, 25 and 27 and for medium sized companies, 28, 23, 25, 25 respectively. The main culture is still a hierarchy model for small companies and clan culture for medium companies. However, market culture is stronger here for smaller companies than in the first figure, implying that they would like their company to be more competitive and more focused on reaching goals and targets.

A significant difference was identified in the previous chapter between companies with or without a marketing department and it was necessary to investigate the culture plot between small and medium sized companies, see figure 7.3:

Figure 7.3: Difference between Enterprises with and without a Marketing Department



There are several differences between companies with a marketing department and those without. Companies with no marketing department are more focused on internal values, the score for clan culture and hierarchy culture here is considerable higher than the score for companies with a marketing department. Clan and hierarchy culture

portray internal values. Companies with a marketing department scored higher in adhocracy and market culture which on the other hand represent external factors. As these companies employ people that can focus on marketing, they are better able to respond to their markets, and are dynamic, creative and result oriented companies. Their focus is on external values, emphasising differentiations and rivalry, competing with others outside their boundaries.

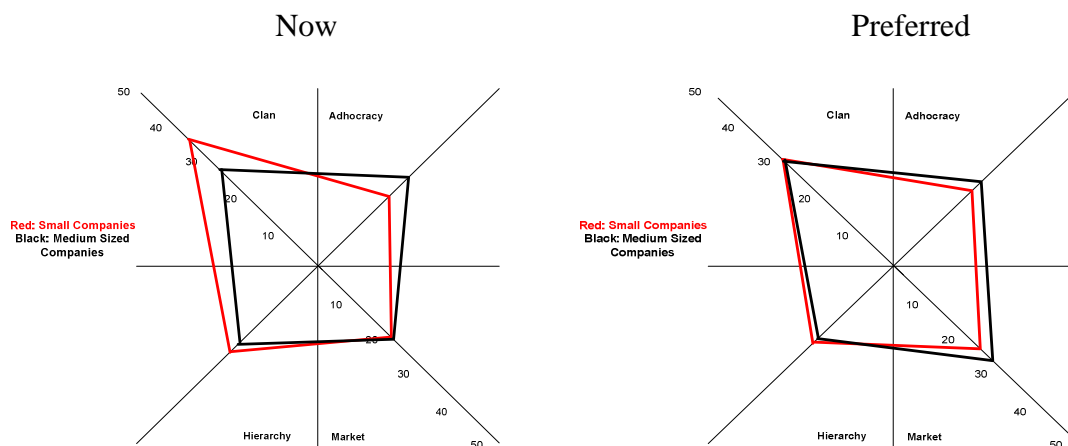
Meanwhile, managing directors are probably most often responsible for marketing in companies with no marketing department and as they have several other responsibilities and this appears derogative to their marketing practises.

To sum these findings up, smaller companies seem to be dominated by clan and hierarchy culture. Hierarchy culture is not usually associated with small companies but can be the dominant culture in small branches of e.g McDonalds. Historically, hierarchy culture has been the dominant culture in Icelandic companies. In the interviews it was referred to as the 'old culture' where people knew what their roles were and did little outside of that role, even though it might help their company. However, clan culture and hierarchy culture have internal focus and integration in common. These types of companies are viewed as effective if they have harmonious internal characteristics (Cameron and Quinn, 1999). Cameron and Quinn also specify that top managers tend to have higher clan scores than those in the lower levels of hierarchy, so that should be taken into the account. Medium sized companies share the clan culture with small companies but have higher adhocracy and market culture and lower hierarchy culture ratings than smaller companies. Even though there is no significant difference between small and medium sized companies, it shows however that smaller companies tend to focus more on internal values than medium sized companies do.

The figure that shows a difference between companies with and without a marketing department reveals a more marked disparity. While companies with no marketing department focus on internal values (clan and hierarchy culture), companies with a marketing department have an external focus (adhocracy and market culture).

The following six figures reveal the six key dimensions of organisational culture, or each item of the Organisational Culture Assessment Instrument (OCAI) (Cameron and Quinn, 1999). These are organisational characteristics, organisational leader, management of employees, organisational glue, strategic emphasis and criteria of success. Figure 7.4 shows the difference between small and medium sized companies regarding organisational characteristics:

Figure 7.4: Organisational Characteristics

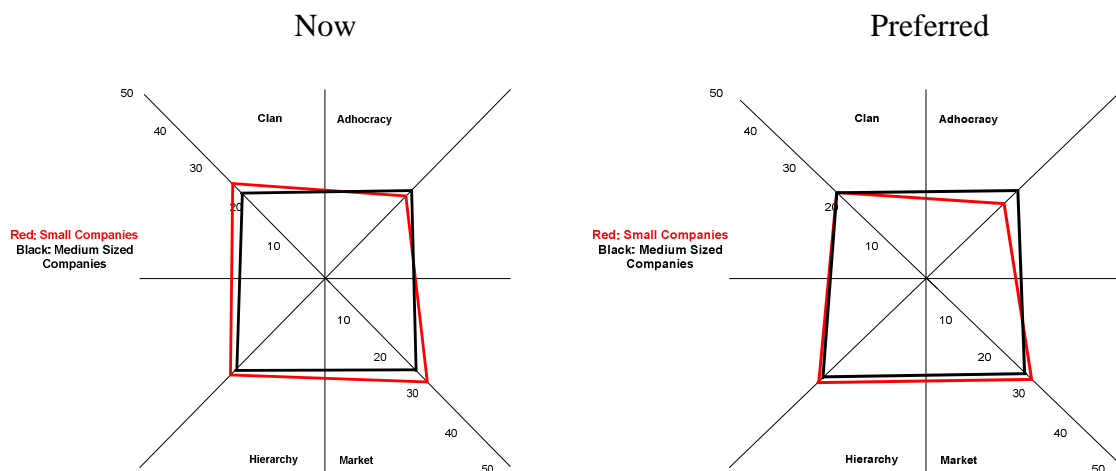


The main culture for both small and medium sized companies is the clan culture. For small companies, the score reaches as high as 35, whilst adhocracy and market rate at 20 and hierarchy, 24. The score is lower for medium sized companies but it is still the dominant culture. As stated previously, top managers tend to give higher clan scores

than others so these results should be viewed with caution. Medium sized companies have slightly higher adhocracy culture than smaller companies. This was anticipated for both small and medium sized companies as adhocracy culture is characterised by a dynamic, entrepreneurial and creative workplace which is similar to the characteristics of SMEs. These results reveal that small companies' respondents consider their company as a personal place, where people share a lot of themselves. However managers want their organisation characteristics to become more competitive and result oriented. The reason could be that as their companies grow the need for a 'family feeling' diminishes and the requirement for external relationships and competitiveness increases. As the majority of respondents held the managing director position in their company, it is understandable that they would want their company to become more result oriented.

Figure 7.5 reveals the organisational leadership within small and medium sized companies:

Figure 7.5: Organisational Leadership



This culture plot shows that the dominant culture for small companies is that of market culture, but in fact all the plots are quite comparable with ratings of 25, 22, 28 and 25.

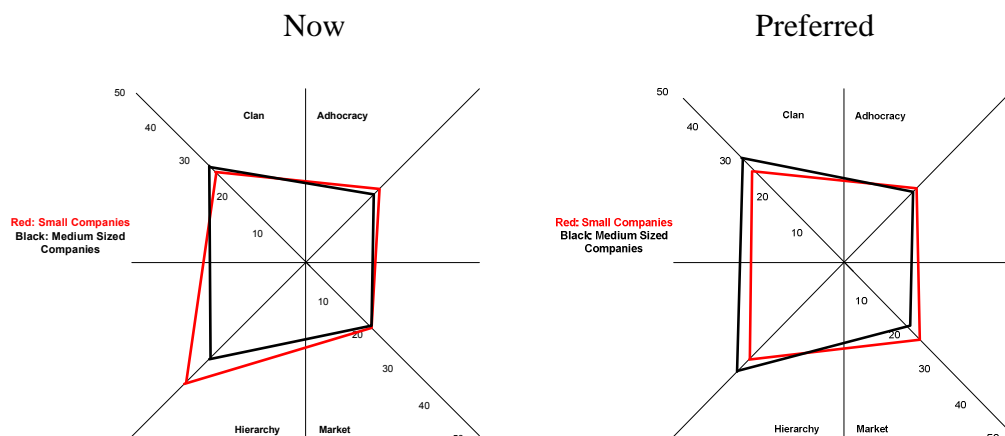
The plot for medium sized companies reveals similar results, with scores of 23, 24, 25 and 24 respectively.

However, when the figures for what respondents prefer their culture plot to be are seen, a clear shift is visible. Small companies' dominant culture becomes hierarchy culture, even though the plot is still similar, with ratings of 23, 20, 27 and 28. Medium companies again show similar results as the current state with scores of 23, 24, 26 and 26 correspondingly.

The leadership styles within small and medium sized companies seem to announce stability and control, where leaders are good coordinators (hierarchy culture) and hard drivers with result oriented (market culture) focus.

The following figure 7.6 shows the culture plot for management of employees:

Figure 7.6: Management of Employees

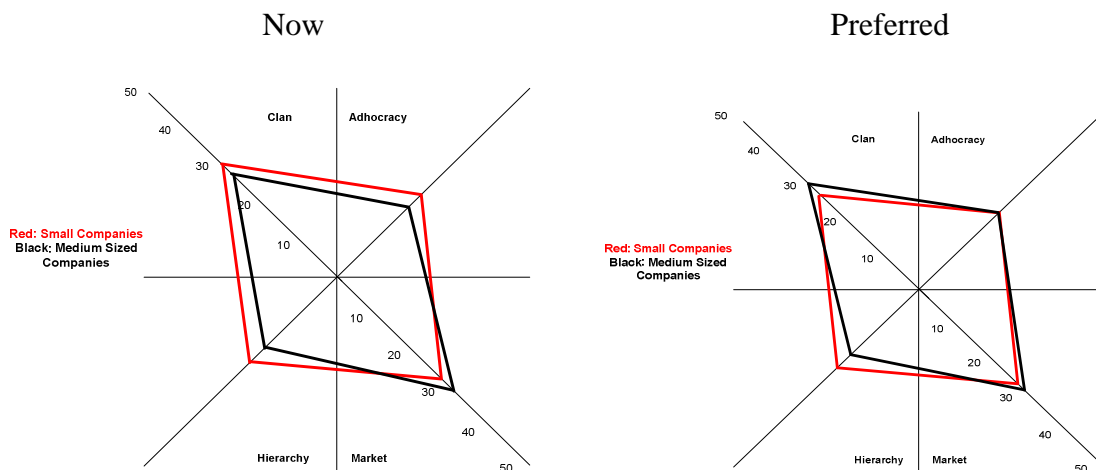


These results show that hierarchy culture is the dominant culture for small companies, with a culture plot of 26, 21, 19 and 35. This means that the management style emphasis within these companies is characterised by security of employment, conformity, predictability and stability in relationships. Clan and hierarchy culture are the dominant forces for the medium sized companies, culture plot with ratings of 28, 20, 19 and 28, revealing participation, predictability and stability in relationships.

There is little difference between how respondents see their company now and how they would prefer it to be. Hierarchy culture is still the most prevalent culture but the score is slightly lower than respondents rated for Employees Now, this was followed by clan culture. This finding reveals that managers of both small and medium sized companies focus on internal values when managing their employees and may tend to overlook external factors such as competitiveness, achievements (market culture) and innovation (adhocracy).

Figure 7.7 reveals the factors that hold companies together:

Figure 7.7: Organisation Glue

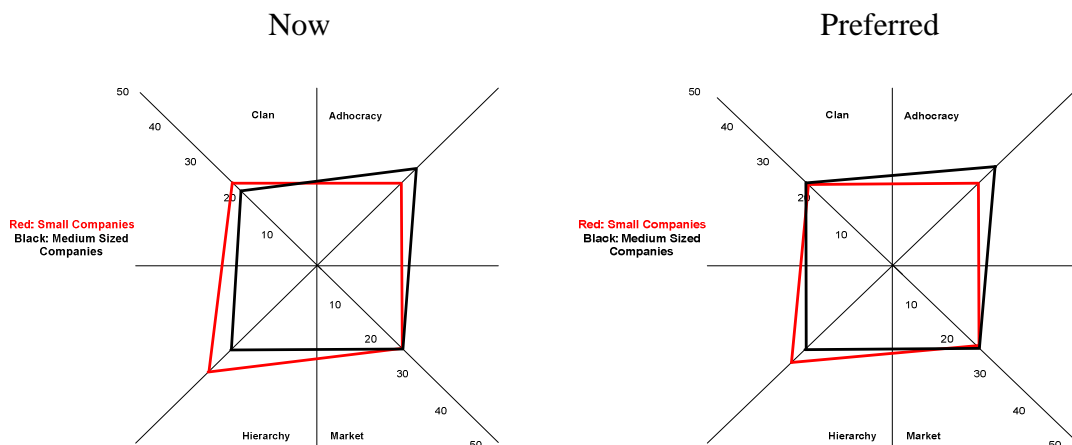


The result shows that the organisational glue for Icelandic small and medium sized companies is based on clan and market culture. Clan culture is the dominant culture in smaller companies, followed by market culture, however, market culture is the dominant culture for medium sized companies, followed by clan culture. For clan culture, the factors that hold the organisation together are loyalty and mutual trust, additionally commitment to the organisation tends to run high. However, for market culture the factors that hold the organisation together are the emphasis on achievement and goal accomplishment. Aggressiveness and winning are common themes. There is little difference between the present and what respondents appear to prefer. The most noticeable difference is that clan culture decreases slightly for small companies.

These findings reveal that what holds smaller companies together is loyalty and participation which may not be unexpected in these types of companies. Medium sized companies on the other hand had more external focus, and emphasises on reaching their goals and achievements.

The following figure 7.8, displays the results of strategic emphasis within small and medium sized companies:

Figure 7.8: Strategic Emphasis

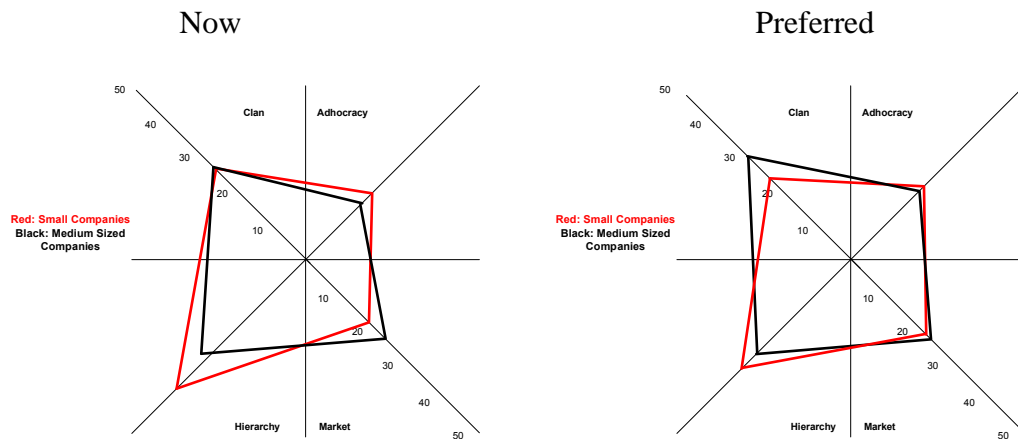


This figure reveals that the dominant culture for small companies regarding strategic emphasis is hierarchy culture; and alternatively adhocracy culture for medium sized companies. According to these ratings, small companies emphasise permanence stability. Efficiency, control and smooth operations are also important. The medium sized companies emphasise the acquisition of new resources and creating new challenges. The innovation of new ideas and prospecting for opportunities are both valued. Differences between what respondents' present situation is and what they would like it to be are minimal.

The difference here between small and medium sized companies is that while small companies have an emphasis on stability and the retention of what they have, medium sized companies are experimenting with new ideas and are prepared to take risks in order to gain a superior position. Again, small companies are focusing on internal values (hierarchy culture) while medium sized companies have an external focus (adhocracy culture).

The last figure 7.9, reveals the criteria of success for these types of companies:

Figure 7.9: Criteria of Success



Small companies' are dominated by hierarchy culture which defines success on the basis of efficiency. Dependable delivery, smooth scheduling and low cost production are critical. Medium sized companies are seen to be dominated by clan culture, which defines success on the basis of the development of human resources, teamwork, employee commitment, and concern for people, followed closely by hierarchy culture. There is little difference seen between what the present state is within the companies and what respondents would prefer it to be. The hierarchy culture decreased slightly in this area but clan culture for medium sized companies remains similar.

The above reveals that the criteria of success for both small and medium sized companies is focused on internal values, for small companies it is hierarchy culture concentrating on retaining things as they are with low cost production. Medium sized companies' criteria for success revolves around teamwork, commitment and concern for people.

These findings give an indication about culture in small and medium sized companies. It is worth considering again that the representations here are of managers views only and as Cameron and Quinn (1999) specified managers tend to offer higher clan scores than other people in companies they have investigated. Small companies' are

dominated by hierarchy culture, emphasising stability and control whilst conversely it is clan culture for medium sized companies, emphasising shared values and participation. In general, both small and medium sized companies seem to emphasise internal values, with the exception of organisational glue and strategic emphasis. There, small companies highlight internal values, such as teamwork and coordination, while medium size companies underline external values, as exemplified by competitive action and innovation. In addition, there is an implication from phase one that respondents in medium sized companies would like their companies to be more focused on market culture, as in figure 7.3 which emphasises completion and achievement of measurable goals and targets.

It can be seen that this section has provided significant evidence regarding cultural differences between small and medium sized companies. The subsequent section will further this discussion on cultural difference and test the hypothesis identified in chapter 4 which is based on the findings from phase one.

7.3 Hypotheses testing

The results from the previous section revealed cultural difference between small and medium sized companies. Even though there are minimal differences between small and medium sized companies, smaller companies seem to more inward looking, choosing stability and smooth operation while medium sized companies are aiming towards more external focus, such as on growth, acquiring new resources and competitive actions as seen in figure 7.7 and 7.8, representing organisational glue and strategic emphasis. This may impact on the marketing communications activities that these companies practise.

The culture types that were identified as emphasising external focus were adhocracy culture and market culture. It was hypothesised that companies with high adhocracy culture or market culture would use more targeted methods when planning and conducting their marketing communications (marcom) activities, see hypotheses H1a and H1b.

H1a: The higher the adhocracy culture (B), the greater the likelihood that SME senior managers will use targeted approaches.

H1b: The higher the market culture (C), the greater the likelihood that SME senior managers will use targeted approaches.

Correlation analysis (The Spearman's Rank Order Correlation) was used in this research to describe the strength and direction of the linear relationship between each culture type (clan culture, adhocracy culture, market culture and hierarchy culture and marketing) and marketing communications variables. This analysis will show if there is a positive relationship between variables, e.g. when one variable increases the other variable increases correspondingly. A negative relationship is seen when one variable increases and the other decreases. As previous chapters have revealed a difference between small and medium sized companies this table will show results for both small and medium sized companies based on number of employees. Table 7.1 shows the results for hypothesis H1a and H1b:

Table 7.1: Target Marketing

Target Marketing	Small Companies				Medium Sized Companies			
	A	B	C	D	A	B	C	
1.The achievement of marketing goals involves everybody in the organisation	-0.119	0.101	0.192	-0.044	0.022	0.152	0.055	-0.240
2.Marketing is important for expansion and growth of the company	-0.136	0.116	0.168	-0.114	-0.198	0.161	0.405	-0.273
3.Our Marketing plan tailors most marketing initiatives and activities to specific target groups	0.054	0.006	0.021	-0.103	-0.140	0.434**	0.240	-0.305
4.Our marketing planning process is able to accommodate unexpected opportunities and threats	0.149	0.418**	0.039	-0.376**	0.008	0.327	0.159	-0.431**
5.We regularly monitor and evaluate certain performance indicators	0.060	-0.211	-0.035	0.101	0.183	0.326*	0.080	-0.305
6.Our company's advertising, PR, direct marketing and sales promotions all present the same clear consistent message to our target audiences	0.088	-0.087	-0.017	0.049	0.226	0.199	0.036	-0.333*
7.Our company incorporates data sources into communication planning	0.024	0.095	0.070	-0.173	-0.112	0.545**	0.248	-0.467**
8.Our company monitors marcom performance from a ROI perspective	0.049	-0.077	0.142	-0.150	0.041	0.355*	0.000	-0.358*
9.The idea of presenting one voice and one brand personality in all our marcom activity will increase in importance in the future	0.014	0.205	0.148	-0.194	-0.175	0.012	0.167	0.060
10.Staff in our company tend to be generalists across all areas of marcom	-0.157	0.081	0.197	-0.109	-0.152	0.060	0.394	-0.049
11.We consider marketing to be strategically important for our company	-0.368**	0.242	0.354**	-0.232	0.271	0.042	-0.057	-0.202

**Correlation is significant at the 0.01 level (2-tailed).

*Correlation is significant at the 0.05 level (2-tailed).

The results that are significant are made bold

The above table requires some interpretation. The Y-axis items refers to the various marketing variables related to target marketing whilst the X-axis headings describes the cultural type A (Clan) B (Adhocracy) C (Market) and D (Hierarchy) for both small and medium sized companies. In order for the hypothesis to be supported, adhocracy and market culture need to show a positive significant relationship with the question or variables on the left. This is identified by either one * or two** which is equivalent to correlation at either 0.05 or 0.01 level. For small companies only one question shows a significant positive relationship with adhocracy culture (culture B). 'Our marketing planning process is able to accommodate unexpected opportunities and threats' shows a positive relationship (0.418**) This means that the higher culture B is more identified with their marketing plan and is able to accommodate unexpected events. The next aspect to consider is the size of the value of correlation coefficient. This can range from -1.00 (being negative) to 1.00 (positive). This value indicates the strength of the relationship between the two variables. Here, the strength of the relationship is (0.418**) implying a medium strength. According to Cohen (1992) small strength is specified between 0.10 and 0.29, medium from 0.30 to 0.49 and large from 0.50 to 1.0. Finally, the significance level has to be considered. This is identified in the table by a *. This indicates how much confidence can be shown in the results obtained. A correlation significance level of 0.05 (identified with *) means there is 95 percent confidence in the result obtained and, 0.01 (identified with a **) means there is 99 percent confidence in the result. As seen, the correlation for this question is at a significant level of 0.01.

Question 11 question shows positive a relationship with market culture (culture C). The higher market culture is, the more managers in small companies consider marketing to be strategically important for their companies. The strength is medium (0.354**), at a statistically significant level of 0.01.

Variable 4 shows a negative correlation with hierarchy culture (culture D). This demonstrates that as hierarchy culture increases, the less likely is the marketing planning process able to accommodate unexpected opportunities and threats or vice versa. As hierarchy culture decreases, the more likely it is that the marketing planning process is able to accommodate unexpected opportunities and threats. The strength rating is medium (-0.376**) with a significant level of 0.01

Variable 11 shows negative correlation with clan culture (culture A). As clan culture increases the less likely are companies to consider marketing strategically important for the company or vice versa. The strength is medium (0.368**) with a significant level of 0.01.

The findings for medium sized companies are interesting and worthy of further investigation. Four variables, 3;5,7 and 8 show positive correlations with adhocracy culture (culture B) but no correlation between the variables and market culture (culture C). The first variable: 'Our marketing plan tailors most marketing initiative and activities to specific target groups' shows positive correlation with adhocracy culture, the strength is medium (0.434**) at a significant level of 0.01. The second variable manifesting positive correlation with adhocracy culture is: 'We regularly monitor and evaluate certain performance indicators'. The strength is medium (0.326*) at a significant level of 0.05. The third variable displaying positive correlation with adhocracy culture is: 'Our company incorporates data sources into communications planning'. In this case the strength is medium (0.545**) at a significant level of 0.01. The final question showing positive correlation with adhocracy culture is: 'Our

company monitors marcom performance from a ROI perspective'. As before, the strength is medium (0.355*) at a significant level of 0.05.

Four variables, 4.7.8 and 9 show negative correlation with culture D. These are 'Our marketing planning process is able to accommodate unexpected opportunities and threats', 'Our company's advertising, PR, direct marketing and sales promotions all present the same clear consistent message to our target audiences', 'Our company incorporates data sources into communications planning' and lastly 'Our company monitors marcom performance from a ROI perspective.'

Hypothesis H1a was not supported even though some variables show significant correlation between variables and adhocracy culture (culture B). These findings though offer an indication that companies with high adhocracy culture use more targeted marketing communications approaches than other companies, especially for medium sized companies. Hypothesis H1b is not supported, only one variable for small companies shows a positive correlation with market culture (culture C). However, it appears that hierarchy culture can be a barrier towards more target marketing communications approaches, as four variables show negative correlations with hierarchy culture (culture D).

The next two hypotheses merged as well from the results in phase one. Respondents that came from outward looking companies were looking at alternative methods to measure their marketing communications activities. Therefore the hypotheses were:

H2a: The higher the adhocracy culture (B), the greater the likelihood that SME senior managers will be measuring the effectiveness of their marcom activities.

H2b: The higher the market culture (C), the greater the likelihood that SME senior managers will be measuring the effectiveness of their marcom activities.

Table 7.2 shows the results for hypothesis H2a and H2b:

Table 7.2: Measurement

Measurement	Small Companies Number of Employees				Medium Sized Companies Number of Employees			
	A	B	C	D	A	B	C	D
1.Evaluation of performance is an essential part of our marketing planning process	0.036	0.090	0.260	-0.223	0.098	0.232	0.033	-0.158
2.We need to be more rigorous in evaluation of our marketing communications activities	0.112	0.023	0.018	-0.059	0.040	-0.166	-0.007	0.048
3.Collecting evaluative data is essential for this company	-0.007	0.105	0.053	-0.148	0.031	0.293	0.026	-0.255

**Correlation is significant at the 0.01 level (2-tailed).

*Correlation is significant at the 0.05 level (2-tailed).

The results that are significant are made bold

As seen in this table, neither hypothesis is supported. This indicates there that no relationship between the variables or the questions, and the different culture types.

The third hypothesis concerns information gathering. The companies that were outward looking were gathering information about their sales, using tracking studies and Top of Mind surveys. Therefore 2 hypotheses were developed:

H3a: The higher the adhocracy culture (B), the greater the likelihood that SME senior managers will be gathering information about their customers.

H3b: The higher the market culture (C), the greater the likelihood that SME senior managers will be gathering information about their customers.

Table 7.3 shows the results for hypothesis H3a and H3b:

Table 7.3: Information Gathering

Information Gathering	Small Companies Number of Employees				Medium Sized Companies Number of Employees			
	A	B	C	D	A	B	C	D
1. Gathering information about our customers is important for our marcom activities	-0.337**	0.125	0.325*	-0.190	-0.009	-0.011	0.058	-0.034
2. Customer Relationship Management (CRM) systems are significant for our company to use information about our customers	-0.085	0.098	0.087	-0.086	-0.070	0.099	0.109	0.006
3. Buying external surveys about how our customers perceive our services or products is essential for our business	-0.254	0.195	0.151	-0.053	-0.366*	-0.108	0.449**	0.155

**Correlation is significant at the 0.01 level (2-tailed).

*Correlation is significant at the 0.05 level (2-tailed).

The results that are significant are made bold

The first item shows a positive correlation with culture C for small companies, ‘Gathering information about our customers is important for our marcom activities.’ The strength is medium with a significant level at 0.05. The same variable shows a negative correlation with culture A, clan culture. There, the strength is medium with the significant level at 0.01. One variable shows positive correlation with culture C for medium sized companies, ‘Buying external surveys about how our customers perceive our services or products is essential for our business.’ The strength is medium here with

a significant level at 0.01. The same variable show negative correlation with culture A, clan culture. There the strength is medium at the significant level at 0.05.

The hypothesis H3a is not supported as no correlation was identified between variables and culture B. However, there is a correlation between one variable for small companies and one for medium sized companies and culture C. This indicates that for small companies with high market culture, gathering information is important for their marketing communications activities. For medium sized companies with high marketing culture, buying external surveys is essential for the business.

Previous findings also showed that some of these companies were linked directly to companies abroad, had started export activities or/and gathered information abroad relevant to their business.

Therefore, the following two hypotheses were formulated:

H4a: The higher the adhocracy culture (B), the greater the likelihood that SME senior managers will be outward looking in terms of their marketing communications activities.

H4b: The higher the market culture (C), the greater the likelihood that SME senior managers will be outward looking in terms of their marketing communications activities

Table 7.4 shows the results for hypothesis H4a and H4b:

Table 7.4: Exportation

Exportation	Small Companies Number of Employees				Medium Sized Companies Number of Employees			
	A	B	C	D	A	B	C	D
1. We monitor what is happening in other countries and markets and use this info to adjust our marcom activities	-0.145	0.168	0.097	-0.162	0.109	0.399*	0.166	-0.544**
2. A significant proportion of our marketing activities concern international markets and opportunities	-0.034	0.319*	0.086	-0.284*	-0.017	0.405*	-0.042	-0.379*

**Correlation is significant at the 0.01 level (2-tailed).

*Correlation is significant at the 0.05 level (2-tailed).

The results that are significant are made bold

Hypothesis H4a is supported, especially for medium sized companies. The higher the adhocracy culture is, the more likely are medium sized companies to be monitoring what is happening in other countries, as well as a significant proportion of their marketing activities concerning international markets and opportunities. There is a negative correlation between those two variables and culture D, hierarchy culture which identified that companies with a high culture D are not following what is happening elsewhere in the country and their marcom activities do not concern international markets and opportunities, or vice versa. Hypothesis H4b is not supported.

According to the literature, SMEs are more flexible in their marketing communications activities, and more likely to be less formal and unstructured.

On the OCAI figure, one dimension differentiates effectiveness criteria that emphasises flexibility, discretion and dynamism from criteria that emphasises stability, order and control. The culture types that illustrate flexibility are the Clan culture (A) and the Adhocracy culture (B).

H5a: The higher the clan culture (A), the greater the likelihood that SME senior managers will adopt a flexible marketing communications approach.

H5b: The higher the adhocracy culture (B), the greater the likelihood that SME senior managers will adopt a flexible marketing communications approach

Table 7.5 shows the results for hypothesis H5a and H5b:

Table 7.5: Flexibility

Flexibility	Small Companies Number of Employees				Medium Sized Companies Number of Employees			
	A	B	C	D	A	B	C	D
1. In my company the marketing planning process is ad hoc and not very systematic	-0.126	-0.041	-0.129	0.201	-0.261	-0.358*	-0.032	0.506**
2. We need to outsource some marcom activities like advertising design and media planning to specialists	0.100	0.030	-0.108	-0.040	-0.045	0.080	0.160	-0.082
3. We do not have enough specialist within this firm- hence we need to outsource	-0.011	0.072	0.000	-0.049	-0.176	-0.024	0.064	0.113

**Correlation is significant at the 0.01 level (2-tailed).

*Correlation is significant at the 0.05 level (2-tailed).

The results that are significant are made bold.

Neither hypothesis is supported. There is no positive relationship between culture A, or B and the variables or questions. However, there is a negative correlation between one variable and culture B, adhocracy culture. ‘In my company the marketing planning process is ad hoc and not very systematic’ is negatively correlated with culture B which implies that when culture B rates higher, the more likely is it that the marketing

planning process is systematic. However, there is a positive correlation between this same variable and culture D, hierarchy culture which indicates that the more prevalent the D culture becomes, the more ad hoc is the marketing planning process.

Small and Medium Sized companies often experience some time and financial constraints because they lack adequate resources. This is both supported with the findings from phase one and also previous literature. Therefore two hypotheses were formulated:

H6a: The higher the clan culture (A), the greater the likelihood that SME senior managers will face financial and time constraints regarding their marketing communications activities.

H6b: The higher the adhocracy culture (B), the greater the likelihood that SME senior managers will face financial and time constraints regarding their marketing communications activities.

Table 7.6 shows the results for hypothesis H6a and H6b:

Table 7.6: Financial /Time Constraints

Financial/Time Constraints	Small Companies Number of Employees				Medium Sized Companies Number of Employees			
	A	B	C	D	A	B	C	D
1. Financial constraints affect our company's planning activities	-0.045	0.107	0.059	-0.135	-0.135	0.344*	0.233	-0.264
2. Financial constraints mean that no surveys are bought about how our customers perceive our product or services.	0.144	0.184	-0.014	-0.184	-0.249	-0.324	0.000	0.325
3. Because of time constraints we are unable to gather as much information about our customers as we would like	-0.098	0.397**	0.222	-0.215	-0.168	-0.037	0.092	0.062
4. Financial constraints mean that little or no evaluation of marcom occurs	0.086	0.099	0.066	-0.164	-0.201	-0.222	-0.004	0.256
5. Time constraints mean that little or no evaluation or marcom occurs	-0.018	0.161	0.061	-0.163	-0.216	-0.095	0.185	0.112
6. We do not have as much time as we would like for marcom activities	-0.050	0.133	0.040	-0.057	0.044	-0.144	0.057	0.013
7. We do not have the financial resources to undertake the marcom activities we would like	0.093	0.101	0.072	-0.305*	-0.049	-0.135	-0.151	0.156

**Correlation is significant at the 0.01 level (2-tailed).

*Correlation is significant at the 0.05 level (2-tailed).

The results that are significant are made bold.

There is no support for the hypothesis H6a. However, there is one variable for small companies that shows a positive correlation with culture B. This is the variable 3 'Because of time constraints we are unable to gather as much information about our customers as we would like' which means that small companies with culture B, adhocracy culture experience time constraints and are therefore not likely to gather as much information about their customers as they would like. There is a negative correlation between culture D and variable 7, 'We do not have the financial resources to

undertake the marcom activities we would like' and culture D. This implies that the higher the culture D is, the more financial resources companies have in order to undertake the activities they would like or vice versa. Variable 1 shows a positive correlation with culture B for medium sized companies. It seems that marketing planning activities with companies with high B culture are affected by financial constraints. The strength is medium with a significance level at 0.05.

One of the main findings from phase one was the discovery of what respondents referred to as 'old' culture. Companies affected by this 'old' culture emphasised internal focus. On the OCAI framework, the Clan culture (A) and Hierarchy culture (D) emphasis is on internal relationships.

Two hypotheses were developed:

H7a: The higher the clan culture (A), the greater the likelihood that SME senior managers will maintain an 'old' culture view on marketing/marketing communications.

H7b: The higher the hierarchy culture (D), the greater the likelihood that SME senior managers will maintain an 'old' culture view on marketing/marketing communications.

Table 7.7 shows the results for hypothesis 7a and 7b:

Table 7.7: ‘Old’ Culture

‘Old’ Culture	Small Companies Number of Employees				Medium Companies Nr of Employees			
	A	B	C	D	A	B	C	D
1. We are doing fine without marketing and it is not expected to be of much use in the future	0.049	0.011	-0.045	0.033	0.043	-0.204	-0.206	0.380*
2. We know our customers and we do not have to gather information about them	0.140	-0.157	-0.049	-0.020	0.113	0.005	-0.155	0.064
3. We are so close to our market that we get feedback from our marcom activities easily	0.022	-0.281*	-0.038	0.171	-0.036	0.043	-0.016	-0.024
4. Our company can easily get feedback from our marcom activities from our sales people	0.134	-0.203	0.013	-0.002	-0.120	0.165	0.152	-0.178
5. We have been in this business for a long time and we have quite a good feeling what is working and what is not	0.061	-0.136	-0.009	0.000	0.075	-0.076	-0.082	0.037

**Correlation is significant at the 0.01 level (2-tailed).

*Correlation is significant at the 0.05 level (2-tailed).

The results that are significant are made bold.

Hypothesis H7a is not supported. Only one variable shows a positive correlation with culture D, ‘We are doing fine without marketing and it is not expected to be of much use in the future’. This implies that the higher the culture D, the better the company is managing to function without marketing. One variable shows a negative correlation with culture B, ‘We are so close to our market that we can get feedback from our marcom easily.’ As this is a negative correlation it means that companies with high culture B consider themselves not close to their markets and feel they cannot get feedback from their marcom activities easily or vice versa.

The last two hypotheses are related to culture and stable environment. The findings from the first part of the research identified that as companies grew bigger the more stable they found the business. The trend for the OCAI is companies tend to gravitate toward an emphasis on the hierarchy and market culture type as they grow.

H8a: The higher the market culture (C), the greater the likelihood that SME senior managers see their environment as more stable.

H8b: The higher the hierarchy culture (D), the greater the likelihood that SME senior managers see their environment as more stable.

Table 7.8 shows the results for hypothesis 4a and 4b:

Table 7.8: Business Environment

Business Environment	Small Companies Number of Employees				Medium Sized Companies Number of Employees			
	A	B	C	D	A	B	C	D
1. We have guaranteed business in a relatively stable market	0.379**	-0.032	-0.408**	0.006	0.038	-0.154	-0.108	0.082
2. We are trying to survive against the competition	-0.013	-0.103	0.001	0.046	-0.172	-0.099	0.251	-0.051
3. We operate in a market where it is relatively easy for new competitors to emerge	-0.235	-0.237	0.142	0.215	0.012	-0.222	-0.134	0.295
4. Our customers have a limited choice of suppliers and rely on our ability to supply their needs	0.200	0.080	0.003	-0.143	0.019	0.247	-0.155	-0.101
5. Marketing is of little use to this company because we have guaranteed business	0.168	-0.239	-0.248	0.178	0.185	-0.264	-0.352*	0.308

**Correlation is significant at the 0.01 level (2-tailed).

*Correlation is significant at the 0.05 level (2-tailed).

The results that are significant are made bold.

Neither hypothesis is supported. On the contrary it seems that the higher the market culture (culture C) is, the less likely small companies are of having guaranteed business or vice versa. However, the higher the clan culture (culture A) is within small companies, the more likely they are to have guaranteed business. For medium sized

companies, only one variable shows a negative correlation with culture C. This implies that the higher market culture (culture C) is, the more they consider marketing valuable because they do not have guaranteed business.

To sum these findings up, it appears that majority of the hypotheses are not supported. However, some significant findings have emerged from the hypotheses tested. Medium sized companies with high adhocracy culture (culture B) are more likely to use more targeted approaches when communicating with their customers. Not only are these types of companies, monitoring and evaluating certain performance indicators they are monitoring marcom performance from an ROI perspective. They are monitoring what is happening elsewhere in the world and a significant proportion of their marketing activities concern international opportunities.

Hierarchy culture (culture D) seems to be the barrier towards marketing and marketing communications activities as it was always negatively correlated with the variables. Companies with high hierarchy culture are operating well without marketing, their marketing planning is ad hoc, and they do not monitor what is happening elsewhere in the world. They do not try to bundle their marketing communications activities together. It is possible to reverse this finding and interpret that companies with low high hierarchy culture are using marketing, their marketing plan is systematic and that they do monitor what is happening elsewhere in the world.

Market culture (culture C) does not get the same support as adhocracy culture (culture B), however, medium sized companies with high market culture are likely to be buying external surveys. Marketing is not only of some use to these companies, it is strategically important.

Clan culture (culture A) or clan culture, is negatively correlated with the variables and for the majority of the variables is not correlated at all. Small companies with high culture A do not consider marketing as strategically important for them, nor is gathering information about their customers seen as essential. These companies enjoy guaranteed business in a relatively stable market.

