Marketing in successful agri-food Small and Medium Sized Enterprises in the North of England.

by

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No portion of the work referred to in this thesis has been submitted in support of an application for any other degree or qualification from this or any other University or Institute of learning.

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ABSTRACT

Small and Medium sized Enterprises (SMEs) are vital components of many economic sectors including agri-food. However, due to their nature, SMEs face a number of developmental problems in their growth stages, including a lack of formalised marketing. Improving marketing is thus a potential source of competitive advantage for the industry and is therefore of policy interest to the Ministry of Agriculture Fisheries and Foods (MAFF). This research is an attempt to understand SMEs marketing and identify the successful patterns of agri-food SMEs in the North of England, in terms of their marketing practices.

The comparative, integrated model to marketing research, blending the process model with the contingency approach was employed. Both quantitative and qualitative techniques from the transactional and relational marketing literature were used in order to examine twenty hypotheses, and test the marketing practices of agri-food SMEs, and their influence on performance. Furthermore, the ownership status effect (subsidiary or independent) on marketing of SMEs was examined. Then, five cases were analysed to verify the survey's results, and gain a deeper understanding of how and why marketing is practised the way that it is, in successful agri-food SMEs.

This research provided evidence to suggest that agri-food SMEs differ from other SMEs in terms of their marketing orientation. It also provided evidence to suggest that the most successful have a very good understanding of the fundamental marketing principles. Moreover, it showed that marketing practices differ between subsidiary and independent SMEs, in three marketing areas, namely Strengths Weaknesses Opportunities Threats (SWOT) analysis, strategic focus, company/brand reputation. There is also an

environmental difference between the two groups namely European or government regulation posing a threat to the survival of the company.

The case studies showed that most successful SMEs are product oriented and pay attention to high quality, variety and service. They all operate on distinct niche markets or have a niche product in an established market. They are familiar with planning and strategy concepts, undertake many of them internally and constantly seek to strengthen their relationship with their customers. Furthermore, the independent companies do not have the tendency to spend large budgets on marketing research, but try to gain marketing information from family, friends, their sales-force and their customers. Subsidiaries, on the other hand, tend to have bigger contracts/accounts, which allow them to get information from their customers.

The thesis concluded by proposing a model of successful marketing for agri-food SME, and making recommendations for policy makers. These included the following areas:

1. Emphasis on high product quality, and niche market or product;
2. Control of the marketing effort, by means of regular performance feedback meetings; and
3. The establishment of an on-going marketing information gathering system, by using all available employees who are in contact with customers, including van drivers and the sales-force.

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In memory of my grandmother, Alexandra Tsorbatzoglou, and my godfather Stelios Sapountzoglou.

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Chapter 1 INTRODUCTION

1.1 Introduction

Small and Medium sized Enterprises (SMEs), are an important component of many economic sectors, including agri-food. Yet, due to their small size, SMEs face a number of developmental problems in their growth stages, including a lack of formalised marketing knowledge and activities. These manifest themselves as, for example, over-dependency on the owner/manager's marketing competency, a lack of formalised planning, limited marketing expertise, reactive (not pro-active) marketing, and difficulty in defending niche markets (Stokes and Fitchew, 1997). Management and small business researchers acknowledge the importance of finance and marketing for the success of SMEs (Hills and LaForge, 1992). Improving marketing within SMEs is thus a potential source of competitive advantage and is therefore of policy interest (Hogarth-Scott *et al*, 1996). This research is therefore an attempt to understand SMEs' marketing. Because the agri-food sector comprises of over 65% of SMEs and since the UK agri-food industry lacks behind the European competition, (Mann *et al*, 1999), there is further need for research in the competitiveness of the agri-food SME sector.

The framework used is derived from an integrative approach first used by Siu (1997). This is a blending of the contingency approach (Brooksbank, 1990b) with the process model (Brooksbank *et al,* 1992), in order to advance knowledge of marketing within an SME context.

