



Market orientation and marketing management of traditional food producers in the EU

Traditional food producers in the EU

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Received 25 May 2010
Revised 5 October 2010
Accepted 20 October 2010

Abstract

Purpose – The purpose of this paper is to evaluate the market orientation and the marketing management capabilities of SMEs that produce traditional food products, by identifying their critical points in marketing activities.

Design/methodology/approach – The theoretical framework of this analysis relates to market orientation approach. Marketing management capability was evaluated through a questionnaire using proxies to study the different stages of marketing management. The survey involved 150 firms of which 118 are SMEs producing traditional food products, located in Hungary, Belgium, and Italy. The data were collected by a self-administered internet survey and were analysed using multivariate analyses.

Findings – Cluster analysis resulted in four clusters with different marketing management capabilities. Most of the SMEs in the sample lack marketing management capabilities, even if a considerable proportion of the firms considered report good marketing capabilities that lead to a market orientation. The weakest step of market orientation is the dissemination of generated intelligence. Indeed, SMEs lack marketing organisational activities, namely in planning and implementation of marketing strategy. Moreover, SMEs with better performance check that their objectives are reached but do not compare their strategy with that of competitors. Hence, they could miss opportunities to keep up to date with market development.

Originality/value – This paper provides interesting insights about the marketing capabilities of food SMEs, which usually find it difficult to stay in the market beside large firms. Moreover, there are not many contributions in the literature about the application of market orientation approach on traditional food producers.

Keywords Marketing management capabilities, SMEs, Traditional products, Food sector, Marketing management, Food industry, Food products, Small to medium-sized enterprises

Paper type Research paper



1. Introduction

Over the past ten years, in the European agro-food market, globalisation has led to increased competition from large enterprises, especially multinationals, and, because of

trade liberalisation, to decreased market protection (Carson and Gilmore, 2000a; Knight, 2000; Lee *et al.*, 2001; Henchion and McIntyre, 2005; Banterle and Carraresi, 2007).

At the same time, consumer interest in food quality is increasing, not only in relation to healthier and safer products, but also in association with particular geographic areas (Ilbery and Kneafsey, 2000; Sparkes and Thomas, 2001; Gorton and Tregear, 2008). Indeed, origin and production methods have become extremely important, as consumers tend to associate better quality with traditional products due to a sort of “nostalgia” that takes them back to their roots (Gilg and Battershill, 1998; Gellynck and Viaene, 2002). Thus, traditional food products, linked to particular geographic areas and a specific gastronomic heritage, might take on a significant role in the market and are being increasingly requested by consumers finding them “a return to traditions” (Jordana, 2000; O’Reilly and Haines, 2004). These changes offer growth opportunities for enterprises that adopt appropriate strategies, and for small firms operating in a niche market (Lee *et al.*, 2001).

Traditional food producers are typically small-size firms (O’Reilly and Haines, 2004). Growth in competition often leads to difficulties for small and medium sized enterprises (SMEs) to stay in the market and survive beside large enterprises (Hughes, 2009). SMEs represent the majority of firms in the industrial sector in the EU (Spillan and Parnell, 2006), and their role in the food industry is particularly relevant (Lamprinopoulou *et al.*, 2006).

Nevertheless, SMEs can take advantage of the growth in market opportunities by applying a market-oriented strategy (Shapiro, 1988; Kohli and Jaworski, 1990). Indeed, a lot of empirical studies show a direct link between market orientation and superior business performance (Narver and Slater, 1990; Ruekert, 1992; Deshpandé *et al.*, 1993; Jaworski and Kohli, 1993; Simpson and Taylor, 2002; Kara *et al.*, 2005; Spillan and Parnell, 2006). By studying the market, SMEs can assess strengths, weaknesses and threats of the competition, and can weigh up the opportunities that form the basis for arranging appropriate strategies for better performance (Day, 1994; Meulenbergh and Pennings, 2002; Armario *et al.*, 2008). Because they are flexible, SMEs can benefit from market challenges as they arise; indeed they react to market changes in a much more agile way than large firms (Heathfield, 1997; Carson and Gilmore, 2000b; Krake, 2005).

Simpson and Taylor (2002) stated that SMEs could be considered “marketing independent organisations”, as in these firms marketing activities are not well organised and the business environment is quite stable. Nevertheless, to face the fast changes of consumer needs over the years, it is suggested to the SMEs to apply a reactive strategy, in order to become “marketing-led organisations” with a marketing activity playing a determinant role in the firm management (Simpson and Taylor, 2002; Simpson *et al.*, 2006).

Indeed, in order to be market oriented, marketing tools have to be well developed, marketing being the dimension closest to the market environment at national and international level (Merrilees and Tiessen, 1999; Hughes, 2009). The marketing department spreads information concerning the market throughout the company, thus allowing appropriate and market-driven strategies to be set up (Kohli and Jaworski, 1990; Kara *et al.*, 2005; Keh *et al.*, 2007).

However, SMEs lack appropriate tools for responding to increased market competition and for dealing with competitors in national and international markets. As

a number of studies showed, SMEs often are weak in marketing management capability due to time constraints (Knight, 2000; Gilmore *et al.*, 2001; Poolton *et al.*, 2006), financial shortage (Carson and Gilmore, 2000a, b; McCartan-Quinn and Carson, 2003; Tregear, 2003; Henchion and McIntyre, 2005; Spillan and Parnell, 2006) and lack of long-term perspective (Laforet, 2008).

