Available online at www.centmapress.org

Int. J. Food System Dynamics 2 (2010) 94-102

INTERNATIONAL JOURNAL ON FOOD SYSTEM DYNAMICS

Small Business Marketing Capability in the Food Sector: The Cases of Belgium, Hungary and Italy

Alessandro Banterle, Laura Carraresi and Stefanella Stranieri[1]

Università degli Studi di Milano, Italy
alessandro.banterle@unimi.it, laura.carraresi@unimi.it, stefanella.stranieri@unimi.it

Received 30st September 2009, accepted 15th March 2010, available online 15th April 2010

ABSTRACT

The purpose of this paper is to assess the marketing management capabilities of SMEs producing traditional food products in EU through the development of a self-evaluation tool. SMEs represent the greater part of European food firms and they find it very difficult to adapt to market changes, and to compete with big enterprises. In this context, marketing management capabilities play a key role in good SME performance in the market. The self-evaluation tool is developed in the innovative form of an interactive questionnaire published on the web. At the moment, the sample is composed by 60 traditional food producers located in three member states (Belgium, Italy, and Hungary) belonging to different sectors (cheese, beer, dry ham, sausage and white pepper). The data were analysed with cluster analysis. The results of the survey revealed that most of the firms analysed show weaknesses in marketing management capabilities. Nevertheless, cluster analysis pointed out a group of firms (22% of the sample) with high performances in all the stages of marketing management process, which can be defined market oriented in terms of MARKOR approach. Most firms showed difficulties in analysing the competitive environment in which they operate, and in controlling the achievement of the marketing objectives. Moreover, the survey showed that, generally, micro sized firms perform worse than small and medium enterprises. Nevertheless, in some cases micro firms achieved high performances revealing that the firm size is not a so insuperable constraint to reach good results in marketing.

Keywords: marketing capabilities, traditional food, SMEs, cluster analysis

1 Introduction

The growth of competition that has characterised the European food market in recent years is imputable to different factors, such as progressive market globalisation, the evolution of demand patterns and the harmonisation of food regulations at the European and international levels (Banterle, Carraresi, 2007; Knight, 2000). The qualitative attributes of food products, including attributes connected to tradition, are considered important strategic means to face the competition of food firms in the EU market (Traill, 1998).

Small and medium sized enterprises (SMEs), that represent the greater part of European food firms (Spillan, Parnell, 2006), find it very difficult to adapt to market changes, and to compete with big enterprises. In this context, marketing management capabilities play a key role for good SME performance in the market (Kohli, Jaworski, 1990).

The purpose of this paper is to assess the marketing management capabilities of SMEs producing

[1] Corresponding author: Laura Carraresi. The paper is the result of the collaboration of the authors who are jointly responsible. The text is attributed as follows: sections 1, 2, and 5 to A. Banterle; section 4 to L. Carraresi; section 3 to S. Stranieri.

traditional food products through the development of a self-evaluation tool. This analysis is carried out in the context of an European research project[2].

In the survey, the concept of traditional food product is linked to several rules: the production can be national or local; raw material origin or production process has to be peculiar of a specific geographic area; products have to be commercially available for at least 50 years and part of a gastronomic heritage.

An interactive questionnaire, available on the web[3], has been used as self-evaluation tool, aimed at assessing traditional food firm capabilities in the marketing area. We carried out a survey in three EU states, i.e. Belgium, Italy and Hungary, and the sample is composed by 60 firms belonging to different sectors (cheese, beer, dry ham, sausage and white pepper). Cluster analysis was applied in order to underline firms and sectors with similar features in marketing capabilities and to make comparison between them.

The paper is organised as follows: the theoretical framework is outlined in section 2; the methodology is set up in section 3; the results are described in section 4, and concluding remarks are highlighted in section 5.

2 Theoretical framework

Firms marketing capabilities can be analysed in different theoretical contexts. Referring to the recent economic literature, marketing capabilities play an important role in three main approaches: the Market Orientation (MARKOR), the Resource Based View (RBV), and the Porter's model on competitive advantage. In the first approach marketing capabilities represent a fundamental tool for the firm to became consumer focus (Kohli, Jaworski, 1990), in the second they are included in the organisational resources (Barney, 1991), and in the third one they are useful to apply the strategy of the firm, especially the differentiation (Porter, 1985).