1.2 Research objectives and stages

Based on literature from both food and SME marketing and using a comparative study of independent and subsidiary SMEs, proposed by Shrader and Simon (1997) and Cooper (1993), this thesis aims to:

1. Examine the marketing practices of agri-food SMEs in order to see how they affect their performance;
2. Identify the differences and similarities between three groups; independent, subsidiary and the whole agri-food SMEs in order to advance knowledge of marketing, and gain a deeper understanding of marketing practised in different contexts;
3. Investigate how and why successful agri-food SMEs practice marketing the way they do in order to propose a model of successful marketing practices, and;
4. Make recommendations for the agri-food industry in the North of England.

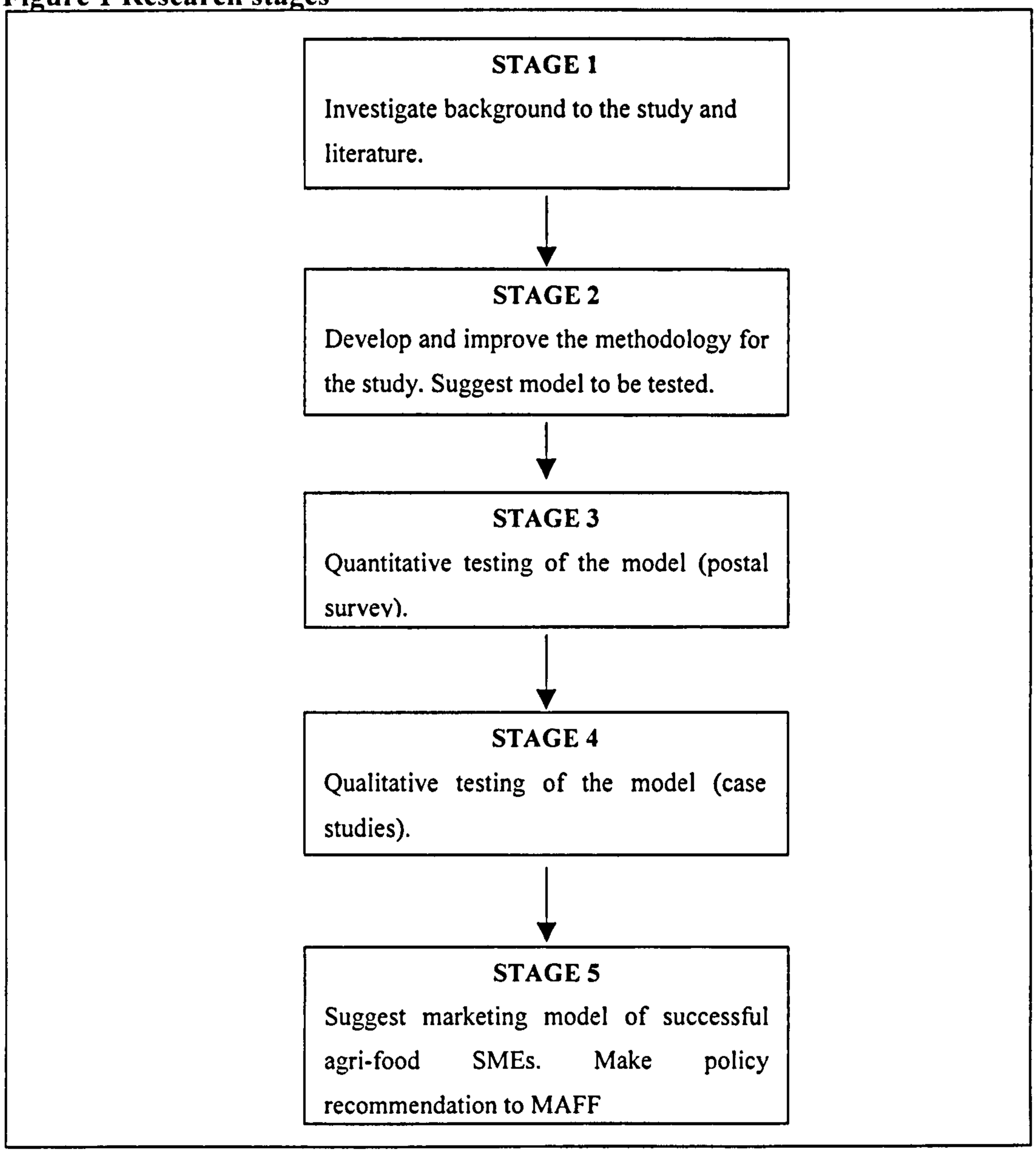
For the purposes of this thesis an SME is defined as follows:

