Towards Quality in Marketing : A Small Firm Context.

by

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I hereby certify that this material, which I now submit for assessment on the programme of study leading to the award of M.B.S. is entirely my own work and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my work.

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It is generally accepted that the small firm sector is vital to the well being, both social and economic, of most countries. Fostering and developing indigenous small firms has been a consistent industrial policy goal of successive Irish governments. For many years, informed commentators have stressed the need for strategic market planning and customer orientation if a company is to survive in a vigorously competitive market place. However, specific studies on the Irish small firm sector have identified a significant lack of marketing expertise and a worrying complacency among these companies with regard to marketing practice. This poses a substantial threat to the success of Irish industry in world markets.

The aim of this research study is to establish identifiable elements of marketing quality which would help to inform and encourage small Irish manufacturing companies to achieve marketing excellence. The specific objective of the research is to establish quality criteria for the marketing function and to provide a framework which supports the design, operation, control and evaluation of marketing activities in small companies.

A modified Delphi approach was utilised to elicit the opinions and judgements of a selected expert panel to questions of marketing quality. Twenty three semi-structured personal interviews with key top level administrators, managers and academics were undertaken.

Elements of marketing practice vital for marketing excellence in small firms were identified and specifications for their implementation detailed. These form the basis for the proposed Marketing Quality Standard (MQS) framework. Recommendations centre on the need for further practical research to develop and refine the proposed MQS.

INTRODUCTION

The importance of the small firm sector to the economic and social development of an economy is undisputed. In Ireland, successive governments have accepted this contention and directed industrial policy towards the development of small scale indigenous industry. Marketing has been identified as a significant factor contributing to the continued growth of small firms. It has been proposed that companies, whether large or small, must adopt a market and customer orientation if they are to survive and prosper in the vigorously competitive marketplace of the 1990s. For this reason, increasing attention has focused on developing the marketing expertise of small firms. This study contributes to the development of marketing excellence among smaller firms. The specific objective of the research is to develop criteria for quality in the marketing function and to provide a framework which supports the design, operation, control and evaluation of marketing activities in small enterprises. This, of necessity, requires that the real and unique marketing needs and requirements of small manufacturing Irish companies are identified so that a realistic and feasible framework for marketing quality can be developed.

The thesis first examines the role of small firms in the Irish economy and critically evaluates those aspects of industrial policy directed towards their development. The second section considers the importance of marketing to the growth and success of smaller enterprises and details the unique requirements and limited capabilities of small firms which impinge upon their marketing practice. The degree of marketing expertise currently exhibited by small Irish companies is reviewed so as to establish the specific problems and constraints associated with marketing in small Irish enterprises. A working definition of marketing has been developed after due consideration of the unique characteristics of small Irish firms and an analysis of their common marketing problems.

Having established the importance of the small firm sector to the development of the Irish economy and the importance of marketing to the well being of the small firm sector, the study considers the role of quality in the marketing function. Key issues and considerations relevant in applying quality improvement processes to the marketing function are highlighted and current quality awards and standards are reviewed to determine their impact on marketing quality.

Based on the knowledge developed from this review of relevant literature, the primary research instrument and methodology is constructed. The primary research focuses on identifying solutions to the marketing deficiencies of smaller firms as identified in the literature. The research concentrates on developing a consensual framework for quality marketing practice through identifying the marketing elements which are required for successful, effective and efficient marketing performance in smaller Irish firms, and criteria for their implementation. It, therefore, provides a logical first step in marketing quality standard development which can be refined by further research. The Delphi technique is the chosen methodology due to its emphasis on achieving consensus among a group of disparate experts. The traditional Delphi approach has been modified slightly to account for the time and cost constraints associated with this study.

The outcome of this research represents the first phase of a framework for marketing quality applicable to small to medium sized enterprises. This framework, called the Marketing Quality Standard (MQS), has been developed through a process of iterative consultation with future final users of the framework, marketing academics and marketing practitioners.

CHAPTER 1

SMALL FIRMS IN IRELAND
- A REVIEW

1.1   Introduction

It is generally accepted that small firms are important to the well-being of most economies.[1] In Ireland, industrial policy has been, and continues to be directed towards fostering and promoting growth in this sector. The role of small firms in any economy is a varied but important one, as is the strategic role of marketing in the small firm. This chapter focuses on the significance of smaller firms to the prosperity, both economic and social, of the Irish economy. It also discusses and evaluates the role of government and industrial policy in ensuring the continued development of this sector.

1.2   What is a Small Firm?

In practice, economists and legislators alike are obliged to make arbitrary statistical definitions when investigating and researching the smaller firm.   There is no one denominator of scale that is wholly satisfactory. In comparisons of the size and structure of industry over time and across countries, employment is by far the most commonly used classification and is often the only one for which data are generally available.[2]   In the U.K., the Bolton Committee (1971) defined a small firm in manufacturing as one with less than 200 employees.[3] In the U.S., the Small Business act (1953) states that "...*a small business shall be deemed to be one which is independently owned and operated and which is not dominant in its field of operation.*"[4] In many cases, a distinction is made between small and medium sized enterprises where small manufacturing enterprises are those with 50 employees or less and medium with 51-300 employees.[5] In Ireland, the Industrial Development Authority (IDA) classifies firms according to number of employees in the following manner; Small - less than 50 employees, Small to Medium - 50-199 employees, Medium to Large - 200-499 employees and Large 500 employees and over.[6]   But many

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commentators including Sweeney (1981),[7] Bannock (1981),[8] Scase and Goffee (1987),[9] Joint Committee on Small Business (1984),[10] and Co-Operation North (1991)[11], believe that a small firm is characterised by more than just its number of employees or independence of ownership. Many sizeable firms, especially in the manufacturing sector, may have a small number of employees due to a high degree of mechanisation and many very large companies are still family owned and managed.

1.3   Characteristics of Small Firms

Sweeney (1981) characterises small firms as being:

- Independently owned and managed.

- In possession of a small share of the market that is theoretically available.

- Where not more than three people effectively make all the decisions worth making.

- Potentially capable of growing into a reasonably substantial enterprise.[12]

In this sense, a small firm is characterised not so much by its size or ownership, as by a "... *permutation of a wide set of characteristics* "[13] which include the personal traits of the founder and his employees, the type of business, the organisation of the firm, the market, locality and other environmental factors.

Bannock (1981), defines the essential characteristic of the small firm as being related to owner management "...*the people who run it are those*

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that bear the brunt of the risks of the enterprise". A small firm is one that has only a small share of its market, is managed in a personalised way by its owners or part owners and not through an elaborate management organisational structure and one which is not large enough to have "... *access to the capital market for the public issue or placing of securities."* [14]

1.3.1 Market Share

It would seem then that in terms of number of employees, small size is only one characteristic of the smaller firm. Market share, personal management, limited resources and personal risk are all associated with the unique nature of smaller companies. Market share is perhaps the most ambiguous of these. It is a characteristic of small firms that they cannot significantly influence their markets due to the number of competitors that they face. Small firms are"... *literally, at the mercy of market forces."*[15]

1.3.2 Personal Management

Personal management is also a feature of smaller companies. *"Small firms cannot afford an elaborate management structure and do not need one."*[16] While there may be some delegation to supervisors or external professional advisors, the owner manager will participate in all the major decisions concerning his business and will be fully aware of what is happening in each and every aspect of his company. Every decision is stamped with his personality, as is the way his company is run.[17]

1.3.3 Personal Risk/Limited Resources

In many cases, the owner/manager is the only source of additional

capital in a small company. "...*a degree of entrepreneurial potential is being stunted by the lack of available finance due mainly to the lack of security and the lack of a track record with financial institutions. The request by banks for personal guarantees places an additional pressure on the owners of small businesses.*"[18] It follows that a small firm's capital resources are "... *strictly limited.*"[19]

1.3.4 Work Role of Business Owner

Scase and Goffee (1987) further delineate the classification of small to medium sized companies by examining the work role of the business owner. Rather than focusing on the intrinsic qualities of small firms per se, they develop a classification which illustrates the broad spectrum which smaller companies occupy, ranging from the one man operation to the medium sized company. While the general characteristics, outlined above, are applicable to all small companies, they will be more pronounced in some. For example, market size, personal management and limited resources will be far more characteristic of the 'self employed' or 'small employer' categories than of the 'owner director' category of Scase and Goffee's classification:

> 1.   **Self-employed**: *who work for themselves and formally employ no labour. However, they are often dependent upon the unpaid services of other family members.*

> 2.   **Small Employers**: *who work alongside their workers but, in addition, undertake the administrative and managerial tasks of running their own business.*

> 3.   **Owner-controllers:** *who do not work alongside their employees but, instead are solely and singularly responsible for the administration and management of their business.*

4. **Owner-directors:** *who control enterprises with developed managerial hierarchies so that administrative tasks are subdivided and delegated to executive directors and other senior personnel.*[20]

It is envisaged that the results of this study would be particularly applicable to those companies in the 'small employer' and 'owner employer' categories.

1.4 Role of the Small Firm in the Economy

(i) *Employment.* Faster growing economies such as Japan and other Pacific Rim countries appear to have more buoyant small firm populations than slower growing economies.[21] It has been suggested that small firms help to promote economic growth as well as being favoured by it. "*Several studies in recent years have demonstrated the job generation potential of the more labour intensive small firm sector especially in the medium to long term* ".[22] An economic system dominated by relatively few large scale companies is extremely vulnerable to changing economic circumstances, as the present recession and the closure of such major employers as Digital here in Ireland have shown. Failure of one or more large corporations can have catastrophic effects on localities and regions and be a serious drain on both the local region and on the overall economic performance of the country as a whole. The failure of a small firm, or for that matter the starting up of a new one, has no measurable effect on the economy, "*... it is part of the seamless band of economic change.*"[23]

International studies carried out in recent years provide evidence that the small firm sector is a major, if not the major, source of employment. In Japan, firms employing fewer than 30, representing 38% of total employment, accounted for 58% of overall employment

growth. In the same period, employment in firms with over 500 employees increased by only 3% whereas the under 30 group grew by 21%.[24] In Britain, roughly 1/3 of the labour force is employed in small business and, in the U.S., 40% would be the conservative estimate.[25] Because small businesses tend to be labour intensive rather than capital intensive, most small firms rely heavily on the skills of their owners and employees rather than on expensive equipment. Thus, it is argued that small businesses create proportionally more jobs than their larger counterparts.[26]

However, it must be pointed out that it is unclear whether the employment performance of small firms stems from the fact that primarily they supply to local markets where competition is less fierce, or because, as the Bolton Committee suggested in 1971, demand for the type of 'one-off' products produced by small firms is highly income elastic.[27] If small firms tend to grow because of some sort of 'local protection', then the opportunities for expanding the small firm sector, and, therefore, expanding employment, may be limited.[28] It is also important to note that many small business owners wish to keep their businesses "small". This stems from owners' personal wishes to retain control over the activities of their companies, their unwillingness to delegate authority and often their lack of confidence in their own abilities as managers. In these situations, even when good market opportunities, finance and support is available, small business owners will choose not to expand.[29] This is another factor constraining the potential of small companies in employment creation.

Ingham (1970)[30] and The Bolton Report (1971)[31] propose that small firms provide a pleasant and more harmonious working environment than their larger counterparts. It is suggested that in a small firm there is a closer involvement with owner, fellow workers and customer, and

a higher responsibility for the task being performed, all of which contribute to increasing job satisfaction. It may be true that in an age of increasing education levels, a higher degree of involvement and more intellectually demanding tasks are needed to promote personal satisfaction and social well being. It may also be true to say that small firms, due to a lack of specialisation, provide opportunities for more varied and interesting work roles and that the absence of a structured organisation allows for more informal interaction and closer associations with peers and owner managers.[32]

However, supporting evidence for the claim of a positive relationship between the size of a firm and the level of job satisfaction is equivocal. Curran and Stanworth (1986) suggest that factors such as the age of the employee, his family life cycle position and industry characteristics are important in influencing perceived levels of job satisfaction.

> The "...size of a firm should not be treated as a simple or even a main determinant of job satisfaction unless it is carefully related to factors in other segments of the worker's life and factors peculiar to the industry in which the firm is located." [33]

(ii) *Rural Development.* A significant aspect of the smaller enterprise's contribution to national economic well being is that they operate within the framework of a local economy, bringing prosperity to the community. New firm foundation rates are greater in rural, small town areas where it is more difficult to attract the larger, more capital intensive overseas projects. Hence, a small firms policy can directly contribute to the process of local area development. A small firm greatly facilitates a smoother transition from a rural to industrial life style without unduly disrupting the stability of local communities and with less detrimental impact than multinational branch plants should it be forced to close.[34] Sweeney (1981) claims that they provide local communities with economic balance, vitality and diversity.[35] Small

firms present in rural areas preserve local skills and the local culture, in particular the technical culture, and counter that shift to major urban centres which has been a phenomenon of modern western society and which has such high social costs to both people and governments.[36]

(iii) *Innovation.* Small firms fulfil their role as the main source of job creation and productive economic growth by being the main source of innovation. Shapero (1980) suggests that

> "*Small business entrepreneurship is the most effective way that society can deal with the unknown future....[it] allows us to try a new process or technique, another location, a new form of advertising, and if it takes, fine, and if it doesn't, so what. It is a cheap way for society to deal with the unknown future, for if a business fails what has society lost? The people are still there. The experience is still there. The equipment is still there. The money is still there. This is an easy way, a cheap way for society to deal with the unknown future, with combinations put together by an individual that no one else would have thought of. Isn't this what we call innovation?*" [37]

Innovation in all its forms is the primary catalyst of economic progress and the determining factor in industrial productivity, growth and competitiveness.[38] It constitutes the basis of competition by finding better ways to satisfy market needs through new and improved products and services. Small firms founded by risk taking entrepreneurs are the main source of innovative new products, even though the exploitation of these inventions may require a much larger scale of operation than is possible within the confines of the smaller firm.[39] Entrepreneurship is seen as the main form of technology transfer. Sweeney (1981) contends that people moving from research laboratories to entrepreneurship bring technology to the market in the most successful way known.[40] Small firms and especially new small firms are the prime initiators of new industries and new markets. As new small firms start up they are testing out new products, processes

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and forms of organisation without committing large amounts of resources and without causing disruption if they fail.[41]

While small firms have played a major role in innovation and product and process development, it must be noted that most small firms do not contribute in any way to the process of innovation. Curran, Stanworth and Watkins (1986) suggest that

> *"A substantial proportion are subcontractors with little will or ability to innovate, run by owners with little understanding of modern technology and who would anyway find it difficult to recruit and retain the much sought after and highly qualified employees required to exploit fully modern technology."*[42]

(iv) *Inflation, Competition and Consumer Choice.* Smaller firms, in general, do not contribute to inflation because they are more likely to be price takers than price makers. Small businesses are also an important element of competition and, as O'Farrell (1986) states, help to reduce "... *industrial concentration by acting as a buffer to the development of a corporate society dominated by government, large enterprises and trade unions".*[43] It is difficult to ascertain the extent to which small firms compete directly with larger firms, thereby limiting the large firm's ability to determine prices. However, the fact that small firms "...*offer at least the threat of competition"* is seen to be as important as actual direct competition.[44] Small businesses also contribute to variety of choice for consumers; they challenge large enterprises in certain product areas by catering to specialised niche markets, while in others they provide large corporations with key components increasing the flexibility and efficiency of supply in these larger firms.[45] O'Farrell (1986) notes that they tend to be more flexible in their response to shifts in demand, and to provide a more personal service to their customers.[46]

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1.5   Structure and Significance of SMEs in Ireland

There are 3,293 Irish owned manufacturing establishments employing less than 50 people each and 512 manufacturing firms employing more than 50.[47] Their contribution to output, exports and employment are shown in the following Tables:

Table 1.1   Small Irish Owned Manufacturing Firms (Less than 50 Employees)

	Numbers
Manufactured output	£ 3.022 bn
Manufacturing employment	45,202
Manufacturing establishments	3,293

Source: Central Statistics Office, Census of Industrial Production (1990) , p. 111.

Small establishments account for over 45,000 jobs directly. Average employment per establishment is 13 and only 20% of small establishments employ 20 or more persons.[48] It is noteworthy that these small industrial projects are widely dispersed, with many enterprises located in remote rural areas where alternative employment opportunities are scarce. There is also a wide sectoral distribution.[49]

Table 1.2   Medium Sized Irish Owned Manufacturing Firms (More
than 50 Employees)

	Numbers
Manufactured output	£ 6.027 bn
Manufacturing employment	60,682
Manufacturing establishments	512

Source: Central Statistics Office, Census of Industrial Production
(1990) , p. 111.

This sector accounts for over 60,000 jobs with an average employment
per establishment of around 120.   In 1986, only 6% of Irish firms
employed more than 300 people, with half of these employing more
than 500 each.[50] In a European context, therefore, practically all Irish
owned industries constitute Small-Medium sized Enterprises.[51]

1.6   The Role of the Small Firm in the Irish Economy

> *"The government have consistently stressed the need to manage
> our affairs firmly in accord with a clear, accepted national
> strategy.   The aim of that strategy is the development of a
> modern efficient market economy capable of continuing and
> sustaining economic and employment growth, the benefits of
> which would be equitably distributed."*[52]

The Programme for Industrial Development 1989-1993 sees the role of
the small industry sector to Ireland's economic development lying not
only in its contribution to balanced regional and rural development but
also in the role it plays in:

(a) creating an industrial tradition in an economy that is, by
European standards, still heavily dependent on agriculture as a
source of employment.

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(b) providing an industrial infrastructure that can link with, and provide services for, larger industrial enterprises and;

(c) promoting a seed bed of industrial enterprises from which larger and more significant enterprises can develop.[53]

1.6.1 Industrial Development

The Irish economy has undergone a structural transformation since the 1950s, moving away from the traditional dependence on the agricultural sector towards increased activity in the manufacturing and service industries in an effort to industrialise rapidly.[54] The importance of developing and supporting indigenous industry to achieve industrialisation has been recognised by many countries. The Telisis report (1982)[55] states that no country succeeds in developing high levels of industrial income without first developing a strong indigenous sector. Based on this contention, the development of an indigenous manufacturing base in Ireland to achieve economic prosperity and innovative growth, has been a fundamental goal of successive Irish governments for many years.

In Ireland, the majority of indigenous industry falls into the Small and Medium Sized category with fewer than 20 indigenous companies employing "...*more than 500 employees and only 150 having a turnover in excess of £5m*".[56] There is now a consensus in Ireland that the indigenous small firm sector has a crucial role to play in the next phase of manufacturing development. This sector is seen as the future of Ireland's economy, providing enhanced employment opportunities for the country's labour force and a higher standard of life for the whole nation.[57] In 1992, an estimated 60% of the industrial workforce (194,600 persons) were employed by indigenous industry, with average weekly earnings of £228.72.[58] The government's Programme for

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Economic and Social Progress (PESP) document points to the fact that smaller firms have been the "... *most boyant source of new jobs in recent years.*"[59]

1.6.2 Employment

Political interest in small firms has risen with concern about unemployment. Since small firms tend to be more labour intensive than their larger counterparts, the promotion of small firms should enhance job creation. For this reason, small businesses have received increasing attention from state agencies with the objective of increasing employment and strengthening the industrial base. Policy statements emphasise the importance of small scale indigenous industry, and a wide range of programmes have been addressed to their development over the years, ranging from new industry grants and re-equipment grants to programmes to increase the number of native entrepreneurs.[60]

Manufacturing industry in Ireland, concentrated to a large extent in the Small and Medium Sized Enterprise (SME) sector, despite all the theories and promises, has failed to deliver in terms of employment creation. In the 1970s, employment in manufacturing industry rose in only one year, 1979, although output increased in most years.[61] The picture for the 1980s and 1990s is similar with most recent reports indicating that overall employment levels in the SME sector are falling. Employment in Small and Medium Sized Firms is estimated to be over 25% lower in the 1990s than in the 1980s.[62] 10,200 jobs were created in Irish owned grant aided industry in 1992 but there were 12,200 job losses, despite the fact that £31 million and £16 million was paid in grants to small firms and larger Irish companies respectively during that period. IDA figures show that the number of jobs in Irish owned industry has fallen by 600 over the last six years.[63] Table 1.3 illustrates

the changes in output and employment which have occurred in small industry over the past five years.

Table 1.3   Small Industry Output and Employment Levels 1985-1990

	1985	1990	% Change
Output	£3.005bn	£4.017bn	16%
Employment	54,738	55,772	1.9%

Source: Sunday Tribune 5th Sept. (1993)[64]

There are many possible reasons put forward by commentators for the poor performance of small Irish companies, including the decline in traditional industries such as textiles and clothing in the face of foreign competition and the many constraints and barriers to development confronted by smaller companies in an industrialising economy.[65] Major constraints identified in studies undertaken by The Consultative Committee on Marketing (1984),[66] O'Farrell (1982);[67] (1987),[68] and NESC (1982),[69] include deficiencies in management and other business functions which hinder international trade, lack of R&D, lack of finance and lack of economies of scale. It is reasonable to say that it is unlikely that small and medium sized firms will contribute to an increase in employment unless specific measures are taken to overcome the perceived inadequacies which impede their further growth and development.

The element of industrial policy which encourages manufacturing investment from overseas has been more successful until recently. In the face of world recession and economic depression, problems with this particular policy have come to light. An excessive reliance on foreign investment leads to an increased dependence on events which are largely outside national control. *"It increases the country's*

vulnerability to decisions taken outside the country without regard for their effects in Ireland." [70] Indigenous firms are more likely, in the opinion of the National Economic and Social Council (NESC),

> *"...whether through a greater commitment to the country or less opportunities for transferring functions overseas, to have self sustaining operations located within the country combined with greater integration into the economy, thus providing the basis for sustained employment at rising levels of incomes."*[71]

The Industrial Policy Review Group (1991) reiterated this point stating

> *"If Irish industry is to make the transition to the levels of performance to which we aspire, there must be a greater contribution from firms that have deeper roots in the economy and especially from home managed firms."*[72]

By this, they mean firms with substantial head-office management functions located in Ireland. The Group also noted that despite the high degree of political attention accorded to indigenous industry, the greater part of Government expenditure has related to attracting foreign industry. Tax incentives and other instruments of industrial policy appear to be more geared to the needs of foreign than indigenous industry. Theoretically, it would seem that Irish industrial policy focuses on the development of indigenous industry, - *"The development of indigenous industry will be a priority, because of its close integration into the domestic economy, the location of corporate decision making and the final destination of profits"*[73] - however, as the Industrial Policy Review Group (1992) points out the reality is somewhat different.[74] This reality has been reflected in the poor performance of the indigenous manufacturing sector.

1.7   Irish Industrial Policy and the Small Firm Sector

The latest phase in Irish industrial development policy has come with

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the Government's response to the Industrial Policy Review Group (1991) and the Moriarty Task Force report outlined in May 1993.[75] The main areas of industrial policy to be reformed which will have a direct impact on the small firm sector include:

- New agencies - Forfas to control the IDA and attract foreign investment and Forbairt to develop home industry with emphasis on indigenous policy. The proposed new agency structure is outlined in Figure 1.1:

Figure 1.1   Proposed State Support Body Structure

IDA (Domestic) + Eolas   **IDA (Foreign)**

Forbairt (support the   **IDA Ireland**(attract
development of indigenous industry)   foreign investment to Ireland)

Coras Bia _ _ **Forfas** (coordinating role between all
(development of Food Industry)   development agencies; responsibility
                                                                for linkages between native and
Department of   foreign firms)
Agriculture

Bord Trachtala   Department of Enterprise and
(development of exporting ability among indigenous industry)   Employment

Department of Tourism and Trade

— — —	Indirect Linkage
————	Direct Linkage

Source: Developed by Author

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- Restructuring of ports, improvements to infrastructure to inter city road network, reduction in business costs associated with telephone and post charges and more competition in gas and electricity markets.

- More vocational subjects and practical skills in school curriculum with increased emphasis on languages. Key posts in the Department of Foreign Affairs to be opened to people with business experience.[76]

Perhaps, the two areas of the Government's implementation to come in for most criticism were the lack of tax reforms as outlined by the Industrial Policy Review Group report (1991) and the restructuring of the state's development agencies. The critics point to the Group's recommendation that the plethora of state development agencies, from the IDA through the Export Bord and the technology board Eolas, to Udaras na Gealtachta, should be merged into a 'one stop shop' where small companies could negotiate all their requirements whether finance, promotion, marketing or technology.[77] The proposed amendments to the structure of the industrial development agencies, outlined above, does not appear to provide this 'one stop shop'. It has also been suggested that "...*the division of responsibilities at Cabinet level is bound to create problems*".[78] The new reforms may well result in an increase in the level of bureaucracy which has to be dealt with by firms applying to these agencies rather than a decrease.[79]

Secondly, the Government is seen to have passed up a golden opportunity to reform the highly negative tax system, which the Industrial Policy Review Group report identified as the single biggest obstacle to industrial growth and job creation in Ireland.[80] However, the Finance Bill (1993)[81], also presented in May, includes measures

aimed at stimulating entrepreneurial development and small business start up. The shortage of seed and development capital available to small and medium sized businesses was targeted as the major deterrent to the development of indigenous industry and the Finance Bill introduces a number of incentives and reliefs aimed at encouraging investment in risk projects.[82] Subject to restrictions in terms of employment, share capital and type of company, these include:

- The renewal of the Business Expansion Scheme and the increase in the investment ceiling from £500,000 to £1,000,000. The BES currently excludes from relief anyone who owns more than 30% of the company in which they are making the investment. To encourage additional investment by entrepreneurs in their own smaller or start up early stage companies, this restriction is to be lifted where the total capital of the company does not exceed £150,000.

- The new Seed Capital Scheme, which allows an entrepreneur to claim a refund of tax paid on previous income in respect of his or her investment in a new company. The relief on investments will be allowed on a retrospective basis against the income of the preceding three years, up to a maximum of £25,000 income relief per year.

- The increases in the lifetime limit on tax relief allowed to employees who subscribe for new shares in their employer company. This has been raised from £750 to £3,000 to encourage greater employee involvement.[83]

Commentators believe that the new reliefs are flawed because they rely

on encouraging people with no previous business experience to start up businesses. These reliefs are based on the belief that only manufacturing-type ventures create jobs and because the only ventures which qualify for the incentives are those in receipt of State grant aid.[84, 85, 86] It has been argued that the money given to an entrepreneur should depend on an assessment of the employment potential of the new scheme rather than any artificial link to tax paid in the past.[87]

This redirection in Irish industrial policy has focused on stimulating growth in the small firm sector through providing financial aid and support for entrepreneurs. While it must be acknowledged that finance is an important element in any small business venture, it could also be said that if that new venture is to be successful support other than financial will have to be provided. Consistently authors such as Berryman (1982),[88] Clarke and Carson (1986)[89] and O'Farrell (1987)[90], have identified the main barriers to SME development as deficiencies in management, marketing, production, technology and quality. If Irish manufacturing firms are to overcome the barriers to international trade these are the areas which have to be targeted. Increasing the number of new business start ups will have no net effect on the employment problem unless adequate policies exist, in the areas mentioned above, to foster and promote their growth and development.

1.8   Industrial Policy and the Marketing Requirements of Small Irish Industry

As early as 1982, the NESC report on Policies for Industrial Development based on the Telisis report, recommended that the first priority of the country's industrial policy *"must be the reduction of obstacles to the development of indigenous internationally traded businesses."*[91] A number of obstacles which the Council felt impeded

the development of an indigenous manufacturing base were listed, including an inability to acquire the necessary business skills or bear the initially high costs of overseas marketing. They recommended that greater reliance should be placed on more specific grants to support investments made by companies in product and process technology, marketing and skill development.[92]

The Industrial Policy Review Group report (1991) started from the premise that a strong national economic performance requires a strong indigenous manufacturing and service industry base, and stressed the need for market oriented enterprise. The Group believed that too little effort in Ireland is going into directly productive activities that are product oriented and market driven. *"The problem is not unique to Ireland; it has been identified in other economies whose growth performance has been disappointing. But it appears to be acute here."*[93] It seems that Irish companies are more concerned with getting the most from grant or tax benefit than with serving the needs of their markets. Quality of management was also underlined as an area which needed substantial improvement through greater emphasis on training and on marketing and technological consultancy. This area, in the opinion of the Group, has received inadequate attention in many Irish firms and they suggest that the State agencies should ensure that firms recognise and act on this deficiency. *"Not only should the agencies support and encourage management training, but adequacy in this area should be a prerequisite for the provision of other services or aids."*[94]

The emphasis which the Industrial Policy Review Group place on the development of new products by Irish companies, through the application of new technologies, implies a need for adequate marketing skills to ensure that the products being developed are suited to demands in the market place and that these new products reach the market efficiently and effectively. Increased capabilities in marketing

practice among indigenous Irish companies must be highlighted as a vital prerequisite to their success both in the domestic market and abroad

The Government's Programme for Economic and Social Development reiterates the priority accorded to the development of marketing skills. *"There will be an emphasis on areas of perceived weakness such as marketing, product and technology development."*[95] The Government proposes addressing this need by concentrating state support selectively on helping indigenous companies achieve positions in international markets though marketing, product development and management development supports. This new orientation has been reflected by the change in recent years from a capital grants system to employment grants, marketing assistance and other forms of support.

> *"The shift in industrial aids to meet the needs of indigenous industry will also continue. Exchequer expenditure on marketing programmes supported by the EC structural funds will more than double by 1993 from £14.7 million in 1989".*[96]

The Programme focuses on preparing industry for the competitive Single Market by closing the gap that exists between Irish firms and other Community firms in terms of marketing skills, information and organisation.

1.8.1 Government Programmes to Address Marketing Deficiencies in Small Irish Firms

A more effective use of state and EU resources is to be achieved by making state support to individual firms conditional on the achievement of both quantitative targets of employment creation and qualitative targets which aim to overcome identified deficiencies in areas such as management, marketing, technology, quality control and business planning. To this end, Ireland's industrial development

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programme has been reorganised and refocussed to prepare Irish industry for the opportunities and challenges that will arise from the completion of the Single Market. Industrial policy as outlined in 'The Programme for Industrial Development 1989-1993', will support the development of Irish industry through an "...*economically efficient and selective system*" which includes specific measures to upgrade the marketing capacity of Irish firms.[97] An Bord Trachtala is the main executive agency charged with assisting Irish firms to develop their marketing capability.

Over the five years covered by the Programme, marketing in Irish owned small and medium sized business is being promoted through the services provided by An Bord Trachtala as well as through the following specific measures:

- **Mentor Programme**: Makes a panel of carefully selected retired and experienced business executives available as advisors to selected small firms with development potential.

- **Irish Productivity Centre Advice**: Provides a business advisory service to SMEs aimed at auditing performance and potential, assessing operational deficiencies, improving productivity and developing realistic growth plans.

- **Business Innovation Centres**: The BIC's aim to stimulate entrepreneurship and to encourage the introduction of innovative processes into local industry by providing practical support and advice, access to sources of seed capital and access to appropriate resources of State agencies.

• **Management Development Grants:** Focusing on four specific areas of management development; records and management information systems, strengthening the management team (financial assistance provided to enable SMEs to build strong management in key areas such as marketing), business planning and strategic planning.

• **Company Development Programme:** Involving executives from a range of State agencies working directly with senior company management to stimulate new development initiatives and help them to overcome obstacles to growth. The marketing component of this Programme is undertaken by An Bord Trachtala.

• **Analyses/Studies:** The purpose of these strategic studies will be to identify appropriate sectoral development strategies and facilitate a better understanding of market opportunities in Ireland, the EU and in external markets.[98]

The results of these measures to improve the marketing capabilities of small scale Irish companies remain to be seen. It must be acknowledged that, over the past decade, industrial policy has been designed to help smaller companies surmount many of the barriers to their growth and development. However, it should be remembered that no initiative or development programme will be successful unless it is tailored specifically to the needs of its target.

1.9   Summary

The objective of this chapter is to provide a fuller understanding of the characteristics of small enterprises and their position in the Irish economy. It is felt that this review is necessary to direct the primary research so that it addresses the real marketing needs of small Irish

firms. The review, therefore, facilitates the development of a framework that is tailored to the specific requirements of its target audience - the small firm sector.

Small firms have unique characteristics which differentiate them from larger firms and which must be taken into account when formulating a framework to support the design, operation, control and evaluation of marketing activities. Factors such as small market share, limited expertise, personal management and risk, limited resources and owner manager personality traits all impact significantly on the ability of small firms to implement marketing policies. These must be taken considered in the final design of the framework. Further investigation of small firm characteristics is undertaken in Chapter Two.

Chapter One also demonstrates that a focus on small firms alone is justified. This is because small firms contribute to employment, rural development, innovation, competition and consumer choice - all important considerations in an economy which is suffering from high levels of unemployment and emigration and severe rural depopulation. Coupled with this very real input to the domestic economy is the location of corporate decision making and the final destination of profits, confirming the validity of investigating specific measures to aid small firm development. The case for developing policies specifically aimed at small companies is particularly strong in Ireland where the majority of indigenous industry is small or medium sized. Therefore, it is appropriate to focus on small industry because, as this chapter illustrates, it is only through the development of an indigenous manufacturing base that Ireland can achieve high levels of industrial income and economic prosperity.

It has been argued in this chapter that if industrial policy in Ireland is to succeed it must include specific measures to foster indigenous industry. It must focus on the real concerns of small business and

develop policies to overcome the obstacles and constraints imposed by small size. To date, the government response has been largely in the form of financial incentives. Little has been done to overcome marketing and management deficiencies which are, as Chpater Two details, some of the more important factors in small business survival and success. Policies must be designed to foster and promote small business growth and development through providing assistance to help smaller firms to overcome problems in these areas.

This chapter also confirms the importance of the small firm sector, identifies constraints which may be associated with the study due to the unique qualities of smaller firms and argues that it is vital to develop specific measures to address the marketing deficiencies that exist and hinder small firm growth and development.

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CHAPTER 2

MARKETING IN THE SMALLER FIRM

2.1 Marketing in the Smaller Firm

It is generally accepted that the majority of small business founders set up to exploit a particular skill which they have learned through their own previous employment and that this skill is often, as Watkins and Blackburn (1986) suggest, "...*craft related rather than market related.*"[1] Given the wide range of skills necessary to run a small business successfully, reliance on a craft or production oriented skill and lack of management techniques, could put the small business owner and his company at a competitive disadvantage in the market place.[2] Of these business related skills, empirical studies have shown that a marketing orientation or capability is crucial for small business success and growth, Peterson and Lill (1981),[3] Stiener and Solem (1988)[4] and Wong, Saunders and Doyle (1988).[5] However, these studies also point out that the marketing skills required by a small business may be different in many respects to those needed in larger companies, precisely because of the differences in size.

2.2 Differences Between Small and Large Businesses

"A small enterprise is something other than a minaturised big business." Dart (1983)[6]

While many of the principles and techniques of business will apply to all businesses whether big or small, Dandrige and Ward (1983) suggest that to determine the ways in which small business marketing is unique *"...one must start by proposing how small businesses are different."*[7]

2.2.1 Characteristics of Employees. Customer/company relationships in small companies are highly personalised and employees tend to be closer to their markets and be more aware of their customers needs and

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wants. For this reason, the marketing concept may often be far more real to small business employees than to managers in large bureaucratic organisations which have become remote from the customer.[8]

There is usually little division of labour separating selling, marketing and production into distinct, isolated departments. It is only as organisations grow that they tend to hire professionals and organise the company structure along specialist functional lines.[9]

2.2.2 Characteristics of Owner - Managers. Small business owner managers have been found to have narrow and limited perspectives on their businesses. They are also more likely to pay little attention to broad national trends and to focus on specific areas related to their own product line or market.[10] While this is offset by a detailed, even personal, knowledge of their limited markets, it may also result in their having significant understanding of the processes involved in making and selling each product but lacking the skills and ability to integrate production and marketing into a coherent strategy.[11] As the founder-owner-manager, the entrepreneur can be a relatively isolated individual. He is the sole manager with the responsibility of gathering information, assessing it and making decisions regarding all aspects of the company business, finance, marketing, production and product development and yet his base of expertise is usually a narrow one.[12]

Typically, he also bears the risk of failure. He is wholly involved, caught up in day to day problems and yet simultaneously having to deal with policy problems. Therefore, he has to know at least a little about all aspects of running a business.[13] As Momtchliff (1980) has stated *"Small firms are as good as the few people who run them. If they are good, they can do exceptionally good things."*[14]

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2.2.3 Characteristics of the Business Environment. Small firms tend to be more frequent participants in industries that are fragmenting into speciality niches, industries that are in their early growth stage before shake out and market concentration or in more mature markets competing as small share firms. Small business presence is higher in more competitive, fragmented, homogenous rivalries rather than highly structured oligopolistic rivalries. Smaller companies are likely to be prevalent in industries with low barriers to entry and in those industries stressing customer service rather than economies of scale.[15] Small companies may be more successful when competing in industries where customers place extra importance on 'trust' or where a customer seeks a quality of hand crafted uniqueness.[16]

Small firms also tend to be extremely volatile. A single decision or event can make or break a small company. This volatility makes small enterprises extremely vulnerable to environmental variables. Factors such a single customer taking too much of the output, orders that are too large and lead to overtrading, suppliers who can control production or costs, or indeed providers of finance who inflict stringent conditions pose significant complications to the smooth running of any business but these factors are, says Sweeney (1981) "...*virtually unavoidable in practice*" for smaller companies.[17]

This introduces what is perhaps the best known characteristic of smaller firms; their flexibility. Because of the significance of external variables to small firm survival, successful small firms have to learn to react quickly, both to problems and to opportunities.

"Risks are taken not because small companies like taking risks, but because they are driven to taking them by evident necessity, which manifests itself much more quickly and much more sharply than in the slow moving environment of the large firm."[18]

2.2.4 The Role of Innovation. The role of innovation and change as the means of survival and growth distinguishes small firms from large. Large firms can and do grow by other means - takeover, market power and domination, rationalisation.[19] The small firm, on the other hand, tends to rely on change in products and markets, changes which are often initiated by itself, to create new products and new markets.

2.3 Constraints on the Marketing Practice of Small Companies

Gibb (1984) claims that the major implications of these small firm characteristics relate "...*particularly to the limitations this may place on availability of specialist management in the company, its weakness in being able to control and relate to the environment and the overall lack of resources.*"[21] These limitations impose considerable difficulties upon the ability of a small firm to utilise traditional marketing techniques. Specifically, Carson (1985) identifies three broad types of constraints arising from the unique characteristics of small firms, which impact on their marketing practice. They are:

> *Limited Resources such as limitations on finance, marketing knowledge, time, may all contribute to limited marketing activity relative to large companies and large competitors.*
>
> *Specialist Expertise may be a constraint because managers in small businesses tend to be generalists rather than specialists. Traditionally, the owner/manager is a technical or craft expert; he is unlikely to be an expert trained in any of the major business diciplines. In addition, marketing expertise is often the last of the busines diciplines to be acquired by an expanding small company. That is finance and production...experts usually precede the acquisition of a marketing counterpart.*

*Limited Impact on the market place may be a constraint because
small businesses have fewer orders, less customers and fewer
employees than large companies. Consequently, the impact of a
small firm's presence in an industry, geographic area, or
whatever, is likely to be limited due to its size alone. Similarly,
because of its limited resources and lack of marketing expertise,
the impact of the media through advertising and publicity will
often be negligible in relation to large company activities.* [22]

2.4   Impact of Marketing on Small Business Success or Failure

How do these specific small firm characteristics, and the constraints
they impose on small business marketing practice contribute to small
business success or failure? Do these unique characteristics call for
specialised marketing techniques?   How should marketing theory
which has, in many cases, been developed through work focusing on
larger companies, be adapted to take into account the "...*constraints
faced by small firms located in a peripheral region of Europe*"? [23]

2.4.1   Importance of Marketing to Small Companies

Many empirical studies including those conducted by Berryman
(1982)[24], Storey (1986)[25] and Gill (1988)[26], have investigated the causes
for small business success or failure. Most of the research to date
suggests that the major causes of small business failure are inadequate
sales, followed by competitive weaknesses and management
inefficiency. These failure factors stem directly from the unique
constraints faced by the small business owner in terms of his own and
employee capabilities and the characteristics of the business
environment facing him.[27]

Many studies, Peterson and Lill (1981)[28], NESC (1982)[29], Industrial
Policy Review Group (1992)[30], have identified specific weaknesses in
marketing or management as a major impediment to small firm
development.   The problem is by no means uniquely Irish, but it is

often alleged to be particularly acute here, Sectoral Development Committee (1985)[31], Co-operation North (1991)[32]. While it is important to recognise why small businesses fail, it is more important, from the point of view of this study, to identify if small companies fail because of marketing and management inadequacies. In short, to determine if marketing is a prerequisite to small business success. If this is the case, then it is also vital to ascertain those marketing factors which are directly related to that success.

It is not enough to cite "marketing shortcomings" or "mismanagement" as reasons for failure, the source of that mismanagement or marketing shortcoming must also be identified if effective marketing practice in small companies is to be achieved. For example, owner/managers may be failing at marketing because, as Cromie (1990) suggests,

> "...they lack the skills and knowledge to do the things that need doing or they may know what to do but lack the confidence, time and other resources to do it".[33]

It may well be that small companies fail at marketing because the fundamentals of marketing theory need to be adapted to suit their real needs.[34]

A review of the literature pertaining to small business success and failure factors not only provides evidence of the importance of marketing in small company development, it also affords a means to narrow the field for standard development. If those marketing skills and resources and that marketing knowledge which is particularly beneficial to small business owner managers are highlighted through an analysis of the existing literature then the effectiveness of the primary research instrument design can be enhanced.

It is acknowledged that there is no one golden rule or formula which will ensure success. Success in small business is"...*composed of a combination of personality characteristics, antecedent influences, social processes, availability of help,*"[35] and luck. However, it is felt that an analysis of the common marketing problems which small enterprises face and a review of those factors related to small business success provides a basis for investigating how marketing in smaller companies should be best performed.

The studies cited in Figures 2.1 and 2.2 provide a representative view of empirical findings on small business success and failure factors. Figure 2.1 outlines those factors directly related to marketing practice which have been found to correspond to successful small business development, while Figure 2.2 details those factors related to small business failure. These factors provide a basis for exploring the relevance and feasibility of traditional marketing techniques to the Irish small firm sector and underlie the development of the theme questionnaire for the primary research.

2.5 Marketing Practice Among Small Firms in Ireland

Figure 2.1 outlines the 'vital' marketing elements which have been identified as leading to small business success in empirical studies. Two studies, The Sectoral Development Committee (1985)[89] and the Co-operation North Report (1991)[90], have investigated the level of marketing activity among Irish companies under broadly similar headings to those identified in Figure 2.1. The Co-operation North report on marketing practice (1991), reiterated many of the findings of the earlier SDC (1985) investigation. It seems that there has been little progress on the marketing front among small companies over the six years separating these two studies. Generally, both studies found that a static business orientation is prevalent in most small companies.

Figure 2.1   Factors Leading to Small Business Success

Success Factors	Studies Citing Factor as a Cause of Success
Focus on Tightly Defined Target Markets	Peterson and Lill (1981),[36] Brannen (1983),[37] Chaganti and Chaganti (1983),[38] Watkins and Blackburn (1986)[39]
Use of Market Research / Market Intelligence	Gill (1985),[40] Watkins and Blackburn (1986),[41] Stiener and Solem (1988)[42]
Specialisation Resulting in Competitive Advantage	Chaganti and Chaganti (1983),[43] Stiener and Solem (1988)[44]
Innovation and Creativity	Steiner and Solem (1988),[45] Cromie (1990)[46]
Clearly Defined Marketing Policies and Procedures Resulting in a Planned Approach to the Market Place	Peterson and Lill (1981),[47] Stiener and Solem (1988)[48]
Effective Use of the Marketing Mix Based on Knowledge of the Target Market	Peterson and Lill (1981),[49] Watkins and Blackburn (1986)[50]
Motivation and Commitment	Gill (1985)[51]
Provision of Extensive Services Leading to Differentiation	Peterson and Lill (1981)[52]
Continuous Review of Decisions	Watkins and Blackburn (1986)[53]
Previous Small Business Experience	Gill (1985)[54]
Market Orientation / Consumer Oriented Goals	Peterson and Lill (1981)[55]

Source: Developed by Author

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Figure 2.2   Factors Leading to Small Business Failure

Failure Factors	Studies Citing Factor as Cause of Failure
Lack of Expertise in Carrying Out Marketing and Management Functions	Gill (1985),[56] Gibb and Scott (1985),[57] Wood (1989),[58] Dadzie and Cho (1989),[59] Lindstrom (1990)[60]
Poor Knowledge of Customer Requirements / Poor Market Research and Market Analysis	Larson (1983),[61] Chaganti and Chaganti (1983),[62] Wood (1989),[63] Cromie (1990)[64]
Lack of Planning	Chaganti and Chaganti (1983),[65] Larson (1983)[66]
Undesirable / Poor Quality Products	Wong Saunders and Doyle (1988),[67] Wood (1989)[68]
Improper Pricing Structures	Larson (1983),[69] Wood (1989),[70] Dadzie and Cho (1989),[71] Cromie (1990)[72]
Ineffective and Limited Advertising and Promotion	Larson (1983),[73] Wood (1989),[74] Cromie (1990)[75]
Lack of Understanding of Distributive Channels	Larson (1983),[76] Cromie (1990)[77]
Overdependence on Too Narrow a Market	Cromie (1990),[78] Lindstrom (1990)[79]
Lack of Confidence in own Management Abilities	Larson (1983),[80] Gill (1985),[81] Cromie (1990)[82]
Complacency and Lack of Market Orientation	Wong Saunders and Doyle (1988)[83]
Lack of Market Focus	Larson (1983),[84] Wong Saunders and Doyle (1988)[85]
Lack of Resources for Marketing and Lack of Access to Business Skills and Contacts	Gill (1985),[86] Lindstrom (1990)[87]
Absence of Internal Analysis of Company's Strengths and Weaknesses	Gill (1985)[88]

.Source :   Developed by Author

Specifically, the Co-operation North report, in its conclusions, noted that less than one fifth of their composite sample had a marketing function, that the extent of 'implicit' marketing or informal but well focused marketing approaches was low and, that the marketing managers identified in the study did not have formal academic or professional qualifications.[91]

Many of the activities which have been highlighted as essential to marketing and business success in small companies are notably absent among smaller Irish firms. The extent and quality of market research or information gathering, taken in the Co-operation North report as an indicator of market analysis and decision making, was uniformly poor, the use of external research and infrastructural supports negligible and, the value placed on information itself was low. It appeared that many companies were complacent about market and competitor knowledge, and that a very low priority was given to the search for new consumer markets. There was significant evidence of a lack of strategic orientation. Marketing planning, in most cases, was nothing more than "...*semi formal sales planning*", and where plans did exist these had often been formulated for grant purposes and were rarely implemented. The marketing "mix" was also identified as a problem area with very poor levels of marketing decision making. Looking at each of the areas separately: Product development activity was

> "...*extremely limited, of mediocre quality and grounded on inadequate research. Pricing activity tended to be accountant driven and had little strategic objective. Distribution policy tended towards relatively inert on-going management of options which were perceived as fixed. Promotion management did show a higher degree of versatility in the range and application of tools but lacked an integrative focus.*"[92]

Other studies, including one carried out by O'Farrell and Hitchens (1989), identify major product and marketing deficiencies among small and medium sized Irish manufacturing companies.

> *"They cannot consistently meet the design and quality
> requirements for a given price level demanded by the market.
> Also they may be unsuccessful because they are manufacturing
> products (often inadequately) which the customer does not
> want because of a failure to adequately research markets,
> especially in consumer goods."*[93]

This study identified a number of other weaknesses in the planning,
selling and strategic orientation of small firms. They felt that small
business proprietors lacked the necessary skills to implement
successful competitive strategies, including developing a competitive
advantage and building a differentiated product. Most companies, in
their opinion, were unable to meet the key competition criteria in a
specific market segment, did not know their competitive strengths and
weaknesses or tended to try and compete on the same criteria as
successful businesses rather than attempting to build a competitive
strategy based upon differentiation.[94]

Selling, as practised by a high proportion of small companies, was
described as being rudimentary and casual in its approach, with most
firms relying on word of mouth recommendations and having no
discernible selling strategy.

> *"Generally, only if a crisis occurs will a more active marketing
> policy be developed. Few small businessmen possess a
> knowledge of marketing and planning techniques. They do not
> research markets, identify target groups of customers or attempt
> to establish their needs."*[95]

While it must be acknowledged that aggressive marketing practices
cannot compensate for poor product design, inferior product quality or
a lack of competitiveness it would seem, from a review of the
literature, that marketing is an important ingredient ensuring SME
success. Marketing may not be *"...a panacea for deep rooted production
problems"*[96], but it is a vital prerequisite for survival, growth and
development.

2.6   Marketing - A Definition

In view of the characteristics of small companies outlined previously, and the constraints these characteristics impose on marketing practice, it is felt that a definition of marketing, fully cognisant of these characteristics and constraints, must be formulated.

Over the past twenty five years academics have debated the definition of marketing and the boundaries of the marketing discipline. The debate hinges upon the most fundamental dimension of any discipline: a definition of what does, and what does not, constitute the appropriate subject matter of that discipline. While progress has been made on understanding the nature and scope of marketing, there is still much debate on what is the most acceptable definition of marketing. A widely accepted definition is needed for many reasons not least of which are diagnostic research purposes or applied purposes. How is marketing practice to be researched if the concept and scope of the discipline cannot be defined ? An inherent problem in trying to define a concept as broad and diverse as marketing is that in reducing marketing to a few words the dynamism and complexity of marketing as it is practised in the real world may be lost. *"Any one definition of marketing is an abstraction of a broad concept that contains limitations related to the use of the definition."*[97] It is possible and probable that no one definition perfectly describes the concept of marketing, as different definitions are used and are needed to suit different purposes.

> *"There is no single definition of marketing, principally because marketing has no recognised central theoretical basis such as exists for many other disciplines, notably the physical sciences and, in some cases, the behavioural sciences."* [98]

2.6.1   Tracing the History

The marketing concept states that marketing is a philosophy which

directs the firm to base all its activities on the needs and wants of customers in selected target markets.[99] Marketing is both a business function and a business philosophy. Businesses only exist because they satisfy the needs of consumers, and they will only survive and prosper if they do this at least as well as their competitors. According to Kotler (1984)[100], the essence of the marketing concept is that the key to achieving organisational goals lies in determining the needs and wants of the firm's target market, and then delivering the desired satisfaction more effectively and efficiently than the competition. This focus on the needs and wants of customers, the 'marketing concept', must be taken into account in any definition of marketing, whether for small or large firms. The debate about a suitable definition of marketing has been ongoing throughout the twentieth century. During that time many concepts and frameworks have been introduced to clarify and explain the meaning of the single term 'marketing'. Figure 2.3 illustrates the evolution which has taken place in marketing thought over the past thirty years.

During the first fifty years of the twentieth century, marketing was confined to the study of commodities, institutions and functions. In 1960, the American Marketing Association, reflecting the change in thought that had occurred in the marketing arena, developed the following definition of marketing: *"Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user."*[101]

The marketing staff of Ohio State University were the first to challenge this definition in 1965 suggesting that marketing should be considered as the

Figure 2.3   **The Marketing Debate - Evolution of Marketing**

AMA: The performance of business activities directing the flow of goods

Ohio State University: Social process involving demand and satisfaction

Kotler and Levy: Marketing for non profit organisations
Luck: Marketing as economic exchange

Evolution
of
Marketing
Thought

Kotler and Zaltman: Societal marketing

AMA: Marketing as exchange

Gronroos: Market Oriented Marketing

Mc Kenna, Christopher,
Payne, Ballantyne:
Relationship marketing

| 1960 | 1965 | 1969 | 1971 | 1985 | 1989 | 1990s |

Industrial Marketing   Services Marketing

Source :   **Developed by Author**

"process in a society by which demand structure for economic goods and services is anticipated and enlarged and satisfied through the conception, promotion, exchange and physical distribution of goods and services."[102]

This definition was unique in that it was the first to explicitly state the processes involved in marketing and because it put forward the theory of marketing as a social process, involving willing consumers and producers, not just a set of business activities, as was the case with the 1960 AMA definition.

The next major impact on the definitional debate was made by Kotler and Levy (1969)[103] who contended that non-business organisations have products and customers and use marketing tools in their organisations. They were the first authors to indicate that non-profit organisations need to use marketing concepts to accomplish their goals. In proposing 'marketing for non-profit organisations', Kotler and Levy succeeded in broadening the concept of marketing to include ideas and concepts, thereby moving traditional thought on marketing away from concentrating on economic or business activities alone. Luck (1969) refuted this argument and stated that marketing should be limited to business processes that result in a market transaction, ie. where economic exchange takes place.[104] This debate led to the development of the term 'Social Marketing' Kotler and Zaltman (1971) which is defined as the

"...design, implementation and control of programs calculated to influence the acceptability of social ideas and involving considerations of product planning, pricing, communication, distribution and marketing research."[105]

In 1972, Kotler re-evaluated his position and proposed in "A Generic Concept of Marketing" that "...*marketing is specifically concerned with how transactions are created, stimulated, facilitated and valued.*"[106] He maintained that marketing has a role to play outside the economic

sphere and is a concept suitable to any transaction or exchange regardless of whether or not that exchange is economic in nature.