In this context, the purpose of this paper is to evaluate the marketing management capabilities of SMEs producing traditional food products. By assessing the marketing management capabilities of SMEs, our goal is to reveal SME market orientation and the critical points in the marketing management process. This analysis is carried out within the framework of a European research project[1].

The paper is organised as follows: the theoretical framework of marketing management and market orientation is described in section 2; the methodology applied in the paper is analysed in section 3; the results are presented in section 4, and the conclusions are set down in section 5.

2. Conceptual framework

2.1 Market orientation approach

The analysis of marketing capabilities can be linked to the theoretical approach of Market Orientation (MARKOR). Indeed, in this framework, the marketing capabilities play an important role to be market oriented. Therefore, in our survey, we chose to apply the MARKOR approach, as the aptitude of small and medium traditional food producers of being market oriented is investigated (Banterle *et al.*, 2009).

The term “market orientation” is used to indicate the implementation of the marketing concept (Kohli and Jaworski, 1990). This concept has been defined as “a philosophy of business management”, characterised by the recognition of the importance of customer orientation, profit orientation, and communication of market needs across the company departments (McNamara, 1972).

Following this approach, a firm is market oriented if it incorporates two main pillars of the marketing concept, i.e. customer focus and coordinated marketing (Kohli and Jaworski, 1990; Lewis *et al.*, 2001; Kara *et al.*, 2005; Spillan and Parnell, 2006). Customer focus involves carrying out actions to analyse consumers’ needs, and external environment characteristics to gear products to consumers’ preferences (Kohli and Jaworski, 1990; Kara *et al.*, 2005; Micheels and Gow, 2008b). Coordinated marketing concerns the spreading of information collected by marketing department across all functions of the firm. In this way, common objectives can be achieved through internal collaboration (Shapiro, 1988; Kohli and Jaworski, 1990; Narver and Slater, 1990).

Both customer focus and coordinated marketing lead to profitability. For large companies profitability is linked to financial objectives in order to satisfy shareholders. For SMEs that produce traditional food products the benefits of a market orientation are referred to a broader concept of profitability, including prestige and quality issues relating to tradition and authenticity.

The construct of market orientation is constituted by three main steps, namely intelligence generation, intelligence dissemination, and responsiveness, necessary to be customer focussed and develop a coordinated marketing (Kohli and Jaworski, 1990).

Intelligence generation concerns the collection of market and competitive environment information, the translation of this information into objectives and the definition of strategies (Shapiro, 1988; Micheels and Gow, 2008a). In order to generate

intelligence, marketing department can carry out market research, conduct customer surveys, and collect primary data and/or search into secondary sources (Kohli and Jaworski, 1990).

Once generated, market intelligence should be disseminated across functional areas of the company through horizontal communication that provides “a shared basis for concerted actions by different departments” (Kohli and Jaworski, 1990, p. 5).

Finally, responsiveness includes the evaluation of the actions effectively geared towards meeting customer needs, such as market targeting, product offers, distribution, and promotion (Kohli and Jaworski, 1990).

2.2 Marketing management process

The strategic planning framework represents the general conceptual framework we referred to for the analysis of marketing capabilities of SMEs producing traditional food products. Following Kotler (2004), marketing capabilities derive from a well performed marketing management process, which consists of investigating market opportunities, identifying marketing objectives and setting a marketing strategy. Such strategy has to be adopted and the results checked. According to this approach, there are four stages of the marketing management process: marketing research, marketing strategy, planning and implementation, and control and evaluation.

Market research is aimed at collecting information and data to analyse the competitive environment, carrying out a marketing audit and SWOT analysis of the economic context the firm is operating in (Day, 1994; Gofton, 1997; Keh *et al.*, 2007). This analysis does not only concern consumer behaviour and competitor strategies, but it also studies the other agents of the supply chain, such as suppliers and retailers (Bagozzi, 1998; Kotler, 2004).

Based on corporate mission and objectives, marketing strategy defines the aims of marketing activities, it outlines the segmentation and the targeting of demand and it applies the product differentiation. Furthermore, pricing, the choice of distribution channels, and the investment in advertising are also critical decisions during the definition of a marketing strategy (Albisu, 1997; Bagozzi, 1998; Knight, 2000; Dana, 2001; Keh *et al.*, 2007).

Planning and implementation are focussed on implementing the objectives of the marketing strategy and defining the tactics through the application of a marketing plan in line with the global strategy of the firm, which should be adapted to market changes (Narver and Slater, 1990; Carson, 1990). Moreover, in this stage the budget for the different marketing activities is decided (Kotler, 2004).

Control and evaluation is the step that is connected to the assessment of the implementation of marketing strategy objectives. In order to maintain an efficient marketing plan, a company needs to monitor, and periodically control, its marketing activities so that, if any corrective actions are needed, they can be made at the appropriate time (Kotler, 2004).