We most considered the MARKOR approach, as we assess marketing skills analysing the propensity of small and medium traditional food producers of being market oriented, even though some aspects of the other two models are taken into account. In particular, the definition of marketing capabilities is referred to RBV approach, in which capabilities concern the combination of physical, human and organisational resources and represent the abilities of the firm to develop a set of activities towards the use of organisational processes in order to reach a desired objective (Amit, Schoemaker, 1993; Helfat, Peteraf, 2003). Therefore, in line with this definition, marketing capabilities are the activities and the processes, involving market research, strategy, planning and evaluation, aimed at reaching the satisfaction of consumers' preferences.

MARKOR approach argues that in a market oriented firm the two main pillars of marketing, namely customer focus and coordinated marketing, are well developed and perfectly integrated (Kohli, Jaworski, 1990; Spillan, Parnell, 2006). In this way a firm can reach a good level of profitability.

To be customer focused, a market intelligence has to be generated inside the organisation of the firm, and it concerns an analysis of the consumers' needs together with a study of the external economic environment. According to the information derived from the market, the objectives of marketing strategy are formulated.

The concept of coordinated marketing regards the intelligence dissemination across different firm areas. Indeed, the dissemination of the results of the market research allows to coordinate the firm activities (Kohli, Jaworski, 1990; Kara et al., 2005). Moreover, an evaluation of the initiatives implemented permit to verify if the firm can reach consumer preferences. Therefore, market orientation allows a firm to gear the products to consumer preferences (Banterle et al., 2009).

Following this approach, the development of good marketing capabilities lead the firm to be market oriented, and thus to achieve a good level of profitability. Marketing capabilities depends on the steps of marketing management process, that include analyzing market opportunities, searching and selecting market objectives, and developing marketing strategies that should be realized and controlled (Kotler, 2004).

Hence, to evaluate the marketing management capabilities of traditional food producers we considered

[2] TRUEFOOD – "Traditional United Europe Food" is an Integrated Project financed by the European Commission under the 6th Framework Programme for RTD (Contract n. FOOD-CT-2006-016264).
The information in this document reflects only the author's views and the Community is not liable for any use that may be made of the information contained therein.
[3] www.truefood.eu and http://users.unimi.it/truefood.

four main stages, according to Kotler (2004): market research, marketing strategy, planning and implementation, control and evaluation. These four steps are also strictly connected to MARKOR approach, as shown below.

Market research aims at collecting information and data in order to analyse the competitive environment in which the firm operates. According to the American Marketing Association definition, "marketing research is the function that links an organisation to its market through information. This information is used to identify and define marketing opportunities and problems; generate, refine and evaluate marketing actions; monitor marketing performance and improve understanding of marketing as a process" (Gofton, 1997). An analysis of external environment requires studies on where the firm operates and on possible market opportunities, indeed, marketing is the company's area which is more related to the external environment (Bagozzi, 1998).

Marketing strategy aims at managing objectives, capabilities and resources in line with market opportunities. Once the market segment is chosen, the firm decides the kind of product differentiation (Porter, 1985; Kaleka, 2002) and applies a marketing strategy, that involves the elaboration of the "marketing mix" variables, namely product, price, place, and promotion (Bagozzi, 1998; Kotler, 2004).

Planning and implementation regard the application of a marketing plan by a firm, that is crucial to achieve the objectives of the marketing strategy. Such a plan, together with the budget allocated for marketing activities, should be adapted to market conditions (Kotler, 2004).

Control and evaluation are related to the check and the examination of the planned marketing activities in order to be ready to carry out corrective actions if something does not work well, and to verify that the firm had reached its sales and profit objectives (Kotler, 2004). Moreover, marketing strategies of competitors have to be analysed in order to remain up to date and to improve the marketing plan by 'imitating' the marketing techniques of companies revealed as leaders of the sector (Kohli, Jaworski, 1990).

Also some innovativeness aspects are considered in our analysis, in addition to the four stages of marketing management process. In particular, the variables connected to firm innovativeness are the improvement of products, the search of new market, and the exploring of innovative distribution channels. These aspects can reveal the firm tendency to focus on consumer preferences and to face the growth of competition (Knight, 2000).