Therefore, even though all the hypotheses have not been supported, these findings show that companies with high internal focus, and particularly hierarchy culture, find marketing and marketing communications practices less important than adhocracy culture in particular which shows by far the most target marketing and marketing communications approaches.

7.4 Conclusion

This chapter has discussed the findings from the investigation into organisational culture aspect of the research. Firstly, it was found that adhocracy culture measures higher in Icelandic SMEs than in the comparison group of 1000 companies from the Cameron and Quinn (1999) data set.

In general, both small and medium sized companies emphasised internal values. Small companies' dominant culture was hierarchy culture whilst alternatively clan culture was predominant in medium sized companies.

Finally, even though the majority of hypotheses were not supported, the findings indicated that hierarchy culture can act as barrier towards marketing and marketing

communications activities while adhocracy culture, on the other hand, can act as a driver.

The next chapter will analyse the findings from the interviews and questionnaire and compare and contrast them with the relevant literature.

Chapter 8

Analysis of Research Phases 1 and 2

8.1 Introduction

This thesis has provided understanding of marketing communications practises in SMEs in Iceland and how organisational culture can affect marketing communications practises. The preceding chapter presented the findings from the cultural element of this research. This chapter will compare the empirical findings of the two research phases to those of the literature review in order to meet the overall aim of this research which is to explore the emergence, relevance and applicability of marketing communications/Integrated Marketing Communications with Icelandic SMEs through a culture lens. Three objectives were originally defined:

1. To explore the current perceptions of SME management with regard to the perceived importance and application of marketing communications practises and more specifically IMC.
2. To identify barriers to the use of marketing communications and more specifically IMC.
3. To examine the extent to which marketing communications practises in IMC SMEs are affected by organisational culture.

Hence, this chapter covers three sections. The first section discusses the current perceptions of SMEs management regarding marketing communications practises and

specifically IMC, its significance and applications and barriers towards marketing communications practises. The next section the barriers towards marketing communications and specifically IMC. The final section will discuss the extent to which marketing communications practises in Icelandic SMEs are affected by organisational culture, how managers perceive the organisational culture in their companies and the similarities and differences between organisational cultures in small companies versus medium sized companies.

8.2 Importance and application of marketing communications practises

The empirical findings of the first phase revealed that managers consider marketing communications to be important and beneficial for their company, and additionally believed it would become even more important in the future. This was supported in the second phase of the research where managers considered marcom to be strategically important for their companies, this was especially so with managers working in a company employing a marketing department. Respondents' views on marketing were similar. The majority of respondents identified that marketing is important for expansion and growth of the company. However, 27 percent of respondents in companies with no marketing department considered marketing not to be of use and further did not expect it to be of much use in the future, the ratings for respondents in companies with a marketing department stood at 4 percent. These findings contradict Stokes' (2000) findings, as he states that owner-managers tend to give marketing a low priority compared to other functions of their business. In this research however, 65 percent of managers in companies with no marketing department stated that marketing communications was strategically important for their company which demonstrates strong commitment to marketing and marketing communications practises.

The Icelandic business environment is in many ways unique. The population of Iceland is small and companies are in relatively small numbers, with sometimes only a few in the same sector. However, as respondents in the first phase of the research stated, competition is increasing and therefore marketing communications will increasingly become more important. The findings from the second phase contradicted the findings from the first phase in that a majority of respondents specified they had guaranteed business, and only 27 percent of respondents in companies with no marketing department considered themselves as having to survive against competition. Carson (1995) stated that SMEs often had problems positioning themselves against the competition, but it seems that Icelandic SMEs are different. The possible reason may be that because the market is small with few companies in each sector, the characteristic of SMEs do not apply. Medium sized companies can therefore in some ways have the characteristics of large companies. However, little research is to be found in this area and therefore these findings may augment the literature.

Findings from the first phase of this research showed that SMEs in Iceland are using mostly traditional media, such as advertising, which supports the literature on marketing and marketing communications practises (Carson *et al.*, 1995; Hausmann 2005). Similar results were identified in the second phase with the exception of direct marketing. Direct marketing achieved on average 21 percent of the marketing budget; in the 43 cases in which it was used. However, it seems that the usage of promotional tools had changed significantly as respondents specified that five years ago (2003) they used more direct approaches such as leaflets and other promotional literature. In five years' time (2013) they identified they would use the Internet and other material on the web a more than they are doing now. Icelandic SMEs are slowly moving towards using online media. From 2006-2008 the percentage of people using internet commerce was 36

percent but the figure dropped to 29 percent this year (Statistics Iceland, 2009b). Nevertheless, 86 percent use the Internet to search for information about products and services and therefore it is important for SMEs to communicate with consumers through this method. Some SMEs worldwide have taken full advantage of the Internet which can give them the opportunity to compete internationally (Johnson and Turner, 2003) Managers in small companies tend to use promotional tools they have more experience of (Carson *et al.*, 1995; Hausmann 2005). This could be the reason why managers in SMEs in Iceland have not taken full advantage of the Internet in their promotional activities. It does however appear that this is going to change over the next five years.

Majority of managers participating in the first phase of this research identified that their marketing budget decisions were based on past experience or on what they could afford. However, this was not supported in the second phase of the research where over half of respondents identified they based their budget on objectives they had set for the year. These contradictory findings could be a result of the different questions types. In the first phase respondents had to answer without the benefit of a list to choose from which the respondents in the second phase of the research had. Blois and Carson (2000) stated that entrepreneurs do not necessary need structure and frameworks but will perform decision making in their natural, informal way.

Gathering information about consumers was identified as important in both phases of this thesis. Furthermore, from the second part of the research, it became clear that managers in companies with a marketing department considered CRM systems and buying external surveys as being more essential than managers in companies with no marketing department. The latter group as well was more affected by time and financial constraints in relation to information gathering. These findings enhance the existing

literature as information gathering in small companies is usually through networks of contacts, gathered informally and interpreted in a personal way (Carson 1993, Blois and Carson, 2000, Stokes 2000).

From phase one of this research it was evident that managers were not spending time or effort on measurement. A number of managers specified they would use sales figures as an evaluation tool, others stated they did not need to measure. The majority of respondents in the second phase of the research stated that evaluating performance was an essential part of their marketing planning process. However, there was a clear split between managers in companies with a marketing department and those without a marketing department on two occasions. Firstly, the majority of managers in companies with a marketing department stated they regularly monitor and evaluate certain performance indicators and secondly that collecting evaluative data is essential for their companies. Only about half of managers in companies without a marketing department stated the same. At the same time, the majority of respondents maintained that they have a good feeling for what was effective or not which demonstrate the old fashioned view that they hear and comprehend immediately if something is working or not. As mentioned in chapter 5, O'Donnell *et.al.*,(2002) states that managers in small companies form a personal contact network with people they trust and those they can easily contact when making decisions or requesting feedback. Managers in Icelandic SMEs might typically use some form of personal contact network or ask sales people how many sales a published advertisement had generated, like one respondents from the first phase of the research stated. What is significant is that while managers state they are monitoring and evaluating certain performance indicators and collecting evaluation data they still appear to retain an arguably dated view that they really have a 'feeling' as to what is working effectively or not in their marketing communications activities.

Planning is another matter that Icelandic SMEs did not regard as important. While 67 percent of companies formulated a formal business plan, only 49 percent formulated a formal marketing plan. A significant difference was identified between companies with a marketing department and those with no marketing department, 82 percent of companies with a marketing department formulated marketing plan but only 37 percent of companies with no marketing department did. Hills *et al.*, (2008) specified that smaller companies seldom carry out any formal planning and that this is why their budget is not connected to any marketing activity.

Valuable information about exportation was discovered in this research. It turned out that companies that were exporting were more outward looking and marketing oriented than companies not exporting or monitoring what was happening elsewhere in the world. In the second part of the research, the findings revealed that 24 percent of companies, were exporting abroad, and another 22 percent were planning to exporting abroad in the near future. Companies, with a marketing department were more likely to export abroad than those without a marketing department. This figure for exportation is similar to that given by Johnson and Turner (2003) However, that almost the same percentage is planning exportation is unique, but this may be explained with easy access to capital and excessive coverage in the media about companies that had already started exporting and were at this time considered to be successful. As well, 67 percent of respondents in companies with marketing a department monitored happenings and trends in other countries and used the information to adjust their marketing communications activities and half of respondents in companies with no marketing department did the same. For 36 percent, a significant proportion of their marketing activities concerned international markets and opportunities.

The findings regarding Integrated Marketing Communications were also interesting. The early literature stated that IMC should be more relevant to SMEs than larger companies, but the majority of studies have been conducted in larger companies. Therefore it was thought it might be a suitable platform for an investigation in Icelandic SMEs. The findings from the first phase of the research revealed that managers in companies had not heard of the term Integrated Marketing Communications (IMC) and majority of companies were just bundling their promotional tools together. Only one company was systematically working towards integration, whilst the remainder, even though they knew about the term, were not.

Even though IMC was not addressed directly (respondents were not asked specifically about IMC) in the second phase of this research, a number of questions revealed managers' perceptions towards integration. The findings revealed that around half of respondents were bundling their promotion tools together, stating that all their marketing communications activities were presenting the same clear and consistent message to their target audiences. Over half (62 percent) of managers in companies with a marketing department also specified that their companies would incorporate data sources into communications planning, which means they have become customer focused. Moreover 40 percent of managers in these companies identified they would monitor their marketing communications performance from a return-on-investment perspective. The percentage is much lower for companies with no marketing department. Therefore it seems to be that some companies are using targeted and integrated marketing communications. However, it does not mean that they are aiming planning or systematically working towards IMC. Low (2000) stated that small companies should be more integrated than larger ones but this research cannot support that. It supports the view of Hutton (1996) where he said that IMC was just marketing

dressed in fancy words. IMC as structured and extensive as Shultz and Kitchen (1999; 2009) does not exist in Icelandic SMEs. Some form of targeting and integration does exist within some of these companies but it seems to be linked to managers/organisational culture rather than adaptation of IMC.

Table 8.1 provides a summary of the contribution of this research regarding the perceived importance and application of marketing communications practises, specifically IMC:

Table 8.1: Contributions of this research regarding the perceived importance and application of marketing communications practises, specifically IMC

	Significance of Marcom/IMC within SMEs	Application of Marcom/IMC within SMEs
State of Knowledge	<p>Marcom crucial for companies' survival. More significant now than before</p> <p>Significance for SMEs based on entrepreneurs/owners/ managers own views and experience on Marcom</p> <p>IMC had been widely accepted by academics, practitioners, marketers but little there are little empirical evidence of IMC with companies. Studies have focused on large companies.</p>	<p>Marcom activities based on marketing managers expertise, often not thought through and not necessary planned for.</p> <p>The effectiveness of marcom activities not measured and SMEs managers sceptical about market research</p> <p>The early literature had stated that IMC was more relevant and applicable for SMEs.</p>
State of Knowledge in Iceland	None	None
Contribution	<p>Confirmed the literature on marketing communications in SMEs</p> <p>Augmented the literature on IMC as the term was not found to be significant of SMEs in Iceland</p>	<p>Confirmed the literature on marketing, marketing planning and Marcom activities and measurement, Augmented the literature on information gathering, business environment and exportation in SMEs</p> <p>Augmented the literature as Icelandic SMEs were not practising IMC. IMC is not applicable for SMEs even though some companies were using some integrated approaches .</p>

8.3 Barriers to the Use of Marketing Communications

The second objective of this research addressed barriers to the use of marketing communications and IMC. Barriers towards marketing communications were identified

as time and financial constraints in the first phase of this research. Subsequently, several questions were posed about these types of constraints in the second part of the research but it was not identified to be as large a barrier as managers in the first phase had described. Nevertheless, constraints of time were specified to be a greater barrier towards marketing communications than financial constraints and managers in companies with no marketing department were affected adversely by time and financial constraints more than managers in companies with a functional marketing department.

This research supports some of the literature regarding financial and time constraints (Knight, 2000; Verhees and Meulenbergh, 2004; Gilmore *et al.*, 2006). In the second phase of the research however, these barriers did not rate as significantly as they did in the first phase of the research. An explanation could be that when this research was conducted households and companies had easy access to loan capital, which probably explains why financial constraints were not identified as the greatest barrier. Therefore, these results could have been dissimilar had this research been conducted at a later date.

Financial and time constraints were identified as barriers towards IMC as well as marketing communications practices.

8.4 Organisational culture and Marketing Communications Practises

The findings from the first phase of the research revealed that the majority of companies were working towards making their organisational culture better or were in the process of changing their culture. Another finding from the first phase was that companies with external focus were using more target marketing. Therefore the second phase was formulated in order to answer, if and in what way, organisational culture affected marketing communications activities. The Organisational Culture Assessment

Instrument (OCAI) was used in this research to investigate the cultural profile of companies being investigated (Cameron and Quinn, 1999). The cultural profile for companies in Iceland was quite different from those of 1000 companies from around the world. Firstly, clan culture was higher in Icelandic companies than with the comparison group, (26 vs. 23). This could be explained by the fact that all respondents in this survey were managers and these individuals usually rated clan culture higher than other employees (Cameron and Quinn, 1999). The main difference was between adhocracy culture and market culture. The score for adhocracy culture was higher (23 vs. 17) than for the comparison group provided by Cameron and Quinn (1999) but lower for the market culture (25 vs. 35), which was the highest score for the comparison group.

Cameron and Quinn (1999) specify that the earliest stages of a company's life cycle tend to be dominated by adhocracy culture, because they are without formal structure and characterised by entrepreneurship and led by a single, powerful, visionary leader. This could be the reason why Icelandic SMEs have a higher adhocracy culture. They are small and medium-sized companies and therefore their management might be less strict, with the owner, manager or entrepreneur operating the company in the way that suits him/her. This could as well be the reason why Icelandic SMEs do not have higher scores for market culture. Under market culture it is assumed that a clear purpose and an aggressive strategy lead to productivity and profitability. Earlier findings show that planning and structure are weak links in marketing activities for the majority of Icelandic SMEs, and therefore they are not likely to have a formal strategy. Nevertheless, clan and hierarchy culture are the strongest cultural types for Icelandic SMEs, which means that these types of companies are mostly focused on internal values, smooth running organisation with shared values and goals, teamwork and employee development. As Iceland is a quite feminine society (Hofstede, 2001) employees are encouraged to voice their opinions in order to improve their own work,

and work environment. Employees tend to feel their voice matters and that they are an important part of the company which is in good harmony with clan culture. Hierarchy culture, has some resemblance to the 'old' culture that managers in the first phase of the research mentioned, where employees knew their exact job description and carried this out but often little else, even though it might benefit their company. It seems that hierarchy culture is still strong in Icelandic companies, even though some managers in the first phase of the research wanted to change it to become more goal oriented. Small and medium sized companies emphasised internal values with the exception of organisational glue and strategic emphasis. There, small companies emphasised internal values, teamwork and coordination, while medium size companies emphasised external values, competitive action and innovation.

Companies with a marketing department scored higher on adhocracy and market culture, emphasising external values whilst companies with a marketing department rated higher on clan and hierarchy culture which emphasised internal values. However, after identifying the cultural profile for small and medium sized companies, companies with a marketing department and also no marketing department, the last objective addressed the issues of if and how organisational culture affects marketing communications practises in Icelandic SMEs. For the second phase of the research, eight hypotheses were developed to investigate the relationship between each of the culture types identified in chapter 4 and marketing communications practises in Icelandic SMEs.

The results from the hypotheses tests are shown in table 8.2:

Table 8.2: Hypothesis Results

	Hypothesis	Variable Name	Hypothesis testing	Explanation
1.	H1a & H1b	Target Marketing	Not Supported	Of 11 questions, 4 questions were positively correlated between adhocracy culture and medium sized companies. Of 11 questions, 1 question was positively correlated between adhocracy culture and small companies
2.	H2a & H2b	Measurement	Not Supported	
3.	H3a & H3b	Information Gathering	Not Supported	Of 3 questions, 1 question was positively correlated between market culture and medium sized companies Of 3 questions, 1 question was positively correlated between market culture and small companies
1.	H4a & H4b	Exportation	Supported for medium sized companies and adhocracy culture	Of 2 questions, 2 questions were positively correlated between adhocracy culture and medium sized companies Of 2 questions, 1 questions was positively correlated between market culture and small companies
2.	H5a & H5b	Flexibility	Not Supported	
3.	H6a & H6b	Financial/ Time Constraints	Not Supported	Of 7 questions, 1 questions was positively correlated between adhocracy culture and small companies Of 7 questions, 1 questions was positively correlated between adhocracy culture and medium sized companies
4.	H7a & H7b	Old Culture	Not Supported	Of 5 questions, 1 questions was positively correlated between hierarchy culture and medium sized companies
5.	H8a & H8b	Business Environment	Not Supported	

Even though only hypothesis H4a was supported, this part of the research gives strong indication that organizational culture does affect marketing communications practices, as adhocracy culture was most often positively correlated with marketing variables and hierarchy culture negatively correlated as shown in table 8.3:

Table 8.3: Significant Variables

Significant Variable	Small Companies				Medium Sized Companies			
	A	B	C	D	A	B	C	D
Our Marketing plan tailors most marketing initiatives and activities to specific target groups						P		
Our marketing planning process is able to accommodate unexpected opportunities and threats		P		N				N
We regularly monitor and evaluate certain performance indicators						P		
Our company's advertising, PR, direct marketing and sales promotions all present the same clear consistent message to our target audiences								N
Our company incorporates data sources into communication planning						P		N
Our company monitors marcom performance from an ROI perspective						P		N
We consider marketing to be strategically important for our company	N		P					
Gathering information about our customers is important for our marcom activities	N		P					
Buying external surveys about how our customers perceive our services or products is essential for our business					N		P	
We monitor what is happening in other countries and markets and use this info to adjust our marcom activities						P		N
A significant proportion of our marketing activities concern international markets and opportunities		P		N		P		N
In my company the marketing planning process is ad hoc and not very systematic*						N		P
Financial constraints affect our company's planning activities						P		
Because of time constraints we are unable to gather as much information about our customers as we would like		P						
We do not have the financial resources to undertake the marcom activities we would like				N				
We are doing fine without marketing and it is not expected to be of much use in the future*								P
We are so close to our market that we get feedback from our marcom activities easily*		N						
We have guaranteed business in a relatively stable market	P		N					
Marketing is of little use to this company because we have guaranteed business*							N	
Total	1P 2N	3P 1N	2P 1N	3 N	1N	7P 1N	1P 1N	2P 6N

*Negative variables made positive

N= Negative

P= Positive

As can be seen in the table, the majority of significant variables are positively correlated with adhocracy culture or negatively correlated with hierarchy culture. This provides a valuable platform for further research as it looks like adhocracy culture is positively correlated with marketing variables, especially regarding target marketing and exportation. However, hierarchy culture acts as a barrier towards marketing as it is negatively correlated with marketing variables in this research. As this is the first research that uses the Organizational Culture Assessment Instrument (OCAI) by Cameron and Quinn (1999) and combines it with marketing communications variables it is difficult to find similar studies. Studies of organisational culture show that it is hard for companies to change their culture (Parker and Bradley, 2000; Lamond, 2003). Even though the environment has changed dramatically in the last two decades and management style has moved towards flexible organisation, open communications, and a focus on markets, it seems that organisational culture is not moving at the same speed. This is hardly surprising as these changes require people and particularly managers to change the way they conduct their business. This research reveals that adhocracy culture could be a driver towards increased target marketing communications practises and hierarchy culture a barrier. This could be valuable information for SMEs managers, especially if they would like to change their organisational culture and become marketing focused organisation.

Table 8.4 reveals a summary of the contribution of this research regarding in what way marketing communications practises in Icelandic SMEs are affected by organisational culture:

Table 8.4: Contribution of this research regarding in what way marketing communications practises are affected by organisational culture

	Perception of organisational culture within Icelandic SMEs	Average culture plot by (OCAI) framework for Icelandic SMEs	Differences between Small and Medium Sized Companies in Iceland regarding Organisational Culture	The extent that marketing communications practices in Icelandic SMEs are affected by Organisational Culture
State of Knowledge	Broad knowledge of culture in organizations, mostly through ethnographic and in depth interview studies. Cultural changes are difficult to make.	A culture plot of over 1000 organisations available.	None	None
State of Knowledge in Iceland	None	None	None	None
Contribution to the literature	Gave indication that 'old' culture was a barrier towards marketing and marketing communications practises Augmented the literature on SMEs by giving an insight into organisational culture of SMEs in Iceland	None Augmented the literature by showing a difference between SMEs and the comparison group.	None Augmented the literature by showing a difference between SMEs and the comparison group.	Gives indication about how organisational culture can affect marketing communications practises Augmented the literature by showing a difference between SMEs and the comparison group.

8.5 Conclusion

The present chapter discussed the findings of the two empirical phases and compared them to the literature reviewed in chapters 2 and 3. The analysis assists in achieving the three objectives discussed in this chapter.

Regarding the marketing, the perceived importance and applications of marketing communications the two research phases revealed that managers perceived marketing communications to be important and that it will become increasingly more important in the future. This finding augmented the literature by identifying those managers in companies with a marketing department considered it to be more important than managers in companies without a marketing department.

Application of marketing communications practises was found to confirm what was found in the literature as marcom activities used by SMEs were discovered to be mostly traditional advertising. 51 percent of respondents did not formulate a marketing plan and decisions about the marketing communications budget was in the majority of cases made by the managing director, owner or entrepreneur.

This research has added to previous research findings by showing how SMEs managers view evaluation of their marketing communications activities. They stated that measurement of their marcom activities was essential for their companies but as well, they have a feeling for what is effective or not. In addition, 24 percent of companies were exporting abroad and majority were gathering information about their consumers.

IMC was not regarded as important and only one company in the first phase of the research was working systematically towards integration. However, some Icelandic companies seem to be working towards some form of integration, without knowing or recognising the term. This finding contradicted the early literature of IMC which stated that it should be relevant for small companies.

The findings from the first phase of this research regarding organisational culture gave an indication that 'old' culture was a barrier towards marketing and marketing communications practises. This was confirmed in the second phase of the research, even though only one of eight hypotheses was supported. The findings however gave significant indication that adhocracy culture could act as a driver towards target marketing and marketing communications and that hierarchy culture could act as a barrier. In addition, the cultural profile of SMEs was presented, identifying that companies are emphasising internal values; hierarchy culture is the dominant culture for small companies and clan culture for medium sized companies.

Considering that for the above findings there is no evidence of any previous research in the country it is appropriate to affirm that this research augments knowledge of both marketing communications practises and organisational culture which might assist small and medium sized managers in developing their marketing communications practises.

The following chapter refers to the overarching summary and conclusion of the entire thesis; in order to highlight the contribution to knowledge and identify its limitations and identify areas for further research.

Chapter 9

Conclusion

9.1 Overview

The preceding chapter analysed and discussed the findings of the two phases in the context of the literature review. The present chapter concludes the thesis by highlighting its contribution to existing knowledge and methods. Moreover, it identifies limitations of the present research and indicates areas for further research. As mentioned in Chapter 2, technological changes, fragmented media, low levels of brand differentiation and the shift in power from the marketer to the consumer increased the importance for more targeted marketing communications activities. Small and medium-sized enterprises have increased in importance in the last couple of decades and the latest recession has not deterred people from creating their own businesses.

Such issues have not so far been investigated in relation to Icelandic companies. Hence, the present research has helped to close a gap in our knowledge of marketing communications practises in Icelandic companies. It has also led to focusing research attention on exploring the emergence, relevance and applicability of marketing communications/Integrated Marketing Communication with Icelandic SMEs. In order to explore this research problem, three interrelated research objectives were defined:

- To explore the current perceptions of SME management with regard to the perceived importance and application of marketing communications practises and more specifically IMC.
- To identify barriers to the use of marketing communications and more specifically IMC.

- To examine the extent to which marketing communications practises in SMEs are affected by organisational culture.

9.2 Conclusion about the Research Objectives

9.2.1 The Perceived Importance and Application of Marketing Communications Practises and specifically IM

This research has shown that marketing communication is regarded as important in Icelandic SMEs. However, the majority of managers in these companies are conducting their communication activities in ways that they always have; and they are the ones making all the decisions about marketing. The findings contradicted the literature regarding information gathering and exportation as they showed that SMEs managers gathered information in a systematic way about their customers. Over 20 percent of companies were exporting abroad and another 20 percent were planning to export abroad when the survey was conducted. Furthermore, a difference was identified in which managers in companies with a marketing department were using more targeted methods in their marketing communications activities than were managers without a marketing department in their companies. There was some confusion about measurement as while respondents from the second phase identified that measurement was an important part of their marketing planning process, they also stated they had a feeling about which marketing communications activities were working and which were not.

The findings provide valuable information to SMEs managers wanting to change their marketing communications activities in order to make it more targeted to their audience

and more accountable. This research has therefore increased the knowledge of marketing communications practises in SMEs in general and, as this is the first research about this topic conducted in Iceland, it provides a valuable framework within which Icelandic SMEs managers might practise their marketing communications.

Integrated Marketing Communications (IMC) was almost unknown by managers of SMEs in this research sample and only one organisation was working towards integration. Some organisations had started the 'outside in' approach to marketing where all the marketing communications activities begin with consumers and some even identified they would gather information about the customers and monitor their marcom performance from a ROI perspective. However, it is not possible to state that these companies were practising IMC as they did not know the term or what it involved.

These findings were surprising as they contradict those of Low (2000), who suggested that small companies were more likely to practise IMC as they targeted fewer market segments and therefore used fewer messages than large organisations. It as well raised the question if IMC is something new or if it is just marketing dressed up in fancy words like Hutton (1996) stated. Managers in this research were practising marketing in their unique way, using the tools and techniques they thought were the best to serve their customer better .

9.2.2 Barriers to the use of marketing communications and more specifically IMC

Time and financial constraints were identified as barriers towards marketing communications. It was clear from the first phase of the study that managers did not have time to focus as much as they wanted on marketing and marketing

communications activities. They often needed to make decisions on the spot without having the time to research first. They also had to deal with financial constraints, were not able to employ people with marketing knowledge, or hire an advertising agency to develop their marketing communications material. In the second phase time and financial constraints were not identified as large barriers as in the first phase but it seemed that time was the largest barrier towards marketing and marketing communications practises. Time and financial constraint were as well identified as barriers towards IMC, the only manager that was working towards integration, identified that he would need more time to read and research the term.

These findings are in line with the SME literature which identified financial and time constraints as the main barrier to the use of marketing (Knight, 2000; Verhees and Meulenbergh, 2004; Gilmore *et al.*, 2006). Kitchen *et al.*, (2004a) identified the time and financial constraints as barriers to the use of IMC.

9.2.3 The Extent to which Marketing Communications Practises in Icelandic SMEs are affected by Organisational Culture

Organisational culture was found to affect SMEs marketing communications practises. A positive correlation was found between adhocracy culture and exportation. SMEs managers with high adhocracy culture, emphasising innovative and pioneering initiatives, were more likely to follow what is happening in other parts of the world in the field and a significant proportion of their marketing activities concerned international markets. However, this was not the only significant finding, even though this was the one hypothesis that was supported. Hierarchy culture, which emphasises rules, specialisation and hierarchy, seems to act as a barrier towards marketing communications as it was found to be negatively correlated with eight variables for

medium-sized companies and three for small companies. This cultural type was identified in the first phase of the research as 'old' culture and was even found in companies with 25 employees.

Icelandic SME culture focuses on integration, shared values and goals as well as rules, accountability and an efficient company. Small companies are more hierarchy-focused but the cultural plot for medium-sized companies is more equal but with the clan culture as the highest score. Companies with a marketing department scored higher on adhocracy and market culture, and also emphasise external values. By contrast, those without a marketing department focused on internal values. This gives an indication that companies with high adhocracy culture tend to use more targeted marketing, plan more and emphasise exportation.

It can therefore be said that this research creates new knowledge about organisational culture in SMEs and about the relationship between organisational culture and marketing communications practises in SMEs. This is the first research investigating this topic in the country and therefore offers an important indication how SMEs managers regard their organisational culture and how it affects their marketing communications practises.

9.3 Contribution to Knowledge

As mentioned in the opening paragraph of this chapter, changes in the environment such as technology and fragmented media increased the importance of more targeted marketing and marketing communications practises. At the same time SMEs have increased in prevalence in the last two decades with 99.9 % of all UK enterprises being

SMEs (Department for Business Innovation and Skills, 2007). In Iceland the majority of organisations are micro, small and medium-sized but there are no studies referring to this topic in the country (Statistics Iceland, 2006). Therefore, in exploring the emergence, relevance and applicability of marketing communications/Integrated Marketing Communications, this thesis has provided a new perspective.

The thesis has also contributed to our understanding of marketing communications and organisational culture in three important ways: in managerial, methodological and theoretical forms. The author expands upon each one below.

Managerial:

This research, in the context of Icelandic SMEs, offers new knowledge of marketing communications practises. The previous literature has focused chiefly on marketing and marketing communications practises in larger companies whereas this thesis provides a significant contribution to marketing communications literature from the SMEs point of view. This is especially true in the cases of media choices as SMEs were found to use mostly traditional media and not fully taking advantage of the new technology which is in line with the literature (Carson *et al.*, 1995; Fam, 2001; Gilmore *et al.*, 2006). However, they were gathering information about their customers and using the information to serve their customers better. This finding contradicts the previous SMEs literature which stated that managers would shy away from formal marketing research methods and would rather gather information through networks of contacts (Blois and Carson, 2000; Stokes, 2000). 49 percent of managers did form a marketing plan which support the literature which states that strategic planning and implementation are flexible and dominated by the manager (Carson *et al.*, McCartan-Quinn and Carson, 2003). Managers in the first phase of the research identified they were not measuring

marketing communications scientifically but the findings from the second phase contradicted these significantly. They revealed that evaluating performance was essential part of SMEs managers marketing . However they also stated they had a good feeling what was working and not, which shows clearly how managers look at marketing communications, as something useful but they can also get information by using their personal network, as identified by O'Donnell et al., (2002). Finally, over 20 percent of Icelandic SMEs did not let geographic restriction discourage them from exporting to other countries and other 20 percent were planning to export abroad. The former figure is similar to manufacturing SMEs which compete internationally (Johnson and Turner, 2003) but they figure for companies planning to export his higher.

The IMC literature has been augmented while identifying that Icelandic SMEs managers did not know the term IMC nor were they working towards integration of their marketing communications. Only one manager identified that the company was moving towards IMC. These findings offer new knowledge as early IMC researchers like Nowak and Phelps (1994) and Low (2000) had stated that IMC was more like to be found in smaller companies.

Moreover, the literature of organisational culture is augmented by the thesis providing an average cultural profile of Icelandic SMEs, and identifying differences between culture profile for small and medium sized companies. In addition a significant contribution was made by revealing the relationship between organisational culture and marketing communications practises in Icelandic SMEs, where adhocracy culture acted like a driver for more targeted marketing communications practises while hierarchy culture acted as a barrier.

These findings will provide guidance to SME managers in Iceland wanting to change the way they conduct their marketing communications activities. Firstly, it provides them with up-to-date information on the current state of marketing communications practise in Iceland and manager views. Secondly, if they want to change their way they promote their company, the findings can give them valuable information on marketing planning, media usage, information gathering, measurement and exportation. Thirdly, the thesis offers significant information for managers in relation with organisational culture as it gives tentative findings about which culture type can act as a barrier towards targeted marketing communications activities and exportation and which can act as driver.

Theoretical

This research provided a significant theoretical contribution in three different areas. Firstly it offered new information about the importance and application of marketing communications practises in Icelandic SMEs, especially in relation to information gathering and exportation which showed the SMEs were in fact gathering information about their customers and a large proportion were exporting, or considering exporting, abroad.

Integrated Marketing Communications was not considered of great importance for SMEs. Majority of the respondents in the first phase of the study had not heard of the term and those that had heard of it were not planning to work towards IMC adaption and only one respondent of twenty was working towards IMC. These findings provide an important contribution. It contradicts the previous literature which stated that IMC was more relevant for smaller companies (Nowak and Phelps 1994 and Low 2000). It shows quite clearly that IMC is nothing new. Some managers were in fact practising

certain elements from Kitchen and Schultz, (1999) triangle, (see chapter 2), like gathering information about customers or monitoring their marketing communications performance from a ROI perspective, without knowing the term. This supports the old view held by Hutton (1996) and Cornelissen and Lock (2000) that IMC provide us with nothing new. Icelandic SMEs managers are only practising what they believe is called marketing and marketing communications.

A culture plot was provided for the organisational culture of small and medium-sized enterprises as well as a profile for organisational characteristics, organisational leadership, management of employees, organisational glue, strategic emphasis and criteria of success.

The culture plot for Icelandic SMEs proved to be completely different from the comparison group given by Cameron and Quinn (1999). The score for adhocracy culture was significantly higher (23 vs. 17) for Icelandic SMEs while the score for market culture was much lower (25 vs.35). This indicates that Icelandic SMEs are dynamic, innovative and creative in nature, with managers and employees prepared to experiment and take risks. Nevertheless, most small and medium-sized companies in this research emphasised internal values. Small companies are dominated by hierarchy culture, while medium-sized are dominated by clan culture. Interestingly, companies with a marketing department emphasize external values while those without emphasize internal values. These cultural profiles of Icelandic SMEs give valuable information on how the companies operate and what is important for their survival.

The final theoretical contribution was made by connecting the organisational culture assessment instrument (OCAI) and marketing communication variables. One part of the

questionnaire used the organisational culture assessment instrument (OCAI) by Cameron and Quinn (1999). Correlation analysis was then used to investigate if there was a significant relationship between organisational culture (OCAI) and the marketing communications variables. Combining these two research tools to investigate the relationship between organisational culture and marketing communications has not been done before, so the present research offers a novel approach. Indeed, the finding that adhocracy culture can act as a driver towards more target marketing communications practises clearly demonstrates the efficacy of linking these measures in this way, and may be used to investigate topics like innovative marketing or marketing communications practises in different cultural contexts.

The findings that emerged from joining the measures indicated that hierarchy culture could act as a barrier towards target marketing communication and exportation while adhocracy culture acted as driver towards more targeted marketing communication activities and exportation. These are valuable information for organisations wanted to change their culture in order to become more market oriented.

This thesis has contributed to theory in three different ways. It has it offered new information about how Icelandic SMEs conduct their marketing and marketing communications, it has provided significant information about the adaption of IMC in Icelandic SMEs and it has connected the organisational culture assessment instrument (OCAI) and marketing communication variables by using the organisational culture assessment instrument (OCAI) by Cameron and Quinn (1999).

9.4 Limitations of the Research

There are two limitations of the research that need to be acknowledged and addressed . Firstly, the project was conducted on a relatively small scale, and although the findings provide an indication of how SMEs in Iceland operate, one should remain cautious when trying to generalise the results to SMEs in other countries.

Secondly, it was difficult to gather data for the second part of the research. The main reason for this was the time it took for respondents to answer the questionnaire in full (twenty minutes). This meant that the respondents reported that they felt they had inadequate time to respond fully due to pressures of work. Considering this, the research design potentially could have been more focused in order to promote higher response rates. As a result, the researcher would recommend against using online surveys, as they provide little incentive for respondents to complete. Whilst managers in Iceland (and presumably elsewhere) have frequent Internet access, they appear to be over-exposed to and burdened with large amounts of email and online surveys. Thus, another method, such as a structured interview or at least supervised questionnaire completion, would be preferred as an alternative. If this proves unfeasible, it might be preferable to post a questionnaire which is then collected in person at a later date.

9.5 Recommendation for Future Research

This research has increased the knowledge regarding marketing communications/IMC practises in Small and Medium Enterprises and the affect organisational culture has on marketing communications activities.

It would be interesting to conduct similar studies in other Western Countries, in order to validate the findings of this research in a wider scope. Furthermore, investigating in greater detail how and in what way organisational culture affects marketing

communications practises in SMEs, would provide a considerable contribution to marketing communications literature.

9.6 Overall Conclusion

This research explored the emergence, relevance and applicability of marketing communications/Integrated Marketing Communications with Icelandic SMEs. Considering that there was no existing literature from the country, and that this phenomenon is of rapidly increasing importance, it is evident that this research contributes significantly to the literature of marketing communications/IMC in SMEs.

New knowledge was generated by identifying the current marketing communications practises within SMEs managers in Iceland. The majority of findings confirmed the literature, as the Icelandic SMEs managers were using mostly traditional advertising. Half of the respondents did not formulate a marketing plan and decisions about their marketing communications budget was in the majority of cases made by the managing director, owner or entrepreneur. However, managers seemed to be outward-looking in terms of their marketing communications practises abroad; they were gathering information about their customers but at the same time specified they had good intuition about what was working effectively or not in their promotions. These findings in some ways contradicted the existing literature.

Integrated Marketing Communications IMC did not appear to be regarded as important. This finding contradicted the early literature of IMC which stated that it should be relevant for small companies.

This thesis contributes to the literature of organisational culture and marketing communications. The interviews gave indications that 'old' culture was a barrier towards marketing and marketing communications practises. The findings in the second phase suggest that adhocracy culture could act as a driver towards target marketing and marketing communications but that hierarchy culture could act as a barrier. However, these are tentative findings that need to be investigated further. In addition, the cultural profile of SMEs was presented, identifying that companies were emphasising internal values; and that hierarchy culture was the dominant culture for small companies with clan culture the most prevalent for medium-sized companies.

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Appendices

Appendix 1 - Request for an Interview

Dear sir/madam

My name is Gudridur Armannsdottir, and I am a PhD student in the University of Hull. The purpose of my study is to explore the emergence, relevance and applicability of Integrated Marketing Communication within Icelandic SMEs.

I'm writing you this email to ask for an interview with you about this topic. The information given by you would be highly valuable for my research and form the ground for the second phase of my study. This kind of study has not been in Iceland before and hopefully the results would be beneficial for you and your company. For participating in this study you would get a report explaining the development of IMC within ten businesses to consumer/ business to business companies. If some part of the PhD thesis will be published, your identity and your company's identity will be concealed.

I hope you are willing to take part. I will be in Iceland between 8.12.2006 and 14.01.2007 so we should be able to find a convenient time.

Please let me know as soon as possible if you are able to participate,

Best regards,

G. Armannsdottir

Appendix 2 -Interview Schedule

Introduction:

First introduce myself, and the purpose of the study.

The purpose of the study is to explore how companies (i.e. SME's) in Iceland, conduct their marketing communications and their views about Integrated Marketing Communications (IMC).

Marketing communications can be defined as communications with target audiences or markets via media with the intention of stimulating or making sales. The majority of research about marketing communications/ IMC has been undertaken in large companies and in agencies that service their needs, very few studies have focused on businesses within one nation.

First I want you to give me an overview of what you do here before we start discussing marketing communications.

1. What is the overall goal of this company?
2. What type of internal communication does your company use?

All organisations have some kind of culture, which people will have to understand and learn when they start working in particular company.