2.6.2 Marketing as Exchange

Leading from this debate on the scope of the marketing concept, the exchange framework emerged as one of the most popular constructs by which marketing could be examined or defined. While marketing is often defined as an exchange process, the exact nature of the exchange process/concept has not been clearly outlined. However, marketing exchange is generally defined as one social unit giving something of value to a second social unit, contingent on the second social unit giving something of value to the first social unit.[107] The values which are exchanged need not be limited to the economic sector and can include ideas, thoughts and concepts. The focus of the exchange concept rests on the transfer of mutually acceptable internal or external rewards in a transaction. Alderson (1957)[108], Alderson and Martin (1965)[109], Kotler (1972)[110], Bogozzi (1975)[111], and Hunt (1976)[114]2 (1983)[113], have been the major contributors to the perspective of marketing as an exchange process, and all contend that the basic focal point of marketing is the exchange relationship or transaction.

In 1985, the AMA formed a committee to develop a new definition of marketing which would synthesise elements found in other definitions that had evolved since the 1960 definition was proposed. This definition, which utilises a 'marketing as exchange' approach, states that

> *"Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational objectives."*[114]

48

Kurzbard and Soldow (1986) propose a strong argument against viewing marketing as an exchange process which includes both economic and non economic transactions. While they agree that marketing is concerned with exchange processes they argue that the nature of these exchanges must be delineated more clearly, otherwise a definition of marketing could be said to be of interest to psychologists, economists, biologists and so on, because it includes everything and excludes very little. *"Almost all and perhaps all, human activity can be said to have as its goal the satisfaction of needs and wants"*[115] Further, they state that this satisfaction can be argued to occur by way of exchange processes. For example exchange takes place *"...in the form of breathing to exchange oxygen with the environment."* No one could argue that this exchange process constitutes marketing. Therefore, they contend that while marketing may be concerned with exchange processes, these processes are of a particular nature, specifically the exchange relationships having to do with buying and selling of goods and services. If the nature of these processes is clearly outlined, then marketing as exchange is a viable concept because it is no longer all inclusive. As Arndt (1978) has argued, including too much within the boundaries of marketing can result in a lack of focus and *"the inclusion of phenomena which are not essentially marketing phenomena."*[116]

Kurzbard and Soldow (1986) offer the following definition of marketing:

> *"Marketing is a mediated activity occurring within the economic sphere that employs strategies intentionally rendered and goal directed towards the exchange of goods and services."*[117]

2.6.3 Market Oriented Definitions

Gronroos (1989)[118], (1990)[119], also evaluated the 1985 AMA definition and contends that it is a production oriented definition because it

focuses on the firm and what the firm considers marketing to be, not on the market and what the customer would want marketing to be.

> *"As a marketing philosophy, the marketing concept is still valid. However, the standard way of transforming this concept to marketing in practice is production oriented, because it starts from the firm and not from the market."*[120]

Instead, Gronroos reflecting the Nordic school of thought, proposes a market oriented definition. Here, the most important issue for marketing is to establish, strengthen and develop customer relationships where this can be done at a profit and where individual and organisational objectives are met. This market oriented view of marketing is characterised by an organisational structure which allows the marketing concept to pervade the entire company. This new definition does not diminish the value of the traditional elements of the marketing mix, such as advertising, personal selling, pricing and distribution. However, it does demonstrate that marketing is a wider function involving all those elements of a firms activities that establish and develop long-term customer relations.[121]

A firm, according to this school of thought, should base its activities on the needs, wants and expectations of customers in selected target markets. This means that the resources of the firm have to be used in such a manner that the customers' trust in them and hence in the firm itself is maintained and strengthened. The main objective of marketing is to ensure enduring relationships with customers. This gives rise to the following definition by Gronroos (1990):

> *"Marketing is to establish, maintain and enhance long-term customer relationships at a profit, so that the objectives of the parties involved are met. This is done by a mutual exchange and fulfilment of promises."*[122]

2.6.4 Relationship Marketing

The market oriented view of marketing outlined above has led to the most recent development in marketing termed 'relationship marketing'. Its basic premise is that "...*those companies or suppliers who can relate to and satisfy customers in the most comprehensive way over a period of time, will survive and thrive competitively.*"[123] Relationship marketing involves the development of a long term, strategic and quality understanding of customer requirements. It endeavours to build enduring, multiple product relationships through a variety of marketing tools, including research, database management, telemarketing and product development, Barrell (1992)[124]. The objective of relationship marketing is to:

> "...*turn new customers into regularly purchasing clients and then to progressively move them through being strong supporters of the company and its product and finally to being active and vocal advocates for the company thus playing an important role as a referral source....To achieve the transition from customer to advocate this augmentation should aim at taking them beyond mere 'customer satisfaction' to 'customer delight' by delivering products or services that exceed expectations.*" Christopher et al. (1992)[125]

The purpose of marketing, therefore, is defined as

> "... *building and sustaining customer and infrastructure relationships* [suppliers, business referral, influencers, staff and shareholders]. *It is the integration of customers into the company's design, development, manufacturing and sales processes.*"McKenna (1992)[126]

Marketing is concerned with creating and sustaining relationships with all the players in a market and through these relationships guiding the company's future.

More importantly, marketing has to be seen as a company wide process

if relationship marketing is to be effective. So, Mc Kenna (1992) postulates that,

> "Engineering or development people can have a better sense of what to build, what to change and how to fit the product to the customers existing systems if they act as marketing representatives." [127]

2.6.4 What Exactly is Marketing ?

The proliferation of definitions and ways of looking at marketing was the subject of Crosiers' (1975) article "What Exactly is Marketing?"[128] where over fifty definitions were reviewed and classified into seven groups which incorporate company centred, transaction or exchange centred and social process or philosophy centred definitions.

Crosier suggests that the single word marketing is used in practice in three very different contexts.

> 1. *The marketing process - enacted via the marketing channel connecting the producing company with its market. The marketing process is concerned with effective communication and distribution both to and from the market. It consists of those activities that relate the organisation to the outside world that either use, buy, sell or influence the products or services it produces.*

> 2. *The marketing concept (or perhaps philosophy) - the idea that marketing is a social exchange process involving willing customers and producers.*

> 3. *The marketing orientation - present to some degree in both consumers and producers; the phenomenon which makes the concept and the process possible.*[129]

Crosier proposes the following diagram (Figure 2.4) as a framework for thinking about marketing in all three senses:

Figure 2.4   *What Exactly is Marketing?"* [130]
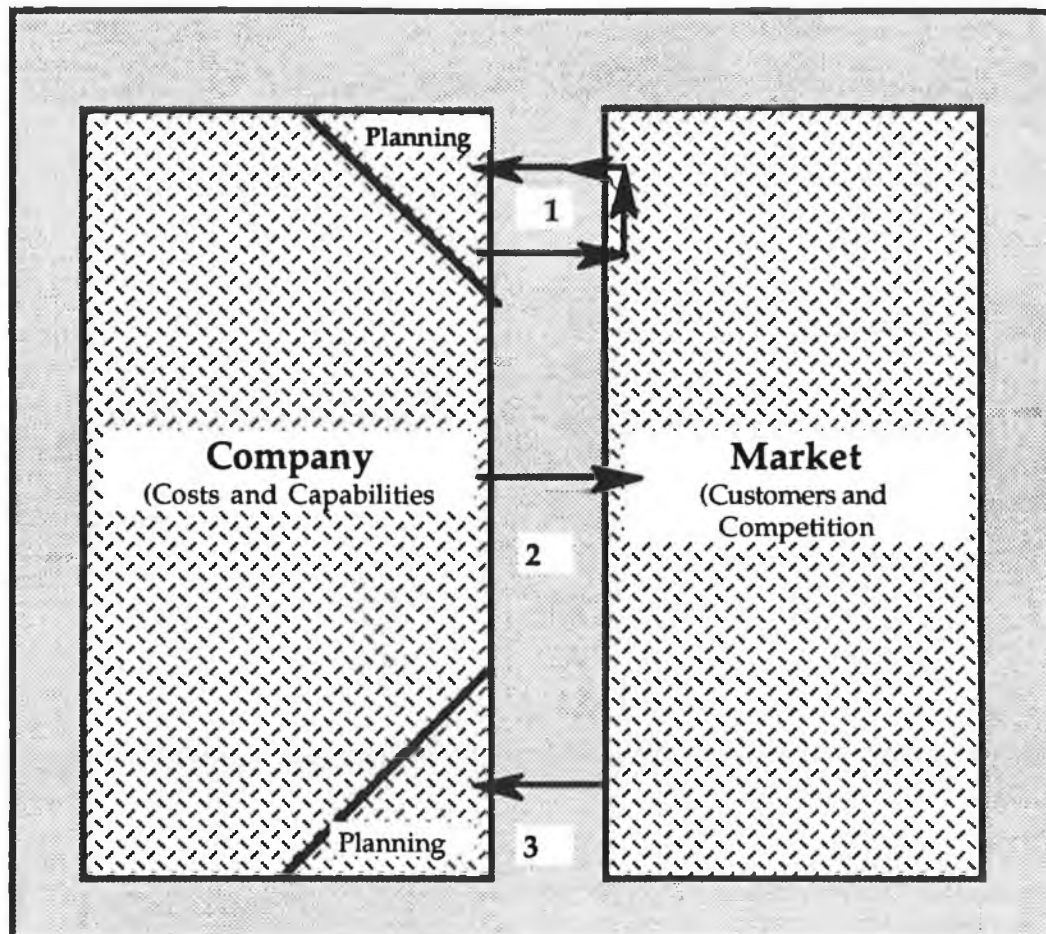
Where :   ☐ = Market Orientation,

            ▨ = Marketing Concept,

1 = Marketing Research,

2 = Channels of Distribution and Communication

3 = Consumerism.

Mason (1981) suggests that a consistent and acceptable set of principles can be devised in a "...*recognisable theoretical framework which can be*

applied to any and all marketing situations."[131]   Marketing theory, therefore, should provide a basic formula into which a specific set of environmental, instrumental and psychological variables can be introduced for any particular case. Marketing can thus be viewed as a process which is moulded by variations in environmental and other constraints and these constraints can be incorporated into a general set of principles rather than having to redefine marketing for specific situational needs.

Hunt (1983), exploring this possibility of a 'general theory of marketing' discusses the fundamental explanada of marketing science or, alternatively, the phenomena which the general theories of marketing seek to explain and predict. He proposes that the "*...purpose of marketing technology is to assist marketing decision makers by developing normative decision rules and models.*", and goes on to suggest that "*...marketing science is the behavioural science that seeks to explain exchange relationships.*"[132]   Through designating one party of the exchange the buyer and the other the seller, Hunt develops four interrelated sets of fundamental explanada of marketing science, (Figure 2.5)

Hunt contends that the four sets of explanada are fundamental because

> "*...every phenomenon that marketing science seeks to explain can ultimately be reduced to a phenomenon residing in one of the four sets. A general theory in marketing would seek to explain all or substantially all, the phenomena in a single set.* [i.e. a theory which explains the behaviour of sellers directed at consummating exchanges]. *In contrast, a general theory of marketing would purport to explain all the phenomena in all four sets.*" [133]

The objective then is to develop a general theory of marketing suitable to the needs of small companies.

Figure 2.5   *"The Nature of Marketing Science"*[134]

Basic Subject Matter	Fundamental Explanada	Guiding Research Questions

Basic Subject Matter

Exchange Relationships

Fundamental Explanada

FE1. The behaviours of buyers directed at consummating exchanges

FE2. The behaviours of sellers directed at consummating exchanges

FE3. The institutional framework directed at consummating and / or facilitating exchanges

FE4. The consequences on society of the behaviours of buyers, the behaviours of sellers, and the institutional framework directed at consummating and / or facilitating exchanges

Guiding Research Questions

1. Why do which buyers purchase what they do, where they do, when they do and how they do?

2. Why do which sellers produce, price, promote and distribute what they do, where they do, when they do and how they do?

3. Why do which kinds of institutions develop to engage in what kinds of functions or activities to consummate and/or facilitate exchanges, when will these institutions develop why will they develop and how will they develop?

4. Why do which kinds of behaviours of buyers, behaviours of sellers and institutions have what consequences on society when they do, where they do and how they do?

Source :   Journal of Marketing, Vol 47 (1983), pp. 9 - 17.

2.7   Defining Marketing for Small and Medium Sized Companies

The Sectoral Development Committee (1985) in its investigation of marketing practice in the Republic of Ireland developed a working definition of marketing which stressed both strategic and operational levels of activity:

> "*A multi-disciplinary activity integral to the process of business strategy determination and encompassing the approach and activities by which firms match the resources available to them in terms of manpower, finance, knowledge and productive capability with the opportunities available in the market-place and taking into account relevant influences in the business environment including likely competitor reaction.   At the operational level, marketing is concerned with making decisions in relation to those areas conventionally referred to as the "marketing mix" - product, pricing, promotion and distribution - in order to meet the identified needs of target customers.   But success at operational level is largely determined by whether a firm has adopted a correct business strategy in matching resources with market opportunities.   Above all, marketing must focus on satisfying customer needs as the means to achieving the objectives of a firm for growth and profitability.*"[135]

It is felt that for a definition or general theory of marketing to be of practical use to smaller companies, it must specifically detail the basic functional aspects of the science while also incorporating the more philosophical and theoretical aspects of the discipline. For this reason the Sectoral Development Committee definition has been adopted as the basic definition of marketing for the purposes of this study. However, a new paradigm detailing the operational and theoretical dimensions of marketing is proposed, Figure 2.6.

Figure 2.6   Marketing for the Smaller Firm
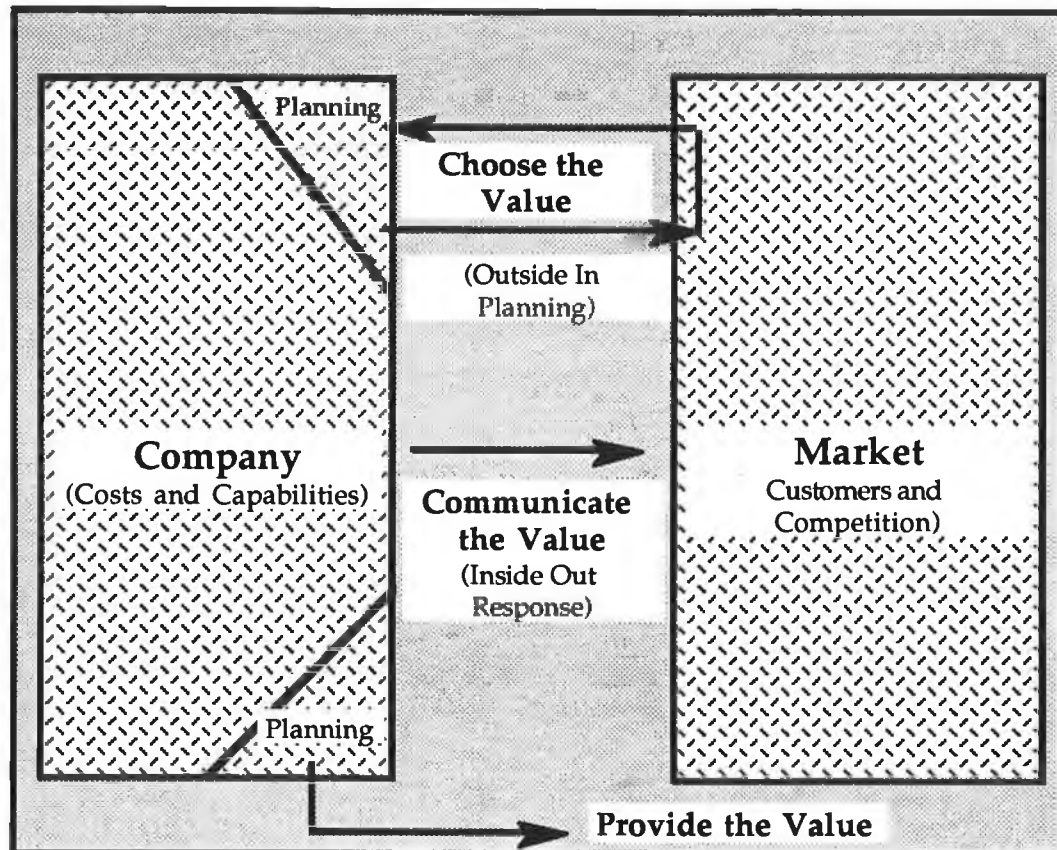
Where :   ☐ = Market Orientation. Awareness of the consequences on society of the behaviours of buyers, the behaviours of sellers and the institutional framework directed at consummating and/or facilitating exchanges

▨ Market Concept. Analysis of the institutional framework directed at consummating and/or facilitating exchanges to ensure that the needs and wants of customers are being satisfied by these relationships

Choose the Value =   The analysis of the behaviour of buyers directed at consummating exchanges. Involving Market Research, Planning, Market Evaluation, Customer Segmentation, Market Definition / Selection, Positioning.

Provide the Value = The behaviour of sellers directed at consummating exchanges. Involving internal analysis of areas such as: Product Development, Pricing, Making, Distributing, Servicing.

Communicate the Value = Sales Force Development, Sales Promotion, Advertising, Promoting, and creating and sustaining relationships with the market.

Source: **Adapted from Crosier (1975), Hunt (1983) and**

Thomas (1991)[136]

This paradigm represents a general theory of marketing suitable for the needs of smaller firms. It provides the basis for defining the concept and scope of the discipline, and details the practical aspects of the marketing process, which involve the day to day operational activities involved in choosing, providing and communicating values.

The paradigm endeavours to represent a synthesis of marketing thought over the past twenty years integrating the marketing as exchange approach, a market oriented or relationship view and the general principles which underlie the marketing process or marketing practice, which can be applied to both business and non-business activities.

2.8 Summary

The objective of this chapter is to identify the specific marketing concerns of smaller firms. The comprehensive literature review undertaken indicates those marketing issues which should be investigated further in the primary research.

In order to develop a framework which is suited to small business requirements, the literature review section of the thesis has to address two issues:

(i)   Small firm characteristics and their implications for marketing practice, i.e. features associated with smaller firms which may necessitate specialised marketing techniques.

(ii)   The importance of marketing to the small firm sector and, more specifically, those aspects of marketing theory which are most important, i.e. those that will contribute to small firm development and success.

The review highlights the main differences between small and large firms and considers the implications of small firm characteristics for marketing practice. It outlines in greater detail the unique qualities of smaller firms and proposes that these special qualities complicate and limit the effective performance of marketing activities in a small firm setting. It is also suggested that small firm characteristics and the constraints they impose call for a re-evaluation of traditional marketing techniques in the unique situations facing smaller firms. As these characteristics constrain marketing practice, they must be taken into account when designing a framework which is realistic, practical and feasible for use in a small company.

To develop a comprehensive framework for the design, operation, evaluation and control of marketing activities, marketing processes and techniques, which are relevant and pertinent to small firms, first must be identified. Examination of those factors contributing to small business success and failure identifies areas for consideration in the primary research. By isolating marketing factors previously found to contribute to small business success or failure, further investigation can concentrate on those factors which will have a direct impact on success. The primary research, then, can focus on assessing the importance and relevance of these factors for small *Irish* firms and on establishing how a small company can design, operate, control and evaluate these important marketing elements. In this way, marketing functions and activities which are directly related to small business success or pose common problems for smaller firms form the basis of the primary research and questionnaire design. Therefore, the literature review reduces the number of areas to be investigated and identifies the marketing skills, knowledge and resources that have been found to be beneficial to small companies.

It also is postulated that a working definition of marketing is necessary to inform the research and to guide the direction and scope of the

study. Based on the literature review described above and acknowledging the unique characteristics and constraints associated with small firm marketing, a working definition has been developed on which the primary research focuses. Of necessity, such a definition - practical in nature, details the specific functions of marketing which a small firm should address. These functions have been identified in the literature as the most important for successful marketing in small firms. Accordingly, the definition focuses on marketing mix activities, marketing concept and orientation, market research and planning and market strategy. These functions, together with the specific marketing activities highlighted in the review of success factors, inform the questionnaire design for the primary research, indicating those areas where further investigation and development is both necessary and desirable.

Finally, it is important to ensure that the research being undertaken is worthwhile and relevant. For this reason, Chapter Two investigates marketing practice in Ireland to ascertain the need for marketing development among small Irish firms - a very definite requirement is confirmed by the studies reviewed. Unfortunately, most of the factors which have been found in previous empirical research to be vital to small firm growth and survival are absent in smaller Irish firms. This can be taken as an indication that industrial policy in this area is not having the desired impact and that there is a real need for a framework to help small firms to design, operate, control and evaluate pertinent marketing activities.

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CHAPTER 3

QUALITY AND MARKETING PRACTICE

3.1   Introduction

The achievement of superior quality has been identified as one of the most important strategic priorities confronting top management, in all sectors of industry, for the 1990's.[1] Studies by Phillips et al. (1983) show that high quality enhances profitability, improves productivity and strengthens competitive position.[2] The dramatic success of Japanese companies in the West has been attributed, in part, to their total commitment to quality improvement. Their ability to achieve high quality at lower costs has resulted in strong competitive positions in the world market place.[3] Quality also has become a priority for consumers of both goods and services. Increasingly, consumers are demanding, and receiving, higher quality at more competitive prices. The realisation among companies of the importance of the quality movement is reflected in the prodigious rise in the number of companies applying for recognised quality standards and awards such as ISO 9000, the Q Mark in Ireland and the Malcolm Baldrige National Quality Award in the U.S.

The marketing function is accorded a vital role in company wide quality improvement programmes, particularly in the area of leading a quality driven, market led strategy.[4] Unfortunately, few studies have acknowledged the importance of quality improvement in the marketing function itself. Morgan and Piercy (1991) suggest that this may be due to a widespread belief that quality is a manufacturing responsibility or because marketing is often considered an art, not a science and, therefore, not compatible with quality improvement techniques.[5] This is clearly a misconception. The concept of Total Quality Management (TQM) emphasises that quality is an organisation wide function, and one which is the responsibility of every employee.

3.2 Defining Quality

In order to assess the nature of the relationship between marketing and quality, and the role which quality may play in the marketing process, it is necessary to start with the fundamental question of what 'quality' actually is. Hutchins (1986) notes that "*The different contexts within which quality is used make a universally correct definition hard to find.*".[6] Parasuraman et al. (1985) conclude that "*Quality is an elusive and indistinct construct.*".[7] In the commercial world, quality is still defined in the terms of the quality 'gurus', the most widely used definitions being: "*Conformance to requirements.*" Crosby (1980)[8]; "*Predictable degree of uniformity and dependability at low cost and suited to the market.*" Deming (1982)[9]; "*Fitness for purpose.*" Juran (1988)[10] and "*Meeting customer requirements.*" Oakland (1987).[11]

Defining quality is difficult because the concept can be viewed from several different perspectives. Garvin (1984), identifies five approaches to defining quality:

The Transcendent Approach: Quality is viewed as a simple, un-analysable property that people learn to recognise only through experience. Some form of innate beauty is seen as the means to customer satisfaction, for example, art or music.

The Product Based Approach: Quality is reflected by an ingredient or attribute of the product. This view holds that quality is measurable. High quality and, by extension, customer satisfaction is achieved by having more of some attribute or property, for example, the use of pure new wool in clothing.

The User Based Approach: This approach is based on the buyer's assessment of quality. In this case, only the customer can truly judge the essence of quality. Users' perceptions are the benchmarks for evaluating success. Quality is usually measured through the determination of customers' ideal points on a preference map.

The Manufacturing Based Approach: Quality is considered in terms of engineering and manufacturing practice ie. conformance to specifications. The quality focus in this approach is internal compared to the external focus of the user based approach. Quality is seen as measurable, objective and manageable. Measurement is undertaken by identifying how closely the product meets specifications involving the use of statistical quality control techniques.

The Value Based Approach: The value perspective considers the trade offs between quality and price. A high quality product carrying a price that is not feasible for most buyers, displays low value. The highest value is represented by the most favourable combination of quality and price. By this definition, quality is expressed in terms of conformance to requirements, including the price and cost of meeting them. A product has more value and, therefore, more quality when customer needs are met at a price or cost which is lower than that of competing offerings.[12]

There are obvious differences between these approaches to defining quality. These differences must be recognised and the approach being utilised must be detailed so as to achieve consensus on the quality perspective being employed. The Federal Quality Institute defines a quality approach or ethos for management as follows:

> *"...a way of managing the organisation at all levels, top management to front line, to achieve customer satisfaction by involving all employees in continuously improving the work processes of the organisation."*[13]

In essence, implementing quality improvement in any aspect of a business entails focusing on the consumer and ensuring that the organisation is efficient and responsive to customers.[14] Morgan and Piercy (1991) contend that there is an obvious synergy between this theory of quality and the marketing concept. Both suggest that the customer should be the focal point of all company activities and, by extension, of a successful quality programme.[15] For the purposes of this study then, it would seem that the determination of a definition or operational concept of quality should start with buyers' perceptions of quality.[16] There are three main conceptual developments regarding perceptions of quality that have received widespread support.

(i)   Takeuchi and Quelch (1983)[17] suggest that quality is not an absolute concept and the terms 'high' and 'low' quality, therefore, have little meaning. Quality has come to be seen as important primarily in terms of customer perceptions.

(ii)   In conceptual terms, Gronroos (1984)[18] proposes that perceived quality is a product of the differences between customer expectations and customer perceptions of the outcomes.

(iii)   Both Gronroos (1984)[19] and Parasuraman et al. (1988)[20] conclude that customer quality perceptions are arrived at via a quality evaluation process that involves not simply perceptions of the outcome, but also perceptions of the process by which that outcome has been achieved, and the context in which production and exchange occur. This concept has particular relevance for marketing as it implies that a firm's marketing process, or at least those elements of marketing which are open to public scrutiny, may be incorporated into a customer's perception of the quality of the product or service.

3.3 Total Quality Management

Total Quality Management (TQM) has emerged from the quality movement as the dominant management paradigm. The theory of Total Quality Management emphasises the customer's requirements as the focus for quality improvement. As such, it is the most appropriate paradigm to refer to when considering questions of marketing quality.

Total Quality Management emerged in the late 1970's and '80's and is associated with names such as Crosby, Deming and Juran. Oakland (1987) defines the principle of TQM as:

- **Customer Focus:** The emphasis is on providing quality in terms of customer needs and specifications, not in delivering some abstract notion of 'high' quality in manufacturing, engineering and production terms.

- **Process Understanding:** In order to deliver quality in these terms to customers, the primary quality mechanism is the understanding, design and control of the processes by which goods and services are produced and delivered so as to ensure they constantly meet customer needs.

- **People Involvement:** The TQM approach emphasises that every member of an organisation has a role to play in quality programmes. All staff need to be able to identify their role in the quality programme and should be provided with information and training to enable them to fulfil this role.[21]

In the context of Total Quality Management, quality improvement techniques are being applied in almost every area of the company from product development and manufacturing to distribution and customer service. This is not surprising considering the whole philosophy of

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total quality management, as defined by Deming (1986), demands that an organisation focuses on improving "...*constantly and forever the system of production and service.*"[22]

Despite enormous investment in TQM programmes many companies are failing to achieve the expected benefits of increased profitability through the attraction and retention of customers.[23] Brooks (1992) suggests that this is as a result of TQM programmes starting "...*where the experience of quality has historically resided - in operations.*"[24] Marketing has, to a large extent, been left behind in the company wide quality movement. An omission which does not seem appropriate according to Stowell (1989):

> "*Marketing is the company's link to the customer and is usually the customer's first contact with the organisation. Marketing is responsible for selling not only the product but the organisation as well.*"[25]

and Brooks (1992):

> "*...to achieve competitive advantage, customer satisfaction has given way to customer delight. Now, it is the prime objective of the marketing department to secure delight with their existing customers or loose them. To achieve this new level, highly precise customer needs, both expected and unexpected require definition. If accurately determined, then the quality function and policy deployment principles, fundamental to any TQM installation can be efficiently realised.*"[26]

The marketing function is seen as pivotal to the success of a TQM programme. Successful TQM programmes, in turn, ensure market led quality management and provide the basis for competitive advantage. Therefore, organisations should be aiming for quality practices and procedures in the marketing function and yet, Stowell (1989) claims that "...*few organisations seem to be actively pursuing quality in their marketing functions.*"[27]

3.4 Quality in the Marketing Function

In the past, marketing has been seen as playing a complementary role to the quality function, providing service quality and inputs into product design to ensure that product characteristics provide customer satisfaction.[28] Marketing expertise has been seen as particularly important in determining customer expectations, translating customer requirements into quality guidelines, and using quality to gain competitive advantage in the market place.[29]

According to Morgan and Piercy (1991), the existing literature on quality and marketing tends to focus on three distinct areas:

- The marketing of quality products or services which involves communicating to the consumer the efforts of the company to improve its quality systems in order to achieve a non price competitive advantage or to command higher prices in the marketplace.

- Applying quality improvement concepts and principles to the marketing function in the organisation. This usually takes the form of 'internal marketing', and is more concerned with the role of marketing in serving internal customers and suppliers than with the marketing process itself.

- Emphasising the role of every member of an organisation in ensuring the quality of the products and services produced. The roles assigned to marketing would typically include determining customer requirements, incorporating quality messages in marketing communications and so on.[30]

The focus of this study is the application of quality improvement concepts and principles to the marketing process. Two papers, Cravens et al. (1988)[31] and Stowell (1989)[32] have pursued this topic, identifying approaches to quality improvement in the marketing function.

Stowell (1989) proposes a nine step plan to support quality improvement of marketing processes. Stowell's model concentrates on the satisfaction of customer requirements through information and communication processes. It is implemented as follows:

Step 1: **Understand Customer Requirements:** This involves identifying the person or group of people making the buying decision, people influencing the decision, determining the key factors on which the decision is based, the information required to aid the decision process and at what stage in the process the information is required.

Step 2: **Identify Marketing's Products and Processes:** Stowell suggests that the marketing process is divided into four categories: Planning processes (which identify requirements and translate that information into new or improved marketing processes and products), information development processes (which identify, gather and package the information that the customer requires to reach a buying decision), information delivery processes (which distribute the information to the customer) and measurement processes (which determine the effectiveness of marketing's products and other processes)

Step 3: **Match Customer Requirements to Marketing's Products and Processes:** This involves a comparison between customer requirements, identified in step 1, and marketing's information products and delivery processes identified in step 2. This illustrates the effectiveness of the information and delivery processes in meeting customer requirements.

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Step 4: **Eliminate Ineffective Products and Processes:** Based on the analysis undertaken in step three marketing products and processes that do not conform to customer requirements are highlighted. These must then be eliminated.

Step 5: **Improve Remaining Processes:** Once the ineffective processes have been eliminated, those processes remaining must be improved. Stowell suggests that this can be accomplished through the use of 'business process management' (BPM) which defines the flow of work products based on their sequence of activities as opposed to organisational boundaries.

Step 6: **Add New Processes as Required:** Step three may also indicate a customer need or requirement that is not being satisfied. Step 6 involves the planning, development and implementation of processes that will meet that need.

Step 7: **Review the Process for Each New Product:** When a new product is launched an opportunity is provided to reassess the value and effectiveness of marketing's products and processes. This involves an evaluation process encompassing steps 1 through to 7.

Step 8: **Improve Customer Buying Process:** This involves a review of current processes to establish possible opportunities for improvement or introduction of processes which would enhance the buying process.

Step 9: **Involve Employees in Marketing Quality:** Employee involvement can be achieved through such traditional approaches as quality circles, quality improvement teams and productivity teams.[33]

Moreover, Cravens et al. (1988)[34] suggest a step by step process to

developing a marketing quality improvement programme. This process is similar in nature to that proposed by Stowell although it is more general in its application, Figure 3.1.

Figure 3.1   Applying Quality Improvement to Marketing

STEP 1	Institutionalise the Quality Improvement Programme
STEP 2	Define the Process
STEP 3	Select Tracking Measures
STEP 4	Is the Process Stable?
STEP 5	Identify Causes and Correct — No
	Yes
STEP 6	Identify Cost Effective Sources of 'Common' Cause Variation — Yes
STEP 7	Is Process Capable of Meeting Current Requirements?
	Yes — Seek Gradual Improvement
	No
STEP 8	Improve the Process
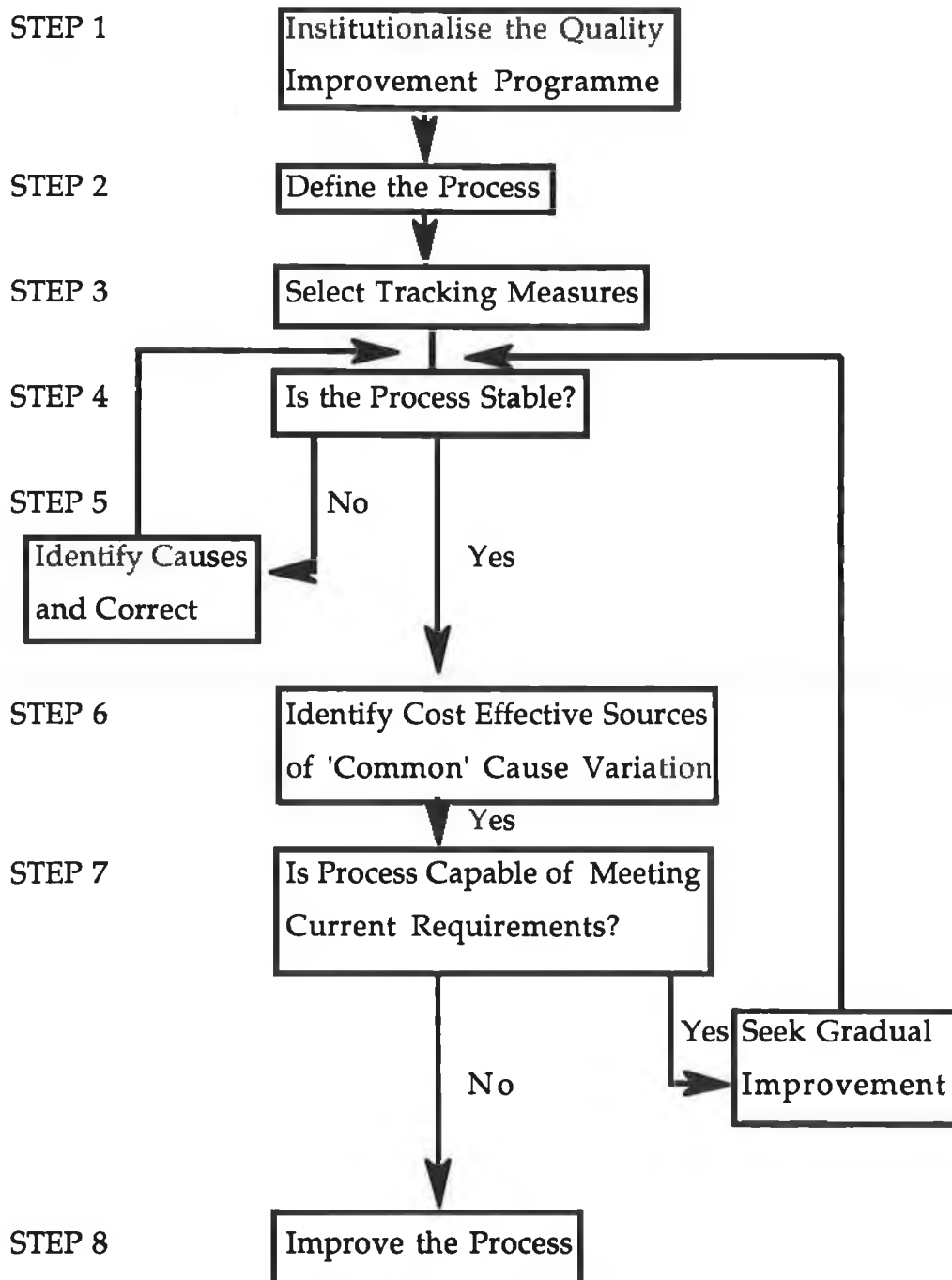
Step 1: Institutionalising quality improvement requires a total commitment by the entire organisation, especially top management, to developing and sustaining a quality improvement programme.

Step 2: Defining the process seeks to identify the value adding processes that contribute to quality results. Marketing processes must be defined and analysed. Examples of marketing processes include: customer service, order processing, new product planning, promotion and distribution.

Step 3: Selecting tracking measures involves the determination and explication of cause/effect relationships. Cravens et al. propose the following illustration of causal factors related to marketing. "*Suppose the desired effect is the successful introduction of a new product. Examples of causal factors are packaging, pricing, advertising, selling effort, salesperson training and product design. The objective is to identify which factors are major influences on results.*"[36]

Step 4: Process stability entails the use of statistical concepts and methods (Pareto charts, histograms, statistical quality control charts and multivariate techniques) to determine if the marketing process is stable. Process stability occurs when quality variations are due only to random causes. For example, the determination of the most frequent type of customer complaint using a histogram illustrates key issues in need of attention and the quality control implication of Pareto analysis is to focus on eliminating the causes of the major complaints.

Step 5: Identification and correction of causes of instability is triggered when statistical analysis indicates that the marketing process is not under control. The key question is why is the process out of control. For example, what are the main causes of customer complaints. These causes are then corrected to bring the system back under control.

Step 6: Considers cost effective ways of improving the entire process. Management must identify if the results being achieved by the stable process are satisfactory. Often, improvement of systems which may be under control eliminates 'system waste'. For example, simplification of a system or more training may offer potential opportunities for further reducing customer complaints and thus, increasing customer satisfaction.

Step 7: Evaluates the capacity of the process to meet current quality requirements. It consists of evaluating the outputs of the system that is under control. If the performance of a system is favourable, then a continuing commitment to seeking gradual improvement should occur.

Step 8: Improvement of the process is undertaken if operating system results do not meet current requirements. *"Using information from customers and analysis of competitors, management must identify system changes that are needed to gain and enhance competitive advantage."*[37]

The quality improvement process developed by Cravens et al. provides a comprehensive framework for considering marketing quality improvement. It is suggested, however, that the determination of measures for each of the 8 steps is beyond the capabilities of any one study. The objective of this paper is the provision of a framework which supports the design, operation, control and evaluation of marketing processes which will in turn result in small business success. In this respect, it incorporates steps 2 and 3 and, to a lesser extent, through the inclusion of general guidelines for system stability and improvement, steps 4 and 5 of Craven et al's model.

Stowell's model could be adapted to relate to marketing processes other than information and communication. In this way, its relevance to

marketing quality for small companies would be increased. An adapted model is illustrated in Figure 3.2:

Figure 3.2   Model for Marketing Improvement in Small Firms

Step 1	Commitment to Quality
Step 2	Identify Marketing's Products and Processes
Step 3	Determine the Effectiveness and Efficiency of Marketing's Products and Processes
Step 4	Eliminate Ineffective and Inefficient Products and Processes
Step 5	Improve Remaining Processes
Step 6	Introduce New Processes if Required
Step 7	Maintain Continuous Review of Marketing Process
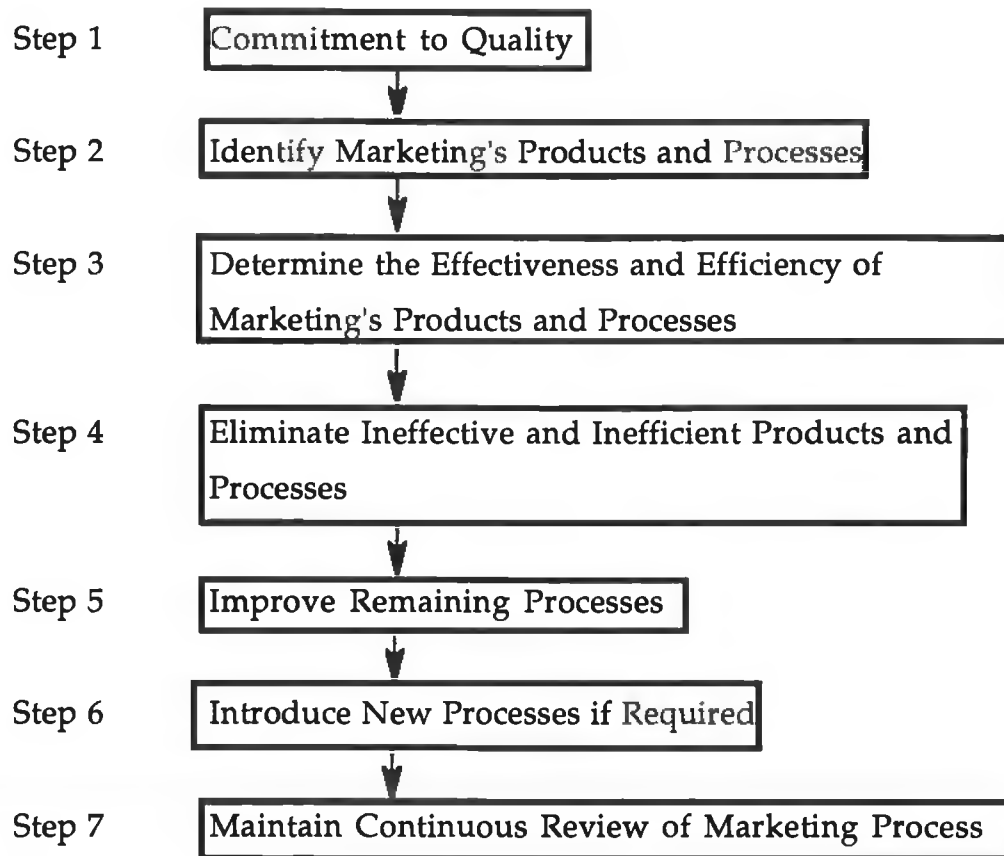
Source: Adapted from Stowell, Quality Progress, Vol. 22 (1989) pp. 57 - 62. [38]

This model is adopted as the marketing quality improvement paradigm underlying this study. The objective of the research is to identify marketing products and processes associated with small business success, detail specifications for their design, operation and implementation and provide suggestions for control, effectiveness evaluation and improvement.

3.5 Quality Standards and Awards

Quality standards and certification have become a byword for success in domestic and international markets. Customers, both consumer and industrial, increasingly seek some record of quality approval before purchase, usually in the form of certification by a national or international quality organisation. Quality is seen as the competitive tool of the future and conformance to rigorously designed standards as one method of achieving acceptable levels of quality.

There are two general types of standards in operation, technical standards and quality assurance standards. Technical standards tend to stipulate performance characteristics, list dimensions and methods of measurement, describe the physical product and identify its quality factors, ensure agreed tolerances, fit or show awareness of required safety, health and environmental regulations, technical regulations or legal rules. These standards aim to provide consistency of supply, guaranteed properties of materials, continued interchangability and replaceability, variety reduction, economy of production and safety. Quality assurance standards, on the other hand, provide guaranteed levels of application and implementation of best practice techniques leading to reliability and consistency in a company's processes and outputs. [39]

3.5.1 ISO 9000

> "ISO is a standard for quality management systems. Such systems will involve both individual product standards and calibration and measurement, but will in themselves be greater than both as they are overall systems for insuring the continued operation of the whole process, from purchasing of materials to final delivery of finished goods to a quality management standard."[40]

The ISO 9000 series are standards for an administrative or management

system. They require the activities of a company to be written down as procedures in a form that allows for implementation by any properly recruited person. Overlaid on this, is the need to keep records, which are both internally and externally audited to prove that procedures are being followed.

> *"The product that the company makes needs to be properly specified and checks made that it meets those specifications. In other words, a company is required to say what it is going to deliver, show that it has the means of delivering it and prove that it has gone through the processes it has decided to follow."*[41]

ISO is a voluntary standard in that there is no direct legal requirement to adopt it. However, virtually all manufacturers, particularly those selling to public buyers or multinationals, are expected to adopt the standard and produce evidence that they have done so. In this way this so called 'voluntary' standard is in fact becoming mandatory for marketing purposes.[42] Companies are beginning to realise that to place themselves in a competitive position in the market place they must have some formal recognition of quality, usually in the form of accreditation to a national or international standard.

3.5.1(i)   ISO: National, EU and International Position

ISO has been formally adopted throughout the EC as the basis for quality systems. Figure 3.3 illustrates the development of the ISO standard and the process of its adoption by the EU.

CEN is the European Standards Committee. CENLEC is the European Electrotechnical Standards Committee. Together, CEN and CENLEC form the Joint European Standards Institute on common matters and provide the EU Commission, DG iii (Internal Market), with a single European body, separate from governments, to provide European technical standards (EN) for publication as harmonised national standards in each member state. In 1987, the then EC Commission

requested CEN/CENLEC to adopt ISO 9000 standards as the appropriate European standards known as EN29000.

Figure 3.3   ISO : Development and Adoption Process

International Organisation
for Standardisation (ISO)

TC 176
(1977)

NSAI
(1981)

ISO 9000
(1987)

EN 29000

CEN
(comprised of the national
standards bodies of EFTA
and EC countries. ie. NSAI
in Ireland)

CENLEC
(comprised of the electrotechnical
committees of EFTA and EC
countries ie. ETCI in Ireland)

Joint European Standards Institute

European Technical Standards (EN)
(harmonised national standards)

1987: ISO 9000 adopted as the appropriate
European standard
1992: EU formal adoption of ISO 9000

Source: Developed by Author

The International Organisation for Standardisation (ISO), based in Geneva, is the author and publisher of ISO 9000. ISO represents the national standards bodies of over 91 countries. In 1977, ISO formed a technical committee (TC176) to develop a single standard for the operation and management of quality assurance. The National Standards Authority of Ireland (NSAI) joined in 1981 with a view to introducing a Quality System Standard in Ireland based on the work of ISO. In 1987, ISO published ISO 9000. The Single European Act

declared the end of 1992 to be the beginning of the single market. The EU accepted this date for the formal adoption of ISO 9000.[43]

3.5.1(ii)   Overview of ISO 9000

The ISO 9000 series is applicable to organisations who design and manufacture, those who simply manufacture and those who provide services. There are five standards in the series which set down the minimum requirements for quality management. Over 500 Irish companies have attained ISO certification to date. Ireland now has the second highest number of ISO registrations in Europe.[44]

The standards are published in separate documents numbered ISO 8402, 9000, 9001, 9002, 9003, 9004 and so on. The main documents are a vocabulary and separate standards as shown in Figure 3.4.

Figure 3.4   Overview of ISO 9000 Series

ISO 8204	Vocabulary
ISO 9004	Quality Management / Quality System Elements
ISO 9000	Guidelines for Selection and Use of the Standards

ISO 9001	ISO 9002	ISO 9003	ISO 9004 Part 2
Model for design/ development/ production installation and servicing	Model for production and installation	Model for final inspection and test	The Services Standard
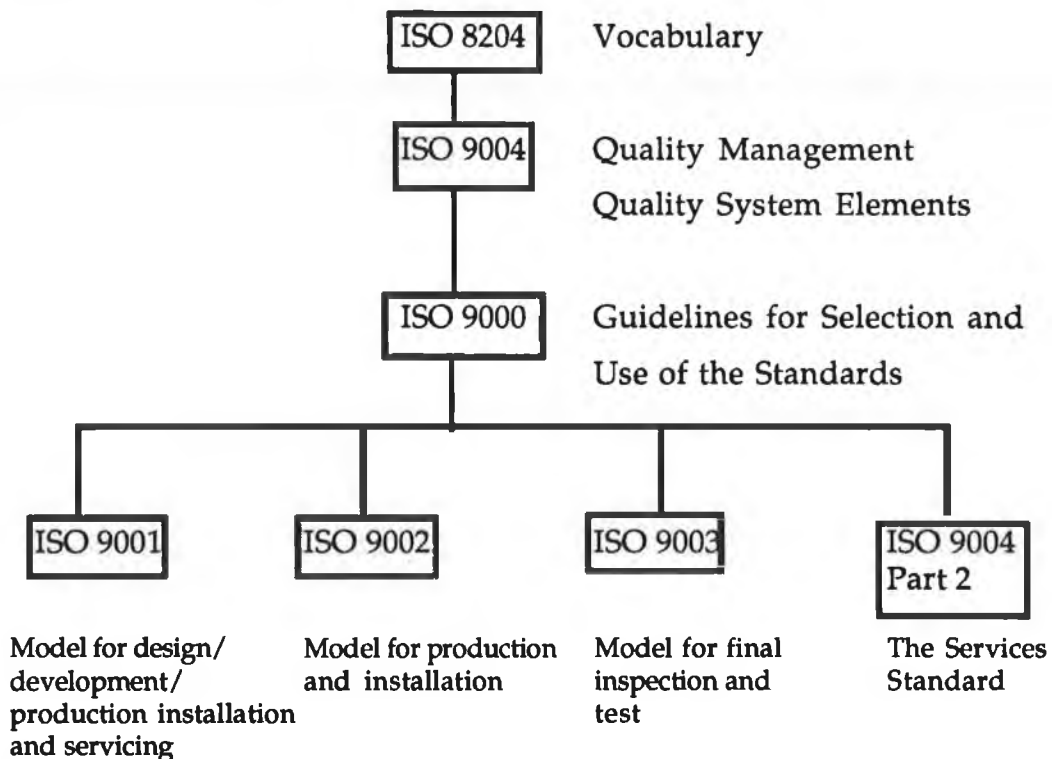
Source: Rothery (1993) p. 30. [45]

ISO 8402: This is the international standard which defines the terms used throughout the series.

ISO 9000 and 9004: Assist in drawing up internal quality management systems and in selecting the specific model from 9001, 9002, 9003 and 9004 Part 2 (services). 9000 identifies the concepts of quality and aids in selection of the appropriate 9001, 9002, 9003 model. 9004 is an extension of 9000 which focuses on the design of an internal quality system. The system is specified to contain policy, organisational responsibility, authority, resources, operational procedures and documentation.

ISO 9001: Focuses on assuring conformance to specified requirements throughout all production stages, including design, development, production, installation and servicing. It includes contract review, design control, inspection and testing, handling, storage, packaging, delivery, quality records, audits and training.

ISO 9002: This is the more common standard for manufacturers and applies when specifications and product design requirements have been already established. With the exception of design and design changes, the balance of the standard is similar to ISO 9001.

ISO 9003: Applies to manufacturers in contractual situations where there is a need to demonstrate capabilities for inspecting and testing products. The system includes document control, product identification and marking, control of measuring equipment, statistical techniques and training.

ISO 9004 Part 2: This is the services standard. A priority element is the establishment of a method for communicating the appropriate details of the service to potential and existing customers. In compiling communication policy, the company is required to demonstrate a knowledge of the market and to assess complementary and

competitive services and legislation. Quality and accuracy in advertising also are specified. ISO 9001 and 9002 can be applied to establish the specifications for both the service and its delivery. Customer assessment of service quality is expected as well as self inspection, corrective action for non conforming services, a measurement control system and a quality improvement scheme.

A detailed listing of the many documents accompanying the ISO standard is given in Appendix A.

3.5.1(iii)   Critique of ISO 9000 Series

Stubbs (1993) outlines one of the major criticisms levelled at ISO 9000. *"It is alleged that they can lead to management by form filling, to bureaucratic gridlock....[and] that they are inordinately expensive to run."*[46] This is a fact borne out in a recent Sunday Times article which focused on the problems which small firms are having in implementing the standard. While the principle of quality management is not disputed by these firms, they feel that the standard itself is expensive, inappropriate and not applicable to a small business. The experience of one small company is outlined as an example:

> *"...the small business - its annual sales are less than £1m- has had to pay £2,500 to professional consultants to help write [the quality manual]. Several employees travelled to London for workshops costing £800 (excluding travel and expenses)to learn new techniques. They paid £250 to lodge the application, an assessment charge of £1,750 and they pay an annual fee of £520 to their certifying body. After following the consultant's advice they have been forced to hire an extra surveyor at a salary of £7,500 a year because one partner is too busy filling in forms. A temporary office clerk has been hired to tackle the extra paper work. "*[47]

Callingham and Smith (1993) suggest that ISO is about *"...systems not standards...it doesn't matter how badly you do the work as long as you*

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do it the same way every time."[48] And, "*It does not itself directly enhance quality...but improves the consistency of the offer.*"[49]

It would seem that ISO installation well may be a worthwhile exercise but it should not be regarded as a complete quality strategy.

> "*ISO 9000 standards are a means to an end but not an end in themselves. Managing quality effectively involves much more than just meeting specifications.*"[50]

ISO is a stepping stone towards a total quality strategy which needs to be constantly updated to maintain and improve the company's quality and competitive position.

It must be noted that ISO 9000 does not directly concern itself with quality standards in management processes such as marketing. Marketing is seen as taking "*...the lead in establishing quality requirements for the product*" which involves determining the need for a product or service, accurately defining the market demand and sector, accurately determining customer requirements and communicating all customer requirements clearly and accurately.[51]

This view of marketing disregards some of the major functional components of the process, such as strategic planning and management, pricing, distribution etc. Marketing, in ISO terms, is a process which contributes to system quality, rather than a process which requires the application of quality techniques.