2.3 Relationships between MARKOR approach and marketing management process

Even if a firm's market orientation is achieved through the collaboration of all its departments, marketing is the function typically closest to the consumer and the environment, thus it acts as a go-between for the different areas of the company (Kara *et al.*, 2005). Marketing plays a key role in a firm, as it is the basis on which the firm

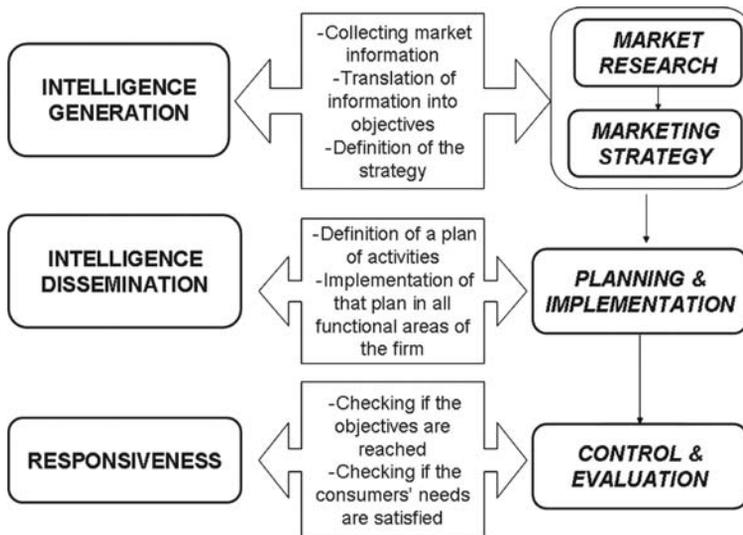
applies its market intelligence, and which enables the firm to be really customer oriented (Simpson and Taylor, 2002; Simpson *et al.*, 2006). Therefore, we concentrate the attention on the evaluation of marketing management capabilities in order to assess the market orientation of traditional food firms. We used a set of variables to represent the different stages of marketing management process and we linked them to the market orientation approach, as reported in Figure 1. The variables chosen to measure market research and marketing strategy are connected to the intelligence generation, the variables representing planning and implementation are linked to the intelligent dissemination and those concerning control and evaluation are connected to the responsiveness.

In this way, through the assessment of marketing management process, we can outline the level of market orientation of the firms considered in the survey. Thus, in our analysis we assume that:

- if the firms achieve good results in all the stages of marketing management process, they are market oriented;
- if the firms have some weaknesses in one ore more stages of marketing management process, they present an intermediate level of market orientation; and
- if the firms have low score in all the stages of marketing management process, they are not market oriented.

3. Methodology

In order to assess the marketing management capabilities of SMEs producing traditional food products, a survey was conducted in the period January-March 2008 through a questionnaire formulated according to Narver and Slater (1990), Padberg *et al.* (1997), Bagozzi (1998), and Kotler (2004).



Sources: Based upon Kohli and Jaworski (1990) and Kotler (2004), own adaptation

Figure 1.
Connection between the
pillars of market
orientation and the stages
of marketing management

An introductory part of the questionnaire concerns the general data of the firms with questions regarding: the number of employees, the continuity in the production of traditional food products, the voluntary certification applied, the kind of distribution channels, the geographical sale markets, the legal status, the membership of a consortium, and the turnover.

For the evaluation of marketing management capabilities, we selected 20 variables representing the stages of the marketing management described in the previous section: market research, marketing strategy, planning and implementation, control and evaluation. Moreover, we also included three variables connected to innovativeness to evaluate the firms' aptitude to choose innovative distribution channels, enter in new geographical markets, and improve traditional products (Knight, 2000; Laforet, 2008).

The 23 variables selected have a Likert-scale from 1 to 5, which reflects the capability as worst and best, respectively. The description of variables is reported in Table I.

The first set of variables refers to the firm's capability of market research, and it is composed by brand analysis, market analysis, competitors analysis, and the analysis of other agents of supply chain, such as suppliers, retailers, and consumers.

The second set of variables deals with marketing strategy, and includes the existence of clear objectives, the level of internal coordination, the tailoring of the product according to consumer needs, the product differentiation, the influence on price setting, the investment in qualified sale forces, the choice of distribution channels, and the investment in advertising.

The third set of variables concerns planning and implementation of the marketing activities, and it is referred to firm capability to plan the activities in advance, to adapt the promotional activities and the budget to market changes.

The fourth set of variables is related to control and evaluation of marketing management. They are the evaluation of results, the marketing cost analysis, and the benchmarking with competitors.

The fifth set of variables regards the firm innovativeness, and it is composed by investment in product innovation, research for new markets and implementation of innovative distribution channels.

The survey was conducted among 118 SMEs producing traditional food products via a self-registered internet survey. The sampling was carried out following two criteria. First, the firms have to comply with the definition for SMEs, provided by European Commission, i.e. firms with a maximum of 250 employees and a maximum annual turnover of 50 million Euros. Second, the product characteristics of these SMEs have to be in line with a specific definition for traditional food products. Although there is no universal definition of them, the literature cites common attributes related to quality and origin that differentiate "traditional" products from industrial, or mass-produced products (Tregear *et al.*, 1998; O'Reilly and Haines, 2004). Thus, we consider "traditional" the products that are produced locally, following an authentic production process, using authentic raw materials, commercially available to the public for at least 50 years, and part of a gastronomic heritage.

