A VALUED PARTNER OR A MERE SUPPORT FUNCTION - THE ROLE OF MARKETING IN SOFTWARE-AS-A-SERVICE SMES

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ABSTRACT

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Abstract Software business has undergone dramatic changes in the 21st century as the new technologies and innovations have been born and spread with a rapid pace. The buzzword of the industry is cloud computing and the Software-as-a-Service (SaaS) -based solutions are especially entering the mainstream. Majority of the new cloud computing firms are small or medium sized enterprises (SMEs), which have a unique way of planning and practicing marketing. The role of marketing has been argued, as the traditional theories and models of big companies are not applicable with smaller and younger counterparts and the departments are under a constant pressure to prove their value to the firm. Also, according to the prior studies, the limited or totally lacking resources and the dominating role of the owner-manager affect heavily to the marketing function and its operations in SMEs. The objective of this research was to explore the importance and role of marketing in SaaS SMEs. In addition, the study investigates how companies plan and implement marketing practices and how much of an impact does the owner-manager have in marketing decision-making. On top of this the research takes part in the discussion of servitization. The empirical data was collected conducting five semi-structured theme interviews. All of the interviewees were marketing professionals or owner-managers of the small or medium sized companies, which provide SaaS solution in B2B market. The main finding of this study suggests that marketing is an appreciated function in cloud computing SMEs, but its' value and worth is linked to the outcomes of the sales department.	
Keywords	
Marketing, Software-as-a-Service, cloud service, cloud computing, small and medium sized enterprises, SME, owner-manager, servitization	
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Abstract

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Tiivistelmä Ohjelmistoala on läpikäynyt valtavia muutoksia 2000-luvulla uusien teknologisten innovaatioiden syntyessä ja levitessä kiihtyvällä tahdilla. Pilvipalvelu on yksi tunnetuimmista innovaatioista ja kuvaa internetissä tapahtuvaa tietotekniikan käyttöä. Samaa nimitystä käytetään kaikista pilvessä tarjottavista palveluista, joista Software-as-a-Service (SaaS) on saanut laajimman suosion. Enemmistö uusista pilvipalveluorganisaatioista on pieniä tai keskisuuria yrityksiä, joilla on tutkimusten mukaan hyvin omalaatuinen tapa suunnitella ja toteuttaa markkinoinnin toimenpiteitä. Perinteiset suurille organisaatioille sopivat markkinoinnin teoriat ja mallit eivät istu nuorten ja ketterien ohjelmistoyritysten tapaan tehdä markkinointia. Markkinoinnin roolista ja sen arvosta yritykselle on käyty keskustelua, ja yhä kasvavissa määrin yritykset vaativat osastoja todistamaan arvonsa liiketoiminnalle. Aikaisempien tutkimusten mukaan PK-yritysten markkinointiin vaikuttaa myös rajoitetut tai puuttuvat resurssit sekä omistajan dominoiva rooli. Pinnalle on noussut myös palvelullistuminen, mikä on uusi tapa tuottaa arvoa asiakkaalle ja erilaistua kilpailijoista. Tutkimuksen tarkoituksena on tutkia markkinoinnin tärkeyttä ja roolia pienissä ja keskisuurissa SaaS-yrityksissä. Tämän lisäksi tutkielma selvittää kuinka yritykset suunnittelevat markkinointitoimenpiteitään ja kuinka suuri vaikutus perustajalla on markkinointiin liittyvään päätöksentekoon. Tutkimus paljastaa miten yritykset kokevat palvelullistumisen ja markkinoidaanko SaaS-applikaatioita tuotteina vai palveluina. Empiirinen aineisto kerättiin suorittamalla viisi puolistrukturoitua teemahaastattelua. Kaikki tutkimukseen osallistuvat henkilöt edustavat B2B-markkinoilla toimivaa pientä tai keskisuurta ohjelmistoyritystä. Tutkimuksen mukaan markkinointi on funktiona merkittävä ja korvaamaton osa yritystä, mutta sen arvostus on suorassa yhteydessä myynnin tulosten kanssa.	
Asiasanat Markkinointi, pilvipalvelu, Software-as-a-Service, SaaS, pienet ja keskisuuret yritykset, PK-yritys, perustaja, palvelullistuminen	
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1 INTRODUCTION

1.1 Background and motivation

In the 21st century consumers have faced the explosive growth of the Internet, ubiquity of smart devices and introduction of countless new digital channels. Consumers' wants and needs have evolved rapidly (Maidment, 2008) and due to the dramatic changes in the software business – meaning the quick rise of new technology and innovations - the markets have turned more complex (Cusumano, 2008) and the buzzword in the industry today is cloud computing (Gupta, Seetharaman & Raj, 2013).

It has rapidly spread as a new way for companies to increase their IT capabilities without large investments in infrastructure, training or licensing. In the past years, there has been a clear decline in the traditional product sales and license fees. Simultaneously, there is a downgrade in the consumers' willingness for long-time investments and commitments. From cloud computing point of view, these changes in consumer behavior can also be seen in the rising number of organizations who have replaced on-premises software applications with specialized cloud applications. The burden of actions such as buying, deploying, maintaining and supporting has been replaced with a monthly subscription and easy log-in. (Drobnik & Maoz, 2016.)

The new constantly developing technological solutions are economically attractive for many companies (Yao, Watson & Kahn, 2010, p.113). As IT leaders are learning to embrace the cloud and utilize it for a variety of functions and applications, companies need to adapt their operations to a whole new business environment. Software companies have a major advantage at this stage as the rapid technological development opens the door for new agile software service options in the enterprises (Froehlich, 2016). All of this has increased the number of small and medium sized software growth companies. When compared with traditional mature cloud computing companies, the startups are quite distinct, as they must imaginatively apply existing knowledge in order to improve and innovate with a fast pace in a competitive market. (Unterkalmsteiner et al. 2009.)

The most commonly known form of cloud services – and the catchword of today - is Software-as-a-Service, SaaS (Vaquero, Rodero-Merino, Caceres et al, 2008, 52.). SaaS provides a complete software solution that can be purchased on a pay-as-you-go basis from a cloud service provider. The application can be used cross the network without a need to install it into any device. (Vaquero et al, 2008, 52.) Everyone who has used i.e. a web-based email service, such as Hotmail or Outlook, already knows a form of SaaS. These cloud applications are becoming a preferred software delivery model, as they offer companies a variety of cost and efficiency benefits (McGittigan & Solanki, 2016). The SaaS application removes the need for organizations to install and run packaged software products in their own data centers or on their own computer and many clients leverage cloud computing for reasons such as scalability, agility and flexibility.

In the software business SaaS is a rather new phenomenon, and not yet widely researched. SaaS' delivery is expected to outpace traditional software product delivery significantly as its growth volume is nearly five times faster than the traditional software market. In 2014, the cloud software market reached $48.8 billion in revenue and by 2019 it is expected to surpass $112.8 billion the compound annual growth rate being 18,3%. (Mahowald & McGrath, 2015.) With figures like this, it is no wonder that many people are keen to get their own SaaS businesses off the ground. Though there is also a downside as the hype around providing application software through the cloud has motivated many firms to approach the cloud without a clear strategy. This "no-strategy approach lead companies more often to failure than success. (Goutas, Sutanto & Aldarbesti, 2016; Forbes, 2013.).

This dramatic change in IT front has affected not only the companies and clients but also the way in which business is operated. Marketing has always been a vital function and process of the organization and is used in acquiring new customers and nurturing old ones. The definition by Kotler (2009) states marketing is about creating, communicating and delivering value to customers and maintaining existing relationships. Although it plays an essential role in the success of any firm, its role is even more critical for small and medium-sized enterprises, where it is used to attract the first clients and spread awareness (Becherer, Haynes & Helms, 2008). Lately the role and influence of marketing departments have received a lot of attention in both the press and academic literature (Dixon, Karniouchina, van der Rhee, Verma & Victorini, 2014; Klaus, Edvardsson, Keiningham & Gruber, 2014). The publications commonly state that the marketing functions have been diminished (Verhoef & Leeflang, 2009), marketing has lost its role in strategic decision-making (Murphy, 2005) and it is heavily criticized for its inability to present convincing evidence of the effectiveness of the investments it directs into brand building and promotion (Klaus et al. 2014). Although marketing has undergone several transformations in academic research and in practice, there is a continuous concern about its relevance (Strandvik, Holmlund & Grönroos, 2014). The missing link between marketing and company's strategy creation has been described as one the biggest problems that small- and medium sized enterprises face and where software startups often face challenges when acquiring paying customers and

doing sales (Franco, de Fatima Santos, Ramalho et Nunes, 2014; Unterkalmsteiner et al. 2009). Nevertheless, simultaneously marketing has grown in importance during the recent years and has become an activity companies wouldn't survive without.

One of the purposes in this work is to focus on small and medium sized enterprises (SMEs), which according to European Commission (2017) are the backbone of Europe's economy. SMEs are enterprises, which employ less than 250 persons and have annual revenue less than 50 million euro. At the moment they represent 99% of all businesses in the European Union and in Finland, SMEs represent 58% of the country's GDP (Suomen Yrittäjät, 2015). SMEs are seen as important drivers of global and regional growth, innovations and new advanced technology. On top of all this, SMEs foster competitiveness and generate employment. (European Commission 2017; Martin, Beth & Minnillo, 2009.)

Earlier SME was only seen as a scaled down version of bigger corporations but lately researchers have identified clear differences between large and small enterprises. The bigger organizations usually tend to use a more structured framework in marketing decision-making and operations (Walsh & Lipinski, 2009). Small and medium sized enterprises' marketing is often described as informal, haphazard and market driven. As the SaaS sector is relatively young and extremely competitive, companies have had to work hard to stand out from others (Hubspot, 2015). Thus, research conducted by Jones and Rowley (2011) show that in spite of various factors, i.e. small size, the influence of managers, market limitations and the lack of formal organizational structures, SMEs are fully able to successfully capitalize their business.

Now when the transition towards to the cloud seems inevitable and happens with rapid pace, marketers need to understand the nature of the new technology when setting the business goals and evaluate carefully the importance of marketing function and the practices used. They need to take new approaches in communicating and marketing cloud computing applications' benefits to prospects. (Shane, 2011.)

Altogether, the fast transition to SaaS will set a lot of new challenges to strategic management, marketing and sales (Tyrväinen & Selin, 2011). While new technologies are entering the mainstream, companies can see a significant change in the traditional path to purchase (Deloitte, 2014). As a result of improving access to information and continuously widening choice of services, consumers have become more demanding and the complexity of making purchase decisions has increased (Deloitte, 2014). Nowhere is the buying experience changing more than in the cloud computing industry. It is critical that marketing and sales departments understand exactly how buyers are making purchasing decisions and how they can influence consumers' purchasing processes and turn these prospects into qualified leads. This insight needs to be reflected in the sales- and marketing strategies. It is particularly important for small and medium sized software businesses to form strong marketing strategies with care as they are competing with gigantic market leaders such as Salesforce and SAP. Studies of small and medium sized enterprises have revealed that owner-managers and entrepreneurs tend to see

marketing just as a plain tactic to attract new business (Stokes, 2000). The owners are often generalists, not specialists and their characteristics and subjective attitude towards marketing have major impact on how marketing is valued and practiced within the company. Study cases conducted by Bettio, Di Maria and Finotto (2012) show clearly that marketing strategies in SMEs are all SME manager driven and not a result of a structured analysis of the relevant market or a systematic search for opportunities. In most cases marketing strategy is more a result of reaction process towards the changes in the business environment.

While a lot of research and studies have taken place in the technology itself, there is a need to understand the business and operations related issues surrounding cloud computing (Marston, Li, Bandyopadhyay, Zhang et Ghalsasi, 2010). Tyrväinen and Selin (2011) stated in their study that there is a lack of researches concentrating in marketing and selling SaaS instead of traditional software. From the small and medium sized enterprises point of view, there is a need to identify what marketing means, how it is valued and practiced within the organizations (McCatan-Quinn & Carson, 2003; Fillis, 2007; Resnick, Cheng, Simpson & Lourenco, 2016). Also, in contrast to the literature on marketing of high tech products and services, the amount of research conducted on the marketing of software technologies is limited. There is a significant gap in the existing literature addressing the marketing of software by small and medium sized enterprises in general. (Ojasalo, Natti & Olkkonen, 2008; Alajoutsijärvi, Mannermaa & Tikkanen, 2000.)

Therefore, it makes sense to examine the role of marketing in small modern cloud computing companies, create understanding of the planning and implementation of marketing strategies and investigate the interconnectivity between marketing and sales. To scope this research the focus is on Finnish small and medium sized vendors that are providing SaaS software for other businesses and organizations.

1.2   Study objective and research questions

As mentioned earlier, 21st century brought technologies in people lives and has changed how they think, act and do business. Customers want to fulfill their needs and desires and companies need to grow awareness and make their offering the most appealing one. This is where marketing has a pivotal role.

The contribution of this study will consist of a more profound understanding of the role and value of marketing in Software-as-a-Service SMEs. This study creates insight of how the small and medium sized enterprises plan and implement their marketing practices and simultaneously find out how the founder-managers' personal input and attitude affect the marketing decision-making and implementation. Software-as-a-Service is a rather new phenomenon and already widely spread, and as the new paradigm of servitization is getting more popular, The academic literature has not yet reached an agreement of how the cloud service should be defined and treated;

is it a physical product or an intangible service? In this study this question will be opened and answered, too.

The research is descriptive and explorative and it is conducted from the companies' perspective. In this study the focus is on Finnish B2B software startup companies.

The main research problem is:

How the role and importance of the marketing function is perceived in SaaS SMEs?

The research questions are:

1. How SaaS companies plan and coordinate their marketing?
2. What are the typical marketing practices that SaaS providers undertake and how they are aligned with sales?
3. How the Software-as-a-Service concept influences the companies' marketing and sales tactics - is it a product or a service?
4. What is the role of owner-manager in the strategic marketing decision-making?

For this, the empirical data is used as the main sources of information. The data collection was conducted by several interviews. A total of five managers who have the most in-depth knowledge of their companies' marketing and sales operations were interviewed in spring 2017.

1.3   Structure of the study

This thesis consists of five chapters. The second chapter focuses in the theoretical background by discussing the layers of cloud services, small and medium sized Software-as-a-Service companies and marketing in the era of cloud computing. The alignment of marketing and sales, servitization and the role of owner-manager are also included in this chapter. All the methodological decisions are presented in chapter three. Chapter four reports the empirical study results and the final section, chapter five presents the theoretical contributions and managerial implications.

2 THE ROLE OF MARKETING AND SALES IN SAAS SMES

2.1 The new paradigm of servitization

Over the past decade traditional product sales and licence fees have seen a significant decline and simultaneously the computational world has kept evolving with a tremendous speed due to ever-growing demand for high-end computational devices (Rimal, Choi & Lumb, 2009). Cusumano (2008) states in his article that product company revenues are shifting to services and the transformation is particularly evident among enterprise software vendors. According to him software product companies generated most of the revenues from product license fees, but have lately began to shift to a combination of products and services. Gradually revenues will shift to services. One of Cusumano's conclusions is that most software product companies should take advantage of services in an early stage. Services should be treated as a strategic area and as an opportunity to increase profits. In this section servitization is reviewed in the context of cloud computing.

Locating business on the cloud means that company's solutions will include more than just a tangible product. It includes a range of other components like expertise, analytics, models, templates and smart coaching, all designed to deliver value to the end user. Due to the complex nature of software product, a firm's services and support are key determinants to its ability to create value to customers (Ruokonen & Saarenketo, 2009). Traditionally, a product is defined as something that is provided to a customer to meet their need, in exchange for money, services and goods. Most of the conversations with customers begin with revealing what challenges and obstacles they face.

Vandermerwe and Rada (1988) introduced the term 'servitization' in the late 1980s and in the past servitization was mainly studied in the context of manufacturing, explaining how manufacturers can create extra value by adding services to their product offering (Sultan, 2014). After all there is no definitive version of servitization. Instead, many levels exist, ranging from the addition of

relatively marginal services with mainly transactional, limited interaction with the customers, all the way to fully customized product-service solutions. Sultan (2014) simplified it saying servitization is a process where value is created by adding services to products. According to Vandermerwe and Rada (1988, 314) servitization equals "the increased offering of fuller market packages or bundles of customer-focused combinations of goods, services, support, self-service and knowledge in order to add value to core product offerings". Several alternative definitions have been presented and today servitization is often used as an umbrella term for a range of service-based models.

Oxford English Dictionary (1999) defines service as an "economic activity that does not result in ownership of an tangible asset". Service oriented strategies are much older than the widely used terms like product-service system and servitization. The latter is the most high-level term for service-oriented strategies and in recent years, the interest around the subject has increased massively. Over 20% of enterprises have integrated some kinds of services in their operations and offerings. (Opresnik & Taisch, 2015.)