In terms of MARKOR approach, market research and marketing strategies permit the firm to be consumer focused, as through these two steps is possible to generate a market intelligence. The other two steps, i.e. planning and implementation, and control and evaluation are connected to coordinated marketing, as they allow to disseminate the intelligence and to control the responsiveness.

3 Methodology

An interactive questionnaire, available on the web, has been developed as self-evaluation tool in order to assess marketing management capabilities of SMEs. Before extending the survey within the EU, we carried out a survey in three countries partners of the European research project, namely Belgium, Italy, and Hungary.

The sample was composed by 60 firms producing traditional food products belonging to different sectors: cheese, beer, dry ham, sausage and white pepper.

In order to be considered traditional, the products must have some features concerning production, authenticity, commercial availability, and gastronomic heritage. The key steps of the production process must be carried out at national or regional or local level; the products must have an authentic recipe (mix of ingredients) or an authentic origin of raw material or an authentic production process; the products must be commercially available in stores and restaurants for at least 50 years; the products must have a gastronomic heritage.

The questionnaire is organised in sections, which reflect the main steps of the marketing management process (Kotler, 2004; Padberg *et al*. 1997), with an introductory part regarding general data of the firm (company name, country, legal status, employees, turnover, distribution channels, sale markets, and voluntary certifications).

1 *Information*: this part concerns the market research, necessary to apply market intelligence (Kohli and Jaworski, 1990); the questions are related to the analysis of information about the position of the brand in the market, the skills of suppliers, the requirements of retailers and consumers, and the strategy of competitors.

2 *Objectives*: this part refers to the analysis of the marketing strategy, concerning the aptitude of the firm to be market oriented; the questions consider if a firm has measurable objectives, if the marketing strategy is formulated, if the products are tailored in accord with the needs of the consumers, if the firm applies differentiation, if the firm invests in sales force and in advertising, and if the distribution channels are chosen by following the sales objectives.

3 *Organisation*: this part is focussed on the analysis of the marketing planning and implementation, and the questions concern the realisation of the marketing plan in advance, the adaptation of the promotional activities according to the changes in the market, and the adaptation of the budget for marketing when it is necessary.

4 *Evaluation*: this part analyses the control of the achievement of the results (control and evaluation), therefore the questions regard the capacity of the firm to check if the objectives were realised, and if the marketing costs are in line with the results obtained.

Moreover, we also added some questions related to *innovativeness* of the firm, analysing the investment in improving the products, the tendency to search for new market and for innovative distribution channels.

Except for the general data of the firm, in the other sections the possibility of answer is formulated with a scale from 1 to 5, reflecting the worst performance and the best one, respectively. This scale format is useful to evaluate the firm marketing performance, as it is expressed in a quantitative way. Therefore, it is easy to compare the firms underling those which reach the best performances that constitute the points of reference for improving marketing management capabilities (Camp, 1989; Scozzese, 2005).

With the numerical data obtained from this survey cluster analysis was also carried out in order to find similar characteristics in marketing capabilities of the firms composing the sample.

Cluster analysis is an exploratory data analysis instrument that covers several algorithms and methods for joining cases of similar type into respective clusters (Jobson, 1992). In other words cluster analysis is a tool which aims at sorting different objects into groups in a way that the degree of association between two objects is maximal if they belong to the same group and minimal otherwise. In this research hierarchical analysis is applied, aiming to group cases into successively larger clusters with a measure of distance. This method uses the distances between cases as the principles for grouping items, and a linkage rule to determine when two clusters are sufficiently similar to be linked together. In this analysis the method used for grouping items is Chebychev distance, and the linkage rule is “within groups”.

4 Results

4.1 Descriptive analysis

The size of the firms interviewed for each sector is shown in Table 1. A greater part of the sample is represented by SMEs (92%). Micro sized firms represent the majority of the sample (60%) and they are observed especially in both Belgian sectors (cheese and beer) and in the Hungarian white pepper. In this category most firms are single entrepreneurs. The 25% of the sample is composed by small firms and the 7% by medium sized firms. Moreover, 8% are big firms, most of which belong to Italian dry ham sector where there are two consortia for the protection of the product brands (Protected Designation of Origin - PDO).