3.5.2 Malcolm Baldrige National Quality Award

Perhaps one of the best known awards focusing on quality management is the American Malcolm Baldrige National Quality Award which was introduced in 1987. The objective of the Baldrige Award is to provide a comprehensive framework for measuring the

quality efforts undertaken by companies. Companies that wish to compete for the award must show:

> "...*evidence of leadership and long term planning, initiate verifiable quality control procedures, address the happiness and wellbeing of the work force, and, above all, work towards the satisfaction of customers.*"[52]

The Baldrige Award framework consists of a basic structure of seven examination categories (illustrated in Figure 3.5) each of which contains subcategories and examination items. Within the examination items are the scoring criteria.[53]

Figure 3.5   Baldrige Award Examination Categories

Examination Categories	Maximum Points
Leadership	150
Information and Analysis	75
Strategic Quality Planning	75
Human Resource Utilisation	150
Quality Assurance of Products and Services	150
Results from Quality Assurance of Products and Services	100
Customer Satisfaction	300
Total Points:	**1,000**

Source: Quality Progress Vol. 23 (1990), p. 25.

The award criteria have been developed so that they connect process with results, cause and effect.[54] The relative weights and relationships of examination categories and an outline of examination categories, examination items and scoring weights for the 1991 award process, are illustrated in Figures 3. 6 and 3.7 respectively.

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Figure 3.6   Relationship of Baldrige Award Examination Categories

DRIVER	SYSTEM	MEASURE OF PROGRESS	GOAL
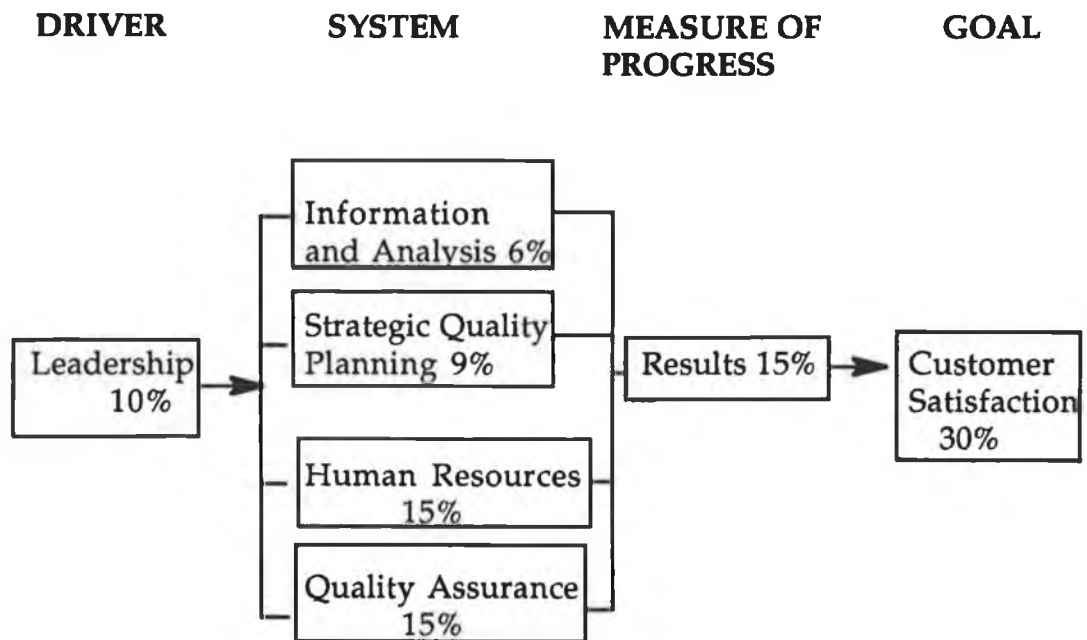
Source: Quality Progress, Vol. 22 (1989), p. 38. [55]

3.5.2 (i)   Critique of Baldrige Award

Many criticisms have been levelled at the Malcolm Baldrige Award and the debate that rages over its merits was the subject of a 1992 Harvard Business Review article, "Does the Baldrige Award Really Work?",[57] which summarised the main arguments.

One of the most consistent problems outlined by contributors to this article, was that the award falls between two stools, being neither an award for product quality nor quality management. The award criteria are not comprehensive enough for an award for overall management excellence, mainly because they do not include key elements of business success such as innovation or financial performance.[58] It is also true to say that the criteria are not sufficient for management quality, since they disregard detailed specifications for such vital tasks of management as effective marketing.[59]

Figure 3.7   Baldrige Award Examination Categories, Items and Point Values

Examination Categories/Items		Maximum Points
Leadership		100
1. Senior Executive Leadership	40	
2. Quality Values	15	
3. Management for Quality	25	
4. Public Responsibility	20	
Information and Analysis		70
1. Scope and Management of Quality Data and Information	20	
2. Analysis of Quality Data and Information	20	
3. Competitive Comparisons and Benchmarks	30	
Strategic Quality Planning		60
1. Strategic Quality Planning Process	35	
2. Quality Goals and Plans	25	
Human Resource Utilisation		150
1. Human Resource Management	20	
2. Employee Involvement	40	
3. Quality Education and Training	40	
4. Employee Recognition and Performance Measurement	25	
5. Employee Well-Being and Morale	25	
Quality Assurance of Products and Services		140
1. Design and Introduction of Quality Products and Services	35	
2. Process Quality Control	20	
3. Continuous Improvement of Processes	20	
4. Quality Assessment	15	
5. Documentation	10	
6. Business Process and Support Service Quality	20	
7. Supplier Quality	20	
Quality Results		180
1. Product and Service Quality Results	90	
3. Business Process, Operational and Support Service Quality Results	50	
4. Supplier Quality Results	40	
Customer Satisfaction		300
1. Determining Customer Requirements and Expectations	30	
2. Customer Relationship Management	50	
3. Customer Service Standards	20	
4. Commitment to Customers	15	
5. Complaint Resolution for Quality Improvement	25	
6. Customer Satisfaction Determination	20	
7. Customer Satisfaction Results	70	
8. Customer Satisfaction Comparison	70	
Total Points		**1,000**

Source: Harvard Business Review, Vol. 69 (1991), p. 80. [56]

The strategic orientation and time perspective of the Baldrige award is also called into question. *"Long term planning...defined in the Baldrige criteria as three years is now in Japan. There the planning process is not the two or three specified goals in a one to two year period...the Baldrige examiners look for, but a detailed operational plan that looks 10 to 20 years ahead."*[60]

Cooper (1992) draws attention to a problem which besets most quality standards and one which is particularly relevant to this study; *"...the award's application process* [is] *too costly for small businesses* [which] *are vital to...economic growth and must be encouraged to strive for quality."*[61] The $800,000 that was spent by Xerox to win the award or the estimated 14,000 manhours which may be required to prepare an application and ready employees for site visits are clearly beyond the resource capabilities of small firms. It is also true to say that *"The limited management staffs of most small companies do not have the breadth and depth to be totally involved in the award process while paying attention to other areas* [of the business]."[62]

3.5.3 European Quality Award

The European Quality Award (EQA) is a total quality management award which was launched by the European Foundation for Quality Management (EFQM) in 1992. Rather than being concerned with processes and systems throughout an organisation, the EQA focuses on quality in management and business processes. The European Quality Award for 1993 incorporates:

European Quality Prizes: Awarded to a number of companies that demonstrate excellence in the management of quality as their fundamental process for continuous improvement.

<u>European Quality Award</u>: Which is awarded to the most successful exponent of Total Quality Management in Western Europe.[63]

The European Quality Award has been designed as a self appraisal programme, the objective of which is for companies to regularly review each of the nine examination criteria and, based on this assessment, adopt relevant improvement strategies.[64] The categories for assessment are displayed in Figure 3.8.

The nine elements shown in the model correspond to the criteria which are used to assess a company's progress towards quality improvement and excellence. The **results** criteria are concerned with what the company has achieved and is achieving. The **enablers** criteria are concerned with how results are being achieved.[65]

Figure 3.8   **European Quality Award Examination Categories**
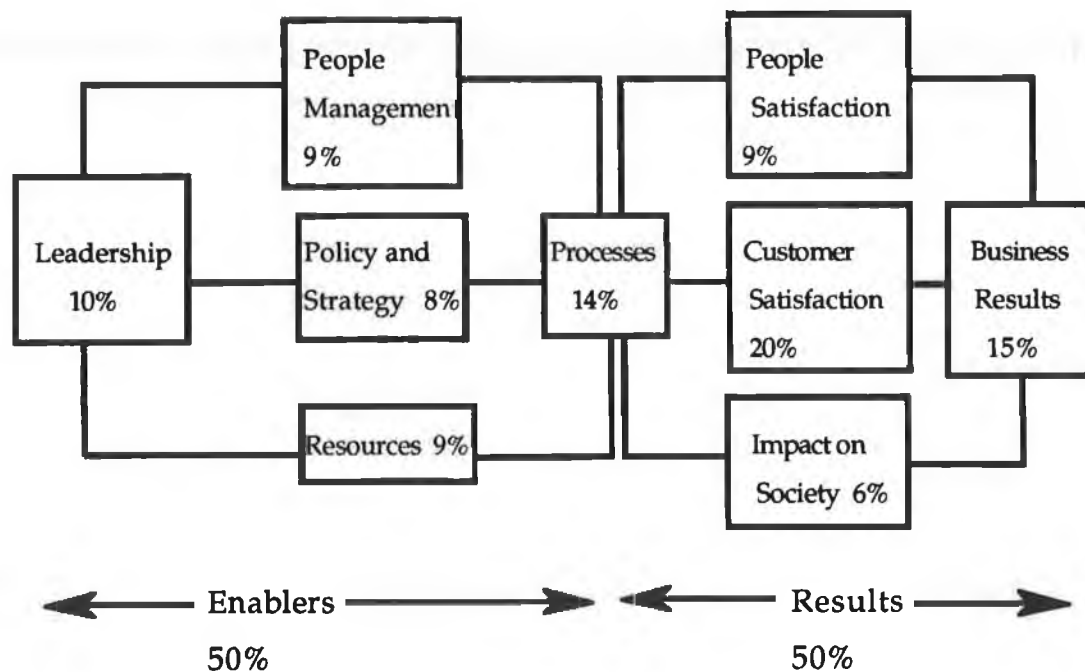
Source: **European Quality Award, (1992), p. 3.** [66]

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Leadership examines how the executive team and all other managers inspire and drive total quality as the organisation's fundamental process for continuous improvement.

Policy and Strategy investigates how the company's policy and strategy reflect the concept of total quality and how the principles of total quality are used in determination, deployment, review and improvement of policy and strategy.

People Management reviews how the organisation utilises the full potential of its employees to improve its business on a continuous basis.

Resources is concerned with how the organisation's resources are effectively deployed in support of policy and strategy.

Processes involve the management of all the value adding activities within an organisation. Analysis of processes involves process identification, review and, if necessary, revision to ensure continuous improvement of the organisation's business.

Customer Satisfaction investigates external customer's perceptions of the company, its products and services.

People Satisfaction examines employees' perceptions of their organisation and employee well being.

Impact on Society is concerned with perception of the organisation among society at large. This includes views of the organisation's approach to quality of life, the environment and to preservation of resources.

Business Results investigates the organisation's achievement in relation to planned business performance. This includes financial (profit, cashflow, sales) and non financial (market share, product development, cost of non quality) measures.[67]

> *"Customer satisfaction, people (employee) satisfaction and impact on society are achieved through leadership driving policy and strategy, people management, resources and processes, leading ultimately to excellence in business results."* [68]

3.5.3(i)   Critique of the European Quality Award

The European quality award goes much further than either the Baldrige Award, or ISO 9000 in addressing key management quality issues. It is, however, far more a business management than a marketing quality standard. While many of its criteria have direct implications for, and applicability to, the marketing process it is not specifically geared towards achieving marketing quality. The European Quality Award concentrates on achieving company wide quality management and does not provide distinct, specific functional quality requirements. It must also be pointed out that the EQA, while open to all company types (with some restrictions) does seem to be extremely rigorous for a small company.

3.5.4 Marketing Quality Assurance

ISO 9000 set out the principles for product quality but did not lay down how companies should identify and meet customer needs and expectations.

"ISO 9000 has a flaw....It is all very well ensuring that a company's design, manufacturing and quality control procedures are consistently applied. But quite a separate series of processes come into play when customers enter the equation. Unless a consistent approach can be applied to sales, advertising, customer research, after sales service and ongoing support, many of the benefits achieved by taking [ISO] on board are likely to be dissipated."[69]

Marketing Quality Assurance (MQA), was introduced in 1990 by the British Standards Institution with a view to overcoming this perceived inadequacy. In essence, accreditation to MQA is intended to denote that a company has well defined systems and procedures for assessing customer needs and preferences, competition, business, marketing and sales plans. There is also a requirement for having well trained staff to handle every aspect of customer relations. In particular, companies need to be able to demonstrate that the following activities are subject to established and coherent procedures,

- Regular business plans
- Identification and assessment of customer needs and preferences
- Marketing and Sales planning
- Marketing and Sales operations
- Laid down codes of conduct
- Product development, Promotion, Pricing, Selling and Distribution
- Customer assurance
- Possession of an in - house quality system able to measure company performance in meeting customer needs
- Policies which ensure the employment of well trained and experienced staff who are responsive to the market place.
- Purchase of marketing and sales services[70]

The MQA specification contains 58 requirements. The objectives of the

Marketing Quality Assurance Standard are illustrated in Figure 3.9.

3.5.4(i)   Relationship of MQA to ISO 9000, Baldrige and European Quality Awards

The ISO 9001 and the MQA specification are seen as complementary in that ISO 9001 is concerned with defining requirements for a Quality System which ensures that a product conforms to specified requirements, and the MQA specification extends the concept to place more attention on the customer.[72]

Figure 3.9   Objectives of MQA

Customer Oriented Business
and Marketing Plans

Staff and Organisation
Responsive to the
Market Place

Continuous Review of
Market Needs

**Meeting Customer
Needs**

Servicing Every Customer
Requirement

Effective Marketing
and Sales Operations

Quality of Product
and Supplying Services

Developing New Products
and Services

Source: Marketing Quality Assurance, (1991), p. 1. [71]

The principles contained in the MQA specification include 23 individual requirements which are also detailed in ISO 9001, but also it contains an additional 35 requirements. ISO 9001 addresses the functions of design and development, production and, to some extent, installation and servicing in relation to conformance to specification.[73]

The MQA standard addresses the functions of management, marketing, customer assurance and sales in relation to conformance to a specification which meets customer needs, preferences and expectations. The links between MQA and ISO 9000 are illustrated in Figure 3.10.

Figure 3.10 Relationship Between ISO 9000 and MQA
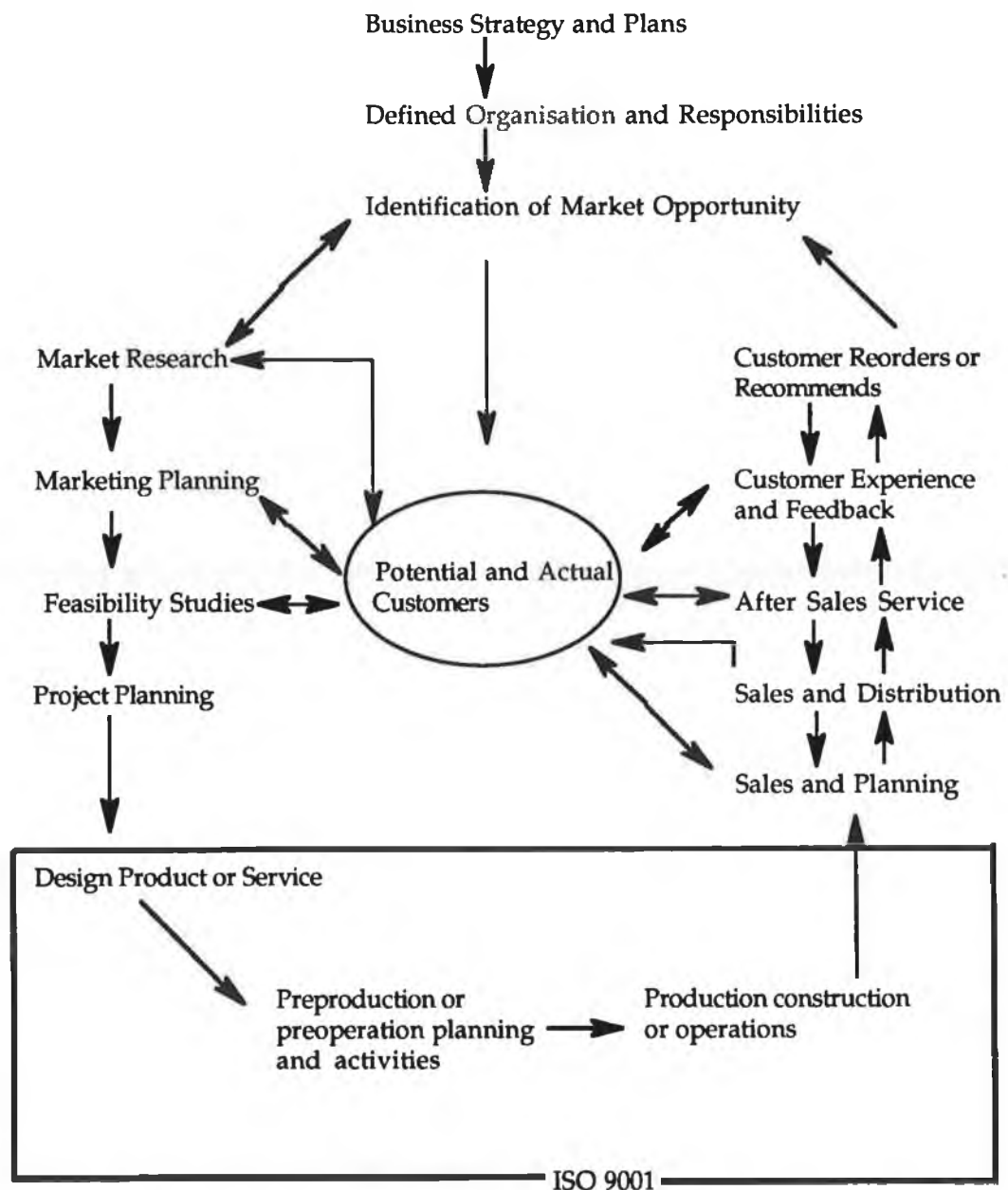
Source: Business Marketing Digest, Vol. 16 (1991), p. 97. [75]

In terms of the Baldrige Award and the EQA, a company with a quality system conforming to the MQA specification would be eligible for a maximum of 800 points, across all of Baldrige's seven categories and 90% of the European Quality Award marks across 8 categories (excluding leadership).[74]

3.5.4(ii)   Critique of MQA

The Marketing Quality Assurance standard is the most directly applicable of all the standards outlined to this study. While its objectives are similar to those underlying this investigation, its methods of application may not be appropriate for use in a small firm. All the standards and awards outlined, including the MQA specification, are designed to be in the form of measurable objectives without generally dictating how these objectives will be met. The 'how' is, therefore, decided by the company's management team. While it is recognised that too formal a set of specifications would bring bureaucracy to the essentially creative process of marketing, it must be considered that there may be a need for detailed guidelines to aid smaller firms in implementing marketing ideas and ensuring successful implementation. Small companies, due to the lack of resources and management capabilities as outlined in Chapter Two, may be unable to take a non prescriptive standard and detail original procedures and plans for implementation. As Crawford Mason (1992) suggests:

> *"An effective quality catalyst...should offer both an aim and a method. [Many] don't do that. It is rather like a thermometer, it tells you what your fever is, but it doesn't tell you how to get well...[A standard]could be an important vehicle for alerting companies to the fact that they have problems, but [most do] not tell them how to begin to think about solving them."*[76]

Thus, it is felt that a formal standard for marketing quality for small

companies will give both direction and structure to what otherwise might be a vague aspirational drive. The standards should however, include not only objectives for marketing quality, but also feasible and realistic general guidelines as to how these objectives might be achieved.

3.6   Quality Awards - A Summary

The quality awards and standards outlined above have been assessed in light of the definition and paradigm of marketing for small companies proposed in Chapter Two. This paradigm, in conjunction with the Sectoral Development Committee definition of marketing, specifically details the operational and functional aspects of marketing practice. In so doing, it provides a general theory of marketing which is tailored to the unique requirements of smaller firms. It is felt that the awards and standards reviewed here do not conform in terms of detailed guidelines and specifications for achieving quality in each of the areas outlined in the paradigm. They propose broad categories essential for marketing quality without detailing guidelines for their realisation. The objective of this study is to develop a framework for marketing quality which focuses on the operational activities portrayed in the paradigm and provides reasonable and realistic design, implementation, control and evaluation possibilities for smaller firms.

3.7   Summary

This chapter has as its objectives to assess:

(i)   the nature of the relationship between marketing and quality.
(ii)   The role of quality processes in improving marketing practice.

The first section of the chapter is concerned with defining quality. An acceptable definition of quality is necessary to inform the development

of the marketing quality standard framework. Quality has many different meanings depending on the situation being investigated. It seems logical, from the point of view of this study, to define quality from an external point of view, taking customer perceptions into account rather than using an internal, statistical, conformance based approach.

The review of developments in quality thought emphasises the importance of integrating quality throughout the organisation. Total Quality Management, with its focus on customers and their requirements, seems to be the most appropriate management model to use as the basis for investigating quality on an organisation wide basis. In this context, quality processes can be applied not only to discrete functions but throughout the company as a whole.

Having established a suitable definition and paradigm of quality from which to work, the review next considers the nature of quality in a marketing context. Literature relating to the application of quality to the marketing function is scant. Two studies that have focused on this area are examined to determine possible problems, pitfalls or implementation possibilities. In the development of a framework, it is important to ascertain what has previously been accomplished and what can be usefully employed from past research.

Evaluation of these studies identifies the processes and dynamics involved in developing a quality standard framework. One of the models reviewed has been adopted as the basis for developing the Marketing Quality Standard (MQS) framework. This model outlines the process which will be applied in the design and implementation of the Marketing Quality Standard (MQS) framework.

A review of existing quality standards and awards establishes procedures for standard design. This review also demonstrates that

there is a need for a marketing quality framework of the type proposed by this study. Only one of the existing standards is directly applicable to marketing and, as the critique has shown, it is not suitable for use in smaller companies.

This chapter, therefore, proposes a definition of quality and a model for quality improvement in the marketing function which will adequately inform the primary research and questionnaire design. Together, they indicate the nature of the questions to be asked. The literature review process undertaken in this study operates in the following manner: A review of the literature on small firms and marketing in Chapters One and Two identifies the main areas for investigation i.e. those marketing processes previously found to impact favourably on small business success, while the review undertaken in this chapter details the way in which these areas are to be investigated i.e. to provide answers to the questions raised by the Model for Marketing Improvement in Small Firms. Chapters One and Two, for example, may indicate that marketing planning is an important area for research, while Chapter Three indicates that planning should be investigated from the following perspective - how do small companies design, operate and implement planning procedures and how can they control, evaluate and improve their planning techniques ?

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CHAPTER 4

METHODOLOGY

4.1   Introduction:

The underlying objective of this study is to provide a framework which supports the design, operation, control and evaluation of marketing practice in small Irish companies.   As such, the study is largely exploratory in nature; searching for those marketing activities which should be included in a comprehensive marketing quality standard framework.   It is concerned with identifying and exploring marketing elements which are required for successful, effective and efficient marketing performance in small companies.   The marketing activities and elements identified through the research constitute the major functional components of the proposed Marketing Quality Standard (MQS).

Due to the exploratory nature of the study a qualitative research approach is favoured.

> *"Qualitative research utilises methods of data collection which are essentially flexible to respondents.   This means that there is full opportunity to get from respondents what they uniquely have to offer in the way of information, experiences, feelings and ideas."*[1]

A number of qualitative approaches suggest themselves; focus groups, in depth interviews, case studies, the nominal grouping technique or the dictator method, but the one chosen is the Delphi procedure, modified slightly to accommodate the unique constraints associated with this investigation.

4.2   Group Problem Solving Techniques

A group problem solving technique is considered the most appropriate method for developing a marketing quality standard framework because questions about what *should* happen can be examined

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effectively by a group and it results in answers which are likely to be more balanced and more thoroughly considered than those of a single individual.[2] A consensus opinion, rightly or wrongly, is judged to be less subject to blind spots and more authoritative than an individual opinion.[3] As Helmer (1981) has suggested from a purely statistical point of view, "*N heads are better than 1* ".[4] It has been found that, generally, groups are superior to individuals in making decisions when an issue is relatively complex and are more likely to succeed when a range of possible solutions is initially available for consideration.[5]

4.2.1 Inadequacies of 'Committee' Processes

A committee type (involving face to face interaction) group problem solving process has been rejected for many reasons not least of which is the unwieldy size of a committee which would truly represent all interests on the issue of marketing quality. "*By the time one has reached the point of twenty or more people constrained to reach a view in a limited amount of time, a complete and free exchange of views among all concerned is often too time consuming or impossible* "[6] Consideration of other problems associated with committees such as:

- The domineering personality, or outspoken individual that 'takes over'[7, 8]

- The difficulty of publicly contradicting individuals in 'higher' positions [9, 10]

- The unwillingness to abandon a position once it is publicly taken [11]

- The fear of bringing up an uncertain idea that might turn out to be idiotic and result in loss of face,[12]

led to the search for another process which would allow for group

interaction while avoiding the problems commonly associated with face to face interaction.

4.2.2 Delphi as the Survey Method

Delphi has been chosen as the preferred group problem solving method for a number of reasons. The subject of quality, especially quality in marketing practice, is a contentious one where a wide range of diverse opinions and viewpoints are to be expected. Therefore, it is unrealistic to presume that there will be unanimous agreement from a number of respondents, on the nature and structure of a marketing quality standard. For this reason, a one off committee process or survey of expert opinion would be at a disadvantage. The Delphi provides an opportunity for respondents to reach a consensual position over time while highlighting those areas where uncertainty or disagreement exist.[13] It is a more valid methodology to pursue when there are foreseeable problems with consensus.

Linstone and Turoff (1975) propose that there is a specific need for the Delphi technique in the following circumstances:

(i)   *"The problem does not lend itself to precise analytical techniques but can benefit from subjective judgements on a collective basis."* [14]

The objective of this investigation is to develop a set of criteria for marketing quality based on inputs from relevant individuals in the field. As such, it requires each respondent to put forward his/her own views and opinions on marketing and what quality in marketing practice should be. This obviously requires subjective judgements from each respondent.

(ii)   *"The individuals needed to contribute to the examination of a broad or complex problem have no history of adequate communication and may represent diverse backgrounds with respect to experience or expertise."* [15]

In this study, experts from a wide range of areas; academic, professional and marketing support services, are included in the sample. It is felt that the experts from each of these areas would have divergent perspectives and thus, opinions on the problem. Respondents may also evidence significant differences in terms of their experience and expertise, whether these differences are perceived or real. For example, an owner/manager of a small business may feel that he/she does not have the necessary educational background to debate a particular marketing issue with a recognised marketing academic. So too, he/she may feel it inappropriate to dispute a marketing problem with a representative of an organisation from which assistance with marketing problems normally would be sought. In this situation, the traditional methods of group problem solving would result in the small business owner refraining from offering his own opinions to the group and, consequently, the results of the group analysis would be flawed. Delphi, by virtue of its anonymity, allows for each and every opinion to have sufficient airing and consideration and, thus, results in a more complete analysis of the problem at hand.

(iii)   *"Time and cost make frequent group meetings unfeasible* "[16]

Time and cost constraints arise on both the researcher's and the respondents' part. Firstly, the financial requirements of providing an adequate meeting place and funding the travel and personal expenses incurred by respondents for perhaps two or three meetings are prohibitive. Secondly, the problems of small business owner/manager time constraints have been well documented by such authors as Clarke and Carson (1986)[17], Gill (1988)[18] Curran (1988)[19]. Expecting the respondents from this section of the sample to devote both the time

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and effort necessary firstly, to travel to and from meeting places and, secondly, to participate in group discussions which could last for up to three hours at a time, and to ask them to do this on a continuing basis, simply is unrealistic.

(iv)   *"The heterogeneity of the participants must be preserved to assure validity of the results."*[20]

For the research to be meaningful, the respondents should be drawn from any and every area that could possibly make a worthwhile contribution to solving the problem. In this study, experts are selected from various and diverse backgrounds and, as outlined in (ii) above, have differing levels of experience and expertise. This may lead to domination by certain individuals in their areas of expertise and the exclusion of other members' valuable opinions when traditional group problem solving methods are used. To avoid this potential problem the heterogeneity of the participants must be maintained throughout this study. Anonymity is inherent in the Delphi process and it is, therefore, considered the best technique for ensuring a breadth of responses resulting in reliable and valid findings.

The Delphi procedure also offers significant advantages over 'one-shot' more quantitative questionnaires when endeavouring to develop a framework based on respondents' subjective opinions. A single questionnaire, in many cases, does not allow for sufficient exploration of issues and concepts to provide solid, detailed and meaningful information on which the marketing quality standard framework could be based. Such questionnaires do not allow the respondent an opportunity to reflect on the problem or to refine opinions after due consideration of the issues. *"Questionnaires of this type are structured to yield quick, off the cuff responses, not thoughtful analysis."*.[21] The Delphi technique is felt to be more effective in soliciting a reflective response to questions about the marketing needs of smaller companies

than a once off questionnaire. The Delphi procedure provides time for consideration and evaluation of issues and possible alternative solutions. It emphasises thoughtful deliberation and encourages respondents to detail the reasoning behind their answers, thereby ensuring reasoned responses to questions of marketing quality.

The Delphi's emphasis on consensus and the inclusion of opinions from a wide range of respondents means that the resulting marketing quality standard is likely to appeal to and have relevance for a wide audience.[22] Group consensus and response allows for shared responsibility in the design of the Marketing Quality Standard (MQS) framework. Therefore, the competence of any one individual, for example the researcher, is less likely to be questioned. Future users should feel that the framework, not only incorporates their views and opinions, but by virtue of their input, is directly applicable to their unique needs and requirements. Ludlow (1975), in a study which evaluated Delphi methodology, provided evidence that Delphi is important in *"encouraging greater involvement and facilitating communication between researchers and decision makers."*[23]

Delphi has been identified as the most effective procedure through which to assemble current thought and practice on marketing for smaller companies. Use of the Delphi technique should ensure that all possible views and opinions are considered, that the impact and consequences of any particular issue are fully examined and that the acceptability of the resulting framework is guaranteed.

4.3 The Delphi Procedure

The objective of Delphi is to *"...obtain the most reliable consensus of opinion of a group of experts...by a series of iterative questionnaires interspersed with controlled opinion feedback."* [24]

Delphi is "*A method for eliciting opinions or judgements on a particular issue or problem, from a group of individual experts or informants, who remain anonymous to each other. The combined results are subject to a process of refinement, through the use of successive and controlled opinion feedback, with the opportunity for the respondents to revise their earlier views.*" [25]

The Delphi procedure is based on the individual and intuitive judgements of specialists or experts in a particular field. The method involves the utilisation of the intellectual ability, experience and general knowledge of these experts.[26] Delphi's objective is to obtain the most reliable consensus of opinion of a group of experts. It attempts to achieve this by asking respondents to reply to several questionnaire iterations with subsequent rounds containing previous round feedback.[27] The central aim of Delphi is to allow experts' opinions and proposed solutions to reach a consensus based upon increasing amounts of information becoming available through the feed back mechanism. The technique therefore, involves the repeated individual questioning of the experts on the Delphi panel (by interview or questionnaire).[28] The questions, which are centred around some central problem, are designed to elicit the reasoning that went into the respondent's reply, the factors considered relevant to the problem and thoughts and opinions as to solutions for that problem.[29]

Delphi tries to replace direct confrontation and debate, characteristic of other group problem solving techniques, with a carefully planned, orderly programme of sequential individual questioning.[30] As each stage in the questioning process is preceded by feedback on responses from earlier question rounds, Delphi emphasises informed judgement and attempts to improve the traditional "committee" type approach by subjecting the views of individual experts to the criticism of fellow experts without face to face confrontation and intimidation.[31] This anonymity of respondents is central to Delphi and reduces the

influence of dominant individuals, eliminates group pressure for conformity and permits respondents to abandon or modify positions taken early in the research process. It, therefore, eliminates many of the problems commonly associated with other group problem solving methods.[32]

4.3.1 The Classical Delphi Approach

A typical Delphi format, as outlined in Figure 4.1., would run as follows.

A questionnaire is devised to explore some problem as defined by the researcher. Experts are selected to form the Delphi panel based on their ability to contribute usefully to forming a solution to the problem. In most cases, the experts do not come together, but rather respond anonymously to a set of written questions.[33] The questionnaire is sent out to each member of the selected Delphi panel. Drawing on his knowledge and his reasoned consideration of the problem the expert completes the questionnaire and returns it to the researcher. At this stage the replies are assembled and analysed to form a summary of the first round responses. This first round consensus report is then fed back to each individual member of the panel. In this way each member can see what the general consensus view is on each of the issues raised by the questionnaire, and is able to check whether his own first views on the problem are shared or whether he differed from what was generally seen as a possible solution to the problem under discussion.[35]

A second questionnaire, exactly the same as the first, is sent out to all panelists and they are asked to complete this likewise, reflecting such changes in their views as have been brought about by the consensus views they have been given. Again, a second consensus report is prepared based on replies to the second questionnaire.[36]

Figure 4.1.   Outline of the Classical Delphi Procedure
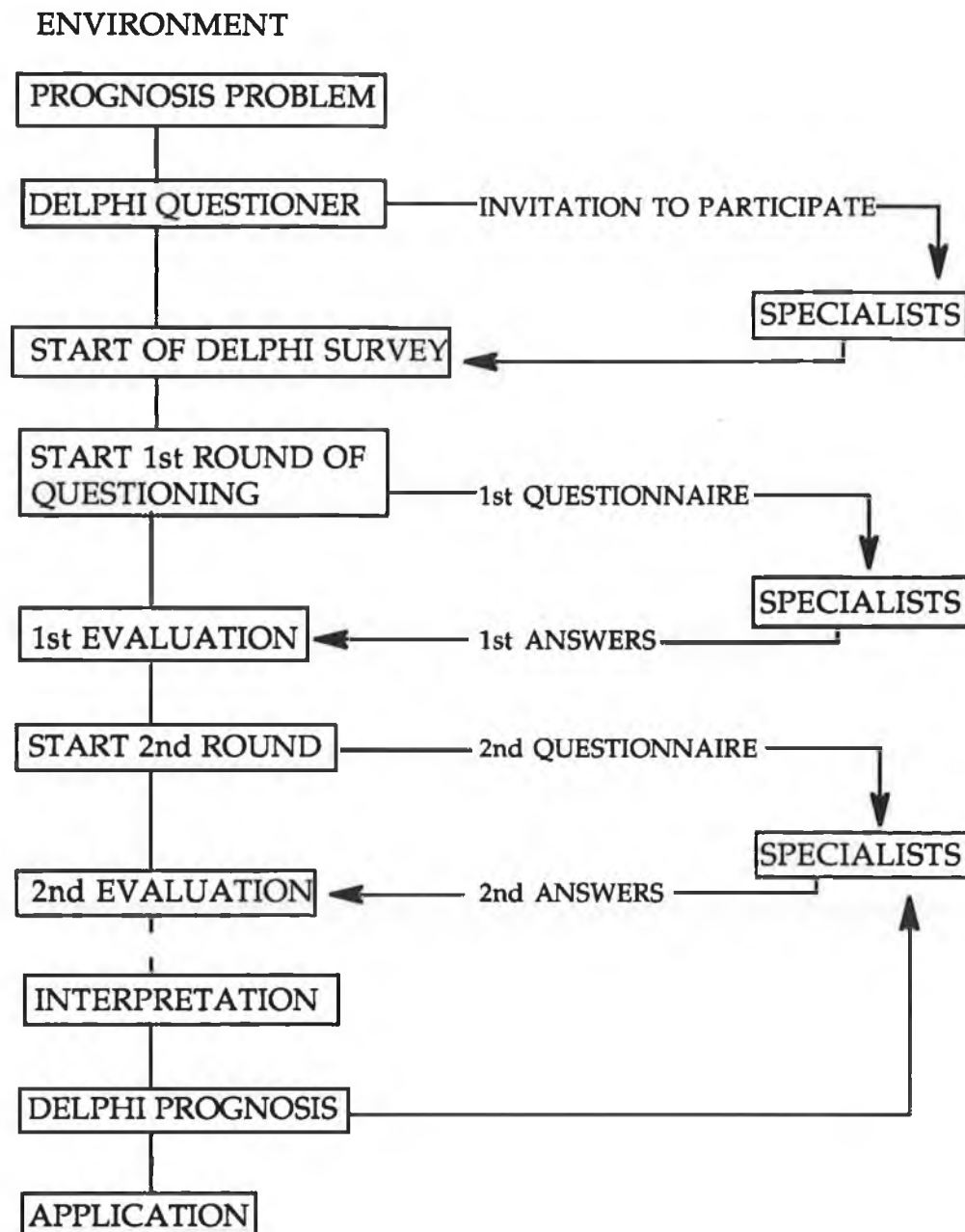
ENVIRONMENT

```
PROGNOSIS PROBLEM
        |
DELPHI QUESTIONER ──────INVITATION TO PARTICIPATE──┐
        |                                          ↓
                                            SPECIALISTS
        |                                          |
START OF DELPHI SURVEY ◄────────────────────────────┘
        |
START 1st ROUND OF
QUESTIONING ──────────1st QUESTIONNAIRE──────┐
        |                                    ↓
                                      SPECIALISTS
        |                                    |
1st EVALUATION ◄──── 1st ANSWERS─────────────┘
        |
START 2nd ROUND ──────── 2nd QUESTIONNAIRE──────┐
        |                                       ↓
                                         SPECIALISTS
        |                                       ↑
2nd EVALUATION ◄──── 2nd ANSWERS────────────────┘
        |                                       |
INTERPRETATION                                  |
        |                                       |
DELPHI PROGNOSIS ───────────────────────────────┘
        |
APPLICATION
```

The second consensus report, like the first, is circulated to all panel members. They are thus able to see how interacting opinion amongst the panelists is modulating and conditioning the aggregate view.[37] Once again, they are asked to reconsider their own responses to the questions, and to complete a third questionnaire to show their opinions as refined by opinions expressed by other members of the Delphi panel. A third consensus report is compiled and distributed to all panel members along with the questionnaire. And so, the Delphi process continues until it is felt that the response pattern either indicates sufficient consensus among all panel members as to a possible solution to the problem, or a clear cut division of opinion with no likely resolution.[38] Theoretically, Delphi could involve a large number of questionnaire iterations, however, practice has found that typically three to four rounds is sufficient. In most Delphi studies a point of diminishing returns is reached after a few rounds.

> *"Most commonly, three rounds proved sufficient to attain stability in the responses; further rounds tended to show very little change and excessive repetition was unacceptable to participants."*[39]

Traditionally, the Delphi technique has been used as a forecasting tool focusing on collating the aggregate judgements of individuals who speculate on possible future events. However, Delphi has been successfully applied to research problems where the focus is on assessing present needs and requirements in a particular area in studies conducted by Linstone and Turoff (1975)[40], Olshfski and Joseph (1991)[41] and Fazio (1985).[42] The Delphi technique operates as a "needs assessment" tool in the same way as it does for forecasting and it is in this "needs assessment" sense that Delphi is applied in this study.

4.4 Amendments to the Classical Delphi Approach

The selection of an experimental strategy should be based on "...*the particular conditions of both the problem and the environment surrounding the exploratory investigation*".[43] Consideration of the characteristics of the classical Delphi approach and the intended survey population, illustrated certain inadequacies in the implementation methods commonly associated with Delphi. The exact form of the Delphi procedure for this study should, as with any good research methodology, be governed by the nature of the problem, the resources available, the characteristics of the sample and the researcher.

The first consideration centres on motivational levels among the survey population, especially among those respondents from smaller companies. Realistically, their motivation to participate in the study may not be strong enough to expect full commitment through three or more iterations. This reasoning, coupled with the time and monetary constraints already outlined, indicate that certain alterations in the implementation of the Delphi procedure are necessary. The changes proposed do not alter the essence and objective of Delphi but rather refine and tailor it to suit the unique requirements and circumstances surrounding this study. The modified Delphi, proposed for this research, adopts a personal interview structure, fewer iterations of the questionnaire and a smaller panel size. The modified Delphi is illustrated in Figure 4.2., with a supplementary description outlined in Figure 4.3.

(i) **A personal interview structure**, utilising a semi structured questionnaire, is employed in this study in an effort to improve on the poor response rate commonly associated with postal questionnaires.[44] As some of the selected respondents may not be sufficiently committed to the research, it is felt that a personal interview would be perceived as

demanding less of them and their time and would thus, encourage fuller participation. Use of a personal interview allows for direction and probing of responses thereby facilitating a fuller understanding of the opinions and answers given by respondents and a deeper appreciation of the reasoning behind them.

Applied in the context of requirements analysis, or 'needs assessment' (i.e. what is required in a comprehensive standard for marketing practice), Delphi must ensure that the participants state their views explicitly.[45] A personal interview structure ensures that this is achieved more efficiently and effectively than would be the case with a postal questionnaire where problems with interpretation of questions on the part of the respondent or responses on the part of the researcher can develop.

(ii) **Fewer iterations** of the Delphi are envisaged because of the use of the personal interview structure. This should result in responses being more fully considered by respondents and aid the researcher's comprehension. It is hoped that if respondents are assured that the study will not be a long, drawn out, protracted process they will be more motivated and willing to participate. By utilising the following procedures developed by Turoff (1975) fewer iterations can be achieved.

(a) Considerable time is devoted to carefully preformulating the issues to be discussed

(b) Including in the first round questionnaire an initial range of issues to be discussed but allowing respondents to add to these

(c) Asking for views, opinions and positions on each item in the first round.[47]

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Figure 4. 2.   **Outline of the Modified Delphi Approach**

ENVIRONMENT

BASED ON LITERATURE AND
CONSULTATION WITH SPECIALISTS

PROGNOSIS PROBLEM

DEVELOPMENT OF
SEMI STRUCTURED
QUESTIONNAIRE

PRETESTING OF QUESTIONNAIRE ON
REPRESENTATIVE GROUP

FIRST ROUND OF QUESTIONING
UTILISING A PERSONAL
INTERVIEW APPROACH

— ADMINISTER QUESTIONNAIRE —

EXPERTS SELECTED
FROM
(i) INDUSTRY
(ii) ACADEMIA
(iii) SUPPORT BODIES

EVALUATION OF RESPONSES AND
DEVELOPMENT OF PRELIMINARY
CRITERIA FOR INCLUSION IN MQS
PHASE 1 FRAMEWORK

◄ ANSWERS

EVALUATION OF PRELIMINARY
CRITERIA BY EXPERT PANEL
AND FEEDBACK

REEVALUATION AND REDEVELOPMENT
OF CRITERIA BASED ON FEEDBACK

DELPHI PROGNOSIS/CONCLUSIONS
DEVELOPMENT OF MQS PHASE 1 FRAMEWORK

APPLICATION OF STANDARD/RECOMMENDATIONS
FOR FURTHER STUDIES TO DEVELOP STANDARD

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Figure 4.3.   Objectives and Phases of the Modified Delphi Approach

1.   <u>Formulation of the relevant issues</u>: Developed from the
literature review and discussion with marketing specialists.

2.   <u>Exposing the options</u>: Having determined the various issues the
next stage focuses on asking the panel to put forward the options
available to achieve resolution. This phase is undertaken in the first
round questionnaire/personal interview.

3.   <u>Determining initial positions on the issues</u>: Analysis of
responses to the personal interviews exposes those issues and options on
which the panel agree, those which are considered unimportant and
should be discarded and those where there is little or no agreement or
consensus among the panel.

4.   <u>Exploring and obtaining the reasons for disagreement</u>:
Analysis of first round responses provides the underlying assumptions,
views and reasons given by respondents to support their respective
positions. These opinions form the basis of the criteria and
specifications to be included in the marketing quality framework.

5.   <u>Reevaluation of the options</u>: The second round of the Delphi
process allows each member of the panel to evaluate the criteria and
specifications to be included in the marketing quality framework based
upon their own views, the views of the other panelists and supporting
arguments. The Delphi prognosis/conclusions and the development of
the final draft of the Marketing Quality Standard (MQS) Phase 1
framework will be based on the feedback from this stage of the process.

Source: **Adapted from Turoff The Delphi Method : Techniques
and Applications, (1975), p. 88.** [46]

(iii) **A smaller panel size** is necessary because of cost and time constraints. However, if the panelists are drawn from the widest possible catchment area in terms of their physical, commercial and academic situations, the representativeness of the sample can be assured.

4.5   Implementation of the Modified Delphi Approach

The proposed modified Delphi procedure is implemented in the following way. A semi structured questionnaire, comprising Likert statements and augmenting probes, is developed through extensive reading on the marketing needs of small industry, quality in marketing practice and through preliminary interviews with marketing specialists. This questionnaire is pretested on a pilot sample, which is representative of the Delphi panel being used in the final survey. This is done to determine and eliminate problems with comprehension and relevance.

The finalised questionnaire is administered to the selected Delphi panel. Administration takes place through a personal interview structure which allows for probing and development of ideas put forward by individual panel members. Each interview is tape recorded, providing the permission of respondents is forthcoming. Based on an evaluation of the responses gained from this first round stage of the Delphi, criteria and specifications for the Marketing Quality Standard (MQS) Phase 1 framework are developed .

This criteria and specifications are circulated to the Delphi panel for their evaluation and feedback. It is at this stage that the research focuses on resolving and gaining consensus in those areas where there may be divergent opinions. Panelists are asked in this second round to put forward any further ideas which may have occurred to them since the initial Delphi took place, or to propose any improvements or

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recommendations they feel would contribute usefully to the refinement and redesign of the framework.

The criteria and specifications are re-evaluated and re-developed in the light of the feedback from the Delphi panel. This results in the construction of the Marketing Quality Standard (MQS) Phase 1 framework which forms the basis for the Delphi prognosis and conclusions.

4.6   Problems Associated with the Use of the Delphi Technique

Many authors remain unconvinced of the worth of the Delphi technique and their criticisms arise mainly in the areas of reliability and validity. This is not surprising as all methods of qualitative research have been subjected to similar questioning, even when substantial statistical theory has been developed to support the concept. The basic reason in each case is "...*the subjective, intuitive nature of the input.*"[48]

4.6.1   Validity of Results:

Issues of validity focus on the meaning and meaningfulness of the data resulting from a particular study.[49] Many authors, including Sykes (1991)[50], Prendergast and Marr (1991)[51], Gabriel (1990)[52] and Quinn Patton (1986)[53], see this as referring to firstly, the 'goodness' of the data collected i.e. the kind and accuracy of the information that is obtained from respondents, and secondly, to the confidence with which inferences can be made from qualitative data, i.e. the generalisability of results,

Firstly, taking the issue of the 'goodness' of qualitative data, it can be said that for any given piece of research the appropriate criteria of

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goodness will depend on the purpose of the research itself.[54] Qualitative research allows flexible and responsive interaction between the researcher and respondent. Thus, meanings can be probed, issues developed from a wide variety of angles and questions made clear to respondents. *"Obviously research problems to do with the generation of ideas or getting respondents to think creatively, all benefit from this type of research."*.[55] The objective of this study is to develop a framework for marketing quality, based on inputs from a cross section of individuals concerned with good marketing practice. There is no other method which could be argued to have theoretical advantages over Delphi in terms of obtaining the most reasoned, thoughtful and detailed information from individuals. The Delphi process is concerned with achieving an understanding of the meaning of what respondents are saying and how the area being researched looks to them. For the purposes of this research, it results in data that is both meaningful and accurate.

The issue of generalisability of results arises from the nature of qualitative samples, their small size and purposive selection, which does not allow for formal statistical analysis and inference.[56] However, strict adherence to statistical sampling methods can often impose limitations on research. It could, for example, be argued that quantitative methods forfeit quality of information to standardisation. It is often impossible to reduce the complexity of social processes or individual opinions without sacrificing realism.[57]

Utilising a traditional probability sample in the type of exploratory research with which this study is concerned, does not necessarily result in better, more general results. Quinn Patton (1986) introduces the phrase "reasonable extrapolation" to describe a qualitative version of inference.

"Unlike the usual meaning of the term "Generalisation" an extrapolation clearly connotes that one has gone beyond the narrow confines of the data to think about other applications of the findings. Extrapolations are modest speculations about the likely applicability of findings to other situations under similar, but not identical, conditions. Extrapolations are logical, thoughtful and problem oriented rather than purely empirical, statistical and probabilistic."[58]

Because of the opportunities it provides for cross-checking and amplification of ideas as they emerge, and because the researcher gains a deeper understanding of the issues and opportunities put forward by respondents, Delphi contributes to the accurate and thorough extrapolation of the results and the confidence with which these inferences can be made.[59]

Sykes (1991)[60] and Gabriel (1990)[61] have found that careful sample design and attention to other details of the research process such as questionnaire design and implementation, together with input from people with substantive expertise in the field (a process inherent in Delphi) contribute to the confidence with which results can be generalised. The validity of findings depends ultimately on whether

"... after a full consideration of the methodological and procedural stages leading to a finding, we believe it and are able to persuade others that that belief is justified. We achieve valid results not by our choice of method but according to how well we use them."[62]

4.6.2 Reliability of Results:

"Reliability concerns the replicability and consistency of scientific findings."[63] It is the inherent characteristics of qualitative methods - flexibility and absence of rigid experimental control- that throw into doubt the ability of qualitative research to produce reliable findings, i.e. would the same study carried out by two researchers produce the same

findings. However, when this idea of the 'researcher element' is taken into account, quantitative research could be seen to have the same shortcomings. Collins (1989) has argued that both the qualitative and quantitative researcher:

> "...starts with a set of expectations.... The quantitative researcher designs a framework, based on these expectations, within which the observations will take place. For a time, the structure of the research is fixed and constrained, in the interests of comparability but also to provide a degree of control over the observation process .... For analysis and interpretation, the observations are returned.... The researcher examines the data, attaches meaning to them, and draws inferences and conclusions, all against a background of the pervasive prior models and expectations.... Where two quantitative researchers start with marked differences in orientation, the researchers may be 'driven' to different interpretations, not only of the problem as a whole, but even of identical datasets."[64]

Reliability in qualitative research can best be attained by ensuring that the entire process of the research is made transparent to readers. In so doing, the logic behind a particular finding can be communicated so that it is possible for the reader to see how and why a particular finding was stated. It is then up to that individual to exercise his or her own judgement in deciding whether or not to accept that finding.[65] As a properly executed Delphi "...makes the communication process and its structure explicit, most pitfalls assume greater clarity to the observer than if the process proceeds in a less structured manner".[66] Therefore, a particular strength of the Delphi procedure is its ability to make explicit the limitations on the particular design and its application.

4.6.3 Expert Selection

While issues of reliability and validity can be raised in any qualitative research, there are more specific criticisms which have been levelled at the Delphi technique. In 1971, the American Statistical Association described the Delphi technique as the "...antithesis of scientific

forecasting and of questionable practical credibility."[67] Perhaps the most comprehensive critique of the Delphi method was undertaken by Sackman (1975)[68] who questioned the procedure in several areas. The most important criticism from the point of view of this study, relates to expert selection. According to Sackman, the method by which experts are selected is dubious - how does one distinguish between an expert and a non expert ?

Expert selection is largely judgemental in that the researcher decides who the experts are. While this subjective selection is unscientific, if certain rules, which have been developed to improve the expert selection process, are applied then a degree of objectivity can be introduced to the procedure.

Prendergast and Marr (1991)[69], Parker (1987)[70] and Hill and Fowles (1975)[71] propose that:

(i)   *"The Delphi panel must be representative."*

The Delphi panel should incorporate every view which could enhance and reinforce the appropriateness and relevance of the framework for the sector at which it is aimed. Therefore, the Delphi panel in this study consists of marketing academics who can contribute on the basis of their learning and knowledge of what constitutes good marketing practice, and representatives from small and medium sized industry and supporting bodies who contribute on the basis of their knowledge of what is really needed from a marketing quality framework at a practical level. All members of the panel in this study are selected because they are experts at either an academic, commercial or "real world" level, and are knowledgeable in the field under scrutiny.

(ii)   *"Panelists should be people who have a stake in the accuracy of the resulting data."*[72]

The establishment of a marketing quality framework is something which should be favoured by each of the groups selected to partake in the study. Academics, because it will contribute usefully to good marketing practice, small business enterprises, because it will provide them with a benchmark against which their marketing efforts can be measured and support bodies, because the framework will encourage marketing excellence among those companies they are trying to develop.

Through recognising and accounting for the problems associated with expert selection in the above manner the problem of selection bias, where the panel is "... *not representative of the universe of people who are expert in the matters under investigation*" can be substantially reduced.[73]

4.6.4   Knowledge Bias

A further problem associated with the use of experts, was proposed by Marchant (1988). *"Because of the heterogeneous nature of the panel of respondents, each question or questionnaire will be answered with a different degree of validity and a different degree of confidence."*[74] This introduces the concept of differing degrees of expertise where individual panel members may be more "expert" in some areas than others. The personal interview structure of the proposed methodology allows the researcher to probe the reasoning behind individual panelist's responses and the validity (i.e. the respondent's knowledge of a particular area) of individual answers can be ascertained and noted. This knowledge can then be used to give a valid indication of the accuracy and worth of individual responses.