The questionnaire was published on the web site of the Truefood project, and the Federations of Food Industries were called to invite SMEs in participating to this survey, in order to collect a significant number of respondents. The answers of the

Variable name	Description	Variable type	n	Mean	SD
<i>Market research</i>					
Brand analysis	The company investigates the position of its brand in the market	Scale (1-5)	118	2.69	1.34
Supplier analysis	The company investigates the competencies/skills of our suppliers before we select them	Scale (1-5)	118	3.69	1.26
Retailer analysis	The company investigates the requirements of our retailers	Scale (1-5)	118	3.79	1.27
Competitor analysis	The company investigates the marketing strategy of our competitors	Scale (1-5)	118	3.06	1.21
Market analysis	The company analyses any data and information about the market	Scale (1-5)	118	3.50	1.21
Consumer analysis	The company analyses the requirement of our consumers	Scale (1-5)	118	3.78	1.13
<i>Marketing strategy</i>					
Existence of clear objectives	The company has measurable objectives presented in our marketing strategy	Scale (1-5)	118	3.81	1.16
Strategy well-known inside firm	The company implements very strictly our marketing strategy	Scale (1-5)	118	3.50	1.22
Product tailoring according to consumer needs	The company tailors its products according to the needs of the consumer	Scale (1-5)	118	3.83	1.28
Product differentiation	The company seeks to make its product different from that of competitors	Scale (1-5)	118	3.85	1.30
Influence on price setting	The company strongly influences the price of our products	Scale (1-5)	118	3.65	1.26
Investment in dynamic and qualified sales forces	The company invests in dynamics and qualified sales force	Scale (1-5)	118	3.75	1.32
Choice of distribution channel	The company chose the type of distribution according to our sales objective	Scale (1-5)	117	3.99	1.12
Investment in promotion and advertising	The company invests in promotion and advertising	Scale (1-5)	118	3.2	1.33
<i>Planning and implementation</i>					
Planning in advance	The company applies detailed marketing planning in advance	Scale (1-5)	118	3.49	1.31
Adaptation of promotional activities to changes in market	The company adapts its promotional activities to changes of the market	Scale (1-5)	118	3.36	1.42
Adaptation of budget to changes in market	The company adapts easily the budget for marketing activities if necessary	Scale (1-5)	118	3.11	1.34
<i>Control and evaluation</i>					
Evaluation of results	The company reviews whether or not the objectives of the promotional activities were realised	Scale (1-5)	118	3.57	1.39
Cost analysis	The company reviews the marketing costs in comparison to the results achieved	Scale (1-5)	118	3.47	1.38
Benchmarking with competitors	The company collects information about the results of competitors	Scale (1-5)	118	2.39	1.28
<i>Innovativeness</i>					
Investment in product improvements	The company invests in improving its traditional products	Scale (1-5)	117	4.17	1.12
Search for new markets	The company searches for new markets	Scale (1-5)	117	3.97	1.24
Innovative distribution channels	The company sells its product with innovative distribution channels	Scale (1-5)	117	2.97	1.35

Table I.
Selection of variables

questionnaire ended automatically in our database. For this analysis the sample is composed by 22 Hungarian SMEs (18.6 per cent), 12 Belgian SMEs (10.2 per cent), and 84 Italian SMEs (71.2 per cent), as these countries are research partners in this project.

4. Results

4.1 Cluster analysis

Data about the four stages of marketing management and innovativeness were investigated by means of SPSS 15.0. Cluster analysis was conducted to obtain groups of SMEs with similar marketing management capabilities. Based on the firm's score for each variable, hierarchical clustering with Ward's method and squared Euclidean distance, followed by k-means cluster analysis, was conducted. The hierarchical clustering suggested a four-cluster solution as the optimal solution. The final results of the k-means cluster analysis are further validated by examining the accuracies of prediction for the cluster membership by means of discriminant analysis. Due to missing values two firms were excluded from the cluster analysis.

In order to verify the reliability of each variable, Cronbach's Alpha reliability test was applied. This test is a measure of the reliability of the internal consistency of the variables measuring a certain construct (Malhotra, 1999). The values for Cronbach's Alpha vary from 0 to 1 and Cronbach's Alpha values above 0.60 indicate sufficient internal consistency (Janssens *et al.*, 2008).

Subsequently, the clusters were profiled by One-Way ANOVA to test differences in mean values among the four clusters. Following, the different clusters are described by firms' general data through cross-tabulation due to the categorical character of these variables. Because of a high rate of missing values the application of the Chi square test was not possible for the firm general data.

Before starting to comment the results of cluster analysis, we can verify that the Cronbach's Alpha reliability test confirms that the variables used contribute well to each construct of marketing management since all values are above 0.60 (Table II).

The cluster analysis resulted in four significantly different clusters. The first cluster groups 41.4 per cent of the respondents characterised by good overall results in all five stages; this group is thus referred to as "market oriented". This cluster has significantly the best results in the stages of planning and implementation and control and evaluation. In the stages of marketing research, marketing strategy and innovativeness this cluster achieves the significantly best results for most of the variables.