Technology plays a pivotal role in enabling servitization and services. Cloud computing is a good example of a new disruptive and servitized innovation. The recent research has recognized it as a new paradigm of servitization in which product offering happens through service contracts (Ojala, 2016). The cloud has servitized the IT industry as it enables the scalable delivery of IT services remotely through Internet. Technology acts as an interface between services and products as customers do not need to build up their own physical IT infrastructure (Dinge, Urmetzer, Martinez, Zaki & Neely, 2014).

Servitization is actually a business model innovation as it changes the way in which firms create and appropriate value. Reaching for constantly higher service content requires a change in the whole organization, in its culture, processes and customer interaction as well as the development of new capabilities and competences. (Roos, 2016.) According to Vargo and Lusch (2008) there are two perspectives for the consideration of services. The first one states that goods are the primary focus of economic exchange and services are a special type of good – either an add-on that increases the value of a good or a restricted type of intangible good. This logic is called *good-dominant logic*. The supporters of the second logic consider service as a process of doing something for another party without a link to goods. This *service-dominant logic* identifies service as the primary focus of exchange rather than just a unit of output.

The software companies have faced common issues when their products become more and more homogenous, the prices lower significantly and customers become more rational while their requirements appear more diversity. Servitization has consequences, which these firms can benefit from. It enables companies to differentiate their offering from those of their competitors (Baines, Lightfoot, Benedettini & Kay, 2009). The servitized nature of cloud computing brings number of advantages to the consumers, efficiency, cost and the environment being the most important ones.

2.2   What is cloud computing?

The computational world has kept evolving with a tremendous speed during the past decade, mainly due to ever-growing demand for high-end computational devices (Rimal, Choi & Lumb, 2009). Cloud computing emerged in 2007 and was created by the growth of consumer Internet. When consumers started to have constantly increasing speed and access to the Internet at their leisure, they began using the consumer web at extraordinary levels. In the beginning it was dismissed as a "fad" (Hasson, 2008) but over time the model began to gain credibility and many huge IT companies started utilizing it, e.g. Microsoft, Google and IBM.

Cloud computing is generally described as a service driven business model which offers reusable hardware and software resources through a network with capabilities known as "as a Service" (Mell & Grance, 2011). This chapter introduces three main models: Infrastructure as a Service (IaaS), Platform as a Service (PaaS) and Software as a Service (SaaS). Thereafter the special characteristics of Software-as-a-Service will be introduced.

Not surprisingly, there is no commonly accepted standard for cloud computing as the definitions vary greatly. Many scholars have given their best efforts to summarize the complex nature of it and for instance, it has been defined as an information and communication technology that helps companies and organizations to use new IT development efficiently and with lower costs bringing salient benefits (Safari, Safari et Hasanzadeh, 2014, 401). Prior to this model all the web-based applications and websites were configured on a single system (Sowmya, Deepika et Naren, 2014). Another widely spread definition is from the National Institute of Standards and Technology (NIST, 2016) which summarizes the following: "cloud computing is a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources that can be rapidly provisioned and released with minimal management effort or service provider interaction". Armbrust et al (2010) stated in their study that the term cloud computing refers to the applications delivered as services over Internet and all the systems software that is used to provide these services. Some researchers say cloud computing is more like a concept, which is described as the offspring of grid computing. The word cloud on the other hand is a synonym for clusters of distributed computers, which provide on-demand services and resources over a networked medium (Grossman, 2009).

In many cases cloud computing is regarded as a utility and even compared with electricity. According to Buyya, Broberg and Goscinski (2011) this is understandable as the change seen now in IT is similar to the change companies faced a couple of centuries ago when electrical grid replaced in house electricity production. When the cloud is available to the general public and utilizes the pay-as-you-go manner, it is called a public cloud. If a similar service is being sold, the correct term is utility computing.

Youseff, Butrico & Da Silva (2008) listed that cloud computing stands for services used on demand through networks. Cloud services are offered through

an online medium by Cloud Service Providers (referred as CSPs). The basic structure, which is shown in Figure 1, consists of the CSPs, the services they offer, their customer base and the end user. Different CSPs provide different services and customer can access these services online. CSP's customer can offer the service or solution to an end user or in some cases the customer is the end user itself (Armbrust et al., 2010).

The pricing modes have gone through a massive change. The elastic, usage-based models enable individuals and organizations to pay for just those computing instances and capacity they require and what is most important, when they require it (Grossman, 2009).
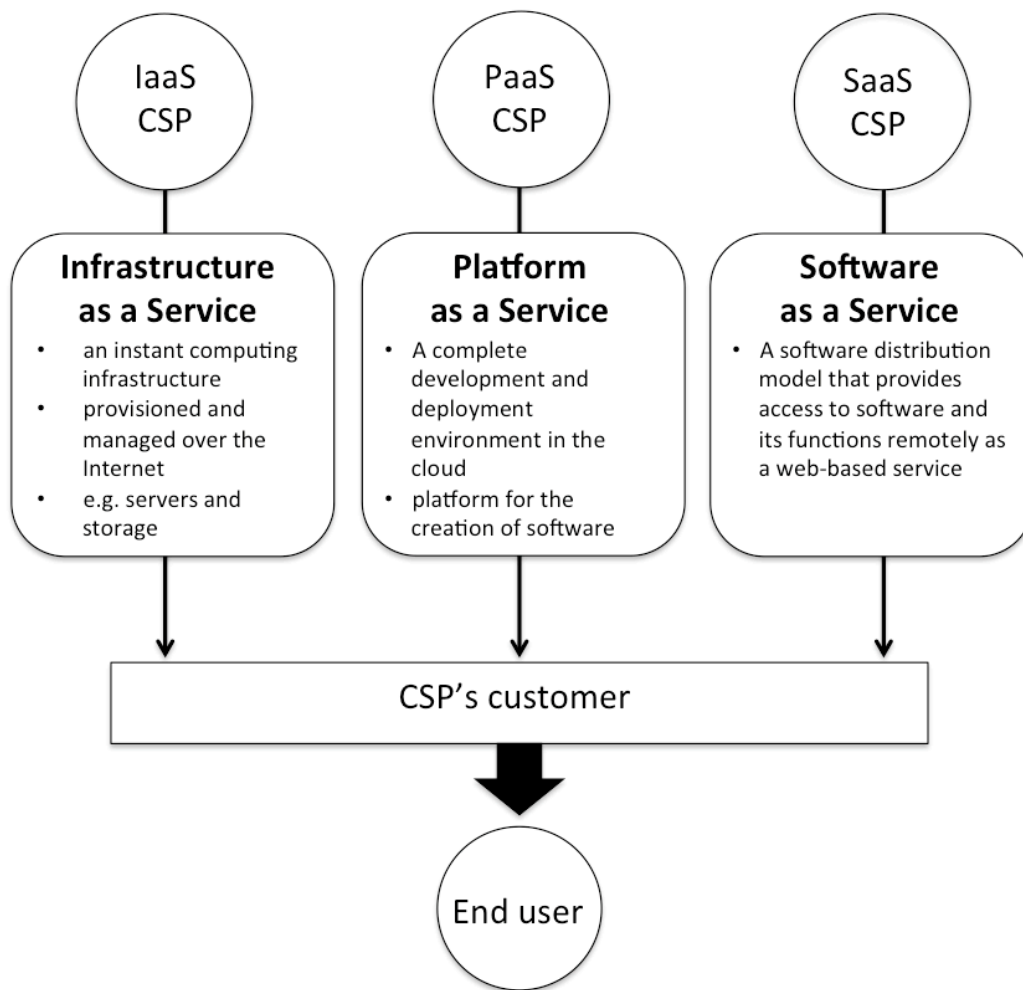

Figure 1 Cloud services: From Cloud Service Provider to end-user (adapted from Armbrust et al., 2010)

Cloud services can be viewed as a cluster of service solutions which are based on cloud computing. These computing resources can act in many roles such as virtual servers, database services and distributed computing systems. Most importantly the services based on cloud computing free organizations

from developing and maintaining heavy IT systems. As a result company can focus better on its core business processes (Wu, Lan & Lee, 2011). Sometimes cloud computing is associated with SaaS. However, there are minor differences and cloud services can actually be divided into five layers: cloud applications, cloud software environment, cloud infrastructure, software kernel and firmware/hardware.

2.3   Layers of cloud services

One of most vital characteristics of cloud computing is the delivery of IT capabilities and resources as a service (Ojala, 2016, 40; Patidar, Rane et Jain, 2012, 394). But this is not a new trend; Cusumano noted in his study (2008) that already in 1990s software product firms acknowledged services' growing importance. Nowadays the software products are offered based on organizations' service contracts.

The cloud computing services can be classified into three categories according to the types of services offered, like shown in the Figure 1. They are classified based on the clients' computing requirements. The categories are Infrastructure as a service (IaaS), Platform as a service (PaaS) and Software as a service (SaaS). These cloud-based services are hierarchically built from bottom to top and are usually described as layers; the base layer includes infrastructure, the middle layer is the platform which works as the interface between applications and hardware and the top layer software is the front end what the users see and use and with which they interact (Sowmya et al, 2014, 4477).

Infrastructure as a Service (IaaS)

Infrastructure as a Service (IaaS) model provides computing power and unlimited storage for customers including the remote delivery (Sultan, 2011) so it does not require any physical hardware or site. This service model requires a large amount of computing resources, e.g. web hosting, service resources, from the Cloud Service Provider (CSP) that can be shared to multiple customer destinations through virtualization (Vaquero et al., 2008).

The user does not manage or control the underlying cloud infrastructure, but has control over the operating systems, deployed applications and storage, and is given the ability to programmatically create and manage infrastructure elements, i.e. network, computer resources, images and storage volumes. IaaS providers rarely sell raw virtualized infrastructure but offer it as a service instead (Patidar et al., 2012, 395). Products such as virtual computers, storage devices and servers are part of IaaS' product offering. It is a comprehensive platform used by large-scale organization customers. (Sowmya et al. 2014, 4477.) Various companies, including Amazon, offer IaaS services.

Platform as a Service (PaaS)

Platform as a Service (PaaS) is a cloud-based computing environment, which is designed to support the fast development, running and management of various applications. PaaS model provides to its users a computing platform, offering customers e.g. with resources for online development and software production tools from debugging to product lifecycle management. In the PaaS model, consumers are given the capability to deploy applications onto the cloud infrastructure using programming tools and languages supported by the provider (i.e. Java or Python). (Mell & Grance, 2011.)

The customer can modify the platform to some extent, but generally the CSP will determine the infrastructure used. (Lawton, 2008.) This layer makes the traditional computing models useless. There is no need for teams of network, database and system management professionals to keep the services running, when all the operating systems, databases, servers and other underlying cloud infrastructure are now provided remotely by different cloud providers. Great examples of the early market leaders of this group are Microsoft's Azure and Force.com by Salesforce.com. (Sultan, 2011.)

2.3.1 Software as a Service (SaaS)

Software industry is moving towards the SaaS business model (Panders, 2014). The common understanding of the Software-as-a-Service concept has matured over the past decade. The definitions still vary but the key criteria are shared. As stated earlier, Software as a Service is the most commonly known cloud service and the most completed service delivery model. According to general definition SaaS is software, which is deployed as a hosted service and accessed over the Internet (Chong & Carraro, 2006). The concept includes various applications and services. Companies in all industries and of all sizes have started to use this model of software delivery, as the software application is more accessible and less expensive than its ancestors. (Benlian, Koufaris & Hess, 2014.) Before SaaS, companies used the application service-provisioning (ASP) model, which was an on-demand software delivery option emerging in the late 1990s (Benlian & Hess, 2011).

Now when SaaS is gaining momentum and SaaS-based solutions are becoming extremely popular, there is a progressive increase of the new software application vendors entering into the market and new services appear every day. It has been forecasted that the growth of SaaS is slowing down, but it will be the dominant service model in upcoming years. The reason for this is that the concept of SaaS is simple and attractive for users: It is a Web based delivery model which provides its customers with access to business functionality remotely as a service and which can serve a large amount of clients anytime, anywhere with low entry cost (Sun, Zhang, Guo, Sun et Su, 2008, 18; Patel, Seyfi, Tew & Jaradat, 2011, 28).

SaaS can be characterized as a standard software product, which is operated by the SaaS provider. Software is typically delivered using standard Internet protocols and accessed via a Web browser (e.g. Internet Explorer,

Mozilla Firefox, Chrome). The software uses a multi-tenant architecture, where only a single instance of the common code and definitions of data for a specific application exist on the vendor's server. This means the possession and ownership of software are separated from its use (Turner, Budgen & Breneton, 2003).

According to Sun et al (2008, 19) one of the key design points of SaaS is to serve thousands of customers through one software application. The idea behind this is that the vendors don't develop different software versions for individual clients; every client should find it easy to use the standardized offering. Also, when the applications are stored on the Internet, all the upgrades and updates are available automatically. The Internet data storage grows in accordance with the demand, so the users don't have to worry about it becoming full. (Ojala & Tyrväinen, 2011.)

Software as a Service (SaaS) can be imagined as the layer where applications are delivered as a service through Internet. Most of its users see SaaS as an application as the cloud service offers a complete application functionality, which does not require installing or maintaining software. The services can range from customer relationship management programs to productivity applications. (Sultan, 2014.) Webex, Google Cloud, iCloud and Salesforce.com are all famous examples of SaaS.

2.3.2 Differences between SaaS and traditional packaged software product

The concept of SaaS is easier to present when the service is compared with the traditional in-house software. Traditionally, companies licensed software products and implemented them on premise and provisioned all the tools and work - the hardware, infrastructure and set-up and maintenance support. SaaS on the other hand is delivered and managed remotely.

Delivering software applications over a network is not a brand new idea; the concept goes back to the 1960s and 1970s. In the 1990s and 2000s a growing number of firms started to deliver packaged software applications – such as emails, calendars and simple word processing. (Cusumano, 2010.)

The software distribution model has three main areas where it differentiates itself from traditional approaches. These are service property, deployment model and pricing model. Usually services can be defined using immateriality, the uno-actu-principle, which means the simultaneity of production and consumption, and the existence of an external factor within the fulfillment phase as the constitutive criteria. SaaS concept fulfills the criteria and as a result there is a continuous relationship between the customer and the vendor (Stuckenberg & Heinzl, 2010; Stuckenberg, Fielt & Loser, 2011). This is called *service property.* *Deployment model* can be seen as the direct consequence of the service property. The software vendor maintains SaaS solutions and the activities that were usually taken care by the customer are now vendor's responsibility. Examples of the typical technical implementations are the access using web-browsers and a multi-tenancy architecture (Sääksjärvi Lassila & Nordström, 2005).

The third area is *pricing*, which in SaaS context is based on the continuing service relationship between the vendor and the customer. SaaS pricing models are based on usage or time dependent metrics. The maintenance and support fees, which were charged in the past, are usually embedded in the monthly or yearly subscription fee (Cusumano, 2008).

In the literature authors have identified many advantages that enterprises can get from using SaaS. Cheun, Lee, Lee and Kim (2009) identified SaaS' six key features in their study. These features are (1) reusability, (2) service customizability, (3) data managed by provider, (4) availability, (5) scalability and (6) pay per use. In the context of cloud computing, the *reusability* means the Internet based services can be reused and in SaaS, the target is to use and deploy the same service to many customers. These one-to-many relationships are typical in SaaS service delivery. Usually most of the *data* produced by consumers is stored and *managed by the provider*. *Service customizability* denotes that the services can be changed based on service customers' individual needs and requirements.

As mentioned earlier, customers can access SaaS services or applications from a browser. If the service is not available, customers cannot use the service. This is why SaaS vendors focus on reaching the highest possible *availability* of their services. *Scalability* on the other hand means software's ability to either adapt to the growing amount of work or to be extended with ease.

In a traditional business model expenses are estimated based on ownership and companies have always searched for cheaper and better solutions. Already in the late 1950s companies started to invest a growing number of resources in outside computing services. Outsourcing became a feasible business strategy especially in the field of information technology (IT). (Yao et al., 2010.) The final key feature, pay per use, means the service consumers can connect and use the service as heavily as they wish and then pay just for the amount of usage, whether it is one month or one year.

Moneywise studies have shown several advantages of SaaS over the traditional on-premise software models, including better Return on Investment (ROI) and low Total Cost of Ownership (TCO). A big benefit is also the ease of scaling up the application if the number of employees grows. The product updates take place frequently and in today's world where people work more and more remotely, the anytime/anywhere access is what differentiates the new model from competitors.

There are also similarities between SaaS business and software product business such as high number of customers, higher up-front investments on software development, small revenue per customer and high customer acquisition costs (Rönkkö & Tyrväinen, 2012).

Tyrväinen and Selin (2011) state in their article that even though SaaS service delivery is cost efficient from SaaS provider's perspective, controlling marketing and sales costs sets challenges for profitability. The specifics of software products like SaaS have certain implications for marketing strategy. Security and technology issues as well as human psychology easily affect the adoption of SaaS (Wu, 2011). Privacy and security have been defined as the

greatest challenges with SaaS. As data can be accessed from any location, it might compromise users' privacy.