A related concern is that of individual experts biasing their responses so that they are overly favourable towards their own specialised area. A study undertaken by Jones (1975) indicated that "...*no such bias occurred. It appears that the particular group of experts used were able to rise above the desire to protect personal interests*"[75] Again, it is hoped that the personal interview structure can be utilised to control the emphasis placed on any one area and thereby ensure that individual groupings are not biasing results.

If a consensus of opinion is to be achieved, it is also important that the panel have a similar knowledge base. To ensure that each participant in the study has an overall view of the problem under discussion a short resumé of the state of play in marketing among small firms in Ireland, and the aims and objectives of the study is included as an introduction to the questionnaire. This gives all respondents a common baseline to refer to when considering and evaluating both their own and the panels' opinions.[76] Provision of a resumé reduces the problem of "knowledge bias" where some respondents may be more knowledgeable, whether in an academic or practical sense, about the marketing needs of smaller companies than others.

4.6.5 Halo Effect

Linstone and Turoff (1975) suggest that some respondents may allow their true opinions to be influenced by what they must assume is expert opinion reported through the feedback procedure, and that this "halo"effect may contaminate results.[77] This problem is also identified by Gutierrez (1989) who feels that the outcome "... *may result in compromise by some of the participants instead of a genuine reflection of consensus by a group. The feedback process may pressure the respondents to release original positions in order to terminate the process*"[78] An experiment conducted by Scheibe et al. (1975) to

determine whether feedback had any conscious effect on movement towards consensus, concluded that "...*the group pressure from some forms of feedback can be overly strong, forcing participants to take positions which they find uncomfortable.*"[79] However, the real danger with false conformance, as identified by Scheibe et al., is that many members of the Delphi panel, while agreeing with the majority during the study, may leave the process without "*really compromising their feeling at all*"[80] In other words, they may have capitulated during the Delphi but still hold to their original views. Obviously, if the objective of the procedure is to develop a framework for marketing quality to suit their needs, such participants ultimately might be quite dissatisfied with results.

As the modified Delphi proposed in this study comprises fewer iterations, the problem of respondent fatigue, where respondents wish to terminate or drop out of a Delphi study, has been minimised. This does not, however, address the question of a possible "halo" effect, or false consensus, arising from the Delphi process. The personal interview structure, already outlined, affords the opportunity of drawing out respondents' true opinions through in depth discussion and probing. It also allows the researcher to gain an understanding and knowledge of respondents' true feelings on the various issues raised. Any indication of respondents being influenced to abandon positions later in the process can be quickly identified, inquired into and noted.

4.6.6 Unfamiliarity With the Delphi Process

Unfamiliarity among participants with the Delphi technique can lead to problems with respondent comprehension and decrease the value of the final consensus opinion.[81] Again, unfamiliarity, which is expected to be reasonably high in Ireland, is overcome through the use of the personal interview, where the purpose and nature of the Delphi study

can be explained in detail and to the satisfaction of all participants.

4.6.7 Instrument Bias

The last major criticism of the Delphi technique relates to questionnaire design and this is looked at extensively by many authors including Marchant (1988)[82], Sackman (1975)[83], Hill and Fowles (1975)[84] and Linstone and Turoff (1975).[85] The problems identified by these authors are the same problems inherent in questionnaire design for any study, and can be overcome through attention to wording, phrasing and ensuring that each question will mean the same thing to all respondents. To a certain extent, problems with comprehension can be dealt with effectively in the personal interview. However, to avoid the possibility of 'leading' the respondent a short list of key definitions is used in conjunction with the questionnaire. The questionnaire is pretested on a pilot sample of experts representative of the final Delphi panel in terms of background and expertise.

Delphi, like all research techniques, only provides valid results if it is implemented properly. If its intricacies, inadequacies and limitations are acknowledged and accounted for in the research design, Delphi may be used reliably and successfully as a comprehensive method for obtaining widespread and diverse participation in establishing criteria for marketing quality.

4.7 Research Instrument

The terms of reference which inform this study are the consideration of marketing practice among small Irish companies and the development of a framework to encourage these companies to adopt appropriate marketing techniques and concepts. The main objective, therefore, is the development of the Marketing Quality Standard

(MQS) Phase 1 framework which supports the design, operation, control and evaluation of marketing activities in smaller firms. For the purposes of ease of investigation this objective is translated into five sub objectives. The focus of these subobjectives is to ascertain the relevance, validity, desirability and feasibility of marketing techniques identified in the literature review to small companies and to assess criteria for their implementation. These objectives support the generation of a preliminary marketing quality framework which details specific and realistic marketing requirements necessary for quality marketing practice in smaller firms.

4.7.1 Questionnaire Formulation

Mindful of these objectives, the areas chosen for discussion in the final questionnaire are compiled from two sources. Firstly, a comprehensive review of the literature on marketing and small firms identifies the broad areas of marketing practice to be investigated, while a survey of previous research on quality and marketing highlights the scope and direction of the investigation. Secondly, discussion with a marketing specialists group further refined the areas for examination in the primary research. This process is outlined in Figure 4.4 and the accompanying explanation given below.

A draft list of key research questions, drawn from a review of the literature on marketing practice in smaller companies and from literature on quality in marketing practice, is compiled. These broad question categories are reduced to a manageable number through discussion with a group of marketing specialists. This discussion highlights the areas considered essential for quality marketing practice in small companies and forms the basis for questionnaire development.

Figure 4.4   Development of Marketing Quality Standard

Isolation of Distinctive Characteristics of the Small Company and Quality Factors Relevant to Marketing	——input———	Literature Review
↓		
Implications for Marketing Practice in Small Firms in Ireland	——input———	Literature Review Specialist Group
↓		
Isolation of Key Marketing Elements Necessary for Quality Marketing Practice in Small Irish Firms	——input———	Specialist Group
↓		
Evaluation of Questionnaire	——input———	Specialist Group Pilot Sample
↓		
Consideration of Key Marketing Elements and Implications for Marketing Quality Framework	——input———	Delphi Panel
↓		
Marketing Quality Standard Possibilities	——input———	Delphi Panel
↓		

Marketing Quality Standard (MQS) - Phase 1

Centring on those areas identified by the group for inclusion, the questionnaire is developed. The first draft of the questionnaire is discussed among the group of marketing specialists and further refined in light of new ideas on areas for discussion. The final draft of the questionnaire is pretested on a pilot Delphi panel. Problems with comprehension and wording are identified at this stage and the questionnaire is reformulated on the basis of the resulting feedback.

4.7.2 Questionnaire Design

The final questionnaire, see Appendix B, is designed to accomodate the five sub objectives outlined previously. It, therefore, investigates the following :

1. Respondents' evaluations of the 28 statements drawn from the literature and discussion with marketing professionals.

Because of the exploratory nature of this study, analysis of the primary research can be expected to deal largely with statements, arguments, comments, and discussion. In an effort to establish some means of evaluating the ideas expressed by the respondent group, rating scales have been formulated to indicate the level of agreement with each of the issues proposed. These evaluations are based on a five point Likert scale, where respondents are asked to indicate degrees of agreement (1) or disagreement (5) with each statement. These statements also facilitate the introduction of the more exploratory section of the questionnaire, discussed under 3. below.

2. In accordance with previous needs assessment Delphis undertaken by Linstone and Turoff (1975),[86] Turoff (1975)[87] and Perez and Schüler (1982),[88] and to satisfy the objectives of this study respondents' are asked to assess each of the statements under the following headings:

(i) **Validity**: Is it fair to ask a small company to pursue this activity ?

(ii) **Desirability**: Will the performance of this activity have some benefit, either tangible or intangible for the small firm ?

(iii) **Feasibility**: Is it possible for a small company to undertake this activity ?

3. Finally, respondents are requested to explore and develop their thoughts on each of these statements by suggesting how best a small company, with limited resources, could accomplish each activity outlined.

This exploratory analysis of the Likert statements is carried out using the semi structured "probe" section which is included in the interviewer's questionnaire (see Appendix C) following each statement. This 'probe' section provides an overall level of structure to the interviews with a view to providing common coverage and comparability. Commentary on each of the topics/statements and the introduction of new ideas or marketing variables which respondents consider relevant to the marketing quality framework, along with justification for these suggestions, is encouraged.

Section 1 and 2 of the questionnaire satisfy the objectives of ascertaining the relevance, validity, desirability and feasibility of

identified marketing techniques and section 3 provides a basis for assessing criteria for their implementation.

4.7.3 Questionnaire Composition

The issues which are presented to the Delphi panel for consideration, have been developed through a thorough analysis of the literature and consultation with marketing experts as already outlined. A brief explanation of the rationale behind the inclusion of each of these areas is given below. This explanation is based on the views expressed by the marketing specialists supported by reference to the literature where relevant.

Planning: Of the five basic managerial functions, planning is considered the most important.[89] Not only does a lack of planning lead to a restrictive practice of marketing, but it allows potential opportunities to be overlooked and threats to develop without adequate preparation.[90] However, as Carson and Cromie (1989)[91] and Carson (1993)[92] suggest planning processes may have to be adapted to suit small companies' needs and capabilities. To assess marketing planning from a small firm's viewpoint, the Delphi panel is asked to consider the nature of these plans and questions on their formulation and assessment.

Marketing Oriented Culture: A marketing orientation ensures that a company looks to the market when determining customer needs and strategies to meet those needs.[93] The questionnaire is designed to elicit ways in which a small company can successfully introduce a marketing orientation and the type of organisation structure which would result in such an orientation among small scale Irish industry.

Market Information: In many cases, a small firm's knowledge of the market is derived from a close relationship with customers and markets. This may lead to firms knowing who their customers are and perhaps even having some understanding of why these are their customers, but underlying motivations, needs for other products and services may go largely unnoticed.[94] Many studies, including those carried out by Cooperation North (1991)[95] and Fleming (1979),[96] have shown that it is essential for a firm who wishes to be customer oriented to integrate market research, both on consumers and the external and internal environment, with marketing mix planning. Therefore, respondents examine the role of information systems in small firms and procedures for the development of such systems.

Customer Assurance: Related to a market orientation is the concept of customer assurance where small companies ensure that they are continually aware of and are meeting their customers' needs, wants and special requirements. *"Above all marketing must focus on satisfying customer needs as the means to achieving the objectives of a firm for growth and profitability."*[97]   Aspects of this customer assurance and how best small companies can assess and deliver products which satisfy their customers are explored in the questionnaire.

Training: Properly qualified staff and identification of areas where further training may be necessary are important if a small company is to provide a high quality offering to its customers. The questionnaire examines the type of qualifications necessary and procedures for identifying the training needs of staff, focusing particularly on the marketing function.

Marketing Performance Assessment: Bonoma and Clark (1988)[98] suggest that if a firm is to evaluate the effectiveness of its marketing

function, procedures for monitoring and assessing marketing performance must be introduced. Many small firm owners feel that it is impossible to test the worth of marketing. If a business is growing without any major marketing activity then why should time and effort be expended on formal marketing methods ? There is "...*a 'credibility gap' between 'apparent' good and satisfactory performance and a theoretically and hypothetically better level of performance*" which could be achieved by engaging in formal marketing practice.[99] Therefore, the panel considers procedures for assessing the performance of marketing which will reassure small business owners that marketing is having a real impact on business performance .

The Marketing Mix and Market Segmentation: It has been acknowledged that, in general, the overall approach to the marketing mix for small companies is based on an intuitive and often intimate relationship with customers.[100] However, firms that rely on this type of mix development remain largely passive or reactive marketers, ignoring identification of potentially profitable business contracts which have been aggressively fought for and secured. For this reason, each aspect of the marketing mix and market segmentation strategies are explored in an effort to develop policies which small companies could follow to enhance their offering to their public.

Product: Firms which offer above average products and develop new products and processes according to their customers needs or changing trends can provide themselves with distinct competitive advantages. "...*a too narrow product range may make the firm vulnerable to changes in fashion, competition or technology. Equally, the ability to develop new products, a vital ingredient of long term success and survival may be very limited in small firms.*" [101] Therefore, questions on life cycle analysis, product modification and development[102], branding strategies, product support systems and

packaging are included in the questionnaire.

Price: Inconsistent and poorly thought out pricing policies can be detrimental to an otherwise well planned and well executed marketing mix strategy.[103] Smaller companies have been notorious for ignoring price variables and operating simplistic and ill conceived cost + type pricing policies.[104] The questionnaire is designed to obtain respondents' opinions on suitable objectives for pricing strategies among small companies and the factors that should be taken into account when strategies are being developed.

Promotion: In many small companies, promotion is one of the weakest components of the marketing mix. This has been attributed in the past to the product orientation of these firms, or related to the lack of formal training in this area. Also, in general, these firms are not large enough to use and benefit greatly from the services of sales management consulting firms or sophisticated advertising agencies.[105] Therefore, the Delphi panel is asked to consider questions on promotion mix strategies, promotion objective setting, resource allocation and promotion performance measurement.

Physical Distribution: Like the product element of the marketing mix, distribution can often be used to create a sustainable competitive advantage for the firm. It provides an opportunity for the small firm to differentiate itself from competitors by a combination of product and service oriented distribution policies.[106] For these reasons, various aspects of distribution policy including, distribution objectives and strategies, channel intermediary selection, channel control and assessment, are investigated in the questionnaire.

4.8   Delphi Panel/Expert Selection

The definition of 'expert' proposed by Follett (1924)[107] has been utilised in this study. According to this definition, an expert is not viewed in terms of credentials but rather in terms of experience - "...*the individual who knows more about the* [reality] *than anyone*" else.[108] This concept of 'experience' expertise has been applied to Scheele's (1975) classification of Delphi panelists. According to Scheele, three kinds of panelists are necessary to create a successful Delphi exercise. They are: **Stakeholders**; those who are or will be directly affected, **Experts**; those who have skills in clarifying, organising, synthesising, stimulating and **Alternatives**; those who can supply alternative global views of the culture and society.[109] The respondents participating in this Delphi study have been selected on the basis of their experience in each of these three areas.

Stakeholders: Representatives from small businesses

Experts: Representatives from academia

Alternatives: Representatives from support bodies (both marketing and small business) and marketing managers from large companies

The sample has been formed on a judgemental basis. While both time and cost constraints are a consideration, an effort has been made to include experts from each of the areas outlined above so as to attain a wide and varied outlook among the panel members. The diverse nature of the panelists' backgrounds ensures that a wide variety of original opinion and thought is included in the final results. By including these three areas of expertise, the Delphi panel is representative of the target market for the resulting quality standard.

Therefore, the "...*nature of the expert panel is derived from the target outcome of the application of the Delphi technique.*"[110] a condition proposed by Marchant (1988).

Representatives from the 'small company' section of the panel have been selected to conform to the particular characteristics of the industrial classification sectors. This involves the segmentation of the overall industrial classification into three categories, namely; Food and Drink, Metals and Engineering and Miscellaneous. This sectoral breakdown has been developed through a series of indepth discussions with the specialist group, which focused on possible approaches to sectoral classification, and from an analysis of industry sector data in Ireland derived from government and commercial sources. The breakdown accords to a degree with that utilised by the Co-operation North (1991)[111] study.

Figure 4.5 below outlines the structure of the Delphi panel. This panel construction results in a sample size of 24. With one non respondent the total qualified sample or Delphi panel comprises 23 respondents.

4.9   Summary

The purpose of this summary is to draw together the main findings of the secondary research, depict their interrelationships and illustrate their impact on the scope and direction of the primary research design.

The overall objective of this study is to develop an appropriate framework which supports the design, operation, control and evaluation of marketing activities in smaller firms. To achieve this objective, a literature review has been undertaken to :

Figure 4.5   Construction of Delphi Panel

REPRESENTATIVE AREA	COMPANY/BODY	RESPONDENT
SUPPORT BODIES		
Representing Small Firms:	The Small Firms Association	**Terry Hobdell** (Chairman)
	The IDA	**Michael Feeney** (Director Small Business Division)
	Marketing Centre for Small Business	**Breege Hynes** (Executive Administrator)
	SFADCo	**Jack Bourke** (Group Director - Irish Industry)
Representing Marketing:	The Irish Management Institute	**Charles Carroll** (Senior Specialist in Marketing and Business Strategy)
	The Marketing Institute	**John Fanning** (Chairman)
	An Bord Trachtala (Irish Trade Board)	**Seamus Bannon** (Manager - Planning and Policy Development)
Representing Business:	Irish Business and Employers' Confederation (IBEC)	**Matthew Moran** (Director of Industrial Policy)
ACADEMIA		
	University College Dublin	**Dr. Mary Lambkin**
	Trinity College Dublin	**Dr. David Shipley**
	University College Cork	**Dr. Douglas Brownlie**
	University College Galway	**Prof. James Ward**
	University of Ulster	**Dr. David Carson**
	College of Marketing and Design	**Ms. Kate Gallagher**

SMALL AND LARGE COMPANIES

Five companies were chosen from each sector. Large international companies were selected on the basis of discussions with the group of marketing specialists. The five companies included in the sample were: **Irish Distillers Ltd., R&A Bailey, Avonmore, Parc International** and **Guinness**. Guinness declined to participate in the research. Five small companies were randomly selected from a composite listing of IDA supported small companies and Kompass. These smaller companies were engaged in: (i) food processing, (ii) toiletries manufacture, (iii) greeting cards manufacture, (iv) fencing manufacture, (v) vitamin manufacture.

(i)   Portray the real life situation of small business in Ireland, their marketing deficiencies, and unique characteristics.

(ii)   Identify relevant and appropriate marketing dimensions which contribute to small firm success.

(iii)   Outline the application of quality to the marketing process and provide guidelines for the development of a quality standard framework.

Chapters One and Two of the literature review provide a comprehensive index of issues relevant to small firm marketing. Findings from Chapter Three direct the focus of the research instrument and influence the design of the final Marketing Quality Standard (MQS) framework. From this literature review, a list of one hundred and fifty marketing factors has been developed for further exploration in the primary research.

Cognisant of the unique requirements of small enterprises and the objective of this study, the list of marketing factors has been reduced to a more manageable eleven categories through discussion with the marketing specialists group. These eleven categories are presented to the Delphi panel for their assessment of the importance, validity, desirability and feasibility of these categories to small firm marketing. This quantitative assessment provides hard data on the relative importance of each activitity. Quantitative assessment is seen as vital in ensuring that only the most significant and relevant activities are included in the final framework.

Panellists also assess the ability of small firms to perform these marketing activities and identify realistic implementation possibilities. This qualitative phase of the research allows the panel to develop realistic procedures for performing these activities in a small firm situation. Their opinions form the basis for the detailed specifications of the final framework design.

Based on the panel's responses, a preliminary framework is developed and circulated to all members. This ensures accurate reflection of the panel's responses and opinions, thereby ensuring validity of interpretation. Responses from this round modify the final framework design so that it mirrors the real opinions of the expert panel. The sequencing of the research process is outlined in Figure 4.4. The results of the Delphi process are presented in Chapters Five and Six.

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CHAPTER 5

ANALYSIS OF ROUND ONE FINDINGS

5.1   Administration of Survey

The research design employed in this study involved both primary and secondary research.   Systematic investigation and evaluation of all secondary sources of information pertaining to the economic environment, industrial policy, marketing theory and marketing practice in Ireland and in smaller companies, was undertaken. Particular emphasis was placed on examining literature focusing on the nature and functioning of small companies, together with the problems and constraints confronting them and their marketing practice.   The findings of the secondary research informed both the design and implementation of the primary research investigations.

Primary research involved the execution of the Delphi methodology. Individual panel members of the selected Delphi panel were contacted initially by letter which explained the purpose of the research, outlined the procedure being undertaken and requested an appointment. Respondents were then contacted by telephone to arrange for an interview time and date.   In all, twenty three research interviews with key top level administrators, managers and academics were secured. Interviews took between one and two hours to complete.   The process of administering the survey by personal interview took place over the period April to July 1993.   All interviews were audio recorded.   Due to the semi structured nature of the research instrument, all respondents were probed in order to receive full and complete knowledge of every subject area.   Confidentiality was guaranteed to all respondents.

5.2   Presentation of Findings

This study assessed the importance of selected marketing techniques and concepts to quality marketing practice in small companies.   It investigated the opinion of the Delphi panel with regard to the desirability of having small companies introduce such techniques or

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concepts to their business. The validity and the feasibility of requesting smaller firms, given resource constraints, to implement such activities was also examined.

Agreement with and the desirability, validity and feasibility of each technique was evaluated through quantitative Likert statements. Means, medians, standard deviations, ranges, midranges, interquartile means and interquartile ranges were calculated for each of the scales for the Delphi panel as a whole and, where appropriate, broken down by each of the respondent groupings (academic, support bodies, large companies and small companies). While these statistics were computed for every Likert scale in the questionnaire, they are incorporated into the following discussion only when they serve to illustrate convergence or divergence in responses, or illuminate probable reasons for consensus or lack of it.

The mean, median and interquartile mean were calculated as measures of central tendency. The mean gives an equal weight to all inputs while both the median and the interquartile mean de-emphasise the outliers or extreme values. While results in Delphi studies rarely differ significantly with respect to mean, median or interquartile mean differences,[1] the median and interquartile mean have been selected as the measures of central tendency. This minimises the risk of presenting a distorted view of the data through the inclusion of extreme values. Traditionally, the median has been taken as the consensus value in Delphi studies.[2]

The range, midrange, standard deviation and interquartile range are included as measures of dispersion indicating the amount of variation present in the data. The standard deviation and the interquartile range are the two most commonly referred to in this study. The standard deviation measures the "...*average scatter around the mean - that is*

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how larger observations fluctuate above it and how smaller observations distribute below it.".[3] The interquartile range is a measure of non central location and represents an attempt to circumvent the problem that the range and the standard deviation are affected by extreme scores. There is considerable concern in Delphi studies with extreme scores. It is often the case that one, or very few, members of the panel will evidence significantly different views and opinions on a subject than the majority. Their extreme observations serve to skew the data. While these extreme opinions cannot be discounted or disregarded, use of the interquartile mean and interquartile range allow for elimination of the bias they impose and examination of the dispersion and variability of the core group. The interquartile range is obtained by discarding the upper and lower 25% of the distribution and taking the range of what remains. As such, it is the range of the middle 50% of the observations or total responses.[4] The interquartile range is, therefore, often taken as the consensus range, its size giving some indication of how widely the responses differ from one another.[5] Those scores that fall outside the range represent disagreement with the consensus view and must be noted and inquired into.

In conjunction with this quantitative aspect of the study, respondents were asked to express their own views as to how each of the areas *should* be performed in smaller companies to ensure good marketing practice. This exploratory side of the Delphi was undertaken utilising the supplementary probe section of the semi structured questionnaire and was, for the most part, analysed qualitatively. However, where listings were requested from respondents or where the same question was posed to all members of the panel a quantitative measure of responses was recorded.

5.3 Planning

The first section of the questionnaire addressed business planning and its importance in ensuring direction for small companies. It further investigated respondents' opinions as to the ability of small companies to implement formal planning methods, involving documentation of objectives and goals, analysis, strategy development and feedback and control mechanisms. Respondents were requested to express their own views as to how planning should occur in smaller firms.

The majority of respondents expressed agreement with the introductory statement "A business plan is essential for the small company to ensure direction in the marketplace" Consensus was strong that planning is essential, with a standard deviation of .73 around the mean, an interquartile range of 1 and only three respondents falling outside the interquartile range. During interviews it was established that those respondents disagreeing with the statement felt that planning may be important but was not *essential* in ensuring direction for the smaller firm.

Measures of validity, desirability and feasibility indicate that there was general accord on the desirability of having planning structures in place in a small company. Only one response fell outside the interquartile range, Lower Quartile (Ql)=1; Upper Quartile (Qu)=2. However, the Delphi panel were less sure of the validity or fairness of expecting small companies to implement planning processes, Ql=1; Qu=2: four responses outside the interquartile range. The feasibility of such a course of action was also called into question, Ql=2; Qu=3: eight responses outside the interquartile range, Figure 5.1.

Figure 5.1   Validity, Desirability and Feasibility of Planning for Small Companies.
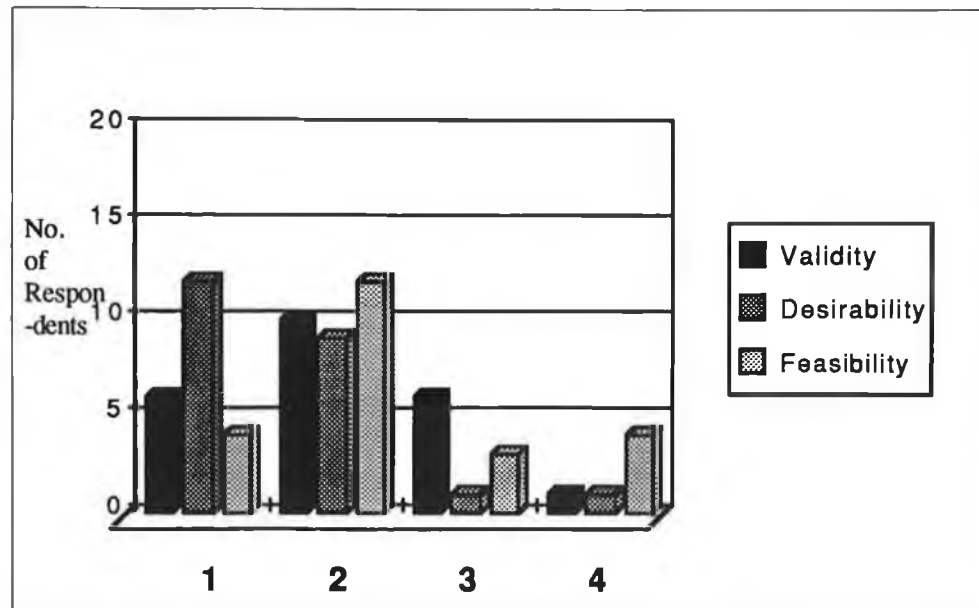
Where: 1= Extremely: Valid/Desirable/Feasible
          2= Valid/Desirable/Feasible
          3= Neither/Nor
          4= Invalid/Undesirable/Unfeasible

Analysis of the qualitative interviews gave some insight as to why formal planning methods may be invalid or unfeasible for smaller companies. All respondents acknowledged the importance of planning as a process "...*which enforces a rigour of thinking about the company; where it is going, the customer base, the human resources at hand, what the owner manager wants to get from it*", Marketing Academic. However, there were some who indicated that plans "..*which are, in most cases, drawn up for banks or grant awarding bodies, by external professionals and which emphasise things like market share objectives or strategic directions are irrelevant.*", Executive - Support Body. It was felt that plans of this nature, which follow a "...*very formal process are not appropriate for smaller firms.*", mainly because they "...*have no bearing or similarity with the way he* [owner manager] *does business. There is a huge dichotomy between formal planning and what an entrepreneur really does.*", Marketing Academic.

The distribution of responses across the Delphi panel was analysed to compare results between the different member groupings,Tables 5.1-5.3.

Table 5.1   Desirability of Business Planning for Small Companies By Respondent Group.

Group	Frequency Distribution of Responses (Desirability)			
	Extremely Desirable	Desirable	Neither Nor	N
Academia	3	2	1	6
Support Bodies	6	2		8
Small Companies	3	2		5
Large Companies		4		4
All Respondents	12	10	1	23

Mean	1.5
Standard Deviation	.59
Median	1
Interquartile Range	1 Ql=1 ; Qu=2 1 response outside range

Table 5.2   Validity of Business Planning for Small Companies By Respondent Group.

Group	Frequency Distribution of Responses (Validity)				
	Extremely Valid	Valid	Neither Nor	Invalid	N
Academia	1	4		1	6
Support Bodies	4	2	2		8
Small Companies	1	3	1		5
Large Companies		4			4
All Respondents	6	13	3	1	23

Mean	1.96
Standard Deviation	.767
Median	2
Interquartile Range	1 Ql=1; Qu=2 4 responses outside range

Table 5.3   Feasibility of Business Planning for Small Companies By Respondent Group.

Group	Frequency Distribution of Responses (Feasibility)				
	Extremely Feasible	Feasible	Neither Nor	Unfeasible	N
Academia	1	2	2	1	6
Support Bodies	2	3	2	1	8
Small Companies		2	1	2	5
Large Companies	1	2	1		4
All Respondents	4	9	6	4	23

Mean   2.13
Standard Deviation   .815
Median   2
Interquartile Range   1 Ql=2; Qu=3   8 responses outside range

Examining cumulative summaries of each respondent groups' evaluation of the feasibility, desirability and validity of business planning for small companies provides an insight into how differing opinions may be mediated by experience or background, Figure 5.2.

It is interesting to note that representatives from larger companies, as a group, are more convinced of the desirability, feasibility and validity of business planning in smaller firms. Small company owner managers, while aware of the desirability of planning, are less certain of the feasibility of implementing such processes *"A rigid structure cannot be imposed on me; it makes no sense to me and would stifle the business."*, **Owner Manager - Small Business.** Both academics and support body representatives emphasise the validity and desirability of planning methods but question, to an extent, the feasibility of their execution.

Figure 5.2   Consensus Value on Desirability/Validity/Feasibility of Business Planning by Respondent Group.
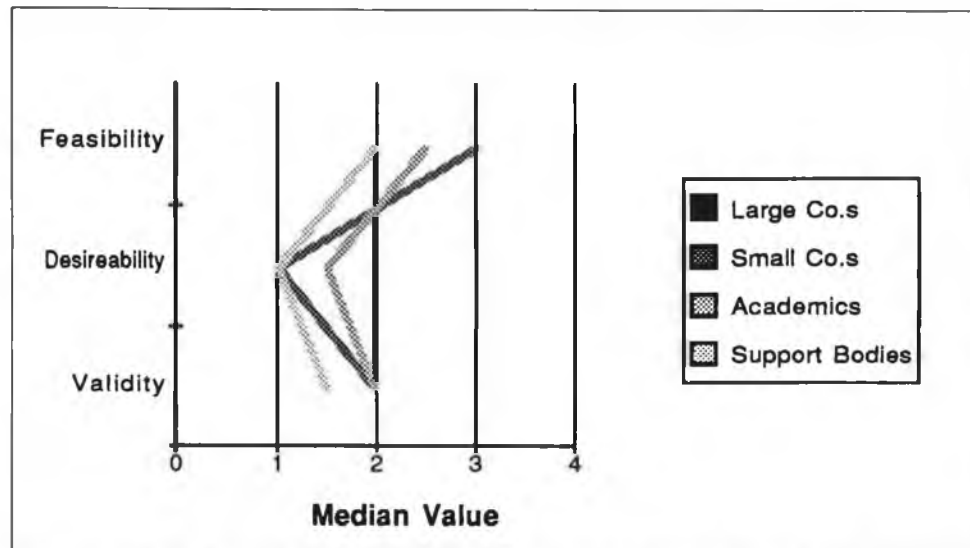
*Note median value taken as measure of central tendency (consensus value)

The qualitative probe section, accompanying this question, sought to elicit respondents' opinions as to how planning could best be carried out in small firms. Analysis of interviews indicated a high degree of convergence in views. A formal structured written plan was felt to be unnecessary but there was a need for "...*some summary of its* [the company's] *dominant logic, the basic direction it wants to go in. Some sort of strategic agenda that is regularly discussed by management, even if it is not formally documented, so that strategic management issues get addressed.*", Executive - Support Body.

Further probing to determine what consideration of those strategic issues should include resulted in the compilation of a list of themes, drawn from all respondents answers, which should be addressed by small companies.   The list includes: Consideration of the owner's personal objectives, the market in which the company operates, what the company is trying to do, how the company is going to be successful, the competitors in the market, the possible risks involved, internal resources (finance, expertise, manpower) and the potential return on investment.

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All respondents felt that the small company should be setting objectives for the immediate year which are based on what it needs to achieve, however that might be expressed. In other words, it is not important to set "...*specific market share or sales objectives, instead you should look at increasing sales to a particular customer, or type of customer, or to a particular region. Objectives like that are much more realistic and a small business owner can understand and relate to them.*", **Owner Manager - Small Business.** There was strong divergence of opinion when it came to planning for the future. Managers in larger companies tended to believe that a long term view was "essential" whereas, small business owners themselves, some academics and support body representatives, felt that a long term view was "unrealistic".

Perhaps the most interesting view point on maintaining short term horizons came from an owner manager of a small business. "*You need to have an overall long term view but it should be an idea or aspiration. There is a great danger in too much planning, looking too far ahead and based on that trying to do too much too soon to reach a long term goal. The present year is the only one that is realistic, that you can say or do anything about. Things change too quickly to be trying to do things today which might or might not have an impact on something you hope to achieve five years down the road.*"

All respondents agreed that plans, whether formal or informal, should be discussed and evaluated regularly to ensure they still 'fit' with present situations or conditions. Formal assessment of a plan's effectiveness was considered, in general, to be beyond the capabilities of a small company. A review of success, usually subjective, at the end of the planning year was suggested by twenty (87%) respondents. It was felt that this review should take into account the meeting of goals or objectives, sales and profit data and feedback from customers.

A summary of respondents' comments on this section was compiled for inclusion in the second round synopsis report. This report is included in Appendix E.

5.4 Marketing Orientation/Management Structure

The importance of a consistent market oriented culture within a small company was recognised by all respondents, Table 5.4.

Table 5.4   Importance of Market Orientation.

	Number of Respondents	%
Strongly Agree	14	61%
Agree	9	39%
All Respondents	23	100%

Mean	1.39
Standard Deviation	.498
Median	1
Interquartile Range	1 Ql=1;Qu=2 0 responses outside range

Many respondents indicated in the personal interviews that a market orientation is often "...*what distinguishes small companies from large, they have an ethos of personal service and satisfying the customer, that is how they survive.*", Manager - Large Company. It was generally felt that smaller companies need not be as concerned with introducing a market oriented culture as large companies "...*which have, in many cases, become remote from the market.*", Executive - Support Body. In other words, a market orientation is very often implicit in a small company structure. When pressed, the panel agreed that a market orientation could only be introduced through the leadership and example of the owner manager. "*If he/she ensures that everything undertaken by the company is considered in the light of its effect on customers, then*

employees will follow.", Manager - Large Company.

There was full consensus among the panel with regard to the need for a separate marketing department. While it was felt that a person with responsibility for marketing was needed, the idea of a department was considered *"...a luxury for small companies",* Manager - Large Company, and *"...a bit naive",* Executive - Support Body. Marketing should be considered part of every employees' job description. A departmentalised management structure, in general, was considered unnecessary. However, all respondents stressed the need for clear division of responsibilities so that no one function would be neglected.

Respondents' opinions on regular review of management structure in small companies was evaluated, Table 5.5.

Table 5.5   **Frequency Distribution of Responses to Review of Management Structure Across Scales.**

Frequency Distribution of Responses

	1	2	3	4	5	N	X	Ql	Qu	Qr
Agreement	5	8	4	6	-	23	2.04	1	3	3
Validity	5	14	3	1	-	23	2.08	2	2	8
Desirability	5	15	2	1	-	23	2	2	2	9
Feasibility	4	15	3	1	-	23	2.13	2	2	9

Where: 1= Strongly Agree/ Extremely: Valid/Desirable/Feasible
2= Agree/Valid/Desirable/Feasible
3= Neither/Nor
4= Disagree/Invalid/Undesirable/Unfeasible
5= Strongly Disagree/ Extremely: Invalid/Undesirable/ Unfeasible
N= Total Number of Responses
X= Mean
Ql= Lower Quartile; Qu= Upper Quartile; Qr= Number of Responses outside the Interquartile Range

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As can be seen from Table 5.5 there was a degree of divergence in responses among the panel. It would appear, from the distribution of responses and calculation of interquartile ranges, that the greatest degree of variability in responses occurs on the agreement scale (interquartile range of 2). While the other scales evidence opposing extremes of opinion, the agreement scale displays a significant lack of consensus within the core grouping (as measured by the interquartile range). It would seem that while members of the Delphi panel believe that a regular organisation review is valid, desirable and feasible for small companies they do not necessarily agree that one should be undertaken.

Qualitative analysis of the personal interviews explains this belief. While it is important that a small company "...*reviews its structure, it shouldn't be done say every six months, that gives you no real insight and is time consuming.*", **Manager - Large Company**. Rather the review should be "...*continuous, as the organisation itself grows and evolves.*", **Executive - Support Body**. A small company owner manager "...*is not going to be willing, in many cases, to let go of the reins until he feels that it has got too big to handle on his own. He will only realise that as the company grows, for that reason a regular review would prove pointless. It won't force him to change the structure until he feels necessary.*", **Marketing Academic**.

Respondents were asked to develop a review method which would be suitable for small companies. The overriding factor which emerged from analysis was reference to the customer and the suitability of current structures to the customer base. "*If the customer is not receiving a particular level of service then the structure has to change. Also if I, as manager, or my partner, feel that we don't have enough information to work with, that there is more we could be doing, that the company should be further ahead, then we would look at the whole structure and see if there is a need for more help.*", **Owner Manager** -

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Small Business. The panel also emphasised the importance of outside help to ensure that a review is as objective and impartial as possible.

A summary of respondents' comments on this section was compiled for inclusion in the second round synopsis report. This report is included in Appendix E.

5.5   Market Information/Research

The importance of market research, in relation to management decision making, to quality marketing practice in small companies was assessed in this section. Furthermore, panel members were asked to consider the role of market research in, and the major information needs of, smaller companies. The most reasonable sources of information, in terms of cost and time, were also sought.

The majority of respondents considered that market research was important for management decision making, Figure 5.3

Figure 5.3   **Importance of Market Research to Decision Making.**
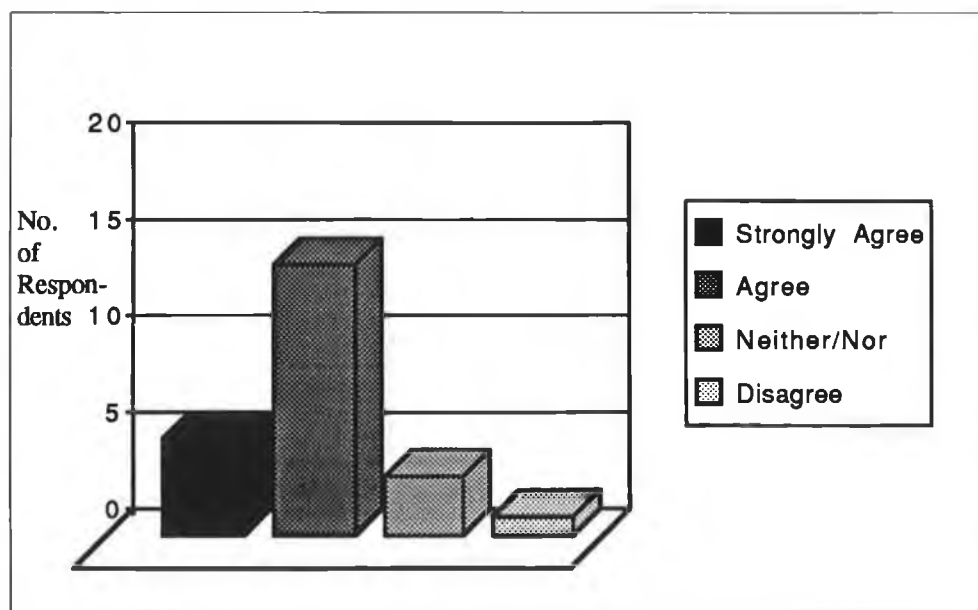
Those members of the panel who disagreed or held no real opinion took issue with the idea that market research was important for successful decision making. It was pointed out that, in many cases, small business owner managers "...*take decisions first, they know what they need to do at a strategic level and then they use market research to validate those decisions or back them up. There are so many variables that organisations can't rely on such an inaccurate, imperfect process as market research to take their decisions. They have to know what the preferred options are and then use market research to make the selection between the options.*", **Marketing Academic.** This was a theme which was reiterated by many panel members including those who agreed with the initial statement. "*Research is important, but for a small company you tend to rely on experience and instinct and having a gut feeling about a thing and then having that backed up with figures. It's like research after the fact. If you start doing formal market research in a very small company you end up paralysed. Sometimes market research can make you too aware of all that can go wrong and you loose the edge, the drive, because there are too many conflicting opinions. It's a combination of having sufficient judgement as to whether it's the right thing to do at all or spend ages doing market research to find out whether the thing is right or wrong. You have to get the basic information right to make a judgement but you should get those basic sums done very quickly and then make a decision. Market growth, margins, volume all of that will tell you whether it's worthwhile or not. After that it's a matter of judgement.*", **Owner Manager - Small Business.**

Considering the role of market research in smaller companies the panel indicated that essentially, it should be concerned with assessing the company's performance in identifying and satisfying customer needs and, at a broader level, awareness of the current environment.

A list of the information needs of small companies was developed

through qualitative analysis of the personal interviews. Data on the market (size, growth, competitors, company position, relative prices and costs and trade information), qualitative information (customer profiles and motivations), and an internal analysis (effectiveness and efficiency of procedures in operation, competency of personnel employed, financial data) were all considered essential.

The importance of having formal structures in place in a small company for gathering market information was perused. There was general consensus on all four scales indicating that respondents believed that there was a need for some information system in a small company and also that it was reasonable and feasible to expect smaller firms to introduce such a system, Table 5.6.

Table 5.6   Consensus Values for Market Information Systems Across All Scales.

	Number of Respondents	%	Median	Interquartile Range
Strongly Agree/Agree	21	91%	2	0
Extremely Valid/Valid	20	86%	2	0
Extremely Desirable/ Desirable	21	91%	2	0
Extremely Feasible/ Feasible	18	78%	2	0

Respondents were probed to determine the exact form which this system should take. Emphasis was placed on the informal nature of such a system *"I'm not talking about sophisticated management information systems. An informal process of continuous evaluation of any information the company receives and information which it actively seeks."*, **Manager - Large Company**. *"It should be a continuous exercise which involves everyone in the organisation. Every employee*

should be encouraged to report to the owner manager everything that they see or hear about the product and the company.", **Executive - Support Body.** *"There is no need for a formal system - it's beyond the capacity of a small firm. What should be in place is a system to ensure that information coming from any source is documented. A system which means the owner manager has to look analytically and rigorously at the business on a regular basis because the information is there staring at him.",* **Marketing Academic.**

A manager of a large company suggested that market research *"...is an essential but non urgent activity for many small companies and in the nature of things, essential but non urgent activities tend not to get done as well as they might. I think a system to ensure that it does get done is useful. It may just be agreeing at the outset with say the accountant that he will make it his business at every monthly meeting, or whatever, to say to the proprietor "what have you found out about the market this month?" It is a good discipline for the owner to have somebody there to ask those kind of questions."* It would seem that the Delphi panel view a market information system for small companies more in terms of a method which ensures that information is continuously collected and evaluated than a formal, sophisticated process.

The panel also was asked to propose reasonable sources of information for small companies. Networking and personal contact were mentioned as vital sources of information by all respondents. The best quality information is gathered *"...from listening and asking. That is all that is required, go out and talk to customers, to suppliers, to the trade and anyone who knows anything about your business.",* **Executive - Support Body.** *"You don't need all these formal market research surveys; you know your customers, you have friends in the area and you have to deal with suppliers so why not use these contacts. These are the people who really know what is required of the business so talk to*

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them. It really is that simple.", **Owner Manager - Small Business.**

Fifteen members of the panel (65%) felt that small companies do not make enough use of published sources of information (CSO, Government publications, An Bord Trachtala, Universities etc.). However, it was acknowledged that there is a cost in terms of the time *"...associated with both finding that information and transforming it so that it is useful. Many small company owner managers don't have the knowledge or expertise necessary to undertake that search and transformation process.",* **Executive - Support Body.** Attendance at trade shows and continuous review of general and trade press also rated highly as practical information sources (13 respondents or 56% of the panel). The importance of internal sources such as sales and profit data, customer lists, sales report forms, customer satisfaction/complaint forms and enquiry records was stressed. These sources should be used to analyse profitability, contributions, margins and customer satisfaction.

Respondents indicated that competitors can be monitored through obtaining brochures and price lists and talking to customers and the trade.

The panel also drew attention to the importance of the owner manager's participation in any market research process. *"They may not have the social skills and analytical skills of a good market researcher, but they know their business and they need information that is relevant to the way that business is going. They have to be involved in the market research process.",* **Marketing Academic.** *"Information is no good to me unless I know where it comes from, how something was said, how the answer was interpreted and that's why I get involved, I don't get the subtlety of the information unless I'm involved in the process.",* **Owner Manager - Small Business.**

A summary of respondents' comments on this section was compiled for inclusion in the second round synopsis report. This report is included in Appendix E.

5.6 Customer Satisfaction/Assurance Policies

Section four of the questionnaire investigated customer assurance and customer satisfaction policies. Respondents were asked to develop procedures for identifying (i) needs and expectations of customers and (ii) success in satisfying the needs and expectations of customers, which would be suitable for use in small companies. The panel members were also requested to consider the role of after sales service and customer complaint systems in smaller firms.

As could be expected, all respondents agreed that a small company should be constantly aware of its customers needs, wants and special requirements, Figure 5.4.

Figure 5.4   Awareness of Customer Needs Wants and Special Requirements.

Strongly Agree   65.2%
Agree   34.8%

When asked to develop procedures which would enable a small company to keep abreast of customers' changing requirements, eighteen respondents (approximately 78%) drew attention to the

relevance of relationship marketing to this area. These respondents felt that building a relationship with customers (whether trade customers or end users) is vital. To this end, it was suggested that "...*a person, maybe the owner manger, is responsible for talking to customers on both a formal and informal basis. Telephone key customers every so often, chat to them over a drink. Many good ideas have come from that. Find out what makes them happy and what makes them unhappy full stop.*", **Manager - Large Company.** "*If you go into a meeting with a customer you have a chance to talk to him, so all it means is that you have a fairly enlightened approach to saying we will use the opportunity to talk to them, to build a relationship, not just to make immediate sales now but to find out a few things about this customer and how he sees us.*", **Marketing Academic.**

It also involves good management of sales and salespeople. "*If you have five or ten or even thirty key customers then you have to manage them very carefully. That involves keeping in close contact with them on the basis of deliveries, prices, costs, competitor offerings. That in itself means that you have to go out and ask them how you are doing on the things that are important to them, how can you improve. It's the day in day out responsibility of good sales people.*", **Marketing Academic.**

Respondents also suggested that trade shows, both in a small company's own industry and in key customers' sectors, informal group discussions with customers, and maintaining an awareness of trends in other countries are realistic sources of information for use in small companies.

In addition to assessing methods for smaller firms to use in identifying customer requirements, the Delphi panel was invited to propose techniques for small companies to use in evaluating an organisation's ability to meet those needs successfully. Fourteen members or 61% of

the panel strongly agreed and seven members or 31% agreed that small companies should carry out an internal assessment. 4% (1 member) of the sample neither agreed nor disagreed and 4% disagreed with the statement. Figure 5.5 illustrates the responses to questions on the validity desirability and feasibility of requiring such assessment in small companies.

Figure 5.5   Validity, Desirability and Feasibility of Internal Assessment in Small Companies.
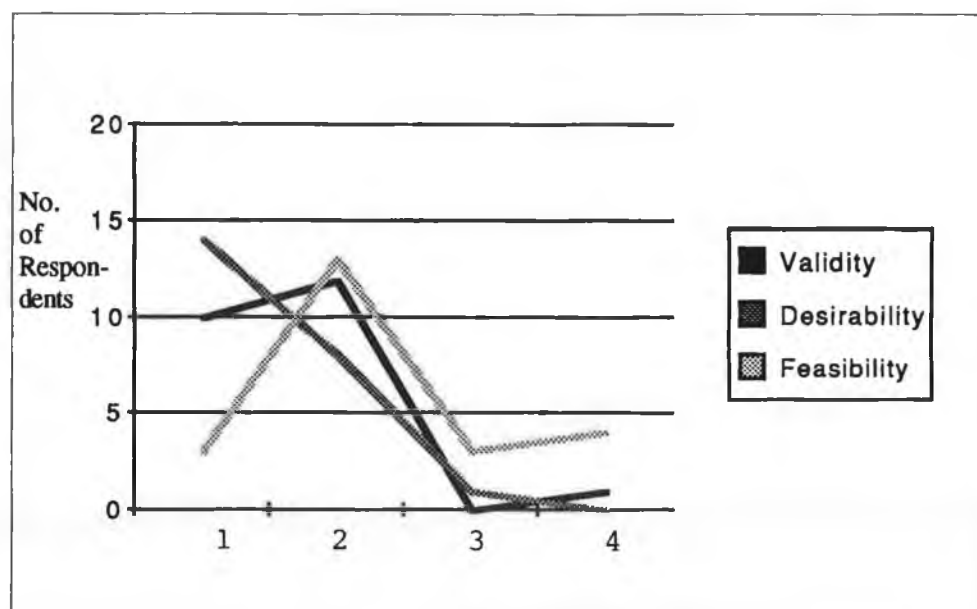
Where: 1= Extremely: Valid/Desirable/Feasible
            2= Valid/Desirable/Feasible
            3= Neither/Nor
            4= Invalid/Undesirable/Unfeasible

As Figure 5.5 illustrates, the majority of respondents are in general agreement on both the validity and desirability of internal assessment procedures for small companies. However, the feasibility of implementing such processes in smaller companies was called into question by some members of the panel (three respondents or 13% indicating that such procedures were unfeasible and four respondents or 17% having no real opinion as to their feasibility). Further

assessment of the feasibility scale indicates that those respondents who question the feasibility of such techniques are mainly from the small firm sector, Table 5.7

Analysis of the personal interviews highlighted the problems respondents saw with the implementation of internal assessment techniques in small companies. *"There is no way we could have a systematic, formal procedure here, we don't have the time, the personnel or the knowhow. We would have to call in a professional and that costs money. That's not to say that we don't look at the company in light of what our customers say. If they have a problem with some aspect of the company then we review that and see if it can be changed. But I see that as largely informal, a way of doing business, not a major process."*, **Owner Manager - Small Business**. It would seem that the introduction of <u>formal</u> procedures is considered unfeasible by these respondents, but they do realise the necessity of being aware of a company's performance in meeting customer requirements.

Table 5.7   Feasibility of Internal Assessment Procedures By Respondent Group.

Group	Frequency Distribution of Responses (Feasibility)				
	Extremely Feasible	Feasible	Neither Nor	Unfeasible	N
Academia	1	4		1	6
Support Bodies	1	5	2		8
Small Companies		1	1	3	5
Large Companies	1	3			4
All Respondents	3	13	3	4	23

Mean	2.13
Standard Deviation	.69
Median	2
Interquartile Range	1 Ql=2; Qu=3 6 responses outside range

The problem of identifying suitable procedures for internal assessment was addressed by the panel and resulted in the following techniques being suggested. "*Look at the company in terms of the separate functions carried out (finance, production, selling/marketing, administration, quality etc.) or in terms of the distinct stages involved in generating and distributing the product. That can be done quite easily even if no departmentalised structure exists. There are still people who work in defined areas. Try to see if each stage is meeting the needs of customers.*", Marketing Academic. "*Identify who is responsible for each function, are they qualified to take responsibility for that area or do they need more training? How much time is spent organising that function, is it time well spent? Is that function critical, both to the customer and the company? How does the way the company is currently run affect the efficiency of that function? What is the customer's perception of the efficiency and effectiveness of that function? Can that perception be improved?*", Manager - Large Company. "*Complaints and queries are vital sources of information about the company's performance. All information and feedback coming from consumers should be used to assess the company's ability to meet customer needs.*", Executive - Support Body. "*One method is to track a specific order through the organisation on a regular basis and evaluate the processing, delivery, customer service, quality etc. from a customers viewpoint. Stand to one side and ask yourself how happy you would be as a customer.*", Owner Manager - Small Company.

The importance of providing after sales service was emphasised by the majority of respondents. Equally, respondents felt that it was both desirable and valid to provide such service. All respondents were agreed on the necessity of ensuring customer satisfaction and the role which after sales service or customer service has to play in it. After sales service was also seen as a valuable source of feedback and information on product adaptation or new product development ideas. "*After sales service reassures customers about company and product*

quality and provides a check on the quality of internal systems.", **Manager - Large Company.** While no member of the panel indicated that it is unfeasible to expect an after sales service programme in small companies, a number were undecided, opting for the "neither feasible nor unfeasible" category, Figure 5.6.