3. How would you explain your company culture?

4. What are your views on employee involvement and their usefulness in the marketing communications process?
5. Who within this company makes decisions about marketing communications activities?
6. Who within this company makes decision regarding the marketing communications budget?
7. Is the budget based on a specific marketing communications approach?
Please explain (*approaches like affordable, percentage of revenue, competitive parity or zero based budgeting*)
8. Please explain how environmental factors (like economics factors, globalisations, technological changes) have influenced the development of marketing communications.
9. Which of these factors do you regard as leading to substantive changes and why?
10. In which ways does your company use advertising, PR or other marketing communications agencies?
11. When designing your marketing communications strategy / marketing communications campaigns what promotional activities does your company use?
12. Do you link any of these marketing communications activities together? If so, in what way?

13. Has the importance of these promotional tools changed for your business in the last 5 years? If so, how?

Please take a look at this card with different kinds of promotional tools.

Respondents are showed a card with different promotional tools like advertising, PR, direct mail, sales promotion, personal selling, sponsorship, internet, exhibitions, - trade forums

14. Please indicate how (in percentage) your distribution between these different promotional mix elements?

14a) How was the distribution between these different promotional mix elements 5 years ago?

15. Have you ever used other promotion tools? Please explain

16. What specific challenges are facing your company as it moves forward in the 21st century in relation to

- company itself
- marketing communication activities

17. How will your company meet or manage these challenges?

18. Do you know the term Integrated Marketing Communications (IMC) for short). What does this term mean to you?

If respondents do recognise the term, they will be showed two definitions about IMC, and asked questions 19 and 20

If respondents do not recognise the term, the interviewer will ask them question 21 (and instead of asking about IMC, the interviewer will ask about marketing communications).

Here are two definitions both given by a major guru of IMC- Professor Don Schultz of Northwestern University (show them the definitions):

Definition a)

“IMC is a concept of marketing communication planning that recognises the added value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines – for example, general advertising, direct response, sales promotion, and PR- and combines these discipline to provide clarity, consistency, and maximum communications impact (Schultz, 1993,17)”

19. Please tell me your views on this definition. What is the relevance for your company?

Definition b)

“Integrated marketing communication is ... a strategic business process used to plan, develop, execute and evaluate coordinated, measurable, persuasive brand communications programs over time with consumers, customers, prospects, employees, associates and other targeted, relevant external and internal audiences. The goal is to generate both short-term financial returns and build long-term brand and shareholder value.” (Schultz, 2004: 9)

20. Please tell me your views on this definition. What is the relevance for your company?

21. In what ways, if any, do you think marketing communications/ IMC is important for your company? Please explain.

22. How and in what ways have marketing communications/ IMC become more important to your company in recent years?
23. At what time and why did marketing communications/ IMC become more important?

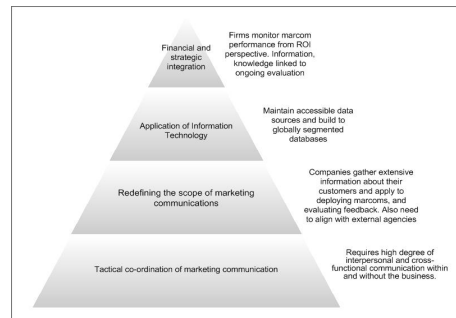
Question 24 is only asked the respondents that know the term IMC

24. Please explain how IMC principles (i.e. based on definitions previously given) are utilised in your company?
25. Is there a necessity in your company to gather data about your customers?
Please explain how you gather this information?
26. Please explain the ways customer information is utilised in the development of your marketing communications activities?
27. Based upon your marketing communications/ Integrated Marketing Communications activities how do you evaluate the success of your marketing communications activities?
28. Do you evaluate each and every communications element or do you evaluate the total mix together?

Questions 29 and 30 are only asked the respondents that know the term IMC

Please take a look at this figure – IMC development.

Show respondents a card with this model and explain the model



Interviewer: This model shows the stages of IMC within companies. In the first phase (starting at the bottom) marketer just co-ordinate their marketing communication activities, like internet, advertising and PR in order for the marketing communications activities to sound and look the same. This is often called the inside-out approach. At the second stage marketers start to acknowledge the customer and to gather some data about him in order to serve him better (outside –in) At the third stage, marketers not only gather data, they build databases to turn customer data into customer knowledge. Finally at the fourth stage ,companies start actually to measure IMC performance from return on investment perspective. Companies will have to go through all the stages to achieve financial and strategic integration.

29. Is there any one stage that seems to be more relevant to your company and if so, why is that?

30. Do you feel that companies do progress through these stages? If so, please explain.

31. How and in what way do you perceive marketing communications/ IMC to be beneficial to your company?
32. Given what you know about marketing communications/ IMC, can you identify potential barriers to implementation of IMC (past and current)?
Please explain
33. Given your understanding of marketing communications/ IMC how do you predict this will develop in the future?
34. In your view, would you consider marketing communications activities to be different between your sector and b2b/b2c?
35. In what ways would you say they are similar?

GENERAL QUESTIONS

1. Please tell me how long have you worked at this company?
2. What is your current position?
3. What is your level of education?
4. How many employees work within this company?
5. What was the turnover in the year end 2005?
6. What do you think the turnover will be for the year end 2006?
7. Who owns this company?
8. Is there a matter of importance that I haven't mentioned, that you think can be beneficial to this research?

Appendix 3 -The Interviews

Interview 1

Interviewer introduced the study and then we discussed his views about marketing in Iceland in general:

My views on that are that it is more reactive, not much planning work or strategy, just operation that is what I have seen, companies are not following some marketing strategy. It is all about just making great advertising and be funny.

Not so long ago, companies went to Saga film (production company) and just said: I want funny advert for this brand.

Interviewer: I talked to a company director this morning in a small company and she told me that she had problem with knowing whom to trust. Because she doesn't have the all the time in the world

Respondent: Advertising agencies blow smoke into people's eyes and maybe what she needs is a marketing director she can hire!

Interviewer: After each media research everybody calls her and tell her that they won and she should advertise with them

Respondent: If it is not winning it is defensive victory.

Interviewer' Then I will come to the questions, please stop me if you don't understand something.

1. Our overall goal of this company is based on profitability and we have specific profitability goal, fixed proportion of turnover. Overall goal is to give the owners some revenue.

2. They are of many kinds, and this is something that we are trying to make better, especially communicating information to everyone. Internal communications are on one hand meetings with all the departmental executives, minimum 4 times a year, everyone that are responsible for some budget or people. Then on the top level, executives meet once a week and the issues that come up are discussed there. Communications between people are various, depending on how people work cross. Warehouse and distribution communicate with each other departments everyday and sales department and service department as well, but maybe sales and warehouse have more formal communication between these two departments because it is not the next chain. We also have to communicate information internal web where we put a lot of information and notifications etc. Then we have the informal communications which are very important and places like the canteen and there people discuss issues or opportunities or something else over the steak.

3. The organisational culture is kind of old; because this company is 65 years old. The period of employment is long; people work here for a long time, especially in The most change (where people are changing jobs and leaving the company) has been in the marketing and sales department but it has decreased a lot in the recent years. The culture is what it is because many people have worked here for 30-40 years, it is very conservative. People don't like changes, and resist to changes and my first experience of this culture was when I came in here and was trying to learn how to do everything, and calling people I thought knew things, according to organisation chart and titles, The widespread answer was: no this is not my responsibility. After the first week. I thought there were a lot of people that knew what they were not supposed to do, but didn't actually know what they were supposed to do. However, the culture has developed more and it has become better, it was in those times unwieldy and difficult to changes things but it has changed a little bit. Two years ago we re-engineered the company which didn't end formally enough. There came out values which have changed the company a little bit. I think, that if you asked people, there weren't many that could tell you where they are. I am going to try: Trust, discipline, initiative, culture. I am sure I one of very few people that can tell what they are. We have tried to shape the culture in this form. Nevertheless, like in many other places, we haven't been working systematically enough. There are enough opportunities to change or make the corporate culture better. Part of this is that we have departmental barriers and the attitude has been We and You. We have been trying to break these barriers down and try to make people realise that they are playing in the same team, it is just in different positions. Their jobs might be different but neither can be without the other.

4. I'm now more fully aware of this and we have been trying to put it more into our business, it is hugely important that all staff participate in this. Often we see undeveloped opportunities when we introduce new product or new big campaign not to make the general employee the spokesman of the company. Then we have tried to begin with internal marketing, like when we introduced Coke Light. We

had a program here internally for two weeks before the product was introduced to the market, where teams internally were competing and this psych people up and this was a big success and every employee participate in the launch and the first days of this product. This is something we are going to try to increase and this is very important because when we launched Vanilla Coke some years ago we didn't do anything like that. Then when some distributions drivers were deliver the product to the sores and the store manager asked if this was a new product, how is it, the driver answered. It is disgusting! This is why it is important that all employees and that everyone are selling the product to the market. If you are unable to sell the concept within the company and make employees stand by the product then it is not very likely that you can do with the actual market.

5. There a quite many people, from the director (president of the company) which has everything regarding the company as a whole and then it is considerable my decision and then we have as well brand directors (for each product) that take decisions what media to choose, what is called bought messages. PR is more on my table and these things that are important for messages and the image of the company.
6. This company is very marketing advanced. The preparation of budget starts with analysis of opportunity for the brands. Then we develop strategy and action. Then the budget is made which is then extract into production plan and we lay out a model and if the outcome of that is not what is satisfactory then we have to cut back here or add there and try to optimise the outcome. Luckily (happily) we start with the opportunity for the brand.
7. See answer 6.
8. Yes, the development what is the newest and freshest in this business. The competition environment here in Iceland has also influenced the development of marketing communications, both the quantity of advertisement we are buying, the message is almost always the same but sometimes we have to answer or respond to different circumstances. Then another big factor is sociological factor is Health and Health related issues. Emphasis can changed a lot, one day is sugar poison, another day is [did not hear] Poison. This all influence or marketing. New technology, new media, new equipment. Everything like this affects our business.
9. The biggest part is the propensity to consume and the changes to sugar free soft-drinks and water drinks, more healthy options. This is the biggest part that shape what we say, how and when.
10. Yes, in most cases we do, if we are working formally with operations or brand. Our policy is always to work with specialist, we use advertising agency when we need to perform an operation e.g. when we need to produce an advert, form a message or something like that. We don't use advertising agency in strategic

purpose like some other companies. For media planning and buying we use a Media House. PR office we haven't use very much, a little bit on and off, we have tried a couple of offices but we haven't had a good experience. We are now working with a single worker which has been doing a nice job (hefur skilad sinu), and is worth the money we pay him. We are using PR to when we see opportunity to do so, in big campaigns, to get some extra coverage. In more cases, we use PR when we have crises (crises management), like for one year ago when some brewing was in Svali (fruit drink) we worked with a PR office to know how best was to communicate this to the media.

11. Normally: we use direct promotion when we promote to our customer (stores), both we promote the brand or the product with information about it (every month) like: ingredients, quality and what promotion we are going to use to promote it. With this we are trying to sell them the product/brand and that they want to have this product in their shelves.

To the consumer, normally with new products we try to use informative messages, we use print media, the internet or something like that, where we can communicate further information. Then we use media to build up the image of the brand like, TV advertising and Radio advertising. We don't use direct mail much, normally because target groups (markhopar) are not accessible. Analyses (of target groups) are often non-systematic and this is what is needed on this market, good databases to be able to get the target groups. We also inside this company, try to have some happening or stimulation situation here, so people inside the company believe what the company is doing.

What about 2 for 1 in stores, is it from the stores or from this company? Normally it is a part from our promotion. Then the goal is to enlarge the purchase. When we are promoting new products we, it is included free with something else, or is bonus with something else, or is on promotional offer. This is part of keeping the storekeeper interested, that he is interested in the product, he wants to have offers for his customers but first and foremost to get consumers to try this brand or product, to give him increased opportunity to do so.

12. We have tried to do that, a great deal more in recent years. We try the integrate approach. A year ago we went to Coke in a little workshop in IMC. We try to look at everything and the brand managers try to make integral plan, where they look at sampling, offers, direct advertising, PR, promotion to customers (shops), internal staff, consumers etc. We try to bind this all together, and to make a total stimulus plan even though we will have to break it up again, because we maybe doing sampling ourselves, Media buyer do the advertising plan, and maybe the third party takes care of "happenings". But the plan itself looks at the whole effect and to connect all things together. We are always trying. Like with Coke Light, "The right taste, sugarless" This is the red thread in the marketing communications first 1-2 years with this product. We are trying to punch in that this is the right COKE taste, and that it is SUGARLESS, because it doesn't say diet or something like that. The look, the feeling, slogan, the effective should make people realise that this is Coke like and this is what it stands for. Another thing we are trying to change is that the tendency was to do

everything at once, in TV we were sometimes trying to teach people something, but also trying to make them thirsty and that they want to go and buy the product and in the end people don't take anything in. Somebody just talk very quickly in 30 sec, just to be able to tell you everything the company wants to tell you. We are trying to use the strength of each element, and saying just one thing with our ads.

The decisions are in the hands of the brand managers and they are like the CEO for their brands.

13. Yes it has changed considerably. Ten years ago we only had, offers promotions and some advertisement. Then when Fridrik started , the company started continues advertising. Every brand was in the air (all advertised) but little else done. Weight games and promotional have increased in recent years. The media is though still the key in this, direct advertisement. But the weight of promotional and things that are done within each shops or stores has also increased in resent years. PR opportunities are also increasing. I can see that PR opportunities will increase. The stores have been able to increase their.
14. See paper...advertising has decreased and sales promotion has increased. He started talking about how difficult it was to reach young people; they use the internet, but don't watch TV so much or listen to radio. Have their I-Pod in their ears, our traditional media like, TV, radio, magazines, doesn't work for this target group. There is problematic to reach this target group. The Media buyers aren't trying to work out how to find these youngsters. I feel like shooting the wrong bird when I putting an advert diverted at teenagers on Tv. What has happen is that promotion and what happens inside the stores and shops has increased at the expenses of advertising (which has declined a little bit). The computation has increased and it is more expensive to do the business. In addition, the same is happening in print media, like with radio advertising a couple of years ago, (because now we are getting more and more newspapers and magazines) that if we are going to get a decent reach then you need 6 – 7 media, in the same newspaper+ magazine market.
15. The focus is on present business, beverages, ready to drink; there we are developing more the health line and tightening up the selection e.g. strong spirits in the alcohol department. Then it is working more in better selection lines, like water and juices etc. Another challenge is to dilate within our product range more then we have done in past. The third challenge is to dilate more then we have done and find out what another businesses we are going to try. Is there something that fit with our business?, we have started by looking if were any businesses we would be able to use are same distribution system or our marketing expertise, so we bought 50% shares in Mjolkur, which is private milk company.
16. It is the same answer again. How can we reach our target group at the most efficient way? We are also changing the organisational chart in our sales department, we are establishing a new job description; promotional manager, we

are trying to forge ahead in this matter, and trying to build up knowledge and systematic activity on this promotion field., e.g what is happening new in this, revalue the promotion activities we do, what is working best in the stores, etc. I think here we are wasting the most of money and I think there will be a good opportunity for us to use our money better. Certain proportion of our turnover goes to jointly marketing projects (for the company as a whole) and this will be part of that figure and our goal is develop a superior knowledge within the company, and that this we come in use for our brands, that we will sell more and build this into our development of our brands.

17. See answer 16.

18. Yes I know the term

19. Yes, I recognise this term. I think this is more specific, this is more related to our company as a whole, and that maximum communications impact is guaranteed. You don't have one tune in you radio ad and another in your TV ad for the same product, and then it looks like you have 2 products...

20. (Interviewee needs to take a call) I think this one is more general and extensive. There must be a lot of actions that follows this definition. This makes a lot of sense.

21. When spoken, very important. In reality we are trying to do better (meaning that they would always say it is very important and that in reality they aren't doing as well as they say) Sometimes in a hurry, people are unable to think about the big picture and often forgets to integrate... Very important all the same.

22. Yes, it is more important, now then before. When competition increases integration becomes more important. Big part is to use the marketing budget better and how we communicate our messages to our customers and consumers. We try to minimize this unnecessary spending.

23. We went to seminar and training to Coke, we had heard about IMC before and thought a little bit about it but after this seminar at Coke we started working systematically towards integration. Before we tried to integrate our messages and actions. However, the last year it has become more important.

24. First and foremost we are trying to reach the consumer from many different angles. E.g if we are introducing a new drink and we want people to taste, How does the environment have to so the consumer want to taste it, in what state of mind does the consumer have to be in to taste it etc. and we then found some ways we can approach him. At the same time we have to make sure that have positive opinion on this drink and we use some media coverage and ads to help

us there. This all have to be integrate and the project managers for the brands have to think on this grounds when planning a campaign.

25. Yes, very important. Both because of decision making process and also because of the brands we have to report to Coke. We try to make sure to get the information we gather to the groups (within the company) that needs them. We also monitor our brands, e.g. How does the target group like the brand (should I say, how much...), is he going to buy the brand, how does he like the ads, the message etc. Then we have also used the life styles survey, what opportunities are there, what groups, other than age groups are using the product, what and how about buying behaviour etc. so we know where the product should be and how we should communicate the message. Then we have also had done our own research like now about the beer buying behaviour. How do people choose their beer, do they always buy the same, makes ads make them change their mind etc. It can helps us where and how you advertise our beer. How can we help people to make up their mind that this is the best taste? The results show that this is very emotional decision and then it is important to try affecting the target group on that level. Very often, it is because somebody else bought this kind of beer, you are used to do it or you saw a cool ad that made you want to try it. Like one of my product manager told me ones. Advertising never affects me. I only buy well known brands!

26. See question 25

27. It is very informal. After each campaign we try sit down and check the sales objective and other goals we had set for this campaign, like trial, or awareness etc. Then we don't meet our goals we try to see why, what was that didn't work, what can we do better but we haven't like maybe is possible on larger markets to be able to say this is what advertising gave us in sale, maybe there is very costly computer model that can calculate that. We try to look at if the campaign went well, then we say great, what can we learn to use in the next campaign, but especially if we don't meet our goals then we check what went wrong, was it the message , was it this or that. We have sometimes like for our summer campaign, done a tracking survey afterwards, was people participating (in the summer game), were they happy with this or that and try to get some feedback on it. We do the same if we see that advertising campaign isn't working like we think it should, not attracting any attention, not affecting buyer behaviour then we try to estimate what went wrong, using sales and tracking figure. The group that meet is the marketing people, sales people and the people from the service department, which get lot of the feedback, especially if people aren't happy and also the drivers that also get the feedback from stores owners. The brand manager tells everybody the results and then everybody tell their views about the campaign, and what they heard from customers. Then the brand manager writes everything down. When the campaign is running we get tracking information and we also get a lot of response from the service department and from the sales people. We have also been thinking about pre-test a concept before we start the campaign, like message, adverts and everything like that. We are trying to find practical method to do this. We also have a lot of experience of this market and I think it has a lot to say on this small market we are on. The expenses isn't that bad here, if I compare to England to take an example. When introducing a new product I am sure that they are not many markets that are as

easy to introducing it to as here, when we introduced COKE vanilla here (the drink was a disaster) but in two weeks time 67% of the nation had tasted it. – They tracked the information very well and after one week we had targeted 80% of our target market. Coke doesn't pilot test their product in Iceland very often, I remember one other case than Coke vanilla.

28. See 27.

29. I think we are one the first stage, though we have started the next step, it is very interesting to see this picture. This is actually what we are doing with our organisational change; to make the marketing communication more systematic, so were getting to stage 2.

30. With first sight it looks like a reasonable picture, and I think so, but this is the first time I see it.

31. Same and question 22, 23

32. I would say time and money. Normally are companies, and we are no exceptions, employing as few employees as possible and often they are using too few people, therefore we are often working too fast and move on as quickly as possible. Communication will not be as systematic as they should be, and very often we are just trying to troubleshoot things (redda malunum fyrir horn) and we are not thinking deeply about all our decisions. Another problem is that everything happens so fast in this market, all changes takes almost place immidetly. It can also been advantage. I could have an idea to day about a new drink that I would like to introduce, and I could have it in stores by mid January and ads and everything ready. I wouldn't probably do as much planning as I should do but it would still be possible. However, every change happens quickly, and it can be very difficult, if you have planned very well ahead. Thirdly, limited knowledge and expertise on this market, e.g. if I wanted to use this picture, The development of IMC, I wouldn't be able to get any information or consultancy about it. Adverting agencies think they know everything and would say they knew it but in reality they wouldn't know anything about it.

33. I think people here will adopt this at some level, but not systematically. We are still having people doing the media planning in excel and using the judgement to put it in front of shows they like, even though they are not in their target group. Larger companies will start to work after IMC but not the smaller ones.

34. In our company it is very different. Consumers get more mass marketing, adverting etc but the stores - the companies we work more one on one. We try to make sure that the stores want to put our product in the stores and that he wants to sell it and that he believes that consumers are interested in buying this product. We have this push strategy towards the stores but use mass marketing with the consumers.

35. The message or the subject matter (the meaning) is the same in each cases. Towards the smaller stores that we aren't in one to one contact with the communications are the same as with the consumers.

General questions

1. 7 1/2 year
2. Director of marketing and sales department
3. University of Alabama, B.S in international business
4. 220
5. 5 milljardar IS KR, £37.324.574.50, exchange rate 133,300
6. 51/2 milljardar IS KR, £41.057.031.95
7. Mostly privately owned., 6 shareholder own the most of the company.
8. No nothing, he did understand everything

I had one additional question: What about the internet. Are you using that much. NO very little. What about in the summer games , are you using it there? We have used it a little bit when we have the games but next year we have a big campaign and we are going to use it there and then. We have also being thinking about all the blog websites everyone has and how if we can use them, can we use our product there. Our own website has not been used systematically but coke.is is alive and we used it when we had our games last year. We have been advertising beer on football websites and t2 the water at barnaland.is (women web) . It is very expensive to put an ad on this webs, to reach people is very expensive (snertiverd) we haven't done any work how banners on websites works.

Mobile marketing is not used systematically in Iceland, we haven't used it all.

Interview 2

We have been based here since March 99 and everybody is under this same roof.

1. To produce and sell quality furniture, office and institutional furniture. We also import furniture, especially chairs and that kind of products. Our main goal is to be leading company in designing and developing office and institutional furniture.
2. (he misunderstood the question and starts talk about the sales people) We have our client base but people can access us through the store here, and the workshop or garage is the other end of the house. Most of office staff is also selling. When a customer comes and place an order, it is installed into our system and sent do the foremen, here in the back. They check if the product is ready to be collected or if we need to produce it or if we need to order some part of it from somebody else. It can be both supplier within the country or abroad, e.g steal manufacturer that produce steel in chairs we produce. Communications within the company are like this: On Fridays the sales department and the office staff goes over sale and all offers and propositions that was obtained that week. In the production department they have meeting once a week, what they need to fulfil (serve) in the coming week, is there anything they need to order from somewhere else, or what the situation is with that product, both in production, import, or from our suppliers. Because of the size of the company we are able to meet everyday informally, and if there is some matter that we need to look into it is very easy to just go over and speak to the person you need to talk to.
3. We have annual celebration and then we have Christmas lunch and barbeque party during summer time. And then the company union tries to offer one or two trips every year. This is 50 year old company, and has been based in a couple of places since it was founded, we were on Skemmuvegur before we moved here. Some employees have worked here for a long time, certain core, and then we others that haven't work for so long time, and we have had a little bit of labour turnover, but is has been stabilised now, often we had workers that didn't stay for long time and it was a little bit of a problem. But now we have some foreign employees that have worked here for some time and seem to be settle in fine. They work with production on our furniture.
4. Didn't ask this question

5. It is I that make that kind of decision.
6. Budget decision I take with the office manager and the board director (which works part time)
7. We look at what we did last year, and try not to go far away from that figure. That is what we usually do. And then we have years that haven't had as much to do and then we have to advertise more, if we are producing a new product we try to advertise it more. This size of company can't spend time doing a lot of research, it is more based on a feeling, what they think need to be done. We have just finished making a new Tv advertisement that we just started showing this weekend and we are going to air this ad quite a lot the first part of this year. Last two years we have been using a lot of offers newspaper advertisement. That has worked well for us but we can't endlessly have offers. We are now going more into image advertisement in TV. 4 years ago we were more into TV ads and before that also in TV ads. We are going to but these newspapers offers on hold for now.
8. Didn't ask
9. Didn't ask
10. We haven't used PR agencies; we did that at one point when we had some "happening" here two years ago, it wasn't very special. But we have used advertising agencies, quite much for decades actually. We started using advertising agency 30 years ago and we have been wandering between advertising agencies, even though we are little bit conservative. We are now with "Himinn og Haf" which is based on Tryggvagata. They did this new TV ad for us and we think it is great. And the also do the media planning and buying as well. Sometimes we buy advertising our self if we get special offers from the newspapers. (maybe we put an ad in the Morgunbladid and the Frettabladid and Bladid call us and give us special deal if we buy from them). Normally the advertising agency does the media plan and buys the ads. We have also used radio advertising with other ads and then we have always used media plan. We also regularly print brochures, and always brochures for new products we make, and we try to send them to architect agencies, because they have a lot of control what kind of furniture are bought. We produce a lot furniture for schools and we sell a lot to commune around us, a new school Ingunnarskoli, all the furniture is from us. Reykjavikurcity (local authority) buys a lot from us and is a big client. In February and March do we send our brochures to all schools in Iceland, around 500 schools all together. Last year we did send a brochure to 6000 companies in Iceland and it didn't result in.
11. We will now use the Tv ad, and also radio ads, especially in the morning, around 8 o'clock when people are on they way to work just to remind people of our company. We use the slogan: on-stop solution in office furniture. We try to advertise in the beginning in January, because companies and institution will

have new financial year and then they will start to spend money. January, February and March and April we will advertise a great deal, May, June, July and August will don't advertise and then we start again September, October and to mid November and then we skip December because of the Christmas ads.

12. No, we haven't done that, not systematically. I can't remember whose voice it is in the TV ad. Maybe it is the same, I asked for Valdimar Flygering for the radio ads, we thought that he had this masculine voice, and I think he might also be in the Tv ad. The brochures and print ads doesn't look the same either, but the agency does both the brochures and the print ads. Now the ad agency is doing for us print ads that we are going to use for this first half of the year.
13. No, I wouldn't say that. I have advertised more in newspapers now in the last couple of years than before. We used newspaper ads for "offers" on chairs, which worked very well. Prize is the reason why we went into newspapers, we made a good deal with one of the newspapers and the prize was really good. This chair is what we advertised, it is Icelandic designed, designed 3 years ago by us and Petur Luthers 3 (shows me a picture) and we don't do anything except putting it together, the parts are imported from several companies abroad. It is advertised for everybody, and we got also people from small companies that only needed 1,2 or 3 chairs.
14. See paper, direct mail is 10%, PR is very little zero. We often invite customers to come and meet us here. 65% in advertising
15. We were doing similar things 5 years ago. Maybe the internet has changed but we don't use it very much.
16. We have been trying to go to trade fairs to check if we are able to sell something abroad. We are looking at Britain because Britain imports a lot of furniture, from Scandinavia and from Germany. Last year we went to trade fair in London, and maybe we are going again now, but we haven't decided yet. We are doing this with the Trade Council of Iceland and we have been told that it can take 3 to 4 years until you get your first client. However, it is not easy, and the cost of transporting the goods from Iceland is high. We have to have something really special to get into that market. Do you think that you can get any bigger on this market? Yes we can get bigger within ICeland, Iceland imports a lot of furniture from abroad and there is nobody like us on the market, producing their own office and institutional furniture. Axis is mostly in kitchen furniture, Penninn is also producing a little bit, mostly furnishings and mostly they sell imported office furniture. In school furniture our competitors are selling imported furniture. Our share of the market is 30%.
17. Same as 16

18. No
19. For IMC
20. For IMC
21. It is very important for our company. We have a lot of regular customers that come over and over again. Big companies and institution are always coming and buying something. It is however, every important to advertise your business, companies and advertisement are easily forgotten. People maybe buy furniture around every 10 years and therefore it is necessary to remind them of us. Penninn (our biggest competition) has a big sales department, both for consumers and companies, and are very big in paper and all operation equipment. Many companies are in service with their operation equipment from and then when they are sending them e.g their invoice it is easy to send them something with it e.g brochure or some kind of offer. They also advertise considerably. That's why we think marcom is important for us, because we need to advertise.

22. Yes it is more important now then in the past. It is more important because of the competition, because Penninn is so strong (has a strong sales department). 20 years ago Penninn wasn't selling office furniture, if something then some chairs. 20 years ago we had more furniture stores that also sold office furniture, like Gamla Kompaniid, Kristinn Siggeirsson etc. These companies do not longer exist. Now, last 5-10 years we have all this imported furniture and it is harder to produce the product, harder to run the business , you have to develop and design new products and try to find something that will sell, working with architects and other people outside the business. Competitors (because of the import furniture) are much bigger than you and seem always to have new and new products.

23. Last 5-10 years more imported from abroad....

24. For IMC

25. No. However, we try to see if companies are moving, establishing, schools or institutions changing or something like that, and we use the newspaper for that. We also try to see when tender offer are being held, if new houses are being built, Samtok Idnadarins (The Federation of Icelandic Industries) has once a year a tender offer meeting with the city council , where they go over all the projects that are starting from the council perspective, there we get information and can contact the companies directly and when we see they are also finished building the buildings we go and try to meet them to show them our products

26. No, we don't use that

27. We use what we hear around us, often people comes and say: We saw or heard your ad. Sometimes we notice that more people come in the store. We always look at sales figures for each week.
28. see question 27

29. For IMC

30. For IMC

31. Like said in question 21

32. No barriers that I can think of.

33. The competition is going to become harder and tougher in the future but I think that it is a good thing.

34. It is totally different to sell people something that they are buying with their own money or if they are buying something with their companies money. It is much easier to sell to companies than to consumers and that's they reason why no furniture are produced here in Iceland for consumers directly

General questions:

1. I have worked here over 30 years
2. Managing director
3. None
4. A little less than 35
5. ath 460.000.000 or £ 3.490.401.-
6. 480.000.0000 or £3.642.157,-
7. My father established this company 50 years ago and now it is own by my family.

Interview 3

Two people were in the room:

Interviewee 1

Interviewee 2

1. He laughs, we actually had a career workday this week were we did developed our strategy for the next 5 years, this we did with all our staff. Overall goal is are actually 5 or 6 things. It is profitability (ROI), satisfied customers, satisfied staff, trust, be fair and justice and follow the law and think about the environment. We use the slogan, Have fun together (Gaman , saman) over these 5 or 6 things, This is can see on the computer screen were staff use, in our canteen and we introduce each goal once a month so we try to follow this up.
2. The staff is not all here in this building, we are in 3 different places. There is a new auto shop on Selfoss and then we are mostly here but we also own house above the street and another one below it where some staff works. Then we also have 2 subsidiaries. We have been able to use the information technology to our advantage (email) and if something is happening to contact everybody. The director (president) of the company has a frequent meeting about the situation and the goal of the company, we use a lunch meeting a lot.
3. This company has a lot of energy. The car dealership companies need to go through lots of rainy days and bad years and then very good years. The core staff has period of employment up to 30 years. Everybody thinks about each other and also the employers thinks about what is going to happen tomorrow, not just what is going to happen today. This is actually the spirit in this company. The last 3 years have been very good, but the 2 years before that were very bad, then we had been investing heavily and we were moving to this place and that did actually cost us much more than we thought. Every core staff, administrative staff has worked here for a long time. Period of employment of all the administrative staff is over 200 years!
4. Didn't ask as such...

5. The marketing department works this with the heads of the other departments. We start this work in September-October, we start by doing sales budgets, investigate the market (doing market research) and then designing the budget. Then, the marketing department makes final decision about the action plan itself; we are 3 people here in the marketing department. We make the plan and bring it forward and get approval from the director (president).
6. Same as question 5
7. Yes. Every product has a life cycle of 7 years. We take the life period of the product and estimate how much we are going to sell according to the life period of this product. Then we estimate certain figure of gross margin in marketing budget and then we divided this figure to each of the stages of the product, what needs to be done, how much we need to invest.
8. Not asked
9. Not asked
10. We usually make the things ourselves, we get a lot of information and pictures from the production company, we go through this stuff and if we can localise, we do so, like BMW all the Tv ads come from abroad. It is international brand and the target group reads English as well as Icelandic so we can use the Tv ads from abroad. But if we can't do that, we go to advertising agencies to get some ideas, and the production is then done there, regarding Tv and radio but all newspaper and magazine stuff we do ourselves. Especially if we are advertising so could mass product, and if the advertisement has a lot of trees in it, and beaches, deserts etc, something that doesn't match with Iceland and then we need to do this ourselves. Regarding media planning and buying we have a Media agency that has some programs to help us maximize GRP and such things.
11. We use most of the media, and mix them all together. We use the newspapers and magazine for more hard sell or to generate traffic, with information about prizes and things like that and we use it a lot, we try to get the frequency 1-2 all the year around with our main products. Regarding the image we turn to TV and Billboards, signs. We are starting to use the radio again , we haven't used that a lot the last 2-3 years , last 2 years we have had a lot of additional demand and then we have tried to build up the brands but now it is toughen up a bit and then we try to push the sales button and we use more radio to scream a little bit, come, come to us...
12. Yes, when we are introducing a product that is important for the company, then we try to get a journalist to try the car and write about it, try to explore the

material from the supplier, do we have to make our own material or can we use what has already been done and then we send a direct mail to our target group, invite them to a “happening”. Then we advertise in most media, and then follow up by some sales action or reminder. The budget is ok so we can do quite a lot. We are doing something every week of the year. We don’t have a time when nothing is going on.

13. It changes maybe if we are having a good or bad year. Now we have to use more radio because now it is toughen up a bit and then we try to push the sales button and we use more radio to scream a little bit, come, come to us... See question 11.

14. We have benchmark for each category. See paper for result

14a) No, this is moving downwards, more emphasis on sales, and promotion, and direct market. This is so easy for us. You have to register your car, so we know who owns what car. It is very entertaining, in the whole 10- 15.000 cars are being sold every year, it is not that much. And, life time of cars is 8 years, totally around 160.000. cars. We have 10% market share, which is around 16.000 cars, the direct marketing is very simple for us, each telephone call cost maybe £1.50 so 1000 phone calls aren’t that much, around £1500.

- How do you manage to increase your market share? 70-80% buys the same car that they use to own, or buy a car from the same car dealership. 20-30% are between dealerships and this people are the ones that cost us the most to get to, this are the people that wants discounts or wants to try something new. We always start by using advertising, to try to reach them at emotional level and then we try to invite them to come for a test-drive, happenings, and then we send them direct mail where we offer them something and to make it easier for them to change cars. What is very important in this sector is the Word of mouth and service. What we are working with now is to improve the service experience from the customer perspective and we are now defining all our service so it become always the same and measure it, so the staff know where it can improve and where it stands. We are looking at the quality standards and we found out that our querulous system (service system) wasn’t working well enough, if they are not happy with something, it can take a long time to fix it or it isn’t fix. But we are trying to fix this. In our little community if we get a good word of mouth and if people think they are getting a great service here, very soon we will sell more. We are getting 1000-2000 visits here every year, 5-10.000 on the internet, in ten years’ time, this will be a lot of people and if these people will experience good service it is more likely that they will show up next time they need to change a car. Our strategy is to sell less, but getting more out of each sale and those customers will be happy and that he will want to come again. People also have less time than they used to and if a car is delayed by one day, everything will go crazy, you almost will get death threats. The pressure and the time factor is what matters to people and we have to make sure that our staffs know the pathways. We have also problem with the young people. They seem to have very different expectations, we maybe think what we are offering is enough but they have very different expectations. This creates stress with staff and the customer (young people) is very dissatisfied.

15. No these are what I use.
16. We want to be able to get through to the young people and be the best we can serving them. It is extremely difficult to get to young people. It is the learning process. It isn't all about buying the car, to drive and be very happy. It is something that you need to think about. Often they think that nothing is going to happen to the car, but the truth is that 1 of every 10, break down a lot, 1 of every 3, quite a lot. In addition, it is hard to meet their expectations but this is still our best way to expand our market share. Getting them young will help us expand our market share if the loyalty stays the same. It is also hard to know where to reach them. When I started working here, it was enough to put on page ad in the Morgunbladid and everybody knew about the new Renault Megane. Today it is so much more complicated. Also more fun. Even though we don't sell Mini here in Iceland we get all the marketing information from our supplier ... so we see what needs to happen for the young people to notice a car. There needs to be a party, competitions etc. almost like a game workshop (leikjanamskeid) for 25-20 years old people. Either they love the brand or they hate it. Either they are very interested, know a lot more than the sales person or they don't care.
17. We are implementing CRM etc.
18. Yes, I recognise the term. [It was introduced when I study in America, in 1992. It was the main thing in my marketing studies.](#)
19. I would say this was the core of our business.
20. Yes, with the value of the brand, we have been trying to build a scale to estimate the value of our brand in the beginning of the year and then in the end, the brand equity. This one is in valid here as well, just more detailed.
21. Marketing communications is just something that has to be done right, it is one of the stanchion of the company but I wouldn't say that one was more important than another
22. No, I wouldn't say that. However, it is harder to get through to people.

[I think it is changing in that way that is going from the hands of people working in the marketing department to the hands of the staff that works in the company. Staffs have now some kind of marketing awareness. It used to be a marketing manager that did all the marketing jobs. The man who is at the front desk is much more a marketing person than his forerunner used to be. It used to be that marketing and advertising was the same thing. Marketing manager didn't do anything else than putting ads in the paper or somewhere else. Marketing manager did just communicate with advertising agencies. And we are not talking about long ago, maybe 6-7 years ago.](#)

We made PR work for us, like 5 years ago, it helped us very much. Instead of just putting ads in the paper, we also did send press releases and then we got as well

some credibility. We used it a lot for Hyundai, because it had a little bit of bad word of mouth first when we started. So, the ads didn't get all the credit for our success there. There we had problem with credibility and it is hard to build credibility with advertising, better to do it with PR.

23. He didn't say that marcom was more important now!

24. Not asked

25. We gather a lot of data about our customers and about the car industry here in Iceland. We know everything about the car itself. We file everything about the car, has somebody own it before, what parts have been bought for the car etc. Our new CRM system, then we are trying to get information about the customer, consumer. what cars has he owned, what kind of communications had he had with us, we are going to record all telephone calls, emails will be in this as well, all visits etc. This is starting now and this is another challenging thing we are doing. In addition, we do a lot of research. We buy the consumer survey but in addition we examine the people that have bought a car from us, how did they think the service was, two weeks later the sales person who sold him the car contacts him, six weeks after the service manager. We try to contact the customer quite often over the life period of the car but this is just beginning. People changes car every 3-5 years, on average. We got a journal from America, How do people buy cars? Which talks about 12 steps, like if the customer has just bought cars, you should send him a newsletter and call him up, to support him in his decision, that he had bought the right car. We have the first service survey here, (shows it to me) where we investigated the garage, the store and new cars, and used cars. This is grouped by importance, and then after grade of satisfaction. This is what we use systematically, staff in these departments have this information and can then improve. We also benchmark this to e.g Toyota to see where we stand.