From the application software providers' perspective, the SaaS model offers them the benefit of liberating them from the typical low-level tasks, i.e. setting up IT infrastructure and deploying applications to clients' systems. This gives the providers a chance to focus on innovation and creating more business value while scaling investment and growing the businesses. (Goutas et al, 2016.)

2.4   Success of small and medium sized enterprises (SMEs)

There are no hard rules on defining startup since employment numbers, revenues and profits change significantly between industries and companies. Startup belongs to the category of small and medium sized enterprises (SMEs), which have characteristics that differentiate them from the big corporations (McCartan-Quinn & Carson, 2003). SMEs are the most widespread type of organization in Europe and form a vital part of the economy. The fact that SMEs form a pillar of country's business structure is a common characteristic for all European economies. This unique group of businesses has been identified as key drivers for economic recovery and of job creation (Rae, 2010). According to research by Marcati, Guido and Peluso (2010) most of SMEs have concentrated in industrial districts and on a high degree of flexibility and specialization.

Until recently it was strongly assumed that a SME was just a smaller, scaled down version of a big organization (El Haddad, 2016). Today, the studies show that SMEs do not behave like larger organizations but have a unique set of characteristics that differentiate them from conventional marketing practiced in large companies (Carson, 1990). These characteristics are often determined by the behaviors and inherent characteristics of owner-manager. Also the stage of development and the inherent size of the enterprise are examples of determining factors. SMEs are considered as significant sources of innovation, mainly due to their smaller and flatter company structure and the absence of layers of bureaucracy, which improves collaboration, knowledge sharing and communication (Laforet & Tann, 2006). They also have greater flexibility and motivated staff. These unique characteristics may not always have a massive influence on the markets, but it is good to recognize that the small size often allows them to obtain competitive advantages compared to the bigger companies (Franco et al. 2014).

There is a general agreement that newness and smallness create certain difficulties for businesses. SMEs' biggest limitations are limited or fully lacking resources. Small companies that have limitations with their finances are typically unable to employ the expertise needed which results in owner-manager having a major impact on all aspects of the organization, from sales to marketing activities (Leppard et McDonald, 1991). IT technology is evolving continuously with a high rate and these new changes will continue to place a lot of pressure on organizations' budgets and human resources. Small firms are

often perceived as vulnerable and their high failure rates are commonly attributed to weaknesses and limitations in financial management and marketing. Even so, the research about marketing within small companies has developed slowly.

A rising number of SMEs have shown interest to cloud computing as it promises to deliver tangible business benefits. The cost is lower as SMEs pay only for the resources needed resulting in a good return on investment (ROI). This enables them to focus on customers and results often in a competitive advantage. (Alshamaila, Papagiannidis & Li, 2013.) Nowadays companies operate in environments of increased risk, competition and complexity. These challenges increase inherently when organisations expand to new markets or launch new products. Harris, Rae and Grewal (2008) have said that for SMEs the effects are even increased as "while they are delivering, they can't sell, and while they're selling they can't deliver". Thus smaller firms seem to be closer with their customers compared to bigger ones, and can easily incorporate customer feedback into innovation development. But understandably, larger firms have significantly greater reliance on structured management processes to build capability for innovatins. (Merrilees, Rundle-Thiele & Lye, 2011.)

2.5   Marketing in the era of cloud computing

Marketing is regarded as a relevant function to both small and large organisations (Hogarth-Scott, Watson & Wilson, 1996). The term marketing actually refers to several things; it is an organizational function (marketing department), a management philosophy (customer centricity) and a set of specific programs or activities (the marketing mix) (Hanssens & Pauwels, 2016). Kotler and Keller (2009) have defined marketing more specifically as one of the functions and processes of the organization, which creates, communicates and delivers value to customers and has a pivotal role in maintaining profitable customer relationships. Regardless of the planned use of the term, it is clear that marketing aims to both create and stimulate positive customer attitudes with the ultimate goal of boosting customer demand. This demand generates sales for the firm, which in most cases enhances its financial value and market position. This so-called sequence of influences has its own term, the "chain of marketing productivity". (Hanssens & Pauwels, 2016; Rust, Ambler, Carpenter, Kumar & Srivastava, 2004.) Dixon et al (2014) stated in their article that there are two basic types of constraints that all business organizations are subject to. These are the demand for their services and goods (i.e. marketing) and expertise, cost and capability of resources (i.e. operations management). This means a close cooperation and coordination between marketing and company's other operations is an important element of organizational success (Strandvik et al, 2014).

The value of marketing and the marketing function still remains a thorny management issue both in theory and in practice (Smyth & Lecoeuvre, 2015). In order to function efficaciously, companies need to engage in multiple interfaces

both internally between departments and externally, for example with customers. The interface between marketing and sales has been identified as one of the most critical ones (Malshe, Johnson & Viio, 2017).

As stated earlier, marketing departments are under pressure to prove their economic value to the firm (Hassens & Pauwels, 2016). Many experts confirm that companies will not be able to grow steadily without a clear marketing strategy. Although the importance of interaction between company's business operations and marketing is obvious, all the investments in marketing-related activities and capabilities must be justified. Thorough justifications are demanded from the marketing function as too much attention is often paid on short-term financial measures. This might result in companies not allocating enough time and strategic oversight to align its operations and marketing strategies. (Dixon et al, 2014.)

For companies, it is essential to develop a deep knowledge of how consumers make purchase decisions. As all companies, including SaaS providers, generate revenue totally from customers, there wouldn't be any business without them. Marketing is a tool for making purchasing easy (Strandvik et al, 2014). Usually marketing strategy has a tight connection with business strategy and it is an important part of it but most recently studies have argued that marketers are dealing with a "widening gap between the accelerating complexity of markets and the capacity of most marketing organizations to comprehend and cope with this complexity" (Day 2011, 183). The findings from the 2011 IBM Global Chief Marketing Office (CMO) study support this argument. The study demonstrates that complexities related to new technologies, growing quantities of data, and changing consumer demographics are challenging marketing departments.

If marketers and sellers do not have properly aligned strategies, companies face a risk of wasting money in less effective marketing. Openly shared information and insights help organizations to provide customers with the right information at the right time. Regardless of whether a company sells a Software-as-a-Service or traditional on-premise solution, the goal is the same – to minimize the cost and maximize revenue by reaching customers at the specific moments that most influence their buying decisions. Marketers have always sought the moments, called touch points, when consumers are open to influence. For decades, these touch points have been defined through the metaphor of a "funnel". (Bolton, Parasuraman, Hoefnagels, Migchels, Kabadayi, Gruber, Loureiro & Solnet, 2013).

2.6   Assessing the value of marketing in SMEs

Numerous scholars support the idea that marketing functions are important for companies' performance. Researchers' rationale is that marketing affects the performance directly and positively by developing viral skills and knowledge that connect potential customers with firms' products (Wu, 2004). The key principle of the marketing concept contends that businesses achieve success by

identifying and satisfying the wants, needs and aspirations of target markets (Walsh & Lipinski, 2009). Although the role of marketing is important in the success of large firms, researchers say it is even more critical for SMEs. This is because the loss or gain of a single customer can determine whether the company will survive or not (Becherer et al, 2008). SME's business is not dependent only on the presence of markets and products but also how efficaciously those products have been marketed within the markets. Case studies conducted by Franco et al. (2014) show that the importance of marketing activities is recognized and understood in SMEs, but it differs widely depending of the company's size. Thus, marketing, which was once the darling of boardroom members' strategic efforts, has in the last decades been downgraded from a strategic to a more supportive, tactical role (Strandvik et al, 2014).

Marketing departments are under constantly increased pressure to prove their economic value to the firm. Marketing has several facets - some behavioural, some financial and some attitudinal – and the relation between the metrics used for assessing these facets is nonlinear and complex (Hanssens & Pauwels, 2016). Also, the scope and objectives of marketing differ widely across companies. Therefore, it might be difficult to translate the value of what marketing department does into a language that board comprehends.

Until recently, marketing concepts and theories have been exemplified by big organisations. This transfer of large organisation marketing models to SMEs has received criticism and it is argued that these conventional theories, definitions and models may not necessarily apply to the context of smaller firms (Resnick et al, 2016; Stokes & Wilson, 2010). It is important to recognize that SMEs differ a lot from large organizations and so the reality of marketing operations in SMEs is far from that of big companies. The marketing orientation of SMEs is highly dependent on the marketing knowledge of the owners who in most cases tend to be generalists (Pugna, Miclea, Negrea & Potra, 2016).

Carson (1990) stated in his article that SME's have unique characteristics that differentiate them from the conservative marketing in big corporations. The inherent behaviours and characteristics of the entrepreneur or owner and the size and the stage of the development of the enterprise are good examples of these (Gilmore, Carson & Grant, 2001). SMEs have been characterized as very sales focused with the main goal of marketing being to create awareness of the firm itself and its products (Reijonen, 2010). Gilmore, Carson and O'Donnell (2004) stated that marketing techniques used in SMEs are usually reactive and spontaneous. Marketing can be seen as informal and haphazard because the owner-manager makes most of the decisions alone. In addition, SMEs appear to have weaknesses especially with planning, training, pricing and forecasting (McCartan-Quinn & Carson, 2003). Gellynck, Banterle, Kuhne, Carraresi and Stranieri (2012) claim that SMEs have difficulties with organizing marketing activities, specifically planning and implementation. Even so it is argued that a majority of marketing in SMEs is innovation based and these companies have the potential to be the most agile marketers online (O'Dwyer, Gilmore & Carson, 2009). SMEs' have numerous advantages including their flexibility and ability to respond rapidly to environmental needs. They can meet the customers'

changing needs fast and have a lot of potential for close, beneficial relationships with customers (Storey, 2000).

Although there are several factors causing the limitations that SMEs generally face with marketing processes. According to Gilmore et al (2001) the limitations are (1) limited or lacking resources (i.e. time, marketing knowledge and finance), (2) limited marketplace impact and (3) lack of specialists. It is often difficult for SME to make an impact in competitive markets with large established players and because of that they create their own markets. According to Walsh and Lipinski (2009) SMEs create markets by developing innovative products and services or supplying an untapped niche market.

Special attention is paid to the owner-manager also in SME marketing, as the owner-manager of the company may be the biggest obstacle for successful marketing. Small business owners are often generalists, not specialists and because of this not all complex marketing models are appropriate for SMEs. It has been stated that if company's CEO has a background in marketing, the function will have a significantly higher level of influence (Verhoef et al. 2011). Literature reveals that the level of engagement owner personally has with marketing determines in many cases whether or not the business will create and implement any kind of marketing strategy (Dobbs & Hamilton, 2007). The small business owner has usually a vision of the business' future and is simultaneously taking care of the everyday operations carried out in the company. Thus, it is good to bear in mind that even in the case of SMEs, the successful strategic marketing planning is not an effort of a single person. A strategic planning should be carried out by a team of qualified professionals, both in marketing and management (Pugna et al. 2016).

Many authors have examined the role of marketing in firms in the past and since the 1980s, the influence of marketing department has been shown signs of having varying levels (Walsh et al, 2009). While the majority of small businesses fail within 10 years from being founded, marketing is proved to be a key factor for those who survive (Morris, Schindehutte et LaForge, 2002). Role of marketing is shown to be significant. Studies have suggested that most of the established academic marketing definitions are not useful for small and medium sized enterprises (Gamble, Gilmore, McCartan-Quinn & Durkin, 2011). The main reason for this is that majority of the mainstream marketing theories focus on planning, marketing research, advertising and on other aspects, which are typically designed for bigger organizations (Hulbert, Gilmore & Carson, 2013). Yet once again, the personality of the owner-manager typically influences the use of marketing theories in the firm (Gamble et al, 2011).

Due to the unique characteristics and constraints of SMEs, marketing is context specific and market driven (Gamble et al, 2011). Blankson and Stokes (2002) state that small firms are not practising "textbook marketing" because of their personal marketing style. As organization grows and its marketing technologies develop, marketing operations become increasingly complex and specialized. New departments are born even within marketing and each of these has their own key performance indicators and other performance metrics. Often this results in an increasingly siloed marketing department, with each function having its own objectives. In some cases, the loss of consistency may

result in marketing to be treated as an expense rather than an investment. (Hanssens & Pauwels, 2016.)

2.6.1 Owner-manager's role in SME's marketing

In smaller firm, there is usually one decision-maker, the founder, who has a central role in the strategy creation. Owner-managers have an apparent role in the business as both the ownership and the managerial functions are their responsibilities (Dobbs & Hamilton, 2007). Even though literature and consultants emphasize the need to plan business ventures and decisions carefully, only a minority of owners plan their business, unless it is required to raise finance (Blackburn, Hart et Wainwright, 2013). As the decision-making is a SME owner-manager's responsibility, the process is generally less formalised than in larger companies, even in case of relatively repetitive decisions as operational and tactical decisions (Salles, 2007). The decision-makers face constantly situations where decision making, in varying levels and with different implications, is needed. One of the most important competences is strategic rationality, meaning the capacity to follow a systematic process in decision-making (Musso et Francioni, 2012). Big organizations coordinate themselves with well-established procedures and solve upcoming problems with a pre-determined way that differ from SMEs significantly. SMEs tackle problems as they arise and usually in a tacit way. Their setting is less rigid and relatively simple with a more entrepreneurial, innovative and creative management culture (Resnick et al, 2016). All of this is resulting from two things: the small business owner-manager has only a limited amount of time to think strategically about the business and most importantly he/she does not necessarily believe that structured formal planning will benefit the business (McCartan-Quinn et al, 2003).

According to Scase and Goffee (1980) the way in which SMEs do marketing is a consequence of how an owner-manager does business. They state that decision-making is chaotic and follows the personal priorities of the owner-manager. The studies also highlight that SME owner-managers are not specialists in any of the marketing areas as the variety and scope of the everyday decisions requires more general knowledge of various subjects (Carson & Gilmore, 2000). Given that SME environments are often complex and continually evolving, both the company and its owner-manager need to adjust skills and capabilities to these ever-changing environments.

There is no clear consensus as to what success in the case of SMEs is. It has been suggested that success means achieving the goals set, as goal setting is important in order to become successful (Dobbins & Pettman, 1997). Usually the definition is related to the personal terms of the owner-manager. This is where the characteristics of the entrepreneur stand out. Owner-managers describe business success differently, meaning they may choose earning just enough to have a manageable business over creating a big wealthy company, so that they don't have a risk of losing control (Simpson, Padmore & Tuck, 2012). Existing studies of business success in SMEs can be categorised in two extensive groups: The first emphasises the role of external factors especially in determining

success, whereas the second highlights the internal aspects of small and medium sized enterprises. Owner-managers may regard themselves successful using varying subjective measures, such as personal satisfaction, which may turn out to be misleading, inappropriate and meaningless in the end. Although, Walker and Brown (2004) stated that in small firms both financial and non-financial criteria should be used when measuring success. Ahmad and Seet (2009) on the other hand stated that the biggest obstacle to success among SMEs is the lacking availability of various forms of support, i.e. training and financial support.

SMEs are usually significantly characterized by their founder's personality and management style. In fact, the founder has a fundamental role in orienting marketing, creating processes and building relationships. One of the most important factors in the building of social relationships within a company is trust. It exists when co-workers have confidence in another's integrity and reliability. Trust plays a pivotal role in knowledge sharing processes and is extremely important in companies of all sizes.

2.7 SaaS providers' marketing approaches and practices

The existing literature suggests that SMEs have a different approach to marketing from those of big organisations. The adoption of the marketing approach in SMEs is typically conditioned by their owners' conception of marketing, which may differ a lot from that proposed by academic using paradigms, which are relationship, inductional or transactional marketing (Marcati, Guido & Peluso, 2010). This implies that the benefits of the adoption rely upon what the founders do when they think they are employing a marketing programme.

Over the times, the marketing concept has evolved through three main different frameworks, meaning the marketing paradigms mentioned above. Transactional, relationship and inductional marketing approaches are based on varying assumptions and principles. The approaches position marketing at different levels, as marketing can be seen as a function, a firm's orientation or a strategy. The popularity of these paradigms varies, but all of them still co-exist in practice.

Recent studies have shown that if compared with larger companies, SMEs are more hesitant to adopt a marketing approach. The main reason for this is usually a lack of required skills or resources. (Verhees & Meulenberg, 2004; Marcati et al, 2010.) The decision of adopting a marketing approach relies on what the owner think marketing is and how they value the consequences of the adoption. In other words, the use of marketing approach is evaluated subjectively, according to the founder's contexts, perceptions and mental schemes.

Tyrväinen and Selin (2011) introduce two of these approaches – transactional and relationship marketing - in their study. *Transactional marketing* was the first approach, which was presented in literature. The name is due to its

theoretical focus on the concept of exchange. Transactional marketing is implemented through the marketing mix paradigm, which is a mixture of the 4Ps: product, price, promotion and place. This paradigm still dominates most of the practices and theories in the marketing field, but has faced a lot of criticism, most of it stressed among its weaknesses, i.e. its restricted theoretical domain and its functional, rather than strategic role. (Marcati et al, 2010.)