Figure 5.6   Rating of Customer Service Across Scales.
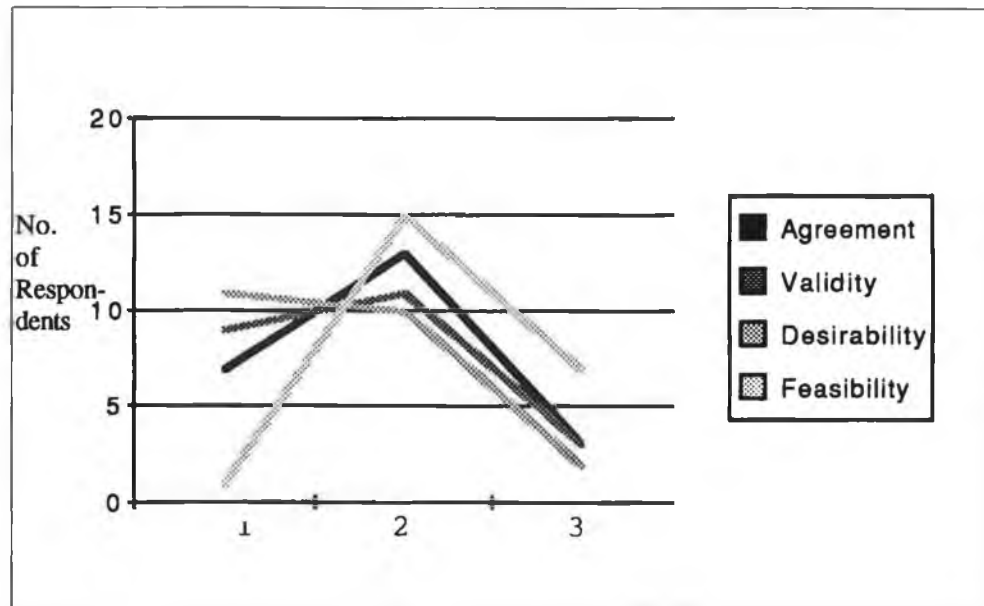
Where: 1= Strongly Agree/Extremely: Valid/Desirable/Feasible
          2= Agree/Valid/Desirable/Feasible
          3= Neither/Nor

Again, the problem which some respondents had with the feasibility of after sales service systems in small companies centred on the degree of formality or structure associated with their implementation. *"I think there is a need for guidelines as to how after sales service is provided, but not a detailed rigid structure, that won't work in a small company where there are no formal divisions in place to begin with. Guidelines or a general plan yes!",* **Executive - Support Body.**

It was also pointed out by a number of respondents that for many small companies, especially in manufacturing, there were 'key' customers

with whom relationships had been formed. In that context, developing a system for after sales service was "...*irrelevant because if you are in a relationship with say Quinnsworth, you know you have to keep that central to your strategic plan. It's central to the development of your business, this is your life line. Quinnsworth is the mother providing you with the cash. You are tied to these people and you will give them what they want, within reason. So there really is no formal laid down policy for after sales service, it's a continuous relationship. What you do is unique to each relationship.*", **Marketing Academic.**

After sales service then, was viewed by the majority of the Delphi panel as an important element in providing customer satisfaction and maintaining a continuous relationship with customers. As such, it was difficult to gain agreement on the level of after sales service which should be provided. The resources given over to customer care will vary from relationship to relationship or customer to customer. However, guidelines which could be referred to include; the industry norm, the amount of repeat purchase, the importance of the customer to the company and the importance of the product to the customer.

Finally, respondents were questioned on the relevance of customer complaint systems to quality marketing practice in small firms. The majority of respondents rated highly the importance, validity, desirability and feasibility of procedures for dealing with customer complaints in small enterprises, Figure 5.7.

When probed for the reasoning behind their support of customer complaint systems, respondents pointed to the need for a formal process to ensure that every complaint is followed through quickly and efficiently, that goodwill is restored, that a record of complaints and complainant is maintained and that feedback arising from complaints is reviewed.

Figure 5.7   Rating of Customer Complaint System Across Scales.
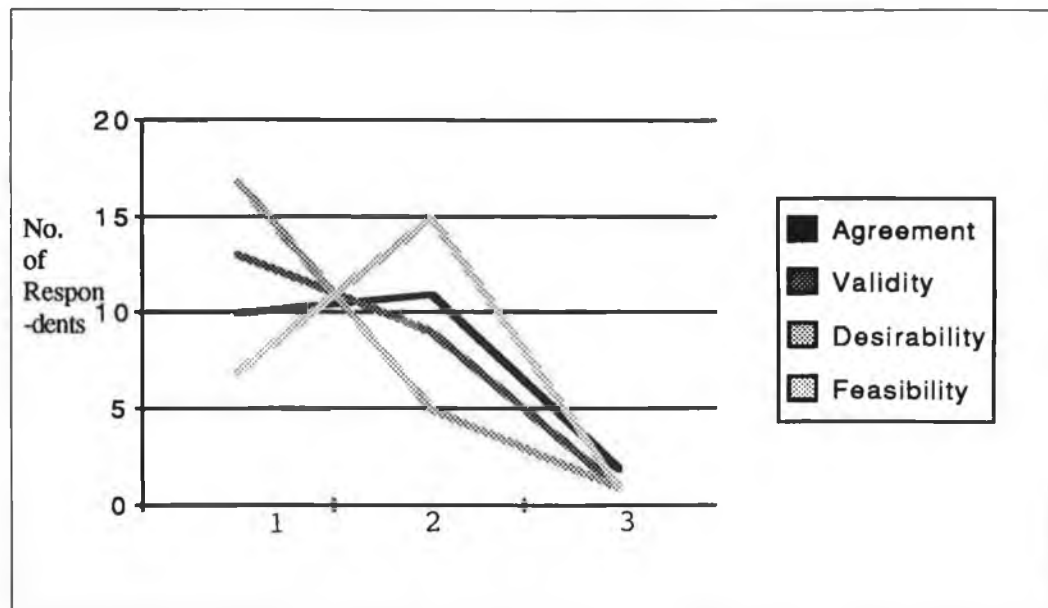
Where: 1= Strongly Agree/Extremely: Valid/Desirable/Feasible
              2= Agree/Valid/Desirable/Feasible
              3= Neither/Nor

The panel was questioned further to elicit the structure which a customer complaints system should take in a small company. The following quotes from the manager of a large company, a small business owner manager and a marketing academic are typical of the suggestions received from the panel. "*A formal system is essential but it doesn't have to be extremely sophisticated. A record of the complaint, the person complaining, the employee dealing with the complaint and a follow through is all that's required.*", Manager - Large Business. "*Response time and the approach which is taken to a complaint can turn it into a benefit. We have a formal complaint reporting system in operation here, but it's simple enough. It provides data on the nature of the complaint, who complained, who dealt with it, how it was managed, the time taken and any comments and recommendations coming from that, either from the customer or the employee who handled the situation. I also insist that all complaints are brought to my attention. A system of that sort isn't impossible for a small company and it can be designed around the particular product or*

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whatever.", **Owner Manager - Small Business.** "*Having documentation is important so that there are records to prevent complaints getting lost in the system. So you know what the complaint is, when it was received how long it took to deal with it.*", **Marketing Academic.**

What should be offered to customers who complain was, in the opinion of the Delphi panel, dependent upon the product and the gravity of the complaint. There was a general consensus, however, that customers should be informed of how the problem occurred and reassured that systems are in place which will prevent the problem recurring. Goodwill should be restored by replacing or repairing the product and covering any costs incurred by the consumer.

The Delphi panel also highlighted the importance of customer complaints as a source of information about product and company performance. For this reason, it was suggested that the system in place be used to monitor and track complaints. "*If a trend emerges or if there is an increase in the level of complaints then a company will have to look seriously at product improvement.*", **Marketing Academic.** "*In terms of evaluating performance, I think small companies should have a standard for complaint levels which they consider acceptable and if complaints go over that guiding mark, then the product and the company will have to be reviewed.*", **Executive - Support Body.**

A summary of respondents' comments on this section was compiled for inclusion in the second round synopsis report. This report is included in Appendix E.

5.7 Training

The importance of qualified staff, especially in the marketing function, was discussed with the Delphi panel. All but one of the members agreed that it was essential to ensure that employees are properly

qualified to undertake any role or function to which they are assigned, Figure 5.8.

Figure 5.8   Importance of Ensuring That Employees are Qualified to Undertake Roles to Which They are Assigned.

■ Strongly Agree	48.0%
▣ Agree	48.0%
■ Disagree	4.0%
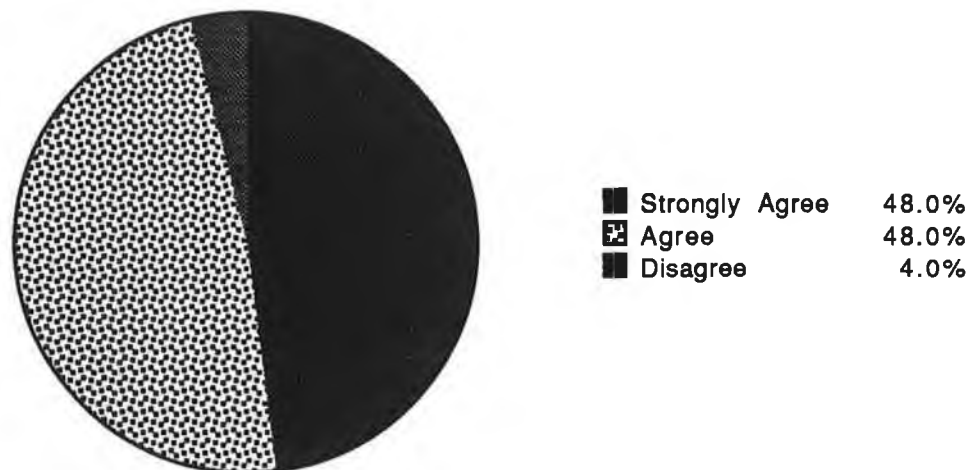
Respondents also agreed that management should be committed to training of staff, Figure 5.9, and emphasised the validity and desirability of encouraging such a commitment in small companies.

Figure 5.9   Management Commitment to Training of Staff.

■ Strongly Agree	39.0%
▣ Agree	53.0%
■ Neither/Nor	4.0%
▣ Disagree	4.0%
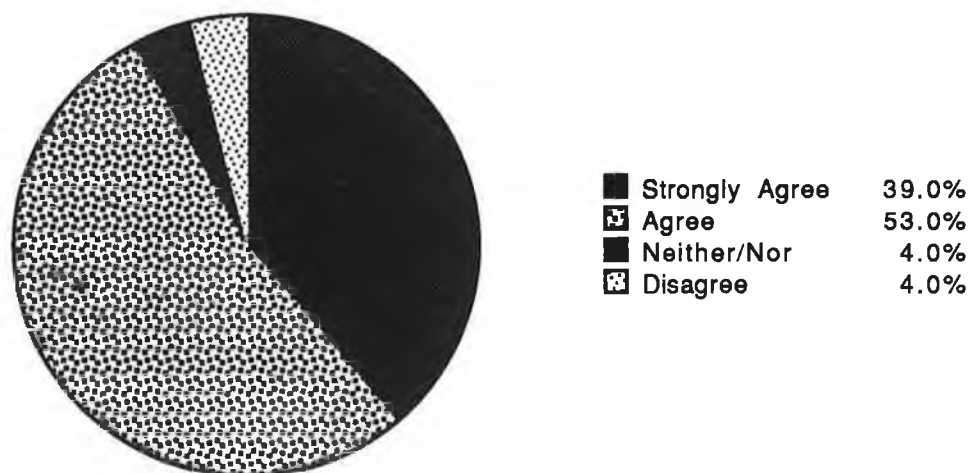
The feasibility of introducing an awareness of training needs and a programme for addressing these needs in small companies was debated, however, as   Figure 5.10, and the following comments

illustrate.

Figure 5.10   **Feasibility of Management Commitment to Training of Staff.**
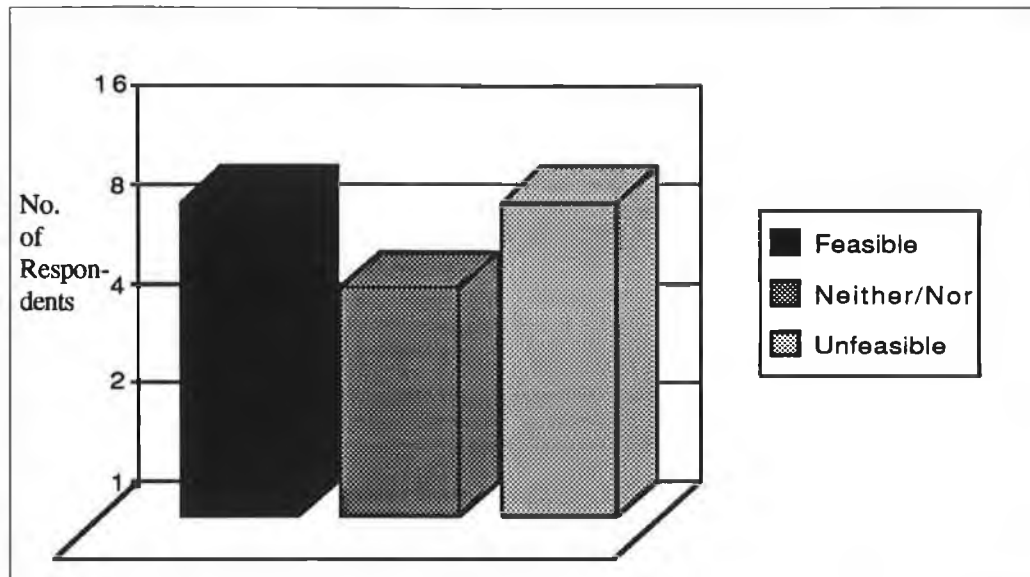
"*In an ideal world you should be constantly assessing training needs, but it's open to bias depending on the M.D's background. He may well be more aware of and concerned with problems in his own area of expertise. He may not understand the needs in other areas.*", **Marketing Academic**. "*I think to really see the training gaps (you know where you are yourself), it takes somebody to say 'well this is where you ought to be.' Until you are confronted with some sort of mirror it is impossible to feel dissatisfied. People don't want to change until they feel dissatisfied. The problem is that small business owner managers are isolated. They aren't taking stock of themselves against peers and so they don't see what they could be doing with proper training.*", **Executive - Support Body**. And on a more practical level, "*It's lovely in theory to say that I should be ensuring that all my staff are well trained and that I should be committed to their further training. But first of all I can't afford to subsidise courses for them and secondly I can't afford to have them missing, or myself for that matter. The guy in there working the machine, he could improve himself and help the company if he went*

on one of these quality courses. But if he goes for a day, production on that machine comes to a standstill. He's the only one here who knows how to operate that machine properly.", **Owner Manager - Small Business.**

The majority of respondents (seventeen members or 74% of the panel) felt that the only reasonable method of assessing training needs in small companies involved identifying and meeting the owner manager's training needs firstly. This would ensure that he/she is free from bias in assessing the training needs of the company as a whole. In most cases training takes place in smaller firms only when knowledge gaps become obvious or serious and when *"...the owner manager no longer feels threatened in a particular area.",* **Marketing Academic.** It was felt by the panel that an outside independent source is needed to establish the training needs that exist.

Addressing marketing in particular, respondents felt that a business or management qualification rather than a pure marketing qualification was most important. Experience was also emphasised *"...because the small business manager will not have the time to devote to breaking in or giving a practical foundation to someone.",* **Executive - Support Body.** While the necessity of having a theoretical knowledge and appreciation of marketing techniques and concepts was acknowledged by the panel members, experience, personality and intuition were consistently mentioned by the panel as essential qualifications for a marketing person in a small business.

The subjects which were considered useful in management or marketing training were sales management, research, planning, forecasting, promotion, consumer behaviour, statistics and communications. Many members of the Delphi panel voluntarily criticised many of the management and marketing training programmes currently in operation. A summary of their comments is given in Appendix D.

A summary of respondents' comments on this section was compiled for inclusion in the second round synopsis report. This report is included in Appendix E.

5.8   Segmentation Practice

The questionnaire drew respondents' attention to the nature of the segmentation process in small firms, ie. a company making distinctions between different customer or product groups which might imply alteration in the marketing approach for those groups. There was broad agreement among respondents (eight members of the panel or 35% strongly agreeing and ten members or 43% agreeing) that small firms should be familiar with the segmentation concept. Five respondents selected the "neither agree nor disagree" category. These respondents reasoned their selection by questioning the feasibility of expecting a formal approach to segmentation in small companies. *"It is not realistic to expect a formal approach to segmentation. Small companies are always going to sell to whoever wants to buy. I feel that small companies tend to fall into niches rather than develop them."*, **Marketing Academic.** *"To segment a market down into water tight little boxes is next to nigh impossible. Small companies need to have an idea of where they are going to go, and who they are going to compete with. They could just waste an awful lot of time trying to segment a market in a very structured or formal way."*, **Manager - Large Company.** *"I'm not sure, in actual fact it's larger companies that tend to go for segments, smaller companies tend to go for everything. Big companies, because they have more information on the market can see the segments. It may well be impossible for small companies to do it well or successfully because they just don't have the information and resources."*, **Executive - Support Body.** *"I have identified, although not in a formal way, the type of customer I can deal with on the basis of product requirements, price, range and service. But that doesn't mean I'll turn down business, or not bid for business, from someone who doesn't fit*

that profile. So long as I can do business profitably then I'll go with anyone.", **Owner Manager - Small Business.**

It might then be said that segmentation, according to these respondents, is a useful concept for smaller companies, but it may not be realistic to expect small firms to implement segmentation practices in a formalised manner or to adhere too closely to segments they may have identified.

The benefits of segmentation, as seen by the panel, can be summed up as follows: *"It provides a focus and prevents wastage of efforts on unsuitable or disinterested markets.",* **Owner Manager - Small Business.** *"When you know what the market requires you can provide a tailored product which helps in increasing customer loyalty and may also be the basis for competitive advantage.",* **Manager - Large Company.** *"Looking at it from a relationship point of view, it's important for a small business to understand the different levels of requirement of different customers.",* **Marketing Academic.** *"A small business, by definition, can't be a total industry supplier so they have to focus in some way - its crucial that they do segmentation properly.",* **Executive - Support Body.**

Scales measuring the validity and desirability of requesting small companies to implement segmentation practices exhibited a similar pattern of responses to those for the agreement scale, Figure 5.11. However, the feasibility of small companies introducing formal, structured, large scale segmentation programmes was queried by a large number of respondents, Table 5.8.

Figure 5.11 Validity and Desirability of Segmentation Practices in Small Firms.
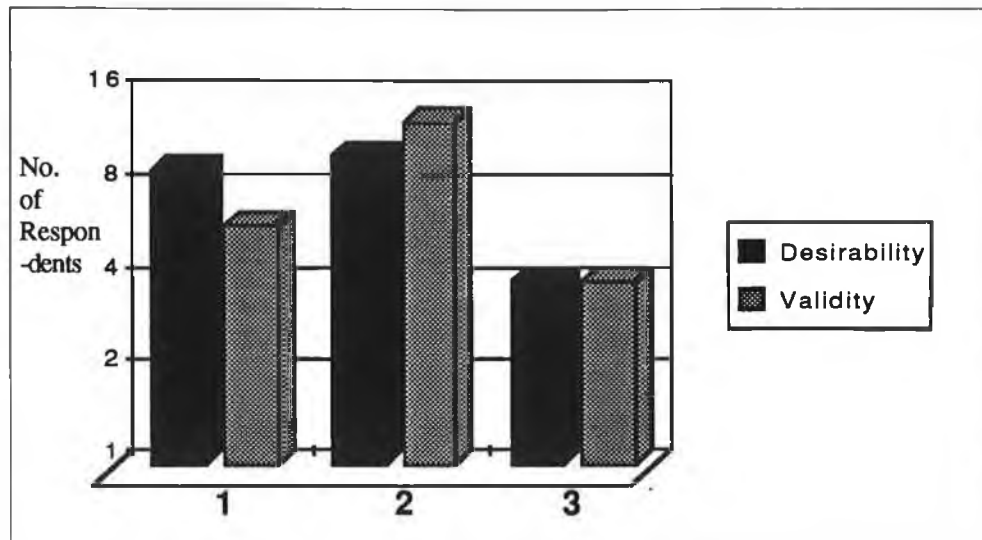
Where: 1= Extremely: Valid/Desirable
          2= Valid/Desirable
          3= Neither/Nor

Table 5.8   Feasibility of Segmentation Practices in Small Firms.

	Number of Respondents	%
Extremely Feasible	1	4%
Feasible	8	35%
Neither Feasible Nor Unfeasible	6	26%
Unfeasible	8	35%
Extremely Unfeasible		
All Respondents	23	100%

Cumulative summaries were investigated to identify possible bias in responses arising from the differing backgrounds and experience of panel members. For example, it could be hypothesised that managers in larger companies would regard segmentation practices as more feasible than small company owner managers, Table 5.9.

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Table 5.9   Feasibility of Segmentation for Small Companies By Respondent Group.

Group	Frequency Distribution of Responses (Feasibility)				
	Extremely Feasible	Feasible	Neither Nor	Unfeasible	N
Academia	1	3		2	6
Support Bodies		2	4	2	8
Small Companies			2	3	5
Large Companies		3		1	4
All Respondents	1	8	6	8	23

Mean	2.44
Standard Deviation	.79
Median	3
Interquartile Range	2 Ql=2; Qu=4 1 response outside range

This hypothesis was borne out in the results, with 60% of respondents from the small business grouping indicating that segmentation practices were unfeasible compared to 25% from the large company and support body categories and 33% from the academic grouping. It would seem that small companies remain, for the most part, unconvinced of their ability to successfully implement segmentation programmes. This feeling was reflected in the personal interviews where only two respondents from the small business grouping gave detailed explanations of how a small company could segment a market.   The remaining owner managers tended to reiterate the benefits they saw in segmentation or gave very general responses such as: *"You have to make sure that there is a market there, that's where many small companies fall down.   Import substitution can be a good basis for looking at segments here in Ireland."* or *"In my market there are very clear segments already in existence.   These things are almost determined for you."*

Of course, it also must be noted that managers in larger companies who, in general, felt that it was feasible for small companies to implement segmentation programmes, are basing their opinions on their own experience within large organisations where information, time and cost requirements may not be a major constraint. A fact which was acknowledged by one large company manager, *"I can't say that I've ever worked within the confines of a small business, where I might have nine or ten other things to do in a day. Here, my job is very well defined and I can devote all my time to it. It is quite difficult to visualise it being any other way."*

Analysing responses to the personal interviews showed that respondents were concerned with the ability of small firms to adopt a systematic formal procedure to segmentation. The panel members felt that the process, of necessity, must be more simple and straightforward than that which may be theoretically acceptable. *"The segmentation process for small companies need not be complicated and certainly need not follow the systematic, rigorous programmes that exist in large companies. Small companies, in many cases, do not have the information capabilities or expertise to deal with segmentation on such a large scale. But is possible, it may be difficult, but it is possible to bring a simple segmentation process into a smaller firm."*, **Marketing Academic.** *"Ideally you need someone who is there doing the segmentation and looking after the information and sorting it, but you can get overly fussy about it as well. ... There's a correlation between wastage of resources and lack of skill. So it's the skills and competencies and strategic thinking that are more crucial to success than hiring specialists and getting into analysis paralysis and getting too fussy about the whole thing. It can be done if the skills and competencies, which are a function of experience and training, are there."*, **Executive - Support Body.**

In light of these views, respondents were asked to explain how they saw a segmentation process operating in a small firm. All respondents

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agreed that knowledge of and information about the market were crucial to the success of any segmentation programme. It was also felt, by some members of the panel, that, due to the limited information analysis capabilities of small companies, large robust segments which require simple analysis of shape, size and competitive structure were the markets on which small companies should be focussed.

For a segmentation programme to be successful it was felt by twenty respondents or 87% of the sample that small companies must first understand what a 'true' segment is. A definition of a market segment emerged from qualitative analysis of the personal interviews. It focused on the differing customer requirements which may occur between segments and the economics or costs of doing business with these differing customer segments. *"If one takes the broad market, a market segment is a part of the market where the economics are different from the rest of that market. It's not sufficient to define a market segment as a 'variation in customer requirements' alone. That variation is dictated by different cost implications. The difference between cheddar cheese and speciality cheese, for example, lies in the demand for working capital. The differences between the customised and non customised part of the market is production to order rather than production to stock. Production to order helps a small business."*, **Executive - Support Body**. *"Segmentation could be, for instance, just knowing that you've got live customers and dead customers and dying customers. It's understanding the differences between customers' requirements and the differences which exist in the cost of doing business with these customers."*, **Marketing Academic**.

Based on this concept of a segment, these respondents felt that small companies could look at the markets which they are serving and identify both differing customer and cost requirements. The starting point of the segmentation process then would be defining the served market in terms of current and future customers, the associated

consumer behaviour and the costs, for the small company, of supplying those customers. *"If you can't define your market it tells you that you are not focused enough. When you look at the definition you will know if it is too diverse and needs to be redefined more tightly."*, **Executive - Support Body**. This process in most cases requires *"...nothing more than experience, intuition and observation on the part of the owner manager."*, **Manager - Large Company**.

Choosing a market segment will be specific to each individual business. Some respondents pointed to technical methods of segmentation; the product, supply factors, customer factors, geography etc. which can be taught to and usefully implemented by smaller firms. However, the majority of the panel (16 members) indicated that the *"...dimensions should come from analysing the strengths of the company, the needs of the business and from having an idea of the direction you want the business to take."*, **Manager - Large Company**. It is also important for a small company, due to its volatility, to choose carefully the people with whom it does business. *"You should be selecting on the basis of those you can do business with, those whose requirements you can satisfy for a given level of investment. It's also about picking customers that are good; that you can learn from and who are relatively stable. If you want to consolidate the business, you pick customers that are satisfied with what you do. If you want to grow the business you go for the likes of Marks and Spencers. Its not demographics or anything like that. The dimensions come from the needs of the business and what you want to do with the business."*, **Marketing Academic**.

It was suggested that factors such as the suitability of the product required by the segment to the production process, the level of service and quality demanded by the segment the acceptability of the price offered in relation to costs and margins, the feasibility of establishing a good working relationship with the customer base and the potential for the company to learn from doing business with the segment were

important considerations when selecting market segments.

The majority of respondents (twenty two members of the panel or 96%) agreed that any segment should be monitored regularly to ensure that it is still contributing in a viable way to the business. This assessment could, it was felt, utilise the selection factors outlined above.

A summary of respondents' comments on this section was compiled for inclusion in the second round synopsis report. This report is included in Appendix E.

5.9   The Marketing Mix

The study focused on the breakdown of marketing decisions on a structural basis, ie. into the traditional classification of Product, Price, Place (Distribution), and Promotion. This had the advantage of disaggregating marketing decisions and allowing an evaluation of the desirability, validity and feasibility of structured decision making in each of these areas. It had the added advantage of allowing respondents to propose methods and approaches, which they felt were suitable for use in small companies, for formulating policies for each of the mix areas.

The Delphi panel agreed that a separate marketing mix catering specifically to the requirements of an identified segment should be developed by small companies, Table 5.10.

Table 5.10   Development of Marketing Mix Catering to Requirements of Target Segment.

	Number of Respondents	%
Strongly Agree	8	35%
Agree	14	61%
Neither Agree Nor Disagree	1	4%
Disagree		
Strongly Disagree		
All Respondents	23	100%

Mean	1.7
Standard Deviation	.56
Median	2
Interquartile Range	1 Q=1; Qu=2: 1 response outside range

Respondents were also agreed upon the desirability and validity of such an approach.   Again, the feasibility scale was the one which evidenced a lack of consensus, Figure 5.12.

Figure 5.12   Feasibility of Developing a Marketing Mix Catering to the Requirements of a Target Segment.

■ Extremely Feasible	8.7%
▣ Feasible	69.5%
■ Neither/Nor	21.8%

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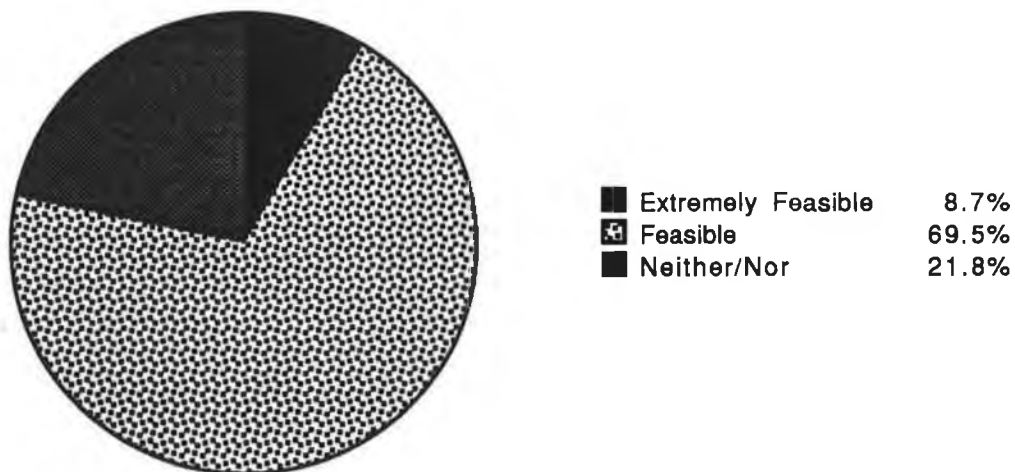
Probing of respondents elicited one main reason for uncertainty, namely the ability of small companies to collect, analyse, discuss and implement in a meaningful way information on the market and customers' requirements. *"Successful development and implementation of policies in the mix takes an awful lot of time and resources. It also requires constant monitoring and assessment. I feel that that may be too much to ask of small companies. The concepts and techniques which have been developed in each of the 4ps are of course useful and should be used by small companies, but perhaps in an slightly adapted format. One which allows for the time, expertise and cost constraints. I believe that small companies must develop a mix which fits with their customers, but the method of doing that might be very different from what you or I were taught."*, **Marketing Academic.**

This ability of small companies to implement marketing mix techniques was further explored under each of the '4 P' categories.

Product Policies: This section of the questionnaire investigated strategies associated with product development, branding and packaging. It is acknowledged that there are many other dimensions to the whole area of product management, but these were the factors identified in the literature as 'problem areas' for small companies and were endorsed by the marketing specialists group involved in the formulation of the questionnaire.

The relevance of the product life cycle (PLC) to small companies was examined. Respondents were asked to indicate their agreement with the statement "A small company should be aware of a product's progression through a life cycle." Table 5.11 illustrates their evaluations.

Table 5.11   Importance of Awareness of the PLC in Small Companies.

	Number of Respondents	%
Strongly Agree	8	35%
Agree	11	48%
Neither Agree Nor Disagree	3	13%
Disagree	1	4%
Strongly Disagree		
All Respondents	23	100%

Mean	1.9
Standard Deviation	.69
Median	2
Interquartile Range	1 Q=1; Qu=2: 4 responses outside range

Respondents were probed to elicit the reasoning behind their answers and also to identify possible methods for evaluating a product's progression through a life cycle.

While one respondent indicated that the product life cycle concept was not relevant because "...*the time horizons in a small company are too short.*", the other members who fell outside the consensus range did not necessarily disagree with the importance of the concept. Rather, they felt that it was extremely difficult to measure where a product is on its cycle and that adherence to the concept may "...*push many small companies into making decisions to drop a product which may only be going through a difficult or weak patch.*", **Owner Manager - Small Business.** "*The PLC concept has basic sense. The danger is if it is adhered to too rigorously as if it is a theory - it is a concept. It is a guideline, not something to be adhered to come hell or high water. You should be aware of it, like you should be aware of many things. The danger with small companies coming to marketing for the first time is that they do*

latch on to these concepts.", **Marketing Academic.**

Many respondents felt that rather than monitoring decline in sales or profits to assess the product life cycle stage, small companies should be evaluating the relevance of their product to the market at which it is aimed. *"The basic message is that customers get bored, they get fed up. In industrial terms, their requirements are changing. You should always be aware of change.",* **Marketing Academic.** *"Products do go or are replaced, but the need doesn't go. The product fulfilling the need might be replaced by a better product, but the fundamental need remains. It's the manner of satisfying the need that changes.",* **Executive - Support Body.** Evaluating the product life cycle then is about *"...establishing how well the product is meeting current market needs.",* **Manager - Large Company.**

These members of the panel were asked to identify ways in which a small company could monitor changes in the market's needs and, therefore, evaluate a product's 'fit'. Customer feedback was mentioned by all of these respondents. *"If you have a relationship with them [customers] they will tell you what it is they want; what the problems are and you can solve those problems and make an improvement to the product.",* **Marketing Academic.** So too were monitoring trends in product alternatives and trends in overseas markets. Decline in new customer levels or sales, and increases in new technologies or product alternatives in the industry were all seen as indicators of a product becoming less relevant.

Discussion on the product life cycle concept led to consideration of new product development within small companies. Innovation has often been proposed as one of the key characteristics of small firms, Sweeney (1981)[6]. This was acknowledged by the Delphi panel. *"Companies, both large and small, must be observing what is happening with respect to market trends and ideally, be leading their competitors in*

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terms of developing new products or adaptations of existing products, or introducing new marketing mixes, or in looking for new segments. Innovation in any of these areas is key. Small companies actually have an advantage here. Being small the company should be more flexible and, therefore, innovation, in the marketing mix at least, should be simpler and easier for them to undertake.", **Marketing Academic.** *"A lot of big companies don't innovate. They are like the titanic going along. By the time something gets passed through all their systems the fashion is gone. In a small company you don't have those systems. You are investing your own money, not 20,000 pension funds so the same responsibility isn't there and you don't have the structures where people may disagree as to what should be developed. In that way it is far easier to innovate in smaller companies.,* **Manager - Large Company.**

Table 5.12 represents respondents' agreement with the statement "Strategies should exist in small companies for product development and product modification/adaptation".

Table 5.12   Strategies for Product Development and Modification/Adaptation.

	Number of Respondents	%
Strongly Agree	5	22%
Agree	14	61%
Neither Agree Nor Disagree	4	17%
Disagree		
Strongly Disagree		
All Respondents	23	100%

Mean	1.95
Standard Deviation	.638
Median	2
Interquartile Range	0 Q=1; Qu=2: 9 responses outside range

Five of the responses which were outside the range were in the 'strongly agree' category, leaving four respondents who neither agreed nor disagreed with the statement. These members were uncomfortable with the word 'strategy'. They indicated that smaller firms need to be planning for development or adaptation in light of market trends, but that the formulation of strategy, taking into account the short time horizons most small company owner managers have, may be too *"farfetched"*, **Owner Manager - Small Business.**

Respondents' scores for the desirability, validity and feasibility scales are illustrated in Figure 5.13. Taking the interquartile range as an indicator of consensus, all scales evidenced a similar level of agreement (interquartile range of 1). However, the feasibility scale is seen from Figure 5.13 to have a number of respondents (six members or 26%) selecting the 'neither feasible nor unfeasible' option.

Figure 5.13 Validity, Desirability and Feasibility of Strategies for Product Development and Modification.
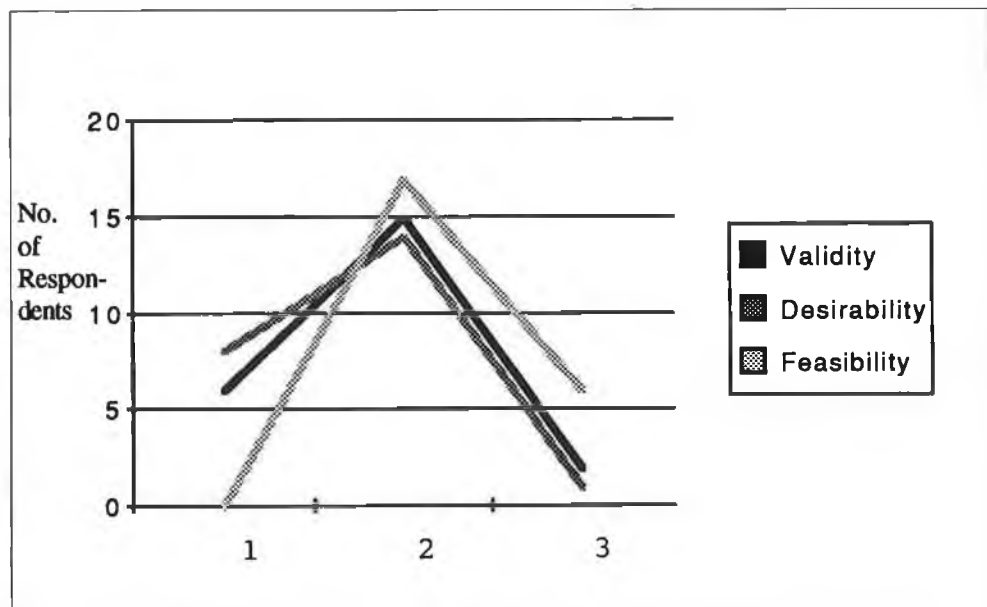
Where: 1= Extremely: Valid/Desirable/Feasible
            2= Valid/Desirable/Feasible
            3= Neither/Nor

Again, it was with the word 'strategy' that respondents disagreed. "*For a small firm if sales are down they will start to think about looking at something to change, like modification of some element of the product or new product possibilities. They may then plan for that, but they won't have a strategy in place for that day and I think it's unrealistic to expect them to have. They have to operate within their means. The problem is that they may well get too hung up on product development and that's futile.*", Executive - Support Body.

As with the other sections of the questionnaire, respondents' opinions were sought on identification of opportunities for product development or modification. Social, economic, competitive, technological and regulatory trends were most commonly suggested as providing opportunities. Information on these trends can be gained most easily through talking to customers and analysing their requests and complaints. The small company also should be comparing, from the customer's viewpoint, its products with any alternatives coming onto the market. Trade fairs and publications were also seen as viable information sources for product development/modification ideas, as were trends and new product developments in foreign markets. Internally, brainstorming, involving members from every area of the company, was identified as "*...one of the best forms of new product ideation and it costs absolutely nothing.*", Marketing Academic.

One respondent, a representative of a marketing support body suggested that "*...the best opportunities are clear first of all as weak signals. It is weak in the sense that nobody has moved in on it yet, it becomes strong once somebody does. There have been a lot of weak signals. For example, the changing structures of the family which have changed distribution patterns; the nature of convenience goods and that has had a lot of multiplier effects on industries. ...When looking at an opportunity set with a long term future, I think you have to say 'what's weak now, that by any intelligent assessment will become*

strong?' It's all about spotting those weak signals."

During the personal interviews, respondents were questioned about methods for assessing opportunities for product development or modification. The following factors were proposed: Resources required to develop and support the opportunity, its market potential, its compatibility with existing products or customers and its 'fit' with the company (ie. whether or not it exploits the expertise which the company has developed). The panel also emphasised the importance of keeping opportunities in focus with original plans and evaluation of the effect of any particular opportunity on existing and future business.

The importance of branding to a product's success was also examined. Branding proved to be one of the most contentious issues raised in the survey, with strong divergence of opinion as Table 5.13 and Figure 5.14 illustrate.

Table 5.13   Importance of Branding in Ensuring Product Success.

	Number of Respondents	%
Strongly Agree	1	4%
Agree	7	31%
Neither Agree nor Disagree	11	48%
Disagree	3	13%
Strongly Disagree	1	4%
Total	23	100%
Mean	2.8	
Standard Deviation	.87	
Median	3	
Interquartile Range	1 Ql=2; Qu=3: 5 responses outside range	

Figure 5.14   Validity, Desirability and Feasibility of Branding.
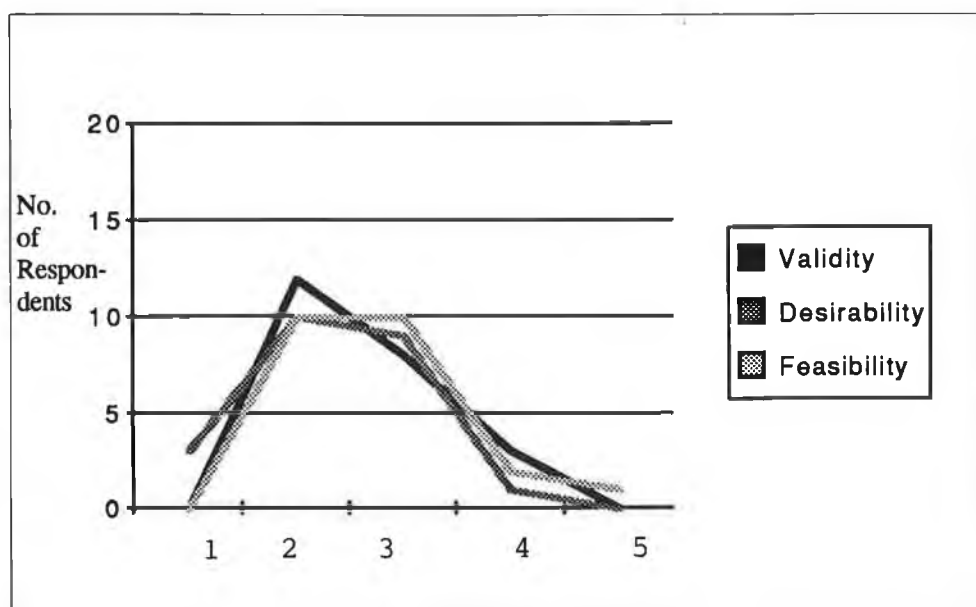
Where: 1= Extremely: Valid/Desirable/Feasible
          2= Valid/Desirable/Feasible
          3= Neither/Nor
          4= Invalid/Undesirable/Unfeasible
          5= Extremely: Invalid/Undesirable/Unfeasible

The disagreement among respondents centred mainly around cost issues. Some of the panel members saw no benefit in branding due to the excessive investment requirements, whereas other members recognised the benefits of limited forms of branding. Those respondents focusing on cost issues in branding tended to indicate the 'unfeasible' and 'invalid' categories. Typical comments from these respondents include; *"The benefits aren't there unless you have millions."*, Executive - Support Body. *"Branding is a huge marketing commitment and a lot of money has to be poured into achieving an image."*, Manager - Large Company. *"The economics of branding and advertising, the scale of that, may not be achieved by a small business. The costs of gaining recognition through promotion, branding and brand building will generally be prohibitive for a small company. Brands are important but building them is very difficult and expensive.*

There are only 200 Irish companies with a turnover of more than £5 million, so it's a pipe dream all this branding stuff.", **Marketing Academic.**

Respondents who were of the opinion that branding was both important and feasible for small companies were probed for the reasoning behind their answers and to elicit ways in which small companies, given the cost constraints outlined by the other Delphi panel members, could successfully brand their products. These respondents took the view that branding is about recognition. *"Every company has a brand that relates to recognition in the customer's eyes and that brand has certain properties; the customer trusts you or doesn't, perceives you to be expensive or cheap, reliable or not and so on. It's a brand at its most basic level because when a consumer is choosing among a number of products each one conjures up a certain impression in his or her mind, an overall image. Every single product has a brand, it's not something that's seen on TV every night."*, **Manager - Large Company.** *"I think you can substitute another word for branding which is called reputation and every business has a reputation."*, **Marketing Academic.**

Recognition can be achieved through simple methods according to these respondents. *"A brand can be created through having it in a certain place in a supermarket, and it must be there and nowhere else. Through the product having certain and particular technical characteristics or tasting a certain way consistently. Through pricing at a certain level. There are lots of things which go into making up a brand other than major promotion."*, **Executive - Support Body.** *"Branding can be done through packaging for example. A good pack design, in the knowledge that you want it strongly branded costs not one penny more than a bad pack design. There is a major misconception about money."*, **Manager - Large Company.** *"We have created an image for our company that is associated with our name. That to me is branding. We built that image through having our name on as many things as*

possible; the product, brochures, in stores, on stationery. But as well we provided high quality consistently and we were reliable. That gave us the image we have among our customers today.", **Owner Manager - Small Company.** It can be concluded that branding, in terms of reputation can be created by consistency of quality, price, presentation, delivery, service, merchandising and packaging.

Packaging rated highly as an important promotional tool for small companies, especially those in consumer markets. *"There's a huge promotional element. In fact, it's doubly important for small companies despite the fact that most of them don't realise it. The packaging does the advertising for you - that should be a standard for small companies. It is so important that the packaging should speak well for you. Small companies have to invest the effort to make it leap off the shelf. More effort has to go into producing highly sophisticated, really well designed, stunning packaging. It is speaking for you and is your major promotional vehicle.*", **Marketing Academic.** This comment illustrates the opinions held by the Delphi panel as a whole. The importance of packaging was borne out in the analysis of the four scales, Table 5.14.

Packaging was regarded as expensive but necessary. This was especially the case when responses from the small business owner manager grouping were reviewed. Small business owners, in this Delphi panel, were extremely aware of the significant promotional role of pack design and were willing to commit themselves to high levels of expenditure in order to achieve an attractive, hard hitting design. The following comments provide a representative example of this groups' opinions. *"People tend to buy by pack design or colour, especially in the grocery trade. After a while, they get so used to the packaging that the decision becomes automatic. It's expensive in the sense that you've a lot of set up costs, but it's a question of whether you are serious or not and at what pace you want to grow." "Packaging is what*

sells the product off the shelves and you need to invest the money in good help. It can be difficult to get a good commercial artist and very expensive, but it's worth it if you get good packaging at the end of the day. No matter how good the product itself is, if the packaging doesn't suggest it customers won't give it a chance."

Table 5.14   Frequency Distribution of Responses to Packaging Across Scales.

Frequency Distribution of Responses

	1	2	3	4	5	N	X	Ql	Qu	Qr
Agreement	13	9	1	-	-	23	1.47	1	2	1
Validity	11	11	1	-	-	23	1.5	1	2	1
Desirability	12	10	1	-	-	23	1.5	1	2	1
Feasibility	6	15	2	-	-	23	1.5	1	2	1

Where: 1= Strongly Agree/ Extremely: Valid/Desirable/Feasible
2= Agree/Valid/Desirable/Feasible
3= Neither/Nor
4= Disagree/Invalid/Undesirable/Unfeasible
5= Strongly Disagree/ Extremely: Invalid/Undesirable/Unfeasible
N= Total Number of Responses
X= Mean
Ql= Lower Quartile; Qu= Upper Quartile; Qr= Number of Responses outside the Interquartile Range

A summary of respondents' comments on this section was compiled for inclusion in the second round synopsis report. This report is included in Appendix E.

Price Policies: Review of the price element of the marketing mix focused on determining objectives for pricing policy. The panel were asked to consider the importance, validity, desirability and feasibility of clear and well defined price objectives for smaller firms. Probing

elicited the objectives and methods thought to be most suitable by the panel and also investigated the role of the marketer, the owner manager and accountant in the decision making process. In addition, two scales, measuring the importance of reflecting the product's quality in the final price and the importance of consideration of what the market will bear in determining the final price, were put to the panel.

Figure 5.15   Importance of Clear and Well Defined Pricing Objectives.

| ■ Strongly Agree | 52.0% |
| ▣ Agree | 48.0% |
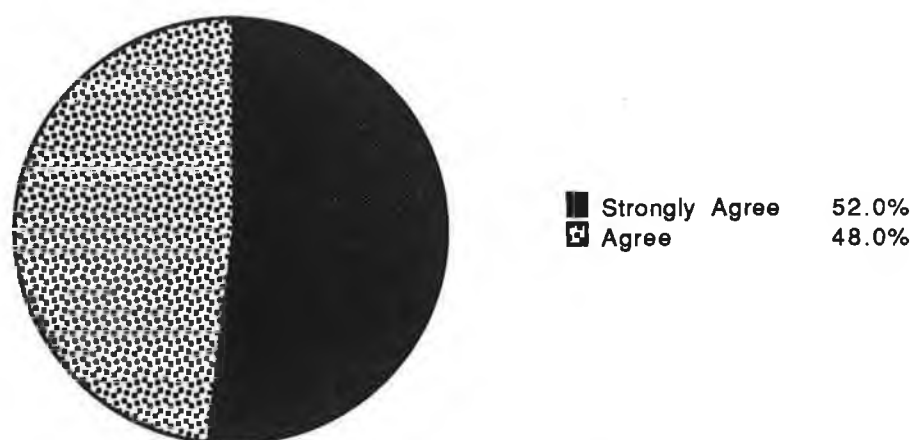
There was complete agreement (interquartile range of 1 with 0 responses outside the range) among the Delphi panel that small companies must have clear and well defined objectives for pricing policies, Figure 5.15. Only one respondent fell outside the interquartile range on the validity, desirability and feasibility scales, Tables 5.15 - 5.17.

Table 5.15   Validity of Clear and Well Defined Pricing Objectives.

	Number of Respondents	%
Extremely Valid	9	39%
Valid	13	57%
Neither Valid nor Invalid	1	4%
Total	23	100%

Mean	1.65
Standard Deviation	.57
Median	2
Interquartile Range	1 Ql=1; Qu=2 1 response outside range

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Table 5.16   Desirability of Clear and Well Defined Pricing Objectives.

	Number of Respondents	%
Extremely Desirable	11	48%
Desirable	11	48%
Neither /Nor	1	4%
Total	23	100%

Mean   1.56
Standard Deviation   .59
Median   2
Interquartile Range   1 Ql=1 ; Qu=2:   1 response outside range

Table 5.17   Feasibility of Clear and Well Defined Pricing Objectives.

	Number of Respondents	%
Extremely Feasible	9	39%
Feasible	13	57%
Neither /Nor	1	4%
Total	23	100%

Mean   1.65
Standard Deviation   .57
Median   2
Interquartile Range   1 Ql=1 ; Qu=2:   1 response outside range

It can, therefore, be stated that the members of the Delphi panel reached a consensus on the importance, validity, desirability and feasibility of clear and well defined pricing objectives. However, opinions diverged as to what those objectives should be and how best smaller firms should determine their final price. The pricing objectives suggested by respondents were grouped into eight categories, illustrated in Table 5.18.

Table 5.18   Objectives for Pricing Policy.

Objectives	Number of Respondents	%
Maximum price market will bear	5	22%
Competition based	4	17%
Quality of product	3	13%
Long term profit	3	13%
Cost + (incorporating what the market will bear)	3	13%
Value for money	2	9%
Customer based	2	9%
Marketing mix related	1	4%
Total	**23**	**100%**

Examples of respondents' explanations of each of the objectives are given below:

Maximum Price Market Will Bear: *"Get what you can. What selling point or USP do you have, can it command a price? You price at the price you can get on the market."*, Executive - Support Body.

Competition Based: *"What are your competitors charging? You have to be competitive but against the main and right competitors. If you are in a niche, supplying something others don't, then you may not need to be competing with the big guys. Be sure you are hitting the right target."*, Marketing Academic.

Quality of Product: *"Price is often a signal to the consumer of the quality of the product so the price should reflect the quality of the product. Price and quality are highly correlated."*, Owner Manager - Small Business.

Long Term Profit: *"Long term it has to be profitability, but in the shorter term the most important thing is flexibility to ensure the company survives through cash flow problems, volume problems etc.*

However, this flexibility should never effect the long term objective which is to be profitable.", **Marketing Academic.**

Cost + (incorporating what the market will bear): *"If you take it that your product takes X to produce, and make sure that X is correct and that everything that goes into producing and selling that product (cost of extra service, cost of owner manager's time etc.) is accounted for. Then you have to identify what the price in the market is. If you don't hit the market price then forget it, it won't go. If a margin is produced that will cover costs and profit then that's it. My 10 year old daughter could do it."*, **Manager - Large Company.**

Value for Money: *"Pitch the price so that you give a sense of value to the customer. So that the customer feels that they are getting good value. What you can charge depends on what value you are giving."*, **Executive - Support Body.**

Customer Based: *"All the pricing techniques taught are rubbish. The price charged relates to the market and is customer dominated. The company* [owner manager] *often feels that you have to charge what the customer expects. Smaller companies are price led, and prices charged will often be customer specific in that if you give a new big customer a good deal they will come back."*, **Marketing Academic.**

Marketing Mix Related: *"I always think of the marketing mix as the three Ps because pricing is part of your financial goals rather than an instrument of policy. I think it should be seen as how can I sustain my price by manipulating the other three Ps in such a way as to make my price attractive."*, **Executive - Support Body.**

All respondents were agreed that the decision making process should be undertaken by the owner manager, the person with responsibility for marketing and the accountant or finance person.

Respondents were asked to rate their agreement with the following statements: "The price a company charges for its products should reflect (i) the quality of the product offering; (ii) what the market will bear. Figure 5.16 represents the panel's responses.