More than a third of the respondents fall in the second cluster (34.5 per cent). The members of this cluster achieved lower scores than the members of the first cluster, but attained fairly good results in all five stages, and so this cluster is referred to as "upper intermediate market oriented". In this cluster the best results are achieved in supplier analysis, consumer analysis and product differentiation. Nevertheless, they are still achieving significantly the second best results for most of the remaining variables in comparison to the other three clusters. There are only few weak points appearing for this cluster, i.e. well-known strategy in the firm, product tailoring and selling the products via innovative distribution channels. For these variables this cluster is scoring significantly lower than the first or third cluster, but mainly still higher than the fourth cluster.

The third cluster shows the respondents with low market orientation but well developed strategy; this cluster is referred to as "less market oriented but with

	<i>n</i>	Cluster				Cr. α Sig.
		(1) Market oriented	(2) Upper intermediate market oriented	(3) Less market oriented with well developed strategy	(4) Not market oriented	
<i>Size of cluster</i>	49	49	49	10	18	
	%	41.4	34.5	8.6	15.5	
Market research						0.723
Brand analysis	3.40 ^c	2.65 ^b	1.40 ^a	1.56 ^a	0.000 [*]	
Supplier analysis	4.29 ^c	3.70 ^c	1.70 ^a	3.00 ^b	0.000 [*]	
Retailer analysis	4.50 ^c	3.75 ^b	2.20 ^a	2.72 ^a	0.000 [*]	
Competitor analysis	3.50 ^b	3.03 ^b	3.20 ^b	1.78 ^a	0.000 [*]	
Market analysis	4.23 ^c	3.33 ^b	2.80 ^{a,b}	2.22 ^b	0.000 [*]	
Consumer analysis	3.83 ^{b,c}	3.95 ^c	3.80 ^{a,b}	3.17 ^a	0.096	
Marketing strategy						0.690
Existence of clear objectives	4.46 ^c	3.53 ^b	4.20 ^c	2.44 ^a	0.000 [*]	
Strategy well-known inside firm	4.19 ^b	2.88 ^a	3.90 ^b	2.83 ^a	0.000 [*]	
Product tailoring according to the consumer needs	4.38 ^b	3.28 ^a	4.90 ^b	2.89 ^a	0.000 [*]	
Product differentiation	4.42 ^c	3.90 ^c	2.00 ^a	3.17 ^b	0.000 [*]	
Influence on price setting	3.85 ^{b,c}	3.50 ^{a,b}	4.40 ^c	2.94 ^a	0.010	
Investment in dynamic and qualified sale forces	4.33 ^c	3.53 ^b	4.50 ^c	2.11 ^a	0.000 [*]	
Choice of distribution channel	4.56 ^c	3.73 ^b	4.70 ^c	2.67 ^a	0.000 [*]	
Investment in promotion and advertising	3.98 ^c	3.30 ^b	1.50 ^a	2.17 ^a	0.000 [*]	
Planning & implementation						0.661
Planning in advance	4.21 ^c	3.03 ^b	4.40 ^c	2.11 ^a	0.000 [*]	
Adaptation of promotional activities to changes in market	4.21 ^c	3.43 ^b	1.70 ^a	1.72 ^a	0.000 [*]	
Adaptation of budget to changes in market	4.02 ^c	3.13 ^b	1.40 ^a	1.61 ^a	0.000 [*]	
Control & evaluation						0.760
Evaluation of results	4.54 ^c	3.33 ^b	2.30 ^a	2.11 ^a	0.000 [*]	
Cost analysis	4.56 ^c	3.30 ^b	1.70 ^a	2.22 ^a	0.000 [*]	
Benchmarking with competitors	3.10 ^c	2.20 ^b	1.60 ^{a,b}	1.28 ^a	0.000 [*]	
Innovativeness						0.704
Investment in product improvements	4.85 ^c	3.98 ^b	4.30 ^b	2.67 ^a	0.000 [*]	
Search for new markets	4.63 ^c	3.65 ^b	3.90 ^b	2.89 ^a	0.000 [*]	
Innovative distribution channels	3.31 ^{b,c}	2.63 ^{a,b}	3.90 ^c	2.17 ^a	0.000 [*]	

Notes: $n = 116$. ^{a,b,c}The various superscripts indicate significant differences of group means in the *post hoc* Duncan test per variable of each of the five stages for marketing management capabilities ($p < 0.05$); values with the same superscript per variable are not significantly differing from each other; superscript “a” indicates the lowest significant different values for each variable, superscript “b” indicates second best significant different value among groups per variable, superscript “c” indicates the highest significant different value for each variable. ANOVA, Significance < 0.000

Source: Own calculations

Table II.
Marketing management
capabilities of SMEs
producing traditional
food products

well-developed strategy” and comprises a minority of the sample (8.6 per cent). This cluster is particularly strong in the stage of marketing strategy, achieving significantly highest results for clear objectives, influence of price setting, investment in dynamic and qualified sale forces, and choice of the distribution channel according to the firm’s sale objective. Furthermore, this cluster is also superior in planning in advance and selling the products via innovative distribution channels. Besides, this cluster achieves still significantly good results for competitor analysis, well-known strategy within the firm, product tailoring, and the other two variables of innovativeness, namely investment in product improvements and search for new markets. However, the main weaknesses of this cluster are in the stages of market research, planning and implementation, and control and evaluation indicating the lower market orientation in comparison to the first two clusters.