1. No of employees between 10-500;
2. Turnover between £100,000-£25 million;
3. Companies with registered trading addresses in the North and North West of England, including the following regions; Northumberland, Cumbria, County Durham, North Yorkshire, Tyne & Wear, Lancashire, Greater Manchester.

In order to split the sample to independent and subsidiary SMEs an independent company is defined as not partly or wholly subsidiary or holding company. There is a further discussion of the definitions used in chapter 4.

This research is presented in five stages, as shown in figure 1. Reflecting the research process undertaken, the first stage is concerned with the background to the study, in terms of state of SMEs and the agri-food industry in the UK and the North of England. This stage also examines literature in order to investigate the latest developments on the subject of agri-food marketing and small business research. The second stage develops and improves existing methodology in order to select the appropriate model for the thesis. The third stage tests the model statistically through a mail survey. The comparative nature of independent, subsidiary and the whole agri-food SMEs provides insights into the differences and similarities between such companies. Two statistical software packages were utilised for the analysis of the data, Statistical Package for the Social Sciences (SPSS) and Statistical Analysis System (SAS). A tentative model of successful marketing practices and agri-food SMEs was constructed. The fourth stage focuses on the findings of a series of five case studies of successful agri-food SMEs, three independently owned and two subsidiaries of multinationals. The interview data were transcribed and analysed using Nonnumerical Unstructured Data Indexing Searching and Theory-building (QSR NUD.IST 4) software and the case study approach was utilised to analyse the five companies. The final stage presents a model of marketing of successful agri-food SMEs. It also makes policy recommendations to the Ministry of Agriculture Fisheries and Food (MAFF), on how to target and improve marketing support to agri-food SMEs.

Figure 1 Research stages



1.3 Structure of the thesis

There are eight chapters in this thesis. This chapter outlines briefly the philosophy behind the study and acts as a guide for the remainder of the project. Chapter two provides the environmental background to this study, including political , economic and social issues facing the agri-food industry and SMEs in the North of the UK. Chapter three provides a comprehensive literature review of all major

concepts within both SME marketing literature and agri-food marketing literature. It specifically outlines the approach and model chosen for the thesis. Chapter four addresses the research rationale, research questions and objectives. It also describes the research methodology and design for the thesis. Finally it analyses the theoretical framework and describes the quantitative and qualitative approaches used for the project.

Chapter five examines the contingency approach in more detail and provides the justification behind the selection of the model and the chosen hypotheses. Chapters six provides the findings of the mail survey of the marketing practices of agri-food SMEs and their influence on performance, combined with a comparison between independent, subsidiary and the whole agri-food groups. Chapter seven analyses the results of the five successful cases and proposes a theory of successful marketing within the agri-food industry, together with recommendations for the whole agri-food industry. Furthermore, the chapter attempts to verify the survey results. Finally, chapter eight talks about the conclusions and theoretical contribution of the thesis, and touches upon new areas of research within the SME field.