Figure 5.16   Quality of Product Vs What the Market Will Bear.
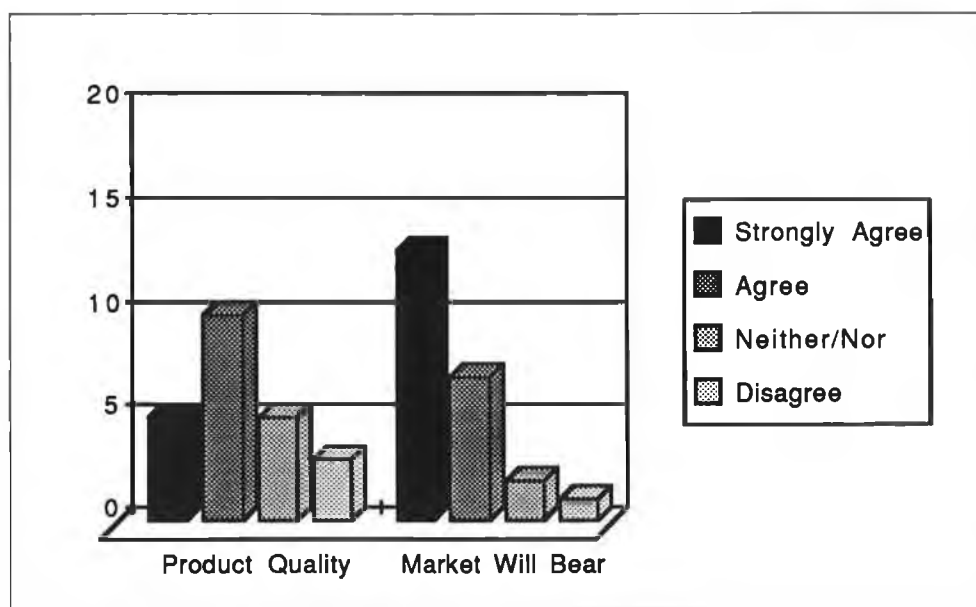
There was more general agreement on the "What the Market Will Bear" scale (interquartile range of 1, with three responses outside the range) than on the "Quality of the Product Offering" scale (interquartile range of 1, with eight responses outside the range). Seven respondents felt that a balance between both options was appropriate as the two were indistinguishable. *"The market will bear a price relative to the product offering."*, Marketing Academic. It emerged during the interviews that those respondents who took a strong stand on either of the scales were unlikely to compromise their views. Therefore, these scales were excluded from further analysis during the second Delphi round and a lack of consensus was accepted.

A summary of respondents' comments on this section was compiled for inclusion in the second round synopsis report. This report is included in Appendix E.

Distribution Policy: Decisions in the area of distribution were examined to determine the importance of objective setting and strategy formulation to the success of small companies. Selection and control of intermediaries within the channel was also investigated and procedures for selection and control sought. The panel was also asked to identify techniques for reviewing and monitoring the success of a small company's distribution strategy.

Respondents agreed that a small company must set clear objectives for its distribution policy to ensure success. Ten members, or 44% of the sample, strongly agreed with the statement and twelve members or 52% agreed, with only one respondent opting for the 'neither agree nor disagree' category. The scale evidenced an interquartile range of 1 with only one response falling outside the range. The ratings for the validity, desirability and feasibility scales are given in Figure 1.17.

Figure 5.17   Validity, Desirability and Feasibility of Objectives For Distribution Policy.
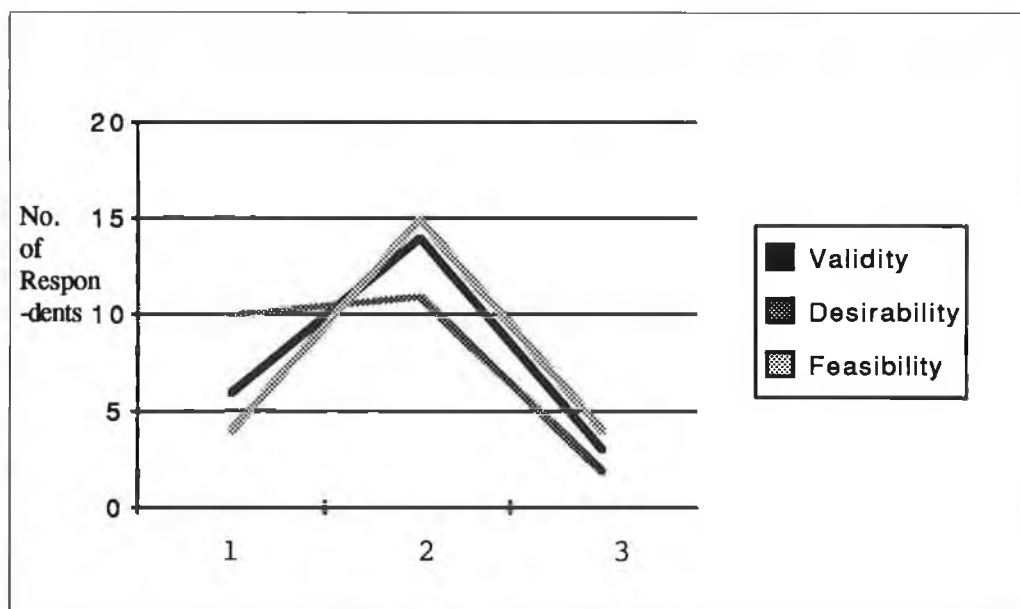
Where: 1= Extremely: Valid/Desirable/Feasible
            2= Valid/Desirable/Feasible
            3= Neither/Nor

Many of the respondents, especially small business owner managers, identified distribution as one of the more difficult aspects of marketing for smaller firms. The imbalance of power, the cost and control factors were mentioned as the main problem areas. Setting objectives for distribution could help to overcome some of these disadvantages but it was also felt that "..*all the objectives in the world won't help when you are trying to get shelf space or convince a distributor to take your product. Objectives help with determining acceptable costs and ensuring that you keep a close watch on how the product is being distributed, but they won't get you over the huge power disadvantage that all small companies face.*", **Owner Manager - Small Business.**

Respondents were asked to identify distribution strategies which would be suitable for use in small companies. While all members emphasised that there was no one definite strategy, most indicated that some form of partnership or link with a company with a strong distribution base was a policy which should be considered. More importantly, every channel member should be viewed as a partner, and this partnership should underlie any strategy being proposed.

"*The way to be successful in channels is to take action to make sure that you communicate - that the retailer is your partner. It's having a good product, convincing people of that, loads of communication, providing the necessary backup service required, even if it is expensive. The point is that even if the customer is King or Queen the channels provide the means to do it and they are every bit as important as the end user. They have to be seen as your partner, someone you work with not against.*", **Marketing Academic.**

However, the strategy undertaken will be determined, to a large extent, by the type of product being sold, among other factors. Respondents were asked for their opinion on the essential factors which should be taken into consideration by a small firm when developing its

distribution strategy. Table 1.19 categorises those factors identified by the Delphi panel.

Table 5.19   Factors to be Considered when Formulating Distribution Policy.

Factors to be Considered	Number of Respondents
Industry norms and standards	15
Customer requirements	14
Nature of product and its complexity	9
Cost efficiency	8
Customer location	7
Service levels required by customer	5
Trade satisfaction	4
Administrative effort	4
Intermediaries' requirements	3

A summary of the rationale behind the selection of these factors is given below.

Industry norms and standards: These should be reviewed carefully to identify potential competitive advantages. Small companies should be aware of the possibilities of introducing new methods of distribution which might lead to more effective and efficient procedures and serve as a differentiating factor.

Customer requirements: Serving customer requirements was viewed in the following manner: *"When you talk about customer needs you are talking about a need for a product and information about that product. But you are also talking about time and space or 'convenience'. Your fundamental decision about channels of distribution is how do you deliver convenience to customers."*, **Executive - Support Body.**

The nature of the product and its complexity: The requirements of the product in terms of its handling, temperature, fragility, weight, shelf life and so on, must also be considered when determining policy, not only to ensure that the product quality is assured throughout the system, but also *"...to consider those people who have to handle the product and how you can make it easier for them. If it's an easy product to handle they will be more willing to take it on."*, **Manager - Large Company.**

Cost efficiency: *"Cost is an important issue in distribution. It must get there cost efficiently and you must not spend more than necessary in getting it there. Every potential distribution policy or strategy should be costed in both economic and non economic (reliability, suitability etc.) terms before it is undertaken."*, **Manager - Large Company.**

Customer location: The ability of a distribution strategy to deliver to all customers, no matter what their location should also be considered. *"A diagnosis of customer locations will suggest a suitable policy."*, **Marketing Academic.**

Service levels required by customers: This was seen as a factor mainly in business to business or industrial markets. It included analysis of the information, training, after sales service, maintenance and upgrading requirements of potential and existing customers.

Trade satisfaction: Satisfying the trade in terms of delivery, promotion, margins, servicing, research, product quality and professionalism was seen as important in achieving both distribution and listings.

Administrative effort: The administrative effort involved in managing the distribution channel is an important consideration for small companies. *"Before undertaking a particular distribution policy a small company must ensure that it is capable of handling it, in terms*

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of all its resources manpower, cash, facilities, the paper work, the volume of production, and the backup that might be required.", **Owner Manager - Small Business.**

Intermediaries' requirements: *"What's in it for the distributor is extremely important - motivating the distributor. I think in the case of a small business, who is typically a follower in the market, it requires him to shape his mix differently. He cannot afford much advertising so a lot of the emphasis must go on incentives to the distributor to push the product. You will have to look at whether you can provide the necessary support that any one distributor will expect.",* **Executive - Support Body.**

The next section of the review of distribution policy investigated procedures for selecting and controlling intermediaries. Table 5.20 illustrates the level of agreement among the Delphi panel with the statement "Careful selection of intermediaries is important for the small firm."

Table 5.20   Importance of Selection of Intermediaries.

	Number of Respondents	%
Strongly Agree	10	44%
Agree	9	39%
Neither Agree Nor Disagree	3	13%
Disagree	1	4%
Strongly Disagree		
All Respondents	23	100%

Mean	1.78
Standard Deviation	.71
Median	2
Interquartile Range	1 Q=1; Qu=2: 4 responses outside range

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The Delphi panel were asked to propose critical factors to be considered by a small company when choosing an intermediary. Criteria for selection of intermediaries, with classification where appropriate, as identified by the Delphi panel are outlined in Table 5.21.

Table 5.21   Criteria for Selection of Intermediaries.

Criterion	Number of Respondents
Market Coverage	21
Track Record	19
Finances (including: margins and payment terms)	19
Products Currently Carried	17
Stability	15
Cooperative Services (provision of advice, feedback, promotion, marketing, sales force, merchandising)	13
Reputation Among the Trade	9
Legalities	8
Interest in Product Area	6
Character (can an harmonious relationship be developed, do both organisations have a similar culture?)	5

Respondents were also asked to consider issues of control within the channel. There was some disagreement among the panel with regard to the necessity for control of the channel and intermediaries in small firms, Table 5.22.

Table 5.22   Importance of Control of the Distribution Channel.

	Number of Respondents	%
Strongly Agree	7	31%
Agree	11	48%
Neither Agree Nor Disagree	3	13%
Disagree	1	4%
Strongly Disagree	1	4%
All Respondents	23	100%

Mean   2.04
Standard Deviation   1.02
Median   2
Interquartile Range   1 Q=1; Qu=2: 5 responses outside range

Reasons for disagreement with the statement 'It is important for the small company to maintain control of the distribution channel and intermediaries used.' were requested.   It emerged that those respondents disagreeing felt that the relationship with the channel should be looked on as a partnership.   *"You must remember that it is a partnership.   Your success is their success and you should work from that premise continually.   That is the only way to operate.",* **Owner Manager - Small Business.** *"I invented the term partnership channel marketing a long time ago and I believe in it 200%.   You don't get to be the preferred supplier unless you are the channel member's partner. Not even if you are Kellogs or Hienz.   I think you can set standards within that type of partnership but it's difficult to do.   Bear in mind that very often relative to a small company the channel member is bigger, certainly in consumer markets, so you have to be extremely tactful about the way in which you start offering advice to the likes of Feargal Quinn.",* **Marketing Academic.**

Significantly, the idea of establishing a relationship or partnership was

reiterated by most of the Delphi panel with sixteen members highlighting the importance of working with, rather than against, the channel in some form of partnership. However, these members also emphasised the necessity for some form of control or standards within the relationship. In the opinion of these respondents, there should be "*...mutually agreed guidelines or standards which will ensure that the product is being handled correctly and that the company's objectives are met.*", **Executive - Support Body**. "*If you don't have some sort of standard for things like market coverage, margins, servicing, and so on you are crazy. You have to monitor the channel and any intermediaries. It doesn't have to be a control thing, but you need to have some sort of standards, otherwise you won't know what is happening and how you are doing.*", **Owner Manager - Small Company**. "*Often you will be using intermediaries that have more discretion and power than you so it can be difficult to impose standards. I think it's better to use guidelines within the context of a relationship. Guidelines on things like margins, frequency, delivery, ensuring safety of products. You are talking more about benchmarks or guidelines rather than standards.*", **Manager - Large Company**.

Power imbalance, with the attending problems of the intermediary not paying attention to the product and the inability of the small firm to impose standards or controls, was seen as a "*...fact of life*" for small companies. However, it was felt that this imbalance could be redressed somewhat through "*...emphasising the relationship, so the intermediary can see what the potential for the product is.*", **Manager - Large Company**. A relationship/partnership approach with agreed guidelines for control was, therefore, seen as the best approach for small firms to take when dealing with control of distribution channel members.

A related concern was review and assessment of the distribution strategy chosen. Table 5.23 represents the panel's agreement with the

statement "The distribution strategy chosen by a small company must be reviewed on a regular basis." while, Figure 5.18 illustrates the validity, desirability and feasibility of such an activity in small firms.

Table 5.23   Review of Distribution Strategy.

	Number of Respondents	%
Strongly Agree	8	35%
Agree	14	61%
Neither Agree Nor Disagree	1	4%
Disagree		
Strongly Disagree		
All Respondents	23	100%

Mean	1.7
Standard Deviation	.56
Median	2
Interquartile Range	1 Q=1; Qu=2: 1 response outside range

Figure 5.18   Validity, Desirability and Feasibility of Review of Distribution Strategies.
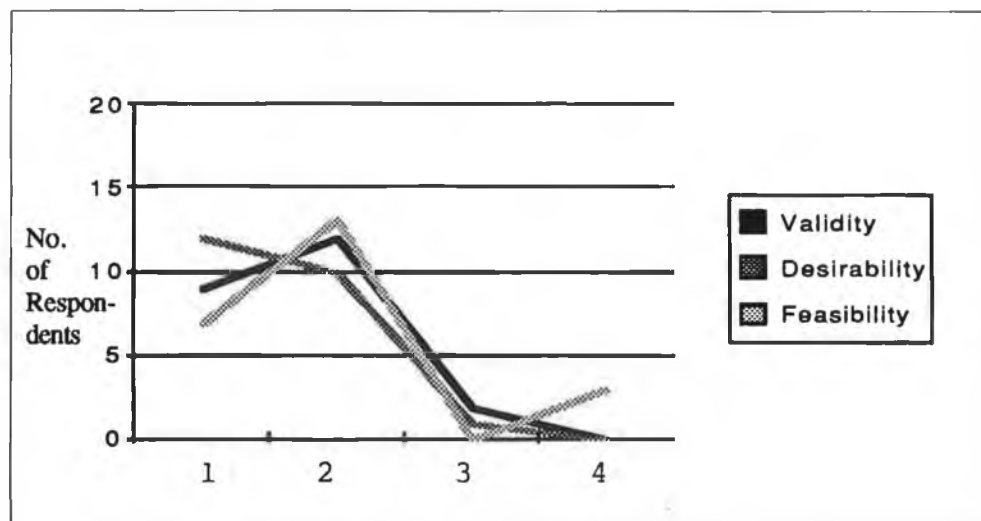
Where: 1= Extremely: Valid/Desirable/Feasible
          2= Valid/Desirable/Feasible
          3= Neither/Nor
          4= Invalid/Undesirable/Unfeasible

Review of the distribution channel was deemed to be important, valid and desirable by the majority of panel members. However, a formal evaluation process was considered to be unfeasible by some respondents. Opinions on methods for reviewing and monitoring a distribution strategy, suitable for use in a small company, were therefore, sought from the panel. There was a clear division of opinion between those respondents who felt that it will become apparent if there are problems with the distribution strategy, *"People will get back to you if distribution isn't working."*, **Owner Manager - Small Business,** and those respondents who were of the opinion that evaluation should take place on a more active basis. These respondents indicated that the small company should be monitoring costs, sales data, level of returns and out of stock levels on a continuous basis. The performance of intermediaries with regard to agreed targets which have been set for delivery, margins, penetration and so on, should also be assessed. Small companies should be prepared to talk with buyers and client company managers as well as end users to ensure that the distribution strategy meets their needs in an efficient and effective manner.

A summary of respondents' comments on this section was compiled for inclusion in the second round synopsis report. This report is included in Appendix E.

Promotion Policy: The total set of promotion mix activities encompasses advertising, sales promotion, publicity and personal selling. Factors affecting promotion objectives and strategies were assessed by the Delphi panel. Realistic promotional tools were identified and questions of budgeting and effectiveness evaluation were addressed by respondents. Because this study is concerned with manufacturing companies, the role of personal selling and issues of sales force management were also considered by the panel. Respondents were in general agreement that objectives for any

promotion tools employed by a small company should be clearly stated. The desirability of objective setting was also emphasised, Tables 5.24 and 5.25.

Table 5.24   Statement of Objectives for Promotion.

	Number of Respondents	%
Strongly Agree	6	26%
Agree	15	65%
Neither Agree Nor Disagree	2	9%
Disagree		
Strongly Disagree		
All Respondents	23	100%

Mean	1.9
Standard Deviation	.67
Median	2
Interquartile Range	1 Q=1; Qu=2: 2 responses outside range

Table 5.25   Desirability of Objective Setting for Promotion Tools.

	Number of Respondents	%
Extremely Desirable	8	35%
Desirable	13	56%
Neither Desirable Nor		
Undesirable	2	9%
Undesirable		
Extremely Undesirable		
All Respondents	23	100%

Mean	1.7
Standard Deviation	.62
Median	2
Interquartile Range	1 Q=1; Qu=2: 2 responses outside range

While there was general agreement on the validity and feasibility scales it must be noted that three respondents selected the 'neither valid nor invalid' option and four respondents the 'neither feasible nor unfeasible' option. These respondents felt that there may be a need for outside assistance with objective setting and with formulation of promotion strategy. *"I don't know if a small company will really be able to set objectives for promotion in a formalised sense. They will do a lot of promotion themselves but that will really be down to grabbing whatever opportunity comes along rather than I need to achieve X and Y is going to play this part and Z this. There are a lot of people who can set objectives for them and that would probably be a good thing. It would keep them focused."*, Executive - Support Body.

Use of an external agency was viewed in a positive light by many members of the Delphi panel, although some called into question the costs involved in hiring the services of a promotions firm. Employment of an agency was seen to have benefits in helping a small company to co-ordinate their promotion activities. Experience, economies of scale and ease of administration were also mentioned as advantages of working with an agency on promotion.

The objectives which small companies realistically can set and the type of promotion tools they can employ will be determined by a number of mediating factors. Cost was cited by twenty members of the Delphi panel (87%) as a huge constraint on the promotional activities of smaller enterprises. The other factors, identified by the panel, which should be considered by smaller firms when setting objectives and selecting promotion tools are listed in Table 5.26.

Table 5.26   Factors to be Considered When Setting Promotion Objectives and Selecting Promotion Tools.

Factor	Number of Respondents
The Product	17
Nature of the Customer Base	14
Competitors' Promotional Policy	9

The way in which the product being promoted can be presented to the market will influence the selection of a promotion tool and the message which can be conveyed. Consideration of the customer base involves identifying what is culturally appropriate for that sector of the market. The small company must also try to determine the stage at which consumers are, in terms of awareness, interest, conviction and action. It is very often the case that there are norms within the industry with regard to promotion activity. The small company should be aware of these norms and possibilities for introducing new and innovative forms of promotion.

All respondents from the Large Company and Marketing Support Body groupings and two respondents from the Marketing Academic grouping emphasised the importance of setting and achieving a single objective. *"The one thing you shouldn't do is spread yourself too thin. If you have a small budget and spread it over too many things none of it will be effective. My advice would be to concentrate on one objective in the most cost effective way possible, rather than to try to be all things to all people."*, Manager - Large Company. It also was felt by many of the respondents that promotion strategies for small companies should be highly directed to a specific audience and should emphasise the personal interactive nature of much of the promotional activities traditionally undertaken by entrepreneurs.

The panel was asked to identify cost effective, realistic promotion tools which could be employed by a small company owner manager. For the most part, promotion tools for small companies were seen to be limited to below the line activity focusing on communicating a specific message to a specific audience in a cost effective manner. The promotion tools identified by the panel and their frequency of mention are listed in Table 5.27.

Table 5.27   Promotion Tools Suitable for Use By Small Companies.

Promotion Tool	Number of Respondents
Public Relations	21
Product Testing/Sampling	20
Data Base Marketing	19
Direct Mail	17
Demonstrations	17
Advertising in Local Press/Radio	15
Advertising in Trade Magazines	13
Brochures	10

The importance of motivating employees, distributors, retailers and customers to actively promote the product through word of mouth promotion was also emphasised by the panel. While it is difficult to initiate and manage word of mouth promotion, respondents felt that it is possible to achieve if the small company concentrates on providing a high quality product which meets customers' requirements. Regular communication with customers, salespeople and the distribution channel was also seen as important in monitoring changing market needs and the company's performance in meeting those needs with a product which encourages favourable word of mouth promotion.

It was acknowledged by the Delphi panel that budgeting for promotion is extremely difficult for small companies. Again, there were two distinct patterns to responses. Six respondents or approximately 26% of

the sample indicated that an 'affordable' method is appropriate. *"What is available, what can you set aside. Once you've done that you can look at what promotion options are open to you."*, **Manager - Large Company**. Seventeen respondents (74%) felt that the objective and task method is a better option. *"To spend what you have left over after you've decided all the other budgets is plain daft. You might be spending too much or too little and taking no account of what you want to achieve. If you understand the market and you know what strategy you need to succeed and you know the organisation you need to have to implement the strategy, you've got to do it, otherwise you'll fail. If one strategy will win and you decide to take another because you can't afford it, you're going to fail. You should find the money from somewhere to do what's going to succeed or not bother."*, **Marketing Academic**.

Those respondents who showed a preference for an objective and task method did however, realise that, on a practical level, most small companies will promote on the basis of what they can afford. *"The ideal would be an objective and task method, but clearly life isn't like that. It's usually a question of how much you have and what you can do with that for most small companies."*, **Marketing Academic**.

Effectiveness evaluation was seen as another problematic area, both for large and small companies. Respondents were asked to indicate their agreement with the statement "The effectiveness of promotion policies undertaken by a small firm should be evaluated regularly." Their ratings of the validity, desirability and feasibility of effectiveness evaluation in small companies were also requested. Figure 5.19 illustrates the panel's responses to all four scales.

Figure 5.19   Rating of Promotion Effectiveness Evaluation Across All Scales.
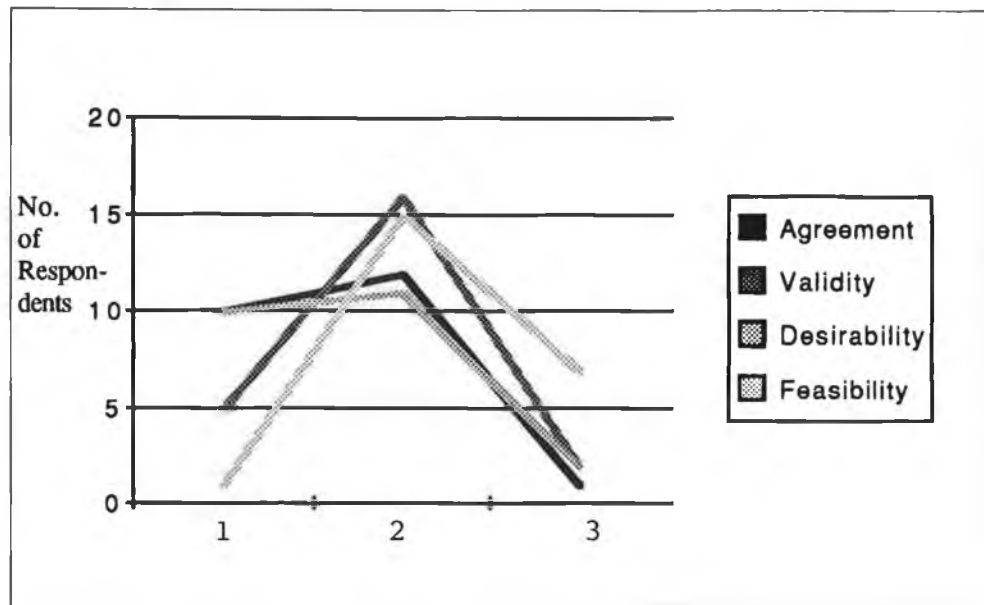
Where: 1= Strongly Agree/Extremely: Valid/Desirable/Feasible
         2= Agree/Valid/Desirable/Feasible
         3= Neither/Nor

It is clear that the majority of the panel both agreed with the statement and the validity and desirability of effectiveness evaluation in small companies. Seven members, or 31%, of the Delphi sample were unsure of the feasibility of implementing promotion evaluation procedures in small companies. This was however, "...*a problem for all companies. It's very difficult to pinpoint the results of an advertising or promotion campaign. To say that because of promotion sales increased by a certain percentage.*", Executive - Support Body. "*You can monitor over time. You know if you've made a disastrous mistake but you are in the land of judgement, whether you are big or small. At the end of the day it's quite subjective.*", Manager - Large Company.

Most respondents felt that a record of sales and new inquiries arising from the promotion should be maintained. Reactions to any promotion campaign should be sought from existing customers and distributors or the trade. "*You have to try to gauge consumers'*

reactions firstly to the message and secondly to the style. But if sales don't respond then it doesn't make any difference what you are doing, it's not really effective. Sales are the most important barometer of effectiveness. In the short term you're doing it through asking consumers, usually through group discussions. Look at trade reactions too.", **Manager - Large Company.**

The Delphi panel considered questions on sales force management. It was acknowledged that, more often than not, a small company will depend on the owner manager to undertake the sales function or employ only one or two sales people. It was noted by the panel that it is difficult for small companies to attract and hold well trained and experienced sales people. One respondent suggested that small companies *"...have got to be more flexible about who they hire. There are a lot of big companies who are rationalising and people being offered deals at fifty. Now, there is a lot of experienced people out there who would work part time for little money out of interest and use that knowledge and experience for helping small companies. I would say that is the way to go."*, **Executive - Support Body.**

Respondents were agreed that once a small company has employed a sales person, there should be a formal reporting system in place to ensure that information about the product, the market, customers and competition is recorded on a daily basis. *"All our reps report on a daily basis on how products are doing, shelf space, competitors...any information at all. We have a formal reporting system for that and I think it's quite important. It's like anything, you start off with comments and then just categorise them as things become more structured. It's quite probable that when you start out you don't even know what you want or need to know, it just happens gradually."*, **Owner Manager - Small Business.**

Evaluation of performance should also be undertaken utilising fairly

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straightforward measures such as number of calls per customer, coverage, expenses. It was also important in the opinion of the Delphi panel that feedback on sales representatives performance be sought from customers. The ability of the sales person to provide good quality information on the marketplace should also be taken into account when evaluating performance.

A summary of respondents' comments on this section was compiled for inclusion in the second round synopsis report. This report is included in Appendix E.

5.10   Marketing Performance Assessment

The Delphi panel were asked to indicate their agreement with the statement "Every small company should have procedures for monitoring the performance of its marketing function." The validity, desirability and feasibility of procedures for marketing performance assessment in small companies were also examined. Figure 5.20 illustrates respondents' answers to these questions.

A lack of consensus was evidenced on all scales. This was mainly due to the fact that while many respondents were aware of the desirability of assessing marketing performance, they were also obliged to acknowledge that it can be extremely difficult to undertake, especially for small companies. *"It should know what its marketing is doing, how well it is performing but that can be difficult to assess, especially if they don't have a structured marketing department in place."*, **Executive - Support Body**. *"There is no way, no model you can use to assess performance. It comes down to instinct in a way. You can pick certain aspects of a business and say yes that was worthwhile but if you spend £10,000 on pack design and your business doesn't do well was that because of the pack design or because distribution was wrong? There are so many factors that it is probably impossible to disentangle them*

all.", Manager - Large Company.

Figure 5.20 Rating of Marketing Performance Assessment Across All Scales.
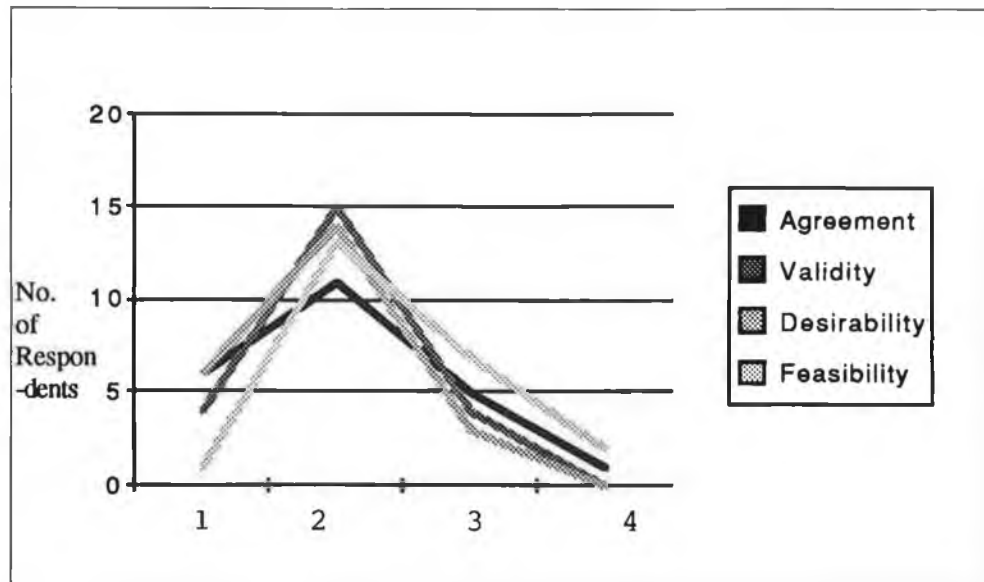
Where: 1= Strongly Agree/Extremely: Valid/Desirable/Feasible
        2= Agree/Valid/Desirable/Feasible
        3= Neither/Nor
        4= Disagree/Invalid/Undesirable/Unfeasible

Twenty respondents indicated that costs in the various marketing areas should be very carefully monitored when assessing marketing performance. The use of audits on *"...customer complaints, service levels, delivery, things like that should be considered. They could be evaluated against benchmarks or standards you had previously set.",* Marketing Academic.

Sales and rate of return on investment were seen as *"...the bottom line. I would be benchmarking against competition and against similar companies in other countries to see how well I'm doing.",* Owner Manager - Small Business. Measurement of sales was mentioned by fifteen of the panel members as a method of assessment. It was felt by eleven (75%) of these respondents that assessment of sales should take place

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against previously set objectives.

Maintaining profits, market share, and prices were mentioned as realistic indicators of marketing performance. *"There are two things - is it* [marketing] *sustaining or gaining marketing share and is it sustaining the price because that is what symbolises whether it's got the standing for its product and is communicating it. You're either gaining share or sustaining price or some combination of both. If you are not doing that then there is something wrong with your marketing. The only thing you mightn't have control or responsibility for is some unforeseen environmental problem, you should take account of that.",* **Executive - Support Body.** *"A small company will know from its level of profits how well it is doing and if you take it that marketing is a philosophy which permeates the business, then if profits are up it's doing a good job, if profits are down it's not. You have to look at profits as the bottom line and see where you are going wrong if it's not happening.",* **Marketing Academic.**

Five respondents drew attention to the role of marketing in *"...creating and sustaining relationships with stakeholders; suppliers, customers, competitors. See how well you did at this, did you find out anything new? Make a new relationship?",* **Marketing Academic.**

Therefore, assessment of marketing performance should take account of marketing inputs in the form of costs and marketing outputs in the form of sales, profits, market share, price and relationship management. This assessment should take place with reference to objectives where possible and accommodate any unforeseen problems or opportunities that may have arisen during the assessment period.

A summary of respondents' comments on this section was compiled for inclusion in the second round synopsis report. This report is included in Appendix E.

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CHAPTER 6

ANALYSIS OF ROUND TWO FINDINGS

6.1 Introduction

The second round of the Delphi procedure was implemented during the months from August to October 1993. The approach adopted for the second round of the Delphi involved the compilation of a summary report based on qualitative analysis of the audio tapes for each of the personal interviews conducted in the initial Delphi round. This summary or feedback report was designed to represent a synthesis of group thought for every issue discussed. Every effort was made to accurately capture the group position on all topics and to detail the knowledge which had surfaced with respect to each subject covered in the first round interviews.

The summary report was presented in twelve sections which represented a categorical item breakdown of the panel's responses. The categories were as follows: 1. Planning, 2. Marketing Oriented Culture, 3. Marketing Function, 4. Market Information, 5. Customer Expectations, 6. Customer Satisfaction, 7. After Sales Service, 8. Complaint Handling, 9. Training, 10. Segmentation, 11. Mix Strategies (product, price, place, promotion), 12. Marketing Performance Assessment. The second round summary report is presented in Appendix E.

The format of this report was designed to encourage respondents to critically evaluate and comment on the summaries or add items as they wished. Eighteen round two reports were returned (approximately 78% of the round one respondents). The breakdown of these second round respondents is illustrated in Table 6.1.

Table 6.1   Breakdown of Second Round Respondents.

	Response	Non Response	Total
Support Body Representatives:			
• Marketing	2	1	3
• Small Business	3	1	4
• Business	1		1
Large Business Representatives:	4		4
Small Business Representatives:	5		5
Academic Representatives:	3	3	6
Total	**18**	**5**	**23**

The summary reports were analysed qualitatively to highlight those areas where respondents felt the view expressed in the synopsis diverged from their own opinions on the subject. Further comments or suggestions which panel members contributed were noted and incorporated into the second round findings. The results of this analysis are presented below under the headings used in the synopsis report. Promotion and Price were the only areas on which no respondent presented a view. This analysis of second round findings, in conjunction with previous results from the initial Delphi round, forms the basis for the development of the finalised Marketing Quality Standard (MQS) Phase 1 framework. This framework in turn, is presented as the main conclusion arising from this study.

While all respondent feedback is detailed in the following discussion, comments, suggestions and queries were assimilated into the final MQS design only when it was clear that they were broadly in line with previous findings from the first round Delphi, or where a significant number of the second round respondents proposed such amendments.

Comments, suggestions or queries made by 30% or more of the second round panel were included in the final MQS framework.

6.2   Analysis of Second Round Results

Planning. Significantly, three respondents (17% of the qualified second round sample) disagreed with the statement "There is no need for a formal written plan." These respondents indicated that "*The process of putting a plan together helps the company understand itself, its market and competition. It forces choice in regard to future direction and must be written if it is to serve as a reference point (control) for performance.*", **Marketing Academic.** All three respondents felt that the plan should be written "*...but this does not mean that it has to be long, complicated or technical.*", **Owner Manager - Small Business.** As formalisation of plans in a written format had been advocated by five respondents in the first round of the Delphi it was decided to include this as an additional, but not required specification, in the final MQS Phase 1 framework.

Some members of the second round panel (four respondents) were dissatisfied with the presentation of proposed continuous assessment procedures. All four felt that small firms should be encouraged to review plans on more than just an annual basis. "*Review only once a year means that in the interim it is easier to loose sight of the overall goal/objective. Especially, if it is vague. Biannual or even quarterly reviews would be a little more helpful.*", **Executive - Support Body.** "*Continuous assessment is a good thing but should be simple ie. are our sales on target, or margins etc. even down to the number one employs, whatever is important for the company for that year.*", **Owner Manager - Small Business.** These comments were noted and incorporated in the Marketing Quality Standard Phase 1 draft as targets towards which small firms should be aiming.

The final comment on the planning section of the synopsis report centred on consideration of the owner's personal objectives when formulating business plans. One respondent from a large company felt that stakeholders' objectives were as important as those of the owner manager and that consideration should be taken of the objectives of spouses, families, partners/shareholders and outside concerns. The concept of 'stakeholder objectives' was introduced by a marketing academic and a small business owner manager in the initial Delphi interviews. However, due to the constraints imposed on this study, the topic was not pursued further and was not included in the main findings arising from the investigation. Future research could concentrate on assessing the nature, role, impact and influence of stakeholder opinions and objectives on small company management.

Marketing Oriented Culture. In general, all comments on this section were supportive of the summary. One respondent noted that *"...leadership from the owner manager is important but it is even more important that all management embrace the customer culture, they have to show leadership too."*, Manager - Large Company. This was taken as an indication that the issue of management and leadership may have been too tightly defined in the feedback report. It was also pointed out that there was a danger of lulling small companies into a false sense of security by stating, in the synopsis report, that 'In many cases, small companies do not need to concentrate on applying a market orientation to the extent of large companies.' *"...most small companies need help to understand the concept and its importance. Small companies most certainly do need to concentrate on applying a market orientation. It is very easy to become complacent.",* Marketing Academic. As the MQS Phase 1 specification for this category stresses the need for a marketing oriented culture and management leadership in this area it was felt that these objections were accommodated in the final design.

Marketing Function. Two comments on this section focused on developing the concept of marketing as a critical function further than had been achieved in the synopsis. The first of these suggested that the interaction between all functions in a small company should be emphasised so that *"Everyone in a small company is directly involved with the marketing of that company and the synergy that can be derived from this overlap in functions should be used in 'keeping objective'.",* Executive - Support Body. In other words, the overlap in functions, typical in small scale firms can be beneficial in ensuring that no one function dominates the company's philosophy or direction.

The second comment, again from a support body representative suggested that *"It can be useful to consider a small company as a brand. In this respect it is useful for someone ... to be responsible for the development of the company as a brand. This will involve ensuring that everything the company does from the outside of its factory, its livery, its letterheading the way it addresses its staff, the way it addresses clients, literally every form of communication both within and without the company is consistent with some formalised idea of what the brand image of that company should. be."* The outline and description of marketing tasks in the summary report may have been too narrow and perhaps should be broadened to incorporate the issue of company presentation and image as well as the formal 'marketing jobs' outlined in the report (promotion, selling, research and planning). The importance of company image emerged consistently and clearly in the initial Delphi round. Therefore, company image was included as a specification in the final MQS Phase 1 framework.

Members of the panel also noted that small companies must be aware of the costs of implementing structural changes. While the ability of present structures to serve customer needs is an important factor in determining whether new personnel are required or new structures should be put in place, *"A critical factor for most small companies is*

whether new staff/structures will cover the additional costs quickly.", **Marketing Academic.** While no other respondent proposed this view, it would appear to be extremely valid in the context of small business marketing and should be investigated further.

Market Information. Five respondents or 28% of the second round panel queried the suggestion made in the synopsis report that "Extensive market research to test possible opportunities is beyond the capabilities of smaller companies, rather research should be viewed as a tool to validate opportunities selected on intuition." These respondents felt that while "...*extensive market research may be beyond the capabilities of smaller companies it is not beyond the capabilities of larger organisations who may be employed to do the work for the small firm.",* **Executive - Support Body.**

As 28% of the second round panel disagreed with this stance, further iterations of the Delphi exercise would be necessary to gain consensus among the panel on the exact role of market research in smaller firms. Because further rounds were not possible within the confines of this study these assertions were excluded from the final MQS Phase 1 framework.

Customer Expectations. Two respondents, both from large companies, indicated that relationship marketing and relationship building should be further explored. *"The most important procedure is undoubtedly 'relationship building'. This should be developed to outline how small companies can manage and market relationships. The salesforce, for example, as a lifeline from management to customer and their selection is very important, but there are other issues in customer care and research which should be brought to small firm management's attention."*

Relationship marketing was discussed with the Delphi panel in the

initial personal interviews. However, these comments would suggest that further exploration of this concept in the context of small firm marketing management should be considered in future studies.

Customer Satisfaction. Two suggestions were made with respect to procedures for internal assessment of the company's ability to satisfy its customers. They indicated that success in satisfying needs and expectations of customers should be measured by assessing company systems quality as determined by the customer. This could be done through "...*listening systematically to suppliers, customers and end users to see what they have to say about the product and services systems on offer.*", Owner Manager - Small Business. This suggestion was included as an alternative method of small company assessment of customer satisfaction in the MQS Phase 1 framework as it had previously been suggested by respondents in the first round of the Delphi procedure.

After Sales Service. Three large company managers and two support body executives noted that in some cases "*ASS can often be a company's competitive advantage. Therefore, the industry norm would not be the benchmark, exceeding it would be.*" Cognisance was taken of this fact and in the draft MQS Phase 1 framework, industry norm as a criterion for the level of after sales service provided is tempered by reference to the company's objective in the provision of such a service.

One respondent felt that "...*surely a formalised detailed set of guidelines would make ASS more efficient.*", Executive - Support Body. However, none of the other panel members made reference to this fact and so it was not included in the final conclusion or the MQS Phase 1 framework. The point should be noted and further research on the area could be directed towards determining the feasibility, desirability and validity of such a specification.

Customer Complaints. The comments in this section focused on requesting further emphasis on the information possibilities of customer complaints. *"Small companies should be more aware of the invaluable source of information which complaints provide and the system should be designed around using this information to maximum effect."*, **Owner Manager - Small Company**. As eight members of the panel (44%) made some reference to this element of customer complaint handling, it was incorporated into the final MQS Phase 1 design.

Use of benchmarks in determining unacceptable complaint levels was mentioned by six members of the panel (or 33%). Again, these suggestions were translated into requirements in the MQS Phase 1 framework.

Recruitment and Training. One respondent, from a large international company, disagreed with the use of an outside independent source to determine training needs. While no further elaboration was given, it is presumed that this comment reflects the views expressed by many panel members during the personal interviews in relation to the quality of consultants and external courses. These views have been outlined in Appendix D and it is hoped that further research would concentrate on determining the role and appropriateness of external training courses to small business marketing.

Segmentation. Four respondents (22%) indicated that clarification was needed of the term 'large robust segments'. While they realised that this may refer to the need for small companies to target worthwhile and viable segments, they also felt that the term could be misinterpreted to indicate that small firms should be *"...placing themselves in the larger market which would attract competition, especially from larger more robust companies."*, **Owner Manager - Small Business**. Again, it was felt that further discussion of the topic would be

needed to clarify the issue of segment selection in small companies and so this specification was removed from the final draft of the MQS Phase 1 framework.

Remaining comments on this section related to the issue of segment monitoring. Nine respondents (50% of the second round sample) indicated that profitability was not the only measure of viability. *"Is this all ? Surely the viability of the segment deserves more than this ?"*, **Owner Manager - Small Business.** Suggestions for other measures were growth rate, size, trends and competitive structure. These suggestions were incorporated into the final MQS Phase 1 framework.

Product Strategies. There was only one comment on this area and this centred on the need for small companies to be aware of and respond to customer requests. *"Product modifications tend to be small adjustments requested by your customers. Be up to speed on your ability to respond and modification will happen."*, **Owner Manager - Small Company.** This was seen as an area which necessitated further elaboration before it could be introduced into the draft standard framework, and is an area on which future studies should focus.

Distribution Strategies. Comments on this section concentrated on sales force management issues. Ten of the second round respondents indicated that not enough detailed information was given in the synopsis report on sales force assessment and evaluation. *"There are other issues which I would include here such as how well the sales person plans his calls. It's no good having him tearing all over the country in an unplanned way. Also the number of new accounts he brings in is vital ie. how well he deals with 'cold calls'."*, **Owner Manager - Small Company.** *"It is important to consider effectiveness in call conversion and efficiency of cold call to established account ratios when looking at sales force evaluation."*, **Marketing Academic.**

Efficiency of territory planning, efficiency of call conversion, cold call ratios, achievement of sales targets and analysis of customer potential were all mentioned by respondents as additional criteria against which a salesperson should be evaluated. While it is acknowledged that these issues may warrant further discussion, they were included in the final MQS Phase 1 framework because of the number of respondents who specifically requested their inclusion. Further development of the MQS framework should focus on evaluation of these specifications.

Marketing Performance Assessment. Eight respondents (44%) felt that not enough attention had been given to the role of qualitative, informal assessment of marketing performance in small companies. This assessment would rely largely on the owner manager's opinion and on feedback from informal consultation with clients. Again, due to the number of respondents indicating the necessity of such a specification it was included in the finalised MQS Phase 1 framework.

6.3   Limitations of the Research

The modified Delphi approach undertaken proved highly conducive to producing insights on quality in marketing practice on which future research may be based. It has to be acknowledged some 'leading' inevitably resulted from the qualitative selection of the information to be included in both the second round synopsis report and the final MQS Phase 1 framework. However, the selection of responses for inclusion was undertaken in as explicit a manner as possible so that any omissions or oversights are apparent.

It must be noted that, in statistical terms, the panel size may be considered too small to provide generalisable results. However, the expert panel was constructed to achieve a breadth and diversity of expert opinion consistent with previous Delphi studies[1] and provides, in Delphi terms, reliable, valid and generalisable results.

REFERENCES

1. Scheele, Sam, "Delphi Interaction." in Harold Linstone and Murray Turoff eds., The Delphi Method : Techniques and Applications, Reading, Mass. : Addison Wesley (1975), p. 68.

CHAPTER 7

CONCLUSIONS AND RECOMMENDATIONS

7.1   Introduction

Consideration of responses to the first and second rounds of the Delphi informed and mediated the final design of the Marketing Quality Standard (MQS) Phase 1 framework which forms the basis of the main conclusions of this study. It is important to state that MQS Phase 1 is not seen as the ultimate standard. Rather, it should be viewed as the first stage in what, hopefully, will be ongoing research to develop a framework for marketing quality applicable to the unique requirements of smaller enterprises.

The MQS Phase 1 framework is designed as a quality evaluation system which allows an organisation to systematically review its marketing activities. It provides guidelines which enable the organisation to clearly discern its strengths and the areas in which improvements can be made. The aim of the proposed framework is to encourage, facilitate and optimise self appraisal of marketing practice.

7.2   Marketing Quality Standard Framework Elements

The exploratory research reported in this study reveals fifteen elements that marketing experts feel contribute to marketing quality. Each of the fifteen elements identified in the empirical research is a criterion that can be used to appraise the company's progress towards quality in the marketing function. The following pages list, for each element of the framework, specific sub criteria that should be addressed. The objective of this self appraisal programme is to regularly review each of these fifteen elements and their sub specifications and, thereafter, to adopt relevant improvement policies.

Element 1. <u>**Planning**</u>

Is concerned with how the company reflects quality marketing practice in its planning methods. The company should demonstrate:

(a)   An agenda which reflects an awareness of the market. This should include:

- a statement of the company's position within that market
- the objectives set for the company
- the method by which those objectives will be achieved
- the possible risks and resources involved in attaining those objectives
- the potential return on investment.

It would be helpful if the company had this agenda documented in simple format.

(b)   A planning time frame that reflects this agenda. Emphasis should be on specific detailed objectives for the immediate year, with a two to three year perspective, which need not be as detailed.

(c)   A review procedure which ensures that business plans are evaluated, improved and aligned with changing market conditions. This review should take place, at the minimum, on an annual basis. The company should aim to have a review conducted biannually or quarterly.

(d)   An assessment procedure which evaluates the effectiveness of the plan in meeting objectives.

Element 2.   Marketing Oriented Culture

Is concerned with how the company reflects a marketing orientation. The company should demonstrate:

(a)   An ethos of personal service and customer satisfaction achieved by displaying that every activity is undertaken with reference to its consumers.

(b)   Management leadership and example in this area.

Element 3.   Marketing Function

Is concerned with how the company reflects an appreciation of marketing in its organisation structure.   The company should demonstrate:

(a)   That marketing has been identified as a critical process and that responsibility for the marketing function has been accorded to an appropriate employee as outlined in **9. (b)**.

(b)   That all employees are aware of the importance of marketing and that marketing and presentation of a favourable company image is viewed as the responsibility of every employee.

(c)   That the company reviews the effectiveness and efficiency of the marketing function in serving the customer as outlined in **6. (a)**.

(d)   That there is interaction and co-operation between marketing and all other critical functions.

(e)   That the organisation plans for improvement based on a review of **3. (c)** and **3. (d)** above.

Element 4. Market Information

Is concerned with how company activities are developed on the basis of quality market information. The company should demonstrate:

(a)   That a forum exists for determining the information needs of the company, for discussing progress in collecting and monitoring that information and for setting new information objectives.

(b)   That employees are encouraged to report to management all market feedback on the company and the product. This could involve the use of a formal system to ensure that information is documented.

(c)   That use is made of data arising from customer, employee or supplier feedback, and a review of the market including data on competitors' performance, social, regulatory and legislative issues. This could include data on:

> - the market, including size, growth, trends, company position, competitors, relative prices and costs and trade information.
> - the customer, including an analysis of the customer profile for the product and the motivational factors determining purchase.
> - the internal dynamics of the company, including a review of the effectiveness and efficiency of procedures in operation and personnel capabilities as outlined in element **6.** and element **9.**.

(d)   That there is active involvement of management in the determination of information needs, review and assessment of market information and in any formal survey being undertaken.

Element 5.   Customer Expectations

Is concerned with how the company develops procedures to ensure that customer expectations are accurately identified.   The company should demonstrate :

(a)   That close contact with customers is maintained and customer perceptions of the company and product are monitored.   The company could review the following areas when monitoring customer perceptions:

- delivery; including reliability, speed, frequency, on time delivery and in full delivery
- prices; relative to competition in terms of perceived value
- product offered; including quality, reliability, ability to meet customer needs, availability, support
- competitors; product offering, prices, customer perceptions.

(b)   That a listening culture exists among all employees within the company.   Responsibility for talking with customers on both a formal and informal basis and recording feedback on changing customer needs, likes and dislikes should be accorded to an appropriate employee as outlined in **9. (b)**.

(c)   That feedback from customers and stakeholders is used in developing company and product objectives and in determining improvement policies.

Element 6. Customer Satisfaction

Is concerned with how the company systematically manages its processes to achieve customer satisfaction. The company should demonstrate:

(a)   That procedures exist for analysing the ability of each function to meet customer requirements. This could involve:

- determining critical functions
 - identifying lines of responsibility
- determining the ability of employees in positions of responsibility to undertake their roles (see element 9)
- assessing time management in each critical function
- assessing process efficiency, effectiveness, interaction and communication
- determining customer perceptions of each function's effectiveness and efficiency.

(b)   That procedures exist for analysing the ability of the product to confer the benefits the customer expects. This could involve:

- customer discussion groups
- analysis of customer complaint/satisfaction records
- competitive assessment.

(c)   That resulting from this analysis the company implements process changes and evaluates the benefits.

Element 7.   After Sales Service

Is concerned with how the company implements procedures for the provision of after sales service to customers. The company should demonstrate:

(a)   That after sales service is viewed as a process which is concerned with developing relationships by reassuring customers of product and company quality. To this end, responsibility for the after sales service function should be accorded to an appropriate employee as outlined in **9. (b)**.

(b)   That there are guidelines in existence which provide direction to the provision of after sales service. These could include internal schedules and benchmarks to check on:

> - delivery procedures
> - query and complaint handling
> - response time
> - customer contact.

(c)   That the level of after sales service provided is at least consistent with:

> - overall company objectives
> - specific objectives for after sales service
> - the industry norm
> - repeat purchase levels
> - the nature of the customer
> - the importance of the product to the customer.

Element 8. <u>Complaint Handling</u>

Is concerned with how the company develops procedures for handling customer complaints. The company should demonstrate:

(a) Procedures for complaint handling have been developed. At the very least this procedure should include measures which ensure the customer receives:

- information
- reassurance
- restitution.

(b) That a formalised system exists for complaint handling. This could include identifying and specifying the:

- complainant
- complaint detail
- employee handling complaint
- procedure followed
- response time
- outcome
- comments and recommendations.

This system should then provide the basis for complaint records which should be used as an information source.

(c) That use is made of this information in setting parameters for unacceptable complaint levels.

(d) That action to improve products and processes is taken when complaints consistently exceed these parameters.

Element 9. Training

Is concerned with how the company preserves and develops the skills and capabilities of personnel through recruitment and training. The company should demonstrate:

(a)   That procedures exist to identify management training needs and to establish information gaps, skills gaps and attitude gaps among all employees.

(b)   That in terms of marketing, concern rests with educating, training and the recruitment of personnel with personality, intuition and a proven background. In theoretical terms, a knowledge of research, planning, forecasting, promotion, sales, consumer behaviour, statistics and communication methods is encouraged.

(c)   External courses are scrutinised to ensure that they are characteristic of the real needs of both the employee undertaking the course and the business.

Element 10. Segmentation

Is concerned with how the company develops segmentation procedures based on quality marketing practices. The company should demonstrate:

(a)   That management is aware of the concept of segmentation and implement segmentation practices. This involves the company being able to demonstrate a thorough knowledge of the industry based on adequate information about that market as outlined in **4. (c)**.

(b)   That the served market, present and future customers and customer motivations are defined.

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(c)   That selection of target segments takes place on the basis of:

- an analysis of company strengths
- company objectives
- company needs
- customer assessment.

(d)   That regular review of chosen segment viability is undertaken. This could involve an analysis of:

- segment profitability
- segment size
- segment growth rate
- segment trends
- segment competitive structure.

Element 11.   Product Strategy

Is concerned with how a company determines its product offering. The company should demonstrate:

(a)   That procedures exist for monitoring a product's relevance to the market at which it is aimed. This could be undertaken through an analysis of:
- customer feedback
- new product entry
- market trends
- sales
- new technologies
- trends in overseas markets
- product alternatives
- new customer levels.

(b) That continuous development of products is an objective of product policy. The company should show evidence that the environment (social, economic, competitive, regulatory and technological) is constantly monitored in a search for product development and modification opportunities as outlined in **4. (c)**.