Table 1.
Size of firms composing the sample
Source: Direct survey

	SIZE OF FIRMS (n° employees)				
	Micro (< 10)	Small (10-50)	Medium (51 - 250)	Big (> 250)	Total
Belgian beer	8	2	0	0	10
Belgian cheese	9	1	0	0	10
Hungarian white pepper	8	2	0	0	10
Hungarian sausage	5	2	2	1	10
Italian cheese	5	4	1	0	10
Italian dry ham*	1	4	1	4	10
Total	36	15	4	5	60

* Among the big firms two consortia are included.

Referring to the kind of distribution channels chosen by the firms of the sample, those most frequently used are direct sale and wholesalers, which represent a typical choice of very small firms (Figure 1). Specialised shops are chosen by some Hungarian firms, whereas supermarkets play an important role for Italian dry ham firms, due to their larger size.

The strong presence of micro firms in the Belgian and Hungarian sectors justifies the local character of the sales (Figure 2). On the opposite, Italian firms are more open to the market, selling at national level, due to their bigger size and, especially for dry ham, to the reputation of their product.

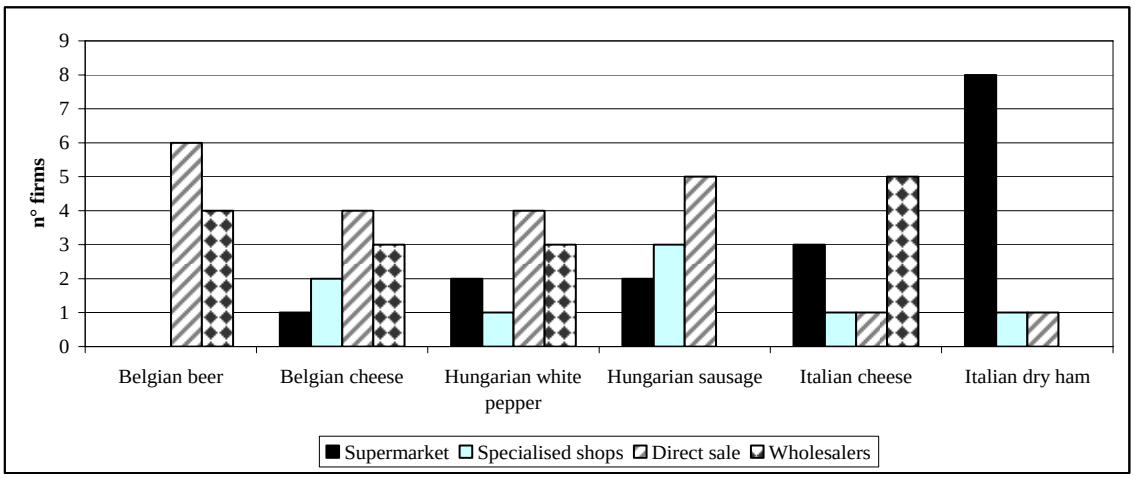

Figure 1.
Distribution channels
Source: Own calculations based on direct survey

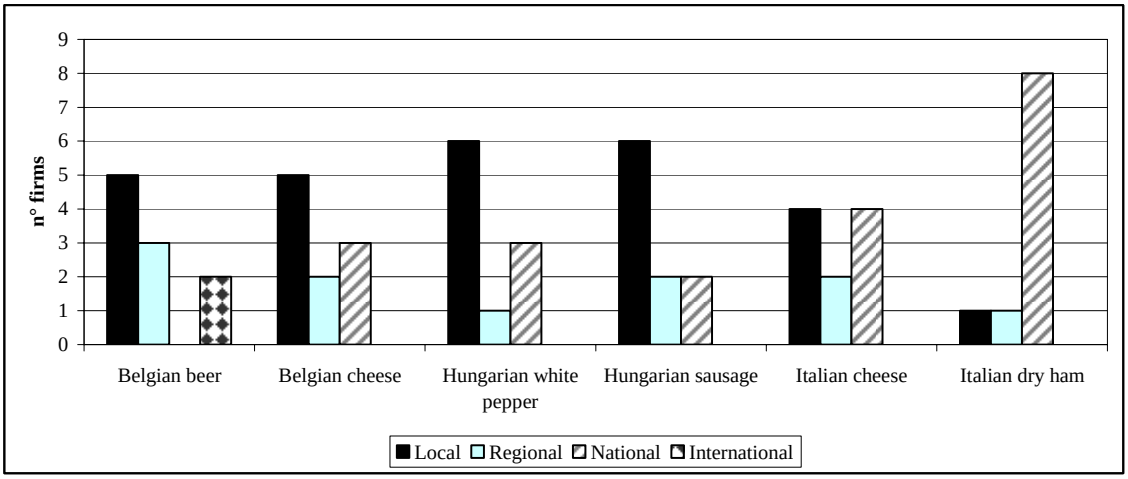

Figure 2.
Sale markets
Source: Own calculations based on direct survey

Focusing on marketing management capabilities, the results were summarised for each sector in Figure 3 by analysing the stages of marketing management process. The individual scores that the firms obtained in each stage were summed per sector and the average was calculated in order to understand the weaknesses and the strengthens in marketing capabilities of each sector.

