Examining the Relevance of IMC in the Australian SME Context

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Abstract

Small and medium-sized enterprises (SME’s) are a pivotal part of the Australian economy. There has been a wealth of literature on the challenges facing SME's, particularly on the issues of resource constraints and a lack of marketing expertise. These issues are intensifying the challenge of managing marketing communications and while the concept of Integrated Marketing Communications (IMC) has been offered as a ‘panacea’ to the improvement of marketing communications, little research has been undertaken to explore its relevance in the SME context. This paper identifies a research agenda for examining associated issues.

Introduction

Small and Medium Sized Enterprises (SMEs) are defined by the Australian Bureau of Statistics (ABS) according to number of employees and industry sector. Small businesses typically have fewer than 20 employees in the construction and services sector (our largest employment sector), or fewer than 100 employees in the manufacturing sector. Medium sized enterprises are all firms that fall between small and large enterprises - which are those with more than 500 employees. ‘SME’ is an internationally recognised acronym, however it can be misleading. From a global perspective, defining an SME is difficult because it depends on the individual country. Each country has its own definition in recognition of the importance SMEs play in that specific economy. Furthermore, much SME literature comes out of the USA and UK, and is based on firms with closer to 250 employees. Clearly, there will be major differences in business management and economies of scale opportunities etc for a firm with 215 employees as opposed to one employing only 15.

'SME' covers a wide range of business types, from the self-employed through to multinational public limited companies with up to 250 employees, and herein lies another difficulty. It may not be reasonable to make comparison, or joint classification of firms with employees of say, 1 or none, with those employing 20, 90 or even 150. The ABS reports that only 9% of Australian businesses employ ten people or more, and over half of our private sector businesses don’t employ any staff. Hence, many firms identified as SMEs are actually ‘micro-businesses’. The most common international definition of micro-businesses are those firms that employ 5 people or less. Reports indicate the high growth in SMEs in Australia, however, it must be recognised that many of these are micro-businesses. Indeed, these very small firms are estimated to account for over three quarters of Australia's private sector, or in excess of 630,000 firms (Gibson). Prominent authors in this field suggest that it is pointless to talk of marketing planning and strategy development for micro-businesses because they lack time and resources to implement formal programs (Carson 1989). The same however is said of SMEs in general, and although limited compared to larger firms, SMEs can and often do operate with a marketing focus.

Even allowing for a possibly ‘over-stated’ size of the SME sector due to this inclusion of micro-businesses, there is no denying the predominance of small firms which are a pivotal part of the Australian economy (McLennan 1997). Overall growth in recent decades has seen...
small businesses grow to approximately 800,000 firms, representing well over 80% of total businesses (Jentzsch 1998). This is not peculiar to Australia, with 20 million small businesses in Europe said to account for 99% of all businesses in the EU and providing employment to 65 million people (UK Dept. of Trade and Industry, 2002).

Despite evidence that Australian SME's may be growing in importance, they are not without challenges and problems. The challenges are not only marketing in nature, but also related to the external environment and resources, that is time, skills and financial resources (Weinrauch 1991, Huang 1999). Consequently, better understanding the way such firms operate, and investigating the way that marketing is, or could be utilised is a research pursuit of the highest imperative. One area of marketing that represents a particular challenge to SMEs is that of marketing communication.

**SMEs and Marketing Communication – The Need for Research**

Traditionally marketing academics and practitioners have supported the notion that marketing communications activities play an important role in building and maintaining strong brands (Assael 1995; Jones 1996; White 1999). In response to concerns about performance and accountability of traditional marcom approaches and the need for greater accountability of marketing expenditure, an increasing number of firms are considering how to improve the management and integration of their marketing communications activities.

Huang (1999) found that promotion, public relations, and/or advertising were the most frequent problems encountered by SME's, with causes speculated as being lack of marketing or marketing communications expertise and budgetary constraints (Huang 1999). It suggests that the successful management of marketing communications proves to be a critical issue for SMEs (Cook 1996; Mazzarol 1996). If this is the case then the question is how can SME's overcome such challenges to improve marketing communication processes.

In the context of marketing communications management it is obvious to see a number of global changes impacting on how marketing communications are managed and implemented. Common explanations for the so-called diminishing effectiveness of traditional promotions activities and the search for improvements to the management of marketing communications include (Clarke 1996, Duncan 1996, Gronstedt 1996, Kitchen 1997, Schultz 1993):

1. Reduced faith in mass marketing.
2. Increasing reliance on more highly targeted communications methods.
3. Increased turnover of brand management personnel.
4. Greater demands placed on marketing communications suppliers to be brand custodians.
5. Increased efforts to measure/improve communications ‘return on investment’.
6. Fragmentation of traditional media

In the SME context, these issues in marketing communications are intensified by consistent themes (Huang 1999, Carson 1995) facing small and medium sized enterprises which include:

1. Resource constraints, including money, technology and time
2. A lack of marketing expertise (although also a resource constraint)

These factors have given rise to investigations into alternative ways of thinking about managing marketing communications. Despite its growing popularity, there has been little research on the potential of integrating marketing communications efforts to overcome these
issues for SMEs. Therefore, the concept of what is IMC and what its role is in navigating this changing environment must be examined. The scarcity of research in the SME context emphasises the question as to whether or not IMC has any relevance at this level.