Finally, the fourth cluster assembles another minority of respondents (15.5 per cent); they have overall low scores in all five stages and are hence referred to as “not market oriented”. There are only few aspects which this cluster achieves somewhat good results. These aspects are related to supplier analysis, and product differentiation. However, even for these aspects, the achieved values are significantly lower than in the first and second cluster. Hence, this cluster shows clearly no market orientation.

Table III validates the results of the cluster analysis presenting that 97.4 per cent of the SMEs are correctly classified. Cluster 1 has the lowest rate of classification (94.9 per cent), followed by cluster 2 (95.0 per cent). On the contrary, cluster 3 and 4 were 100 per cent correctly classified. Furthermore, the values for Wilks’ Lambda and the *p*-values of significance indicate that we achieved clusters, which group means are significantly differing from each other. The results presented in Table II are therefore robust and valid.

4.2 Marketing management capabilities and critical points of SMEs

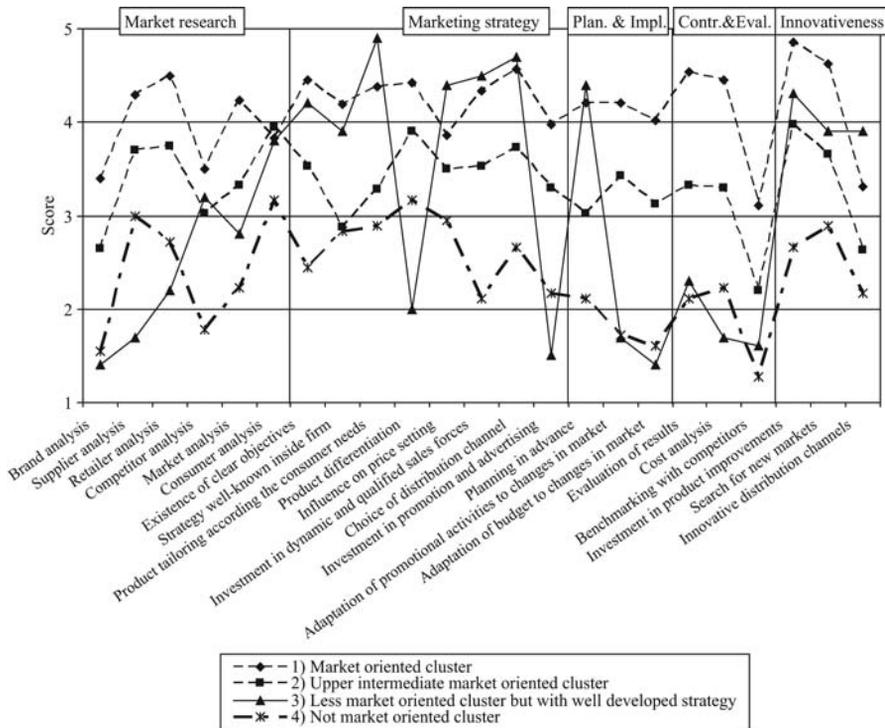
The results for each stage of marketing management are also presented in Figure 2, allowing an overall evaluation of the main strengths and weaknesses for SMEs.

In the first area, aspects related to market research are investigated. The main SME weak points are brand analysis and competitor analysis, in contrast to supplier and

Actual group membership	Predicted group membership ^a			
	Cluster 1 (<i>n</i> = 48) %	Cluster 2 (<i>n</i> = 40) %	Cluster 3 (<i>n</i> = 10) %	Cluster 4 (<i>n</i> = 18) %
Cluster 1 (<i>n</i> = 48)	94.9			
Cluster 2 (<i>n</i> = 40)		95.0		
Cluster 3 (<i>n</i> = 10)			100	
Cluster 4 (<i>n</i> = 18)				100
Total correctly classified: 97.4 per cent				
Discriminant functions	Eigenvalues	Wilks’ Lambda	χ^2	<i>p</i>
<i>Other results</i>				
1	6.177	0.029	358.071	0.000
2	2.453	0.211	158.023	0.000
3	0.374	0.728	32.249	0.055

Table III.
Multivariate validation of
the four clusters

Notes: ^aAs predicted by the discriminant functions
Source: own calculations



Source: Own calculations

Figure 2.
Marketing management
capabilities of SMEs
producing traditional food
products

retailer analysis, which are more strongly developed. However, the exception is the third cluster “less market oriented but with well-developed strategy”, revealing weakness in brand, supplier and retailer analysis, while its strengths lie in competitor, market and consumer analysis.

With regard to marketing strategy, strong points for SMEs can be seen to be the existence of clear objectives, the product differentiation and the choice of distribution channels, while weak points are related to the strategy, the influence on price setting, and the promotion and advertising investments. For the weakest cluster, investment in dynamic and qualified sale forces is the weakest point, compared to the other three clusters. The exception is again the third cluster: these SMEs face immense gaps related to product differentiation and investment in promotion and advertising. However, for all the other variables, these SMEs perform equally well, or even better than the market-oriented cluster one.

Planning and implementation is clearly a weak SME stage. The scores of each cluster tend to be lower side compared with the scores in the other stages. Hence, SMEs face problems with planning in advance and adaptation of the plan, and especially with the budget according to market changes. However, the SMEs of the third cluster claim that they plan very much in advance, but also state that they are quite inflexible in adapting their plan and budget to market change.