With regard to *Information*, where market research is investigated, almost all the sectors obtain scores quite low (around 3). The results are homogeneous due to the fact that market research is one of the more difficult aspects of marketing management especially for SMEs.

In the stage *Objectives*, that investigates the firms' marketing strategy, the differences among sectors increase. These differences in the scores reveal the need for intervention to improve weak situations, as it is impossible to have good marketing capabilities without an adequate marketing strategy. The most lacking sector is Belgian cheese, characterized by micro-sized firms. The best sector is the Hungarian sausage, that shows a fairly good capability in the formulation of marketing strategy. However, the other sectors also obtain scores higher than three.

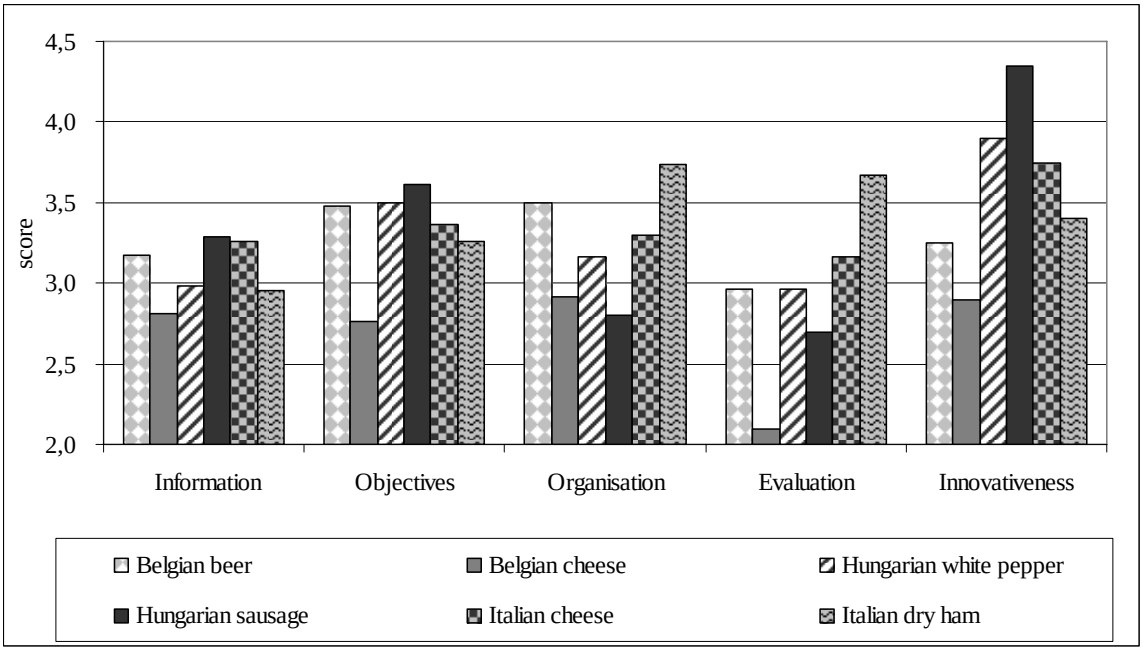

Figure 3.
Comparison of the performance among Hungarian, Belgian, and Italian sectors
Source: Own calculations based on direct survey

Concerning *Organisation*, that investigates marketing planning and implementation, a quite good performance is observed in the sectors of dry ham, beer and Italian cheese, which also reached a good score in the marketing strategy. Hungarian sausage, despite having a good marketing strategy, reveals the need to implement it. Also the Belgian cheese sector is found in a low position.