Chapter 2 BACKGROUND TO THE STUDY

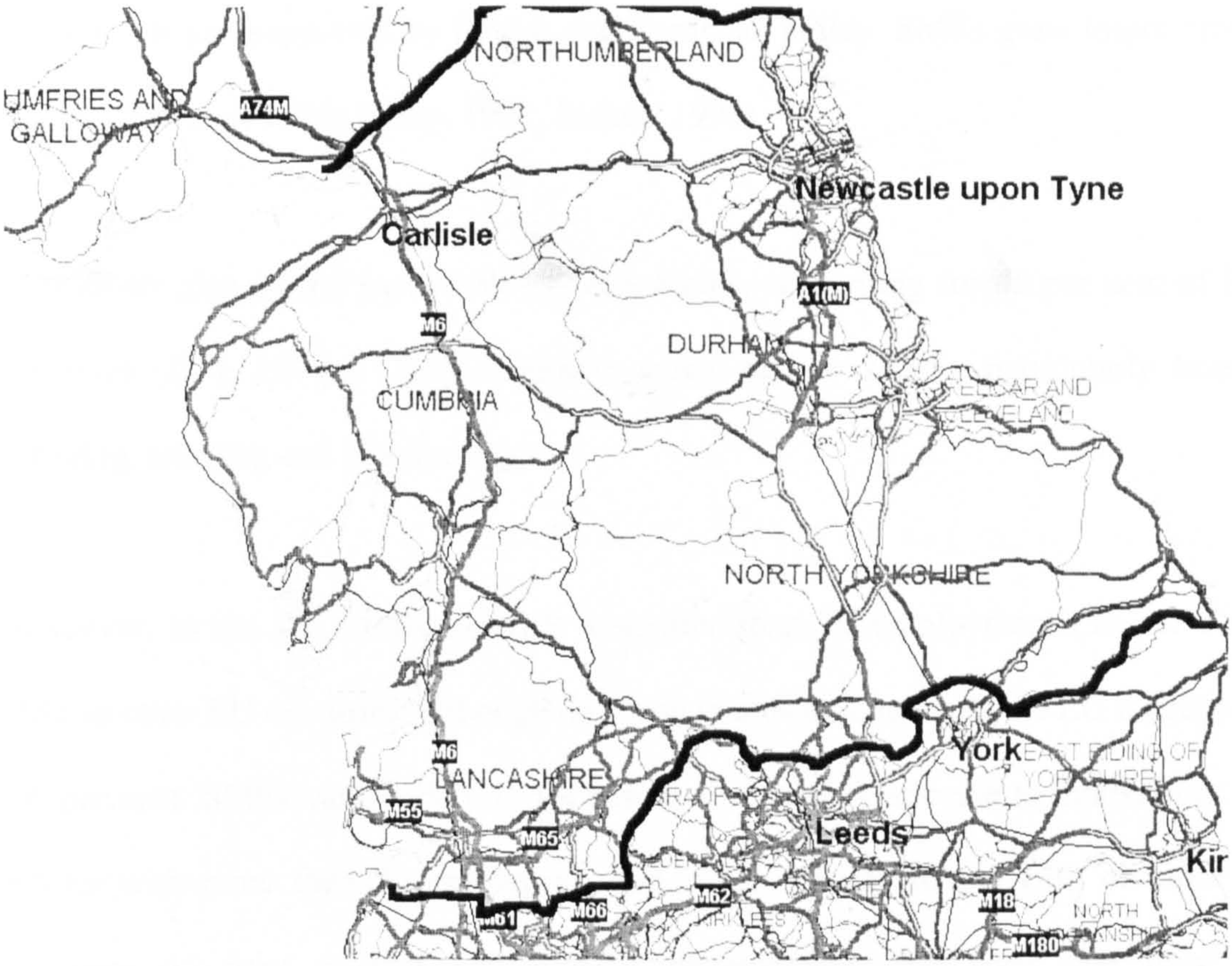
2.1 Introduction

This chapter provides the marketing environment to the thesis. The Political, Economic, Social and Technological (PEST) model (Kotler, 1994) is modified for the purposes of this study. The first part briefly outlines some of the main geographical characteristics of the study. The political issues of SMEs and the agri-food industry are also discussed. Economic characteristics of the SMEs, the agri-food industry and agri-food SMEs are given together with some of the main social issues facing the agri-food industry in the UK.