The *relationship marketing* approach was created in the 1980s and is seen as an interactive process, an approach that builds, develops and maintains relationships while satisfying the needs of the participants (Grönroos 1997). Integrated marketing approach is more focused on questions related to company's products and services, delivery channels and communication.

The markets have faced several changes in the last decade, i.e. globalization and growth of Internet, and have become more network-centred and structurally turbulent. Therefore, it has been necessary to rethink the marketing concept to face the challenges coming from this new changed, competitive environment. New marketing models have been presented and all of these seem to share the same *inductional* nature of processes. Under this approach, marketers use marketing to induce final consumers and other counterparts, like competitors and distributors. Marketers should manipulate others' perceptions, expectations and desires in order to induce them to buy firm's products. Moreover, inductional marketing strategies seek to affect the motivational, perceptual and cognitive determinants of customers' satisfaction. In other words, companies want to affect the expectations clients have about company's offering and the desires (i.e. inner goals) customers wish to fulfil by purchasing and utilizing such products/services. (Pino, Guido & Peluso, 2015.)

SaaS vendors' main goal is to increase the conversion rate and in order to enhance the growth of their products, oftentimes the companies need to figure out creative ways of finding traction channels to grow businesses. Early-stage startups and growth companies are usually lacking both human and financial resources allocated for marketing although it is a vital accelerator in company's growth as it is the tool for attracting the first customers, driving traction and keeping the users engaged. (Holiday, 2014.) As mentioned earlier, strategic marketing planning should be a result of team's input, not of a single person. Practitioners and researchers talk about adapting the company offer to clients' needs. B2B services are often marketed with more technical specifications. They are also subject to greater standardization than plain consumer services. Research by Niculescu and Wu (2011) showed that in B2B and cloud computing context especially, the best marketing approach is to use "try before you buy" or a time-limited model instead of one with free and paid for components. Most emerging SaaS businesses are passionate about their products and eager to use a free trial, *freemium*, as a part of their marketing practices. *Freemium* is a combination of the words free and premium. On a free trial, customers are allowed to try the service for a limited time without any charge. It involves a distinctive type of sales promotion as it enables consumers, prospects, to start using the service without the need for a financial obligation. It also allows them to revise their initial adoption decision if they are not satisfied with the service. Premium is the more advanced and charged full version product. Freemium is

widely utilized in the offering of cloud computing- and other digital-based services and products (Liu, Au & Choi, 2014).

2.7.1 The rise of content marketing

The growth of digital content, social media and advances in communications and information technology have transformed the ways in which businesses interact with others and search for information. With limited and tighter budgets SMEs don't have money to waste in ineffective marketing strategies and instead of leveraging traditional marketing and sales channels such as cold calling, commercials, press relations and trying to raise awareness, cloud computing companies are almost primarily focused on measurable, scalable and trackable digital means (Holiday, 2014). Researchers have noticed that digital communication channels have an ever-growing influence in customer purchase decisions especially in the B2B sector (Lingqvist, Plotkin & Stanley, 2015) and as a result the use of content marketing is becoming extremely common in this specific sector: According to Content Marketing Institute's (CMI) annual *Benchmarks, Budgets and Trends Survey* (2016) 88% of B2B companies use content marketing.

Content marketing improves brand and customer relations. It means creating, publishing and distributing content for the firm's target audience. This happens usually online in digital formats, with the goal of attracting new customers. The most popular components of content marketing are blogs and social media posts. Other visual content like pictures and animations, and premium content assets, i.e. e-books, infographics, webinars and tools are also considered effective and important (Chaffey & Smith, 2013).

Software product businesses often use Internet as the main marketing and sales channel and SaaS providers make no exceptions on this. Earlier the relevant marketing means for software service business included personal communication such relationship management, seminars and fairs. A survey of 550 SMEs in the U.S. (Adweek, 2016) reveals that there is a clear shift happening among SME marketers. The millennial-led businesses reported switching from traditional marketing to online and social campaigns, almost completely. For a small or medium sized cloud computing company content marketing is a way to differentiate from other businesses and engender trust with existing customers and prospects. Content marketing is seen as a great tool for generating awareness in the brand all the way to helping customers evangelize the business.

In pull marketing, companies are trying to capture the interest of potential customers who are already seeking information, a product, a service or advice. Internet is often called as a pull marketing environment in which firms pull customers to their sites through i.e. social media, search engine optimisation (SEO) or display advertising (Holliman & Rowley, 2014). "Word of Mouth" marketing is also a one type of marketing, which is traditionally used by SMEs (Stokes & Nelson, 2013). Nowadays this type of marketing has changed from physical person-to-person communication to social media and "Word of Mouse" (Resnick et al, 2016).

It is crucial to understand the role of content marketing in B2B sales, as there are tireless conflicts about lead generation between sales and marketing departments (Järvinen & Taiminen, 2016). The criticism varies from the quality of marketing leads to sales department's follow-up skills.

2.7.2 Differences between marketing a product or a service

A product is tangible; basically any item that can be physically touched and has packaging, but defining services is more complex. The service marketing literature describes services by their characteristics such as heterogeneity, intangibility, the impossibility of stocking, and inseparability of consumption from production (Grönroos, 1998). During the past decade, there has been a growing amount of interest in the services marketing. According to Baker and Magini (2015) the development of service-oriented models and concepts began in 1977 when Shostack's seminar article was published.

The service marketing literature emphasizes the employees as marketing tools and calls the interactions between the staff and customers as key determinants of marketing success. The biggest difference between services marketing and well-known traditional marketing is the expansion of 4P's. In the services marketing field, the 4P's of marketing are often expanded into 7P's by including three more: (1) People, (2) process and (3) physical evidence. (Baker & Magini, 2015, 1512; Kushwaha & Agrawal, 2014.)

A key finding in the service marketing is the fact that the consumption of a service can be described as *process consumption*. It means the consumer perceives the production process as a central part of the service consumption. *Outcome consumption* on the other hand is related to the more traditional marketing of physical goods. (Grönroos, 1998.) Service represents the exchange process, service being the good what is always exchanged. There are two research areas in services marketing, service product marketing and customer service marketing. The difference between these two is clear; the goal of service product marketing is to ease service products exchange while customer service marketing is used as a tool to promote the exchange of tangible products. It is said that to a certain extent it is more complicated to manage services than products. In 7P's of services marketing some dimensions have more value than others. Grönroos (2000) stated that in a situation like that, marketing is no longer an independent function but rather a part of the various functions of the company. In the service industry customers are a vital input to the production process. The process is initiated by the needs, actions and possessions the customers provide themselves (Sampson & Froehle, 2006).

In traditional product marketing the marketing activities revolve around the physical goods. The pre-produced product is priced, communicated about and then delivered to the consumers. Marketing becomes totally different when there is no such ready-made, pre-produced object. The process cannot begin until the user enters the process.

According to Grönroos (1998), a successful marketing of physical goods requires that the product, object of marketing and consumption, is good enough, but successful marketing of services requires a process that is efficient and good

enough. Also, there is a clear difference in the development phase. It is more complicated for service firms to develop processes than for the product development companies to produce products. The development of processes requires actions and decisions in a number of functions and departments, from internal marketing to investments in tools, equipment and people.

It is important to note that from a marketing point of view, in many cases the strict borderlines between goods and services are no longer needed. A rising amount of companies offer both and this can be seen especially in long-term customer relationships. The physical goods are becoming more and more service oriented. (Grönroos, 1998.)

2.8   Aligning marketing and sales

For several years, business-to-business companies have been dominated by sales-led cultures and marketing was merely a support function to sales. The alignment of marketing and sales has been a struggle for many B2B organisations and due to the increasing competitiveness in the business environment it is crucial to improve the interaction between these two (Redding, 2015; Rouziès, Anderson, Kohli, Michaels, Weitz & Zoltners, 2005). While marketing and sales are both interdependent and independent, they are not always working collaboratively or collectively. Massive research efforts have been devoted to considering the collaboration and co-operation between different functional departments in companies. Kotler, Rackham and Krishnaswamy (2006, 78) have stated "Every company can and should improve the relationship between sales and marketing". Prior studies considering the relationship between marketing and sales have stated that the interface has a lot of negative characteristics (Kotler et al, 2006). In B2B companies it is the lead generation and handoff process that usually integrate marketing and sales and the poor coordination between these two functions particularly in planning and goal setting is one of the biggest obstacles. Other researchers have also described the relationship exhibiting distrust, a lack of understanding and being in conflict (Rouzies et al, 2005).

Lead generation is the process of identifying potential customers from prospects. Companies execute it in several ways; they track visitors on their sites, offer free downloadable material or create other appealing material to create interest towards company's products (Singh & Chanda, 2014). Often leads are nurtured to build the relationship before contacting them for sales purposes.

According to Järvinen and Taiminen (2016) nurturing can be defined as an iterative process: Marketers target leads with personalized nurturing campaign and simultaneously learn more about the potential clients. Companies want to encourage leads to become their customers by using compelling content to attract, educate and engage them. (Singh & Chanda, 2014.) Companies define qualified leads differently, but it is often considered that the lead has an

intention to buy and a budget for the purchase. Organizations often use CRM tools, i.e. Hubspot, for helping them in qualification process.

Customers do not usually see a difference between marketing and sales departments and consider them to work together to perform a mutual purpose. Regardless of this in larger organisations these departments are usually structured as separate functions.

Tyrväinen and Selin (2011) proposed the clover model, as shown in Figure 2, to assist SaaS companies in the design of their sales and marketing strategy. The eight dimensions are clustered into four areas highlighting the interconnectivity of the key areas collected both from literature and from their own study. The model highlights the linkage between customer relationship and customer lifetime value asserting the key factors for SaaS are to maximize monthly revenue and minimize customer churn. Customer churn is a synonym for loss of customers.

The model includes eight dimensions all representing different variables: (1) service and implementation model, (2) provider size, (3) customer size, (4) buyer role, (5) market communication channel, (6) sales channel, (7) maintenance and after sales and (8) development and new sales. According to this model *Business* creates a connection between 'Service and implementation model' and 'Provider size'. Service and implementation model includes values from development to integration and from tailoring to consulting. There is interconnectivity between these two variables meaning the size of the company correlates with the amount of services the company can offer to its clients. A typical SaaS firm is a small growth venture which is able to only offer self-service or development.

Target customers connects 'Buyer role' and 'Customer size' variables. The researchers had identified that in large companies SaaS purchase decisions are made by business managers while in smaller firms all the decisions related to purchasing are made by the top management. Company's headcount, the number of potential users, was identified as a critical indicator when deciding target markets. On the other hand, number of customers indicated the long-term success.

'Sales channel' and 'Market communication channel' are interconnected in *Sales process* area. These two may not imply the same, in other words the use of Internet marketing does not necessarily mean Internet is a proper sales channel for B2B customers. The empirical data revealed that personal marketing and personal selling were valued among the business clients.

Customer relationship leaf includes two dimensions, 'Maintenance' and 'Development'. Tyrväinen and Selin highlight that for SaaS company it is extremely important to guarantee that existing client base remains content so the cash flow stays stable and no churn exists. Much attention is often paid in acquiring new customers but equally important is to support and develop the current relationships and generate sales from these organisations. (Tyrväinen & Selin, 2011.)
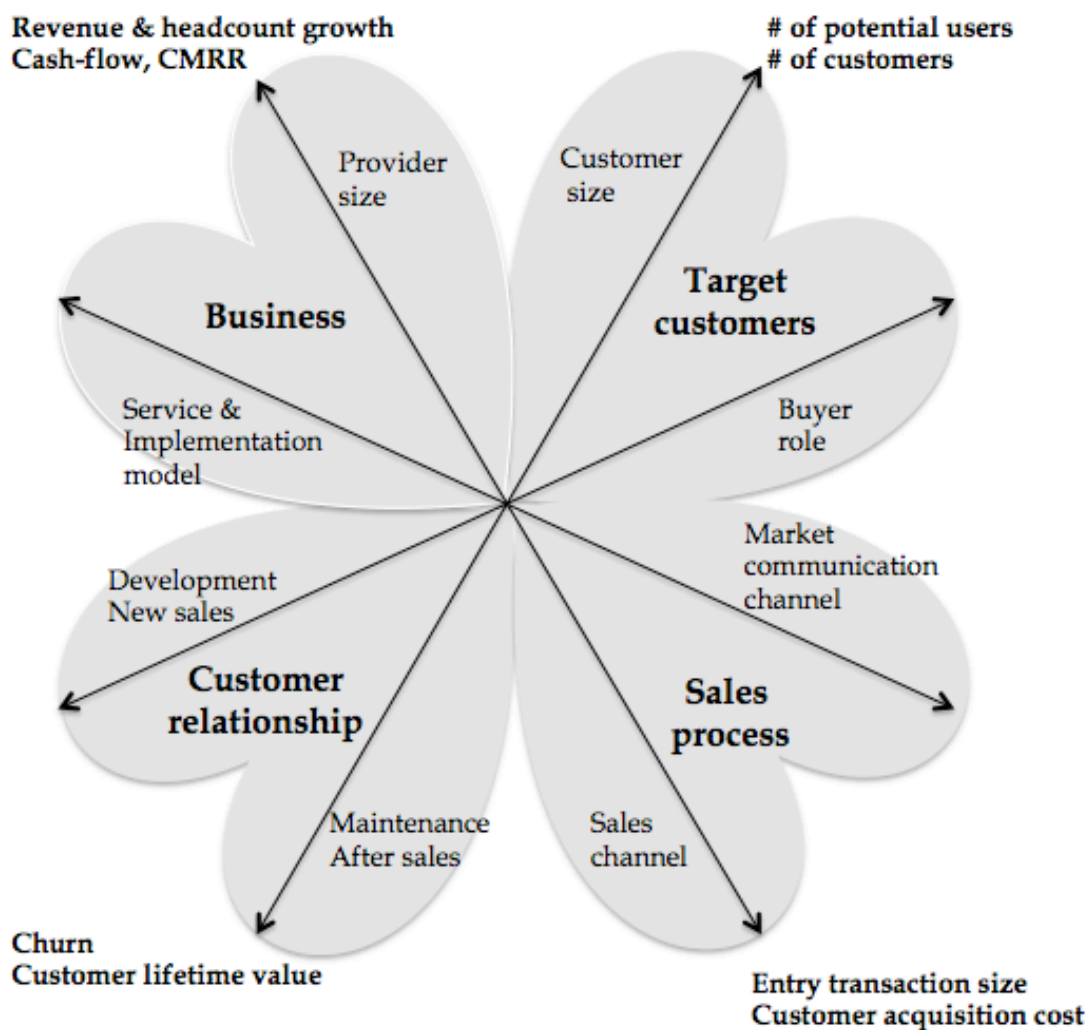
Figure 2 Clover model for marketing and selling SaaS (adapted from Tyrväinen and Selin, 2011)

Key performance indicators suggested for SaaS providers

The model above takes into account both short and long-term success of the firm and the related key performance indicators (KPIs) are added to these four areas outside the clover. SaaS SMEs have to rely on varying metrics in order to know their financial performance. According to Tyrväinen and Selin (2011) it is important for SaaS businesses to make sure the company is on right track to maximize the business value.

Revenue, headcount growth and *cash-flow* are common metrics. Revenue is the income that a firm has from its normal business activities. Headcount growth refers to the increasing amount of employees and cash-flow is used to describe the total monetary value of continuous subscription fees. *Committed monthly recurring revenue (CMRR)* refers to the value of the recurring portion of subscription revenue. It takes into account monthly recurring revenue (MRR), which is the sum of all revenues excluding all one-time payments, such as costs and professional fees. *Amount of potential users* is the number of potential customers for each company while the *amount of customers* is linked to the *Active*

Subscriber Count (ASC). The success of a subscription based business like SaaS is strongly based on its ability to acquire and retain customers, the active subscribers. The active subscriber count fluctuates over time, as it is simple for customers to sign up and cancel when the contract period expires. SaaS companies' initial goal is to increase the number of active subscribers, meaning that they would have a positive subscriber base. *Entry transaction size* has a strong impact to adoption of Software-as-a-Service in most cases. The first transaction is usually much cheaper compared to packaged software product and it is one of the benefits of SaaS. *Customer acquisition cost (CAC)* is the total amount of costs that was spent to acquire a single customer. CAC helps SMEs to understand the effectiveness of their marketing and sales. *Churn* refers to the number of SaaS subscribers that discontinue their service contract in a given period of time. This is one of the most widely used KPIs when measuring the performance of cloud computing and especially SaaS. *Customer lifetime value (CLV)* is a prediction of the value a company will receive from a customer relationship over a defined time span. This metric should be used for determining which customer segments are the most valuable to the business. The adoption of these SaaS metrics is essential as the data supports SMEs in overall decision-making and in optimizing the marketing activities. (Tyrväinen & Selin, 2011.)