26. See question 25.

27. We evaluate, we are introducing a new quality system where we use some form of a project planning (project method) , where we specify what the goal is, who are participating, how much does it cost, deadlines, etc and based on this sheet we do our work. Then we have another document when this period ends, where we fill in, how much did we sell, how many customers came, how many called, how many browsed our website, these is measurably goals that we try to check against each other and draw some learning from. If something doesn't work, we will check what happened and to draw some learning form it, we are not afraid to admit it. Like last fall , we used direct marketing on some target

group, and invited them to come to some “happening” here, we should have had 12 people each time but we only had from 3-6 show up. Therefore, this was not really good or so we thought. Today, we have though managed to triple the sales plan so it had some effect. But it is also hard to evaluate the marketing communications. We also use tracking, what advertisement did you see in the car industry and if we have started a campaign we can easily do something if nothing is happening. We started a new campaign around Christmas and our tracking numbers went down and then we thought we have to do. That’s what we are going to do now, figure out what we need to do. In addition, we are not alone on this market and the competition is very strong on this market. When the exchange rate goes up we have to increase the price of our cars in keeping with that then the competition keep the same prize and don’t increase the prize, which means a discount of £2000 of each car. The competition is very strong and often almost uncharacteristic (oedlieg). This is not all about marketing, it is all about having the right product and the right time and when companies have too much of the product then they might go into stupid marketing communications operation. Then the ball starts to roll, and you start to follow the tail of yourself and you are unable to control the journey and control your marketing communications operations. Quite many of our competitors have their lot full of cars and they don’t know how to sell them all, subsequently we are in trouble because the market is being destroyed.

28. See 27
29. Yes, thinks a lot and stops. I would think we are working with the steps, I think maybe we started with the 4th step. Apart from that I would say we did this. This makes a lot of sense I would say we would have been working with step 1, 4 and 2. But first now we are starting to build databases and now the sales department first are able to do step 3. What will be the 5th step. We like Porter a lot, always thinking about the unique part. That’s what we are thinking about now, where can we place our company so we can be in peace (verid I fridi), and the unique part is therefore very important for us.
30. Yes, I think so in some way.
31. ha?
32. Not letting enough Polish people in the country to expand the market (laughs) The market is too little, we need to do the same like others do abroad for 10 times more profit. We have 4 brands, colleagues abroad maybe have 1. It can also be entertaining
33. ha?
34. We were very big on this market, and we did have a special product but now the competition is getting tougher here as well. We were the first one to establish a department around b2b here, and now have the others done the same. We use mostly man to man, this market is not that big so this is the best way to get to them. Now the companies try to get into this market are trying to compete on prizes and we are trying to answer that competition by serving our customer better, operational security.

Extra questions:

- A) Hardly it is a random decision to buy a car, here in Iceland? Yes, actually it is. We actually did a research about this (telephone survey) and asked about how long time passed from the time you decided to buy a car and until you bought it. Over 40% did it within a week. This is how it market is, everything happen so fast and we were very surprised by this result. Based on these findings we decided to be always in the air, and have high frequency instead of advertising a lot for a short period and then nothing in between. Everyday there is a person, deciding to buy themselves a new car. And our boys (sales people) are maybe fighting with other car dealership over how many days it takes to deliver the car, does it take 2 or 3 days. That actually matters to the customer and he goes away if he thinks he can get car in 2 days from our competitions if we promise him 3. Sometimes there is snow on the car and we have to make sure it looks good for the customer, and it takes time. But the sales people are scared of loosing customers.
- B) Our company is just service company, we are not producing anything, we have to make sure that the car looks good but we don't do anything as such with it, the other stuff is to sell and marketing it.
- C) Difference between SMEs and big companies. Here in Iceland you can be so close to the nation soul, and you can easily identify what the nation is thinking. This you can't do in large companies or even within large companies. Everybody are so close to the economy, and IMC is about that everybody works together.. If I would tell you that Hyundai is a horrible car, and you would transmit 11 -this would have much more effect here in this country

General questions:

1. 7 years...formally, but I worked here since I was 13.
2. marketing director
3. Doing MBA
4. We are between 120-130
5. 9 og halfur milljardur or £ 73.099.415,
6. A little bit less, 30% less, the classic wave up and down, the market is saturated! If the stock market goes down like now is, car sales go down, it would be crazy if we would be able to sell people that bought new car 3 years ago , a new car! It hasn't happen (
7. His family
8. no nothing
9. Yes you may contact me.

Interview 4

When I came to the interview I found out that this company (BM Valla and Limtre Virnet had merged. However, this was only on paper, and this year should be used to integrate their companies functions.

First I asked the marketing manager to tell me more about the merger.

The companies haven't merged yet. Limtre Hf is established 1982 . It bought Virnet in Borgarnes which was established 1956. It also bought Gardastal in Gardabaer and moved the workshop to Borgarnes. BM Valla buys the majority of stocks in Limtre HF 15 minutes before the annual meeting of Limtre HF last spring. Nothing changed after this meeting Limtre Virnet was operated separately and BM Valla as well. The goal of BM Valla was to strengthen the domestic market and production.

We are now trying to merge both the companies and we should hopefully be finished before the end of May 2007. Then it will be run by one ID number even though the first half of the year we run them separately, like I am doing now, one budget for BM Valla and another for Limtre Virnet. We don't want to rush things, until we stand on your own two feet, we know where we want to go and that everybody is on the same page. The headquarters are here (in Grafarvogur, Reykjavik), we have operation in Gardarbaer, we have steel operation in Akranes, Grundartangi, Akureyri, Reydarfirdi,

Employees:

BM VALLA 250

Limtre Virnet: 150

I worked here for one year

Turnover, Over 9 milljardar or £69.289.398,-

For BM Valla 7 ½ milljardar

2. . That's actually what we are doing now, this internal marketing. Marketing rest on communication and the infrastructure needs to be working alright. BM Valla and Limnet Virnet are both used to have operations in different locations so we have experience. With modern technology it works. We are e.g reversing a lot of phonenumbers (hundreds if not thousand) so everybody can get into jointly system. Employees from the BM Valla office were moving in to their offices here today. These small things like telephones, emails etc, are so important. The telephone answering will just be in one place for the whole, at Akureyri and it doesn't matter where it is, could be in somewhere in Europe for that matter. BM

Valla had bought several companies and merged into the company and there are different culture, this is some kind of cross cultural marketing which we have to think of and try to think about what the employees are thinking. The needs and demand of people from Akureyri or Fludum can be very different from the needs in the headquarters.

When farmers (a good target group for BMValla) are building houses and staff from BM Valla come and look at it, the farmers ask, what the SAS are doing there.

SAS - Serfraedingar ad sunnan, = Specials from the southern part of the country. So, there is a estrangement maybe between people that works outside the capital, and within the capital. With Virnet (before it became Limtre Virnet) communications were never good between people from the countryside and the people from the capital. The production was at Fludir but the sales department was in Reykjavik. It didn't have one company union.

The presumption for this kind of merge is that employees - staff are aware of the changes, and are able to participate in it and know what is going on. Merger fails because of the little things, that aren't right, because of people, it is in our nature to be against changes and we are afraid of changes. It is because we don't know what will happen, we are afraid of the uncertainty.

HR manager (chief of staff) is very important job here within the company, he needs to supervise this, and we are trying to make sure that he doesn't get caught up in something else and that he is not doing the job of a payroll officer or the person which receives complaints from staff. We are also deciding what we need to do, and it is also related to marketing communications. We don't have any mutual brands. We have to make it up. We just products that don't have a brand name, they don't have specific name, that's the beauty we are working on these day, developing a specific brand names on our products. This is not just for me, even though I will be able to advertise specific brands in the future, it is also important internally, then everybody knows what products we are talking about. This will be a one company, BM Valla. There are so many solutions we can offer know, which we weren't able to offer before, but these solutions have to have a name, both our products and services. But these are very exiting times.

(Not everything translated minutes 12-17)

3. See question 2

4. Not asked

5. I do.

6. The final decision takes the company director (president) but I make the suggestions.

7. It is forbidden to use percentage of revenue; it is the most unscientific method you can choose. Arhus University if that is not forbidden... However, even it is academic forbidden, this is practically used. I have just been looking at an email I got from the financial director, where I noticed that he put an X number for the market budget of the company and I saw immediately how he got the number and contacted him. He told me that he put the number just to put something there until he would get the number from me. I can tell you that in reality that people always look at comparative figures, like percentage of revenue, it is just how this business is, labour cost percentage of revenue. People always do this. I do this little bit different. I actually sit down with the sales managers and now I am looking what I did last year. I register everything I do myself. I don't go into financial accounting I register this all myself in Excel. I go and sit down with the Sales Manager of Limtre Virnet and BM Valla, where they are doing their income plan for next year and I want to know on what they are basing it one, on what categories it is based on. If a one category is increasing, then we have to make sure that somebody notices the category (and the brands). It just doesn't happen by itself. After discussing with the sales manager then I make my estimation according to that. Here I am only talking about communications cost, how much we will invest in TV, Newspapers etc. Then I also have to think exhibitions, if we are joining them or not. In the end I will get some number, which either will make me sweat or I will think that I am too tight and then maybe I go and revise it a little bit. I feel that the income plan that the sales manager does and the marketing plan that I make have to be related. The sales manager has a many years of experience so of course he has something to back it up with but he can't make his income plan until we have had our talk about what need and should be done. I will look into all the economic statistics, investment forecast etc. and that had never been done before. Before I came to this company all this plans used to be based on feelings and experience. I said to the sales manager, should we have an overall goal, something what we want to be able to reach. We start with that and then we have to break our forecast down to categories and at the same time I was able to see how my marketing plan or communication plan would look like.

Q. Did you use that plan in praxis? No, not really because in mid last year everything changed when these two companies were merged, even though they were run separately but we were actually going to develop brands for our product but it was put on hold because of the merger. I still had 4 million Icelandic KR left, £ 30.546,01. We did divide the year into six 2 months period and focus on some categories. I make

decisions about what media we will use; I decide what mixture of media we should use. New material (ads and stuff like that are) are always cleared with the company director (president) first so that he will always know what is going on and how it looks and sound like. He is the one who has the last words about it.

Q. What about the advertising material, are staff able to see it before it is put in the air? No, it hasn't been done. It is also hard to send this to all our staff because most of the staff doesn't have to use computer at work. Nevertheless, every departmental manager will see it, and nothing will go into the air unless with their full cooperation and they are responsible for getting the messages through to their departments and showing their staff the materials. I will not advertise a certain type of paving stones if our ware house says we don't have any. However, very often, I think in 80% of incidents, companies forget to check with the people that have to answer to customers, if the products they want to sell or advertise exist. It is easy to respond to this by having departmental meetings. The internal communications need to be very good and one of the things we are going to do is sending out newsletter every other month with the payslip to staff. We have to remember that all our staffs are our sales force.

10. I use everything, I think. I never choose the communication way until I have selected the target group I will work with. That is the first thing I do. I start with identifying the target group and when I have done that, then I will try to figure out how this group is. But the data that I get from the Neyslu og lífstílskonnun Gallup² (NLG) (Translated The Consumption and lifestyle Survey) is getting worse or thinner, every time, you remember the colour groups. Then is also the experience you get in this job. The Icelandic market isn't that big and I have been monitoring it now for... I have been working in these kinds of jobs in 21 year. When the target group has been identified, the lifestyle and attitude and their consumptions as well then I will start looking at the contents in the message. How do you talk to the target group? When I done this then I decide what media to use.

Q: Who are the target groups of BM Valla? They are many. Let's see. We have been talking about this a lot here inside this company.

- A) Specialists in the building sector like engineers, technologists architects, and master house builders and all the people that relates to the building sector and are have studied the craft. Specialist can so be very different, and we need to talk very differently to engineers or the master house builders. You might even need to talk differently to architects than you would talk to technologists.
- B) The nationwide consumer, the builder who is building his/her house (single family house) and people who owns garden. We have mostly target the garden owner, not the house builders. Here the pricing strategy has to be clear. It should be more expensive to me as the house owner to buy directly from the manufacturer than if I

² IN NLG Icelandic people from the age 12-75 are asked about 2000 questions regarding their daily consumptions, interests, hobbies, attitudes and possessions. The responses are gather together in two ways, through phone and the by mailing the survey. In the mail survey, the sample is 3000 but 2x 1500 in the telephone part. Co-operation partner is AC Nielsen (www.gallup.is)

would buy from a master house builder that would buy cement for thousand single family houses. Here we are using completely different media than with group A)

- C) Everything between A and B and very big group and the biggest singular clients are Husasmidjan and BYKO (retailers that sell to consumers and also to specialist everything related to the house and garden). We need to talk to them like we are to talking to specialists.

That's why it is important that the brand (and the product) that you sell has some name.

When I studied 20 years ago, I studied both consumer buying behaviour and industrial buying behaviour, both that I am using today, though more industrial buying behaviour. You give more information to industrial buying behaviour, you find the person that makes the decision and what information you need to give them. In some cases you have to find the buying sector in the company before you contact that company. The people within these companies can receive more detailed information than John and Jane. With them it is more important to look good, you can get them by having a relevant or funny or smart advertisement. Then they stop and think, ah, ah and show up in the store. We are advertising now, and it is very simple ad, we would have liked to have it more complicated but we didn't have enough pictures or metabolite. It has been published in the Business paper of MORGUNBLADID for 3 weeks (This Business paper comes out once a week). We are getting some respond and people are saying: I didn't know that you had.. This product we are advertising. Are we been asked for a offer on Prefabricated House from parties that didn't know we had this product. So it is deliver us something. I am trying to reach part of the specialist in-group A and the owners of the companies and the big contractors that are building blocks by using this medium.

The specialists can receive more information and often they want to receive more information. I use a lot trade journal and now I have bought 5 pages in magazine engineers and technologists for this year. The magazine comes out 11 times per year so I will have an ad in almost half of the issues. I use TV for the garden and everything related to it. We are going to increase sales promotions to engineers and technologist in the coming years. But first we have to have something to sell; the product has to be identified. What we are going to do is have maybe a seminar, and this house was designed by that in mind, we have rooms for this kind of stuff. We have also thought about inviting them for watching a football game on big screen here. We don't have to do more than that, and then they remember us. By doing this they have redesigned their top of mind and we have reached a higher place in their mind. When they get a consumer we are more likely to get picked if they remember us.

25. We haven't done that. I would say that our companies (both of them, haven't sold much, they have more just served.

Q. How do think this will be in the future? I think it will be easy to reach people; we probably can buy this list from somewhere, like the list of all architects. If I talking just about architect, I would like to invite a very big name in the world of architects here to Iceland, and have a conference which we would organise. It could be a good opportunity to let them know about what we are doing. It is very important to reach architects and engineers. When they are designing they have so much influence, what is bought and from whom is bought. This target group isn't that big, e.g. we could make our company director (president) call all the engineers in the country and invite them to see us or ask for a meeting to see them. When BM Valla bought Limtre Virnet

the companies' directors went straight to see their biggest clients, Husasmidjan og Byko.

I use mass media, like TV, Radio and Newspaper more for consumer market but I wouldn't include magazines there, because we can use the trade journals. Like farmers, which is also a big client, we can reach all farmers by advertising in BAENDABLADID. I'm not advertising in Tv because I want to be able to say to everybody, did you see my ad?

In the future I will want to build up a database with information about our customers just so I can send direct email to customers. We actually have started. We have a department that sells ventilation systems and there we have electronic newsletter that we send to all tinsmiths in the country, which we know of. In addition, it is free. We have a lot of information in Lotus Notes, our communications systems but it is very difficult to get information out of there and into something else. Now we are getting a new system, Go Pro and CMR system on that and then I am hoping that we can use this system to analyse our target markets. I also want to use the web page more, even though you are an architect or an engineer then you would also want to play a game, if you can win something. The answer is yes. Moreover, we register a lot of information about the customer, if he calls... but it is not enough to just write down information, we have to use them!!! And the people say it is not time to use them, they are so busy. If we are going to send people out they have to have something to show the companies, the engineers and architects. And that's what we are working on. We have started making a map that they can take with them and show the customers.

26. I don't do anything scientific. I know this is not very exiting for you but in this company we don't have money to pre-test and measure the effectiveness. The market is too small for it to pay off, because the sales would never be higher than the cost. It could work if you had 6000% margin. Like with the ad I mentioned, that I had put in the Vidskiptabladi Morgunbladsins 3 weeks in a row. What I do, I pick up the phone and ask. Have we had more enquires? If it hasn't then I will check the media. If it isn't the media then the advert is bad.

It also depends on the media, time is money and sometimes it is not worth it to go deeper into why the ad wasn't working. It is so much cheaper to advertise here in Iceland than elsewhere.

Here in Iceland the ways of communications are much shorter than elsewhere. When I called the sales manager on Friday to ask him if this ad in the Vidskiptabladi Morgunbladsins had worked he said. No I don't think so. But after some chat he said that they have been asked to make an offer. And I asked back. Where did it come from? Well it was a man who called and said, I didn't know that you had prefabricated house. Then I said, I must have seen the ad. But the sales manager said, NO... They heard it from somebody else.... But advert can work, without you actually calling in and telling the sales person that you saw this ad.

IMC!

18. I have read about this term or I know the combination of these words, I know it can mean different things.

I would look at if Porter has written a definition about this term. Doesn't say anything for a long while. The interviewer tries to explain the term better.

Starts talking about Don Schultz, that he has read something written by him in the Journal of Marketing. He doesn't say anything about the definitions

The interviewer talks about the Development of IMC and shows him the picture of it. He says immediately: That's what we are doing!

1. He would say that they were on the first stage, but some of our products are getting higher. We are working on stage 2, and 3, like I told you before we have a quite a lot of data. But because we are merging into one company we are falling down again and then we have to build our up again

We can't do fourth stage because we don't measure it scientifically. But I always look if we are getting more inquiries, I was advertising in radio last autumn and I asked daily what was happening. I told the sales department what we had to spend to advertise it and how much they needed to sell, so I would be worth their money spent. But what we didn't do was to call the companies and the customer we knew that needed the product, that's why I say it more just serving the customers that contact us, we are not trying to sell them anything. But that will change when we have a some brands and product to sell.

But I don't think anybody in Iceland measure scientifically. When I was working in the car industry we always waited until 5 or half 5 to get the sales figures for the figure, which was resulted in the adverts the week before. Why should you do a lot more work just to see the same thing, you wouldn't get anything more information, you wouldn't add anything to what you know already.

21. Yes.... And ask me question?? I always talk about internal customer and external customer. The marketing thinking is in every aspect of this company and that's why IMC is important. Before we can get to the external customer we have to make sure that everything here is in harmony and the internal customer is happy. That's what we are doing now.

22. It is more important, because the society is speeding up, and the segmentation can also change very much, when will we end in one to one marketing. One to one marketing maybe through email or phone. And they are going to be more spreader I when they are working from home, because they can work everywhere. All communication will then be more important, because all the staff is sales people and have to be sales people ...yes, it is going to be more important. What this company is doing is going from being a production company to being a marketing company.

Do you use Media planning offices? No. I talked to one office and I didn't feel that they were working in my best interest. They benefit the most if I advertise the most. I know my self what I can get from the media themselves and I by looking at then invoice from the media planning agencies I saw that I could the cost by 30% by doing this myself.

Here internally we have adverting designer, and she is doing the design of our brochure (for the sales people) but we also you advertising agencies. I have adverting agency working with me in the branding work we are doing. I need to be able to talk to somebody about this work, that is not here internally and the guy I am working with has experience from working with other industrial companies.

I also want somebody from outside working on our web page; all the print advertising our internal person will do that. But we are not shy to use agencies to get some counselling.

I am cutting down advertising budget in the phonebook around 1000.000 ISK (£ 7.620.000) because I don't think that people are using it so much anymore, we can use the Internet.

He gives me 3 copies of a book about Iceland, which he sent to all his suppliers abroad.

General questions

1. just over a year
2. marketing manager
3. MBA
4. 250
5. 5 ½ milliard in the end of 2006 £41.057.031.95
7. Privately owned

Interview 5

1. We are offspring subsidiary of a large company abroad – in Denmark which has their goals of their own, and we are sometimes part of them and it is to be a leading company in the products they are producing. The headquarters are in Denmark, and they have companies all over the world, 20.000 staff which we are part of. But we also set our own goals, and they are all almost just business goals, to see more this year than the last, maintain low cost. We have downstairs a shop, we have 15 employees in all, we have resellers (person the resells) that are selling our products, our biggest client is Husasmidjan. We are the only company in this competition here that has its own sales company. Most people know us for the radiator interceptor and thermostats and there is a lot of competition there, one German competitor who is a biggest competition but they only has commercial agents here. Danfoss has with some product monopoly and some reseller and commercial agents e selling these products.

Our marketing communication is based on advertising or coverage in trade journals, and seminars, which we held here in this house. The sales people with Danfoss in Denmark just stay on the road, travelling between places and they don't even have a desk at the office. We do totally different thing, we have to try to get the customer in here, to seminars, where we introduce to him new products and new service. We are educating them, like engineers, architects, plumbers;electrician, we try to get them here to use to here what is going on and teach them to use our product. We want them to think about our product and equipment when they start to design systems. To help them we have a very powerful and detailed webpage, which is probably very boring for a normal person. We are also sending on every engineer's offices in the country a folder with a lot of information about our product, in order to remind them of us.

There are so many things different here than abroad, we are selling a lot of other products as well as Danfoss products, because this company used to commercial agents for Danfoss and a lot of other products as well, welding equipment etc. People saw benefits in doing this because this is a small market to have these products here as well. We have 5 sales people, they are all specialist in their field, and some have more than one field. 1 sales person is half a Danfoss person, and half a non-Danfoss person, (sales refrigerating machinery from somebody else).

Danfoss International is very good in globalise and standardise everything so everything should be the same everywhere in the world. And we are supposed to be like everybody else, same computer database and everything. We had a couple of guys coming here from Denmark and setting up the computers, and if we have any problems with the hardware we call an emergency number in Denmark. Sometimes

there is a person answering in India or America who helps us out. We are ugly ducky here in Iceland because we have a lot of products that are non-Danfoss product and they don't belong in this database. We have a warehouse here but Danfoss has just one warehouse in south of Denmark and the rule is if it is possible to drive from that warehouse in 24 hours then they don't have warehouse in that country.

Danfoss also uses bonus system to reward or make their sales people sell more. I don't want to see that here because in so small company where 5 of 15 are sales people and they are going to be rewarded, it doesn't work.

The market is here around us, it is not necessary to go and visit our client, if we would go to Husasmiðjan once a week, and they would be soon really pissed off by our visit. The sales people are based here, and the clients can come and get their information here.

Iceland is 103 square kilometre, and here live 300.000, It is similar size like Holland, Belgium and Denmark together which have together around 30.000.000 people. It is totally different to market for 300.000 or 30.000.000.

2. Danfoss Internation has four main posts, the red post, heating system, thermostats etc. The largest post is though refrigerating machinery, the third post is motion controls and the fourth is global business services, which deals with all the services, accountancy and HR issues. The accountancy for all the European countries is done by contractor in Poland. However, they have said ok for me to do my accountancy here and pay the staff they salary from here. I am legal representative in Iceland, but we should have a sales manager for the red family, another for the cooling systems etc. But here, because of the size of the firm, we can't have it like this. I have to be the person responsible for all this. In reality I should be most of my time abroad, learning and going to conferences about each of this posts. But I try to find a balance between being there and here working. Last year, I was becoming quite upset by things the just interfere with our business, things that worked abroad but don't do here. I showed them a picture of a man wearing way to big clothes for his size. Somebody was giving the guy a briefcase. I told them that this was how we were feeling. The big mama has told this guy to go and sell, but the only thing that will happen is that he will fall on his face. I think this picture did explain what they actually needed to know. Even though everything is fantastic for a bigger market, it doesn't necessary be that for us.
3. This company was first a department in a larger company, then independent company and finally Danfoss bought it. . There used to very frequent staff changes before I came to this company in 2000. That last employee that I hired, was hired in January 2002. Some people have been here 50 year, 30 and 20 year and the employment age is very high in this company. We are not meeting up besides work time but I think people are quite happy here.

Q: How much influence has Danfoss International on your business? Sales people need to go abroad to learn how to use new product etc and we have to send out almost complete payroll (uppgjör) every month, and there is certain person who has the job supervise and look after us. Danfoss International has a contract with KPMG worldwide and that company here in Iceland just gets instructions what to do in annual financial report and this is what you are suppose to do in between and I don't even know what is says. If they have some amendments they let Danfoss in Denmark know.

But the daily business is up to me. I will just do what I think is best but in the end I will have to answer for it.

5. Well, it is not so much of decisions to make. We try to get people to come and visit us, it is very much talk, we always have coffee and biscuits here downstairs and the PIPARAR are constantly here. We have a person here that deals with advertising agencies. We have a lot a material just ready from abroad and we only need to translate some headlines or something like that. Also, then we see how these departments from abroad are going to market their products. We get from Danfoss in Denmark what material is available but they are not telling us to use it or what to do. We select then the material we think is useful.
6. I make this decision. I need to make 14 operating budget (rekstaraaetlanir), the red, the blue and the green post are then divided to several assortments and I need to divide the cost from our company to these assortments. This is also the case if we are going to do some marketing campaign. Then I will talk to the assortments to finding out if they are joining in with us. If the return is good they probably say just go ahead with what you think is best. Maybe if it is new product we might do it together. We take part in many exhibitions here in Iceland like –Sumarhasasýning – the Summer House and the Sjarvutvegissýningin (exhibitions for the fishing industry), which is very big with us because of all the refrigerating machinery. However, we were now making decision not to take part the next time because it is very hard to measure the results and it is very expensive. I think I can make a better use of this money. We are thinking about trying to make people notice us when the exhibition is in Reykjavik and try to reach them some other way. We will have people at the exhibition which can be able to meet the people, invite them here or talk to them at the show.
7. I use the method, what did I use last year, am I going to increase it or decrease it? For advertising I will just give out a number, they guy who is in contact with the advertising agencies get the figure and is suppose to talk to the sales people about who they feel the money should be spent.
8. What I think has changed is that our turnover has almost doubled, with the same people and in the same house. Also, when I started we had more freedom because we were placed under a certain department with Danfoss, called market and development, which used to buy agents like us. Now we are forced to follow what Danfoss is doing globally. Sometimes I feel like lot of time doing these things, sending reports and figures, which is just useless statistics. And maybe

there are some kids somewhere reading this reports and seeing maybe 15 percent FRAVIK from some figure in our plan. We should send them an email and check what is wrong. The reason can be that it is 7000 DKK (£600) and we shouldn't even be thinking about it. Another thing, that has changed is now people are building a lot and we have been able to use that to our advantage and our sales have increased much more that we thought it would.

9. Auglysingastofur. We used to do it when I started here. The reason we are not using it, is because of technology, the technology is better and because we get the ads from abroad so the only thing we need is to change the text to Icelandic. At least meanwhile we have time to do this ourselves we will do that. We outsource the translation of our brochures to some company here in Reykjavik. They take the brochure installed and return it ready to print. One and half year ago we were thinking about using a PR office, we had a new product that we wanted to lunch with a blast, get into the press, have maybe a conference here, invite guests to talk about the product, invite are main clients to Denmark to get more information etc. What happened was that the sell took off without us doing nothing so we didn't do anything. We also used a PR office we had our birthday, we gave a large gift to the community

10. Like said before see question 6, Our marketing communication is based on advertising or coverage in trade magazines and seminars, which we held here in this house. Very seldom we advertise in other magazines than trade magazine maybe just Hus og Hibyli (magazine about House and decorations), maybe if are advertising thermostats for bath towel radiators, when we think this will be a decision made by women. The problem often is the person who is building the house is not the one who is going to live in it. Maybe the builder society buy a lot of land, build up a whole neighbourhood and then starts to sell. They are not thinking what happens after that and they often buy the cheapest they can get. Five years later the house owners comes and say, can we change the thermostats and that's is difficult in our case unless we start to lower our price, but that we will not do. (He shows me brochures that are aimed at builders). Also we are aiming at engineers and architects about the heating in floors, which is a decisions that need to be made early.

11. All the material that we get from Danfoss look the same but it is quite different with the non-Danfoss product, which is 1/3 of our turnover. That material and ads we make ourselves. (He goes a look for an ad that is not ad Danfoss ad.) The ads that are non-Danfoss look all quite similar, normally it is small borders that we use in the magazines related to fishery. But we try to use the colour of the product and its logo, then maybe a picture and then the name Danfoss (without the logo)

(We start to talk about control system which will controls the temperature of water that goes into your house. In Iceland many houses don't have this and this can cause some burning accidents. We talk about what should be done and he says this is the only solution that will work. He tells me that abroad there are two heating systems, one for

heating and another one for usage, like in sinks and baths. It would be ok to lower that one, but we can lower that one for our radiator).

12. Look at the paper.... (Says 80 percent here, 10 per cent here and then he says I can do the rest, he will do a little bit of everything)

13. This is what we have done in the last couple of years; maybe it differs a little bit, if there is some special exhibition we need to be part of. If we were part of the Sjavartutvegssýningunni (the fishing industry exhibition), this would look differently, mainly because it is so expensive. We are not spending money on advertising; we have a turnover about 700 milljonir each year £ 5.380.890,, maybe 1 percent. The brand is very strong. We don't use radio or Tv, though we have if is something special used sjaauglysingar (a screen with information which somebody reads over a text)

14. Ograndi verkefni? We are trying to recover from the past couple of years. The sales increased around 37 percent between the years of 2004 and 2005. I didn't think we could retain the sales figure in 2006 but we did exceed it. But I don't think it will continue. It is not much we can do to retain this, because of external influences. If companies are building houses, and the whole neighbourhood are rising here in Reykjavik. If that stops there is a little we can do about it. And then we have try to decrease cost if that is possible. We need to know if our sales start to decrease, but if it is because of less activity on the market there is nothing we can do.

15. Do you know IMC? NO

16. How do you measure if something is working? It is not very easy to measure. It is just based on my feeling and my sales people feeling. We don't measure it systematically and we actually don't do anything specific to try to measure it. We are not spending time on this. But we can easily get feedback. Lets say we are getting a new product on the market. We invite our target group to come to a seminar. If they want to come and the product sells than everything is fine, if they want to come and the product doesn't sell we have to find out why. When people come to this seminar they write the name in a guest book and we can't hold the same seminar for engineers and architect, it has to be tailored to fit each group. Our sales people know every plumber in Reykjavik, and lot of the engineers as well.

17. Marketing communications: Yes in this way (related to last part of question16).

18. Changed? Since I started here I have put more emphasis on education, educating the specialist, we started calling it The Danfoss School. But we have been very busy lately so we haven't done as much of it now as we should. We have just been so busy. I don't know if it is going to continue. I could look at land dispensation and spend time trying to calculate if it going to continue. But normally we can't get good statistic.
19. Throun? Lot of shipping companies are now building their ships in Poland(they used to do it Iceland) we sold them for millions. This is one part of the unpredictability . Danfoss International is always doing something new. We are always getting new products so maybe we will be able to sell more. Maybe Danfoss will buy one of our non-Danfoss products. I can't control that. What happens we the houses and flats stop selling. Will the builders society own us a lot of money? There are lot of things that can happen!
20. Hindrun – homlur. I'm having trouble with the custom because of excise tax which is 15% , and I think that our competitors are not paying it. It has taken many months. I thought I was importing a product that I thought I didn't have to pay excise tax but they contacted me and then I started to pay it. If a product name is Valve in the meaning cock (krani) then it is supposed to include excise tax . Nobody knows why it is and this product doesn't close the pressure completely. Just because it is called Valve in English which is translated to Loki in Icelandic.
21. Didn't ask about b2b and b2c.!

General questions

1. Since 2000
2. Director , check website
3. Business technologist, he worked for Icelandair long.
3. 15 people working there
4. 700 milljonir in 2006 , £ 5.380.890

Interview 6

I have worked here for 9 months. When I come in here things were changing Gutenberg printing works was state owned, was established 1904. Oddi printing works bought Gutenberg in 2000 and in 2002 a decision was made to divide the company into two sales and marketing companies, Oddi and Gutenberg and then the printing machines which used to belong to both Gutenberg and Oddi were put into one place and the third company was established around the production.

My job was to build up the sales and marketing company Gutenberg that used to be the production company Gutenberg.

We need to change the access the customer had to us. We used to be based in a factory, and there weren't allowing for that customer came into the factory. We were just good in taking orders. We moved last October, and this is open space, and when people came, they should feel like they are in a shop, so they can see what they can get here rather than somebody turning up with some folders to show them.

I have had to hire in lot of people now, sales, service and marketing people, that don't necessary have any background in the print industry, I want them rather to have background in sales and marketing. Our market is consumer market, school market, telecommunication and energy sector, and then municipality and public administration. Oddi focus on the publishing industry, printing books and bank industry and the retailers.

There are 22 people that works here now.

1. Besides the cliché to maximise profits, is to increase our share of the markets we are competing in, strengthen the communication with our customers, and increase the products category to both our existing customers and new customers.
2. It is quite informal, everybody work together in this house here.
3. We tried to mix good old culture with a new blood. We moved here, and open everything up, took people out of their offices, broke down walls to make internal communication more effective. I think it has worked very well here.
4. didn't ask?

5. Here we have 3 departments, Sales and marketing department, service department and multimedia departm, which the design and layout and preparation for printing is done. I direct the dales and marketing department but I have two sales and marketing directors, Gudmunda og Bjorn. Bjorn is doing more PR stuff and advertising meanwhile Gudmunda is working more with the product and the prize of the product and she is looking more internally. But I make the final decision.
6. That are the marketing managers. We did revenue plan and a marketing plan, or how much we had to spend (invest) to get this revenue and what we are going to do (action plan): When are we concentrate on consumer market or the school market. When they have done that, and I have obviously to agree then I just say go ahead. What we have been doing in the consumer market, is to do confirmation cards, christening cards, wedding cards, small reports, dissertations and stuff like that. There has been our focus. We are thinking about going into products here that are more common, like printing out photos from your digital camera and making photo albums. We are going to start this in beginning of March. Then after that we are going to focus on dissertations and something like that, we are focusing there on the last minute people which need something done well and quickly and doesn't have time to do that themselves.
7. No it is not.
8. The competition is much tougher now than it was. This is no longer government own company that got is revenue from the government and we now have to compete like others. We have to compete like everybody else and we have to accept that there are others trying to steal our customers. The speed is another thing we have to think of, we have to adjust to that. OFFSET-printing, if you need to a lot of quality and then we have digital printing which has ok quality but is just like printing out in your own printer, doesn't take any time. We have also offered companies to connect to our printer and print out their invoice here. There is also a opportunity.
9. same as number 8
10. No we are not doing that. I was thinking about that we would have an advertising agency that would help us with the concept work and set the lines with us and then we could just work on those ourselves. But we decided not to do it and I actually let Bjorn make that decision.
11. We have used mostly print advertising, mostly whole pages. We have noticed that the newspaper market is very competitive as well and we are able to get cheap or very good prices from some newspapers and it are very effective to use newspapers. If we are making TV or radio advertising we try to make contract with people that we like to work within the advertising industry but we feel we have more control over our product. Now we are going to start to produce both

for TV and radio and we have used screen advertising before. Because Gutenberg has gone through all these changes and many people thought even that we were not going to make it, we have used image advertising last year but now we are starting to drive on product advertising. I think people have realised that we are still here. Where we have our product on display, in that space we aim to have 4 art shows this year because we believe that the printing industry and the art – painting is related and both is associated with elaborate and something that will own forever. We have thought that the material from the artist will be used in our print material as well (in the print advertising). Related to our image we are going to have a feminine tone, we are supporting Stofnun Vigdis Finnbogadottir, and Unicef and all the adverts that will not be in the art theme will be feminine, will be a lady, well educated about 40 years old. That is our image. Q: Why a woman? We 3 have all gone through this is business to try to be hip and cool, but we are in print industry and I don't think it will ever be hip and cool and we don't want to be it. We want the public sector to trust us but we want a little bit different flair to it. We are going to break down that barrier that you need to be specialist in printing to come and have something printed for you. I also notice that people shows us interest.

He starts talking about what he is doing to increase sales. Here in Iceland everybody knows everybody. We would like to open each month and had already had a least half of the revenue but it isn't like that today. So either we need big jobs every month or we can try to use our network. Each employee will try to promote Gutenberg to somebody else they know, friends, family, and we will make him or her an offer. If the customer takes the offer that employee get percent of the sales. There is a girl here in layout but she has still got 4 customers.

There is government election in Iceland in May and we are now preparing for that. We are also trying to get municipality to print their invoice here and then we are aiming at advertising agencies because there is a lot of print to work that goes through advertising agencies. This is what we are doing now.

12. Yes it will I think look and sound the same. We haven't done it yet though so I don't know how it will be.
13. He wasn't here 5 years ago
14. See paper. (I ask about exhibitions) We go where the municipality have a conference. We have a sales force of 5 people, which goes out, and have sales promotions. We try to get larger customers to visit us and we present to them here. Then we have the service department, which also goes and meet our clients. I wouldn't say we were good enough. I would like us to take maybe one sector to lunch meeting and showing them what we can do. We have two new products, specific web solution, both for individuals and also for big companies that want to do themselves. You can e.g. print out here themselves, and just start it from your own computer. The other one is for the invoice printing, where you don't have envelopes, (like is done in the university of HULL). The customer is lighting his mail and the customer is not throwing a lot of rubbish. We have a

lot of interesting things that we can offer, the things what we need to do is to introduce us..

15. No this is what we have been using.
16. Try to finish the product category, and the prize list. Also, in the future then we have to get to the customer whenever he wants to publish, print or electronics. But we have to have the base right first, we are a printing service and we will start there.
17. See answer 16.
18. No
21. It is very important, very much so.
22. Gutenberg was printing machinery and now we are printing medium, we are more in giving people now advice and consult them.
23. This became more important when Gutenberg was bought in 200.
25. Not, not enough. We have a good tool to calculate production cost and sales cost and we can dived it both to a product or a customer so we know if a customer is given us a good gross margin or bad. We know who is our worst and our best customer, or are largest and smallest. But one of the things that we have to do is to get information about customer and register them. I hired a specific person for the public sector , institutions, municipality and we are going to try to group them down to know what they have been doing, if they are a lot of business, but maybe very little communications. We know that The Parliament of Iceland gives us a lot of business and we communicate a lot to them but maybe and we have to make sure that they continue to do so. But maybe there is someone who gives us big business but doesn't communicate a lot , we also need to serve them well. So far this is the only market we are doing this for.
26. See answer 25.
27. We haven't done that. Before Christmas we advertise Christmas card with a picture in it, and we got response. But how effective it was? I think we need to do this the trial and error way. We think advertising in newspapers work, but if we are not getting the sales we need, then maybe we need to do something crazy.
28. Nothing...

32. It is how little we now about the market and how big it is in reality. We did a service survey where we asked our customers how they thought about our service, we thought before that maybe our prizes were too high but our customers didn't think so. What they complained about was rather that we weren't deliver the product on time. We need to do more of these surveys.