In the stage of control and evaluation, the first two points, evaluation of the results of the implemented strategy and the marketing cost analysis, are strong points of the SMEs. Benchmarking their marketing strategy with that of competitors is seldom done. The third cluster is no exception in this stage.

Finally, in the stage of innovativeness, all SMEs invest highly to improve their traditional food products. Also searching for new markets is a strong point, whereas selling through innovative distribution channels is not frequent.

4.3 Clusters and firms' general data

In the following, the clusters are described according to the firm general data (Table IV).

Since SMEs from Italy were the survey's largest contributing group, it is not surprising that they are in the majority in three of the four clusters. However, most of the SMEs in the "less market oriented cluster but with well-developed strategy" are Hungarian. The Belgian SMEs count for the smallest part of the firms in the sample, and mainly lie in the fourth cluster with "no market orientation".

More than half of the investigated SMEs have been producing traditional food products for more than 50 years, and most of them lie in the third cluster. The other clusters contain also SMEs that have been producing traditional food products for less than 50 years.

With regard to the number of employees, all the clusters include micro, small- and medium-sized enterprises, but the third cluster is almost completely composed of micro enterprises.

The majority of the SMEs have one voluntary certification, although most of the SMEs in the first "market oriented" cluster have at least two. Note that in the third cluster the SMEs have only one voluntary certification.

Regarding the main distribution channels, about 28 per cent of the SMEs sells via the supermarket, followed by direct sales. In contrast, the SMEs of the third cluster choose direct sale above any other distribution channel. Hence, it follows quite logically that SMEs of the third cluster sell more locally than at any other level; the national level is reached by SMEs that sell mainly through supermarkets, whereas very few SMEs sell on the international market.

Furthermore, related to the legal status of the SMEs three main forms of companies are found, i.e. private limited company (34.8 per cent), public limited company (25.8 per cent) and private entrepreneur (24.2 per cent). Other legal forms investigated are family business, consortium, general partnership, limited partnership, and cooperative. However, only little bit more than half of the respondents provided information about their legal status (66 firms out of 118). Hence, careful interpretation of these results is necessary. The first two clusters are composed of mainly private and public limited companies, whereas the third cluster is mainly compiled of private entrepreneurs. In contrast, the "not market oriented" cluster is composed of about equal shares of these three types of companies. Thus, it seems that the achievement of good marketing management capabilities is not clearly related to the legal status of the firm, even though the SMEs more market oriented are private and public limited companies.

Besides the legal status, the SMEs were also asked to indicate whether they are a member of a consortium or a cooperative. However, also for this aspect only 71.2 per cent of the sample provided an answer. The majority of SMEs that answered this

	Marketing management capabilities by clusters						Total
	(1) Market oriented	(2) Upper intermediate market oriented	(3) Less market oriented with well developed strategy	(4) Not market oriented			
<i>Size of cluster</i>	<i>n</i> 48	40	10	18	116		
	% 41.4	34.5	8.6	15.5	100		
<i>Firms' general data</i>			%		%	<i>n</i>	
Country							
Italy	83.3	77.5	20.0	50.0	70.7	82	
Hungary	14.6	12.5	80.0	11.1	19.0	22	
Belgium	2.1	10.0	0.0	38.9	10.3	12	
Total	100.0	100.0	100.0	100.0	100.0	116	
Continuity of TFP production							
< 30 years	31.3	35.0	0.0	22.2	28.4	33	
30-50 years	18.8	22.5	10.0	27.8	20.7	24	
> 50 years	50.0	42.5	90.0	50.0	50.9	59	
Total	100.0	100.0	100.0	100.0	100.0	116	
No. of employees							
< 10	50.0	47.4	90.0	52.9	53.1	60	
10-50	35.4	34.2	10.0	41.2	33.6	38	
50-250	14.6	18.4	0.0	5.9	13.3	15	
Total	100.0	100.0	100.0	100.0	100.0	113	
No. of voluntary certification schemes							
1	20.0	42.4	100.0	64.3	41.2	42	
2	37.8	21.2	0.0	21.4	26.5	27	
3	28.9	18.2	0.0	7.1	19.6	20	
≥ 4	13.3	18.2	0.0	7.1	12.7	13	
Total	100.0	100.0	10.0	100.0	100.0	102	
Distribution channel							
Supermarket	31.3	27.5	10.0	33.3	28.4	33	
Specialised shops	25.0	17.5	0.0	5.6	17.2	20	
Direct sale	19.7	20.0	70.0	27.8	24.1	28	
Wholesalers	12.5	25.0	20.0	16.7	18.1	21	
Other	14.6	10.0	0.0	16.7	12.1	14	
Total	100.0	100.0	100.0	100.0	100.0	116	
Sales markets							
Local	6.3	10.0	90.0	33.3	19.0	22	
Regional	8.3	27.5	0.0	16.7	15.5	18	
National	72.9	45.0	10.0	38.9	52.6	61	
International	12.5	17.5	0.0	11.1	12.9	15	
Total	100.0	100.0	100.0	100.0	100.0	116	
Legal status							
Private entrepreneur	11.1	8.0	77.8	35.7	24.2	16	
Public limited company	27.8	36.0	0	21.4	25.8	17	
Private limited company	50.0	40.0	0	28.6	34.8	23	
Other	11.2	16.0	22.2	14.2	15.2	10	
Total	100.0	100.0	100.0	100.0	100.0	66	