2.8.1 SaaS sales processes

As mentioned earlier, the transition from traditional packaged software to a SaaS will set challenges not only to strategic management, but also to sales and marketing (Tyrväinen et al, 2011). Stokes (2000) has stated that when it comes to surviving, selling is one of the most important marketing activities for small and medium sized enterprises. This naturally involves developing relationships with customers. Usually the purchasing and decision-making processes are more rational, risky and complex with more people involved than B2C processes. Some researchers have presented an alternative approach for selling SaaS, which emphasizes the importance of providing a solution to the customer, rather than just selling SaaS as such. The customer's need recognition is the vital step and the whole sales process should provide value to the customer (Tyrväinen et al, 2011).

Helander and Ulkuniemi (2006) recognised in their study that when making a software purchase, the decision-making requires a high involvement and capability to handle relatively high risk. According to them, software companies should develop a comprehensive understanding of the customers' business and of the technology itself. In the recent years there has been a major shift in power from software vendors to software buyers. Buyers have a better access to information online and the amount of information available is growing rapidly. Buyers are also able to more easily connect with their peers and can identity and evaluate multiple different options. For example, pricing information is nowadays readily available for most software products, which was uncommon in the past. The customers base a lot of trust on online

information sources and have completed nearly 60% of their typical purchasing processes before even contacting the seller (Adamson, Dixon & Toman, 2012).

Because of the consumer Internet, business software buyers expect a good experience when buying software. Cloud computing companies borrow heavily from the likes of Twitter and Facebook and other big, popular consumer sites when designing their buying experiences.

In SaaS, the idea is to deliver customers' results at the speed and scale that competition cannot match. This means the sales motions differ from those of the traditional software providers. By definition sales process is a series of ordered and value-added steps, which lead towards the predetermined goal, a sale. Typically almost every business has unique sales process, which dictates clearly how and by who the sales operations are managed. The sales process is usually illustrated as a funnel consisting of various steps. The funnel shape reflects the continuation of the sales process. The first stage of the archetypal SaaS customer journey is value discovery. Customers discover the company and its services. Today, generally all the information is ubiquitous and available in a variety of sources. It is critical that marketing and sales understand how buyers are making purchase decisions.

Customer Segments

Traditionally, customers have been divided into businesses and consumers. Like all the other cloud service layers, SaaS is also suitable for both of the segments. In this study, the focus is in business-to-business services. By definition, business-to-business is the type of commerce transaction that is based on the exchange of services and products from company to another, rather than business to consumer (Saha et al, 2014). Another simple definition of business-to-business market, thereafter B2B market, is that it includes organizations that buy services and goods for various purposes (Kotler & Armstrong, 2012). B2B solutions that are based online can also be known as "business to business electronic commerce, B2B EC" (Sila, 2013). There are fewer customers in B2B markets, but the volumes per customer are usually higher. A typical characteristic for B2B markets is price pressure; the customers are usually profit-driven and budget-constrained organisations.

Companies can create appropriate means to divide customer base into market segments, which share similar needs. There is a vast amount of characteristics, which can be used for segmenting. The criteria can include i.e. demographic factors, such as location, firm size and vertical industry, technologies and practices used or customer lifetime value. (Kotler & Keller, 2009; Tyrväinen, 2009.) Also, firm-specific characteristics and purchasing practices can be taken into account. Tyrväinen and Selin (2011) use customer lifetime value for both identifying profitable relationships and for evaluating the potential customer base. They define customer lifetime value as "the surplus of long-term income from customer reduced by customer relationship maintenance costs".

Many small SaaS businesses are eager to promote products and services for "everyone", but the researches reveal that businesses that target their

operations for special segments are more effective. A business needs to analyse different market segments before determining what will be their own niche.

2.8.2 Cloud service purchase behaviour in B2B context

Understanding how to reach that specific prospect with an appropriate, well-timed offer, which fits to their stage in the buying process. In the B2B context, a lead is a prospect that has indicated that they might become potential buyers. Furthermore, in SaaS, a lead is considered to be a prospect that has shown interest in a service or product by sampling it on a trial basis.

The organizational buying process is in most cases a group process and there are several factors that distinguish business-to-business (B2B) purchase decisions from individual consumers' decisions. B2B buying processes involve many decision-makers and the team making the decisions is often embedded in a larger network of individual and organizational relationships. These processes are often characterised as complex and multi-stage. It involves satisfying derived demand, meaning organizations purchase products in order to meet the needs of their buyers. The choice process is driven by the clearly stated objective criteria and the impulse buying is rare. Also, the B2B purchasing processes usually take relatively more time and involve negotiations and bargaining. Dealing with B2B buyers requires often more personal contact than in the case of individual consumer (Solomon, 2004).

The customer decision process has been a subject of extensive studying over the past decades. As a result, there is a vast amount of researches about the theories of customer decision making, ranging from marketing to psychology. One of the best-known models is the Engel, Kollat and Blackwell model from 1968. This model (Figure 3) shows that the customer decision journey is a continuum of five different stages, which are need recognition, information search, evaluation of the alternatives, purchase decision itself and post-purchase behaviour. (Engel et al, 1968.) This EKB model has been extremely popular and has raised a lot of discussion in the marketing literature, but on the other hand has also received criticism.
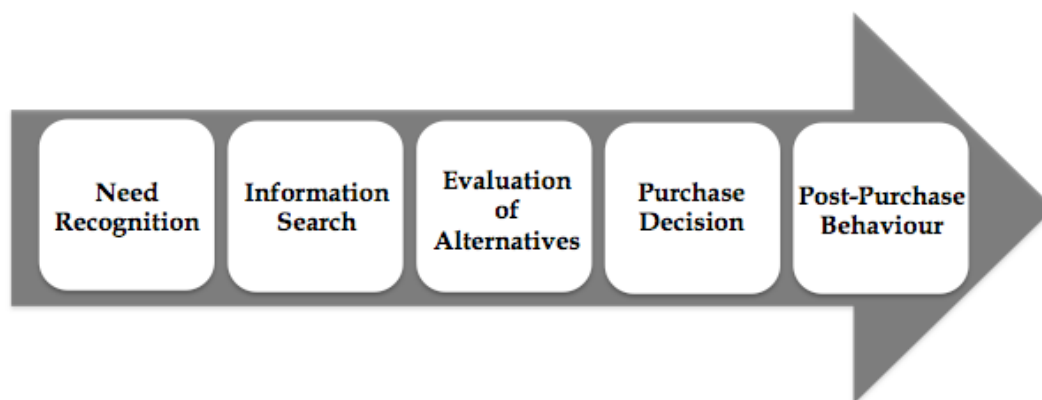
FIGURE 3 Model of the traditional consumer decision process (adapted from Engel et al. 1968)

The consumer decision process begins with need recognition, which takes place when the prospect, which in this context is a company or an organization, understands there is an imbalance between the desired state and actual state. In the case of B2B and more specifically SaaS the prospect realizes that there is a problem than must and can be solved. Need recognition is often caused by internal or external factors (Puccinelli et al, 2009). The need can originate from one or several persons within an organization. When the problem has been identified and clearly defined, it is a natural step to start searching for a solution.

Next, the person or group of people involved in the buying process seek out information about the services or products they are looking for. Majority of the buyers look online first to find products and vendors. Internet searches usually begin with very generic search queries, i.e. "social media reputation help" or "communication tool for employees" and these searches will gradually become more detailed and specific as the prospects learn more about the matter. Generally, the buyers might also consult the blogs from the specific field, attend webinars or read through recommendations.

Third stage, evaluation of alternatives, involves evaluating each alternative carefully. During this stage of the decision process, customer does active comparing and looks for different solutions' strengths and weaknesses. For SaaS buyers the natural next step is often to sign up and test the freemium version.

Fourth step is to complete the process by purchasing the chosen solution. The whole cycle can take several months depending of the complexity and size of the buying company. But in some cases, it can simply be a credit card transaction on the SaaS provider's site. Marketers' main task is to move potential customers to the purchase stage but also support them in the post-purchase stage (Holliman & Rowley, 2014).

There is clear evidence that B2B buyers use Internet as their initial information source while being influenced by information from multiple other sources. Because of this they are constantly becoming more reliant on the Internet to gather information especially during the early stages of the buying process (Adamson et al, 2012). The survey of Adamson, Dixon and Toman (2012) revealed that B2B customer generally completed around 60 per cent of a purchase decision before any conversations with a supplier had taken place. Due to the facts that B2B buyers often pay more interest in satisfying their preliminary need than in buying a particular product and the firm's offering might be complex and include numerous features, from training to technical support, neither the seller nor the buyer can determine a suitable offer for the buyer fast and easy.

2.9   Conclusion of the literature review

Cloud computing means all the services that are used on demand through networks (Youseff et al, 2008). During the past decade cloud computing has shaped the IT industry enormously. It has made software even more appealing

as a service and also transformed the way in which IT hardware is provided. Traditional product sales and license fees have faced a severe decline while the demand for high-end computational devices is growing (Rimal & al, 2009).

The competition between cloud computing providers is hard as the number of small and medium sized software companies keeps increasing. Recently these companies have located a new revenue stream and started to shift from products to a combination of products and services (Cusumano, 2008). This process where extra value is created by adding services to products is generally defined as servitization and cloud computing is actually a great example of a new servitized innovation (Sultan, 2014).

Software-as-a-Service is the most commonly known layer of cloud services and also the most completed service delivery model. Its popularity is based on its characteristics: SaaS is scalable even for thousands of users, delivered and managed remotely and has better return on investments and lower total cost of ownership than its predecessors, traditional packaged software products (Cheun & al, 2009).

Most of the SaaS providers are small and medium sized enterprises (SMEs), which are the most widespread type of organisation in Europe. Earlier it was strongly assumed that SMEs are only a scaled down version of bigger organisations, but the academic literature has proven that they have a unique set of characteristics (Carson, 1990), which differentiate them clearly.

Marketing is proven to be an important for any company's performance, but it is even more critical for SMEs, where the gain or loss of a single customer can make a big difference (Becherer et al, 2008). Recently researchers have argued that the conventional marketing theories and models are not applicable to the context of smaller firms, as the everyday marketing operations differ a lot from those of big organisations (Pugna et al, 2016). Studies also state that SMEs have difficulties with organizing marketing activities, i.e. planning and implementation (Gellynck et al, 2012). One reason for this is that SMEs have challenges with limited or lacking resources, finance and marketing knowledge being the most common ones (Gilmore et al, 2001).

Companies' perceptions of the role of marketing vary and marketing is often described as context specific and market driven. The adoption of marketing in SMEs is generally conditioned by their owner-managers' attitudes and personalities (Marcati & al, 2010). Owner-manager has a vital role in marketing strategy creation and the main goal of marketing is to increase the conversion rates and generate leads (Holiday, 2014). Companies use varying content marketing practices in order to spread awareness, create trust and pull customer to their sites (Holliman & Rowley, 2014).

Sales-led culture has dominated business-to-business companies already for several years and the alignment of sales and marketing has been a challenge for many organisations. In B2B companies it is the lead generation and handoff process that usually integrate marketing and sales and the poor coordination between these two functions particularly in planning and goal setting is one of the biggest obstacles.

The transition from selling traditional packaged software to providing SaaS has set challenges not only to management but also to sales and marketing (Tyrväinen et al, 2011).

3 METHODOLOGY

This chapter lays out the chosen research methodology of this study. All the methodological considerations were made to support the aim of this study: It seeks to create understanding of the role of marketing in SMEs and specifically, the factors affecting in it in the context of cloud services.

3.1 Research philosophy and approach

Philosophical research assumptions lay under all academic research (Hunt & Hansen, 2010). According to Gummesson (2000) the researcher's actions are affected by the adopted paradigms. Methodology can be divided into three components – ontology, epistemology and methods. These components are considered as the key concepts in the social sciences (Eriksson & Kovalainen, 2008). The assumptions about how the researcher views the world are contained in the research philosophy and have an impact on what is studied and how the data is understood (Saunders, Lewis & Thornhill, 2012). In other words, these assumptions define how researcher interprets the results and conclusions and how the research is evaluated.

Ontology includes the beliefs about the nature of reality. Ontological questions concern the essence of subjective reality and in the marketing research context ontology is seen as the relationship between reality and theory. This study assumes the world is constructed subjectively, meaning the experiences and perceptions construct reality that may be seen differently by each person. It also changes over time and is affected by the context. Epistemology describes the relationship between the researcher and the object and refers to what can be known about the researched phenomenon (Metsämuuronen, 2010). It consists of beliefs about knowledge and answers to the questions such as "what is knowledge and what are the limits and sources of it?" (Eriksson & Kovalainen, 2008, 15). All the generated knowledge is continuously constructed through shared meanings and experiences and is always related to time and context. Since the situations are unique and complex,

many argue that an interpretative perspective fits the field of marketing research well and thus most of the qualitative research is often seen as interpretive (Saunders et al., 2012). In total there are three different research logical approaches that tie theory and data together – inductive, deductive and abductive approaches. In this study the abductive research approach is used. It means there is an ongoing interplay with existing literature and findings throughout the analysis. Abductive reasoning connects the specific knowledge with a broader context and emphasizes the need for searching suitable theories also during the empirical observation. Researchers using abductive reasoning repeat interactions between existing and new knowledge, in other words go back and forth between their framework, data and analysis. (Coffey & Atkinson, 1996; Råholm, 2010.) Abduction is usually fruitful when the goal is to discover something new and generate new concepts. Its research process is evolving and flexible and it also introduces the concept of intuition in the context of scientific approaches.

In the inductive approach the data is generated, explored and theories are developed from it. This dominant research paradigm is often referred to as interpretivist, meaning there can be multiple interpretations of realities. The researcher searches for the occurrence of the phenomena and tries to develop a model based upon his/her observations and information required. The researcher does not let the theories or models found in the literature to determine what he/she discovers during the investigation and data collection. Inductive reasoning is often used in qualitative research. This kind of reasoning enables the possibility that the conclusion is false even though the evidence is true. (Tuomi & Sarajärvi, 2009; Malhotra & Birks, 2005.) A purely inductive case study approach can be seen leading to descriptive outcomes or providing only a partial support for frameworks and theories (Dubois & Gadde, 2002).

Deductive research moves from theory to data and examines the subject field in order to find variables and suppositions from the existing literature. It also involves a thorough consideration of hypotheses all stemming from an existing theory. Reality is often seen as an independent observable entity. Researcher tests all the ideas using the research data in order to find out whether his hypotheses get accepted or not. Deductive approach emphasizes objectivity and sets researcher's personal values aside to avoid any potential bias. It has been stated that deduction is a suitable instrument for checking theories while researcher is only an objective analyst. (Tuomi & Sarajärvi, 2009; Saunders et al., 2012.)

3.2 Research method

When choosing the appropriate research methodology, Eriksson and Kovalainen (2008) suggest that the research questions should dictate the choice, not the researcher. Usually methods are attached to different theories. In order to investigate how marketing is perceived and valued in Software-as-a-Service SMEs, an exploratory methodology has been chosen for this study out of three

different alternatives; descriptive, exploratory, and causal study (Malhotra & Birks, 2006).

Qualitative research has been chosen for this thesis because the underlying intention was to approach interviewees and understand the way in which they construct the world surrounding them. All the qualitative methods are firmly associated with exploring the social reality from the perspective of those in it. The aim of qualitative research is to study specific issues in depth and detail, not to create statistics or generalizations.

Qualitative research methods differ from quantitative ones in many ways: Quantitative methods focus mainly on statistical data and testing the hypothesis with deductive approach, whereas qualitative methods seek to understand, describe or interpret a specific phenomenon and aims to explore the studied phenomenon holistically in its context (Bryman & Bell, 2008). Qualitative research methods are needed when more of understanding is required for themes that have not achieved sufficient explanations from quantitative studies. Qualitative research methods leave space for the interviewees' subjective experiences and enable them to bring up the issues they consider being the most important ones. When the researcher approaches fieldwork without being constrained by prior analysis, he/she contributes to openness. (Daymon & Holloway, 2002.) Another distinct difference between a qualitative and quantitative research is the goal, in qualitative research the aim is to develop and discover something new rather than test something that is already done (Flick, 2009). Qualitative research can be described as an umbrella term, as many different research approaches and methods fall under it. Qualitative research often includes i.e. text, videos, Internet sites or interview transcripts. The data used is often primary data. (Saldaña, 2011.) Although, several studies suggest that it is no longer necessary to differentiate quantitative and qualitative strategies, as these strategies and approaches are more like each other's continuities.

In this study the aim was to take a detailed and holistic research approach to understanding and interpretation of the perceptions of marketing in SaaS SME context.