1. 9 months
2. Director of the company
3. Engineer
4. 22
5. 610 million in 2006 or £ 4.658.978,
6. 720 million in 2007 or 5.499.121,67
7. Holding Company KVOS

Interview 7

1. We have through the years been very much occupied with the photographic business. Our goal has been to serve the photographic sector, in a comprehensive way and to give its owners optimal profit. Now this focus is changing, now the film processing is 14 percent of what we are doing today. Now we are more serving broader customer needs in the electronic market. We need more to sell products than before. We have been also occupied with cutting down cost and making this company up and running again. We are 100 years old this year and we have to start this new year hundred under new key signature. And we haven't thought it through yet.
2. Once week all the store managers come here, we go over the sales of last week and talk about the emphasis for the week just started. Is something specially happening, are we introducing something new, are we advertising? Then the store managers are supposed to let the people in the store know. We are trying to govern this all from here, have this as a central function.. In between we use the internet to communicate.
3. The Culture was a little bit old and we have to mix with this old culture, fire some people and getting new people in. We are trying to change the mind set and put people back in the driving mode. People need to show initiative, thirst for innovation, new service standards, even though the company were in front in service standards. They used to have McDonalds service standards, like said :smile to the customer etc. a whole manual how to serve the customer. This was 15 years ago. In retail part of this business there have always be a people turnover. Here, in this central function, I haven't had many changes. I have people that have worked here for 40 years. I also look at people that have worked here for 40 years as assets if they work hard and are own their toes.
4. didn't ask
5. I'm the director of the company and I have also a man that that is title managers for the retailers. He is the one you organises this weekly meetings. I am putting him more in control of the communications with the media. We work after monthly plan, divide the budget down to the months and try to work after that. We work everything internally (ad material) so we use our budget the best we can.

6. What we use more is tradition, what we have been doing before. The budget is around 24 million, £183.584, when the annual turnover is 750 million, £5.737.015,

7. no

8. Our company has been in transition. We have retail (verslunarsvid) domain and wholesale domain. Wholesale domain is divided into two, consumers products (neytendavara) and technological product, which is just b2b, products to the print machines and to the hospitals. If we look at the retail domain, we have been facing 30% decreasing in film processing in the last 4 or 5 years. It was the milking cow in this company, we had a good gross margin from this. The consumers just came again and again. We now need to find some kind of substitute for some of this. The shops used to be 13 but are 5 today, we had 100 employees in the year 2000, and we have 30 today. The digital revolution has also affected the printing and the health industry. The roentgen films are not used today, now they have a roentgen machine that takes digital photos. We have to find some solutions on what product can we sell them in the future. We have to change this more advice on how to file all those pictures. The print industry is also going digital. The Kodak Express has been facing the same thing as we in the wholesale business and there we are competing with Elko, Bt and big stores like them. So we need to fight everywhere. The stores are doing fine, we are increasing the revenue from the stores, from 2005 to 2006 and we are having a ambitious goal for 2007. In next year our goal is that the retail domain is giving us a little bit more revenue than the wholesale domain. We have gone more in to the electronic marketing in the stores. This company was a family business for 1907 until 2000 but the The Oil Company; Esso bought it then and owned it for 3 years. And at this time all the ambitious which had been in this company went out off the window. And that is what we are trying to change now, make people responsible for the work they are doing and that store look nice, We also make shore that the store looks modern, and we re-do one store a year. Our business is also becoming more Internet business. There is a five year old gap in the family history now, in the family albums. All the pictures are in some computers and we are trying to tell people to come to print the pictures. I think part of this will come back. Now you can send our pictures to us and you will get a photo album ready. We are also lowering our prizes though we are not able to compete with the prize people can get abroad.

9. See 8

10. We use advertising agencies very little. We have used them if we want to get a new look on our ads. If we been using the same template for a long time then we go to advertising agencies to get a new look. Then I ask my college to work within this template. And we haven't used any other agency, no PR agency.

11. I'm using radio a lot. Radio here in Iceland is very cheap media, it is cheap getting a very high frequency and we have had a good response to our radio ads. I would say that our primary medium is radio and we support our radio ads with newspaper ads and we try to advertise where we can get the best prize (in this 3-

4 newspapers). In addition, we are going to try to increase the use of the internet. We have a lot of information about our customers, when they send us their pictures for file processing, we get their email addresses, their address etc and we can use this information. We are thinking about it this year to use more direct approach on these customers. It is an asset to have these information. We have made to brochures, a conformation brochure (around ester) and a Christmas brochure. These two we have distributed to every house in Iceland. I say to the advertising people in Iceland. This isn't a rocket science. Just have as much stimulus as you can, and if you have the money for making a brochure a week, do so. (One of Hans Petersen competitor, makes a one brochure every week and distribute with one of the FREE newspapers in Iceland.) We have also been trying to go into the mobile phone market here, every year Icelanders buy 110.000 mobile phones. The mobile and the camera is always getting closer and closer together. Our stores are also very well located (in the biggest malls, and in town, have been there for a long, long time as well) which is very important. We are trying to build that image that you will be able to get here very good camera telephones as well. In addition we are inviting people to come to photographers seminars, which is free that people can come to, and we held here in the house. So, we are getting people that are interested in us and what we are doing.

12. We also use the same voice in radio, we found a person that is not much in radio, so people should know that is us. We use also the same template in the newspaper ads so that is what we are using. Toyota uses this as well.
13. We took this decision about the radio, one and half a year ago. It is just my experience from previous job that made be do these changes. I knew it worked well, especially I feel like I am getting a lot for my money, a very good coverage in one week for the same amount that I spend on one newspaper ad. I can have buzz in they ear of my customer for 6 or 7 days for that amount of money. Our budget for B2B and the wholesale domain of our company is more a man to man marketing. We are taking customers out to dinner, and try to invite them abroad. We work this a lot with Kodak abroad, like for the printing industry. What we feel that work best is just to invite the printing offices machines that aren't buying from us to Belgium. Kodak has a very big show room and can show them all the machinery, Kodak subsidize the cost for as well. And the communications is on a different level because we have spend a couple of days with them. The sanitary sector is very different. All there goes through public tender offer. We are though able to invite doctors to see hospital abroad where the same equipment is being used and then they can talk to their colleagues how the equipments working. We also try to have trips to a several hospitals in different countries. Kodak sold the health industry yesterday, so that are going out of that market.
14. See paper
15. We used Tv in 2005. We think it is going work better for the image work than trying to persuade people to buy our product, because this is very expensive

medium. I cut it all off. We don't use Tv now, just radio advertising and paper. We use the internet in several ways, we have the digital pictures, where you send them to us be the internet. Then we are working with the Telephone company SIMINN with the Collection, where you can keep you photos online and then send this to us. Then we have the photo album where you just send us the photos and we make it for you. We are also working with the Morgunbladid (newspaper) where the public can go to their photo collection and if they choose to print it send it to use. We need to get more kiosks , where you just go into the store and make your own photo album or make a calender. There we have more opportunities. The wife has in the past been in charge of photos and photo albums. What has happened is that the man has taken the charge, he bought a new digital camera and maybe the wife doesn't know how to use it even. And he spends time playing with it. He puts the pictures in the computer but doesn't do anything more. We have to make sure that the access to the product is easy. (We start talking about cars and if there is a need to change the ads for Icelandic situation or not) I get stuff from Kodak, which is brilliant, and we would never afford to do that kind of ads here.

16. We have been talking about it before. What we did was that we took all the operation out of the stores and just put in one place. We are going to get some kiosk (self service machines) There is an opportunity for us to become more net based. It also means that I get an extra space in the stores. So we are thinking what we want to do with the space, what actually do we want to do in the future. Maybe we will change the name of some of the stores. We have been taking in some TVs and some electrical stuff like the mobile phones and maybe some computer stuff. We are maybe looking at speciality store, with higher service stage than the larger stores. Also there is nobody in gadgets here in Iceland, so there is a gap.
17. see 16
18. No, I think I have heard it somewhere, but I can't remember.
19. Not asked, didn't know IMC
20. Not asked, didn't know IMC
21. Yes, when we are in retail business, then it is a very important tool. We have been trying to figure out what is actually working, like in our print ads. Should we put together an offer of telephone and a camera? We did that last year. It will never be cut from business.
22. I think it will be more important and it is more important, especially when we have more products in our stores. In the b2b business we will continue to work man on man because it works best. Now we also have more newspaper on the market and it is more difficult to know what actually work. The newspaper market is difficult market.
23. didn't ask
24. Not asked, didn't know IMC
25. We have some information about our customer, which we are going to try to use more, see answer 11.
26. Yes, I would try to do it. I also think it is time for us now to gather a focus group, so we get some feeling what they are thinking. We haven't researched anything here in Iceland but we had read a lot what is happening in America, and we look to America in our business. The development in our business has been the quickest in America and we are the bridge to Europe. We are dealing

with Kodak in Sweden so it is strange because things happen there last, and they don't look to America like we do. So we are not at the same place.

27. I look at the sales figures. That's the only thing we can use to see if we are succeeding. We see a lot of response with the offer of Camera and Phone and some weekends we sold 50 cameras because they were on offer.
28. Uses sales figure
29. just for IMC
30. just for IMC
31. didn't ask
32. The consumer has this image of us as Photo store and it is really hard to change that. We are selling a TVs and some did sell but I had a rest and moved it to another store, increased the prize and it was sold immediately. I bought this book, and put in my stores and it is not selling in my stores. I put the book in the bookstores and there they are bought but not in my stores. I had a lot of stuff with the book in the store, but it wasn't bought. This is the biggest obstacle to us. We also tried to sell computer mice and keyboards, much cheaper than in BT but didn't sell anything. People go to BT This is what I would like to work with advertising agencies, but last time I asked them for advice they told me that we should just be in photography item But that is possible; there is no money in that business in the future. They say that there is a lot of asset in the name HANS PETERSEN and I know it is. But is also an obstacle. We have just been trying to put the new stuff in the store silently, just to see what happens but maybe we need to take a larger step. This company was a very rich company, and went to stock market with brilliance, everybody wanted to own a share in this company and this company owned a share in the largest fish industries in the country. But then the hit the brick wall . The digital age....
33. d
34. Not many people know that we are working in the b2b market as well as the consumer market. In people minds Hans Petersen stands for the stores. The photographers has been a target market as well, and we have been criticized for not serving them well but there are others that are taking care of them and they are artists and some of them haven't got a lot of money and doesn't always pay there bills on time. We try to serve them but this is not our core market
35. Didn't ask

General information

1. I have ruled this company for 2 years now
2. I am the chairman of the board
3. Studying MBA , will finish spring 2008
4. 30
5. 780 milljon or £ 5.966.495,
6. 750, £5.737.015 and 730 or £5.584.028, in 2007
7. Fjarfestingarfelag Nordurlands, we are 4 people that owns this company
8. NO
- 9.

Interview 8 - Hataekni

1. It is very special organisation on the Icelandic market, it is 20 years old. The company has changed a lot in the 2 or 3 years. We are importing electronics equipment (rafmagnstaeki), and our goal is to distribute, sell and service our customers. We work a lot in the mobile market but in the last couple of years we moving into other areas and try to establish the first distribution company on the electronic market. The shops are commercial agents and there is little distribution between the stores. You go to Heimilistaeki to buy Samsung, to Sjonvarpsmidstodin to buy JVX, etc. and there a little business between this people. We are trying to go into this market and just distribute to everybody, the same we did in the mobile market. Our retail business here downstairs (the store is on the first floor) is very small and very specific. With the store we are aiming to serve the upper class with complicated electronic equipment. We haven't set ourselves specific goals. The company has been grown steadily in the last couple of years and then things have just grown, like we were establishing a software department for mobile phones now in the New Year. This has in the past been limited for computers in software companies. We haven't set goals for this to happen, the need for it has just been growing, and we had just answer that need. But we have been growing fast, and even though we do plan it is hard for plan for everything. To explain this better, I would like to take an example. If you decide to start to sell TV you have to sell stereos as well, because in the mind of the customer this is related. You also have to sell caples/ We knew in the beginning what we wanted to sell, we so a gap in the market but now we had gone much deeper that we expected when we started.
2. This is department changed company, with 5 departments now. The communication between departments are different, e.g. we don't communicate much with the Heat and ventilations department, which are only 3 or 4 people, they are in Kopavogur with our warehouse. The communication between people in this house is fine, and very open. We try to work together, We don't have a rigid plan, who should do this and that. We can have on a important meeting with clients a staff member from the store, if we believe he has a great knowledge on the topic discussed. Our company is very flexible. We have weekly meetings here, and Product department has meeting weekly with the store manager and the products managers Also there are departmental meetings (deildarstjorarfundir), monthly and often if needed.
3. It is an old culture. We have still the man working for us who established the company 20 years ago, and was the director of the company for 15 years. We still have some people that used to be in the core of Hataekni, so the culture is a

little bit old therefore. We have a company union, we have all sorts of gathering where people can go out together and have drinks.

4. I think everybody have something to say about that. I think people often fall into that pitfall that start to think about them selves when thinking about marketing. Like now we are re-organising our website and I am going to meet up with every member of staff and ask them how they feel about the website and what information they need. I am not sure I will do everything they tell me they want but at least we will have discussion about it.
5. The company used to be very underdeveloped in terms of marketing. We used to serve Nokia customers, imported their phones and had repair service. We weren't competing on the retail business and we didn't do any marketing. Marketing also used to be directed by the store manager, which was more like a sales manager and then it moved to the departmental managers, but it wasn't very systematic work. Last year we decided to have one marketing manager. I work as integration person between departments, the product managers (vorustjorar) and departmental managers. We work this together, and I am in contact with the media and the advertising agency and I have the last word on how the money is spent. So, that is my job, but being a marketing manager is a part time job for my, I am also a product manager (vorustjori) for Tv and stereos, import them and resell them (resale) When we are making decisions, there are normally 2 or 3 people making the decisions. The product manager for the product, the store manager and I. We also put a lot of faith in our advertising agency. I started working here as a sales man, and we were two working in the store and often we could just relax for an hour or two because nobody came in and nobody telephoned us. The business was still good and we services, very large clients, all firms. This company core was Heat and ventilations department and repair shop. But two years ago this all changed and was modernised. We are still much stronger in the b2b business. We are not competing with our resale agents that are selling our products. But we have a little market share in the more expensive mobile telephones, and better service than the SIMINN or Vodafone. We have also tried to find the product that match the client, we are not trying to sell a 70 year old woman a very expensive and complicated phone, we try to sell her something that she can use.
6. I make that decision with the product managers. This is the first time we are doing this like this. 2 years ago, we got a new director and he has been re-engineering the company, the offices, the store etc and I think this is the reason why we have grown so much. . In the future we are going to change the image of the company with out changing the logo or anything like that. We are also going integrate all the internal material we make, so everything will look ably.
7. Ullen dullen doff... We use percentage of revenue, all from 2 percent up to 6, and 7 percent. Is it just all up to what we are going to do that year.

8. I am very boring with the advertising agency; I throw most of what they do back in their face. We are very critical about the stuff we get from the advertising agency. We also don't want to advertise everywhere. We didn't advertise in DV in the last 1 to 1 ½ year before the big news came up (news about the man accused of sexual attacks teenagers, the man killed himself because of this news). This was medium we wanted to be associated with. Also, our ads don't look like traditional electronics ads (Products and prizes) we try to use similar form like car advertiser do, so they look more professional. We think that will be more effective in the long run. The exception is Christmas time, where we use the traditional way, products and prizes. But we have at the same time, we have tried to make sure that they don't look cheap and that they match the image we want to have. I think the customer will be happier and that he will come back if he needs another phone.
9. .
10. (Some stuff here off the record) (25.50 minutes)
11. No I don't think so. We have been spending a lot of money on our website and are going to change and renew her in the next 4 and 5 months. We have one website for just one product of ours; don't think maybe companies have that. In addition, it is more like we are going into the market now. We don't feel we need to answer our competition, but we have seen them answer our ads. It is good season, but it is the Icelandic way, both economic and public awareness's to have always a good season. We spend and therefore the economics works. TVs are always been sold, the sales are little bit more now, but now it is said to be much sales in flat screens TV, but it isn't true. People say they are going to be next time flat screens TV, but we still have to see this people do that.
12. No.
13. Yes and no. I sometimes buy ads myself. We use them to do ads and to do media planning and buying for us as well. We did change advertising agency last year and we choose one. We looked at 10 agencies, did send them some questions. Choose 4 from the answers and got introduction on them. Then we choose 2 and the asked them to do a campaign for us, choose the one with the better campaign. Now we have one advertising agency. We are quite happy with the agency, have our contact person there, and talk to him every day. We have now an exhibition now and the agency takes totally care of it, we just give them the budget, but they design everything. We outsource a lot of the work of a marketing manager. But we don't use PR agency, I think they advertising agency would take care of it for us.
14. We don't use Tv advertising much. We did one but didn't like it, but now I have made another one, which was very cheap, but I really like it. We have just newspaper a lot, and radio to support the newspaper. We have also use direct

mail. We have also been looking for opportunity to do something different. We did send to 10.000 upper class neighbourhoods, a true size of TV, just so they could see if and where the TV would fit. We didn't get much response, or couldn't actually see that. We have many products that are not easy to advertise, not much gross margin in them and not much of a market either. When we are advertising, we try to advertise the core product, like quantifier and loudspeaker. We focus on pictures, not of the products or the machines, but rather on people enjoying themselves. We have used a couple of exhibitions but we haven't been happy with them, we feel we are not getting our money's worth. However, we are joining another one now. We have used the Business sections of the papers for the business (b2b) sector and also direct mail. We did send direct mail to the directors and marketing directors of the biggest companies in Iceland, introducing Nokia Business line. I think it is easier market for us to work on, the b2b than the b2c marketing because if we are going to enter the b2c we have to start competing on prizes.

15. Yes, we do that. We use a similar template with all the material that comes from us., colours etc. If we are using radio with the newspaper ads, the text will be similar and we just use one voice in radio. We don't have a slogan, and we are not looking for one.
16. I feel that the market is becoming more and more boring. This condensation on newspaper market has not been good (when we just had Frettablad and Morgunblad competing) , we see the Frettablad with 72 pages, there of 40 something of advertising. It is more complicated now than it was, when the Morgunbladid was one on the market. Everybody sat at the same table. It is more difficult to find where to advertise. I also look at myself. I have stopped reading the newspaper, I just use the internet. I think this is the more difficult to know where to advertise. Before, it was so easy, TV and radio Ruv and the Morgunbladid and you got 90% coverage. This is no longer the case. The TV advert we did, we did use it a lot on Skjal and didn't get any response. We advertised it twice on Ruv and we got more response from it, and different kind of clients. You have to prepare much more carefully now, because if you don't do this currently you will waste all your money. I send the ads to all people within the company that might need to answer for it or give additional details. All the people that are in that situation will get a copy sent by email before we use it for the first time.
17. see paper... No, what I think is not in this figure is the actual designing of the ads that is a lot of cost associated with that. I also think, we spend much more in the Internet than other companies do. We are also going to use the Internet ourselves, all the internal material we need, and we are going to keep it there. If we need to print it out we do so ourselves, we will make sure that it will look nicely (it will be pre-printed). We are working on our internal marketing. And I think this year will go more into reorganising this company.
18. We have been using the stuff that I mentioned, I think; don't really know how it was before I came to the company though.

19. We are reorganising the company this year and hopefully we will finish it this year, but there is a lot of stuff we need to do when that is finished.
20. see 16
21. Didn't know
22. Didn't ask, IMC
23. Didn't ask IMC
24. Yes, we think so. We have been thinking about if we should find a dedicated person to work just as a marketing managers, because like it is now, some things that marketing managers should do, should in fact by done product managers, like the work around the web etc. yes it is clearly that marketing is becoming important here in this company.
25. Yes, I think is because of our changes now, because we are getting bigger and we had to change the way we sold our products. We were all too often tried to make this kinds of information running around. We are trying to nail this more down so we can do something with notice. I can give one example. I was told we were going to join an exhibition 8 days before it started. Then I had to make the ad agency designed and do everything for that exhibition, all in 8 days! Now we are joining an exhibition in two months time and the agency has now got my ideas and is working on their design. But it is the Icelandic way to do everything last minute but you are always paying more for that way than you would if you would organise and plan ahead. We are now planning Nokia night, but we are now organising that kind of nights now, even though the first one isn't until after 4 months. I would probably be able to make my ad agency make a Skjaauglysingu (screen advertising) and I would be able to air it tonight, but I would cost me a lot and the message might not be that good because we didn't have any time to design them. We have done this a lot of times, but we are trying not to anymore.
(start talking about revenue figures, that he has higher revenue that some of his suppliers, and sometimes they don't understand it. The suppliers often don't understand that you are able to air your ad on Tv, because they don't have the money.
26. See 22.
27. Didn't ask, IMC question
28. Yes, I feel this is important but we haven't done it. We haven't done any service surveys, but we need to. We are going to do a service survey on the company as a whole, done by independent company and then I want to make a questionnaire

that we would be able to send in email to customers. Like if you are cooking a dinner for somebody, you need to know what people thought about your food, was it la, la, good or something else. If you don't ask, you are just basing everything on you feeling.

29. Yes, I would do that. If we would think we are service company and the survey would say that our customers wouldn't think so, we clearly would take that into account.
30. It is just based on my feeling, what I hear from people. What we are trying to do is to come our company in the cruise that when you see my ad you remember us when you need to go and buy yourself a Tv. We look at sales figures, but not just when we are advertising, also after we have finished our campaign. I don't think I will measure anything in the nearest future; maybe just measure big campaigns or special projects.
31. see 27
32. didn't ask, IMC
33. didn't ask, IMC
34. didn't ask.
35. I think the cost of advertising is the biggest obstacle for us, and also that there is no guarantee of success (somebody comes in and needs the room). When I call my ad agency, I always ask for that it is cheap and lot of media exposure. But in reality you can't get that. Also, within the house there are people maybe taking decision that doesn't know what the things cost, maybe the director of the company. I sometimes need to convince the company director.
36. We are looking at the details, and we are finishing up. I hope that our system will be more stable from next year.
37. No, I don't think so. You are always talking to individuals. I don't call companies, I call a person. No, I don't think it is different. You don't talk to them differently, but your message is different.

General questions

1. 4 years, half a year in this job
2. marketing and product manager
3. I have finished colleague
4. 40 people
5. 2005, 1200 million or £9.179.224,
6. 2006 1600 million or £ 12.238.965,81
7. OLIS (the Oil company OLIS)

Interview 9

Hreyfing has merged from two older companies, and we merged them in 1998. I established my first company in 1986 and have been working in this industry since then. One and a half year ago, The Blue Lagoon buys Hreyfing. But you can say that this company is grow out of a company I established in 1986.

Here work 60 people, but we have a lot of part timers. I think there are 25-30 full time equivalent units.

1. It is to contribute to better health of people in Reykjavik. We want to be the best in our field, e.g in fitness and soon in the Spa business. These two companies (Hreyfing and The Blue Lagoon) found that they had something in common, even though they are working in a different way on helping people taking better care of themselves, have time for them selves, relax. So in the end of this year we are going to open a bigger place in Glaesibae, Reykjavik. We will go from 1600 squire meters to 3600 squire meters.
2. The staff all works in this house. However, because we have a lot of staff that are part timers, and are maybe working somewhere else, communications can be difficult. The working hours are also long, we are open from 6 in the morning until 10 o'clock in the evening. We do have problems with the communication with the part timers (that are just maybe teaching a couple of hours a week and then leave immediately). But the communication between people that work here full time are fine.
3. Friendly and lots of unity among the staff. We emphasis a great deal our values, (something that I didn't manage to understand) good conditions and great solutions. This is very illustrative for the company culture. We are all working towards the goal of contribute to better conditions and health of the people in Reykjavik. Everybody wants to do some good, and everybody is important, the staff that cleans is important, because they help to keep the place clean, which also is important for our customer.
4. Didn't ask
5. Yes, department managers, in sales department, personal trainer department, service department and I work on that together.
6. I haven't used a fixed figure, that I spend and then nothing more. I came from this environment when I started with two empty hands and I have this feeling for all the aspect of the business, I have been involved in all the aspect and what have just happened is that company always grows. We have been there for a

long time and our marketing communication is in certain way in a permanent form. We are doing some things that are very effective, again and again. Then sometimes we have periods when we feel we have to respond to something. Between years we are allocating the similar amount to marketing communications, but it is nothing that we tie down beforehand.

7. No
8. Yes, the competition is getting tougher. And the media environments. And the weather, if the weather is bad during summer time, then every body comes to the gym, if the weather is good nobody comes. Normally, the number of people that comes to the gym is the same all year around. However, if the weather is good during summer, the amount drops, and then you can't do anything. If we have planned to do some marketing communication activity and the weather is nice, we have it cancel it . Nobody goes to the gym if the weather is nice. When there is World Cup in Football or European Cup then we have done something around that time, just to try to keep people here, even though there is a game every day. We show the game here, and have all sorts of competition.
9. see 8.
10. We have used PR agency and the Blue Lagoon has a PR person within their company. We also have an adverting agency, and we have used the same contact person all these years. We use the advertising agency, to some extend, but it can very expensive to use an advertising agency, our agency is small but it is still very expensive to use it all the way. I have myself been to seminars in graphic design, so I can make posters and we have a printer here where we can do a lot of stuff. But when the company have been growing, I have been using the advertising agency more. We try not to overspend when designing. But I feel when I am talking to the agency people that they think you should have a lot of money to invest or spend, and that you should use every media there is, so that people are getting you message everywhere. And some companies can do that. But for us, I think it is better to use the media that we know that are working.
11. We use almost solely TV and newspapers. We have also used brochure that we have distributed to all homes in Reykjavik. We divide the year into semesters or terms, spring and autumn semesters. Our peak time is September and January, last couple of years we have done a large brochure and distribute it to all houses in the BIG Reykjavik area. But we tried another way now, we used more stimulus in newspapers and TV, at the same time. I think the cost was the same, maybe little more when we use TV but I think it is powerful way of getting through. We had a new record (since they started) in new accounts. The competition is getting harder, and our plans demonstrate that there was a slump in the market because of increased competition and our sales and revenue figures demonstrate that (3 years ago, two health and fitness stations opened large stations, much larger than there used to be). Therefore we think we did very well having a record of new accounts. Also, now homes in Iceland are getting a lot of red tape(pappirsfloed); so maybe it wasn't so effective to send it home, it didn't

maybe last as long as we thought. To answer this increased competition we decide not to cut anything down or try to boil down, we decide to work harder and try to service our customer better. We knew that the competition would get tougher (before it actually happened) and we also knew that we had loyal customers. We need that had something special but we also knew that we had to be on our toes. We worked a lot in the internal marketing, to compact everybody together, keep the group together. Even though our accommodation needs to be renovated, we only have 5% less customer base than we had when we were the strongest, in 2003. We still have the same staff, almost all the staff we had and haven't lost any to our competition. This is just available because we have great staff and we have been able to create a compact group. We have been able to work together on making this work. Our biggest competition is World Class in Laugar, and that is first class gym that can house 14,000 people. Just that we only have had a 5% decline here, is amazing. And that is only just because of great staff. If you are regular guest at a gym you want that people know who you are, greet you when you come, so you feel comfortable coming and want to come again. Most people feel uncomfortable going to new place, not knowing anybody. But if the staffs make you feel welcome and they help you get started then it makes a real difference to you. When a new client comes in here, we sit down with him, talk to him about what he wants to accomplish, show him the gym. And that is not done everywhere and people are very happy with it. When we move, the gym is going to enlarge about 60%.

12. Yes we do that in some way, try to make them look the same.
13. didn't ask
14. didn't ask
15. We used radio, but I feel it is not systematic. We have also been using direct mail, we always use that with other. And we have CRM system, and we use that a lot. We are sending people both email and post cards, e.g. to people that haven't been here for a long time, and we just tell them we miss them. We sometimes as well send a email to everyone that comes here regularly and offer them sometime special. If a person quit the gym he or she needs to fill out a form, that ask for a reason why people are quitting. So, we analyse this information, and in 85% of reason for quitting the gym, the reason is that something nobody can control, they are moving, they have some kind of decease or something like that. But the people that buy a membership card, we are working with them a lot. How often are they coming, and if they aren't coming why are they not coming, because if they are not coming they are more likely to drop out completely. We want people to use the cards and to come and work out, not just buy the cards. We use this database a lot (CRM). Much of our marketing is based around this Prufukort (Trial card) that people can buy them and try the gym to see if they like it. We then contact these people and try to make the come and buy a membership card. We have a website, and then we have 4000 people on post list that we send email to, every week, with some information. We haven't used much ads on the internet, still a little bit, but not much. A couple of weeks ago we put an ad on Barnaland, to reach the mums. I think it is ok to use internet advertising with something else, if it is not too expensive. But I think is often very overated. We bought the CRM system, which was quite expensive, in order to serve our customers better.
16. Yes, we are moving and becoming larger company with the SPA department. Everything will be brand-new, the equipment, the house and everything. It will be great for the staff and our customers. We will also be selling new Blue

Lagoon treatments that haven't been sold before, so that will be a challenge for us. So we will be very busy in the next couple of years.

17. see 16

18. No

22. Yes, when I started, I just put one advert (a small one) in the Morgunbladid and the phone rang constantly. The environment is completely different. Now, I have to put one advert, in the Frettabladid, Bladid and Morgunbladid and then I need to support it with TV or radio or something else. One advertising in a newspaper, makes maybe the phone ring for a day, but it is nothing compared to how it was. The amount of papers, magazines and everything now has made things difficult for marketers. When I was going to conferences abroad about Health and fitness programs, and the marketers were telling us , that you had to put a couple of newspaper ads to create a response, I still could just put one. They also said, don't change the ad, have make them all look the same. I just scratched my head, what are they talking about, but now (10 years later) I do better understand it. I feel we are 10 years behind others.

25. Yes, we are always using the CRM system to get information on almost everything we want to know and we use them to plan the next year or even the next offer or ATAK. We can know how many answered this offer, how many people came between 5 and 6 pm on Wednesday etc.

26. see 25

27. We don't know exactly what each individually part is doing. Often we are doing many things at the same time (maybe Tv and newspaper) but sometimes we are just using one media and then we know the effect immediately. If we are sending out guest cards to the annual party of one of the banks in Iceland, we can see how many actually turn up. We try to register why and who are coming in the gym and we use the computer system as much as we can. If something is happening, we have an offer or a "happening" we register it in the computer so we can see how much we got from it. The process is often very similar. We use all sorts of ways to get people into the gym , to use (prufukort), trial cards, and then the sales department follows this up, contact the people and tries to sell them a membership card. I have 5 people that work in the sales department. Usually they sell just to consumers, but sometimes we work with companies, but usually it are the staff themselves that asks for offers, not the company itself (or somebody on behalf of the company).

General questions

1. Since from the beginning, 1998
2. Director of the company
3. Didn't hear
4. 60 people
5. 2006, 200, milljons pr £1.529.870
6. 15% increased in next year
7. Blue Lagoon

One thing I haven't mentioned is that we have here campaign with our staff e.g. they staff in putting up posters, distribute stuff and this is a very effective way of getting through and much cheaper. We make sure that they talk in a positive way about the company and that will transmit to others. I call them "Sneezers ". If you hear something from somebody you trust, then it is likely that you will come and try. So we have this campaign her inside the company.

Interview 10

2 people in the room:

- A) The person I emailed
- B) Sales Manager

A) In Iceland we are around 50 people, 10 –15 people abroad.

This company has been in this form for 3 years. Before that we were part of a company that when was at its peak had staff of 600. This company went through the IT revolution, like many others in different countries, grow a lot around the year 2000, merged with a lot of companies and has decreased again and now we are I think around 46 within this company.

A) We do outsource a lot abroad. We build our network abroad through partnership with company already there. Iceland is the only place where we are servicing our clients.

B) We can't really get any bigger here in Iceland. Our market share is that big, especially in the local or central government, all ministries use all our systems and have done since 1996, we are in continuously development to making them better. In Iceland we are facing increasing competition, and I think we will only loose our market share, I don't think we can't get any bigger. We have been going into the SMEs marketing in Scandinavia and almost all businesses in Scandinavia are SMEs. A) IBM defines SMEs after how much business they generate within IBM. In Iceland there are only the banks and the telephone company Siminn that is not defined as SMEs.

B) And that is not because of number of staff or revenue, it is just because Siminn generates a lot of business and is therefore a large account with IBM.

B) We have one solution (system solution) that is based on IBM technique and another one that is based on Microsoft technique and this is like Soviet Union and America in the cold war. If you go a seminar with IBM then they have managed to kidnap of guy from Microsoft, and there is a lot of backstabbing and everyone are talking badly about Microsoft. Even sometimes I hear something that isn't true at all and that undermine everything you hear. I am new in this business, and I am not a computer geek.

A) Just to give an overview of what we are doing. I gather together some slides, we are selling solution in document managements and process management, customer relationship management.

B) These are 3 IT systems, process business, document management and customer and citizens relationship in ONE. You would need at least a two systems to get this. Our product is unique because it has been developed for so long with the need of local or central government in mind. This is a product that we can sell all over the world, the

ability is endless because of the solutions. What governments all over the world are doing is very similar.

A) This reflects in our market, we are 60% in the local and central governments, mostly here in Iceland or in Denmark. Both like we said before, we are also offering this product to SMES in north Europe and that is the market that is growing the fastest within our company. We have been signing up partners in these countries in Denmark, Sweden, Norway and Britain. Then we are trying to establish ourselves in Mid and Eastern Europe.. For each area we have territory managers, which service our partners on that area We divide the territory managers both geographical and technologically.

B) I am both IMB and Microsoft man

A) In our largest markets, there aren't just more specialisation but also we need to serve our partners more. In Denmark we have a person that serve our partners on daily basis. In Britain we also have a person that serves the partners. We are also trying to use the same marketing material everywhere.

B) However, it is clear that each country needs different approach And it takes time to understand each market. The things you do in Sweden don't work in Poland.

A) This goes especially for mid and Eastern Europe.

B) Where handshakes and Vodka drinking are important.

A) What is actually good is that in our past we haven't had any communications with these countries and therefore they are quite open to us.

(We start to talk about the decision of the Icelandic government to start killing whales again and if that matter to the countries they are working with. According to them British companies asked about why the started catching whales again)

2. A) Most of our staff are here, but of course we have people in Scandinavia and people that are travelling. We make full use of the technology; use the internet to communicate with all our staff.

B) There is one thing, Skype that we use as well, because it's very expensive to call abroad, so we call through the Internet. Skype actually works better then the telephone.

A) We made that decision last year to introduce IP- telephone exchange so we can call among ourselves, and it doesn't matter where you are, as long as your computer is connected. But we aren't meeting up as often as we would like. But people are travelling a lot, and the sales people are meeting up with other sales people.

3.

B) The culture is a geek, program and engineering culture. The marketing people are the lowest of the low.

A)The culture isn't maybe as structured as in larger companies. This was a small wand-company (sprota fyrirtaeki) and people can do pretty much what they want to do as long they are doing a good job. People work on projects and work together to solve them. There aren't some managers that are accountable for everything, just people in control off some projects. Then we have a different culture between all the departments. We have a different culture in the R&D department than in the marketing department. We can't always related to each others culture.

B)You are working on many projects at the same time and you don't know what we happen with each and everyone of them and everything take so long time. Like, Estonia, we have been working there for now 4 years. We have been working on tender offer there for the last 2 years and hopefully we are getting some work there. However, they will still press charges if we will get it. And even if we have high profile clients and top references like Oxford University in England, which uses us as gra?? management, Scotland Yard that has systems from us that keeps track on enquires, it is still hard to sell to others, and we haven't even been able to get one client in the last 12 months.

A)The sales process is really long in this business. The first thing we do is to find the person responsible for buying these systems within the organisation. This takes a little time here in Iceland; you just call the company and get that people's name, and probably you know two or three employees in each company in Iceland. Therefore it is quite easy to sell here in Iceland. But when we go abroad it can take us a couple of months just to be able to talk to the right person. Therefore each sell takes much more time.

B)Microsoft and IBM helps us installing this systems, and from every sell we are getting around 20% to us, the rest go to them. It can also be difficult to actually meet the right people within these companies and if the person you are talking to doesn't see that she or he will benefit from selling your product, you get nowhere.

A)And we never go into a new marketing without a local person. The, law and regulations, language is so important, translating the software, how can we reach the right people with in the organisations? This is what we do, and we would never go without a local partner, we wouldn't be able to do it either.

B)And there it is all sorts of little complications in some countries. We choose these countries because they are all joining the EU, more and less, and they are getting lot of grants from EU to build up their infrastructure etc. and e-government is one part of that. . All the systems that used to be in these countries like in Poland, aimed at having as many people working as possible rather than actually being efficient. These companies need to work on this but it is a matter of priority. Some of these countries still need lampposts (ljosastaurar) so it is quite difficult to sell them software for local and central governments and in addition the Internet penetration is under 20% in some countries.

A)We have four steps in our marketing strategy that we follow. 1. We evaluate the market; we look at our plans and evaluate how we are going to get into it. 2. When we are in, and if some changes have taken place within the market, like in Denmark a couple of years ago, when they decided to make their own benchmarks in document management and nobody bought anything for 2 years, then we went and tried to re-define what we are going to do on this market. 3. This is what we are doing in the UK

and Scandinavia and wider, is to sow seeds in order to be able to generate sales later on.
4. Hopefully we will reap, like we are doing now in Scandinavia and UK.

B) Then as well, our largest development project is so call DOMEA, which is German benchmark in document management. It takes us one year more in development.

A) There is a benchmark in document management in Germany, Austria and Swiss (B: and also in the UK) which we have decided to fulfil in order to reach these markets. We have spend year in development to be able to do that.

B) EU might pass one benchmark in document management, it would be best. There is as well one in America called Departmental Defence benchmark. It would be best if we had one for the EU countries.

A) We are trying to fulfil the needs of the market, but now we don't have one benchmark. Normally we have a standard product that fit all markets but in some cases, like with Germany, we need to develop the product more in order to fulfil the benchmark. Before that is finished , we aren't able to sell anything.

Q: Who makes decisions which market to target?

A) Marketing team and the board of the company, the board has the last word.

B) Like in Germany, our target market is the German Army, and then you would be looking at a different company.

A) The decision to go for the German market is a joint decision with us (GoPro) and IBM (our local partner). They don't make the decision but they affect our decision, they maybe tell us that they think our product fit this company or this market. All our big marketing projects are done with either Microsoft or IBM. We did this with the Nordic market, with IBM, where we are introducing a package, which is GoPRO and IBM software. We are working together on signing up partners and working on marketing plans, and we share the cost.

B) Once the company has bought your product, it will stay with you for at least 5 years. However companies are scared about the hidden cost, so we try to have the cost on the table.

A) But we always do our homework, how much we think the market will give us, what we think we can offer, what the needs are etc. Then we make profitability estimate and see if we can wait for it to make us some money.

5.

A) We often set the lines for marketing communications campaign but the local partners work on it as well. We often make 3rd party (not the local partners) make calls to SMEs , but we don't use this for the government market. There is networking that matters. The partners can also come with ideas for marketing communications campaigns. Like one we did with Hewlett Packard last year. Companies got send a remotely controlled car , but you had to book a meeting if you wanted to get the remote

control. We were able to sign 20-30 meetings in Holland this way and at least one sale. The hit is these marketing campaigns are just around 1 percent.