(continued)

Table IV.
Composition of the
clusters, cross-tabulation
comparison firms'
general data within
clusters

	Marketing management capabilities by clusters				Total	Total
	(1) Market oriented	(2) Upper intermediate market oriented	(3) Less market oriented with well developed strategy	(4) Not market oriented		
Member of a consortium or cooperative						
Yes	76.9	63.3	0	50.0	66.7	56
No	23.1	36.7	100.0	50.0	33.3	28
Total	100.0	100.0	100.0	100.0	100.0	84
Turnover						
< 2 M Euro	64.7	53.6	0	61.5	59.2	45
2-10 M Euro	20.6	25.0	100.0	30.8	25.0	19
10-50 M Euro	14.7	21.4	0	7.7	15.8	12
Total	100.0	100.0	100.0	100.0	100.0	76

Table IV.

Source: Own calculations

question are members of a consortium or cooperative (66.7 per cent of a sample of 84 respondents). The majority of the SMEs of the first and second cluster are members of a consortium or cooperative, none of the firms of the third cluster indicate any membership, whereas in the fourth “not market oriented” cluster both, members and non-members are compiled. Thus, being a member of a consortium or cooperative might be positively influencing the market orientation.

Finally, also low responses were provided on the question about the annual turnover of the last year available (64.4 per cent of the total sample). However, about half of the respondents providing an answer have a turnover of less than 2 million Euro per year. Outstanding are only the respondents of the third cluster, which indicated unanimously an annual turnover between 2 and 10 million Euro.

5. Conclusions

This paper analyses the market orientation of SMEs by investigating their marketing management capabilities in the traditional food sector. Based on cluster analysis, four clusters with significant different marketing management capabilities were obtained.

The results of our analysis reveal that a considerable part of the sample (41 per cent) shows good marketing management capabilities that lead these SMEs to be classified as market oriented (first cluster). This confirms some literature references suggesting that also the SMEs can be competitive and market oriented (Kara *et al.*, 2005). Nevertheless, most of the SMEs of our sample show some weaknesses in marketing management capabilities, presenting different situations of firms in terms of market orientation: from upper intermediate market oriented (35 per cent – second cluster), to less market oriented (9 per cent – third cluster), and not market oriented (15 per cent – fourth cluster).

Concerning the critical points in the marketing management capabilities, our survey highlighted that SMEs face problems with intelligence dissemination and, to some extent, with responsiveness, but the generation of intelligence is done fairly well. Therefore, SMEs focus on the customer, carry out market research and set a strategy

according to pre-determined objectives. However, they lack in organisational activities, namely planning and implementation. This confirms that SMEs do not take a long-term perspective, as argued in the literature, and that they have no close link between the marketing department and the rest of the company.

Thus, the critical points related to intelligence dissemination are that SMEs do not plan well in advance, and do not adapt the plan and especially the budget to market changes. Regarding responsiveness, the SMEs with better performance check that their objectives are reached but do not apply a benchmark with the marketing strategies of their competitors. Hence, they miss opportunities to keep up to date with market development.

However, also within the area of intelligence generation, some critical points have to be highlighted. SMEs are weak in brand and competitor analysis and their investment in promotion and advertising is rather low. Furthermore, they are more price takers than makers. This might be due to the strong power position of large retailers like supermarkets. Hence, SMEs are not able to achieve better market power.

In addition to the approach of market orientation we also explored firms innovativeness aspects. Our paper reveals that SMEs do invest in product improvements and that the more market oriented SMEs also search for new markets.

Furthermore, our analysis also reveals that there seem to be several factors influencing the market orientation and marketing management capabilities of SMEs. Indeed, those firms that are market oriented tend to distribute mainly through supermarkets at national level, highlighting that the market conditions with higher level of competition positively affect the market orientation of the firms. Moreover, those firms that are more likely to have established voluntary certification schemes are those with a higher level of market orientation, because they try to meet consumer needs, assuring product quality attributes. On the other side, the firms size do not really influence the market orientation of SMEs, as 50 per cent of the firms classified in the cluster “market oriented” have less than 10 employees, whereas innovativeness is a key point for these firms, as they invest in product improvement and search for new markets.

However, the interpretation of our results of marketing management capabilities should be done with some care due to the form of data collection. The self-perception of the firms was measured using a self-administered questionnaire with Likert-scale, and this could lead to an over- or underestimation of marketing management capability. Moreover, the web-based nature of the survey brings to a self-selection of the sample analysed, even if in data collection clear sampling procedures were established.

In future studies it would be interesting to investigate in greater detail the determinants of market orientation, both internal and external to the firm, and to identify specific marketing variables that play a crucial role in explaining marketing management capabilities. Moreover, the link between market orientation and performance measures should be analysed more in depth, utilising some performance proxies.

Note

1. European Integrated project “Traditional United Europe Food” (Truefood), 6th Framework Program for RTD, available at: www.truefood.eu

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Further reading

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