3.3 Interviewees' selection and introduction

Qualitative research focuses on data that represent personal, subjective experiences in particular situations. A meaningful part of the work is to choose suitable, appropriate informants considering the purposes and requirements of a given study. The selected persons need to be able to provide helpful data for future managerial contributions and the selection must be made strategically based on the suitability for the phenomenon and on the usefulness and quality of the information. In this study, the data comes from five different Finnish companies. In qualitative research, there is no limitations for the choice of sampling strategy and thus the researcher should pay attention on the quality and usefulness of the data, what kind of data is the most valuable in this

particular situation? In this study, the selection of interviewees is not based on statistical sampling. The only requirement is that the interviewees are expected to be similar enough so the comparison is theoretically relevant. Due to the variation of the subject studied, there is no specification for the minimum number of respondents. To get the best possible understanding of the researched phenomena, a sufficient number of interviewees should be assigned. The amount needs to fit with the purpose of the study. According to the research literature, cumulative data increases the generalization of the findings case by case, but external issues, such as accessibility, may affect the selection. (Eriksson & Kovalainen, 2008.)

The purpose of this study was to reveal what is the role of marketing and how it is perceived in small and medium sized cloud computing companies and what are the factors influencing in its importance. This is why all the companies selected had to fulfil the definition of SME and be SaaS B2B providers. As stated earlier, the empirical part of the study is built upon the results of the qualitative inquiry. Data was collected within a one-month period in April 2017. The criteria used for identifying the suitable candidates for interviews were the following:

(1) The company is Finnish.
(2) It offers a SaaS solution.
(3) It has already launched at least one product.
(4) It operates in B2B field
(5) It can be defined as SME.

The target group of interviewees was marketing managers and CEOs. The study aimed at finding representatives from firms with a variety of SaaS business models. During the time when potential participants were identified, also obstacles were met: Most of the companies offering SaaS solutions had either only simple websites with lacking information or described their services as cloud services, not explaining the nature of service in detail. The chosen companies were identified using multiple Internet search results, articles from different business publications and word of mouth. First contacts were made through email and these emails including a brief presentation of the subject studied and interview proposition were sent altogether to 17 Chief Executive Officers, marketing directors, marketing managers or communication managers of different companies. The response rate was 35%, as only six of the professionals reached came back with a reply. The aim was to find as heterogeneous set of SMEs as possible within this target group. With the resources available, five companies providing SaaS in B2B markets were chosen for this study. The roles of the five interviewees include CEO, marketing director and marketing manager. Three of these companies act globally and all of them have a unique offering.

Overview of case organizations

Company A has five permanent employees and is located in Helsinki, Finland. Company was founded in 2014 but has sold its in-house algorithm based software less than two years.

Company B has approximately 40 to 50 employees in Finland and altogether 90 employees worldwide. Company has its headquarter in Helsinki, Finland but has other offices also in Sweden, Norway, Netherlands and US. Company was founded officially in 2014, but hit the market in 2015. Company's monthly recurring revenue (MRR) is at the moment 400 thousand euros per month.

Company C has altogether between 65-70 employees and has its main office in Helsinki, Finland. It also operates in US, United Kingdom and Sweden. Company was founded in 2011 but in the beginning it was a social media consulting company. The founders decided to turn it into a software solution and reinvented it in 2013.

Company D runs two offices in Finland; headquarter in Turku and a branch in Helsinki. Company has offices also in France and Sweden. Company is profitable, in 2016 its revenue was almost three million euros the profit being nearly 280 thousand euros.

Company E is a Finnish SaaS provider and has its main office in Helsinki, Finland. Company has also operations in Sweden, Norway, Netherlands and Denmark. In 2015 company's revenue was over 7 million euros and it made profit nearly 500 thousand euros.

Table 1 presents the main characteristics of the SaaS companies whose representatives were interviewed. Headcount section represents the amount of employees' altogether.

Companies	Company A	Company B	Company C	Company D	Company E
Business model	SaaS	SaaS	SaaS	SaaS	SaaS
Interviewee role	CEO	Marketing Manager	Marketing Director	Marketing Manager	CEO
Headcount	5	90	70	35	100<
Years in SaaS business	2	3	4	9	10

Table 1. Interviewees' firms' characteristics.

3.4   Conducting semi-structured interviews

What makes qualitative research interesting is that there is not just one proper strategy, as the data can be collected in numerous ways, i.e. by interviewing, observing and documenting the participants. It has been identified that the interview is the most common approach when doing a research of SMEs and this approach was chosen as the primary data collection method for this study, too. (Gubrium & Holstein, 2002.)

Interviews are generally an effective technique in discovering groups' and individuals' opinions and perceptions and are the most used data collection method in qualitative research (Saldana, 2011). The qualitative interviews are an efficient way to collect data through interaction with different participants, but they also have some limitations. Qualitative interview is not a brief daily conversation between the researcher and interviewee(s). A proper interview is based on the particular research theme, the questions are pre-prepared and the findings will be analysed using a specific analysis method (Eriksson & Kovalainen, 2008). Interviews can usually be highly structured and comprise a list of questions to be asked in formal order or be totally unstructured and consist only a set of topics. Interviews can also take place spontaneously (Saldana, 2011). Semi structured interview allows for open-ended questions and does not set limits on the choice of answers. The participants are also allowed to create meanings of the observed phenomenon.

As said, this thesis relies fully on a qualitative inquiry. The sample was chosen to consist of employees from Finnish Software-as-a-Service firms. As explained in chapter 3.3 all the chosen companies are all small or medium sized enterprises operating in the software industry and specializing in cloud service products in business-to-business field. Managers from five different companies were interviewed in order to obtain a holistic view of marketing and to acquire enough of information of its role in SaaS startups.

In total five interviews were arranged and all of them were conducted face-to-face one by one. As the interviews were semi-structured it gave the researcher a possibility to ask additional questions during the interview whenever needed. The first interview was a pilot interview. With that the researcher wanted to evaluate her capability of interviewing in a manner that derives useful data. The pilot interview was conducted in interviewee's office and after the 55-minute-long session, only minor adjustments had to be made to the interview guide. The interview met its objectives well and the theme questions lead the discussion in a subtle way, giving the interviewee enough space and time to share his experiences and perceptions.

The interview guide is formed based on the research questions and the theoretical framework. The interviewer prepared a list of questions in advance but had the flexibility to vary questions' wording and order depending on the context, the interviewee and the previous answers (Saunders et al., 2012). The interview guide included a list of the topic areas and a varying amount of interview questions under each topic. The interview guide and questions are to be found in the Appendix section of this study (page 77). All the follow-up

questions were kept as open as possible in order to make sure no underlying explanation was prejudged and simultaneously the researcher paid attention in avoiding the use of jargon. This open approach encouraged employees to talk freely about their experiences and overall enabled an informal tone of voice for the interview situation and comprehension of the content. (Eriksson & Kovalainen, 2008.) Structured interviews on the other hand are more standardized and have less flexibility of the questions.

All the interviews were conducted at the interviewees' place of work, at the companies' offices. The purpose was to provide a setting where both the interviewer and participant could discuss the topics in depth. Each of the interviews commenced with questions about the participant's personal information, i.e. name, organisational position, age, business background, and firm information, i.e. number of employees, growth over the past years, future forecast and internalization. Next the interview proceeded to more complex and detailed questions on their marketing and sales roles and activities. Each interview took an average of 55 to 60 minutes and was conducted either in English or in Finnish. With the permission from the interviewees, the discussions were digitally recorded.

3.5   Data collection and analysis

Qualitative data has strength in terms of developing theory and as Mintzberg noted (1979), theory building requires rich description. All kinds of relationships can be uncovered in "hard" data, but it is the "soft", qualitative, data that helps researchers to explain them and in the end, explanation is the purpose of the research. After the methodological decisions and interviewee selections were finally made, the research data was gathered and later the results from five interviewees were analyzed to find similarities.

 All the respondents have long careers behind them and several years of experience in marketing. This ensured the research topic was well understood and the recorded data is suitable and rich for this study. The empirical data included the recorded interviews and notes that the researcher took occasionally during the interviews. Analysing the collected data started by listening the recorded interviews carefully. The recorded material was transcribed verbatim, turning the taped interviews into the text form from word to word. The aim of transcription is to make the interviews permanently available for analysis by transforming the characteristics of specific discussions into visible form (Kowal & O'Connell 2004). The qualitative analysis can be conducted in many ways, as according to Yin (1981) there are as many data analysis methods as there are researchers. The most common path is coding and analysis (Eskola & Suoranta, 1998).

Qualitative analysis cannot be done haphazardly and marking everything the informants said to the lettered material ensured it. The material was colour coded with different colours, each reflecting one of the interviews to clarify the

persons in the analysis phase. Simultaneously all the Finnish material was translated into English.

To identify themes and perspectives, a thematic analysis of the interview transcripts was conducted. In order to organize the data systematically, data was labelled with thematic coding method (Eriksson & Kovalainen, 2008). The analytical process and deeper analysis begins with thorough reading of the transcribed material. The main attention should be focused to the research questions and on the theoretical knowledge. The analysis phase should reveal the regularities in the empirical data and formulate explanations and clarifications for specific phenomena.

Context and cultural prospects were taken into account during the analysis, as even though the same topics and themes were discussed with everyone and the all meant the same things, the words used varied by different respondents. Based on the themes found, the results were gathered and are presented in the following chapter of the study.

4 RESULTS

The fourth chapter lays out the empirical data, and discusses the interpretations and findings. It is suggested that the result chapter should follow the structure of the theoretical framework (Yin, 2003). Therefore, this chapter presents the same themes in the same order as they occur in the theory section. The chronological order ensures that the results are easy to read.

The companies included in the study are presented as Company A, Company B, Company C and so forth to maintain the privacy of the organisations. Also, the interviewees are presented mentioning their organisational positions only. Results are supported by quotations to illustrate and strengthen the nature of empirical findings.

4.1 Put a label on it – a product or a service?

All the companies involved in this study are selling one or more products in which also service elements are integrated. This is a one example of servitization. These SaaS companies have increased their offering with customer-focused combinations of products, consultation, customer support, self-service and knowledge. The reasons for this were simple and coherent from all of the interviewees: Companies want to differentiate from competitors with unique offering and add value to their core product.

> *Marketing Manager, Company C: "The reason for this is that it is the easiest way to have additional business models. You have a product that you sell, and the easiest way of adding value to your product and increase retention is to add services on top of it, either coaching, consulting or additional features".*

> *CEO, Company A: "Lately we've done a strategic shift, we used to focus totally on digital delivery, meaning customers could use the service independently and pay with credit card, so it would be nothing but digital process and the core*

product, but now we offer data driven consultancy services, too. Basically, we added a service element on top of the existing offering. And that was a wise move".

All the respondents were unanimous when asked which one is more important, the core product or the process of delivering it. If the product is not fulfilling the expectations, the subscribers fade away quickly, but in case the overall process of trying to freemium and purchasing the software is complex, the clients will give up too early. According to the interviewees both are equally important and need constant development.

According to the empirical data defining SaaS applications is not straightforward. Respondents were asked how would they define their software, which is something in between a product and a service. This question received varying answers. Marketing director from Company C emphasized that instead of marketing or selling a product, they are "*marketing an ideology and just happen to have a product, which helps*". This same perception occurred in Company A's CEO's speech. They didn't find the definition important, as their aim was to create the need first. What they actually promote and sell is the idea of improving clients' lives and helping them. Once the clients are sold on that, and the need is born, it is relatively easy to make them realize who is the best option in the market. Altogether interviewees had very different attitudes towards services, even though all of them had additional service elements in their offering. The need for a "human touch" was one of the factors that raise a lot of discussion. Companies want to increase the value of their offering, but the paths vary: some lean strongly towards the new digital innovations, others believe the knowledge and help what actual personalities bring and the relationships they build are priceless.

CEO, Company E: "Our app, it's definitely a product, if you ask me. I consider SaaS just as a delivery model for the software we build. We have the help chat and of course are here to help when ever needed but it's a product that we sell".

Marketing Manager, Company D: "It's both. It's not a typical product, like a pre-packaged product and it's not a one-time sale. We build, hopefully, good long-term relationships with customers and deliver them constantly updating service every day. On top of that we give them support, like guidance and advices. We are honestly interested of how they are doing. So it's something in between."

Marketing Manager, Company B: "I think we sell a product instead of a service, even though it is "software as a service". People, who call Software-as-a-Service a service instead of a product, just don't not get it right. What makes SaaS companies so amazing is that you have this constantly scaling service, where human contact is not needed. It keeps on renewing and the money keeps flooding in. But the moment when SaaS companies start to sell service features, which do not scale, as services are basically face-to-face time, problems occur".

4.2 Valuation of marketing

To start off the interviews the representatives of SaaS companies were asked to describe on their own words how they define marketing and what does it mean in the organisation they work in. The question did not prompt the interviewees to describe marketing as a philosophy or a strategy. The results of the study revealed that everyone had a strong opinion and vision about marketing but majority concentrated on actual everyday tasks and emphasised the tactical side of marketing. All of the respondents perceived marketing purely as a function, which paves the way and creates prerequisites for sales. The fundamental purpose of marketing was clear, to turn prospects into leads, make more sales and increase the revenues.

CEO, Company A: "On a very abstract level, I have maybe given up. First of all I believe it [marketing] is just a repeated sales speech. It has no value of its own, it needs to lead into sales, company getting new clients and making more money".

Marketing Manager, Company B: "In my opinion marketing is a synonym for all the operations that make sales work easier".

CEO, Company E: "Marketing and sales just belong together, I really cannot see it any other way. The value chain might be longer, I mean some people analyse brand and familiarity and stuff like that and it is important. But after all there's no point in being famous and well known if no one is buying anything. Everything needs to lead into sales."

The general attitude towards marketing was twofold. Interviewees emphasized the importance of marketing for the whole company. It was described as the main tool for building the brand and gaining attention and all the companies had integrated marketing into their everyday business operations, with varying investments naturally. The SaaS companies involved in this study sell the kinds of cloud services, which are new in the Finnish market. Because of this, many of the interviewees reported they want to and they have to help customers identify the need first. According to them the second step is to make people realize their existing offering can actually satisfy the newly born need. Everyone considered marketing as extremely useful in this.

Marketing Director, Company C: "In a nutshell, people come to your store and they have already made up their minds, this requires that they have to know you exist and that you are a good match for them. In order to make them understand this is something they need, you need to create this journey for them where they associate your brand with one of their everyday problems. Without marketing, we would be invisible for them".

Even though the importance of marketing is clearly recognised and was mentioned during the interviews several times, feelings of inadequacy and failure were recognised. Three of the interviewees said that no matter how much time and effort they put into marketing, they felt like they are not doing enough and not exploiting it sufficiently. All the respondents thought the company they either own or work at does not have enough marketing professionals or specialized knowledge. Marketing Manager from Company B described that they call the unity of technology, sales and marketing a holy trinity, but that in reality it is more like a "vicious circle". *"The more we develop our technological capabilities, the more we should increase investments in marketing and actually sell the product"*. The companies described their marketing extremely data-driven and this can be seen in their marketing investment planning. All the SMEs want to increase their annual spend in marketing but are very careful to do so even if the budget would allow it.

Marketing Manager, Company D: "At the end of the day, every euro we spend needs to be pay itself back, at least double".

CEO, Company D: "I think marketing plays an extremely important role in our company. It's our main tool for building the brand and gaining attention, but there's no idea to spend money just for the fun of it. It needs to increase revenues".

Many of the interviewees were aware of the importance of relationships with customers. Acquiring and maintaining customer relationships was regarded almost as important as making the firm known and spreading the awareness. The study results indicate that SaaS SMEs invest a majority of their time, efforts and budget in acquiring new customers. The companies are young, constantly aiming towards growth and finding their place in the market and this is why they preferred that customer acquisition is currently far more important than nurturing the existing relationships.

CEO, Company A: "At the moment it is significantly more important to acquire new clients than just nurture old ones. We've had such limited resources for development and CRM [customer relationship management], but yes, it's on my to do list, we need to pay more attention in these".

Three of the companies have customer success teams, which are separated from marketing department. These teams are assigned to take care of the existing active customer base.

Marketing Director, Company C: "We have a dedicated team making sure our clients feel comfortable. We have hundreds of customers but this team calls them every now and then, keeps the relationship alive. It is important to make customers feel like we care. And we really do, it's not a stunt".

> *Marketing Manager, Company B: "My focus is purely on client acquisition. Our marketing is targeted to new clients but most of the content we create is meant for existing clients. Our customer success team is focused on customer retention, with blogs and webinars for instance. It's a cold truth that SaaS company does not make it if clients churn. All the SaaS firms, including us, have churn but if all the existing clients leave, there is no chance to grow".*

The results showed that there was no significant difference in the attitudes and valuation of marketing between the SaaS companies, even though the companies differ in size, revenue and years in business.

Demonstrating the value of marketing within the company

The study results reveal that marketing departments really are under a pressure to justify the investments made and demonstrate their economic value to the firm. The two CEOs interviewed explained that this is because of tight budget and company culture; everyone needs to bring money in and prove their use for the company. According to them marketing has a "multitude of objectives". What they aim to achieve are gains in sales volumes, growth and profits. The other interviewees also mentioned brand equity, market penetration and a variety of customer mindset metrics. Getting into people's heads, creating consideration and awareness were the most important objectives that marketing managers listed for their job.