B)Microsoft publishes partner statistics, and it very depressing to see that with 1000 touch you maybe get one sale. Now IBM is thinking to do a marketing campaign here in Iceland, sending out a small brochure (kalf) with the Frettabladid (newspaper in Iceland). Even though consumers don't know IBM, IBM rocks the country. The question is, does the consumer need to know IBM? Everyone that needs to know it knows it already. We are little bit reluctant to do put money into this PR stuff for IBM. Here, nobody really knows what we do, except our clients and document managers, nobody else really need to know.

A)We have made that decision not to spend money on advertising and rather aimed to be in good contact with our clients and the groups that need to know something about document management. We have good relationship with all the professional associations that are related to document management, and also the municipality and government departments. We also participate in conferences about these matter and we have conferences here as well.

B) The diplomatic service has helped us as well. My experience is that people always talk badly about the diplomatic service but it has helped to get contacts abroad, and it has also held receptions for our clients, we take them to the diplomatic service and Prime Ministry. In each country we normally go and meet the ambassador just to introduce ourselves and to see if something happens. There are some new ambassadors that understand business and don't think it is beneath them to help companies in business.

A)We are also using the service of the embassy, we use the business manager there to help us to reach the market and also to introduce our solutions and our systems in the language that is spoken in the country. They had as an example a presentation in the embassy in Berlin the other day, on the company and what we are doing for the central government in Iceland. This service is very important to us, in those countries where we don't have the language skills to do these ourselves.

B) it is also recommendation to get employee of the diplomatic service to tell everybody, we had this problems and we got GoPro and the solution is this. We also made video of this and will use it as we can. This is a new twist in the diplomatic service, that they actually talk on the behalf of some company but we have been working with them now for 10 years. In addition, for me a lot of has to do with just getting people to come to Iceland in workshops and trips. There is nothing that comes close to that.

A)We have also gone in the Presidents trips, we went to Hungary a couple of years ago with the President and the Minister of Trade. We have worked the central government for a long time and we have tried to do these trips.

B)In Eastern Europe the image of public employees is much stronger than in the western world. So, the snobbery for ambassador there is manyfold when it is just sacarism in the UK. So, this can help us. We wouldn't have gone into the Bulgarian market , if there haven't been for a trip the company director went to with The Trade Council of Iceland.

A)When we started our “break out” (utras) we were very careful and went to Denmark. We did establish a company there and some of the staff there still works for us.

B)Now were are trying to establish ourselves in Eastern Europe. The best thing we can do is to get people here to show them that we know our field and we can do the things we do. As soon as you say, we are 300.000, then people start to think that we can't be doing the things we are doing.

15.A)We have a “Open House” twice a year here in Iceland where we meet our customers and show them the latest technology, what is the newest thing in this business, making people work together in groups, get to know each other and exchange information. In addition, like mentioned before, professional group are within the central government and municipality and we invite them here, to listen to presentations or sometimes we go to them. All our customers are allocated to account managers, which contact them regularly. Regarding SMEs, we also have account managers for them, but when we want to expand the market, we just call up the companies we want to talk to. Normally, before we start though, we prepare some marketing material for e.g production companies. Then we make the target list and then it is just the question of phoning them up and to invite them here for a meeting.

16. A) We are building up the Scandinavian market and the Icelandic market, we are trying to establish our selves in Finland and Germany and Austria will be a focus point this year. We will continue with the UK market and try to figure out how we get into the Mid and Eastern Europe.

B)For Mid and Eastern Europe, I think it is clear that all these companies are going into the EU and that they are getting money to change their infrastructure. These markets are growing 12-14% each year. They are thankless in software sales, e.g. the Polish market grows a 14% a year and they need people that can program code in Polish. If you go to Varsja, everything is happening, and they are used to do things themselves. I haven't looked at the Russian market even though it is the biggest, because they have always wanted to all themselves.

Corruption is another thing in my market, and Hungary is very corrupt, and hard to do business. It is best in Poland and in old Czechoslovakia. Rumania is like the Wild, Wild West. We have been very popular in Bulgaria, because we pay everything (on the table) , many repair shops pay under the table and if you are going to get a loan in the bank you have nothing to show for it.

(A couple of minutes of discussion about different countries)

18 NO. They ask about the term, and say, we are not using this . B) The market plans in our business, are 30 pages, with all the decimals and is very good firewood(laughter)

A) But in our software system, every this is standardized, so everyone is using the same pdf. file, every where in the world, in different languages.

27.

A) Before we go into a new market, we set goals how much we need to get, what ways we are going to go to reach our goals, how much sales etc. Everything is registered in computer and all communicated related to each sale. Every year, we go over each market place.

B) I made a marketing plan for the year. It is very short, mainly to establish a delivery system for the product, establish a local partner and networking. I have upgraded it, first is to information about the countries, where should we go, and the goal is to establish partner network for these countries, and make sure we don't go into competition with our selves, which is something we have done before in other markets.

A) We have a website, called partner website where our partners can access our marketing material, graphics, and just everything they need to know about the product.

(Because you would be doing business with the partners, you wouldn't be doing business with HUGVIT; however all the partners have the same information and the same training, but then it is very different how they communicate the information to their customers.)

32.

A) Language problem first and foremost, we would be able to go further if we could speak the language spoken in these countries. Getting more information about the market, what are the needs of the market, even though we have standardised product we might need to change it a little bit to meet the market needs. B)

The Business culture is different in each country and we have to know how to act in each and every market place. We can't say that doing business in Scandinavia is the same, it is very different. We also have the problem of not selling us too cheap, because in my markets money is a problem. Ignorance about Iceland, and prejudice is also a problem. Last but not least, politics imbalance and corruptions.

34.

A) If we were in the b2c market, we would of course use advertising more and other ways that enable us to reach a larger target group. We can do it differently because we try to reach them directly in our market.

General questions:

1. A) 7 years, B) 2 years
2. A) Campaign Managers and Partner Relations B) Territory manager for Central and Eastern Europe
3. A) BS in Marketing and export studies, and MBA B) Camp D. from HI. Validation in stock markets in Iceland and in the UK/
4. 50 in Iceland, 10-15 abroad
5. A) just these are confidential information.
7. This is a private own company; the founder name is Olafur Dadason.
8. This company has always showed profit! Everybody has a university degree.

Interview 11

1. Our overall goals, to make products which... this all depends what stakeholder you are looking at. Our goal is that our product will be used as a framework. We are all using Microsoft products, and that our product will be a guiding light in this business. This is a little bit farfetched. But this is what motivates our staff, especially those that have a (mikla menntun) post graduate education and are working in our small company, then they have some hope or something greater to hold on too. This is what motivates them, because if not they would just work of a bigger company immediately.
2. Directors have weekly meetings, but like you see the company is open space, and the offices that are here are mad out of glass, so sometimes we don't think we need any meetings but we have weekly status meetings just to be sure that certain things are followed through. If you think you need to talk to anybody then you stand up and talk to the person, even though the meeting is in next week. We try to have it as informal as possible. We use as well emails, msn and Skype and all that as well. Programmers use msn a lot between them but I think directors mostly just stand up and go to the person they want to talk to. It is because often there are something that need solving and you don't want to wait until people answers you.
3. Yes, because I am studying business, I know there a different kinds of companies, I have figured it out that we are human resource frame (lærdómsfyrirtæki). I didn't know that until I started my education. It wasn't necessary like that when I started but this is something I learned when was working in my previous job. They always made sure that I learned something new when I was working as a summer staff in architect office and how to use everything. This doesn't just come from me, my sister works with me, and then people have started working here that share the same views. This has just build up. And now the situation is like this, either people have a university education or we send them to university. We have now 3 or 4 programmers in university now with work, and we pay for the education. I'm studying, my sister is studying and now one came in today and asked to go study and I can't say no, because this a trend now. Just over 1/3 of the company is now studying, and we know that when they finish, it isn't very likely that they will stay with the company, but they have to work one year after the graduation because we pay the tuition fee but the word of mouth will give us the label that we do well with our employees. We don't pay high salary so you would get higher salary somewhere else, 20-30% more if they would work in the bank industry but we try to other things. We try not to have overtime here and people have some sort of flexibility, programmers can start work between 8 to 10 in the morning and then you work to 4-6. The project managers need to work between 9-5 and sometimes they have to work to 5.30 or 6 if we are busy. But most of our staffs are programmers and they never have to work overtime. We try to have family oriented company. People are very positive and new employees either adjust to this or they leave, but usually we choose our staff very carefully. We don't have much of staff turnover, there was one resigning the other day and he had worked here for 6 years. He resigned on good terms, the timing was right for him. There

a couple of other staff that have worked here for 6 years and that is very unusual for Software Company. I have worked here since 2002 and my sister since 2000. VR announces every year blueprint companies of the year and last year we were number 20 and we are going to be in Top 10 this year even though I can't control it directly, I will try to do it indirectly³.

4. I make decision about the budget things in this company, and the finances. I try to have it as rule to put one advert in the newspaper once a month. Advertising cost a lot for small companies. Staffs have opinions about our ads, if they don't like them, they tell. We have used the same one now for some time. We hired in new designer and he came immediately and said , are you not bored with this green colour? We are therefore thinking how much we can change, or if we should change, because I don't want to change the marketing material all them time. I listen to employees' opinions and then I have another one in here that rights our newsletter. Our website is written by a man that has resigned from this company, I might write some stuff, but I trust people to do these things. It is mostly finance that I take care of myself. I will see these things though before they are published.
5. I take all the decisions
6. Same answer to number 5.
7. Not here, but in another company that I worked in I spent 2 percent of the revenue. But not here. Because we are selling software, and we sell it just ones to each company. We aim now to sell our customer more than trying to get new ones. Then it is a little bit pointless to advertise. If companies are going to have tender offer in the next couple of months, then we will have some reminder. I can then say, I buy one advertisement each month; it will cost me 150.000 ISK, around 1200 pounds. Then I have to go to this conference etc. So, I use that, certain size not percent of revenue. Another reason is, that new clients just come to us, when haven't had any sales force or salesman for over a year now. The customer just comes to us.

Q: So, you are doing something right. What do you think that is? I think it is word of mouth. Our customers talk very highly of us. Our customer list is our best advertisement. Kaupping (the largest bank in Iceland) trust us for their webservice , and then others thin as well that they might give us a change. That's how we got other big clients as well, as Penninn, and Capacent, Toyota, Brimborg. Another thing that is important is to be on the web, and to make sure that companies can find us on the web- be on all the search engines. We are going to forge ahead this year. While we are busy we might forgot to think about attracting new customers. Then the competition could all the others while we were asleep. We will hire a sales person to call the companies and invite them to come and meet us. We will not change the marketing strategy.

³ The employees will get sent a questionnaire to fill about the employees satisfaction within the company

7. I don't know really what you are talking about (the question is then rephrased a little bit). We didn't actually know how important it is to be found on the search engines on the Internet. One of our employees got into this, both for us and as well for our customers, and he managed to move us up a couple of steps in Google. We are also a little bit in "break out" (utrás) and this is as well important part of it. But we haven't changed anything. The technology changes, the market changes, and there has also been increase in number of conferences. We go abroad to these conferences, and this is becoming more expensive part in the operation of this company. Before it was more I that was going abroad but now it is two or three people from our company going and this is a expensive part of the operations but very important. In addition there has been increase in number of conferences in Iceland. And we have maybe finalised our budget and then a conference pop up and it cost 200.000 ISK. I have to remember these unexpected things in my budget this year.

8. We don't have a steady advertising agency. An advertising agency designed the look that we are using now. That was done in 2005 rather than in 2004. This is an agency we can call and ask them to make an ad for us, but then I don't speak to them for 3 or 4 months. We are not spending much money in advertising production cost. In the UK we have a PR agency, which has written for us, a cd and is pitching it. (Difficult to hear what she said) There I also have contract with a sales and marketing man, that works for us one hour a day, calling companies etc. I have also got my marketing material translated into English and now he gets it and has to make it more market friendly. We have more people working for us abroad then here. The market here is saturated. We don't need to advertise here, we need just a man that calls the company and lines up meetings. Here in Iceland there are 3 or 4 companies like us, and then lots of smaller ones, but the large companies don't talk to them. Then some companies "OWN" some clients and you are not getting them, how much you try. There are always some clients that are unhappy where they are and that's is how we got 2 of our latest clients. So, maybe it is certain circulation. This happens also with us, maybe like one a year, and sometimes it is VILJANDI. Some clients don't suit us. We have grown 30-40 percent in the last 3 years, but we can't grow on that speed for long. We have already 3 clients in the UK. The process has been very long. One and half a year ago, I started looking for a partner there and in April 2006 we went out and meet a partner but later found out that is not doing anything for us. So I decided to do this myself and then I hired this guy that has a company that tries to help other software companies. Now, we are to risky for him, so he charge us by the hour but then we will just pay him commission. We have had our existing clients in the UK for a couple of years now, but we are now going to try ourselves to get more. I have everything in English, English address, phone number etc.

11. We put one ad in the newspaper each month. Normally we use the VIÐSKIPTABLAÐIÐ, and I only advertise if I get page 3. I didn't advertise for 3 months before Christmas and the guy from the newspaper called and told me' "You haven't advertise anything for 3 months". I am on a list with the Morgunblaðið, Viðskiptablaðið and Frjáls Verslun and they send me emails or call me and I just choose what I want. Sometimes I am saving money for a conference and then I don't advertise anything.

12. Not asked

13. They didn't advertise before I came here, and I didn't advertise in 2004. I started in 2005 to advertise and I'm not sure if this is generate some results, or will give us something or not. Maybe people see the ads and see the name of the company, INNN. Maybe something sink in. We are the only company that advertise, if I think about us and our competitors. I should do a research if this is generate something.. We don't even send direct mail, we only send direct mail to our customers and we give companies that come here for a meeting a marketing material. But we don't use direct mail, I don't think it would work for us. If you are going to buy software it will cost you a minimum of a million, so there has to be an interest from the company buying the software. I would rather make a phone call, asking how their software business is done and invite them to come and meet us. But we don't send material from us.

14. The biggest challenge is how we are going to present us abroad. I have designed a strategy, which is changed strategy, the man who is calling out for us, it is just me learning about the market. I didn't expect anything from it. What I want to do is to find a customer that I really want to get, and offer him to come to us and he doesn't have to pay anything. It has to be an on-line shop, an e-commerce, and then we get percent of each sale, which would give us back the cost. This party can't be too well known or too big because then they will not want to do this. But he has also to be exiting for us, and beneficial for us, so that word of month will generate results I have found out that the same principle works in the UK as in Iceland and that is word of mouth. Like here in Iceland, one of my employees is putting together an attack list, what company we want to get, and I am not calling everyone because I don't want everyone. When you are in our situation, we are very busy, we can choose what customers we want. And sometimes, you regret that you went after that customers, we are having 2 or 3 that are ...pfff... difficult and generate not enough revenue. Well, so it is.

19. No,

Q. You mentioned that you were getting a sales person? We are really against sales people because often they sell something that doesn't exist, so we are just going to hire another project manager, which will focus on sales. Because there are lot of people that come here for an introduction, and then they go back, with some material and then they call us and say there are interested. They we tell them we need requirement analysis (þarfagreiningu) and if they don't have it we offer to do it for them, maybe it isn't the simplest web in the world. And we tell them it will cost so and so, and if they will take our offer they will get a discount. Normally we only have one sale per company, we are not very good at selling existing companies more solutions. We are trying to improve this by having more people thinking about selling customers. We are not doing this very efficiently. We have even got a complain from one of our customer, "You are not trying to sell me anything" We are making some solutions, but when you upgrade next time, you just get them in the whole package without paying anything. Sometimes we have some solutions, that are extra, which have been made for one customer and we are able to sell it to others. We are now selling more consultancies, like the search engine counsel and accibility is another theme. We have this two sales point today that are

unrelated to our systems and our software as such. And we are selling more consultancy than before and our customers have asked about service. They want us to contact them more, that isn't necessary about the technology, maybe just some other solutions that the customer wants.

27. No, and I don't think it is working at all. We are growing equally each year, 30-40% every year. And it doesn't matter if I am advertising or not. This advertisement can also take half a year to hit home. I'm not necessary going to stop advertising, because I think ads go into your subconscious, like when you go the store and buy a certain washing powder. Even though you ask your potential customers, why did you decide to call us, they would never say they saw our ad, that sound so cheap. (laughter). Where I was working before, when I was selling computers, advertisement worked, if my prize was good they all got sold. If you are on b2b market is very hard to measure. Because they aren't that many companies, we are looking at 360 companies, we had last year 15 percent market share and because there are so many companies not with web, then this is very good. Our goal is get 25 percent. I have goals for every 3 years. When I took over in 2002, nobody had university degree except my sister, and me and my goal was to have everybody with a university degree within 3 years. We reached that goal, well some people are still studying. We also have reach our goal related to growth, turnover and such things. Then you just have to set more goals, and now I was setting 25 percent market share and need to see what companies I need to get to reach that goal. The larger companies are so few, so we are all trying to get them. Our competitor has both SIMINN and Icelandair, and they wouldn't move because they have so much special code The competitor has to violate the law (brjóta af sér) so they will think about changing the company. That is why the market is saturate. Next year my goal is to reach 6 customers in the UK, which is very high, I know. It means, a customer every other month. However, it depends on how big they are, if they are small, it is easier. If we are getting bigger customers, then it is enough to get one or two. I would hire one project manager here in Iceland, that would have sales focus, and I am abroad. I go to the UK every other week and longer each time. I am always one extra day there to be able to work on this. If we would get some work there I see myself direct it, but we have to wait and see. This business is tough, it is kind of hard for the customer to see the difference between a good system and bad one. Some companies are selling systems, coded in Russia that are just standardised, for 150.000 ISK. It is hard for small companies to see the difference between that and ours, and the smaller ones have just the tendency to buy the cheapest one. Why should I pay 2.000.000 ISK for a system, should I pay 500.000 ISK, 1.000.000 ISK or more? What will I get? The same goes for the UK. Why should I do business with INNN? The reason for this that you can't actually see if it works, and how it works until you start using. I could show you the cheapest one on the market, and it looks fine and you see hardly a difference. It is not until when you start using the system and when you need some service when you notice the difference. We are sometimes very split here; I am selling the system or selling the service. I should be selling the system, because I am going into the British market we would have a partner there, servicing the customers and we would only sell the solution. Then finally we would make some money. But why should somebody buy our system rather than somebody else's? Everyone say

the same thing and if I would be going into business today, wouldn't go into this business. No, I wouldn't unless I found some niche, I could be best in something.. In the UK we are in little bit of trouble because of this. The first customer there needs to be exactly in the area you want to sell to the next 10 years. If we sell to a clothes store, then we will be best in clothes store. Then it is ok, and then you have found your niche. In Iceland we have to be everything in every business, and you will never be good in anything, just fairly ok in everything, well we are best in the financial sector. But we aren't good enough to go to the UK and say, "Hey, we are good in the financial sector". I think that business is very tough. (she look at her watch, and we start to hurry up)

38. In b2c you have to have quite a lot of money to be able to advertise, you have to have a large turnover so you can afford to advertise. I didn't actually like working for the b2c sector. The page in the newspaper, cost 150.000 ISK and then if wanted a special place the price would get higher. In the b2b market you don't need to advertise, you need time to book meeting and of course some money. People in Iceland are relatively willing to come to a meeting, somebody that is not a customer, if you tell him you want to introduce our computer system. Yes, they arrive, but then you have to follow it through and you need to have good sales people that can follow things trough. You are spending less money in marketing material then in b2c sector. In the last company I worked for I was working both for on b2c and b2b market and it was a lot of conflict between the staff, working in each sector and hard to run the business. So , it works out you have to have to have 2 directors, one in each sector and not mix this together.

General questions.

1. I have worked here since 2002
2. Director of this company
3. I am an architect and I have finished master degree in computer science and now I am doing MBA.
4. We are 18
5. 2005: 95 ISK millions or £723.864
6. 2006 :130 ISK millions or £990.551
7. Fons, Pálmi Haraldsson

Interview 12

Lyf og Heilsa

1. Our overall goal is to reach sales figures and plans set by the company and to meet the consumer expectation.
2. Our communication is mainly through the Internet, we don't have any intranet and through regular meetings. Also, I try to visit everybody. Most of our operation is here in the main Reykjavik area but we also have pharmacy out in the country.
3. First we bought a couple of pharmacy – branch and then the ball started rolling and we have been buying up quite of lot of pharmacies in the last couple of years. They have to adjust to the culture that is here, and for some it works better than for others. We have some pharmacy in the countryside that are more deprived than the ones in the main Reykjavik area. The culture maybe there is, this is just our old pharmacy, and we are not within a chain of pharmacies. This is what we are trying to fix, and then we have of course, ÁRSHÁTÍÐIR etc to bring people together.
4. Well, I maybe discuss it with other directors.
5. If we go higher up, the board of directors set the goals. Then directors and I and we that work here together, and in consult with our suppliers, we set up the main lines to work after. Also, we would have some annual plans that we follow.
6. The same
7. Yes, it is based on some percent of revenue; I just can't remember the percentage. The suppliers often come to certain marketing projects that relates directly to their product. This is probably 1 or 2 percent.
8. Yes, every lagasetning on medicines affect us. We can't advertise prescriptions medicines/drugs and the there are heavy demands from Icelandic Medicines Control agency. All this discussion that medicines are expensive, at the same time the Alög from the government on medicines are getting higher and higher. At the same time everyone want us to decrease the prize, so it is hard to find the balance. I think Icelandic Medicines Control agency here is the toughest one in

Europe. As well, there are 3 suppliers, and synonym drugs (samheitalyf) come all from Actavis and therefore it is oligopoly at the wholesales stage.

10. We use the advertising agency, Good People; they do the adverts and also do the media plans. We don't use PR agency, if we have a crisis, we though look for advise from people that know these things.

Q: Now you have worked here for a year, has your marcom activities changed during that time?

No, but the company itself has changed, this year. Now around New Year merged into the company opticians' stores, company called Flexor which specials in support equipment service and Dack, which all used to separate companies. Now we have merged this all these companies. With these changes we got somewhere between 50-100 new staff. We are going to try to share all the marketing effort

11. We usually use 3 things. We try to advertise so people will notice us. We make as well sure that there is a display in store, with the products that we are advertising, so the customer is going to notice them. And number 3, and the most important one is that the staff working there will know what is going on. So, that they know something about the product and how much it does cost. Like with vitamins, now we are adverting them, the staffs need to know something about them to be able to tell the customer, so we can serve them well. It is kind of simple, if all these things are integrated then everything is fine. The main thing is that the people work together. (Missed half of the sentence) Before we start a campaign we inform everyone about what we are going to do, often we work with our suppliers, which goes to the pharmacies and give the staff there information, when we were advertising "allergic drugs", suppliers held meeting in pharmacies about them. Because of that, we were able to answer the questions, our customer asked us.

The advertisement we are using is mostly radio and newspaper ads. Then I have been trying to get into these daily shows like Island í bítíð (Iceland in the morning) with coverage and in the health sections in the newspapers. The radio has worked best for us, for some reason. There are so many newspapers that comes through people's door every morning, and people don't have time to read it all. People spend always longer and longer time in the car, so we try to get to them when they are in there.

13. No, I took over from very qualified people (tók við góðu búi). Of course there are always little bit of changes, but not major.

Q. What about the merger, how are you dealing with that in this respective?

The job has just started, I think I will go over their plans and see what was going well and what wasn't. We will use the knowledge we have here and try to do better than it was done before, whether it is cost or something else.

14. See paper.... If we have some promotions in our stores, it is normally from our suppliers. Direct mail, we have send a so called " neighbour post" from the pharmacy to the nearest residents. Even though we are a chain, then we are telling them that we are always in the neighbourhood.

15. Do you think you will do this similar way again (q14)? Yes , I don't see major change.

16. We are always finding something new to sell, but I think we need to be aware of that fact that the main thing is to sell medication and service related to them, and if you forget it, you miss the focus to something that maybe doesn't deliver anything. We are not trying to sell glasses in two of our pharmacies, like shop in shop, but we have to make sure we don't forget the other stuff. I think in the future we will have more of shop in shop, very similar to what Boots and Superdrugs are doing in the UK. We have as well very strong freeport there, and the tradition is so strong in buying the makeup and perfume there. So building business about cosmetics is not possible.

17. Same as 16

18. Not that I remember. (16.40)

19. Yes, I think it is becoming more important know. There is one thing I hadn't mentioned and that is we own Pharmacies in Macedonia and Rumenia, 100 stores and our plan with buying shares in these pharmacies is to use our knowledge from here and transfer it to these markets. We own these pharmacies with locals.. As well, with increased competition, there will be more emphasis on marketing communications. Our market share here in Iceland is around 45% , we are not going to grow much more, we have to find more things to sell. Our emphasis now is to get more out of the business. Here in Iceland we have 2000-3000 between each pharmacy but in Denmark there is 15.000-20.000 between each one. That's why we are can't open pharmacies in smaller places. As well there is a shortage of pharmacist because Actavis needs quite many and therefore it is harder for us to get them to work in our pharmacies.

q. How is your biggest competition? Lyfja is the biggest one but also there are smaller spry pharmacists. There have also been quite a lot of changes at the advertising market, lots of new newspapers, and magazines have been established. I think they are going to decrease, the main ones are Ruv, Bylgjan and Channel 2 and Skjarinn. When we are advertising in newspapers, we normally advertise in the Frettabladid.

25. There is very strict penalties because of protection of persons, we can't see what each person is buying. Last year we had focus groups, focusing on women, men, invalid and senior citizens. Invalid and senior citizens are big part of our client base. We went over what they want from our pharmacy and we have been using that to work after.
26. Yes we have been using the information from these focus groups to work after. We also get information from our staff, because often they know what need to be done and what our customers want.
27. We go regularly over sales figures, and if we are reaching them. Like we are advertising vitamins, and then I can just look at sales figure for January compared to last year and then certain products. I usually look at the figures as a whole and then dig a little deeper into certain products.

32. It is mostly the legal environment here in Iceland . We have to be very careful what we send from us. The supervision is very active here. The laws from 1998, and a lot has changes since there, but the legislation hasn't changed. We imported vitamin from America, called Prevention and we had to take it off the market because the name was thought to be too leading. And with appropriate costs.

34. 95 percent of our revenue comes from consumers, and actually nobody wants to go the pharmacy, nobody wants to buy medicines, so it is kind of hard to by in this business. We try to show them nice attitude and good service.

General questions:

1. One year.
2. Marketing director
3. MBA from University of Iceland
4. 330 with all of them..
5. didn't ask
6. tæpir 5 milliárd ISK in 2006 or £ 38,098,140
7. Karl Wernersson and family. (the Wernersfamily) Does work on daily business; sit in the board of directors.
8. No, you can contact me if you want.

Interview 13

I'm the managing director here, and then I have a sales manager and we divide the marketing communications between us.

We are all at the same location now, and the atmosphere is totally different now than before. Like it was before, there was always: they "down town", people "up there" but now everybody are in the same place.

Our market share, I new this question would come and it is so hard to answer. There used to be 4 Icelandic paint company that produced, Us, Slippfélagið and Flugger (that used to be Harpa and Sjöfn, but then the Danish company bought it and now its name is Flugger). Today there are 3 in production and as well there is enormous import – importation, Húsasmiðjan imports almost 80% that they sell, BYKO imports something less. We are their largest suppliers in paint. Then we have company like Icelandic paint that is in collaboration with some Finnish company and Sérxxx (can't hear the name) that imports marine coating and now they also have gone into the do it yourself market. This makes it really hard to find this out, also we have on the one hand paint and the other filler. It is not hard for me to say, how much market share if have of the Icelandic companies (that are in production) but there is as well something that mess it up as well, because all of them are as well importing paint. We don't import much of traditional paint, but we import all of our marine coating and all filler. We are producing 80-90 percent of our traditional paint. I think we have 37percent market share last year if I only look at the Icelandic production. We ones spent quite a lot of time to try to find this out but we gave up. There is a lot of competition on this market, and in the do it yourself market the competition is based on priced. If I take the Icelandic production as a whole, I have to say the quality (gæðastaðall) of the paint is very high. We were in collaboration with a Danish company that is quite big in the European market, and they thought we were very precise when something happened with the product, customers weren't satisfied etc. We sometimes talk about it, within building sector, that Icelanders make more demand than the Danish as an example. It is said to be because of the weather, we spend more time inside the house than other countries. I don't know if you are going to ask me about if we are thinking about exporting abroad. We haven't been thinking about it because to do so, we need to have a production plant somewhere close to the market, but we have though exported something through a company that have been selling us syringe and things like that. If they see something that they like we send it to them and I know that they think our paint is much better than what they can get in Norway and Sweden. Overall, producer of paint in Europe know of course how to do their work, but our paint is of similar quality.

I think it is very difficult to grow more in this market here in Iceland. We have had the strategy not to have our own stores. Harpa Sjöfn open stores a couple of years ago, and then BYKO stopped selling their products. Slippfélagid has 2-3 stores but we have made that decision not to open any stores, we are in collabroation with Byko. We are largest ones in the professional market, (for painters - malaramesturum) and we have grown there a lot recently, mainly because of quality paint and better service than our competition. The result is not based on that we have the lowest prize. It is very difficult

for us to grow more, because a large share goes through BYKO and Husasmidjan. I don't think we are able to grow more unless we would open a chain of stores.

Q: And now we have a lot of new developments? Yes, we do, and we are getting a large share of that cake, everything is painted by professional painters (malarmeistarar) unless it is single family house Another thing that has changed is outhouse paint. Now, every large building is” klædd “but 15 years ago most of them were painted.

1. (laughter) This is quite a big question. What do you mean? Because we are production company we are said to be industrial company but we look at ourselves as service company. This is something that has changed when we moved here, our service has improved a lot. Our goal is to grow and thrive and the returns will be good for everybody involved.
2. I try not to use email here between myself and other people. I feel that email is overused today. As well when I am talking to my customers, especially if there are issues we need to discuss, I rather ring them than having 7-8 emails been sent between us.
3. Ohh... How I am going to describe that. We have a company union and we do some stuff together. We have annual celebration and every other year we try to take it abroad. But it is very traditional, we go out for dinner around Christmas (jólahláðborð), we barbeque on the first day of summer, we go bowling etc. I try not to be involved in the company union
4. didn't ask
5. I do that.
6. I do that.
7. I grew up in this business so I know how much to invest. This is also kind of fixed, we advertise more for Easter for the confirmations, for Christmas but that has also changed a lot. In the past, November was a very big month for paint because people painted before Christmas but that has changed. Now this is more flat, people are painting all year around. But our marketing budget is based more on experience than on anything else.
8. didn't ask
9. didn't ask

10. We use advertising agency called *Islenska auglýsingastofan* and a media planning company that *Islenska auglýsingastofan* owns called *ABS*. We don't send out press releases, some companies used it a lot, and sometimes I feel they are sending out press releases over something really stupid but we have been really soft and haven't used it as much as we should.

11. We don't advertise in December or January, in October and November we advertise, from mid February to beginning of in April, and then we use more TV. Then we are advertising indoors paint. In indoors paint the emphasis is on colours, but in outdoors paint it is more how long it lasts and professionalism. During summer time, we used to be in TV during summer time but we changed it 4 years ago. In beginning in May we start a little bit on TV but most of our budget goes to Newspapers, and Radio. We do this because TV sag little bit during summer time.

Q. What do you do when trying to reach the professional painters? Well, that is also different thing from what we have been talking about. We have receptions (party) every now and then. When this house was build, we reckoned that we needed to have a place to have happenings and meetings. If we there is a important football match in Champions League then we will invite them to come and watch it here, with beer and snack. Because of the size of market, certain professional painters are dived to certain sales people, even though they can talk to everyone. We are constantly in touch with them and one plus is that they can come here, we have always on Friday mornings coffee and cakes (*með því*), at 8am, and sometimes when arrive we have here 20 professional painters. Few years back we established a travel group with the professional painters and we go abroad ones a year, just for fun. Every other year we go to a exhibition, in Germany called *Farbe*. We have always gone there, and now there are 50 of us going. The travel group pay a little bit in the cost to go to the show.

This is completely different what I hear that is happening in Denmark. I have heard from the staff of *Harpa Sjöfn*, now *Frugge*, that the Danish don't understand why we have to spend so much time with our customers, the trips etc. There (in Denmark) they have small specialist stores and the *málrameistari* comes and does business, and it seems that he is the one that initiate business, not the company. We are also selling ship paint marine coating but it is imported. *Slippfélagið* is the market leader in *skipamálningu* but we have been putting more emphasis on this in the last in 5 and 6 years, and that is given us a fine result now. But it is all on personal note; the clients base is very small, these are the ship yards and we own a share in the ship yards on *Akureyri*. The fishing companies are big but few and therefore it is important to contact them personally and serve them well. We often we the boats are being paint send men from us to make sure that this is done in the right way.

Q. Do you use direct marketing? Yes, I used to send every year a brochure to people that owned a summerhouse. Our brand *Kjörvari*, is very strong on the market, and we have been increase our share with this brand every year. We have been using direct mail a little bit. We have also done this for *Steinvari 2000*, which is a very special invention, Icelandic paint. It is expensive compared to another paint, but we say it is not expensive because it last very long. A couple of years back we were thinking about

using pictures of houses painted 10-12 years ago, and advertised to get them. We got loads, and even of houses painted 15-17 years ago. This paint is very special. (we talk more about this paint)

Q. Do you participate in exhibitions? Yes, we have done that. We used to invite specialist to come to use and introduce to them the newest thing, but we haven't done that as much as we used to. Professional paint live and breathe paint and they aren't happy if we are trying to tell them how to do their job. In the spring we always have a session with the stores (Húsasmiðjan + Byko) and all resailers, because they will have summer employees and also there are some new items or new paint. And do it your self-marketing, we have been participating into exhibitions, like Summerhouse and the Garden. We didn't participate last year but maybe we will do it this year. I feel that the concept has been ruined because now we have so many exhibitions. There is something in Smaralind and a couple of ones in Laugardalsholl. If there would only be one mighty exhibition then it would be different. It is as well expensive to participate. We are always participate in the Fishing Industry exhibition

12. Didn't ask

13. The last three years it has stayed the same. But we did increase our budget three years ago. We are using exhibitions, and we are spending more time on "happening" with professional painters.

Q. Was is beneficial for you to change? It is little bit hard to figure out what is actually working and what not. Is the sales increasing, because of our marketing communications, it is kind of hard to say. I still would say yes, but we have also been in extensive product development. We have been emphasis on quality rather than prize. But maybe it will change. If a company like Bahouse comes here, then they will advertise very cheap paint and maybe we will have to answer that, even though I don't like it. I think it will ruin the reputation of the company if we start to produce and sell a cheap paint. There has been cheap paint on the market, and we have sometime answered it by putting some of our paint on offer, but it has been of much higher quality than the other one. Maybe it is very clever but we have often being selling quality paint on similar prize as our competitor.

Q. What about architects, are you targeting them? Well there are always some architects that are in fashion. But we haven't targeted them or served them specially.

25. We don't use anything like that. Because the sales on the Do it your self

26. market goes through the stores. We though keep record of sales history of each of our professional painters , so we see if there are any difference. We used to do some research about who buys paint and if it is prize sensitive market or not,

but we haven't done it lately. Sometimes is said that the woman buys the indoor paint but the man outdoor painting. We haven't done any research in a long time; we were asking about where did you buy your paint last time, where do you buy your paint? Most of our sales come from professional painters, I can't remember the figures exactly, Do-it-yourself market is around 25 percent, professional painters 35 percent, other stuff like marine coating, filler etc count for the rest.

27. The only thing you can see, is the sales figures. These adverts are not directed at professional painters, indoors paint is directed at women. It is very difficult because we don't own the stores ourselves and we don't see the result until quite late. If that would be the case, I would be able to see it the next day on sales figures if it worked or not.
28. One thing that we have been doing much more of, is educating people working in the stores. These people make a huge difference and sometimes control the buying situation. These are employees of BYKO or Húsasmiðjan and for some it is easier to sell the paint that are the cheapest. So we have to keep them up to day, so they know the product they are selling. We take the stores managers and take them out for dinner and after the seminars we invite them to beer and something else.
2. I think it is getting more important now than it used to be. I don't know how much you know about the market here but it is getting ridiculous, 10-15 calls per day where you are being offered to advertise in this and that newspaper, some of those we have to buy because it is like a grant. The competition is very hard in the business, between the newspapers, they have started to call the companies directly, but I direct them to our media-planning agency. Some of the papers have started to call you at home, telling you they have a good page for you tomorrow. I think it is more important now, because a couple of years ago Iceland was a kind of unique. You were able to reach 90 percent of the population but buying a page in Morgunbladid, and before channel 2 (in 1986) we only had one TV channel. And I think it will become more important in the future because our kids are growing up with the internet so maybe it will even be more different than it is today.

General questions:

1. I have been Managing Director since 1995, but I have worked here during summer time, this is a family firm, my family works here
2. Managing Director
3. I studied Business Administration, and took marketing as a minor, in USA
4. We are on average just less than 40. We were 38 last year. We are quite seasonal, in the factory and in the warehouse we hire people in during summer time so we have 4-5 people more during summer time.
5. didn't ask
6. 700 milljónir, 700 millions ISK
7. My family owns it
8. No
9. Yes.

Interview 14

1. I can only direct you to the website for answer to this question. (Goes to the computer and finds what he is looking for). Núi Sirius consider it to be the main purpose to increase people's pleasure and wellbeing. By people we mean, customers, staff and shareholders. Noi Sirus wants to create good and stimulative environment where staff ability is able to grow. This what is said about staff. Starts reading about financial goals.

(Taken from their website)To add to our customers' pleasure and enjoyment in life and to keep abreast of changes in order to meet demand, quickly and efficiently. We intend to maintain our leadership position in Iceland, and to work at promoting our fine products in the international marketplace. We aim to become directly involved in the expanding European market for chocolate through our acquisition of Elizabeth Shaw.

2. We aren't all here, we have a small warehouse in Akureyri where 3 people work. We use a very good communications system (even though all people here don't agree with me), Lotus Notes, where you save your projects, meetings and now they have internal chat options as well, so we can always be in touch. However, I think that this is the part in any business that can be improved.
3. This is very rooted company. Surveys show that people are very proud to be working for this company, and to work for our owners. The culture is a good culture, everyone are trying to do the best. Everybody have opinion about the products and they want our customers to like them. This is probably the best situation to have because then everybody is working towards the same goals.
4. No, not really.
5. That is I.
6. That is I. I have been finishing off 2006 and now I doing the budget for 2007. I used to do all this job alone, but now I have a person that is responsible for foreign candy like Cadburys and Kellogg's. Also, there is another person in the sales department that does some marketing projects. And the managing director helps as well. The group of directors has then to approve my suggestions for budget for each year but this post here is responsible.
7. Financial budget is both about revenue and cost, the cost that I control. My financial budget is based on experience, sales history and results of campaigns or something like that. Because we have some many brands, we try to look at each and every one of them like small companies and it helps us in the planning

process. If we take assorted chocolate as an example, it has a turnover of a micro company. And we make plans for assorted chocolate, like how much do we have to sell, how much will it cost us to generate positive brand image maintain its strength. What do we have to do in the stores, and we do we have to do to inform our customers. When I came to the company I probably didn't have enough information to do this, but now I know how much I have to spend to succeed. And then it is the risk, does it work or doesn't? There is always a risk associated with decisions.