With regard to *Evaluation*, analysing the control and evaluation of the marketing objectives, big differences among sectors are shown: the lowest score is noted in Belgian cheese and the highest score in Italian dry ham. Moreover, it has to be noticed that, except for dry ham sector, all the others obtain their lowest score in this section, showing that control and evaluation are weak and critical points to be improved.

Concerning the *Innovativeness* aspects, great differences are evident, too. All the analysed sectors show an innovative attitude, but the best are the Hungarian firms, followed by the Italian and the Belgian ones.

4.2 Cluster analysis

The cluster analysis revealed four clusters. The firms with the lowest marketing management capabilities are grouped in cluster 1, in clusters 2 and 3 there are firms with growing performances, and in cluster 4 the highest marketing management capabilities are represented (Figure 4).

The first cluster comprises six micro sized firms characterised by the lowest performances in terms of marketing management capabilities (Figure 5). Among them, Belgian cheese firms are predominant.

The second cluster is bigger than the first one and it is composed by 20 firms. Micro sized firms are still the majority, but also three small sized firms are included. Half of the firms in this cluster are Belgian, with an equal distribution between cheese plants and breweries. Also Hungarian firms are highly represented, with a predominance of sausage producers. They have better marketing capabilities than those firms belonging to cluster 1, even if some weaknesses are revealed especially in planning and implementation, and in control and evaluation.

The third cluster is characterised by fairly good marketing capabilities, and it is constituted by almost all the kind of firms. Mainly small and micro sized enterprises are included, but there are also two medium sized and three large firms. This cluster is predominated by Italian ham and cheese producers, followed by Hungarian white pepper and sausage producers. The Italian ham firms achieved the highest average score for marketing management capabilities of all stages, followed by Hungarians' which attained the second highest score.

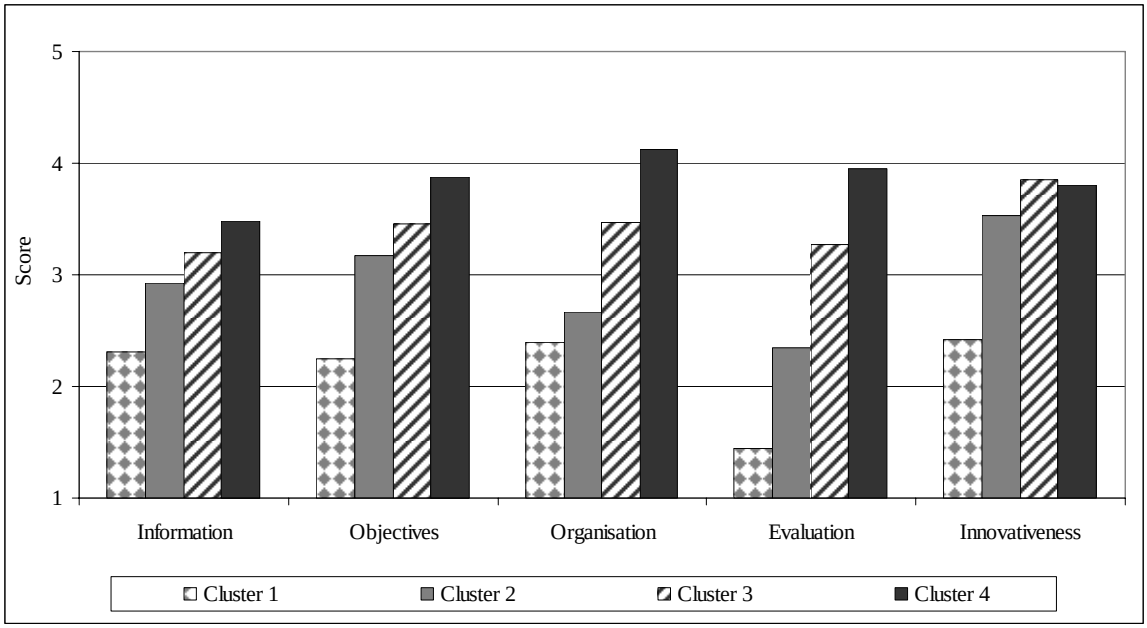

Figure 4.
Performance distribution among clusters
Source: Own calculations based on direct survey