According to the interviews all the companies measure and evaluate their performance on monthly basis. Only two of the interviewees mentioned that they set a new goal for marketing and sales each month. Marketing team is expected to either increase the amount of qualified leads or demo requests.

> *Marketing Director, Company C: "I bet no one understands what I'm doing, in a practical level I mean. We have this rule that each month we generate 15% more demo requests than in the previous month. Owners check the results and are like okay, keep it coming".*

> *CEO, Company A: "I'm obsessed with the churn rate. The number of existing clients is lower than we have hoped but we are optimistic. We need to handle all the leads with extra care".*

Marketing strategy and decision making

Representatives admitted that in their company marketing is somewhat unorganised. Some of the interviewees even laughed when they were confronted with the questions about marketing strategy. Not one of the companies has formal marketing strategy. Marketing professionals from companies B, C and D highlighted that they do have a clear understanding of which channels and tactics work. According to them there is no concrete use for pre-planned marketing, it is important for SaaS growth company to be proactive, reactive and innovative, not only with the product and service development, but even when it comes to marketing.

Marketing Manager, Company C: "Our marketing strategy is extremely simple, aim towards growth and create as much traction as possible. This same idea is our guideline in everything".

Marketing Manager, Company B: "We have no marketing year clocks or formal marketing strategy. We have a clear understanding of which channels work and which not, what is our tone of voice and how we want to look like. It is enough for now. Actually, we wrote a blog post about it, how marketing should not even have a set in stone kind of budget".

Companies plan their marketing with surprisingly short time span; according to the empirical data the marketing is done with a fast pace and "whenever a good idea pops into mind". CEO from Company A explained they create content in whenever they see a need for it and increase their marketing investments for SEO in case they see the market situation requires for it. Altogether the interviewees defined their marketing as ad hoc, unplanned, surprising, reactive and disorganised.

Marketing Manager, Company B: "To be honest, our marketing strategy is pretty ad hoc, or well, there is no clear strategy. Practically we have ICPs, ideal customer profiles, to which we keep creating content for".

It is also obvious that a growing cloud service company has to prioritise its investments and marketing is not necessarily on top of the list.

CEO, Company A: "I know people out there say that one of the smartest things for a small company like us is to develop a marketing strategy but our main priority is to develop the products first. If you want to be the best, don't rush into things".

4.2.1 The owner-manager's footprint in overall decision-making and marketing

The reactions vary a lot when interviewees were prompted about the role of the owner-manager within the firms. It is clear that among the interviewees there are substantial differences in how they perceive the role and actions of owners. Two of the interviewees are the company founders themselves and their responses differ from the ones of employees clearly from understandable reasons.

The owner-managers' need for control and relationship with the employees are the two main subjects that arise from the interview material. All of the employees admit there were trust related issues in the beginning. The owner-managers had difficulties with learning how to share the responsibilities and letting the employees do their job independently. In some cases, the owners' had be taught to trust in employee's capabilities, which was time consuming and slow. None of the owners were told to have professional

background in marketing, which in some cases, reflects into the size of marketing department and the actions it is allowed to undertake.

Marketing Manager, Company D: "Reason why you hire people who are good at something is because you can't do it yourself, nor you should, and this needed to be taught to the owners, like hey you need to let go and get out of the experts' way and things will move on better and faster".

Marketing Manager, Company B: "Especially in the beginning, everything had to be justified. It is understandable, but I was like c'mon, I've done this [marketing] for years, but as the time went by, the trust grew. The money which flew in was a bulletproof evidence of our skills".

SMEs are usually characterized by their founder's personality and management style. Couple of the respondents even called the company as owners' "child" or "baby". All the interviewees who are employees admitted that sometimes the owner-manager gets too involved in the daily operations. Owner-managers' received credit from the ability to tackle problems and being innovative and supportive, but on the other hand they were also criticised for being in a constant hurry and not giving enough time to each individual. Respondents felt that the decision-making is owner's responsibility, but as the company grows, there is a need for specialists and the responsibility has to be shared between those who handle their area of expertise the best.

Marketing Director, Company C: "The founders trust me fully. But there was a thing just when I started. This is startup, and startup is like their child, so they want to be aware of everything what's happening. They have a final call on everything. But the organisation is now growing so fast in terms of revenue and head count that they have come to the realization that yes we need to stand down a bit and give space for the professionals".

CEO, Company E: "The cool side of this job is that I can tell my honest opinion of so many things. But it is not easy, I have to stay in a constant move and sometimes feel pretty frustrated at the end of the day".

Marketing related decision-making was simple and flat in all of the organisations. According to the interviewees the process had taken some time to find its form but after a proven record of successful decisions the decision-making power and related responsibilities were shifted completely from the owner-managers to the marketing teams, especially to the marketing managers.

Marketing Manager, Company B: "I make all the marketing decisions here. We use to have these weekly meetings with C-level,, but now everything rolls bi-weekly. Advertising is handled in pretty ad hoc manner, I have my own style of doing it. Our marketing practices vary per week and per month. As long as we reach our objectives, it's fine and I can keep on doing it".

Marketing Manager, Company D: "There's altogether five persons in my team. Everyone is talented in certain field, one is an amazing copy and one is a SEO wizard and so forth. It would be weird if the owners, who are not the experts, came tell us what to do. So, all marketing decisions are on me".

The study results indicate that the role of the owner-manager is surprisingly small in the context of marketing decision making. The two CEOs interviewed explained that majority of all the things, not just marketing related, are planned and executed together. According to CEO from Company E it is getting more complex as the headcount grows, but the management believes in organisation culture where *"no one is just an employee"*.

An interesting finding was that three of the interviewees felt that owner-manager's age correlates with the management style. Younger owners were perceived as more adaptive and experimental than older ones. This correlates with their attitude towards marketing, too.

Simpson, et al (2012) told in their study that owner-managers define business success differently. This means they may choose earning just enough to have a manageable business over creating a big wealthy company, so that they don't have a risk of losing control. The CEO from Company A underwrites this claim:

CEO, Company A: "Sure, if we had more money, we would grow a lot faster. But to be honest, we [owners] are greedy. We haven't been that active in finding more investors and collecting more money, it's more like we try to cope with as little as possible. We don't want to loose our power over things. It's too early, we want to see this through first".

4.2.2 Implementing marketing practices in SaaS SMEs

Even though Software-as-a-Service is rather new phenomenon and the growth of cloud-based services has been rapid, the results indicate that marketing tactics used for these cloud services do not differ massively from other businesses. An interesting discovery was that according to all the interviewees the traditional print media is useless and not even considered to be used. A few of the interviewees even claimed that print is dead and no one should utilize it in marketing anymore. Other traditional marketing tools such as TV, press and PR were not used either mostly because of tracking issues. The interviewees also perceived these tools both unnecessary and expensive.

The role of online marketing communications tactics was described as vital and ever growing. The amount of digital tools and tactics the companies already use is huge. Everyone used social media platforms as the main communication and advertising channels, Facebook and LinkedIn being the most popular ones. Newsletters and blog posts were the most successful content marketing actions and marketing communications tactics for all the five companies. Newsletter was described as easy and effective, as it can be send to current customers and targeted prospects that have subscribed for the mailing

list. The importance of well timed, meaningful and relevant content came out clearly from the study data.

> *CEO, Company A: "We haven't even considered using print. All the paid media we use is digital – like social media, newsletters, Facebook advertising, we have also tried Twitter for businesses, and will continue using LinkedIn. Social media is the most important media in the whole world, and that's our battle field".*

> *Marketing Director, Company C: "In the end, everything depends of the message, what is said, how it is communicated and how well it is marketed. Even better if this well-designed message is communicated through efficient medium".*

SaaS providers favoured content marketing in their daily operations. Companies told they create webinars, infographics, downloadable whitepapers, how to-articles and other educational content on weekly or monthly basis. Because of the search engines' rules and algorithms are constantly changing, the companies told they need to invest not only in the quality of the content produced but also in optimising it. A lot of money and effort is put in the process, but the SMEs firmly believe the investments will be beneficial.

> *Marketing Director, Company C: "For us, content marketing is everything. We create almost anything that prospects and customers can just consume, like webinars, blog posts, newsletters and guides. We produce all these things and do a lot of basic promotion and optimization on top of it".*

> *CEO, Company E: "We want to educate people with our content and finally get them hooked. Good content attracts and creates trust".*

> *Marketing Manager, Company B: "We don't want to be pushy, but we want to offer relevant information for our target groups. I mean content marketing is super effective. In my opinion, many companies go west when they write blog posts but do not use any budget in promoting them. They just cross their fingers and wish for SEO to work so that they'd climb on top of the Google results. But we have thousands of readers and a crazy amount of successful posts, all of this is directly linked to the fact that we use a lot of money in promotion and optimisation".*

All the companies are planning to strengthen their marketing activities little by little. The interviewees are eager to increase the use of online marketing tools, in example Google Adwords and search engine optimization (SEO) in general. Even though content marketing, online platforms and social media channels are on everyone's radar, free trial was the one marketing and sales tactic that the companies recommended the most as a way to attract and acquire new customers. Free trial, freemium, is a scaled down version of company's premium version. Some of the companies offer freemium on their front page so everyone has a chance to sign in and start the limited free of charge use. Two of

the companies offer the free trial after prospects have requested it by filling a form.

The respondents saw that the cloud service itself did not affect heavily in the marketing decisions and practices. Pricing models and the use of free trial were the only distinctly different things if compared with other products or services. Cloud services are extremely common nowadays and customers have got more and more used to them. According to the study results the respondents felt that the characteristics of Software-as-a-Service are easy and natural to promote.

> *CEO, Company E: "Similar cloud services have spread to so many businesses, so it's basically a must. Customers are already expecting that everything takes place in the cloud. We don't need to teach them what it is, just what they can do with it".*

> *CEO, Company A: "It was clear from the very beginning that it will be in the browser, works with all devices and you can log in with Facebook. These are the elements we don't need to promote at all, just tell them it is smooth, fast, simple and super good, that's all".*

4.2.3 Obstacles on the way to success and growth

According to the current study results, the biggest limitation for SME's marketing and sales success is simply the lack of resources. Companies were mentioned to have budget issues and they are missing expertise and specialists. A couple of the representatives admitted that the personality and the independence, and in some cases even the "stubbornness" of the owner-manager has set obstacles on the way. Two of the interviewees revealed that if they had more money, they would at least double the investments in human resources and recruit specialists.

> *CEO, Company E: "We should recruit at least some marketing automation specialist. It's actually a must; I mean for example Google marketing, it is not a piece of cake. It's insane to try to cope alone when there are people out there who really know how it is done. Nobody can be good at everything, but unfortunately it all comes down to finances".*

> *CEO, Company A: "There has been a couple of situations when I have done bad decisions, everything needs to be learned the hard way, right?"*

> *Marketing Manager, Company D: "I am not saying that we know how to do everything perfectly, no way. We could be a lot better. But it's always about the money, or in most cases, the lack of it".*

According to the interviewees, it is highly important the company follows the market environment around it and adapts to new changes quickly. A couple of respondents mentioned that one of the biggest limitations for their

company's growth was the tunnel vision. Their experience was that those market incumbents who stick with their current products and business models for their entire existence and do not see opportunities to move will end up in failure. Companies with such tunnel vision present a wonderful opportunity for those who look outside their current base and have the courage and willpower to adapt.

> *Marketing Director, Company C: "I think two things, tunnel vision and not being open for change and adapting your vision and ideas, those have bottlenecked our growth for quite some time".*

4.3   Matrimony of marketing and sales in SaaS SMEs

The study data shows that the coordination between marketing and sales has enhanced and all the organisations demonstrated collaboration, but some of the interviewees explained that the division between these two departments could still be seen. According to them the reasons for this are in the owner-managers' attitudes and how sales function distinguishes itself. Owner-managers were described as result-oriented, so it is easier for most of the owner-managers' to follow the impact, success and growth of sales than marketing, as the incoming sales are a good indicator of these.

> *Marketing Director, Company C: "Sales is always a bit of tricky beast as sales people often see themselves as the golden child of the organisation. Their success is very easy to express, as they bring the money in.*

Even one the CEOs admitted that directors may have difficulties in assessing the trade-offs between sales and marketing, as the time perspectives vary a lot.

> *CEO, Company E: "I admit that sometimes we might give more credit to sales people. But it is because we know immediately when the sales targets are reached. Marketing requires patience, and long-term perspective. Success doesn't come over night. But I want to add that of course I realize that it takes two to tango, sales wouldn't happen without effective marketing".*

All the marketing professionals felt they had to earn the respect from sales in the beginning. Their work was not valued as highly as hoped, ignorance and poor information flow being the pivotal reasons in this. The interviewees repeatedly explained that the situation has changed for the better. This is resulting from the use of good reporting models, joint planning, open company culture and hard work. Two of the companies, B and D, arranged meetings on weekly basis where all the employees are invited to discuss and follow-up current cases, review new leads and customers and share thoughts. These organisations demonstrate better collaboration than the other three and as a

result everyone gained a deeper understanding of the processes and according to interviewees the barriers between teams had shrank significantly.

> *Marketing Manager, Company D: "I admit sometimes sales people have no clue what marketing function is doing but when we explain and maybe show some figures, they understand and believe that everything we do is to make their lives easier. And that's all we need".*

Conversely, marketing director from company C explained that sales and marketing directors discuss about the high-level subjects on monthly basis, but that there is no joint sales or marketing planning sessions. The reason for this was that they had set targets and goals together earlier in the beginning of the business year and now it is up to everyone to reach them, individually. Company's management felt that it is time-consuming to arrange collaborative planning meetings, especially during the currently hectic times.

The marketing teams had also received feedback from sales people of generating too many leads. One of the main reasons for this was that marketing passed leads over to sales far too early and this lead to poor quality of leads. Companies B, C and E had solved this issue with Hubspot or other similar marketing automation tool, which helps in sorting and categorizing the leads in the funnel. This has helped in sharing the responsibilities and enhanced the information flow.

> *Marketing Manager, Company B: "I worked very hard to get sales and marketing aligned, to make it one machine. I think we've been very successful in it. They've started to realise that marketing generates most of their opportunities and luckily, I have my reporting models set up so well. Hubspot is extremely useful as all the numbers are transparent and the loop is traceable so whomever closes a deal can tell where it came from".*

> *Marketing Manager, Company D: "The point is that if people have no clue what the pain points in sales are, what makes it so hard, what marketing should really be doing, they end up creating these fancy cute blog posts and keep collecting Facebook likes, and are focused on wrong things, on things no one gives a shit about".*

SaaS providers' customer segments

The companies do not have specific customer segments and the commonly heard comment was that every firm is a potential customer. Some the cloud service providers had started off with a narrower target group, but it had evolved as the offering developed and the potential was recognised.

> *CEO, Company A: "Companies were a clear client segment for us already in the beginning and that hasn't changed, but it has evolved a little. Now the segment group involves brands in general, no matter whether it is a human or entertainment brand, politician, party or some kind of organization".*

In a couple of firm the customers were classified based on the size of their business. None of the interviewees admitted they would classify clients based on the incoming cash flow.

Marketing Director, Company C: "We have enterprise clients only. Small and medium sized businesses will fall into self-service and the rest are considered as large enterprise clients. That is the segmentation we make. We have three different products, light, professional and enterprise. Enterprise speaks for itself, it's for the big clients".

Marketing Manager, Company B: "Big or small, I don't care. Each and everyone need to be handled with care".

4.3.1 The critical steps of customer purchase process

Interviewees all agreed on the fact that there has been an apparent change in the customers' buying behaviour. They admitted that the biggest change took place already years ago when Internet came available for everyone. But even today the ever-growing amount of information sets challenges to the cloud service providers as the customers are seen as more demanding and constantly smarter.

CEO, Company D: "Internet and Google searches are now a normal, logical part of the buying process. Of course, the more information people get and the more reviews they read or hear, the more prepared we have to be".

Marketing Manager, Company B: "Customers are so much more prepared nowadays! They have some kind of idea and perception of the service. They can't be fooled. Customers talk a lot with each other, especially in a small country like Finland. It's mainly a good thing".

The traditional consumer decision process model (Figure 3) was shown to the interviewees during the interviews to help them analyse their company's activities during each phase. According to the interviews the first steps, need recognition and information search, are the most vital ones. All the companies had hired or were planning to hire a person whom is fully dedicated in creating appealing content for prospects and existing clients.

Marketing Director, Company C: "Prospects usually look for their everyday problems so we write a piece of content like 10 tips to improve engagement. If we have very well optimised piece, Google favours it and many pages are linked to it, you'll be right there at the top. People start reading and become enlightened. They feel like our brand has given then something of value, so they already start liking it. The whole sales process starts with something small, like we have a checklist of usual problems, ask if they want to have it, like "just give us your email address and we'll send it right over". Then you already have the most explicit identifying piece of information you need to start profiling person as a lead.

Marketing Manager, Company D: "- that traditional model where you do marketing and campaigning and then call to people and meet them, all that stuff needs to done earlier and better than before, so that they even consider you and you make it to their list".