10. We used an advertising agency and we use media planning agency. We have used PR agency but we don't have a fixed contract with them today.
11. All media plans go through the media-planning agency but I always buy something myself. I get a lot of phone calls from the media, and I want to get these calls because these are huge expenses and I want to know what is happening. I meet at least ones a year with my contact person from each of the media, either with or without my contact person from the media-planning agency.
12. I use mix of things. We use TV, newspapers, I guess the TV is the biggest part of our budget, you use the Internet and just everything we can.
13. Yes, you want to maximize you impact, be sending out the same message through many media, if it is possible then we do that. Now, I am planning a campaign with material that I will be able to use it in print media, radio and TV. The environment has changed a lot since I started working here with Noa, now you have to use all these different kind of media, it has become more difficult to reach your target market and it is more expensive. As well it is harder now for the media planning agencies than it used to be, more TV stations, much more newspapers. It was great 20 years ago when you just advertise in RUV, didn't have to use media planning agency or anything. You just did air your ad 6 to 7 times, and then you could be sure that 80 percent of the population had seen it 5 times. When I started here, 5-6 years ago, there were quite a few shows with ratings up to 50 percent Now you can buy some program that you can take your DVD's and cut the adverts in the beginning off. And lots of people are doing this. And the teenagers are just downloading shows from the internet instead of watching them on TV. But I get a lot of phone calls from the media, like before last Christmas, but I finished my media plan in September, so I just told them that. But you get better deals from the media if you buy last minute that is for sure.
14. Yes, like I told before, it is getting more complicated. The environment is getting more complicated, but the proportion is the same. I think the result isn't the same. If I would spend the same amount of money that I did 5-6 years ago, then fewer people would see my adverts now than then.
15. 14.(see paper) I look at this year. (Starts filling this in) We are using direct sales to companies. I think it will look like this. (We talk about if Internet should be included in advertising or a special part like it is on the paper).

16. I think sales promotion played a larger part in the past but advertising play a larger part now than before. Sales promotion is very effective way but it is very difficult to get people to promote. It is more expensive; the cost of it has grown relatively faster than advertising cost. Sometimes it is not aloud in the shops to promote, so the process is getting more complicated. We used to be able to call a large group of people, and be able to select the best ones out to promote in the stores but now you aren't able to get anybody at all. Now, we are doing business with Fagkynning (company that hire our people to promote) and they are doing fine job but the service is though very different.

17. I think it must be the "break out" (utras)We bought a company in the UK last year, and the same year we exported more then double from the previous year. We are exporting to Denmark, Holland, Russia, and America. However, this is not a big part of our turnover.

As well we have been changing our product lines, to simplify the product lines and we want to continue with this project. We have the reputation of being progressive company. I think the danger for rooted Company like ours, to be boring and one of our challenges is to make sure that doesn't happen. We want to be interesting company, with interesting and good quality products, and we are going to continue to make new products and we are not going to be afraid to change the things that we think need changing.

We bought in the UK, Elisabeth Shaw, which has a similar turnover as us. They are selling 1500 ton a year. We are going to combine productions lines (theirs and ours) and use their networking abroad. Our company, Noi Sirius, possess enormous knowledge in the candy market, and there aren't many companies in the world producing multiform flora of candy than we are. The foreign visitors that we visiting us are really surprised that we are able to do all this, but the reason is that the market is small and the competition is great. I think the competition here in Iceland is enormous, and we wouldn't be where we are today if it weren't for it, it keeps us on our toes.

In marketing terms, then we is challenging is follow up our marketing plan (we do 3 years plan), but sometimes the plan changes, sometimes you have to speeding up the process, sometimes you have do delay it. But there are a lot of interesting projects coming up this year, we have been introducing new packaging, we will also be introducing new products, new advertising methods, and new adverts.

We have been changing the package of all our products, (takes up a package of jelly) and this one way to simplify and coordinate. What we have done, we bought company called Opal, 1995-1996 and had some products still under the Opal name. Now, we did coordinate all these products. We had some small stores packaging and super market

packaging and we did coordinate that do, all under our own name. This does a lot for us; this means that we have coordinate look so I am able to advertise all of the products together. Secondly we are cutting down on our product lines and simplifying, we will now produce this in 150-gram package but we used to have it in both in 70 gram and 250 gram. We believe that we have a very strong image and we want when people go into a store that that they will know where our product are.

18. Yes, I know the term, but I don't know if I am able to define it correctly. I have at some point read about the term.
19. (Reads the first definition). If I am going to be honest, I don't know. Probably in some ways, and probably in some ways not
20. I don't think we do this as formally as is said here. I think this applies to a larger company, with many departments. I still think we are doing this in many ways, our goals are clear and we have information where we stand in relation to our goals. However, we don't do it in organised way like is described here.
21. In this competitive market, it is essential.
22. Yes I think it is more and more important to be savvy in what you are doing, make good use of the money you have and to monitor your activities, so you will know if they are effective or not. I think marcom is more important now because of competition and will be more important in the future, the competition is growing and also the competition for the consumers, because there are other products that can replace ours.
28. It is very easy. I use the sales figure, that tell me if the results is worth the investments or not. I know this debatable but I am reading books now after authors that are saying that now the businesses just focuses on hard core figures. The way it was, the marketing director was close to the managing director on the chart, just did his plans and never meet the sales force, and sales and marketing were as separate as possible. I think this very dangerous. This is actually what I see our competitors do, advertise and advertise but never generate any result. I see the Nielsen figure, so I know exactly the results from their campaigns. And, I can tell you that a hundreds of millions are blown up to the air. For me, it is very simple. If I have been advertising for 2 months, and if I know that I have reveal it enough and I am not seeing any results then I stop showing the ad. It is more expensive to continue to air it if it isn't working than just stop it. You will not get anything from this ad anyway.

If ad isn't working, then I think in most cases it is the product that isn't working. It isn't targeted to the right market or it isn't living up to the expectations. If you are advertising a product that isn't living up to the expectations, it will always end badly.

There is one thing, when I am adverting, that can't misfire and that is to have the product visibly in the stores. People don't set their mind to go to the store and buy candy; they don't put it on their shopping list. Therefore I have to have the product visibly so you are tempted to buy it even though it is not on your shopping list. On the other hand, assorted chocolate you are going to buy, and you go from store to store to buy the brand you want. We have put a lot of emphasis on visibility in stores.

Q. Do you pay the stores for location on the shelves? No and yes. We pay the stores for certain sales areas, like in front of the till. When we are introducing a new product, we try to place it on the best sales location in the store. And it also matters to have a lot of products but I have to negotiate about the location in the stores, I tell them what I am doing (adverts and another stuff) in order to sell the product. It helps if I want these spaces again.

24. Yes, we do some market research, like we check for the strength of our products, and brands. How often do you do it? We do it when we have to do it.
25. Yes, we use them, and do changes if we need to do so. I use both the feedback we are getting from the environment, our sales people are out there talking to stores managers, and what we are getting from market research.
29. I can't answer this question, it wouldn't be fear. Marketing communications plans are done together with the advertising agency but the responsibility lies always here. However, we are gathering information about our customers, we are doing some market research and we are working with external agencies in order to get this information, and we are buying data. I would think we are doing some part of this all.

I was reading a book after former marketing director of Coke, he has written two books. He is erudite, but he takes half of what he has studied through the years and throws it away. These books have influenced me a lot. He takes examples where the "studies" have been used and the results. The message that I get from these books is that people should use their common sense. Some things aren't very complicated, and one example is when they forgot that marketing is all about stimulating sale. The shareholders aren't interested what is happening on the way, but they don't want to generate a lot of cost and no sale.

I notice a lot what others are doing and lot of it is well done, and which shows up in increased consumptions at my home. However, there are also many companies overspending and I think that the waste is the most in the companies that are the largest. I sometimes think that having a large marketing department, leads to a lot of expenditure and useless actions. I can take one example, before last Christmas. I was looking at how companies get through with their message at this time when everybody is busy. There was one company that spend a fortune, had very long adverts, and lot of coverage and the only thing the advert said was: Merry Christmas! I think that you must have a very big budget when you can do a thing like this. I'm aware that this was for a quite known brand, and over this ad was some kind and homey feeling but I am sure sales didn't increase.

(We start talking if it wouldn't have been cheaper for that company to send everybody a Christmas card, and then he tells me, that they did that as well). This is one thing that the former Coke Marketing Manager was talking about. He talked about the ad breaks during Super Ball that cost good know what, and what he wanted to know if the companies that advertise there, had calculated how they were going to get increased sales by advertising there. In addition, these companies are

probably companies that know this (meaning IMC) inside out, but are they practice what they are saying, are they using information from their chain to make informative decisions?

30. In this competitive market, it is essential.
33. When you are selling to companies it is more man to man. Companies are looking for other things than consumers, so the methods are different. We are going to put more emphasis to this part of our business. We haven't done so before, the companies have come to us, but now we are going to reach for them. I have even taken one person from the sales department that is going to work on this project. Companies are always asking us to do something for them, and we have to start to take care of them, if we don't do it, then somebody else will.

General questions:

1. I have worked here for 5 years, 6 years in September.
2. Marketing Manager
3. I have BS in Food Science, but I have read a lot of marketing books, maybe even more than most marketing managers
4. We are now 130, but before Easter and Christmas we will have more people.
5. xxx
6. 1 and half milliard ISK in 2006, hopefully it will be higher in 2007.
7. A couple of families own this company; have always been owned by the same people. The Managing Director is the only one of the owners that actually works here.
8. No,
9. Yes...

Nielsen figures: I see a lot from these figures and I use them a lot. I get information about my sales, who is selling my product; I get information about the competition, about the competition after categories, after turnover etc. I can analyse a lot from these figures. I get report that is about New products, where I can see how new products are doing on the market. New products are products that have been less then 6 or 12 months on the market. I can see how my products are selling compared to other new products etc. When I get this data (now I just got the Christmas data) I know how everything is doing.

Nielsen figures are so useful here in Iceland because you have 95 percent participation, so you have the food market mapped. The coverage rate from AC Nielsen here in Iceland is unusually high, can be explained by the size of them market

Interview 15

I think we need to go back a little bit so you will see the foundation for our company. Optima is an old company, established 1953, and used to be traditional importing and wholesale firm. There were excessive restrictions on importing, and there were only a few companies that got admittance, but when you got that you were able to obtain knowledge, and therefore uniqueness over others. When you got abroad to buy and select the products, companies used to buy everything, so it wasn't targeted at all. Optima grew up in this environment and had a lot of commission (umbođ) for both retail market and large users and everything in between. Then Optima starts to go more in one direction, and starts selling some of their commissions to others. Optima went into the market for printing and photocopying products and equipments in 1980. This is the history. I think that at this time, it wasn't that good that we specialise so early, because the flexibility in business is just recent, like from the 1990s. I remember in the 1980s you didn't get credit card unless you show the banks that you travelled abroad and that you needed it for that purpose. Optima goes into the print industry maybe too early because this industry has had its ups-and-downs and then Optima didn't have anything else to lean on. We didn't have other products, so we had to take what the market gave us.

1. We had the company in two places, and had ripped apart the front end and it didn't work, for a company of our size. We have 12 technicians and they were just working in town and they didn't feel as a part of the company. In a company this size, this was like a departmental company. When I came here, I have been here now in 1 and a half year, and I have been working in a company with 400 employees. I sensed more the departmental division when I came here than when I was there. Here, we have 25 people. When you have 400 employees, you deal with the group; here you deal with individuals, which often is more difficult.
2. Now we are all here, we have weekly meetings with sales and the marketing group meeting every other week with the financial group and once a month with the technicians, more to let them know what is happening in the company. I want them to feel that they are part of this company. I also want them to know that their contribution is as important as everybody else, and that they are not hearing news about the company somewhere else.
3. The organisational culture is kind of old. The mind-set is kind of old and changes are problematic. It is much better to do things the way they have always been done.

4. They know what we are doing and we discuss it here sometimes, maybe when we are having coffee or something.

5. The main responsibility is with me, but I wouldn't say that it is 100 percent my decision because of course I listen to the people that are working on the market. I am always here so I can't know what is happening on daily basis, so I meet up with the staff that are, However, I am the one who makes the final decisions, the one who says, fine let's do this and we are going to skip this one etc. But this decision isn't made one sided. I meet the sales and marketing people every week, and we go over what projects are ahead and what has been done and the sales people can inform each other. The marketing part is not done like that, not from week to week, but we make decisions like in October we are going to emphasis on schools. Then we start making the material, what root we are going to take and then we unify with the sales people what we are going to say, so everybody are saying the same thing. I haven't been working here for long, but we try to divide our marketing activities down to 3-6 months periods rather than years. We regularly tackle schools but have never finished the process completely before. We used to go and if they didn't need new machines we went away. Now we sit down with them, ask them what their needs are, ask them how old their software and hardware is, and then we go back with this information knowing that we can go back in 2 years' time. We are trying to gather information, and map the market. So when we go again, we say: I was here two years ago...We are gathering information to work after, so we aren't always in endless raids.

6. Our business is twofold. First there is machines sales and service related to the machines, all material, and all sort of service, and the 12 technicians do most of the service part. Then we are also selling systems that are connected with this sector, the office and print sector.

We have defined us. We went through policy formulation (stefnumotun) 12 months ago. Our target market is medium sized and large companies and the print industry. The print industry is moving away from the old OFSET printing over to digital and data printing, where we are very strong. Then we have a special market, which is the office market and service to them.

7. The printing industry is going more into digital and data printing. Speed and guaranteed printing is what is most important. Now like banks are sending out information which next week will be outdated. As well, in the society there is a lot of capital so you have to sell fast and deer. Companies are not saving when trying to reach their customers sending direct mail to all their customers, almost with a picture of each individual and that is where we come in, we are not visible, but we come with solution into this market. I think this development will continue. But we are small company, I would be more relaxed if 100 people

were working here. We are very vulnerable if something changes because of our size. If the ISK exchange rate changes a lot then we could get into trouble. Even though we are doing well in sales and marketing if the exchange rate changes, it can destroy everything we been working at in the last three months. The sveiflan in this company is six months.

Q. What should we do with the Icelandic krona? All our imports are in Euros but all our income is in ISK krona. This is our problem. What I would say is we need to change to Euro, or connect the ISK krona, with the Euro, it is indirectly connect now, but I think we should just connect it. Of course there will be consequences of changing to the Euro. We can close the central bank (Seðlabankinn) But this is political issue.

I could as well take a loan in Euros, with better interest rate than I would get here, but still all my income would be in ISK krona, so it would be the same. It is just a question how risky you want to be in your business.

10. Yes, we do that. We get a lot of material from abroad but it isn't like we can just translate the material from one country to another so we have an advertising agency that localise the material to our situation. We aren't very creative and we don't do anything from scratch, I would either say that they just copy and paste. We try to pick out what we think is interesting. (He shows me an ad). Our supporting parties abroad have been using this because penguin films have been very successful in the cinema lately and we use that, and try to relate it to what we are doing. Our cars are also marked. Our advertising agency is doing mostly adverts for us, but often we do the brochures ourselves. Because we have the equipment here ourselves so we can do it. There are two things, because we are quite a small company, the design cost is very high, if we were going to use the advertising agency for this and then we had to send the brochures to our customer and clients. It would just be too costly for us. But we try to do little bit of both.
We are working with two parties abroad, so the material we have get is only from two different companies.

Last Friday we started working, something that I found out when I started working here, was that there weren't any information about our customers and you need to connect together how you serve them and how you reach them and there isn't any Icelandic system that keeps this information. This week we are upgrade financial accounting and stock accounting over to Windows, and the connect Norwegian system, called Evadik (check) together with the financial accounting and stock accountning. This two system will work together, hopefully (laughter) and just to take one example: Somebody calls in and there you have the base, you maybe give him some offer, the offer will become a sale, a sale will become a invoice, an invoice will then become a service contract. Then we have each machine this customer buys as profit centre, with income and wage so we can monitor each machine. Build in this is as well are sales options, so sales people can monitor what is happening. Everything goes in to this database, like all emails and everything. If I mark in the system that after a year, company X is going to buy a new machine, then it will pop up on my

screen a year later, so all the information that sales people are now gathering go into this system. When you go back to this company, you go in there with some knowledge.

Another thing what is common in England, that people just rent a photocopying machines. Then like when a year is left off your licence, you can have it pop up on your screen, and then you can check if everything is ok, 6 month before it is finished, sales people can go and see if everything is ok. In this last year the company spends more time on servicing this customer and will become more visible as it is closer to the end of the contract, make phone calls to make sure that the machine is working fine. So when the company makes their decision they just remember what happened in the last year, they feel that we have always been coming to serve them. People has just short term memory.

I think this system will help us a lot in our marketing strategy, I will be able to base it on some arguments and reasons not just on feelings.

Q. How do you reach new clients? Optima is the market leader, so many companies are just coming to us.

We are going to try to expand our business but we are not going to abandon our roots We are going to expand to machines and systems that are complicated technologically and that demands technologically and mechanism knowledge. But one thing is to sell and another one is to serve and we are the only company in Iceland that is doing both.

15. See paper. I join some exhibitions like IT show. We go when we think it fits our products, now one is in March. Last time this show was, I had only just started working here, and decided not to go but went and saw the exhibition and was happy that I didn't decide to go. When we are advertising, it is mostly in trade journals, and then little bit newspaper ads. Newspaper ads, we were last time in Viðskiptablaðinu in November and December, we try to advertise in periods when we do it.

16.

I can take out architect agencies and send them direct mail and then follow it up.

I use PR, or press releases when I think we are clashing into our competition, then I just centralise some press releases from abroad and put them into the papers here.

We are just trying to find out what works best for us. I am not afraid to try new things but if I don't think they are working I try something else.

22. (Didn't understand what he was talking about (48.00))
23. No.
24. see answer 10
25. Yes, that why we are gathering this information about our customers. We of course have history, just the sales history, that is the past. We don't have any information, that can tell us about the future, but that is what we are doing now.
26. I don't do it enough. The most expensive part of what we do in marketing communications is advertising in newspapers. As soon as we start, our competitors start advertising as well. I have the believe that more you know about your customer and work after that information has much more to say than the money you spend on advertising. I think having this system, with everybody involved, increases the knowledge within the company, not just in sales people's heads. I will rather spend money doing that and use media for image advertng, not to introduce the product. When I use these newspaper ads that I have been using in November and December with products I haven't seen any increase in sales. I didn't either assume that it would happen because in our industry it doesn't. It isn't like selling chocolate, where you expect the sales to go up 30 percent. I use this more to remind companies of us.
27. Same as 27
31. Yes I think so. I think I have already talked about it; I have made the strategy for this company. We need to use the system and know what the customer needs.
- I need as well to choose who you talk to, and make sure that you will not become to focus on one sector so you will lose the other one.

General questions

1. I worked here for 1 and ½ year
2. Managing Director
3. I am mechanic.
4. 25 employees
5. didn't ask
6. 500 million ISK or £ 3,809,814, which was increase of 40 percent from previous year
7. This company is owned by two people.
8. no
9. yes

Interview 16

1. It is to maximise job satisfaction, to make acceptable business earnings, but our main goal is not to make profit, even though we need to so we can stay in business and develop and grow. But our main goal, number 1, 2, and 3 is that we have a business where everyone involved feel good working for and that people want to do the best they can for the company.
2. They are both formal and informal; twice a year we have long staff meetings, weekly meetings where everybody meet each other. Then there is the email and of course we meet each other in the cafeteria.
3. We try to have classless workplace here, if somebody is bringing in the merchandise, I can receive if I am not doing anything else, even though my title is Managing director. We want everybody work together and preferably that everybody runs at the same pace.
4. I think it matters a lot, even though I manage the marketing communications issues, I often don't have enough knowledge of the product, and that is where they come in.
5. In the end it is I.
6. It is me
7. We often use percentage of revenue, both not always because we often compare with the past, what we feel has been success and what not. If I don't feel that it was successful then I will increase the budget, but normally we use the comparison with previous year and the result that we have gotten. If there is expansion in the society, or if we feel it is needed we increase the budget.
8. I think one is if there is expansion in the society, and also changes in the competition environment. Of course sometimes our suppliers have been the first to bring something new to the market, but often there are some others.
9. see number 8
10. We have used advertising agency that designs all our ads, we don't design anything ourselves. We haven't used media planners but we have used a PR agency that have done some research for us and as well we were in thinking about the name of the company this summer (2006), and then we used PR. The name used to be Pfaff, then we changed it to Pfaff Borgarsól when we bought the another company but now it has been changed to just Pfaff.

11. (had problem with understanding the question, did ask the question in a different way, with emphasis on what media she would normally use): We use our own brochures and then we use print advertising.

12. We try to when we are doing the brochures, and then have the same look in our window down stairs (the store is on the ground floor). We have had the same look on a billboard outside the store. We try to make everything work together.

13. Yes, something has changed. Our company has changed a lot during the last 5 years so we have had to present ourselves in a different way. Saying that, the advertising flow in Iceland has increased a lot during this time and we have had to think very hard how we are going to be different, how we are going to reach our customers. That is difficult. This is why we did some changes this, year, we were afraid that we were just doing the same things like everybody else

14. See paper, In the Internet, are our website in there. Would telephone sale be included in direct Sale?

14a) Our website wouldn't be in there five years ago and advertising would be 85 percent. That is changing. If we prepare carefully the direct mail, I see the result. If it sticks out of all the junk people get sent home. Most of the junk people get sent home is in is cheap, thin paper so we try to use more quality paper.

15. Something that we do is to visit other companies. It is kind of hard to put it somewhere. They maybe call them up and invite them for a visit.

16. We are not a large company, so we have to be specialised, so we have to find and serve our niche. What is most important for me, is so have good staff, that knows the product and are interested in what they are doing, always trying to find something new that we can do and are up to date what is happening on our market.

We try to continue with cutting down traditional methods like advertising and try to do something else.

17. Didn't ask

18. No, I don't know what it stands for, but I have heard it mentioned.

19. didn't ask

20. didn't ask

21. They are very important. I have to let people know what they can buy in Pfaff and if I'm making some changes or I am introducing a new product I have to promote it. I, myself, do a lot of social matters (felagsstarf) and that also hits home, directly or indirectly.
22. Yes, they are more important now but they also become more complicated because we have more media. It is more difficult I think for companies that you are looking at, because I not only the marketing manager of this company, I have oversight with many other things. For me to follow what is happening in radio, newspapers, and magazines is hard. Then everybody calls you and tells you that they are the best media according to all surveys. There is a lot of stimulus and for smaller companies like mine, where you are doing the marketing job as a part time thing; it is hard to trust some external information because we can't go deeply into all the surveys that are done. When I started working here 15 years ago, there was Ruv, Morgunbladid and some two magazines. This has changed a lot, and then there is the internet, which wasn't used by many 10 years ago. Now we have all sorts of media and I don't think all of them are successful, that is just obvious thing. At home, I buy the Morgunbladid, and I get the Frettabladid and Bladid for free, and then I get all the (direct) mail, brochures and stuff. I want to get that stuff because I want to know what is happen. In the evening, I read these newspapers, and check if my competitors are advertising, or sending out this direct mail. However, this is a lot of work, every day and I am not buying any magazine. I am not buying anything except the Morgunbladid but I am getting all this stuff. Sorpa (independent firm that does waste management and solid waste disposal) did a survey, and newspaper waste is 27 percent of the average household waste even though many people recycle. Still almost 1/3 of waste and rubbish from an average household is newspaper and printing waste. I am also quite interested in what has been happening in Denmark related to the "free newspapers". Consumers seem to be quite negative about the newspapers, they feel it creates lot of waste, and are worried about the forest. Saying, that why we should cut down the forest in order to print newspapers that nobody wants anyway. I think this environmental viewpoint is interesting and something what we haven't thought about. I try to collate my rubbish, but some people still throw their papers and newspapers with the household waste.
23. didn't ask
24. didn't ask
25. Yes, it is a very good option, but for this size of company it can be very expensive, so we are not conducting any ourselves, but we try to use those already done, like Gallup surveys where we can find at Gallup. Is. We gather information about our customers if they buy a certain part of our products, like sewing machines. We get their security number, the age etc. We have tried to send them information if we are getting new accessories with the machines, because the sales in accessories are always increasing. We need systematically

approaches in sales if we are going to do this for all our products, so we haven't thought about that.

26. not used

27. In sales, that is what we use, first and foremost.

Well, it is kind of hard to measure everything together. We are often trying to advertise the company as a whole, what you can get within this company, so it actually kind of hard to see how each part or each product line is doing based on that. When we are using direct mail we try to use advertising as well, but we just look at the total effect of both, probably because we have just started using direct mail, so it is quite new for us. We look at direct mail as long term thing.

What I feel as well, is that the advertising price, the cost of publishing one ad in the newspaper, hasn't changed, but I feel that the effects has died down. I feel that the advertising price too high.

28. didn't ask

29. didn't ask

30. didn't ask, see question 21

31. I think it mostly price, and shortage of information about the media themselves, often I need more information to know where I should advertise. The information I am getting from them after Gallup surveys, all say that they are most classy and the best media for me to advertise.

32. (she doesn't answer the question and starts talking about what companies like hers really need in the future) I feel like what could be an opportunity and what company like mine really need is counsel, if I have a budget for 10 million ISK, how should I use it most effectively? We don't have the time to do these ourselves. I feel like now I have to put a faith in people that work with me, and the people that work at mine advertising agency. However, the advertising agency is mostly designing ads and I think media planning agencies are too expensive. If I buy advertising through a media planning agency, then I huge part of my 10 million ISK is going to the media planning company and the advertising agency. What I would like to see is objective counsel, where I could get some information because of course it is also expensive to be spending your money on something that is not effective for you. I would think this would be desirable development, whether or not it will happen, I don't know. The advertising market is changing a lot here, now for the first time we have a large companies, that spend a lot of money on marketing communications so now the advertising agencies don't need companies like mine as much as they used to. If they have a couple of trustworthy and good big clients, then they don't need us. I hear it from people in the business that the swings in the business (up and down) are not as big as they used to. The agencies seem to quite happy just working for the big clients.

I think we have too much media choices, and I think there will be some changes, some clean up and I think the demand will come from the consumers, we are drowning. People have started calling this JUNK MAIL. I think this will take a couple of years, but I think it will happen.

Vidskiptabladid is a business newspaper that used to be published ones a week, then it was twice a week but now it is going to come out five times a week. What is happening in Icelandic business that deserves that? You can access business news on the internet everyday and as well in Morgunbladid and Frettabladid, where there is one page every day about business, and as well ones a week more extensive coverage. Then there will be another newspaper that will come out ones a week, I don't know what is going be in there.

33. The b2b market is more direct. You need to find the person that makes the decision within the company. You have to make sure that everything is send to the right person. You also need personal contact in this market as well and put all the emphasis on nurturing this relationship, go and visit them, even though it will not result in sales until one year or two years later. You need to be more patience. In the Icelandic market the personal connection is everything and that you have the trust of a company, that the solutions that you are offering will be the best and that you have the knowledge needed to give this information.
34. The image that you are trying to present. We are trying to present the image that we are the home of the quality.

General questions:

1. 15 years
2. Managing director
3. BA in Business administration and then MBA
4. the half of the staff (laughs) 17
5. 2005? 285 million ISK
6. 2006 ?320 million ISK
7. This is family business, my family owns it
8. Everytime you use marketing communications I have to think what is she meaning, because I am not used to use that word. This word isn't used here in Iceland.

You didn't talk about communications with adverting agencies. Maybe you should add questions about that because for companies my size the relationship between the companies and the advertising agency need to be good because they have to put of lot of trust in the agencies (like mentioned before), because you don't have the back up from a marketing department.

I use an advertising agency that is based in Akureyri (in the north of Iceland), very small one but it doesn't matter that it is not in Reykjavik, we just send email and stuff between us, use the phone etc.

In my work this connection and communication between advertising agency and me is very important - and the counsel. In the past advertising agencies did show some interest in getting a company like mine for a client but now nobody is interested. It is because how the market has changed.

Interview 17

Bogi Þór Siguroddsson buys this company one and half year ago and you can say that the company like it is now, was established then. Before people that wanted to business with this company, came here and had to beg to get some service and the business were unreliable as well. Bogi is very marketing minded man and he changed Sindri from institution to service and marketing company. This did cost blood, sweat and tears. I am the first one he hires, as service manager and since then we have changed over half of our staff (in a year). This is a lot for a company that rely on specialist knowledge like ours. We have been hiring in people that left the company before, because they didn't like how it was run, and also I have been hiring in new people and my motto is: hire for attitude, train for skills. But it is hard, when we have ambitious people and aggressive but then they can't stand by what they are saying because they don't know the process.

Bogi wasn't the most popular person when he started his changes and it was hard for the staff here. As soon as we came here we decided to stop using the offices here on the 1st floor. Everybody was in nice offices, glass office and it looked really nice. Now they are empty and everybody are working together on the ground floor, were the store is located. Some people that had worked here for maybe 10 –30 years, didn't think this was positive change and couldn't think that they could work in this new environment and thought it was a big step down for them and their careers. I think at this time we hit rock bottom, we had trouble to staff some of our positions. But the sale was though all right. After this, we experience drop in sales for one month, in April, but I think there were 14 working days in April that year, so that didn't help. The moral wasn't either good, because it is related to the result. After this, I moved to the marketing and sales manager position. We had had two sales managers in a short period but it is a hard position to be in, and endless work. The sales result has been very good from October to January and the atmosphere has changed completely. We decided to offer all staff to Copenhagen if we would be able to get a certain sales objective, which we did.

Sindri however has been able to maintain their sales in ISK kronur, of course not index linked, I don't really understand why the company was though what is was before Bogi bought it.

Now, we have doubled the stock, which we did because we need to tighten our warehouse so we can offer better levels of service. And we opened one store and changing another one since Bogi bought. We are trying to have the quick stock turnover but we are also trying to get rid of stuff that doesn't sell. Now we are focusing on what is going to sell, instead of trying to sell everything.

When I started here as a service manager, I wanted to make sure that our repair shop was working. We should sell a lot to contractor but for some reason they weren't buying from us. The reason, it took six to eight weeks to get drill press fixed in our repair shop. This is their capital equipment so they can't be without it for a long time. Now we offer a service, that you can get your equipment fixed within 24 hours, as long as we don't have to order any spare parts from abroad. And now, we have gotten most of them back. The revenue from the repair shop has sevenfold (sjöfaldast)

1. What should I say; overall goal is to maximize profit and profitability.
2. We are located in 4 different places, this are our headquarters with store on the groundfloor, in Viðarhöfða we have 3 sales people in the store and 3 that move around. We have a small store in Hafnarfjörður and one in Akureyri . We use email a lot to communicate and all our computer systems are run together from here. The entire databases about our customers are central, so everybody has the same information. We use this both to trace communications is something comes up and as well we are trying to use them as marketing tool, to analyse our customers so we can plan ahead.
Before sales people were specialist in one category or one product, but now we still have this specialist but now we have sales people responsible for some companies, and communication with them even though everybody can serve them if they pop in or call.
3. See introduction
4. No, not really. I maybe discuss it with the directors but I get feedback from the sales people.
5. The final decision is with the owner. I make the plan, what I want to invest in marketing and the owner hasn't said anything about it so far.
6. We look at the customer history and the business opportunities and the goal is to plan the couple of years ahead, but now we are still working on 12 month basis.
7. We built it on operational sales plan (aðgerða söluáætlun), I make three planes, the pessimism plan, one that we work after and one where we like to be in the future
8. I wouldn't say that but we haven't either been here a long time, and we are still fire fighting here and there in our company. Just to give an example of one of our competitor. It is a company established 5 years ago, has now turnover over a one milliard, and has staff over 40 people while we have been in the same position. We are offering the same solutions, and I am using 3 men while they are using 40. This is our fault that this company and others were established. If we have done our job properly then it wouldn't have been place for these

companies. If we had done a reasonably good job 15 years ago, then maybe Byko and Húsasmiðjan wouldn't be as big as they are today. But now it seems like they are not serving the contractors market as well as they are serving the consumer market, so there is an opportunity.

9. see question nr 8

10. I am very tight, so I don't want to spend a lot of money on these things. I use two advertising agencies; both are willing to work hard. I form it myself what I will see.

11. We use Tv, radio and in trade journals. We try to reach them after so many ways. If we are using Tv then the goal is to build on an image so the farmer thinks about Sindri if he needs air compression in his cowshed. I am also trying to use TV to reach to people that aren't specialist users, for them I use more visits and "happenings" invitations etc. We have all sorts of invitations like inviting 15 architects to Italy, to hamburger party for tradesmen. In our business it has be customary to have piss-up (fyllerís) party that starts at 6pm. My opinion is that in these parties you get the guys that want to get free beer. If we have a party during lunchtime, we get our target group because they come and want to have something to eat. Last year we had Þorrablót (where people come together and eat old traditional food), then we invited 300 people from our business list. Then we invited people to come and have a Christmas lunch with us. This people, contractors, builders are very busy people but like everybody else they have to eat. (Starts worrying about confidentially) We have tried as well to sell in this kind of parties, or lunch dates and that is not working, we are not selling anything. But people maybe come in after a couple of weeks to see what we have to offer.

Q. Can I come in here and buy myself a drill press? Yes, you can do that. We are always getting a little bit of that, especially around our campaigns. We were selling toolboxes, and we aimed at selling for 18 ISK million but managed to sell for 36 ISK million.

13. If I should give my promotion tools a grade, it wouldn't necessary be in line with my spending, the key things are ... makes ticks on the paper (question 14. These are the main things, the most important ones

I sometimes wonder if it would be better for us to start from scratch rather than try to change this company around. Of course people know the company but how willing are you to come back if you have had a bad experience like some of our customers have?

14. see paper. He laughs. Is the cost of Outdoors sales under " direct sales"?

Ask for the difference of sales promotion and exhibitions. Where would you put trip to Italy with 15 architect, is that sales promotion?

18. I learned about this somewhere. I have probably read about somewhere but I can't remember.

19. didn't ask because he didn't know the term

20. didn't ask

21. It is very important because we haven't been systematically doing any marketing. (we discover that people are closing down, and they don't know we are in here, he goes and ask them not to lock us in)

22. So it is more important now then it used to be. Before Bogi came they just decided what figure to spend on marketing in January every year and decided where to spend them and then they never thought about it again. The sales people didn't try to get customers in, they just waited until they came. Now some of our formal staff and established a small company in competition with us. They left because we wanted them to move out of their big offices to the ground floor and start visiting our customers. I am not that worried because they haven't changed and probably wait until somebody comes in their store. I remember when I came to this store to buy a charger for my tools that I had bought in America. The sales person humiliated me, so I thought to myself, I am never going to come here again. Customer experience is everything, the experience has to be positive, did you get good price, good coffee or were the sales person funny and witty?

24. Yes we use Lotus Notes, all internal communications and within that program is communications function. There we keep all communications no matter who is communicating. There is always one sales person from each sector (like steal, machines etc) visiting companies - and then it rotates. So each sale person is going out once a week, visiting maybe 10 companies. Each sales person has to fill out a form asking the contact person within each company where they are buying this and that product and why. Why are you buying this product there and what do we have to do so you are willing to buy from us. We gather these information and the sales person hand in a report about the company to me, I work a little bit on it and the sales person calls the company again within a week and tell them what we are going to do. This is what we are trying to do to win back their trust. But we just started doing this, so our staff is still getting used to this. As well, the sales person that sales the most, is leaving a trail behind that takes me 2-3 hours a day to clean up, everything is promised and then it is left behind

26. Didn't mention

Q. What do you do when you are trying to get new clients? We ask ourselves what his needs are, and try to reach him from there. We have 5 departments in our company, the steel department, the building material department, the machine department the service department and the stores.

32. No, I wouldn't say that, except there isn't enough time.

34. yes, they are very different and then we even have different target group within each sector, like we go to Italy with builders and architects but they can't go in the same trip, because they need a different approach. Architects want to see the coolest and fanciest meanwhile the builders want to see the cheapest options available.

General questions

1. One and half year
2. Marketing and sales manager
3. ??
4. They are around 40
5. didn't ask
6. One and half milliard Isk
7. It better, I hope 40 percent increase

Interview 18

(The first thing he asks about is how long this will take).

Q. Just give me an overview of your company.

We are very unusual IT company because we offer total service in the area of IT, there is no company in Iceland that does this and probably not many in the world. This means that the scope of the products is enormous. We collaborate with Microsoft and Oracle, and that is very unusual as well because they are enemies. We both have foreign software but also we design software here as well after tender offers, (eftir útboðum) or for large companies, we build tax system, customs system, we host financial and human resource system for the state. Since we joined EEA in 1992, every large project has to go through tender offers. This is half of the operation. The other half is very diverse service like, hosting, backup, running systems within customers organisations, running systems where we host here in two large halls. This is business supermarket in information technology.

I have 20 products; of them are like 5-10 our core brands. We are spending 50 millions in marketing communications, and the agencies takes 10, in media 10-20 and the rest 20-30 millions goes into dine and wine, just man to man (one to one marketing). We are taking out financial managers or managing directors and simply asking them if they want to save money on IT, do you want to get rid of your computer department, do you want to save money etc. 90 percent of our target market is financial managers and managing directors of Icelandic companies, from small /medium sized to large companies, from 10 up to 1000 employees. So the scale is very wide. But it is very easy to reach this market, I advertise almost solely in the business newspapers, normally we advertise in the Viðskiptablaðið, because it is sent to a name within the companies. Adverts they have give us good results. Because we are just on b2b market, it is expensive and as well there is no need to advertise in the big, mass media. We use direct mail a lot, and send it to on e.g. technologists, or to new established companies. We are like just everybody on the b2b market in Iceland, spent much of our marketing on man to man marketing. We have 12 sales manager (sales people) and two people in the marketing department. On the organisational chart, the sales managers are on revenue sector, revenue sector in this company are 4. Marketing department works like HR department athwart on this revenue sectors and service them. We do quite a lot of marketing research, we make telemarketing company call out for us, and this is mainly interview surveys. We e.g. call in 100 companies of the 300 largest ones, talk to the financial managers there and ask them if we would offer them this services on the market today, would you be interested? Can we take down your number and name and call you later/ send you something/ come and visit you. This is man to man. We do 12 month forecast and marketing plan, so in October each year we have sales and marketing plan for the next year. In this plan we specify what products we are going to put emphasis on, what groups we are going to target, what we need to improve. For this year we are going to into the telecommunications market, with Microsoft we are doing the financial and HRM solutions, and the third one is total solutions for small, medium and large companies, where everything is in one place, your software and the management of all your systems.

1. See introduction
2. This in Knowledge Company and it means that the level of education is very high. We have here peer supervision, many group leaders that have maybe 5, max 10 subordinates. We have horizontal set-up, many leaders, not one leader like in many companies. Our communications, I think it is similar in other Knowledge Companies even though I don't know it really, are very soft and comfortable. This is family oriented company, and many people have worked here for a long time, almost 10 years. It is very uncommon in this business. The labour turnover is low. We have a high average staff age, it is 37 years. I am 35 I haven't reach the average staff age. Maybe I just quit when I reach the average staff age.
5. I sit down with the kids and ask them what they want to do, or I say should we do it like this? We do this every week like that, on a special meeting with sales manager and marketing department, where we go over what we are planning to do, new sales, and new customers, emerging customers. We map our customers very well, and they are usually our best customers, it is easier to sell existing customer more service than selling it to new customers. If companies are small they rather want to rent than to buy, because it is a huge investment, which they have to write off in 7 years. They want to buy one amount every month.