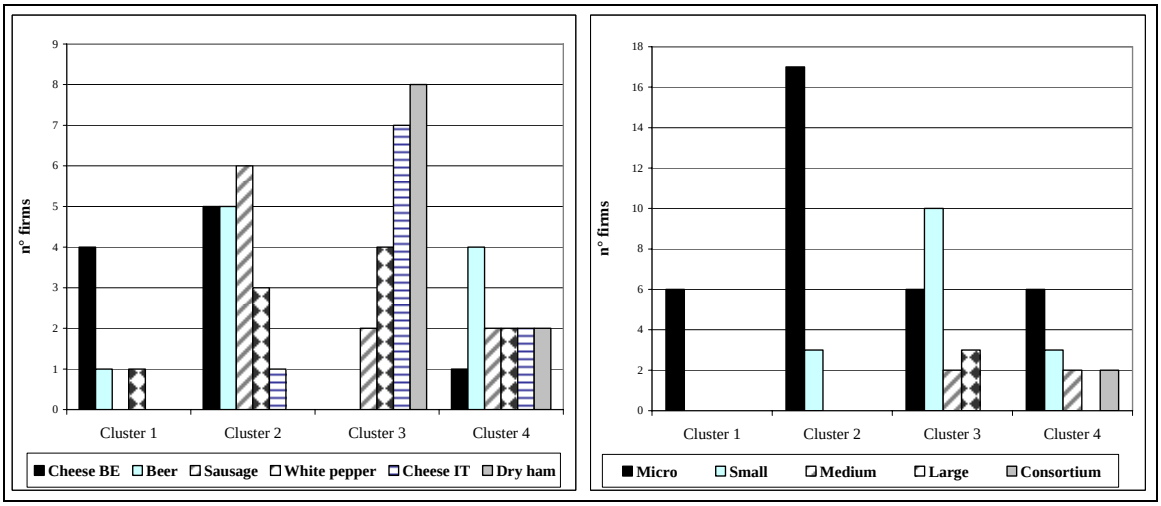

Figure 5.
Distribution of sectors and firm size among clusters
Source: Own calculations based on direct survey

The fourth cluster includes the best performing firms. All the sectors are included here: one firm for the Belgian cheese, four firms for the beer, and two firms for each of the other sectors. Related to the firms' size, six micro, three small and two medium sized enterprises plus two consortia are grouped in this cluster, showing that good results in marketing management are not necessarily determined by the firm

size. It has to be noticed that the two consortia are responsible for the marketing management of a group of producers, and therefore they achieve high scores, as they are specialised in marketing activities.

5 Concluding remarks

The purpose of this paper was to assess the marketing management capabilities of traditional food producers. The interest was focused on SMEs, because they are the great share of the traditional food producers.

The results of the survey revealed that most of the firms analysed show weaknesses in marketing management capabilities, in line with recent economic literature regarding SMEs (Knight, 2000; McCartan-Quinn, Carson, 2003; Spillan, Parnell, 2006). As cluster analysis highlighted, weak marketing skills are found in the firms of the first and the second cluster (43% of the sample) that obtained average scores quite low. The third cluster groups firms (35% of the sample) with an intermediate level of marketing management capabilities, that show a propensity to market orientation. The firms with the best performance are included in the fourth cluster (22% of the sample), in which the average scores are high in all the stages of marketing management process.

The firms classified in the last cluster can be defined market oriented in terms of MARKOR approach, as good skills in market research and marketing strategy lead to costumer focus, whereas the good abilities in planning and implementation, and in control and evaluation point out a coordinated marketing. This result underlines that also SMEs can reach high marketing management capabilities, but this performance requires to dedicate specific physical, human and organisational resources to develop marketing activities.

The main critical points in the marketing management process for most firms of the sample are the stages of market research and control and evaluation. Therefore, the firms show difficulties in analysing the competitive environment in which they operate, namely in generating the market intelligence, and in controlling the achievement of the objectives. These weaknesses limit the possibilities to adjust the marketing actions towards consumer preferences.

With regard to the link between marketing management capabilities and firm size, the survey showed that, generally, micro sized firms perform worse than small and medium enterprises. Nevertheless, in some cases micro firms achieved high performances revealing that the firm size is not a so insuperable constraint to reach good results in marketing.