(c) That procedures are in place for assessing product development/modification opportunities.

(d) That clear policy exists with regard to brand image and packaging policy to ensure that a favourable reputation or image is created and maintained and that packaging is well designed and consistent with this reputation.

Element 12.   Price Strategy

Is concerned with how the company determines its pricing policy. The company should demonstrate:

(a) That consideration of both internal and external variables has been taken when determining the final price. Internal variables include proper costing, margin allowance and financial objectives. External variables include directly competitive product prices, likely competitive reaction and customer perceptions of product value as well as the price the market will bear.

Element 13.   Distribution Strategy

Is concerned with how the company determines its distribution policy. The company should demonstrate:

(a)   That the distribution policy undertaken delivers goods to customers in a timely and convenient manner while maintaining product quality and service levels. This could include consideration of:

- industry norms
- effectiveness and efficiency of existing distribution channels
- the nature of the product
- customer location
- the nature of the customer
- standards in the industry.

(b)   That the choice of a third party channel is taken after rigorous analysis, review and consideration. The company could address areas such as:

- track record
- reputation
- market coverage
- stability
- product range
- interest
- legalities
- character
- finances
- co-operative services.

(c)   That assessment of third party channels is undertaken. The company should consider the development of an active partnership

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between themselves and the third party channel. This, however, does not preclude the use of mutually agreed guidelines to ensure correct product handling and achievement of objectives.

(d) That procedures exist for reviewing the distribution policy undertaken. The company may do this through discussions with customers and a review of costs as well as an objective assessment of achievement of objectives.

Element 14. **Promotion Strategy**

Is concerned with how the company determines its promotion policy. The company should demonstrate:

(a) That a clear objective informs its promotion policy. The company should ensure that it focuses on communicating a specific message to a specific audience in a cost effective manner.

(b) That it endeavours to acquire the resources necessary to implement the promotion strategy which will achieve that objective.

(c) That where an external agency is employed an agreed plan and remuneration have been developed.

(d) That the effectiveness of promotion campaigns is evaluated. This could be achieved through analysis of:

- sales records
- new inquiry records
- reactions from existing customers.

(e)   That formal systems exist for management of the sales force. The company should ensure that the sales force gathers and reports information on a regular basis on :

- the product
- the market
- customers
- competition
- trade.

Sales people should be monitored and evaluated on the basis of:

- customer feedback
- expenses
- sales targets
- number of calls (including call conversion and cold call ratios)
- market coverage and efficiency of territory planning
- analysis of customer potential
- quality of information provided.

Element 15.   **Marketing Performance Assessment**

Is concerned with how the company assesses the quality of its marketing practice. The company should demonstrate:

(a)   That it assesses both the effectiveness and efficiency of its marketing activities. This could involve an analysis of:

- achievement of objectives
- costs
- profits
- prices
- market share
- sales levels

- new customer levels
- customer retention.

The company should also consider informal assessments including informal consultation with clients and management opinion.
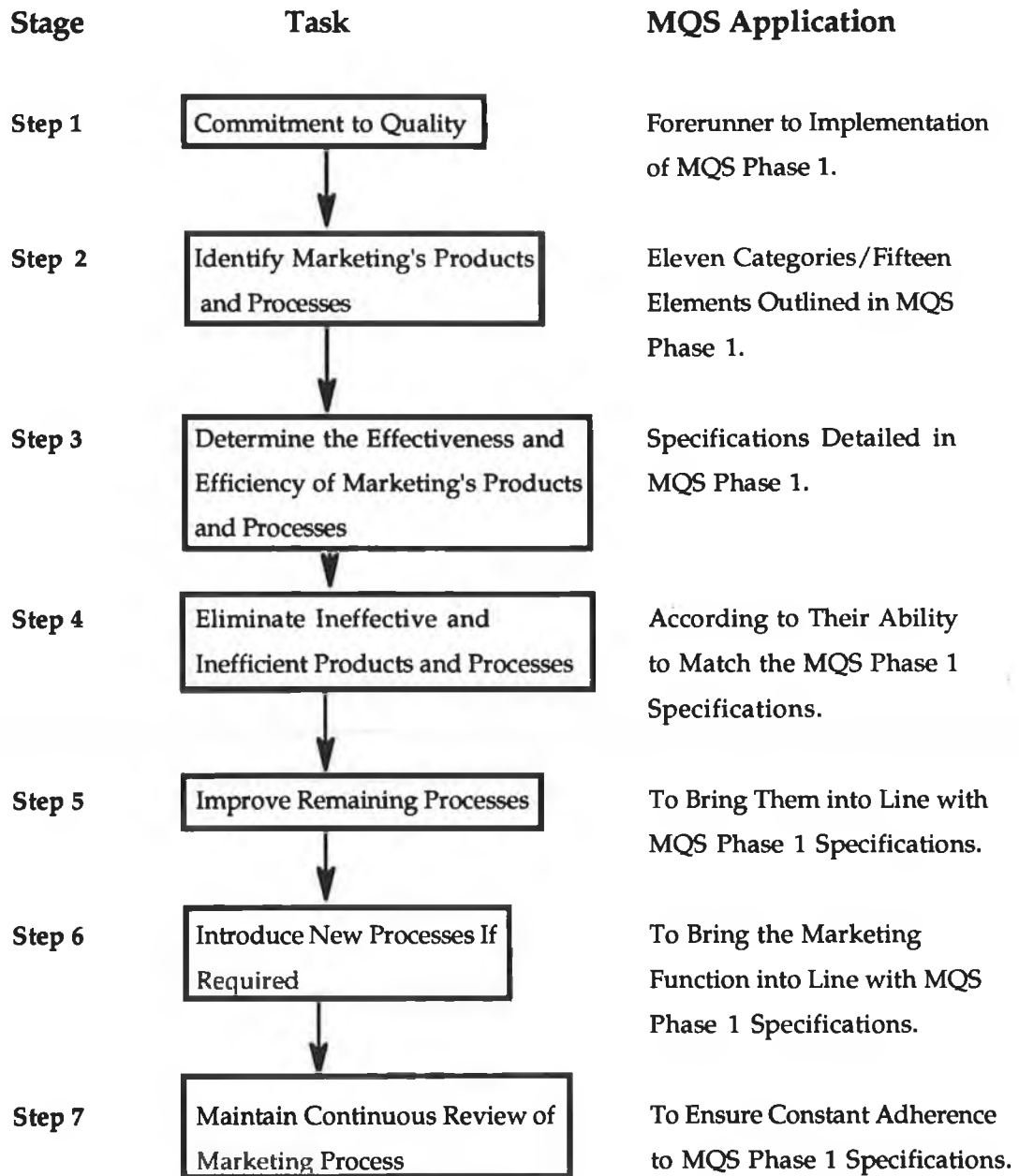
7.3   Implementation/Application of MQS Phase 1

It is envisaged that the MQS framework would be introduced to small companies after the first step of the Model for Marketing Improvement in Small Firms (Figure 7.1) has been implemented. The model, as outlined in Chapter Three, is reproduced below detailing the areas on which the MQS framework in its present format concentrates.

The MQS framework is directly applicable to Steps 2 through 5. While the objectives of MQS Phase 1 accommodate Steps 6 through 7, it is acknowledged that no detailed specifications as to how these steps may be implemented or achieved are included in the draft standard framework. This highlights those areas where further research is needed to develop the MQS Phase 1 framework so that it provides a model for total and continuous marketing quality improvement.

At this stage, the framework is presented in a self appraisal format. It is hoped that this would accommodate experiential learning of quality in marketing practice by encouraging participants (in this case small business owners) to become actively involved in regular review and improvement of their marketing activities. A finished copy of the MQS Phase 1 framework, as it would be presented to small business owners, is attached to the thesis.

Figure 7.1   Model for Marketing Improvement in Small Firms : MQS Phase 1 Implementation.

Stage	Task	MQS Application
Step 1	Commitment to Quality	Forerunner to Implementation of MQS Phase 1.
Step 2	Identify Marketing's Products and Processes	Eleven Categories/Fifteen Elements Outlined in MQS Phase 1.
Step 3	Determine the Effectiveness and Efficiency of Marketing's Products and Processes	Specifications Detailed in MQS Phase 1.
Step 4	Eliminate Ineffective and Inefficient Products and Processes	According to Their Ability to Match the MQS Phase 1 Specifications.
Step 5	Improve Remaining Processes	To Bring Them into Line with MQS Phase 1 Specifications.
Step 6	Introduce New Processes If Required	To Bring the Marketing Function into Line with MQS Phase 1 Specifications.
Step 7	Maintain Continuous Review of Marketing Process	To Ensure Constant Adherence to MQS Phase 1 Specifications.

7.4   Recommendations

Insights obtained from the Delphi procedure form the basis of the MQS Phase 1 framework, which summarises the nature and determinants of marketing quality in small to medium sized firms as perceived by the experts on the panel.   The proposed marketing quality standard provides a framework in an area where little prior research has been undertaken.   It is based on an interpretation of qualitative data generated through a number of in-depth personal interviews with marketing experts and their subsequent evaluation and feedback - an approach "...*consistent with procedures recommended for marketing theory development.*"[1]

Because the research is exploratory, determination of possible implementation policies, further development of each of the quality elements and evaluation of the relative importance of each of the elements in the achievement of marketing quality must await future empirical investigation.   The framework as it now stands and the propositions emerging from it, imply a rich agenda for further research.

First, this research indicates a dichotomy in thought among the various expert groups surveyed.   Some implied that marketing is marketing, no different for small or large companies.   Others felt that clear dissimilarities exist between small and large companies and these must be reflected in the way marketing is practised.   Despite the rigorous research undertaken in this study, there remains some uncertainty about what constitutes sound marketing practice for small companies at every level;   at the fundamental philosophical level, at the level of identification of valid marketing techniques and also at the level of implementation procedures for such techniques.   Examination of the implications of size for marketing quality theory and practice may offer further insights as to the nature and role of marketing in

these smaller enterprises and suggest refinements to the proposed framework.

Second, there is a need to develop a standard instrument to measure quality in each of the fifteen dimensions proposed. Research is needed to explore each of these criteria further and to devise appropriate mechanisms to measure company achievements with respect to each element. Specific propositions for further research to develop each of the fifteen criteria have been highlighted as they arise in both Chapters Five and Six. These are only some of the areas where future investigations could be useful in augmenting and contributing to the advancement of quality in marketing practice for small firms.

Third, the relevance of relationship marketing to small companies may be worth exploring. The term and concept emerged consistently throughout the initial interviews and in the second round responses. Many members of the panel indicated that relationship marketing was especially appropriate for small companies due to the high marketing costs associated with creating an interest in the firm's product and convincing customers to accept the firm's promises. These high costs, it was felt, are often beyond the budgets of small companies. Therefore, if close and long term relationships can be developed, the possibility is high that this will lead to continuing exchanges requiring lower marketing costs per customer. Research aimed at determining the applicability of the theory of relationship marketing and its role in small company marketing practice could be valuable.

Fourth, although extensive research has been undertaken to determine those elements contributing to marketing quality, the fifteen elements which form the basis of MQS Phase 1 are not presumed to be exhaustive. Further research could focus on determining additional elements and assessing the relative importance and impact of each of the elements on marketing quality.

Fifth, possible implementation policies, mindful of the unique character of smaller firms, must be developed if the MQS Phase 1 framework is to be a useful tool in supporting quality improvement in marketing practice among the small firm sector in Ireland. Empirical and possibly longitudinal research is needed to ascertain appropriate implementation procedures.

One issue which has arisen during the course of this study and which warrants further investigation is the implication of the stage of development of the company on the need for a marketing quality framework. The total needs of the company and its strategic position may determine its willingness to implement quality improvement techniques. Further research is needed to identify those small companies at which the framework should be targeted.

7.5   Lessons from the Research

While the research undertaken in this thesis is both rigorous and exhaustive, it would be remiss not to highlight the lessons learned during the research process which may help to improve the design and focus of future studies.

This study was conducted under the assumption that the Delphi panel would exhibit significant divergence in their opinions on the role and practice of marketing in small firms. It was felt that the issue under consideration was a contentious one and that it would be difficult to gain consensus among the panel members. This view point was supported by the literature survey, which evidenced varied and opposing perspectives on small firm marketing, and by the pilot testing of the questionnaire, where a wide range of contrary opinions and judgements were elicited. Accordingly, the questionnaire was re-designed to promote quantitative agreement among the panel members. It was felt that encouraging agreement with the quantitative

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statements provided a common base-line which would:

(i)   Facilitate the exploration of divergences in the qualitative probe section of the research and,

(ii)   Provide a benchmark against which these divergences could be analysed.

In this way, lack of consensus could be measured against a qualitative standard and debate could be contained to exploring the marketing factors under consideration. It was feared that if the questionnaire was not designed in this manner, the inconsistencies among panel members would be so great as to render analysis impossible within two Delphi rounds.

Unfortunately, the dissension anticipated was not evidenced in the research. There was little divergence of opinion among panel members in many cases. While this may be an accurate reflection of marketing thought in Ireland, it should be noted that a more provocative questionnaire, utilising negative rather than positive statements or more specific and detailed scales, may have promoted more argument, deliberation, discussion and debate and produced very different results. Altering the format of the questionnaire to encourage divergence may be beneficial in future research.

While looking at the area of questionnaire design, it is important to note that the marketing activities investigated in the study were primarily managerial in nature. Considering the findings of the literature review and based on discussions with the marketing specialists group, it was posited that these activities were most appropriate to realistic marketing practice in small firms. However, issues emerged during the research process which indicate that marketing activities other than the classical or traditional activities examined, may be more relevant to the reality of small firm marketing.

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Although it was not explored in detail with the Delphi panel, the whole area of relationship marketing, in the context of quality in marketing, may be a worthwhile basis from which future studies could develop.

Due to a number of significant constraints, the number of participants on the Delphi panel had to be limited. Again, it is felt that this may have impacted negatively on the scope and breadth of responses elicited and possibly contributed to the high levels of convergence in thought reported among panel members. Specifically, increasing the number of small business owner managers from more diverse backgrounds may have provided a greater variety of opinions and judgements. Including owner managers from start up businesses, sole enterprises, enterprises with employees, fast growing businesses, businesses in mature or stagnant markets, across more industry sectors and those with and without marketing expertise, may promote greater debate and discussion of the real role of marketing in the small firm sector in future studies.

The high degree of consensus among the Delphi panel does, however, highlight one fundamental issue. There is still not enough questioning of the premises and assumptions that form the basis of marketing theory. Throughout the interview process (with a few exceptions), respondents supported judgements and opinions by reference to 'usual practice' or 'text book theory', without considering the relevance of this practice or theory to the reality of small business management. Some of the fault for this lies with the questionnaire design and constraints associated with this study, but in many cases, participants had never taken the time and were unwilling to question or consider the discipline they were practising, advocating or teaching. If this study has at least moved the debate from 'small firms should be marketing' to 'should small firms be marketing ? and if so how ?' it will have achieved its purpose.

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APPENDIX - A

STATUS OF THE ISO 9000 SERIES

ISO No.	Title	Status
ISO 8402	Quality Vocabulary	First edition published in 1986
ISO 8042 (Revised)	Quality Management and Quality Assurance Vocabulary	Draft standard ISO/DIS 8402 (1992)
ISO 9000	Quality Management and Quality Assurance Standards - Guidelines for Selection and Use	First edition published as ISO 9000 : 1987
ISO 9000-1 (Revised)	Quality Management and Quality Assurance Standards - Guidelines for Selection and Use	Committee draft ISO/CD 900-1 (1992). This is a revision of ISO 9000
ISO 9000-1	Quality Management and Quality Assurance Standards - Guidelines for Selection and Use	A working draft planned for 1996.This is a revision of ISO 9000-1
ISO 9000-2	Quality Management and Quality Assurance Standards Part 2 : Generic Guidelines for the Application of ISO 9001, ISO 9002 and ISO 9003	Draft standard ISO/DIS 9000-2 (1992)
ISO 9000-3	Quality Management and Quality Assurance Standards Part 3 : Guidelines for the Application of ISO 9001 to the Development, Supply and Maintenance of Software.	First edition published in 1991 as ISO 9000-3 : 1991
ISO 9000-4/ ICE 300-1	Quality Management and Quality Assurance Standards Part 4 : Application for Dependability Management	A draft standard ISO/DIS 9000-4 (1992)

ISO No.	Title	Status
ISO 9001	Quality Systems-Model for Quality Assurance in Design/Development, Production, Installation and Servicing	First edition published in 1987 as ISO 9001:1987
ISO 9001	Quality Systems-Model for Quality Assurance in Design/Development, Producation, Installation and Servicing	Committee draft ISO/CD 9001 (1992). This is a revision of ISO 9001
ISO 9001	Quality Systems-Model for Quality Assurance in Design/Development, Production, Installation and Servicing	A working draft planned for 1996. This is a revision of ISO 9001
ISO 9002	Quality Systems-Model for Quality Assurance in Production and Installation	First edition published in 1987 as ISO 9002:1987
ISO 9002	Quality Systems-Model for Quality Assurance in Production and Installation	Committee draft ISO/CD 9002. This is a revision of ISO 9002
ISO 9002	Quality Systems-Model for Quality Assurance in Production and Installation	A working draft planned for 1996. This is a revision of ISO 9002
ISO 9003	Quality Systems-Model for Quality Assurance in Final Inspection and Test	First edition published in 1987 as ISO 9003:1987
ISO 9003	Quality Systems-Model for Quality Assurance in Final Inspection and Test	Committee draft ISO/CD 9003 (1992). This is a revision of ISO 9003

ISO No.	Title	Status
ISO 9003	Quality Systems-Model for Quality Assurance in Final Inspection and Test	A working draft planned for 1996. This is a revision of ISO 9003
ISO 9004	Quality Management and Quality System Elements - Guidelines	First edition published in 1987 as ISO 9004:1987
ISO 9004-1	Quality Management and Quality System Elements Part 1 : Guidelines	Committe draft ISO /CD 9004-1 (1992). This is a revision of ISO 9004
ISO 9004-1	Quality Management and Quality System Elements Part 1 : Guidelines	A working draft planned for 1996. This is a revision of ISO 9004
ISO 9004-2	Quality Management and Quality System Elements Part 2 : Guidelines for Services	First edition published in 1991 as ISO 9004-2 : 1991
ISO 9004-3	Quality Management and Quality System Elements Part 3 : Guidelines for Processed Materials	Draft standard ISO/DIS 9004-3 (1992)
ISO 9004-4	Quality Management and Quality System Elements Part 4 : Guidelines for Quality Improvement	Draft Standard ISO/DIS 9004-4 (1992)
ISO 9004-5	Quality Management and Quality System Elements Part 5 : Guidelines for Quality Plans	Committee draft ISO/CD 9004-5 (1991)
ISO 9004-7	Quality Management and Quality System Elements Part 7 : Guidelines for Configuration Management	Committee draft ISO/CD 9004-7 (1992)

ISO No.	Title	Status
ISO 10011-1	Guidelines for Auditing Quality Systems Part 1: Auditing	First edition published in 1990 as ISO 10011-1 : 1990
ISO 10011-2	Guidelines for Auditing Quality Systems Part 2 : Qualification Criteria for Quality Systems Auditors	First edition published in 1991 as ISO 10011-2 : 1991
ISO 10011-3	Guidelines for Auditing Quality Systems Part 3 : Management of Audit Programmes	First edition published in 1991 as ISO 10011-3 : 1991
ISO 10012-1	Quality Assurance Requirements for Measuring Equipment Part 1 : Metrological Confirmation System for Measuring Equipment	First edition published in 1992 as ISO 10012-1 : 1992
ISO 10012-2	Quality Assurance Requirements for Measuring Equipment Part 2 : Measurement Process Control	A working draft - date not yet known
ISO 10013	Guidelines for Development of Quality Manuals	Committee draft ISO/CD 10013 (1992)
ISO-	Economics of Quality	A working draft - date and numbers not yet known

Status of the ISO Series

Source : **Rothery, Brian, ISO 9000, 2nd ed., Aldershot : Gower (1993), pp. 20 - 22.**

4

APPENDIX - B

RESPONDENT QUESTIONNAIRE

INTRODUCTION

This is part of a continuing study to arrive at improved methods of marketing practice in small companies in Ireland. The particular problem to be studied in this questionnaire is the applicability of various standard marketing techniques to the small firm sector.

The importance of developing and supporting indigenous industry, especially the small and medium sized (SME) sector, has been recognised by successive governments. The importance of marketing to the long term success and growth of the firm has been emphasised in numerous government and state body policy statements. Despite this recognition and a consequent emphasis on developing the marketing capabilities of the SME sector, through increased incentives and support for marketing activities such as Market Research, Market Entry and Development and New Product Development, research has shown that Irish SMEs are still deficient in the practice of marketing. Marketing remains an activity found principally in larger companies. The Sectoral Development Committee Report and Recommendations on Marketing (1984) and The Cooperation North Report on Marketing Practice (1991), suggest that if these marketing deficiencies can be overcome the prospects for SME development and growth will be significant. Specifically, both studies outlined the following 'problem' areas in marketing practice among smaller firms.

- Lack of a marketing management function
- Lack of planning for the future
- Lack of significant market research or information gathering
- Lack of monitoring and reviewing of decisions
- Lack of segmentation practice
- Lack of marketing mix planning

These are the areas which the following questionnaire investigates

The completion of the Single Market offers significant opportunities for small or medium sized Irish firms. However, it also offers many risks. Increased competitiveness will only benefit those companies who are geared for the vigorous cut and thrust of a large market, relatively free of tariff and non tariff barriers. The role of marketing in providing a strategic direction for the company, based on detailed analysis of the market, in this new competitive market can not be over emphasised.

The research hopes to develop a framework for marketing quality which would aid smaller enterprises in achieving progress towards more strategically oriented and profitable businesses. Your help in providing information on what you think best marketing practice for a small company should be is invaluable and will form the basis for developing the first phase of the Marketing Quality Standard. Thank you for your time and effort.

Business Plans

(i) **A business plan is essential for the small company to ensure direction in the market place.**

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Is it valid to ask a small company to carry out this activity?

Extremely Valid	Valid	Neither Valid nor Invalid	Invalid	Extremely Invalid

Is it desirable that a small company carry out this activity?

Extremely Desirable	Desirable	Neither Desireable nor Undesirable	Undesirable	Extremely Undesirable

Is it feasible to ask a small company to carry out this activity?

Extremely Feasible	Feasible	Neither Feasible nor Unfeasible	Unfeasible	Extremely Unfeasible

Organisational Structure

(i) **It is important that a small company has a market orientation that permeates the entire organisation.**

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

(ii)   Company structure should be reviewed on a regular basis, by
        small companies, to ensure it meets the requirements of the
        market.

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Is it valid to ask a small company to carry out this activity?

Extremely Valid	Valid	Neither Valid nor Invalid	Invalid	Extremely Invalid

Is it desirable that a small company carry out this activity?

Extremely Desirable	Desirable	Neither Desireable nor Undesirable	Undesirable	Extremely Undesirable

Is it feasible to ask a small company to carry out this activity?

Extremely Feasible	Feasible	Neither Feasible nor Unfeasible	Unfeasible	Extremely Unfeasible

Market Research

(i)   Market research is important in ensuring successful
       management decision making in small firms.

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

(ii)   **Small companies need to have formal management information systems in place.**
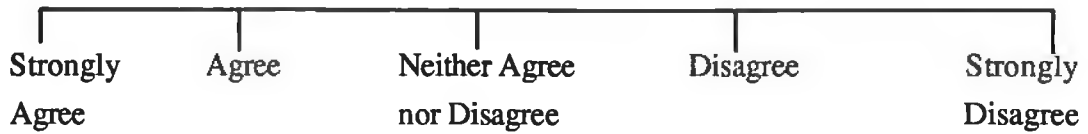
Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Is it valid to ask a small company to carry out this activity?

Extremely Valid	Valid	Neither Valid nor Invalid	Invalid	Extremely Invalid

Is it desirable that a small company carry out this activity?

Extremely Desirable	Desirable	Neither Desireable nor Undesirable	Undesirable	Extremely Undesirable

Is it feasible to ask a small company to carry out this activity?

Extremely Feasible	Feasible	Neither Feasible nor Unfeasible	Unfeasible	Extremely Unfeasible

Customer Assurance

(i)   **A small company should be constantly aware of its customers needs, wants and special requirements.**

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
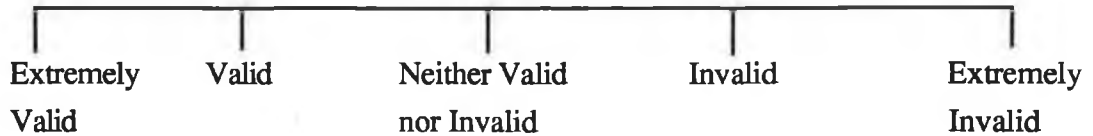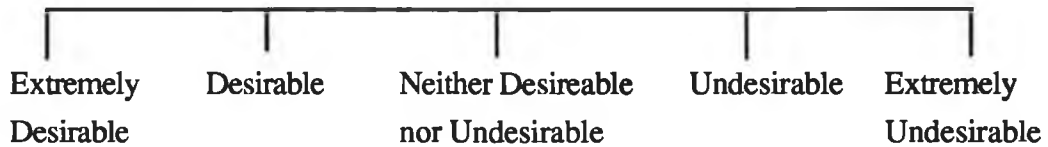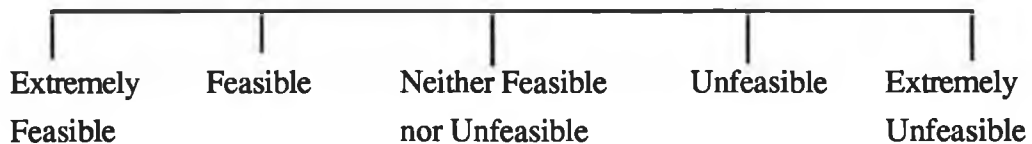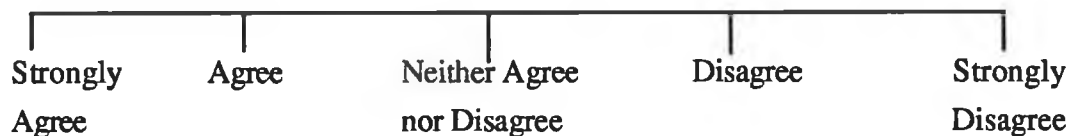
(ii) Once the small company is aware of its customer requirements it should carry out an objective assessment of its ability to meet these needs.

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Is it valid to ask a small company to carry out this activity?

Extremely Valid	Valid	Neither Valid nor Invalid	Invalid	Extremely Invalid

Is it desirable that a small company carry out this activity?

Extremely Desirable	Desirable	Neither Desireable nor Undesirable	Undesirable	Extremely Undesirable

Is it feasible to ask a small company to carry out this activity?

Extremely Feasible	Feasible	Neither Feasible nor Unfeasible	Unfeasible	Extremely Unfeasible

(iii) It is important for a small company to offer an after sales service to customers.

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Is it valid to ask a small company to carry out this activity?

Extremely Valid	Valid	Neither Valid nor Invalid	Invalid	Extremely Invalid

Is it desirable that a small company carry out this activity?

Extremely Desirable	Desirable	Neither Desireable nor Undesirable	Undesirable	Extremely Undesirable

Is it feasible to ask a small company to carry out this activity?

Extremely Feasible	Feasible	Neither Feasible nor Unfeasible	Unfeasible	Extremely Unfeasible

(iv) **It is important for a small firm to have a system for dealing with customer complaints.**

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Is it valid to ask a small company to carry out this activity?

Extremely Valid	Valid	Neither Valid nor Invalid	Invalid	Extremely Invalid

Is it desirable that a small company carry out this activity?

Extremely Desirable	Desirable	Neither Desireable nor Undesirable	Undesirable	Extremely Undesirable

Is it feasible to ask a small company to carry out this activity?

Extremely Feasible	Feasible	Neither Feasible nor Unfeasible	Unfeasible	Extremely Unfeasible

Training

(i) A small company must ensure that an employee carrying out a particular function in the organisation is properly qualified to undertake that role.

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

(ii) Small company owner managers must be committed to training of staff.

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Is it valid to ask a small company to carry out this activity?

Extremely Valid	Valid	Neither Valid nor Invalid	Invalid	Extremely Invalid

Is it desirable that a small company carry out this activity?

Extremely Desirable	Desirable	Neither Desireable nor Undesirable	Undesirable	Extremely Undesirable

Is it feasible to ask a small company to carry out this activity?

Extremely Feasible	Feasible	Neither Feasible nor Unfeasible	Unfeasible	Extremely Unfeasible

Marketing Strategy

(i)   Segmentation of the market is a marketing concept with which every small company should be familiar.

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Is it valid to ask a small company to carry out this activity?

Extremely Valid	Valid	Neither Valid nor Invalid	Invalid	Extremely Invalid

Is it desirable that a small company carry out this activity?

Extremely Desirable	Desirable	Neither Desireable nor Undesirable	Undesirable	Extremely Undesirable

Is it feasible to ask a small company to carry out this activity?

Extremely Feasible	Feasible	Neither Feasible nor Unfeasible	Unfeasible	Extremely Unfeasible

(ii)   Once a market segment has been identified, a separate marketing mix catering specifically to the requirements of that target market should be developed by the small firm.

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

9

Is it valid to ask a small company to carry out this activity?

| Extremely Valid | Valid | Neither Valid nor Invalid | Invalid | Extremely Invalid |

Is it desirable that a small company carry out this activity?

| Extremely Desirable | Desirable | Neither Desireable nor Undesirable | Undesirable | Extremely Undesirable |

Is it feasible to ask a small company to carry out this activity?

| Extremely Feasible | Feasible | Neither Feasible nor Unfeasible | Unfeasible | Extremely Unfeasible |

Product Strategies

(i)   A small company should be aware of a product's progression through a life cycle.

| Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |

(ii)   Strategies should exist in small companies for product development and product modification/adaptation.

| Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |

Is it valid to ask a small company to carry out this activity?

Extremely Valid	Valid	Neither Valid nor Invalid	Invalid	Extremely Invalid

Is it desirable that a small company carry out this activity?

Extremely Desirable	Desirable	Neither Desireable nor Undesirable	Undesirable	Extremely Undesirable

Is it feasible to ask a small company to carry out this activity?

Extremely Feasible	Feasible	Neither Feasible nor Unfeasible	Unfeasible	Extremely Unfeasible

(iii) To ensure success in the marketplace a product must be strongly branded.

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Is it valid to ask a small company to carry out this activity?

Extremely Valid	Valid	Neither Valid nor Invalid	Invalid	Extremely Invalid

Is it desirable that a small company carry out this activity?

Extremely Desirable	Desirable	Neither Desireable nor Undesirable	Undesirable	Extremely Undesirable

Is it feasible to ask a small company to carry out this activity?

Extremely Feasible	Feasible	Neither Feasible nor Unfeasible	Unfeasible	Extremely Unfeasible

(iv)   **Packaging has an important role to play in promoting a small company's product.**

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Is it valid to ask a small company to carry out this activity?

Extremely Valid	Valid	Neither Valid nor Invalid	Invalid	Extremely Invalid

Is it desirable that a small company carry out this activity?

Extremely Desirable	Desirable	Neither Desireable nor Undesirable	Undesirable	Extremely Undesirable

Is it feasible to ask a small company to carry out this activity?

Extremely Feasible	Feasible	Neither Feasible nor Unfeasible	Unfeasible	Extremely Unfeasible

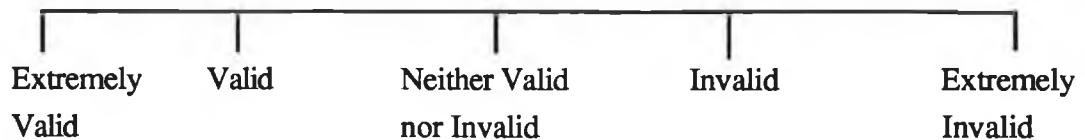## Distribution Strategies

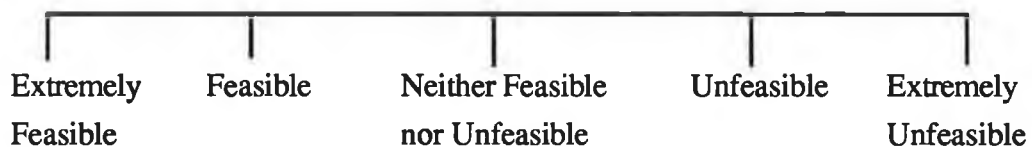(i)   A small company must set clear objectives for its distribution policy to ensure success.

| Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |

Is it valid to ask a small company to carry out this activity?

| Extremely Valid | Valid | Neither Valid nor Invalid | Invalid | Extremely Invalid |

Is it desirable that a small company carry out this activity?

| Extremely Desirable | Desirable | Neither Desireable nor Undesirable | Undesirable | Extremely Undesirable |

Is it feasible to ask a small company to carry out this activity?

| Extremely Feasible | Feasible | Neither Feasible nor Unfeasible | Unfeasible | Extremely Unfeasible |

(ii)   Careful selection of intermediaries is important for the small firm.

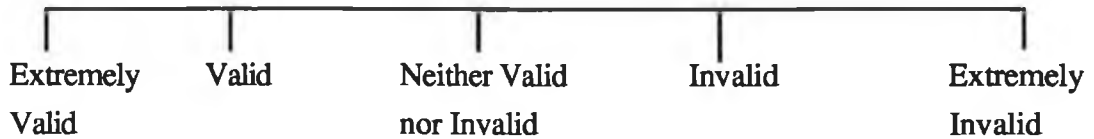| Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |

(iii) **It is important for the small company to maintain control of the distribution channel and those intermediaries used.**
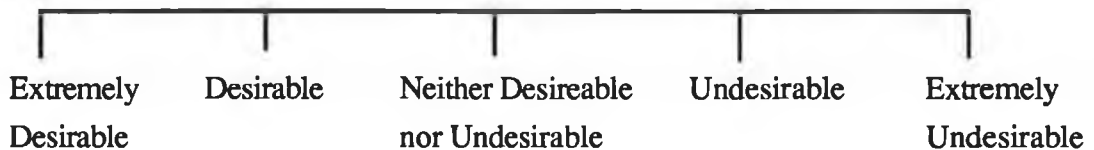
Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

(iv) **The distribution strategy chosen by a small company must be reviewed on a regular basis.**

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Is it valid to ask a small company to carry out this activity?

Extremely Valid	Valid	Neither Valid nor Invalid	Invalid	Extremely Invalid

Is it desirable that a small company carry out this activity?

Extremely Desirable	Desirable	Neither Desireable nor Undesirable	Undesirable	Extremely Undesirable

Is it feasible to ask a small company to carry out this activity?

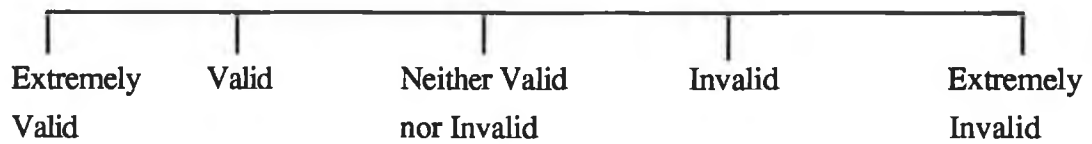| Extremely Feasible	Feasible	Neither Feasible nor Unfeasible	Unfeasible	Extremely Unfeasible

14

Promotion Strategies

(i)   Objectives for each of the promotion tools employed by a small company should be clearly stated.

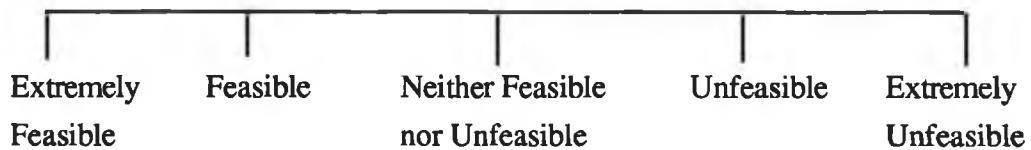|				
Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Is it valid to ask a small company to carry out this activity?

Extremely Valid	Valid	Neither Valid nor Invalid	Invalid	Extremely Invalid

Is it desirable that a small company carry out this activity?

Extremely Desirable	Desirable	Neither Desireable nor Undesirable	Undesirable	Extremely Undesirable

Is it feasible to ask a small company to carry out this activity?

Extremely Feasible	Feasible	Neither Feasible nor Unfeasible	Unfeasible	Extremely Unfeasible

(ii) The strategies chosen for each of the promotion tools should follow directly from the objectives stated.

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

15

Is it valid to ask a small company to carry out this activity?

| Extremely Valid | Valid | Neither Valid nor Invalid | Invalid | Extremely Invalid |

Is it desirable that a small company carry out this activity?

| Extremely Desirable | Desirable | Neither Desireable nor Undesirable | Undesirable | Extremely Undesirable |

Is it feasible to ask a small company to carry out this activity?

| Extremely Feasible | Feasible | Neither Feasible nor Unfeasible | Unfeasible | Extremely Unfeasible |

(iii)   The effectiveness of promotion policies undertaken by a small firm should be evaluated regularly.

| Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |

Is it valid to ask a small company to carry out this activity?

| Extremely Valid | Valid | Neither Valid nor Invalid | Invalid | Extremely Invalid |

Is it desirable that a small company carry out this activity?

| Extremely Desirable | Desirable | Neither Desireable nor Undesirable | Undesirable | Extremely Undesirable |

16

Is it feasible to ask a small company to carry out this activity?

Extremely Feasible	Feasible	Neither Feasible nor Unfeasible	Unfeasible	Extremely Unfeasible

Pricing Strategies

(i)   A company must have clear and well defined objectives for its pricing policy.

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Is it valid to ask a small company to carry out this activity?

Extremely Valid	Valid	Neither Valid nor Invalid	Invalid	Extremely Invalid

Is it desirable that a small company carry out this activity?

Extremely Desirable	Desirable	Neither Desireable nor Undesirable	Undesirable	Extremely Undesirable

Is it feasible to ask a small company to carry out this activity?

Extremely Feasible	Feasible	Neither Feasible nor Unfeasible	Unfeasible	Extremely Unfeasible

(iii) **The price a small company charges for its product should reflect:**

(i) **The quality of the product offering**

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

(ii) **What the market will bear**

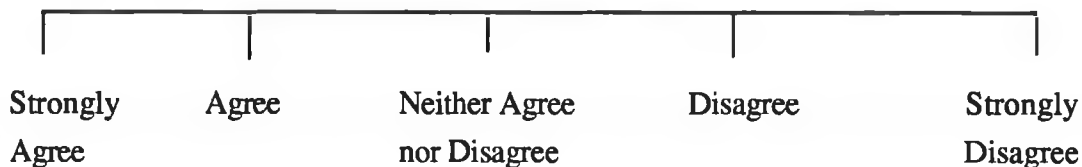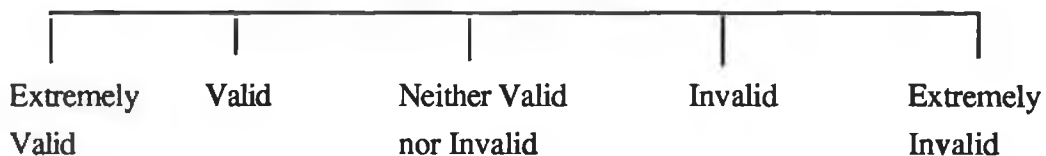|				
Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Controls and Performance Assessment

(i) Every small company should have procedures for monitoring the performance of its marketing function.

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Is it valid to ask a small company to carry out this activity?

Extremely Valid	Valid	Neither Valid nor Invalid	Invalid	Extremely Invalid

Is it desirable that a small company carry out this activity?

Extremely Desirable	Desirable	Neither Desireable nor Undesirable	Undesirable	Extremely Undesirable

Is it feasible to ask a small company to carry out this activity?

Extremely Feasible	Feasible	Neither Feasible nor Unfeasible	Unfeasible	Extremely Unfeasible
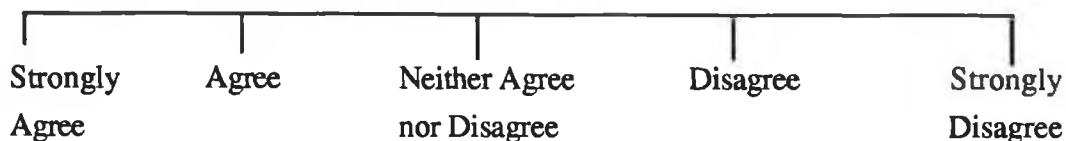
Glossary

Business Plan: Involves a conscious effort to identify and act upon market changes. The process requires that the firm has an understanding of its position in the market with respect to customers, intermediaries and competitors. The aim of a business plan is to shape and reshape the company's products in line with market conditions so that they combine to produce satisfactory profits and growth.

Desirable: Will it benefit the small company to carry out this activity?

Distribution: The process of moving the product from the producer to the end consumer.

Environment: Comprises those element, organisations and individuals that have an influence, large or small, on the firm's business. For example, the state of the economy, the behaviour of customers, the actions of competitors.

Feasible: With limited resources, can a small company realistically carry out this activity?

Intermediary: Those people in the distribution channel who facilitate the movement of the product. For example, wholesaler, Agent, Distributor.

Market/Market Place: Includes everyone who currently buys the product or who may do so in the foreseeable future.

Market Orientation: Where a firm looks to the market and its customers, determines their needs and produces products to satisfy those needs. A marketing orientation is market focused and customer oriented aimed at generating customer satisfaction as the key to attaining company profits.

Market Research: The process of collecting and using information which is useful in planning the company's marketing activities.

Marketing Mix: Usually defined as the four Ps it includes decisions about the product, its price, how it will be promoted and how it will be distributed.

Organisation/Management Structure: The way in which the company is set up and divided between possible management functions such as finance, sales and production.

Product Development: Policies for the introduction of new products to the market.

Product Life Cycle: Products are born, grow to maturity and eventually die. The product life cycle concept maps this progression using the following stages; Introduction, Growth, Maturity and Decline.

Product Modification: Adapting the product to cater for changes in the environment.

Promotion Tools: These are the many forms of the firm's contact with existing customers or potential customers. They can be indirect such as product packaging, mailshots, newspaper advertising and word of mouth recommendation or direct such as personal representation and point of sale contact.

Promotion Mix: The choice and balance of the promotion tools used.

Segmentation: The process of subdividing a market into smaller subgroups. Each segment is different from the others and needs to be treated differently by the company.

Target Market: Those customers on which the company has decided to focus its efforts.
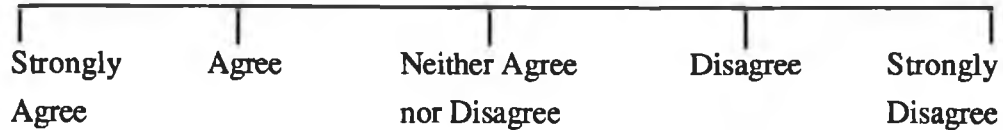
Valid: Is it fair to ask a small company to carry out this activity?

# APPENDIX - C

RESEARCHER QUESTIONNAIRE

Business Plans

(i) A business plan is essential for the Small company to ensure direction in the market place.

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

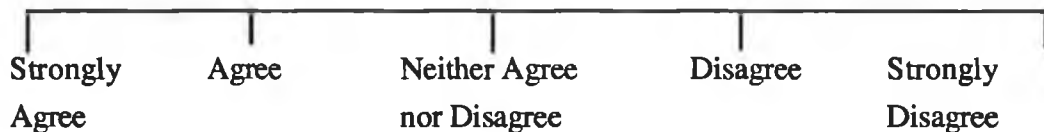(Probe: Nature of plan; Content, Formality ?, Assessment; Review, Feedback ?, Time frame ? Implementation ?)

Organisational Structure

(i) It is important that a Small company has a marketing orientation that permeates the entire organisation.

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
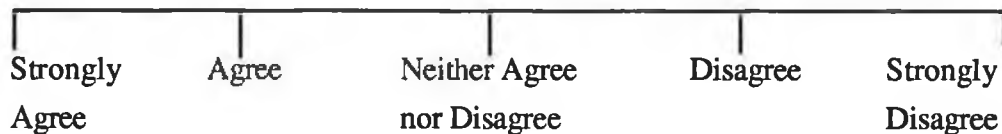
(Probe: Necessity; Nature, Role ?, How can a small company introduce the concept ?, Departmental Structures; Necessity, Marketing, Responsibility ?)

(ii) Company structure should be reviewed on a regular basis, by small companies, to ensure it meets the requirements of the market.

|				
Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

(Probe: How ?, Time Frame ?)

1

Market Research

(i)   **Market research is important in ensuring successful management decision making in small firms.**

| Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |
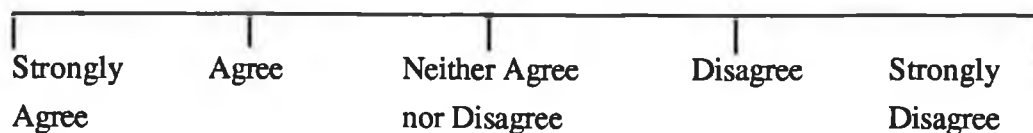
(Probe: Necessity; Nature and role ? Information needs of small companies ? How; Professionalism ? Time Frame ?)

(ii)   **Small companies need to have formal information systems in place.**

| Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |
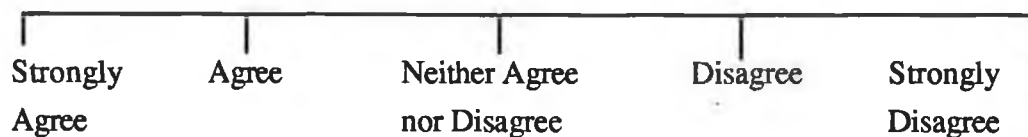
(Probe: Formality; Necessary, Form ? Suitable sources of information ?)

Customer Assurance

(i)   **A small company should be constantly aware of its customers needs, wants and special requirements.**

| Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |
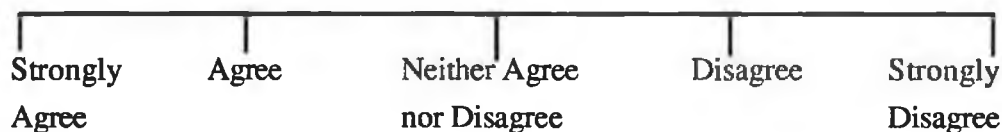
(Probe: How can a small company identify customer needs and expectations ?, What procedures should be in place ?)

(ii) **Once the small company is aware of its customers' requirements it should carry out an objective assessment of its ability to meet these needs.**

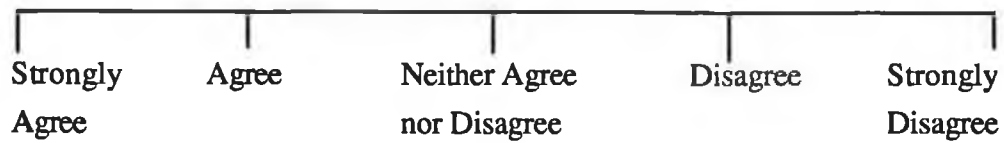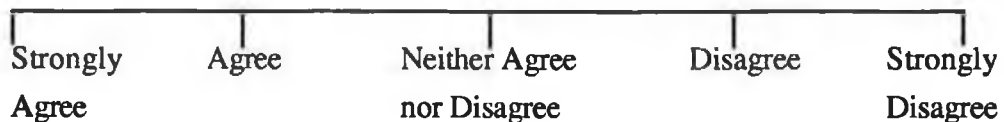|				
Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

(Probe: What should be assessed ?, How; Formality, Techniques ?, Time Frame ?)

(iii) **It is important for a small company to offer an after-sales service to customers.**

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

(Probe : Role; Benefits ?, Formal Plans; Content ?, Level Provided; Guidelines ?, Resources ?)

(iv) **It is important for a small firm to have a system for dealing with customer complaints.**

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
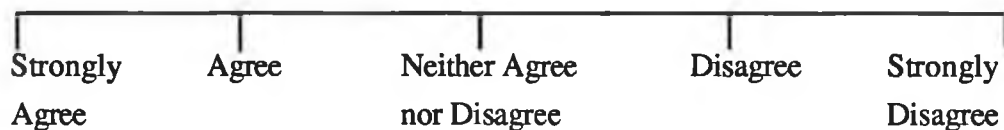
(Probe: Role; Relevance, Benefits ?, Formal System; Type of structure ?, What should be offered?, Benchmarks; Product Improvement ?)

Training

(i) **A small company must ensure that an employee carrying out a particular function in the organisation is properly qualified to undertake that role.**

| Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |
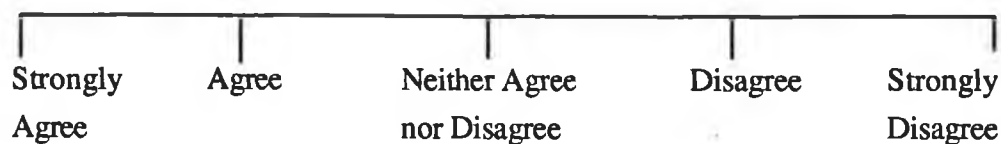
(Probe: Professional Vs Experiential ?, Subjects for marketing competency ?)

(ii) **Small company owner managers must be committed to training of staff.**

| Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |
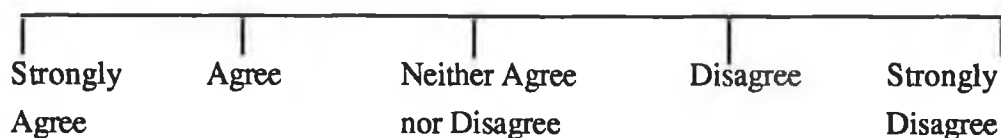
(Probe: How to assess and identify training needs ?, Provision of training; How ?)

Marketing Strategy

(i) **Segmentation of the market is a marketing concept with which every small company should be familiar.**

| Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |
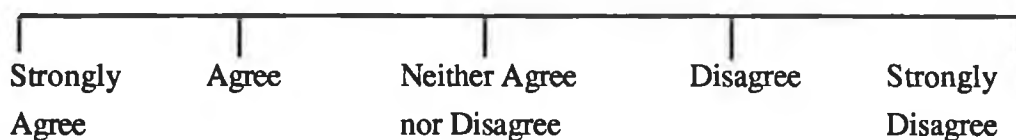
(Probe: Role; Benefits ?, What approach is suitable for small companies ?, Implementation ?, Segment Selection; Factors to be considered ? Monitoring ?)

4

(ii) **Once a market segment has been identified, a separate marketing mix catering specifically to the requirements of that target market should be developed by the small firm.**

| Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |

(Probe: How ?, What elements ?, Allocation of resources ?, Monitoring?)

Product Strategies

(i) **A small company should be aware of a product's progression through a life cycle.**

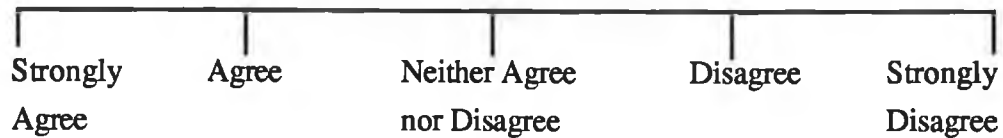| Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |
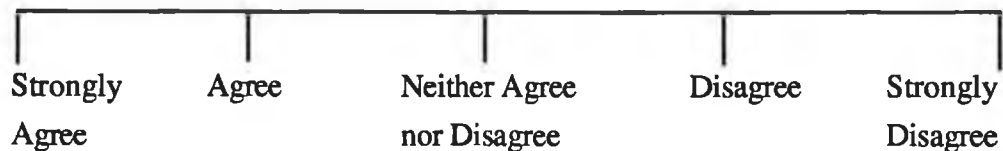
(Probe: Relevance ?, How; Evaluation of Progress ?, Monitoring ?)

(ii) **Strategies should exist in small companies for product development and product modification/adaptation.**

| Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |
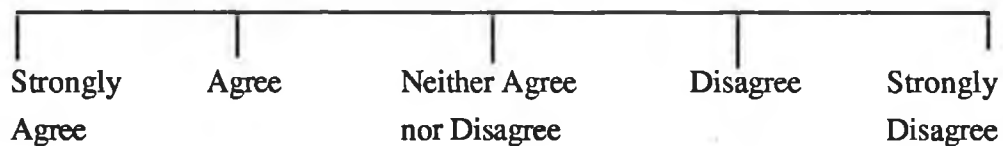
(Probe: Relevance ?, Identification and assessment of opportunities ?)

(iii) **To ensure success in the marketplace a product must be strongly branded.**

| Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |
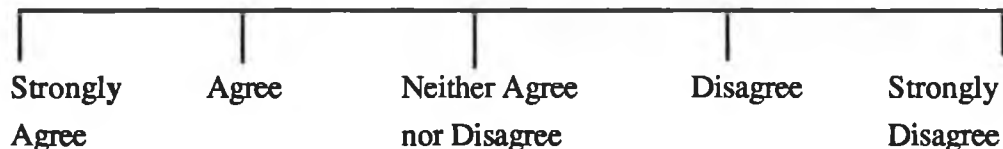
(Probe: Role; Benefits ?, How ?, Resources ?)