Q. Tell me more how you map your customers? We know everything about our customer. Don't forget though we only have 12 sales managers we have another 30 sales persons visiting the companies. We use CRM system here, which is good system, it maintains all the communications between our company and our customers, and now we are connecting it with our financial accounting. But still we have to log ourselves into 2 to 3 systems to get the whole picture of our customers, and of course we would like just to log ourselves into 1.

This company was established 1952, used to be government own, and we maintained all computer systems for central government until 1996/1997. Then the company was sold. We also have very strange service like printing service. We take salary information from financial systems some of the largest companies in Iceland and print out and send them out. This we do with our collaborator company called Umslag. This is a small project but it rolls 200-300 ISK million. Many of these products we have just gotten ourselves because we know there is a gap in the market, then we discovered that we had a lot of them, and sometimes we have thought, don't we need to focus on something. But normally these products die automatically and they die organics, no business left there.

We have to return at least 400 million ISK every year in profit, of 2 and half milliard turnover. We need have a tight control on everything so we can do that. And 80 percent of the turnover comes from 15-20 percent of the customers.

6. see question 5.

9. Yes very much. When I started working here 4 years ago, the marketing department was supposed to be 4 people. I have just been here alone, until a short while ago when I added one person. And the reason is that I have outsourced a lot of things that other marketing departments are doing. I haven't thought it is good for us to have a designer within this company or copywriter or something like that. I was myself a journalist in 10 years in IT. We don't use PR company but that is just because of my journalist background. If weren't for that, we would do that. And advertising agency does everything.

10. We call them but usually we send them the direct mail before with some information about maybe one product or sometimes 2 or 3. Then we call them. It actually works. I think I work must in the getting the sales people out of the house, that they don't sit inside and just wait for calls.

14. see paper. We have always done it like this, since I came in here. But it was different when I started. Skyrr was sponsoring Silfur Egils (an Icelandic talk show about politics and news) which had fine rationings among people with much interest in politics but this group is only 2000 people, and normally these aren't managers in companies, these are people in politics. We were also sponsoring sports clubs but I took all the money and just kept it while I was thinking what to do with it. Our target market is financial managers and managing directors, and we just needed to figure out what they do. They work, go home and play golf and they read the Viðskiptablaðið. This is very straightforward. I have also notice it with others that are in the b2b market; you normally don't see ads from the on TV, unless it is Skjár 1. I was often thinking why that was, and then I found out, it is barter. Yes, I think we are rather boring and conservative on a small, well-defined market. I would also like that we would be like Microsoft in Iceland, that we only had one product, and 50 millions and we could do some amazing for that product. Instead I have to allocated so I maybe end up with 2 million for some products, which would be like 5 adverts.

18. Yes, isn't this Guðjón Pálsson. In our line of business we can't pay a person 10 millions to make a madly fancy organisational chart. I have been to some of his presentations, and after half an hour you don't understand it anymore and then you look at your papers and find out that you are doing it already. I have read a little bit about the term, but I am unable to give a presentation about it.

19. (He ask about if I have the term in English, I didn't have them, doesn't say anything about the term)

20. I think we have this thought, that everybody within the company are our salesmen, and we get a lot of business through the guys that are going out working for our customers and through the consultants. And as well through, a person knows another person etc, especially in 300.000 community. We measure lots of things here, and we do it on monthly basis, and even firmer every 4 months. This is because we are in a company that is registered at the stock market, so everything is measure in figures and numbers.

I think both definitions define what we do; I wouldn't call it strategic business process but we prepare sales and marketing plan, which is this think (10 cm), and the reason is that it includes everything we do. We also try to be prominent in the society, because our managing director is Þórólfur Árnason, which used to be mayor of Reykjavík, and I have a background in the mass communications, newspaper. So we are quite good in getting free publicity, or like Guðjón Pálsson would say, unpaid marketing communications. But we do this, because we are interested in doing so. We don't need to take these projects to PR gurus like Gunnar Steinn or Guðjón Páls or somebody else we do ourselves.

27. How to do you measure?I use a couple of yardsticks. The easiest one is just to count new clients. As well, we measure contribution margin, all groups down to 5 are measure. We know how much they cost, like in the united housing, computers, continues education, etc. We have companies in various stages, everyone in plus, but in various stages. We measure number of sales, profitability pr. group, and profitability pr. customer. Sales campaigns don't give us dramatically returns, sales manager spend a week calling some companies, maybe 100 companies, and we get maybe one or two sales from this. This is Iceland, there are only 300 000 people here, and what around 7000 registered companies, and our target market is maybe 2000 companies. If the sales people really wanted to, they could call them all. It is like in the ad with John Cleese for Kaupthing bank, why don't you just call them all (laughs). That is actually what we do. What we need to make sure of is that there is somebody responsible for each of our customers. We try to make sure that there aren't three sales managers contacting Eimskip in the same week. This is quite tricky, but the CRM system helps and as well our weekly meetings

31. Yes, I would think we do this, but we wouldn't do this systematically like this. We try always to have measurable goals. But trying to measure our marketing is kind of hard because even though we but an ad in the newspaper, nobody contacts us. It isn't until when you need the service or our sales persons contact you. Trying to measure it down to a product, it is kind of hard. So, if we use 50

millions and we feel we are doing fine, we don't look at it more closely. We are very close to the market and I can go to the mbl.is or vb.is and to the search engine and look us up and look our competitions up. (the telephones ring, and he spends some time on the phone), I can measure topics, and how many articles there are, it isn't more than 4 and 5 media and we used to get from Capacent a record of everything mentioning us in newspapers and in radio and Tv. I keep a record of everything like this and compare it between years. But hardcore measurements of our marketing communications are very difficult.

Ögrandi: it is the total service we need to offer. It will be a challenge for us to offer that service because there need to be one number and one person that need to be in charge.

It is very interesting to say, that we didn't adopt CRM system until we started selling it.

We can still grow on this market because we have so many products. But big part of IT is hidden within the companies, and with the government. They have huge computer departments and there we see an opportunity. Of IT companies, we have 0-20 percent of the market share, but if we took the whole market, and the computer departments within the companies, we have even less market share. We just recently started focusing on growing and increasing our market share.

General questions

1. 4 years.
2. I have drivers licence and 6 months in college. I work as a journalist for 10 years, worked be up from the bottom, first at the Alþýðublaðið and was editor there when I was 22 –23 years old and then to the Helgarpóstinn where I was editor for 2 years. Then I went to Tölvuheimur, which was a computer magazine published every month for almost 10 years time. I did TV shows, radio shows on Channel 2 and Bylgjan until 1999. Then I went to Opin kerfi, was there for a year or year and a half. I went abroad and worked for British and America investors in South East Asia and in central Europe, like Czech republic. Then I came home and started working in Teymi, but basically I have been working here for 4 years. I have worked 10 years in Knowledge companies, all the time in marketing but always close to sales. Of this 19 years of working experience I have been director for 16 or 17 years.
3. 205 employees
- 4.2, 7 milliard ISK. In 2006
5. Teymi owns it, they also own Vodaphone

1. We immediately have a problem because this is a company in unitary process (sameiningarferli). Sumarferðir, that were established from a dissertation in Reykjavik University, bought Ferðaskrifstofu Íslands (Iceland's travel agency) or large part of that company, some part were split from that company, and is now separate company, called Iceland Travel. But Úrval Útsýn and Plúsferðir were bought and merged to Sumarferðir and the company that owns all this is called Ferðaskrifstofa Íslands (Iceland's travel agency). The goal now is to carry on through these changes, at least defend and preferably increase both the market share and specially profitability because we have quite a large market share. The sub objective is to make sure that companies with in Ferðaskrifstofa Íslands separate and strong but also arrange the business.

Q. Are the all the companies independent business units? Because this is a PhD project I'm going to say no, but I could say yes. No this is more like separate brands rather than companies. They are independent in that way that they are special profit centres and the book keeping looks separately at each company. But the key decisions are made central, like marketing decision, product development, HR decisions etc.

2. (Long silence). This is unpleasant question because there we have very different culture in all these companies. There are traditions that have been since this company was owned by Loftleiðir (Loftleiðir merged into Flugleiðir in 1972) and until 2 years ago it belonged to the Iceland air corporation. That culture is like, many women on the floor, and then there are men that govern them women. They take care of the organisational chart, and play golf a lot, and the structure is very much top-down like in hospitals and like that. Traditionally we have this strong hierarchy management. Here in the corner we had the managing director and he didn't know anybody's name and then he disappears for a long period of time during the day and then he just give orders to everybody. It takes time for people to acknowledge that they have more elbowroom for initiative. We have changed the managerial model now, but at the moment there is a lot of confusion and insecurity, mainly because their old enemy nr 1 has taken the company over. Sumarferdir used to be the old Samvinnuferdir which used to be our main competitor. Many of the people here have almost had it as a profession to speak badly about that company and old traditions die hard. I came here a couple months after they took over the company, and I even expected it to be worse than it really is. The people are fine but they are always searching for authority. Lot of these women are specials, know something that nobody else knows, like that it is very difficult to buy petrol in Cuba or something like that. The" know who" is high but initiative was kept down. Everyone thought that they would be fired, but instead there weren't any major changes, which made people more comfortable. However, this business is changing fast, and some people have worked here for a long time. Now the, travel season have changed, and the product have changed as well. The internet has changed this business, now the decision where to do, and the research is done through the internet but before people went to a travel agency and spend a couple of hours searching and deciding where to go.

When you decrease the influence of the sales people you can control them better. Sometimes sales people direct the customer to the direction they want them to go. If you just see information about one place, you tend to buy it, independent from price, quality and everything else. Therefore, the sales people could direct people in the way they wanted themselves. We went “sightseeing” to Tenerife which was a place that we were unable to sell here with Urval Utsyn but was the most popular place with Sumarferdir. The reason is that still with Urval Utsyn, sales people here in house sell 50 percent of all sales, and they had never been there, and didn’t think it was interesting place so their clients only went to Canary Islands. This is what surprised me so much, they can control this much more than I thought. We went there with the sales people and the place started selling the next day.

This is what changes with the internet, and then people will make their own choose. When the last sales person quits here then this will be centralised. However, we are not going to fire anybody and people will still be able to come here and book their trip as long as there is demand for it, maybe it will be 5 more years and then we will only have people answering the telephone. The people that want this kind of service are older people, 50+, and foreigners, immigrants, The reason for immigrants it that they might not have access to computer. The youngest age group comes as well and just “hangs” here. They want information and then they just want to hang and fight over every 100 ISK (less than 1pound). They come here to discuss with somebody what they can get for the money they got.

5. Normally it is mean and then it the managing director. We also have a group of people that meets once a week. Included in that group sales manager, production manager, service manager and Bogga in the next office, but she is an operations genius, which is quite hard to define. If she wouldn’t be here, then we would have airplanes but no passengers, passengers but no airplanes. It would be like that if I would be responsible for that. There is a classical division, in my job most of my time is allocated to handwork but not as much as I wanted is allocated to research. This is a kind of old school. Because I used to work in an advertising agency, I now do things that I teased my clients for doing. It is really hard to find time to focus on the big picture; you are more working on day to day business.
6. Yes we were doing this the other day, me and the managing director (Thorsteinn) agree with the method we use. We use amount per head, and then you get the figure. It took five minutes last time, you suggested an amount and I said ok. I would have like to see a little bit higher amount. I asked him: Is it with VAT and he said yes, then I said... Hmmm it is too low. Well, he said: this is all you get. I said ok, then it has to be like it. The main thing is not to overspend in January and February when our brochures are printed and sent out.
10. We use advertising agency, but we don’t have a contract with a PR agency. I worked with Gunnar Steinn in the good old days, with an office in Brautarholti, with a massage parlour between our offices. I think it is mostly because of our size, we aren’t that big and the marketing budget isn’t that high, so we can have an office doing this. If we need to write a press release then I write it, and I contact the newspapers etc. If I don’t do it, then Thorsteinn does it. It isn’t necessary good but it is better than bad PR service, which is horrible. I think it

is even worse than bad advertising agency, no, it is not correct. I haven't seen horrible advertising agency yet. We should have a PR agency, so instead of me put of doing some work on it for 2-3 days, I could just contact my agency and they could do it. However, nobody has the inside knowledge to do so and this stage.

Our advertising agency designs all our material for us, everything except the internet stuff, we do it ourselves. The reason is because Islenska auglysingastofan (Icelandic advertising agency) has never been good in web designs and I think we are moving this part to another one, which is more capable to do it.

11. We have used newspapers a lot. It is because of very practical reasons, we are always lacking animations. The development is though from page 3 and the large brochures in the Morgunbladid to TV and internet. I think this is presumable future. I think it is unavoidable changes, because we will not see these seasonal changes like we were used to see. We used to sell most the day when the brochure came out. Urval Utsyn brochure is big and fancy this year. However it is not distributed to every house like it used to be, and we aren't printing it in the same quantities like before. Sumarferdir and Plusferdir will only use their small brochures use cheaper paper and will only be 8-12 pages but it will be distributed with the Frettabladid.

It used to be like this, that when the brochures came out, we opened for sale so people were buying to secure a place in the sun. However, when you are selling like this your demand is a little bit more than you can sell. The model is like that then not as many people can go abroad like want to. Now, on the other hand, there is redundancy and it will be like that in the future.

12. Yes, as we can do. The more we can integrate and connect things together, the better.
13. I think it is changing now. See question number 11.
14. We have a new booking system, and that costs a lot. Internet advertising costs is very low but you could interpretive that the booking system cost could be within this part. This is how it looks like. (See paper).
15. I think the focus will be clearer, advertising over the whole year and PR will take 100 percent. The PR part of this is going to be more important, because people are making their decision near to departure. This business has always been PR oriented. We are not doing very well now, but we will increase the importance and emphasis on that.
16. In other than schedule flights where people are going to London, Copenhagen and just need to get about, in the charter flight market, we have 65 per cent market share, and we can't get any bigger, we just now have to enlarge the cake, we can't get a bigger share of it. The travel season is always lengthening. But in the future we are going to be in bigger competition with the airlines. That isn't necessary bad, the cake will be bigger, I don't know.

17. Yes yes... I know it...undoubtedly (smiles). (I ask him why he smiles). Just because of all this definitions. Isn't this a little bit old term, isn't it a little bit 2000.

18. I can see clearly that the first one is older than the other. I think yes. We have restricted budget and wispy product if we can say so. We of course need to integrate all our operations so we are all doing the same thing. For me it is like a common sense.

A tell you a little story. Within our company we have a 2 small companies established around hiking and biking travel etc. These trips were not thought that the women couldn't sell or arrange so they got some men (paid much higher salary than the women) to govern this project. What has happened is these little companies do just their own things, even though they are just here in the house and today there are two ads in the Morgunbladid from them, without my knowledge and in no harmony with anything what we are doing in the company. If you are meaning IMC like this, then I want everything to be integrated.

28. We use two things, sales and we see it very quick if the adverts are working, the reaction is very quick. If I put an advert about Majorca in the Morgunbladid I can see the reaction the next day. Then we use Top of mind measurement, we have this telephone survey done for us once a month or every 6 weeks, something like that. We get report of people's top of mind. The questions they asked, what is the first thing that comes to mind when...? These questions I know are very superficial.

Q.Do you use this data when you are planning for the next season or the next year? Yes, of course this data comes in handy. However, I am like a typical French man when asked about surveys, I think they are just about what we have agreed upon to be the truth and nothing else. If I say that this company have been sag in people's minds, and if everybody here inside this company say, no it isn't true then I have surveys from a couple of years ago and can tell them to look at this surveys, and as well at the sales figures. I have as well market share figures since I don't know when. I show them all this figures and tell them to believe me now.

Q. If I book a trip from you through the internet, will you get any information about me? We get very little information, your name and your ID number. We get as well your home address and age, basic demographic information.

25. We use this information a little bit and we are going to use it more. You can tick a box when you book your trip if you want to get information from us. As well we do basic analysis of destinations, the age of people booking. As well, we are going to develop a loyalty scheme for our customers but we haven't done it yet.

26. Yes, we will.

29. We are in stage 1, thinking maybe about step 2. We are trying to integrate our marketing communications; I am doing to retire when we will be able to reach stage 4, because it will be so boring! We are going through this system, on local basis. We are moving our adverts to one ad agency, where we have one contact person. I hope that next year we will build our decision on behavioural data, rather than saying: we did ok last year. However, our package are quite big, I can have one jet a week or none or even 2. However, 2 jets per week means 100 percent more than 1, and 250 seats.

30. Useful: yes I would say so..

I think it is more important now than before. There is more clutter in the market and more media and more companies; as well the market area is getting bigger. As well there is less personal sale or communications. This all increase the need for marketing communications.

Development in the future? I think travel agencies are in one of the sectors that have developed the most tje new way of communications, the internet and that type of communications suit us very well. This will be a two layers world on one hand people that brood around the world. Google changed this business, hopefully nobody notice is though but this take the mystery out of the process. After 5 minutes, I can't no longer lie to you that you will have a towel next too the swimming pool, you can just check it out yourself. And then I loose power over the product and how I communicate to you will be very important, because you can just go all around the world, anywhere you want to go, but I have to control it.

There are two things that we can do. We know how to moving people faster and cheaper to certain places abroad and if you don't want to argue why you did get the smallest room in the hotel "kútaskápur" and then we need to negotiate with this "fucking criminals" so our customers don't pay as much. If you own a lot of money or you to go on "backpack trip" then I can't do much for you. This is certain way of travelling where you have convenience and security. The product is in its nature quite solid, but how you communicate there is easy to screw up.

(He starts telling me how they negotiate with the hotels they do business with. And tells me that you wouldn't matter to them if they had contract with 100 hotels or 10. What controlled it in the past was if they had pictures of all the hotels and if they would all fit on the page in the brochure.)

General questions

Unnið 7 months (worked for Sumarferðir for a long time)

Menntun. I have degree in philosophy. I didn't finish my PhD.. only 2 chapter

Employers, I don't know, they always say 70, say just 70.

Velta 2006, tæpir 5 milljarðar, yes, had increase since the year before.

Company, 4 establishers of Sumarferðir, and "old Nóatún"

Interview 20

1. It is to grow fast in the near future, we recently moved to larger house, which increases our processing power. We are going into new markets now every year. We got The President of Iceland's for Export Achievement and our goal is to international brand within 10-15 years. And that is what we are going to do. We are now going into Holland, Belgium, Germany, Iran, Saudi Arabia, South Korea; these are the places we are starting to move into. We have been working on this for a long time.

We try to find distributors, we are not open offices ourselves, we can't do that. And this has worked very well for us, to make people that now their markets market our product because they are all very different.

2. We moved into new house two years ago and it actually getting to small for us now, already making plans how to build a extension. We aren't all here though, because we have liver rendering in Þorlákshöfn and we also have fish head drying. Then we were buying a company, which makes a pet food from fish or fish leftovers, like bones and that kind of things. One of our goals is to make use of everything that comes from the fish.

Most of all are coming from the little and sweet company that was here 5 years ago. When Katrín buys the company 5 years ago then the company turnover was 370 millions ISK but now we are reaching 2 milliard ISK. We are still that small that we almost can talk between us. But as we are growing we need to think more about internal marketing. We have staff around 100, now so we need to start thinking about this.

3. see question 2

4. Yes, the ones that are here in the house know what is going on and have their own opinions but in the end I am responsible

5. We divide this into internal market, which is still very important to us, even though it is just 10-15 percent of our turnover. And that is me, that is responsible for this market. Then we have three that work with marketing comprehensive. In the internal market we are advertising, and quite close to the market itself but abroad we work with others, we go through partners that are then responsible for the marketing. We have a great product and good price but we don't take part in the marketing of the products. We though have done so, in markets were we have served for a long time, like Finland and Poland. There have been so many changes in Poland that we have had to help our partner there, like pay for adverts there etc and we have also give counsel to these partners how to market our product.

6. I'm responsible for the sales and marketing budget as well and I use as well adverting agency and an media planning agency as well.

7. Yes and no, maybe as well on experience. The sales plan has been similar for quite a long time. This is quite an old company and there haven't been many deprivations on the market. We have though be able to increase the sales around 80 percent in the last three years. We try to base our plan against the last year and we did that as well when we started working for this company, 6 or 7 years ago. Then there weren't any money for anything and what we did was that we negotiated contract with all the main chain and stores and made sure we were visible on the store floor. This is what is working for us and has given us the most sales, to be visible in the stores, but we always advertise along with it. Now we use the percent of revenue.

11. We use advertising agency, we use sometimes, not often PR agency, we did it when we moved to introduce us to the new place and it was very effective. But then we have been so lucky that we are getting very positive word of mouth and news about Omega 3, which is our biggest sales product. There have been so many news about how good Omega3 is, and loads written about it. We haven't even had to send them to the media. This has helped a lot. As well people in Iceland are getting more health conscious. The sales skyrocket with every positive news about Omega3.

Advertising – yes we are using Tv advertising, product advertising mostly. Last year we made the fist advert for Lysi as a whole. We have used newspaper, and as well, and direct mail, send to every home in Iceland.

We haven't used radio at all. I also use promotions in presentation in the stores

Integrating: This all have to be connected together and if we are advertising, I often use promotions in stores as well.

Have you always used this: Yes I have to say that, the studies show that TV is the best medium for us, because we have so wide and extensive target market. We haven't used direct mail towards any special groups, we have just sent to every household but it would be interesting to do so, like sending some information to doctors or others in the health industry.

15. To keep up the good work. To be able to grow and if we are able to keep the comprehensive overview because we want to keep our specialities. We are flexible and there is a lot we can do compared to other companies in our line of business. We want to reach further, if I can say so.

16. Data: I always get sales figures from AC Nielsen (Gallup) every month. It is very good information you get there, you see what you are doing right and wrong. We are not doing anything else. We are even in the Diary surveys (Gallup) although we don't ask for it (or pay for it) There we also get some information.

17. Measurement: he laughs. We don't use any surveys there, and never check our adverts. But we can see what is happening. There can look at each week, so we see easily how we have been doing. And like I said before, if there come some Tv program then the sales go up, so there are many things that come into this picture.

18. Importance: Is marketing communications more important now than before? I am not sure about that. But it much more hassle know than before to reach the viewer or the target market, lots of new newspapers, Tv stations , radio stations etc. We also get hassled a lot from the media. That is most of the changes.
19. Is marketing communications useful? Yes of course. There weren't thinking about marketing the people that ran this company before it and us obviously because of our marketing that we are selling more.
20. Barriers? I think what can be barrier are the surveys, like the Diary ones, when they are published all the shows that were gone – they come to late. But Gallup is trying to change this now with electronic surveys.
21. Development? I think that we are going to see a lot of changes when the electronic surveys starts, because know media planning agencies are working with very old data, maybe 6monts or even one year old.. We have too many choices of media for 300.000.

IMC. I have heard about it, but I can't remember what it is.

B2B and B2C. Yes, I think so. You much have a different approach in b2b. Because we are in consumer marketing we have much wider audiences.

General questions

1. Worked for 7 years

2. No education, just expericene

2006, what? Couldn't remember

2007 yfir tvo milljarða

It is privately owned company. (Einkaeiga)

Appendix 4 - Cover Letter with the survey

Dear Managing Director, Marketing Manager (in the email, their full name was used)

My name is Guðríður Ármannsdóttir and I'm conducting a research on marketing and marketing communications within Icelandic SMEs. The research and this questionnaire is a part of my doctoral degree. The questionnaire has four parts, the first part includes questions about marketing, the second part about marketing communications, the third part about organisational culture and the final part includes some general questions.

Marketing communications can be defined as communications with target audiences or markets via media with the intention of stimulating or making sales. The majority of research about marketing communications has been undertaken in large companies and in agencies that service their needs, very few studies have focused on businesses within one nation. It's my hope that this research will give indication about how SMEs in Iceland conduct their marketing communications as well as given some guidance how they can improve their communications with their customers.

The findings from this survey will only be used for academic purposes. Therefore company's names and respondent's identities will remain confidential. It will take around 25 minutes to answer the survey.

I would be really grateful if you would be able to give your time to answer this survey. I will give you a copy of the main findings as a reward. If it is anything you don't understand please don't hesitate to email me to: g.armannsdottir@2005.hull.ac.uk.

Here is the link to the survey:

http://www.surveymonkey.com/s.aspx?sm=io8o4ViZSFwu1dnHUplNvw_3d_3d

Regards,

Guðríður Ármannsdóttir

Email: g.armannsdottir@2005.hull.ac.uk

Tel: +44 (0)787 110 9342

Appendix 5 -The Questionnaire

1. The role of marketing within the company

Thanks again for participate in this study.Hopefully the results from this study will be beneficial for your company. If you have any problems, please email me :g.armannsdottir@2005.hull.ac.uk

1. Please indicate the extent to which you agree with each of the following statements regarding the role of the marketing within the company:

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	N/A
A.We have guaranteed business in a relatively stable market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B.We are trying to survive against the competition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. We operate in a market where it is relatively easy for new competitors to emerge	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D.Our customers have a limited choice of suppliers and rely on our ability to supply their needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E.Marketing is of little use to this company because we have guaranteed business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
F.We are doing fine without marketing and it is not expected to be of much use in the future	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
G.The achievement of marketing goals involves everybody in the organisation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
H.Marketing is important for expansion and growth of the company	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

2. Please indicate the extent to which you agree with each of the following statements regarding the planning for marketing activities in your company.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	N/A
A. In our company the marketing planning process is 'ad hoc' and not very systematic	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. Our marketing plan tailors most marketing initiatives and activities to specific target groups	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C.Financial/budgetary constraints affect our company marketing planning activities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D.Our planning process is able to accommodate unexpected opportunities and threats	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

2. Marketing Communications Activities

3. Please indicate how much in percentages you will allocate to each promotional tool this year (2008).

An example could be:

Newspaper advertising 10%

TV advertising 30

Direct Marketing 20%

Sponsorship 20%

Personal Selling 20%

Please remember that the total is 100%

Newspaper Advertising	<input type="text"/>
Magazine Advertising	<input type="text"/>
Radio Advertising	<input type="text"/>
TV Advertising	<input type="text"/>
Cinema	<input type="text"/>
Internet Advertising	<input type="text"/>
Another material on the Web	<input type="text"/>
Outdoor advertising	<input type="text"/>
Leaflets/promotional literature	<input type="text"/>
Public relations	<input type="text"/>
Events and festivals	<input type="text"/>
Direct Marketing	<input type="text"/>
Trade shows and Exhibitions	<input type="text"/>
Sponsorship	<input type="text"/>
Sales Promotion	<input type="text"/>
Personal Selling	<input type="text"/>

4. Please indicate if your company was investing less/more or the same on those promotion tools five years ago - in 2003.

	Less	Similar	More	N/A
Newspaper Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Magazine Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Radio Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
TV Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cinema	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internet Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Another material on the Web	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Outdoor advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Leaflets/promotional literature	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Public relations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Events and festivals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Direct Marketing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Trade shows and Exhibitions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sponsorship	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sales Promotion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personal Selling	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

If you didn't work in your current company five years ago, please tick x in this box

5. Please forecast if your company is likely to invest more, less or same on those promotional tools five years from now - in 2013:

	Less	Similar	More	N/A
Newspaper Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Magazine Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Radio Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
TV Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cinema	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internet Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Another material on the Web	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Outdoor advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Leaflets/promotional literature	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Public relations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Events and festivals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Direct Marketing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Trade shows and Exhibitions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sponsorship	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sales Promotion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personal Selling	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6. Please rate the importance of the following communication tools in your marketing communications campaigns:

	Unimportant	Limited Importance	Quite Important	Important	Essential	N/A
Newspaper Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Magazine Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Radio Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
TV Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cinema	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internet Advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Another material on the Web	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Outdoor advertising	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Leaflets/promotional literature	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Public relations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Events and festivals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Direct Marketing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Trade shows and Exhibitions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sponsorship	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sales Promotion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personal Selling	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

7. Please indicate the extent to which you agree with each of the following statements regarding information gathering:

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	N/A
A. Gathering information about our customers is important for our marketing communication activities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. Customer Relationship Management (CRM) systems are significant for our company to use information about our customers.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. Buying 'external' surveys about how our customers perceive our services or products is essential for our business.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. Financial constraints mean that no surveys are bought about how our customers perceive our product or service.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E. We know our customers and we do not have to gather information about them.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
F. Because of time constraints we are unable to gather as much information about our customers as we would like	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

8. Please indicate the extent to which you agree with each of the following statements regarding your measurement of your marketing communications activities:

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	N/A
A. Evaluating performance is an essential part of our marketing planning process.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. Financial constraints mean that little or no evaluation of marketing communications occurs.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. We regularly monitor and evaluate certain performance indicators.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. We need to be more rigorous in evaluating our marketing communications activities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E. Collecting evaluative data is essential for this company.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
F. Time constraints mean that little or no evaluation of marketing communications occurs.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
G. We are so close to our market that we get feedback from our marketing communications activities easily.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
H. Our company can easily get feedback from the marketing communications activities from the sales force.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I. We have been in this business for a long time and we have a quite a good feeling what is working and what is not.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

9. Please indicate the extent to which you agree with each of the following statements regarding your marketing communications activities:

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	N/A
A. Our company's advertising, PR, direct marketing and sales promotions all present the same clear consistent message to our target audience(s).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. Our company incorporates data sources into communication planning.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. Our company monitors marketing communications performance from a Return on Investment perspective (ROI).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. The idea of presenting "one voice" and "one brand personality" in all our marketing communications activities will increase in importance in the future.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E. We need to outsource some marketing communications activities, like advertising design and media planning to specialists.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
F. We do not have as much time as we would like for marketing and marketing communications activities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
G. We do not have enough specialists within this firm - hence we need to outsource	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
H. Staff in our company tend to be generalists across all areas of marketing communications, e.g advertising, promotion, public relation, direct marketing.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I. We do not have enough financial resources to undertake the marketing communications activities we would like.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
J. We monitor what is happening in other countries and markets, and use this information to adjust our marketing communication activities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
K. A significant proportion of our marketing activities concern international	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

markets and
opportunities.

L. We consider marketing
communication to be
statically important for our
company.



3. organizational Culture

10. Please rate each of the statements by dividing 100 points between A,B,C and D depending upon how similar the description is to your organization (100 is very similar and 0 is not at all similar to this firm) The total points for each row (A,B,C,D) must equal 100. Rate for how you feel the firm is (NOW) and how you think it should be (PREFERRED). You may only use FOUR NUMBERS THAT TOTAL 100 IN EACH ROW.

	Row 1: Now	Row 2: Preferred
A.The organization is a very personal place. It is like an extended family. People seem to share a lot of themselves.	<input type="text"/>	<input type="text"/>
B.The organization is very dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.	<input type="text"/>	<input type="text"/>
C.The organization is very results orientated. A major concern is getting on with the job. People are very competitive and achievement orientated.	<input type="text"/>	<input type="text"/>
D.The organization is a very controlled and structured place. Formal procedures generally govern what people do.	<input type="text"/>	<input type="text"/>

11. Please rate each of the statements by dividing 100 points between A,B,C and D depending upon how similar the description is to your organization (100 is very similar and 0 is not at all similar to this firm) The total points for each row (A,B,C,D) must equal 100. Rate for how you feel the firm is (NOW) and how you think it should be (PREFERRED). You may only use FOUR NUMBERS THAT TOTAL 100 IN EACH ROW.

	Row 1: Now	Row 2: Preferred
A.The leadership of the organization are generally considered to exemplify mentoring, facilitating or nurturing.	<input type="text"/>	<input type="text"/>
B.The leadership of the organization are generally considered to exemplify entrepreneurship, innovation or risk taking.	<input type="text"/>	<input type="text"/>
C.The leadership of the organization are generally considered to exemplify a no-nonsense, aggressive, results-orientated focus.	<input type="text"/>	<input type="text"/>
D.The leadership of the organization are generally considered to exemplify coordinating, organizing, or smooth running efficiency.	<input type="text"/>	<input type="text"/>

12. Please rate each of the statements by dividing 100 points between A,B,C and D depending upon how similar the description is to your organization (100 is very similar and 0 is not at all similar to this firm) The total points for each row (A,B,C,D) must equal 100. Rate for how you feel the firm is (NOW) and how you think it should be (PREFERRED). You may only use FOUR NUMBERS THAT TOTAL 100 IN EACH ROW.

	Row 1 :Now	Row 2: Preferred
A.The management style in the organization is characterized by teamwork, consensus and participation.	<input type="text"/>	<input type="text"/>
B.The management style in the organization is characterized by individual risk-taking,innovation, freedom and uniqueness.	<input type="text"/>	<input type="text"/>
C.The management style in the organization is characterized by hard-driving competitiveness, high demands and achievement.	<input type="text"/>	<input type="text"/>
D.The management style in the organization is characterized by security of employment, conformity ,predictability and stability in relationships.	<input type="text"/>	<input type="text"/>

13. Please rate each of the statements by dividing 100 points between A,B,C and D depending upon how similar the description is to your organization (100 is very similar and 0 is not at all similar to this firm) The total points for each row (A,B,C,D) must equal 100. Rate for how you feel the firm is (NOW) and how you think it should be (PREFERRED). You may only use FOUR NUMBERS THAT TOTAL 100 IN EACH ROW.

	Row 1: Now	Row 2 : Preferred
A.The glue that holds the organization together is loyalty and mutual trust. Commitment to the organization runs high.	<input type="text"/>	<input type="text"/>
B.The glue that holds the organization together is commitment to innovation and development. There is an emphasis on being on the cutting edge.	<input type="text"/>	<input type="text"/>
C.The glue that holds the organization together is the emphasis on achievement and goal accomplishment. Aggressiveness and winning are common themes.	<input type="text"/>	<input type="text"/>
D.The glue that holds the organization together is formal rules and policies. Maintaining a smooth-running organization is important.	<input type="text"/>	<input type="text"/>

14. Please rate each of the statements by dividing 100 points between A,B,C and D depending upon how similar the description is to your organization (100 is very similar and 0 is not at all similar to this firm) The total points for each row (A,B,C,D) must equal 100. Rate for how you feel the firm is (NOW) and how you think it should be (PREFERRED). You may only use FOUR NUMBERS THAT TOTAL 100 IN EACH ROW.

	Row 1: Now	Row 2: Preferred
A.The organization emphasizes human development. High trust, openness and participation persist.	<input type="text"/>	<input type="text"/>
B.The organization emphasizes acquiring new resources and creating new challenges. Trying new things and prospecting for opportunities are valued.	<input type="text"/>	<input type="text"/>
C.The organization emphasizes competitive actions and achievement. Hitting high targets and winning in the marketplace are dominant.	<input type="text"/>	<input type="text"/>
D.The organization emphasizes permanence and stability. Efficiency, control and smooth operations are important.	<input type="text"/>	<input type="text"/>

15. Please rate each of the statements by dividing 100 points between A,B,C and D depending upon how similar the description is to your organization (100 is very similar and 0 is not at all similar to this firm) The total points for each row (A,B,C,D) must equal 100. Rate for how you feel the firm is (NOW) and how you think it should be (PREFERRED). You may only use FOUR NUMBERS THAT TOTAL 100 IN EACH ROW.

	Row 1:Now	Row 2:Preferred
A.The organization defines success on basis of the development of human resources, teamwork, employee commitment and concern for people.	<input type="text"/>	<input type="text"/>
B.The organization defines success on the basis of having the most unique or the newest products. It is a product leader and innovator.	<input type="text"/>	<input type="text"/>
C.The organization defines success on the basis of winning in the marketplace and outpacing the competition. Competitive market leadership is the key	<input type="text"/>	<input type="text"/>
D.The organization defines success on the basis of efficiency. Dependable delivery, smooth scheduling and low cost production are critical.	<input type="text"/>	<input type="text"/>

4. General Questions

16. Please specify the industry sector of this business:

- Manufacturing
- Hotel/B&B
- Insurance
- Wholesale
- Retailer
- Telecommunications Service
- Tourist Industry and Conferences
- Banks/Invest Companies
- IT Companies
- Fishing Industry
- Agriculture
- Safety Services
- Car Dealers/Tire Services
- Dry Cleaners/Laundrette
- Bakery
- Janitorial Services/Pest Control
- Restaurants/Food Services
- Engineering/Technical consultation
- Schools
- Airlines
- Radio/TV stations/Newspapers
- Lawyers
- Publications
- Printery
- Accountancy
- Lottery

Other (please specify)

17. What is your position in the company?

18. How many employees work in this company?

19. What kind of educational background do you have?

- College education
- Technical skills education
- BS/BA degree
- Master degree
- PhD
- None

Other (please specify)

20. Who is responsible for marketing within this company?

21. Does your company have a marketing department?

- Yes No

22. Does your company have a formal business plan, which details its future planned activities?

- Yes No

23. Does your company have a formal marketing plan?

- Yes No

24. What was the actual turnover of the company last year (2007)?

- 50 ISL millions or less (£342.000)
- 51 -100 ISL million
- 101-200 ISL million
- 201-300 ISL million
- 301-400 ISL million
- 401-500 ISL million
- 501-600 ISL million
- 601-700 ISL million
- 701-800 ISL million
- 801-900 ISL million
- 900-1 milliard ISL
- 2-5 milliard ISL
- 5-10 milliard ISL
- 11 milliard ISL or more (11 milliard =£75.000.000)

25. What is the expected turnover for 2008?

- 50 ISL millions or less (£342.861)
- 51 -100 ISL million
- 101-200 ISL million
- 201-300 ISL million
- 301-400 ISL million
- 401-500 ISL million
- 501-600 ISL million
- 601-700 ISL million
- 701-800 ISL million
- 801-900 ISL million
- 900-1 milliard ISL
- 2-5 milliard ISL
- 5-10 milliard ISL
- 11 milliard ISL or more (11 milliard =£75.430.295)

26. What is the marketing communications budget for 2008?

- I don't have one
- 5 million or less (£34.286 or less)
- 6-10 ISL millions
- 11-20 ISL millions
- 21- 30 ISL millions
- 31-50 ISL millions
- 51 -70ISL millions
- 71-100 ISL millions
- 101 ISL millions or more (£685.729 or more)

27. What approach does the company base the marketing communication budget on?

- Per cent of revenue
- What is affordable
- Objective and task method
- The same as we used last year

Other (please specify)

28. Do you use any marketing communications agencies?

- Advertising Agency
- PR Agency
- Direct Marketing Agency
- Media Planning Agency
- No, I don't use any

Other (please specify)

29. Do you export some of your products/services abroad?

- Yes (answer next question 30)
- No (answer next question 31)

30. To which countries are you exporting your products/services? Please name:

31. Are you planning to start exporting your products/services abroad?

- Yes (answer next question 32)
- No (answer next question 33)

32. To which country or countries are you planning to export your products/services?

33. Is your business targeted towards businesses or consumers?

- Businesses
- Consumers
- Both

34. Thank you for participate in the in this study. Is there anything you want add to your answers?

35. If you are interested to receive a results from this study, leave your name and address here.