The IMC Paradigm

Integrated Marketing Communication (IMC) is a relatively recent concept, described as a philosophy that stresses bringing together all the variables of the marketing mix and integrating their programs and activities (Duncan 1998). The philosophy is that it is critical to ensure consistency through all marketing activities that communicate with a firm’s customers in order to facilitate synergy and maximize communications impact (American Marketing Association). An emerging paradigm, IMC has been offered as a potential ‘panacea’ or cure-all to the improvement of marketing communications. In particular, research on the outcomes of IMC implementation has shown improvements in the efficiency in implementing marketing communications strategies, effectiveness of communications, and also achieving a better return on marketing communications investments (McGoon 1998, Hartley 1999). However, IMC has emerged with a series of debates over what it is, how it can be measured, whether it is agency or client driven, and also what it can achieve in the improvement of marketing communications (Phelps 1996; Kitchen 1997; Cornelissen 2000; Phillips 2000). Some authors suggest that IMC and its impact on brand performance will assume such importance that it will become the essence of marketing approaches and competitive advantage in the 21st century (eg. Kitchen 2000), whilst others suggest it is no more than a management fashion or ‘fad’ (Cornelissen 2000).

A major concern of IMC in Australia is its emergence based on research centred on large US and UK based, multi-branded firms. Indeed evidence from ‘senior vice-presidents of marketing’ and large firms such as Dow Chemicals, suggests that the major research on IMC has been conducted primarily with very large firms (Kitchen 1997, Low 2000). Hence one must question the ‘panacea’ tag, given the little research on IMC in the SME context. Therefore, it is seen as critical to investigate these issues in the management of marketing communications within the context of SME’s and to consider whether IMC is of significance in face of the more limited scope of SME’s given their resources and marketing objectives.

Research Issues - Congruency of IMC Elements with SME's

For SME’s the notion of planning raises many questions such as: do marketing managers in SME's have the time and ability to execute planning processes such as these? With constraints on resources, such as time, and lack of expertise being identified as challenges facing SME's, much of the literature, despite arguing the benefits of strategic planning, comment that most managers simply can not justify planning for marketing communications activities (Carson 1985, Carson 1989). Hence, both the benefits and viability of strategic planning for marketing communications in SME's is in question. With lack of expertise being identified as a marketing communications challenge facing SME's, it would appear that the development of cross-functionality would be quite beneficial. It may overcome a lack of expertise and an inability to hire marketing communications specialists by developing the expertise of existing employees across various functions within the firm. However, minor problems experienced by many smaller firms such as high staff turnover and the lack of time
or money to invest in developing expertise in existing employees may make the cost, albeit short-term, of cross-functionality too high (Carson 1985; Carson 1989; Carson 1995). Research into the effectiveness of the development of external relationships, mainly with agencies, is also dominated by studies of large firms (Duncan 1998; Low 2000). So, how many SME's employ agencies, and of those that do, to what extent are they employed? That is, do they handle all marketing communications, or merely one major or minor component? The basic argument is that the development of relationships with external stakeholders may provide relevance to SME's concerning issues of improving the efficiency and effectiveness of messages, thus maximising marketing communications investment (Carson 1995, Duncan 1998).

Clearly, questions arise not only as to the validity of the ‘orchestration’ analogy, but also as to the relevance for SME's. But who is to be the ‘bandleader’? and how you would conduct the orchestra? (Fletcher 1998). This reflects well the challenges facing SME's. For example, how many marketing communications tools do SME's use? Do SME's have the financial resources to employ the appropriate tools? Do SME's have people with expertise in most or all tools of the marketing communications mix? These questions not only underline the challenges facing SME's, but also demonstrate the dearth of research into this area.

The Research Agenda

Research needs to be conducted to address the issue of ‘how can IMC improve the management of marketing communications in SME's?’ This includes: what are the barriers to implementation of IMC and the barriers to the improvement of marketing communications generically? but it should also be stated that concurrent streams of research are required in order to build greater understanding and improved theoretical contributions. Such research although exploratory, will forward the debate on the intuitively appealing association between IMC and improved business performance. Exploratory research in the form of case-studies has been undertaken with 6 SMEs from product and service industries (NB ‘micro-businesses’ have not been included). Cases were selected on their theoretical richness with criteria for selection being that they actively engage in multiple marketing communications activities, and also employ a marketing communications budget that warrants organisation or management. This methodology has been extensively used in exploring similar issues and problems in the SME context (Vescovi 2000, Walker Mack 2000 and Wijewardena 1999). Research findings will be presented at the conference in December.

Conclusion

While Integrated Marketing Communications has been offered as a ‘panacea’ to the improvement of the management of marketing communications, little research has been undertaken to explore the relevancy of IMC to SME's. A discussion of IMC reveals questions pertaining to the relevancy of specific IMC elements to the SME context, specifically the implementation of elements such as planning and cross-functionality given the issues of resource constraints and a lack of expertise. This not only underlines the scarcity of IMC research at this level, but also questions the ability of IMC to overcome these issues or barriers. Thus the question for research becomes how IMC can improve the management of marketing communications.
References


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