Marketing Director, Company C: "We need to help the customer find the right solution, this means that sometimes you have to say "I'm afraid that we are not the right solution for you".

Majority of the respondents felt that changing customer behaviour has led to a totally new level of independence. The role of the sales was seen as more consultative, as now everything is reachable online. As people are better educated, they can search for information, check the options, and do the comparison and the final decision without even contacting the seller/provider.

CEO, Company A: "– well, there is a lot of competition, customer has plenty of options. On the other hand we compete with all of them, but we have something totally new in here, we are fulfilling a need that customer didn't even have before".

5   DISCUSSION

The purpose of this study is to shed light on how Software-as-a-Service SMEs perceive and define marketing. This attempt was achieved by focusing on companies' marketing planning and practices. Also, the alignment of marketing and sales and the role of owner-manager played a central role in the research. The results of the empirical study confirm many of the findings stated in the previous research, i.e. the importance of marketing function and the haphazard, informal nature of marketing practices in SaaS SMEs.

The final chapter is devoted to the interpretation and presentation of the study results. The results are discussed in the following two sections, theoretical contributions and managerial implications. Finally, in the end of the chapter, the study is evaluated using Lincoln and Guba's (1985) four criteria. The suggestions for future research objectives are also presented.

5.1   Theoretical contributions

This part focuses on the research questions and reflects them in the light of the existing theoretical framework. The main research problem is how the role and importance of marketing function is perceived in in Software-as-a-Service SMEs and the findings are unanimous.

RQ 1: How SaaS companies plan and coordinate their marketing?

Extant literature suggests that SMEs' approach to marketing is different from those of bigger organisations and the empirical findings support this view: marketing in SaaS SMEs is somewhat unorganised, unplanned and haphazard (Gilmore et al. 2001). These companies do not plan their marketing activities nor even recognise the need for more structured marketing planning, not to mention for marketing strategy and pay varying attention to basic marketing activities, such as segmentation. The literature states that if marketers do not have properly aligned strategies, companies face a risk of wasting money in less

effective marketing (Bolton et al, 2013). SaaS SMEs think the opposite and plan and implement marketing in a reactive manner, whenever a need occurs, usually with a very short time span.

Strandvik et al (2014) stated that marketing is a tool for making purchasing easy and the study results confirm this claim. Marketers' main objective is to make their product familiar and known. Still, the planning is solely marketing team's responsibility.

As a general observation, all the SaaS SME's have identical marketing practices and they use the same social media channels and online platforms. Naturally the level of investments varies significantly and correlates with the size of the company. The informal and ad hoc way of doing marketing makes these companies also very adaptive and reactive to market opportunities.

RQ 2: What are the typical marketing practices that SaaS providers take and how they are aligned with sales?

The empirical results agree with the literature review by showing that content marketing is the number one marketing tactic that all of the SaaS SMEs utilize. The results are strongly in line with the article by Holiday (2014), which states that cloud computing companies are almost primarily focused on measurable and scalable means, the trackability being among the most important factors. Traditional marketing activities and channels, such as print media, TV and PR, were seen useless as SaaS companies spend constantly more time and money in creating relevant digital content for targeted groups of customers and prospects. According to Chaffey and Smith (2013) the most popular components of content marketing are blogs and social media posts and these are great examples of marketing practices that all cloud computing SMEs produce on a weekly basis. An interesting phenomenon is that all the SaaS SMEs are emphasizing the need for well-timed, accurate content, which not only attracts but also educates. Educational content is a efficient way of creating trust among the current and future customers.

According to Malshe et al (2016) the interface between marketing and sales is one of the most critical ones within a company. This study identified that the collaboration and coordination between these two departments has enhanced over the times, but the siloes still exist. According to this study, one of the biggest factors in this is the owner-manager's attitude. Owner-managers are data-driven and result-oriented and even though it is constantly easier for marketing too to showcase its results and impact in the company, it is still less complex for sales to express their success. All the marketing practices are done in hope of increasing the sales, not for example to strengthen the brand.

RQ 3: How the Software-as-a-Service concept influences the companies' marketing and sales tactics - is it a product or a service?

The study results are in line with Cusumano (2008) who stated that product company revenues are shifting to a combination of products and services. The managers of SaaS SMEs agree with Cusumano's statements: Additional service

elements are perceived as a new innovative way to deliver customers extra value, enhance their offering and in the end increase profits. Consulting and coaching are the most common examples of service elements within these companies. Although the service elements are becoming a strategic part of SaaS companies' offering, they are not considered as critical and important as the core product, the software product itself. SaaS providers define their software mostly as a product even they all are familiar with the new paradigm of servitization and offer their software through service contracts (Ojala, 2016). Another interesting new interpretation is that companies are selling more of an ideology than product. Product is just the tool used for passing on the ideology.

According to Grönroos (1998) a successful marketing of physical goods requires that the product is good enough but effective marketing of services requires a good and efficient process. Both of these are relevant in the case of cloud computing and Software-as-a-Service. The prior studies present that cloud computing services are often marketed with technical specifications and the use of "try before you buy" model, also called as free trial or freemium, is particularly popular among SaaS providers (Liu et al, 2014). The latter suggestion was proved true in this study. All of the SaaS SMEs utilized free trial as way to attract customers. The layer of cloud service does not affect marketers' day-to-day marketing practices in any other way. As seen in the research, all the companies use marketing practices, which are commonly used in majority of the firms in different fields of business. This can be explained with cloud computing' rapid spreading and success. Everyone has used a type of cloud service and the concept is familiar to the masses.

RQ 4: What is the role of owner/founder in the marketing decision-making?

Similarly to the findings in the present study prior studies have discovered that SME owner-managers' background and personality affect their attitudes and intentions of marketing. A non-marketing background sets limitations for managers' understanding about the capabilities and advantages of marketing in cloud service company. The SME owner-managers are generally described as generalists instead of specialists and this argument gets support from this study (Carson & Gilmore, 2000). Owner-manager has to oversee day-to-day operations and wear multiple hats. This emphasizes the findings from earlier studies, which claim that owner-managers have an apparent role in their companies' business (Dobbs & Hamilton, 2007). Yet the role is not as dominating when it comes to marketing as the former research suggests. The overall decision-making was considered as SME owner's responsibility, but the new results indicate that owner-managers are able to acknowledge the limits of their own capabilities and competencies and share the power and responsibilities over time if needed and when the finances allow for it.

SMEs' management culture can be described simple and flat. The study results are in line with the prior studies, which state that SMEs tackle problems as they arise and usually in a tacit way (Resnick et al, 2016). The study cases conducted by Bettio et al (2012) claims that marketing strategies in SMEs are all SME manager driven, but this study argues the opposite. According to the

results marketing teams' or departments' practices no not follow pre-planned strategy nor are decided by the SME owner-manager. The decision-making power has been shifted completely from the owner-managers to the marketing teams, in cases where there is one. Overall the results indicate that over time the founder's role is more enabling and supportive than controlling. Of course, it is a matter of owner-manager's personality, too.

How the role and importance of the marketing function is perceived in SaaS SMEs?

This study agrees with the claim that marketing is a relevant function to small and medium sized companies (Hogarth-Scott et al, 1996). When the representatives of SaaS SMEs were asked to describe and define what marketing is in their own words they rarely referred to any general characterisations or business philosophies. Respondents concentrated on actual tasks and marketing was mostly considered as the tactics used to develop sales and to improve consumers' knowledge of the companies and their products. Marketing is perceived as a way to connect prospects with the firm: All the companies had developed an offering first and saw marketing as a tool for spreading awareness and generating need for it. This research agrees with Becherer et al (2008) whom said that marketing is critical for SMEs because of the power a single customer holds. Most of the SaaS companies' customer base is still limited and the gain or loss of a one customer has a great impact on the company's cash flow. The results indicate that SaaS SMEs are extremely eager in acquiring new clients and surprisingly, overemphasized the importance of short-term goals, i.e. amount of converted leads per month and sales increases, instead of long-term profitability. This is due to the fact that marketing is under pressure to prove its economic value to the firm.

This study is in line with Stokes and Wilson (2010) who said that the conventional theories and models of large organisations are not applicable with smaller firms. As the marketing industry has grown and the theories adapted and activities practised by big corporations have shaped the general image of marketing, SMEs have significantly different feelings of what marketing really is. All of the companies have adopted some form of marketing, but generally it is considered just as simple tactics in support of selling, rather than as a pivotal tool for strategic planning. What makes it interesting it that even though the amount of data marketing department can generate has exploded, the organisations assess the value of marketing based on the success and growth figures of sales.

5.2   Managerial implications

This section concentrates on giving practical and feasible recommendations of enhancing the valuation of marketing for the small- and medium sized cloud service enterprises' owners and also for the research companies' managers.

Both empirical and theoretical findings are strongly advocating that marketing has an apparent role and substantial status in the small and medium sized cloud computing organisations. Marketing is a function the companies wouldn't survive without. The importance is visible especially in client acquisition; new growth companies are spreading their name and increasing the awareness with the help of marketing practices. Interesting notion is that its' worth is too often linked to the outcomes of the sales department. Companies are more focused on the success of sales than the results of marketing function's long-term work. In other words, marketing can be seen as an independent function, which coordinates the vital prerequisites for successful sales process but is also judged by the final sales figures. This is interesting as simultaneously the marketing departments are under pressure to prove their worth and relevancy for the firm as an independent unit but are bundled up with sales when it comes to sharing credit. Every team and department deserves to be acknowledged and assessed by its own performance. Management need to recognise this and jointly decide what are the key performance indicators for each function.

When observing the findings, it came clear that the decision-making is usually shared between the owner-manager and the specialists. Although it is good to note that this takes place in situations where SaaS providers have stable financial situation so the company can handle the economic risk of hiring a new professional. A limited budget is the biggest obstacle for SMEs' marketing and slows down the companies' growth pace significantly. With limited finances the owner-managers need to prioritise the investments and in most cases marketing is not on the top of the list.

Aligning marketing and sales is highly important especially when there is no pre-planned and structured marketing strategy. An effective B2B marketing includes not only versatile use of content marketing techniques and various online marketing channels but also a well-oiled sales process, where the transition from one stage to another in the purchase process model requires a seamless cooperation within the company. The lack of marketing strategy affects both decision-making and aligning these two departments. When a long-term plan is missing, it is often more challenging to set and work towards common goals. Most of the siloes exist when the communication flow is poor and as a result employees feel insecure or the work itself seems insignificant. How the firm communicates plays a vital part here. Weekly or monthly meetings are a cheap but extremely effective way of bringing everyone together.

The existing marketing theories, paradigms and models offer only a little of practical use for most small and medium sized enterprises in their everyday marketing activities. The role of the owner-manager is emphasized both in literature and in this study, and although the prior research claims that his/her background and personal characteristics can be a barrier to marketing, it is only partly true, as usually the owner-managers understand their limited knowledge and lacking competences themselves. This indicates that it is important for the SME owner to develop and adjust his/her skills on various subjects as the business, environment and resources are constantly fluctuating.

5.3 Evaluation of the study and suggestions for future research avenues

All academic research, both qualitative and quantitative, has its limitations. This study is limited by the explorative nature and the small sample size. These limitations do not weaken the trustworthiness of the study, but need to be acknowledged when considering the results and implications of the research. All in all, qualitative research cannot be assessed with the exact same measurements as quantitative research. The traditional evaluation criteria include validity and reliability, but since qualitative researchers do not use instruments with established metrics about reliability and validity, this research is using another criteria to address that the study findings are *credible, confirmable, dependable and transferable* (Saunders et al. 2012; Eriksson & Kovalainen, 2008; Shenton, 2004). These four things are included in the concept of trustworthiness, established by Lincoln and Guba (1985). The researchers posit that trustworthiness of a study is important to evaluating its worth.

Credibility answers to the question of findings' accuracy and truth. It means ensuring that any other researcher would be able to, on the basis of this material, agree with the findings or at least make relatively close interpretations. In this study, the theoretical framework, research methodology and interpretations have been explained in detail so that it is possible for everyone to reach similar conclusions and study results. *Confirmability* is linked to the degree of neutrality in the research findings. In other words, it means that the findings are truly based on interviewees' responses and not affected by any potential bias or personal motivations of the researcher. In this study all the quotations, findings and interpretations have been linked to the data in a consistent way in order to ensure that everything is transparent and traceable. *Dependability* means that the research findings are consistent and could be repeated by other researchers. To ensure the findings are logical and understandable for everyone, the researcher offers a lot of information and documentation of the process for the reader. *Transferability* is the generalization of the research findings to other contexts and situations. It also shows the degree of similarity between this study and other research. This research highlights the connections to existing academic literature and maintains a strong frame of reference throughout the process. (Eriksson & Kovalainen, 2008; Lincoln & Kuba, 1985; Shenton, 2004.) The empirical data is also presented in the form of *thick description*. It is a result of consistent triangulation of theory, data and interpretation and used for bringing the cases to life.

The researcher asks the readers of this study to interpret the findings considering also the following factors: All the five companies included in this research have their own company culture, organisational structure, history and many other differentiating factors, even though they all provide SaaS products to B2B customers. The selection of the interviewees brought forth some limitations as researcher had multiple requirements for the companies and the sample size remained narrow. Still, the interviewees were considered to be dependable sources of information because of their professional backgrounds

and organisational positions in the companies. Everyone had a substantial know-how on marketing practices and overall decision-making in the organization. Thus, the semi-structured theme interviews did provide a widespread view on the topics. In spite of that the study results are limited by the company and study context and therefore the results may not be generalizable. The main focus was on small and medium sized SaaS enterprises that operate specifically on B2B field. Also, as most of the interviews were conducted in Finnish, the answers needed to be translated into English when analysing the data. It is natural that the translation process involves pitfalls, but the answers were translated with care. Yet these results provide a great basis for further studies, as the results are considered trustworthy in their context.

This study agrees strongly with Curran and Blackburn (2001), who stated in their research that outcomes from research on SMEs are rarely perfect or unchallengeable because the social, cultural, economic, political and geographical environments these heterogeneous companies are operating in are constantly changing.

The limitations listed above offer opportunities for further research. There are multiple ways in which the present research on the marketing of Software-as-a-Service SMEs could be extended. For instance, since this study has totally qualitative approach and consists of five respondents, additional studies could be explored in order to increase the reliability, generalizability and validity of the findings.

Cloud computing is a new constantly evolving phenomenon and SMEs are not a group of homogenous companies. The term SME covers a wide range of organizations operating in various markets and industries and who employ up to 249 people. The results show that even though marketing is perceived as an important part of these companies' operations, it is still regarded from a surprisingly narrow perspective.

As this study concentrates only in the perceptions and experiences of representatives of five companies, the results should not be generalized to great extent. Generalization in larger scale would require more research with bigger sample. For example, more objective performance data, i.e. market share, profits and changes in sales, should be included in future research. This kind of quantitative data will provide more insight on how the marketing function is valued and how the practices it undertakes affect in the company's long-term success and customer relationships and retention.

For a more comprehensive view of cloud service SMEs marketing further research is proposed specifically in the following areas: Firstly, the role of the owner-manager requires further investigation. It would be interesting to find out if there is an actual evident correlation between the owner-managers professional background, personal opinions and the marketing practised.

Second, the SaaS SMEs interviewed do not have a pre-planned marketing strategy and the actions taken can be described ad hoc and haphazard. This needs a closer examination, what prevents small and medium sized companies from creating and applying structured, formal marketing plan for their business operations?

Third, it is likely that the closer the relationship between marketing and sales is and the more these departments are combined and co-operating, the greater is the influence of marketing operations. Further research is suggested on this issue.

In conclusion, the present study has paved the way for further empirical study and it is clear that the need for a research of marketing in small and medium sized cloud computing companies remains.

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APPENDIX 1 – INTERVIEWER QUESTIONS

Initial interview guide

Background information
Can you tell me about your role and background and introduce the company?

Role of marketing
Describe in your own words what is marketing?
What is its role in this company?
How do you plan marketing in this company?
How would you define the word strategy? Do you have a formal, structured marketing strategy?
How do you measure the success?
What kind of customer segments you have?
What practices is included in you day-to-day marketing?
Studies suggest that there are multiple limitations for SME's marketing success and company's growth? Have you identified any and if yes, what kind of?

Aligning marketing and sales
In your company, how united these departments are?
How has marketing and sales changed and aligned over the years?

Role of the owner-manager
Describe with your own words what is the role of owner-manager in this company?
How involved he/she is in the daily operations and decision-making?
How big of an impact her/his personal characteristics and background has in the managerial decision-making?

Customer purchase process
If you think about your customer base, have you noticed any changes in their purchase behaviour?
When looking at the customer purchase process model, can you identify what or which are the most vital stages for your company from marketing's perspective?

Decision-making
How would you describe the decision-making in your company?
Who is in charge of the marketing related decisions?

Servitization
Can you tell about your company's offering, what kind of products and services you sell?
If you needed to define your software, would you call it a product or a service? Why?