(iv)   **Packaging has an important role to play in promoting a small company's product.**

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

(Probe: Role; Functions ?, How ?)

Distribution Strategies

(i)   **A small company must set clear objectives for its distribution policy to ensure success.**

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
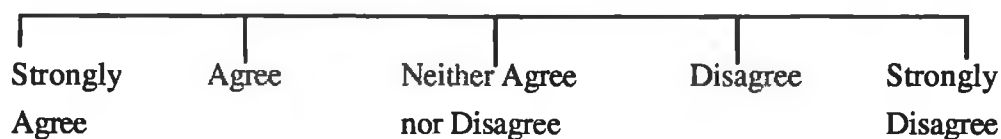
(Probe: Role ?, How to set objectives; What factors will influence?, Any one strategy best for small company ?)

(ii)   **Careful selection of intermediaries is important for the small firm.**

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

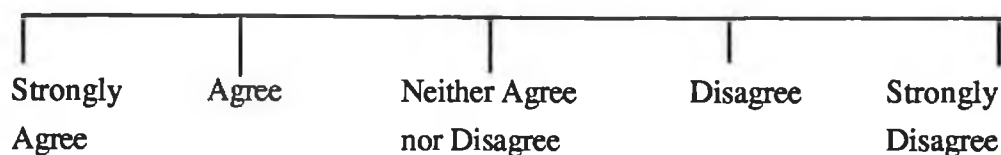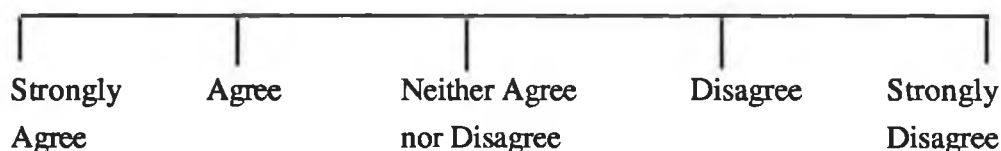(Probe: Which best suited ?, Criteria for selection ?, Standard Setting ?)

(iii)   **It is important for the small company to maintain control of the distribution channel and intermediaries used.**

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
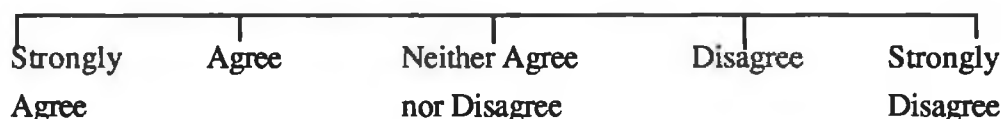
(Probe: Major control problems ?, How to overcome ?, Standards for control ?)

(iv) **The distribution strategy chosen by a small company must be reviewed on a regular basis.**

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

(Probe: Methods of monitoring and review; Formal evaluation ?, Frequency ?)

Promotion Strategies

(i) **Objectives for each of the promotion tools employed by a small company should be clearly formulated.**

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
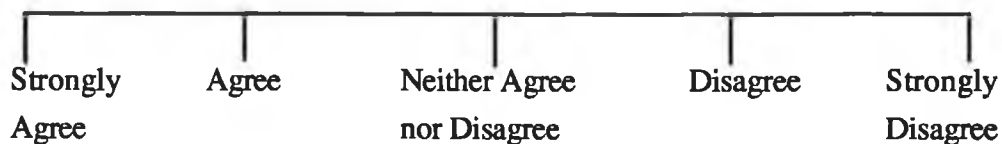
(Probe: Factors influencing; Objectives, Selection of promotion tool ?, Need for outside help ?, realistic promotion tools for small companies ?, Responsibility ?)

(ii) **The strategies chosen for each of the promotion tools should follow directly from the objectives stated.**

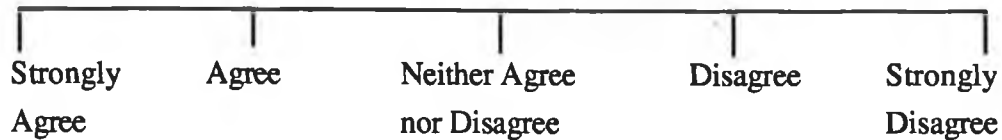|				
Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
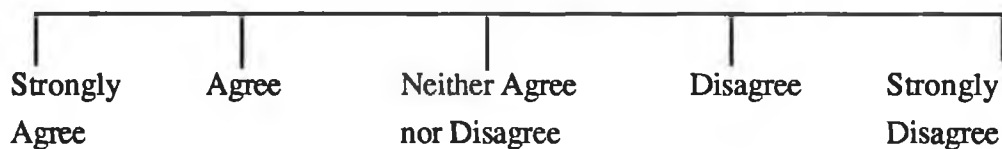
(Probe: How ?, Budgeting ?, Salesforce; Recruitment, Reporting structures (Formality), Performance evaluation ?)

(iii) **The effectiveness of promotion policies undertaken by a small firm should be evaluated regularly.**

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

(Probe: How ?)

7
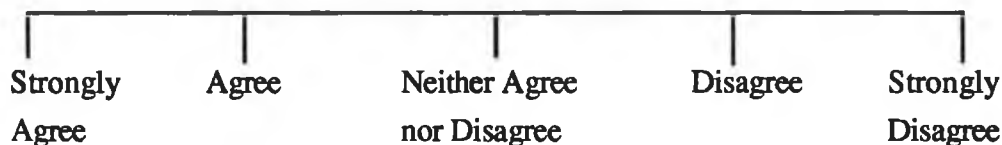
Pricing Strategies

(i) **A Small company must have clear and well defined objectives for its pricing policy.**

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
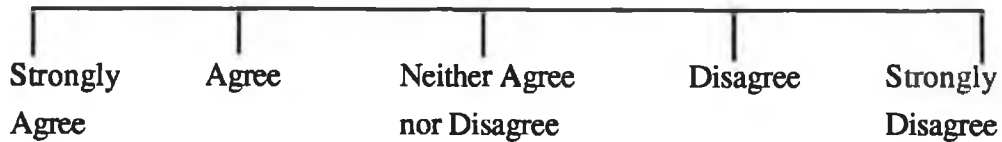
(Probe : What objectives ?, How can small companies determine final price ?, Decision maker ?)

(iii) **The price a small company charges for its product should reflect:**

(i) The quality of the product offering

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

(ii) What the market will bear

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
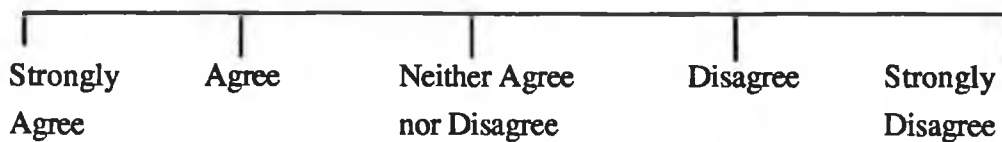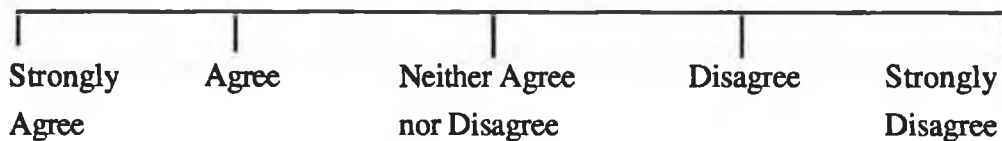
(Probe : Which ?)

Controls and Performance Assessment

(i) **Every Small company should have procedures for monitoring the performance of its marketing function.**

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
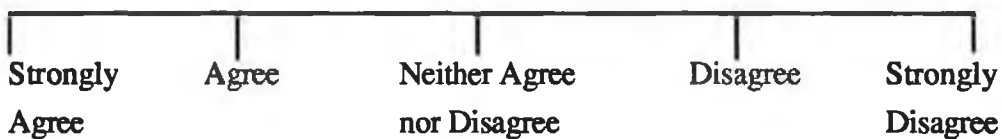
(Probe: Benefit ?, How can a small company do this ?, What factors should be considered ?)

8

APPENDIX - D

EVALUATION OF TRAINING COURSES

"People go on these training courses expecting to be told how to go out and get more sales, that there is this technique which will do this. Marketing is often sold as this simple instrument where you press the right buttons and people will behave in a programmed way. Anyone with any common sense will know that that's not the way things work. If you accept my premise that the foundation of a small business has got to be the person then you have to accept that there's attitudes, hopes and values which have to be understood before you can decide how you are going to help that person and what training they need. People providing training for small company owner managers have to realise that they are dealing with individuals who have attitudes, likes and dislikes. They have to establish what sort of things people like to do without putting pressure on people to say certain things. You have such a cross section of small business owners; you've autocratic bastards, loners, facists and people with talent. You have to look at the person and what their difficulties are. At some stage there has to be a one to one between the trainer and the trainee and the trainer has got to establish, by looking at the company what the training need is, rather than deciding before hand what training is going to be given to them. The provision of training is a relationship, a service. Giving that service to someone should happen naturally through listening to what they want and trying to deliver. But the person providing the service is in business too so there's got to be give and take so both people benefit from the relationship. One thing I will say though is that companies and consultants and all those people who provide marketing courses can't continue to screw small business they way they are doing now because eventually the small business owners will cop on.", **Marketing Academic.**

"I might agree that training in marketing is needed if I thought that training wouldn't be content based, that it would be experience and process based, that the content of the course would be characterive of the real needs of a business rather than telling them that marketing

1

orientation is important that business planning is important and all the other stuff that tends to make up marketing courses.", **Marketing Academic.**

"I think a small business owner can know where he feels he needs training and go and look for help but what he is not able to do is to see where help might be needed in the context of the overall business and that's where an objective outside view is needed. I worry that a lot of the training courses in Ireland are more concerned with getting through a pre-set syllabus without taking account of what the small business and the owners needs might be. Especially in the area of marketing. I don't know what marketing for a small business is to be honest, but marketing as a subject has become more and more scientific and that scientific bent breaks down rapidly in the context of small business. The problem is that these external training or marketing courses are based on this new scientific approach and they do nothing to help small businesses.", **Executive - Support Body.**

"There are an awful lot of training courses that are absolute rubbish and are put on for profit. They are used in a lazy way to fulfill some sort of obligation to training without thinking what do I need here. I agree with the need for training in principle but I think that it's not all that easy to find where you can get good courses in Ireland. I have caveats about what is available. It needs to be personalised very much to the needs of the company and that's not happening yet.", **Executive - Support Body.**

"Good management development programmes should always build on the owner manager's experience and not confuse them with too many models and so on. Quite a few of the programmes I've encountered haven't taken account of that and have followed very theoretical lines. That doesn't help anyone very much.", **Manager - Large Company.**

2

"The problem with most training in marketing is that it assumes that the text books and the theories are the answer. That this is what small companies need to be doing. It's a bit arrogant to assume that you can know exactly what is needed in any small business. To safely say what is really needed there has to be a meeting of minds and I doubt that happens on many of these training courses.", **Manager - Large Company.**

"I don't think it's possible to be trained in marketing techniques. I'm possibly unusal in this regard. You can train accountants, you can train doctors but you cannot train marketing people. I think our educational establishments coupled with our State development have conspired to lead us to believe that if you do this course you will become qualified in marketing; you won't. They shouldn't pretend that you will. Now, having said that I think there are things that courses could usefully teach people - things like costing and assessing business." **Manager - Large Company.**

"I've been on tons of these management development, start your own business and marketing courses and all of them haven't been worth the trouble or the money. They all were way off the mark and full of impractical examples, no concrete on the ground work and jargon. I have no faith in any of them.", **Owner Manager - Small Business.**

APPENDIX - E

ROUND 1 CONSENSUS REPORT

Introduction

The following pages comprise a synopsis of research interviews conducted among members of the marketing profession during the months of April to July. Each respondent was asked to consider the role of certain marketing techniques and concepts in small to medium sized manufacturing enterprises (less than 50 employees) in Ireland. This represents the first stage in ongoing research to develop a standard for marketing quality applicable to the unique requirements of smaller companies. It is hoped that the results of this largely exploratory phase will be built upon in the future in an effort to determine the real role of marketing in smaller companies, both in the manufacturing and service sectors.

The study focused on small scale manufacturing firms incorporating both industrial (business to business) and consumer markets. However, most manufacturing firms are engaged in business to business marketing whether they are classified as industrial or consumer products firm. For example the selling of vitamins to a wholesaler or a large retail chain bears more of the characteristics of a business to business market even though the end destination of the product may be a consumer market. For this reason, a distinction has been made in the following summary between 'customer' and 'consumer'. 'Customer' refers to a buyer in an industrial, resale or distribution situation, whereas 'consumer' refers to the end user of the product.

The summary represents an interpretation of the many interviews undertaken, and as such is subject to omissions and bias. If you feel that your view has not been represented or if further thoughts occur to you please record them in the space provided after each section.

SYNOPSIS OF OPINIONS

(i)   <u>Respondents were asked to consider the importance of planning methods based on sound marketing practice for small companies.</u>

<u>The following paragraph represents a synopsis of respondents' views</u>:

Planning for smaller companies should be simple and operationally based. It should be a process which ensures that plans reflect the dynamic and intuitive nature of the small company's business environment. There is no need for a formal, structured, written plan but there should be an agenda, a clear idea of where the company is going that is regularly discussed. This should include consideration of the owner's personal objectives, the market in which the company operates, what it is trying to do, how is it going to be successful, the competitors in the market, the possible risks involved, internal resources (finance, expertise and manpower) and the potential return on investment. Emphasis should be on specific objectives for the immediate year, with a two to three year perspective which may not be as detailed but is more aspirational. There is a danger that in looking too far ahead plans will become too structured and loose their flexibility. The plans that have been agreed upon should be reviewed continuously against present situations/conditions. Assessment should also take place to ensure the simple objectives which have been set are being achieved. Any continuous assessment of the effectiveness of the overall plan is beyond the capabilities of a small company and the only effective assessment is a review at the end of the year. This assessment will be largely subjective in nature and will take into account achievement of any goals or objectives, however vague they may have been, sales and profit data trends and feedback from the customer base.

Comments:

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(ii) <u>Respondents were asked to consider the importance of the existence of a consistent marketing oriented culture within a small company</u>

<u>The following paragraph represents a synopsis of respondents' views:</u>

The ethos of personal service and satisfying customers (being close to the market) is one of the factors which differentiates small from large companies. In many cases, small companies do not need to concentrate on applying a market orientation to the extent of large companies which have become remote from the market. A market orientation is all about 'championing' the customer so that everything that is done within the company is done with reference to its effect on customers. This involves the creation of a 'customer satisfaction' culture within the company and this can only happen through the leadership and example of the owner manager.

Comments: _____

_____

_____

_____

_____

_____

_____

3

(iii) <u>Respondents were asked to consider the importance of marketing as a separate and critical function within a small company</u>

<u>The following paragraph represents a synopsis of respondents' views:</u>

There is no necessity for rigid departmentalised structures in a small company. A separate marketing department or marketing person is a luxury for a very small company (less than 20 employees). In fact, the lack of departmentalisation which usually exists in small companies can often be a strength, facilitating communication between all functions. However, there should be an effort made to try to have divisional units so that there are clear responsibilities about who in the organisation does what, thereby ensuring that no function will be neglected. Someone with formal training in the basic practicalities of marketing is an asset in a small company but it is not essential, provided there is someone within the company with personality, imagination and intuition who takes responsibility for marketing (including promotion, selling, research, planning etc.). Marketing should be viewed as every employee's job and all employees have a role to play in customer satisfaction.

Organisations evolve, but for a small company the overriding factor in deciding whether more personnel are required, or new structures should be put in place, is the customer and how well the present structure is servicing the customer. In this situation, an independent person, not involved in the day to day running of the company, can bring objectivity to the review.

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(iv)   <u>Respondents were asked to consider the importance of basing a company's activities on quality market information.</u>

<u>The following paragraphs represent a synopsis of respondents' views:</u>

In a small company, most decisions about company activities, policy and direction are taken before research is carried out and research is only used to validate those decisions or to help select between preferred options. Extensive market research to test possible opportunities is beyond the capabilities of smaller companies, rather research should be viewed as a tool to validate opportunities selected on intuition. Too much information can, in many cases, paralyse a small company by making them too aware of all the pitfalls and problems they could encounter.

Market research for small companies should be a continuous exercise which involves everyone in the company. Every employee should be encouraged to report to the owner manager all market feedback on the company and the product. Fundamentally, market research for a small company is concerned with assessing the company's performance in identifying and satisfying customer needs and, at a broader level, to be aware of the current environment. There is no need for a formal system for market research as it is beyond the capacity of a small company to absorb or use large volumes of information. However, there should be a system in place to ensure that information coming from any source is documented and to force the owner manager to look analytically and rigorously at the business on a regular basis. To this end, the company should have formal sales and customer complaint/satisfaction report forms and maintain records of inquiries, and endeavour to review this information continually.

To ensure that research, which is often viewed as an essential but non urgent activity, is not neglected, the owner should consider reaching an agreement (with rationale) with someone senior in the company (for example the accountant) on what information is essential to the ongoing survival of the company. Progress in collecting and monitoring that information should be discussed, and new objectives to close knowledge gaps set, at every meeting.

The owner of the business should be involved as much as possible in the review and analysis of any information. If a formal survey is being undertaken then he/she should take an active role in the design and the process. An owner manager may not know the market research techniques but he/she does know his/her business and the information that is relevant to that business.

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Small companies need to know about (i) The market - including the size and growth of their market, competitors in their market, their position in that market, relative prices and costs in that market and trade information and trends in these areas. (ii) The 'what' factor - who is buying what, what causes them to buy (which requires qualitative research acquired by spending time with customers and in the market place). (iii) The internal dynamics of their own business - including how efficient and effective the procedures in operation are at satisfying customer requirements and how competent are the personnel employed.

The best quality information can be garnered by listening to suppliers, customers (trade, buyers and dealers) and end users and what they have to say about the product. For consumer products simply watching the product on the shelves and observing the consumer behaviour associated with its purchase constitutes good qualitative research. Personal contact and networking are vital sources of information for small companies. Published data (secondary sources) from the CSO office and the Government Publications Office, from the various state bodies, local authorities and universities should be used to provide general information about the market place. As many conferences and trade shows as possible should be attended and an eye should be kept on the general and trade press. These secondary sources should be used to map trends in customer and end user markets and to identify how those trends might affect the small company.

Competitive assessment can be undertaken by obtaining competitors brochures and price lists, talking to end consumers, buyers and dealers in customer organisations and to distributors with a view to identifying the best performers in the market. Competitors products could also be obtained and tested and analysed to see where they differ (are better or worse). Internal sources, such as sales and profit data and customer lists, should be computerised to allow for analysis of profitability, contribution of the product(s) and breakdown of clients.

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(v) <u>Respondents were asked to develop procedures for identifying the needs and expectations of customers which would be suitable for use in a small company.</u>

<u>The following paragraphs represent a synopsis of respondents' views:</u>

In a small company building up a relationship with customers (trade or end users) is vital. The term 'relationship marketing' has great relevance to small companies. Someone within the company should have responsibility for talking to customers on both a formal and informal basis, finding out what makes them happy and unhappy and then ensuring that any information arising from that is discussed within the company. A listening culture, and an approach which emphasises that every opportunity should be used to talk with customers, rather than having the ethos of making a quick sale, should be introduced into the company by the owner's example.

Sales and salespeople have to be managed and that involves keeping in close contact with customers on the basis of deliveries (orders met, when, how, speed, if late then why?), prices (own relative to competition in the customers eyes), costs, competitors (have they approached existing customers, what are they offering?). A small company has to be in the market place, identifying customers, both live and dead, and how their needs are changing. Small companies should also consider involving themselves in trade shows, visiting those of customers, conducting informal group discussions among customers and keeping abreast of what is happening in other countries.

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(vi) <u>Respondents were asked to develop procedures for identifying success in satisfying the needs and expectations of customers which would be suitable for use in small companies.</u>

<u>The following paragraph represents a synopsis of respondents' views:</u>

A whole company breaks down into and can be looked at as separate functions (production, finance, quality, marketing etc.) or as separate stages in generating and distributing a product even if no departmentalised structure exists within the company. Each stage or function needs to be looked at separately to see if it is meeting the needs of customers as defined by them. Small companies should be identifying who in the company is responsible for what function, if they are adequately qualified to take responsibility for that function, how much of their time is spent in organising that function and how effective it is. How that function affects the organisation and the customer (ie. is it a critical function), and how the organisation as it is currently run affects the efficiency of that function and the customer's perception of that function should be considered. Complaints or queries and the use of resulting information/feedback should also be investigated. Resulting from this analysis the company should be able to determine whether or not there is a need for improvement in that area.

One method is to track a specific order through the organisation on a regular basis to ensure that processing, delivery, customer service etc. are happening in an efficient and effective way. In many cases, an independent person may be needed to oversee the process and ensure objectivity. Product(s) should be monitored through talking to customers to see if it confers the benefits they require, but in many cases, for a small company, having the product selling and reselling and ensuring that there are no complaints is test enough of a product's suitability and the company's performance.

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(vii) <u>Respondents were asked to consider the role of after sales service in small companies.</u>

<u>The following paragraph represents a synopsis of respondents' views:</u>

The benefits of providing an after sales service (ASS) centre on customer satisfaction, which encourages repeat business and word of mouth promotion, and ensuring a method for customer feedback. ASS contributes to a company's reputation and market standing and can be a valuable source of information on product adaptation or new product development ideas. ASS also reassures customers of the quality of the product and provides the company with a check on the quality of their internal systems. ASS should be viewed as part of the continuous relationship which a small company is building with its customers and as a method of maintaining those relationships by reassuring the customer that the business is concerned that they be happy with the product and service provided. After sales service requires more than simply responding to complaints. It must be concerned with developing relationships with customers and ensuring that the product is meeting their needs.

While there may not be a need for a formal detailed plan to ensure the provision of effective after sales service, there should be some routine or guidelines in existence. These could take the form of internal schedules and benchmarks to check on delivery procedures, query and complaint handling and to ensure that regular contact with customers is maintained.

The level of after sales service provided and the budget required will be determined by the industry norm, the amount of repeat purchase, the importance of the customer to the company and the importance of the product to the customer. The company needs to ensure that there is someone who is responsible for this function.

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(viii) <u>Respondents were asked to consider the necessity of introducing procedures for dealing with customer complaints in small companies</u>

<u>The following paragraphs represent a synopsis of respondents' views:</u>

There is a need within a small company for a formalised system for dealing with customer complaints to ensure that every complaint is followed through quickly and efficiently. A formalised system ensures that goodwill is maintained, that a record of complaints exists and that the company learns from them. This system can be relatively simple and should incorporate some documentation which details what the complaint is, when it was received, from whom, how it was dealt with, who dealt with it, how long it took to deal with it, what the outcome was and comments and recommendations for future amendments if any. Every complaint should be treated as an example of a possible problem. What is offered to consumers who complain will depend very much on the product and the gravity of the complaint, but at the very least customers should be informed of what went wrong, reassured that systems are in place to ensure that the problem does not occur again and goodwill should be restored by replacing or repairing the product and covering any costs incurred by the customer.

Complaints are an important source of information about the product and its performance. Complaints should be monitored and tracked. If a trend emerges, if complaints are serious or if complaints increase, then product improvement must be considered. Each company should have standards for complaint levels which they consider acceptable or unacceptable. Complaints may also be an indication of the necessity for further training in the company.

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(ix) <u>Respondents were asked to consider the importance of preserving and developing the skills and capabilities of personnel through recruitment and training in small companies.</u>

<u>The following paragraphs represent a synopsis of respondents' views:</u>

The owner of the organisation has to identify his/her own training needs firstly. This ensures that he/she is free from bias in assessing the company's training needs. In most cases, training takes place in small companies only when knowledge gaps become apparent and when the owner manager no longer feels threatened in a particular area. However, in order to ensure that all personnel are sufficiently trained an outside independent source is needed to establish information gaps, skills gaps and attitude gaps in the context of the overall business. A mixture of 'on the job' training, to ensure that the person being trained knows the specific needs of the business, and external courses are needed. These external training courses should be experience and process based, task oriented and characteristic of the real needs of the small business. The attitudes, hopes and values of the small business owner have to be understood on a one to one basis before any training takes place.

In terms of recruitment and training of personnel for marketing, personality, intuition and a proven background or experience in marketing are most important. Small businesses do not have the time to train people, so an understanding of or qualification in the theoretical aspects of marketing is useful. A knowledge of research, planning, forecasting, promotion, sales, consumer behaviour, statistics and communications is important.

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(x) <u>Respondents were asked to consider the importance of segmentation practices based on sound marketing practice for small companies.</u>

<u>The following paragraphs represent a synopsis of respondents' views:</u>

While small companies are always going to sell to whomsoever wants to buy, and most small companies tend to fall into market segments rather than develop them, the practice of segmentation provides a focus for small companies and prevents them wasting efforts on markets which are not interested or suitable. It also means that the company can provide a more tailored product to a specific market which may increase consumer loyalty and provide the basis for a competitive advantage. From a relationship point of view, it is important for a business to understand the different requirements of different customers.

The segmentation process for small companies need not be complicated and certainly should not follow the systematic rigour of large company segmentation programmes. Segmentation comes from a thorough knowledge of the industry and market and from having information about that market. Small companies should be looking for large robust segments which do not necessarily require a great deal of analysis or information. Data on the shape, size, and competitive structure of a market is all that is needed to make a decision about the viability of any segment.

The starting point of the segmentation process for small companies is being able to define the served market and knowing who is currently buying (or who will buy) the product and why. This can be done by using the owner manager's experience, intuition and observation. The dimensions or criteria for choosing a segment will come from the strengths of the company, the needs of the business and the direction or vision that the owner/manager has for that business. These criteria will be specific to each individual company.

For a small company, one of the more important aspects of segmentation is the careful selection of the people with whom it does business. Segments should be selected on the basis of those people with whom business can be conducted. This should involve consideration of the suitability of the product required to the company's existing production process; the level of service and quality demanded by that customer; the acceptability of the price range offered; the feasibility of establishing a good working relationship with this customer and the potential for the small company to learn from

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doing business with this customer.

The profitability of a segment should be monitored regularly to ensure that it is still contributing in a viable way to the business.

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(xi) <u>Respondents were asked to consider the importance of managing the marketing mix in an effective and efficient manner for small companies</u>

<u>The following sections represent a synopsis of respondents' views:</u>

• <u>Product Strategies:</u>

Companies should be monitoring the relevance of their product to the market at which it is aimed. Markets die in the sense that the manner of satisfying a particular need changes. Consumer feedback is important in establishing how well the product fits with current market needs, as is looking at new products coming on to the market and new trends. Monitoring sales, new technologies in the industry, trends in overseas markets, introduction of product alternatives and levels of new customers can indicate if a product is becoming less relevant. Continuous development of products is a necessity for small companies. An opportunity for product development is usually seen, first of all, as a weak signal in the sense that no one in the market has moved in on it yet. Social, economic, competitive, technological, and regulatory trends usually provide new opportunities for product modification and development. These trends can be monitored by talking to customers and through networking, analysing customer complaints and requests, visiting trade fairs, scanning publications, looking to trends in foreign markets and internally through brainstorming sessions with employees from every area of the company. An opportunity for product development can be assessed in terms of its fit with the company (whether it exploits the expertise which the company has developed), the resources required to develop and support it, the product's market potential, and its compatibility with existing products or customers.

Branding in the sense of mass consumer advertising and building of brand awareness through investment is not realistic for small companies. However, branding in the sense of name recognition and the attribution of certain properties and perceptions about the product (brand image/reputation) is possible. Every product and company has a reputation or image. It is created by consistency of quality, price, presentation, delivery, service and merchandising and, in consumer markets, through well designed and attractive packaging.

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• Price Strategies:

When considering pricing policies small companies must consider the prices directly competitive products command in the market and the value the product has from the customers' point of view (what the market or a specific customer is willing pay for the product). It is also important that all costs (including production, materials, labour, overheads, owners time, extra service) are covered and that a provision which contributes to the survival and growth of the business is allowed when reaching the final decision on price.

The decision on pricing policy should be made collectively by the owner, the person responsible for marketing and the company's accountant.

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• Distribution Strategies:

When considering distribution policy a small company should look at the norms in the industry, how distribution is currently undertaken and whether or not that system is effective (reliability, administration effort) and efficient (costs) and where there may be room for improvement. Small companies should be aware of new channels or possibilities for new channels. Realistically, distribution is about delivering in a timely and convenient manner while being aware of the levels of service and standards expected in the market. The nature of the product and customer location are also factors to be considered. The best policy for small companies, who will usually have to contract out distribution to a third party, is one of co-operation with the channel in an effort to reduce costs, gain some control and achieve broader coverage. The relationship with the channel should be looked on as a partnership.

When selecting an intermediary (agent, distributor) the small company should concern itself with finding information on that intermediary's track record, reputation (are trade comfortable with this channel) , market coverage (ability to service the target market), other products carried, stability, interest in the product area, legalities, character (can an harmonious relationship be developed, do both organisations have a similar culture), finances (margins, payment terms, marketing, merchandising and sales force), co-operative services (advice, feedback, promotion). Talking to intermediaries themselves, their existing customers and the trade provides the best advice and information. However, small companies are usually faced with the problem of convincing intermediaries to carry the product. Again, the relationship should be viewed as a partnership but there is a need for mutually agreed guidelines to ensure that the product is being handled correctly and that the distributor is meeting objectives for market coverage, margins, frequency of delivery and also to ensure that the small company is providing the necessary backup to support the product. The small company will also have to actively monitor distribution by talking with client company managers to ensure that the distribution meets their needs and that it is still cost effective. Viewing the relationship as a partnership may help to overcome many of the problems encountered by small companies (product being ignored, delivery /damage problems).

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• <u>Promotion Strategies:</u>

Promotion in a small company is determined to a large extent by cost factors and the way in which the product can be presented to the market. It is important that the small company concentrates on achieving a single objective with its promotion and avoids weakening impact by spreading its resources over a range of promotion options. Promotion in small companies should be highly directed to a specific audience and interactive to ensure feedback and facilitate word of mouth promotion.

Mostly, promotion tools for small companies will be limited to below the line activity, focusing on communicating a specific message to a specific audience as cheaply as possible. What is to be communicated (the message) has to be decided before the promotion tool is selected. Data base marketing, direct mail, product testing/sampling, demonstrations, trade magazines, brochures and as much free publicity and PR as possible are the tools best suited to small companies. Employees, distributors, retailers and customers should be used to actively promote the product through word of mouth. This can be achieved if the small company concentrates on providing a high quality product which meets customers needs, and ensures that regular communication occurs between the company, its customers, salespeople and its distribution channel so that it fully understands changing market needs and monitors the company's performance in meeting those needs.

While the owner manager can do a substantial amount of promotion through personal contact, outside assistance should be sought to avail of economies of scale, ease of administration and co-ordination of promotion activities and experience. An agreed plan should be drawn up with the external agency and remuneration should be based on **success and performance**. Budgeting for promotion is difficult for small companies. Small companies should try to utilise an 'objective and task' method and endeavour to acquire the resources to implement promotion strategies that will achieve a certain objective. However, in most small companies, any opportunity to promote the product will be used whether it fits with the major objective or not and most companies will promote on the basis of what they can afford.

The effectiveness of a campaign can be evaluated by keeping a record of increases in sales and new inquiries arising from the promotion. Reactions to the campaign should be sought from existing customers.

• <u>Sales Force Management:</u>

If a small company has a sales person, then a formal reporting system should be in place to ensure that information about the product, the market, customers and competition is recorded on a daily basis. Sales people should be monitored and their performance evaluated on the basis of customer feedback, expenses, sales targets, number of calls to customers, market coverage and their ability to provide good quality information about the market.

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(xii) <u>Respondents were asked to consider the importance of assessing a small company's marketing performance regularly</u>

<u>The following paragraph represents a synopsis of respondents' views:</u>

While it is difficult to assess the performance of marketing, especially when there may not be a separate marketing department, small companies should be controlling costs and maintaining a record of achievements. The most basic assessment, and probably the only assessment available to small companies, is maintaining acceptable levels of sales and profits, prices and market share. If the company is successful in those terms and is achieving its objectives, accounting for adverse or favourable environmental factors, then marketing is performing well. A small company should also be concerned with how its marketing performed in terms of sustaining or creating long term relationships with customers.

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APPENDIX - F

MQS PHASE 1 FRAMEWORK

Introduction

MQS Phase 1 is a quality system framework which allows an organisation to systematically review its marketing activities. It provides guidelines which enable the organisation to clearly discern its strengths and the areas in which improvements can be made. The aim of this standard is to encourage, facilitate and optimise self apprisal of marketing practice.

Despite the fact that every organisation is unique, the following framework provides guidelines that are applicable to virtually every small to medium sized manufacturing company. Each of the fifteen elements shown in the framework is a criterion that can be used to appraise the company's progress towards quality in the marketing function. The following pages list, for each element of the framework, specific sub criteria that should be addressed. The objective of this self appraisal programme is to regularly review each of these fifteen elements and their sub specifications and, thereafter, to adopt relevant improvement policies.

A glossary of terms used in the framework is included on pages 10 - 16.

1.   Planning

Is concerned with how the company reflects quality marketing practice in its planning methods.

The company should demonstrate:

1a.   An agenda which reflects an awareness of the market. This should include:

- a statement of the company's position within that market
- the objectives set for the company
- the method by which those objectives will be achieved
- the possible risks and resources involved in attaining those objectives
- the potential return on investment.

It would be helpful if the company had this agenda documented in simple format.

1b.   A planning time frame that reflects this agenda. Emphasis should be on specific detailed objectives for the immediate year, with a two to three year perspective, which need not be as detailed.

1c.   A review procedure which ensures that business plans are evaluated, improved and aligned with changing market conditions. This review should take place, at the minimum, on an annual basis. The company should aim to have a review conducted biannually or quarterly.

1d.   An assessment procedure which evaluates the effectiveness of the plan in meeting objectives.

2.   Marketing Oriented Culture

Is concerned with how the company reflects a marketing orientation.

The company should demonstrate:

2a.   An ethos of personal service and customer satisfaction achieved by displaying that every activity is undertaken with reference to its consumers.

2b.   Management leadership and example in this area.

3.   Marketing Function

Is concerned with how the company reflects an appreciation of marketing in its organisation structure.

The company should demonstrate:

3a.   That marketing has been identified as a critical process and that responsibility for the marketing function has been accorded to an appropriate employee as outlined in 9b.

3b.   That all employees are aware of the importance of marketing and that marketing and presentation of a favourable company image is viewed as the responsibility of every employee.

3c.   That the company reviews the effectiveness and efficiency of the marketing function in serving the customer as outlined in 6a.

3d.   That there is interaction and co-operation between marketing and all other critical functions.

3e.   That the organisation plans for improvement based on a review of 3c and 3d above.

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4. | **Market Information**

Is concerned with how company activities are developed on the basis of quality market information.

The company should demonstrate:

4a.   That a forum exists for determining the information needs of the company, for discussing progress in collecting and monitoring that information and for setting new information objectives.

4b.   That employees are encouraged to report to management all market feedback on the company and the product. This could involve the use of a formal system to ensure that information is documented.

4c.   That use is made of data arising from customer, employee or supplier feedback, and a review of the market including data on competitors' performance, social, regulatory and legislative issues. This could include data on:

> - the market, including size, growth, trends, company position, competitors, relative prices and costs and trade information.
> - the customer, including an analysis of the customer profile for the product and the motivational factors determining purchase.
> - the internal dynamics of the company, including a review of the effectiveness and efficiency of procedures in operation and personnel capabilities as outlined in section 6 and section 9.

4d.   That there is active involvement of management in the determination of information needs, review and assessment of market information and in any formal survey being undertaken.

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5.   **Customer Expectations**

Is concerned with how the company develops procedures to ensure that customer expectations are accurately identified.

The company should demonstrate :

5a.   That close contact with customers is maintained and customer perceptions of the company and product are monitored. The company could review the following areas when monitoring customer perceptions:

- delivery; including reliability, speed, frequency, on time delivery and in full delivery
- prices; relative to competition in terms of perceived value
- product offered; including quality, reliability, ability to meet customer needs, availability, support
- competitors; product offering, prices, customer perceptions.

5b.   That a listening culture exists among all employees within the company. Responsibility for talking with customers on both a formal and informal basis and recording feedback on changing customer needs, likes and dislikes should be accorded to an appropriate employee as outlined in 9b.

5c.   That feedback from customers and stakeholders is used in developing company and product objectives and in determining improvement policies.

6.   **Customer Satisfaction**

Is concerned with how the company systematically manages its processes to achieve customer satisfaction.

The company should demonstrate:

6a.   That procedures exist for analysing the ability of each function to meet customer requirements. This could involve:

- determining critical functions
- identifying lines of responsibility
- determining the ability of employees in positions of responsibility to undertake their roles (see section 9)
- assessing time management in each critical function
- assessing process efficiency, effectiveness, interaction and communication
- determining customer perceptions of each function's effectiveness and efficiency.

6b.   That procedures exist for analysing the ability of the product to confer the benefits the customer expects. This could involve:

- customer discussion groups
- analysis of customer complaint/satisfaction records
- competitive assessment.

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6c. That resulting from this analysis the company implements process changes and evaluates the benefits.

7. After Sales Service

Is concerned with how the company implements procedures for the provision of after sales service to customers.

The company should demonstrate:

7a. That after sales service is viewed as a process which is concerned with developing relationships by reassuring customers of product and company quality. To this end, responsibility for the after sales service function should be accorded to an appropriate employee as outlined in 9b.

7b. That there are guidelines in existence which provide direction to the provision of after sales service. These could include internal schedules and benchmarks to check on:

- delivery procedures
- query and complaint handling
- response time
- customer contact.

7c. That the level of after sales service provided is at least consistent with:

- overall company objectives
- specific objectives for after sales service
- the industry norm
- repeat purchase levels
- the nature of the customer
- the importance of the product to the customer.

8. Complaint Handling

Is concerned with how the company develops procedures for handling customer complaints.

The company should demonstrate:

8a. Procedures for complaint handling have been developed. At the very least this procedure should include measures which ensure the customer receives:

- information
- reassurance
- restitution.

8b. That a formalised system exists for complaint handling. This could include identifying and specifying the:

- complainant
- complaint detail
- employee handling complaint
- procedure followed
- response time
- outcome
- comments and recommendations.

This system should then provide the basis for complaint records which should be used as an information source.

8c. That use is made of this information in setting parameters for unacceptable complaint levels.

8d. That action to improve products and processes is taken when complaints consistently exceed these parameters.

9. <u>Training</u>

Is concerned with how the company preserves and develops the skills and capabilities of personnel through recruitment and training.

<u>The company should demonstrate:</u>

9a. That procedures exist to identify management training needs and to establish information gaps, skills gaps and attitude gaps among all employees.

9b. That in terms of marketing, concern rests with educating, training and the recruitment of personnel with personality, intuition and a proven background. In theoretical terms, a knowledge of research, planning, forecasting, promotion, sales, consumer behaviour, statistics and communication methods is encouraged.

9c. External courses are scrutinised to ensure that they are characteristic of the real needs of both the employee undertaking the course and the business.

10. <u>Segmentation</u>

Is concerned with how the company develops segmentation procedures based on quality marketing practices.

<u>The company should demonstrate:</u>

10a. That management is aware of the concept of segmentation and implement segmentation practices. This involves the company being able to demonstrate a thorough knowledge of the industry based on adequate information about that market as outlined in 4c.

10b. That the served market, present and future customers and customer motivations are defined.

10c. That selection of target segments takes place on the basis of:

- an analysis of company strengths
- company objectives
- company needs
- customer assessment.

10d. That regular review of chosen segment viability is undertaken. This could involve an analysis of:

- segment profitability
- segment size
- segment growth rate
- segment trends
- segment competitive structure.

11. <u>**Product Strategy**</u>

Is concerned with how a company determines its product offering.

<u>**The company should demonstrate:**</u>

11a. That procedures exist for monitoring a product's relevance to the market at which it is aimed. This could be undertaken through an analysis of:

- customer feedback
- new product entry
- market trends
- sales
- new technologies
- trends in overseas markets
- product alternatives
- new customer levels.

11b. That continuous development of products is an objective of product policy. The company should show evidence that the environment (social, economic, competitive, regulatory and technological) is constantly monitored in a search for product development and modification opportunities as outlined in 4c.

11c. That procedures are in place for assessing product development/modification opportunities.

11d. That clear policy exists with regard to brand image and packaging policy to ensure that a favourable reputation or image is created and maintained and that packaging is well designed and consistent with this reputation.

12.   Price Strategy

Is concerned with how the company determines its pricing policy.

The company should demonstrate:

12a. That consideration of both internal and external variables has been taken when determining the final price. Internal variables include proper costing, margin allowance and financial objectives. External variables include directly competitive product prices, likely competitive reaction and customer perceptions of product value as well as the price the market will bear.

13.   Distribution Strategy

Is concerned with how the company determines its distribution policy.

The company should demonstrate:

13a. That the distribution policy undertaken delivers goods to customers in a timely and convenient manner while maintaining product quality and service levels. This could include consideration of:

- industry norms
- effectiveness and efficiency of existing distribution channels
- the nature of the product
- customer location
- the nature of the customer
- standards in the industry.

13b. That the choice of a third party channel is taken after rigorous analysis, review and consideration. The company could address areas such as:

- track record
- reputation
- market coverage
- stability
- product range
- interest
- legalities
- character
- finances
- co-operative services.

13c. That assessment of third party channels is undertaken. The company should consider the development of an active partnership between themselves and the third party channel. This, however, does not preclude the use of mutually agreed guidelines to ensure correct product handling and achievement of objectives.

13d. That procedures exist for reviewing the distribution policy undertaken. The company may do this through discussions with customers and a review of costs as well as an objective assessment of achievement of objectives.

Is concerned with how the company determines its promotion policy.

The company should demonstrate:

14a.   That a clear objective informs its promotion policy. The company should ensure that it focuses on communicating a specific message to a specific audience in a cost effective manner.

14b.   That it endeavours to acquire the resources necessary to implement the promotion strategy which will achieve that objective.

14c.   That where an external agency is employed an agreed plan and remuneration have been developed.

14d.   That the effectiveness of promotion campaigns is evaluated. This could be achieved through analysis of:

- sales records
- new inquiry records
- reactions from existing customers.

14e.   That formal systems exist for management of the sales force. The company should ensure that the sales force gathers and reports information on a regular basis on :

- the product
- the market
- customers
- competition
- trade.

Sales people should be monitored and evaluated on the basis of:

- customer feedback
- expenses
- sales targets
- number of calls (including call conversion and cold call ratios)
- market coverage and efficiency of territory planning
- analysis of customer potential
- quality of information provided.

15.   **Marketing Performance Assessment**

Is concerned with how the company assesses the quality of its marketing practice.

The company should demonstrate:

15a That it assesses both the effectiveness and efficiency of its marketing activities. This could involve an analysis of:

- achievement of objectives
- costs
- profits
- prices
- market share
- sales levels
- new customer levels
- customer retention.

The company should also consider informal assessments including informal consultation with clients and management opinion.

Glossary

Active Partnership: In distribution arrangements this involves forging a long term partnership with the third pary channel through developing a clear idea of what is required from the third party and what the third party can expect from the company. Both then work together to achieve the highest return on investment.

Agenda: List of items which demonstrate that the company has direction. A summary of the logic behind that company being in business. This agenda ahould be regularly discussed by management even if it is not formally documented.

Assessment: Systematic identification and evaluation of any factors which may affect the process, function or item under consideration. For example, competitive assessment would be concerned with determing competitors' prices, costs, strengths, the quality of their product offering, customer and trade perceptions of both companies etc.

Benchmarks: Predetermined standards against which the process, function or item under consideration can be measured. For example, the company may decide to set a response time of 2 days for all customer complaints. This is the benchmark against which response time to customer complaints is measured.

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Brand Image /Reputation: The overall impression created in the market place by any one brand. All characteristics of the brand, real or imagined, belong to the brand image. All companies have a reputation which is developed through consistency of quality, price, presentation, delivery, service, merchandising etc.

Call Conversion Ratio: The ratio of the number of calls a salesperson makes to the number of sales closed. This gives a measure of the efficiency and effectiveness of the salesperson in converting cold calls or inquiries to actual sales.

Character: In third party distribution channel terms, this refers to the ability of the company to form an harmonious relationship with the intermediary and whether or not both companies have a similar culture.

Cold Call Ratio: The number of unsolicited calls made by a salesperson as a percentage of overall sales calls. This may be an indication of the salesperson's efficiency at developing new customers.

Company Needs: The need to choose and target customers or market segments which will help the company to achieve its goals. For example, if the company wishes to consolidate its business then it should target customers who have demonstrated their satisfaction with the company and the product. If, on the other hand, the company wants to grow in terms of product quality or managerial capabilities they should look for customers who will encourage or support this goal.

Company Position: Where the company stands in relation to competition in the market. This could involve an analysis of product offerings, customer perceptions, prices, quality, costs etc.

Company Strengths: The company's competencies in **marketing** (company well known and highly regarded in its market, reputation for quality, service, delivery), **organising** (flexible and adaptable to customer requirements, speedy response to changing requirements, capable and dedicated personnel), **manufacturing** (technical and manufacturing skill, well equipped facilities, ability to deliver on time) and **financing** (cash flow, profitability, financial stability).

Competitive Structure: Knowledge of major direct competitors in terms of size, market share, product quality and any other characteristics that may be appropriate to understanding their intentions and behaviour.

Complaint Information: Informing customers who complain about the reasons for product failure.

Complaint Reassurance: Assuring customers who complain that systems are in place to ensure that the problem does not reoccur.

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Complaint
Restitution: Restoration of goodwill by replacing or repairing the product and covering any costs incurred by customers during the complaint process.

Co-operative
Services: In terms of a third party distribution channel member, this refers to their provision of such services as advice, feedback, promotion, merchandising, marketing etc. on a co-operative basis.

Costing: The process whereby costs are assigned. In determining price it is important that all costs of production such as manufacture, materials labour, overheads, owner's time, extra service etc. are covered.

Critical Processes
/Functions: Identification of those functions or processes which are vital to the ongoing survival and growth of the business. These usually include marketing, production, finance and administration.

Customer
Assessment: Selecting customers on the basis of the company's ability to conduct business with them. This involves consideration of the suitability of the product required to the company's existing production process, the level of service and quality demanded by that customer, the acceptability of the price range offered, the feasibility of establishing a good working relationship and the potential for the company to learn from doing business with this customer.

Customer
Motivation: See Motivational Factors.

Customer
Perceptions: Each consumer's personal interpretation of what is seen, heard, tasted etc. which serves to form an overall impression of a product.

Customer
Potential: An assessment of the probability of a particular customer contact being wothwhile in terms of the likelihood of a sale, the likelihood of repeat buiness and the significance of that repeat buiness

Customer
Profile: Description of a group of customers according to details or characteristics which are important in determining why they may purchase certain products. This allows for direct comparison with other groups. For example, the professional classes, washing machine owners etc.

Customer
Requirements: Any desire or need a customer may have whether existing and identifiable or latent and difficult to recognise.

Efficiency: The relation between inputs (eg. costs, man hours) and outputs (eg. sales, quality). Efficiency is concerned with 'doing things right'.

Effectiveness: Relating outputs (eg. sales, quality) to the goals or objectives of the company (eg. growth, customer satisfaction). Effectiveness is concerned with 'doing the right things'.

Environment: Comprises those elements, organisations and individuals that have an influence, large or small, on the firm's business. For example, the state of the economy, the behaviour of customers, the actions of competitors etc. The enviroment is usually broken down into five elements : Social, Economic, Competitive, Technological and Regulatory (Legal and Political).

Feedback: Comments, suggestions, complaints, queries or information which the company receives from any source whether external (suppliers, trade, customers) or internal (employees). The company should then evaluate this feedback to assess whether or not it should be used in product and process improvement.

Finances: In distribution arrangements the margins, payment terms, marketing and merchandising expenses etc. which have to be agreed with the third party channel member.

Formalised System: A process which is written and documented and to which the company can refer. For example, a customer complaints system may detail the name of the complainant, the nature of the complaint, how the complaint was handled and recommendations for management. This document can then be referred to when the company is considering product or process improvement.

Forum: A set time when management discuss the issues facing the company. For example, the manager of a company may consider agreeing with senior personnel that issues relating to the product, customers, competition etc. will be discussed every week.

Industry Norm: The (i) normal or average, (ii) expected and accepted behaviour of companies within a particular market.

Information Needs: The information and data on the market, customers, environment and the company itself that is needed by management to take effective decisions.

In Full Delivery: The number of times the company manages to accurately fill and deliver a customer's order.

Interest: A third party distribution channel member's interest in and enthusiasm for the company's product area and, more importantly, the company's product.

**Internal
Schedules:** An internal system whereby the company plans events with respect to time. For example, the company may decide to detail the amount of time that should be spent at each stage of the complaint handling process. ie. the customer is contacted within two days, and the complaint is brought to management attention within a day of the complaint being recieved and product replacement/repair is carried out within four days.

Legalities: The legal issues that have to be considered when a company engages a third party to carry out distribution.

**Lines of
Responsibility:** Clear details of which employees are responsible for which tasks and identification of the people to whom they are expected to report.

**Market
Coverage:** The third party distribution channel member's ability to reach and effectively serve the company's target market.

**Marketing Oriented
Culture:** Where the firm looks to the market and its customers, determines their needs and produces products to satisfy those needs. A marketing orientation is market focused and customer oriented aimed at generating customer satisfaction as the key to attaining company profits.

**Motivational
Factors:** Those factors which predispose people to behave in a certain way and, in particular, to make an effort to achieve something. A motive is a need that is sufficiently pressing to drive a person to act to satisfy that need.

**Nature of
Customer:** The levels of service and standards expected by customers from the distribution channel.

**Nature of
Product:** The type of product being distributed. For example, is it perishable, bulky, customised, technical, valuable etc.

**New Customer
Levels:** The amount of new or first time consumers entering a particular market or buying a particular product.

**New Inquiry
Records:** In promotion assessment terms, this refers to the level of enquries from new customers about a company's product after a promotion campaign.

Objectives: What it is the company is trying to achieve. For example, the company may be trying to induce trial of the product in its price objective, increase awareness of the product in its promotion objective and increase the number of retail outlets supplied in its distribution objective to achieve an overall company objective of increasing sales within the year.

On Time
Delivery: The number of times the company manages to deliver goods to customers by a set deadline.

Overseas
Trends: General directions or continuing tendencies, of relevance to the company and its product, that can be observed in foreign, yet similar, markets.

Product
Alternatives: New products coming on to the market which could be substitutes, in the customers eyes, for the company's product. For example, dairy spreads could be seen as substitutes for butter.

Product Development/Modification
Opportunities: Attractive areas into which the company could move through adapting or developing products. Areas are usually attractive when no one else in the market has yet moved to take advantage of the opportunity. An opportunity for development can be assessed in terms of whether it exploits the expertise which the company has developed, the resources required to take advantage of the opportunity, the market potential and its compatibility with existing products or customers.

Product Range: Full list of all the products distributed or carried by any one third party distribution member.

Product
Relevance: How well an existing product fits with current market needs. Markets die in the sense that the manner of satisfying a particular need changes.

Promotion Plan
/Renumeration: When using an external agency, an agreed plan should be drawn up between both companies. Furthermore, the company should endeavour to provide renumeration on the basis of success and performance.

Repeat
Purchase: Further business or custom from an existing customer. This is usually an indication of satisfaction with prior performance.

Reputation: The esteem and regard which is held for a third party distribution channel member among the trade.

Response Time: The speed with which the company responds to customer queries, complaints, suggestions, feedback etc.

Review: A critical examination or survey of past events (eg. the planning year) or of a particular item or subject (eg. a product or policy) to ensure that the company is aware of changing circumstances and is refining processes to suit these changes.

Sales Force
Management: The organisation, direction, control, evaluation, recruitment and training of those employees selling in the field.

Segmentation: The process of subdividing a market into smaller subgroups. Each segment is different from the others and needs to be treated differently by the company.

Served Market: Those customers who currently buy the product or who may do so in the forseeable future.

Stability: Consideration of the size, strength and any other characteristics of a third party distribution channel member that may determine their ability to remain in business.

Stakeholders: All people who may have an interest in the company. For example, business partners, families, shareholders, lending institutions, employees, suppliers, customers etc.

Territory Planning: The effectiveness and efficiency with which a salesperson plans their call schedule so as to minimise expenses and maximise the number of calls made.

Third Party Channel: External organisations or individuals in the distribution process who facilitate the movement of the product. For example, wholesalers, agents, distributors.

Time Management: The amount of time spent by employees and management in performing any one function. The crucial question is 'is it time well spent?' or could the function be reorganised to make it more efficient and effective?

Timely and Convenient Manner: Ensuring that the distribution policy undertaken delivers the product to customers where and when it is required.

Track Record: How well the third party distribution channel member has performed in the past when distributing similar products. The company may look at market coverage, customer service, sales quota attainment, listings, co-operative services, margins, damaged good returns etc.