Concerning possible effects of food sector specificities on marketing management capabilities, the analysis does not revel a clear relationship. The Belgian cheese sector is that with the worst performance and the Hungarian sausage sector shows quite low scores too. The Belgian beer firms are divided in fairly low and good marketing capabilities. On the opposite, Italian dry ham and cheese, and Hungarian white pepper reveal quite good marketing capabilities. Nevertheless, in some cases the product reputation and tradition can contribute to improve marketing management capabilities and the same consideration regards the products with protected designation of origin.

The kind of distribution channel and the choice of geographic market do not seem affect the marketing skills. However, differences are shown among the sectors analysed: for dry ham the main distribution channel is supermarket at national level, whereas for other sectors direct sales, wholesale, and the local market play an important role.

The self-evaluation tool utilised in the analysis seems to be useful to assess and to compare firm marketing management capabilities, considering the difficulties to collect data in this area, even if the results could include an over or underestimate of marketing capabilities.

A policy implication of the analysis concerns the dissemination of information to SMEs about market situations, by simplifying the access and the comprehensibility of market reports and analyses provided by governmental and research institutions. Instead, a managerial implication regards the importance of shifting the entrepreneurial choices from product orientation to market orientation, but this requires to dedicate more efforts in improving marketing management capabilities. Further research will be addressed to extend the survey in the SMEs all around European Union in order to reach a bigger sample of traditional food producers.

References

Amit, R., Schoemaker, P.J.H. (1993). Strategic assets and organizational rent. Strategic Management Journal, 14, 33-46.

Bagozzi, R. (1998). Marketing Management. Upper Saddle River, N.J.: Prentice Hall.

Banterle, A., Carraresi, L. (2007). Competitive performance analysis and European Union trade: The case of the prepared swine meat sector. Food economics, 4 (3), 159-172.

Banterle, A., Cavaliere, A., Stranieri, S., Carraresi, L. (2009). European traditional food producers and marketing capabilities: An application of the marketing management process. Applied Studies in Agribusiness and Commerce – APSTRACT, 3 (5-6), 41-46.

Barney, J. (1991). Firm Resource and Sustained Competitive Advantage. Journal of Management, 17(1), 99-120.

Camp, R.C. (1989). Benchmarking: The Search for Industry Best Practices That Lead to Superior Performance. Milwaukee, WI: American Society for Quality Control Quality Press.

Gofton, L. (1997). Marketing Research. In D. I. Padbergh, C. Ritson, L. M. Albisu (Eds.), Agro-food marketing (pp. 225–252). Wallingford, Oxon, UK: CAB International.

Helfat, C.E., Peteraf, M.A. (2003). The dynamic resource-based view: Capability lifecycles. Strategic Management Journal, 24, 997-1010.

Jobson, J.D. (1992). Applied Multivariate Data Analysis (Vol.2). New York, N.J.: Springer-Verlag.

Kaleka, A. (2002). Resources and capabilities driving competitive advantage in export markets: guidelines for industrial exporters. Industrial Management Journal, 31, 273-283.

Kara, A., Spillan, J., DeShields, E.W. Jr. (2005). The Effect of a Market Orientation on Business Performance: A Study of Small-Sized Service Retailers Using MARKOR Scale. Journal of Small Business Management, 43(2), 105–118.

Knight, G. (2000). Entrepreneurship and marketing strategy: the SME under globalization. Journal of International Marketing, 8 (2), 12-32.

Kohli, A. K., Jaworski, B.J. (1990). Market orientation: The construct, research propositions. Journal of Marketing, 54(2), 1-19.

Kotler, P. (2004). Marketing Management. USA: Prentice Hall.

McCartan-Quinn, D., Carson, D. (2003). Issues which impact upon marketing in the small firm. Small Business Economics, 21, 201-213.

Padbergh, D.I., Ritson, C., Albisu, L.M. (1997). Agro-food marketing. Wallingford, Oxon, UK: CAB International.

Porter, M. (1985). Competitive advantage. New York, N.J.: Free Press.

Scozzese, G. (2005). Il benchmarking. Roma, Italy: Armando.

Spillan, J., Parnell J. (2006). Marketing resources and firm performance among SMEs. European Management Journal, 24 (2-3), 236-245.

Traill, B. (1998). Structural changes in the European food industry: Consequences for competitiveness. In W. B. Traill, E. Pitts (Eds.), Competitiveness in the food industry (pp. 37-57). London, UK: Blackie Academic & Professional.