2.2 Geographical Characteristics

The following map shows the specific Northern regions that this thesis is involved with (the area within the two thick black lines, from the Northern border of England with Scotland, stretching down to encompass North Yorkshire and Lancashire but excluding the rest of Yorkshire):

Map 1 Research area



2.3 Political issues of SMEs and the agri-food industry in the UK

An important theme in the 1971 Bolton Report, the first major political report on the state and importance of SMEs in the UK, was that small firms were the 'seed bed' of the UK economy (Bolton, 1971). The role of the small firm in injecting new blood into the economy has been an important policy theme since the 1980s, because they often represent the cutting edge of new technology, create new jobs and wealth and make major contribution to exports (Storey, 1982). It has been shown that, on aggregate, SMEs make a greater contribution to new employment than larger firms (Westhead and Birley, 1995). More recently, Blair (DTI, 1998) stated that the creation of new SMEs is the key to improve competitiveness and the ability of the

UK to cope with a more uncertain, complex and increasingly globally exposed society. Hence, supported by British and European policy, SMEs grew impressively in the 1980s and 1990s (Gray, 1992; Stokes, 1998).

SMEs are also a vital part of all EU economies, accounting for 65 per cent of EU turnover (DTI, 1999a). They dominate many service sectors particularly hotels, catering, retailing and wholesaling.

However, in the UK, SMEs provide a smaller share of employment (58 per cent) than in other EU countries, although the trend is upwards, towards the EU average of 66 per cent. SMEs vary widely in the resources that they allocate to innovation. Of SMEs with more than 20 employees, one in ten spends 10 per cent or more of turnover on new product and process development. But over one third of manufacturing SMEs spend nothing at all. SMEs also report a shortage of skilled workers. UK firms are particularly concerned about a shortage of skilled managers and many do not see a way to rectify this. This is a matter of concern when the changing nature of work and technological development means that increasingly higher skills will be needed in all sectors. Finally, the export record of UK SMEs is not as strong as that of EU countries. The UK is thirteenth in the EU in terms of the proportion of SMEs that export. This partly reflects the UK's geographical position, and partly the previous generally lower skilled workforce, in particular in relation to languages where UK is second last in term of the proportion of its executives able to communicate in more than one language (DTI, 1998). Therefore, the need for further research into the SME sector, in order to improve its competitiveness, is of current

and future policy importance, if the UK is to compete effectively with other EU countries.

The UK agri-food chain on the other hand, is influenced by two major policy issues. The primary production of the food chain (see figure 3) is heavily influenced by the Common Agricultural Policy (CAP) which may send economic signals that are not totally aligned with those of the market. In the recent CAP negotiations (Agenda 2000) the UK pressed for substantial reform. The Food Chain Group (1999) with its consultation document issued on the 26th of August 1999 stresses the importance of a farming industry that is: competitive diverse and flexible; responsive to consumer wishes for example concerning welfare of animals; the quality and value of produce; environmentally responsible; and an integral part of the rural and wider economy.

European Community regulation on issues like labelling and safety is another issue that influences the chain. In the UK, the regulation of food and drink will become the responsibility of the Food Standards Agency due to be established in 2000. The Food Standards Bill, established by the Agency, will also give high priority to considerations of food safety.

2.4 Economics of SMEs, the agri-food industry and agri-food SMEs

2.4.1 SMEs in the UK

There were an estimated 3.7 million active businesses in the UK at the start of 1998. Of these, over 2.3 million were 'size class zero' businesses, i.e. those made up of sole traders or partners without employees. The following table shows clearly the

distribution of businesses, employment and turnover of enterprises at the start of 1998 (DTI, 1999b).

Table 1 Distribution of UK Businesses Turnover and Turnover

Size (no of Employees)	Businesses	Employment (000s)	Turnover (£ million)	Businesses (%)	Employment (%)	Turnover (%)
None	2,339,645	2,749	88,634	64.0	12.7	4.6
1-9	1,126,875	3,839	337,275	30.8	17.8	17.5
10-499	187,925	6,695	727,416	5.1	31	37.8
500+	3,445	8,311	773,663	0.1	38.5	40.1
All	3,657,885	21,595	1,926,987	100	100	100
All with employee(s)	1,318,240	18,846	1,838,353	36	87.3	95.4

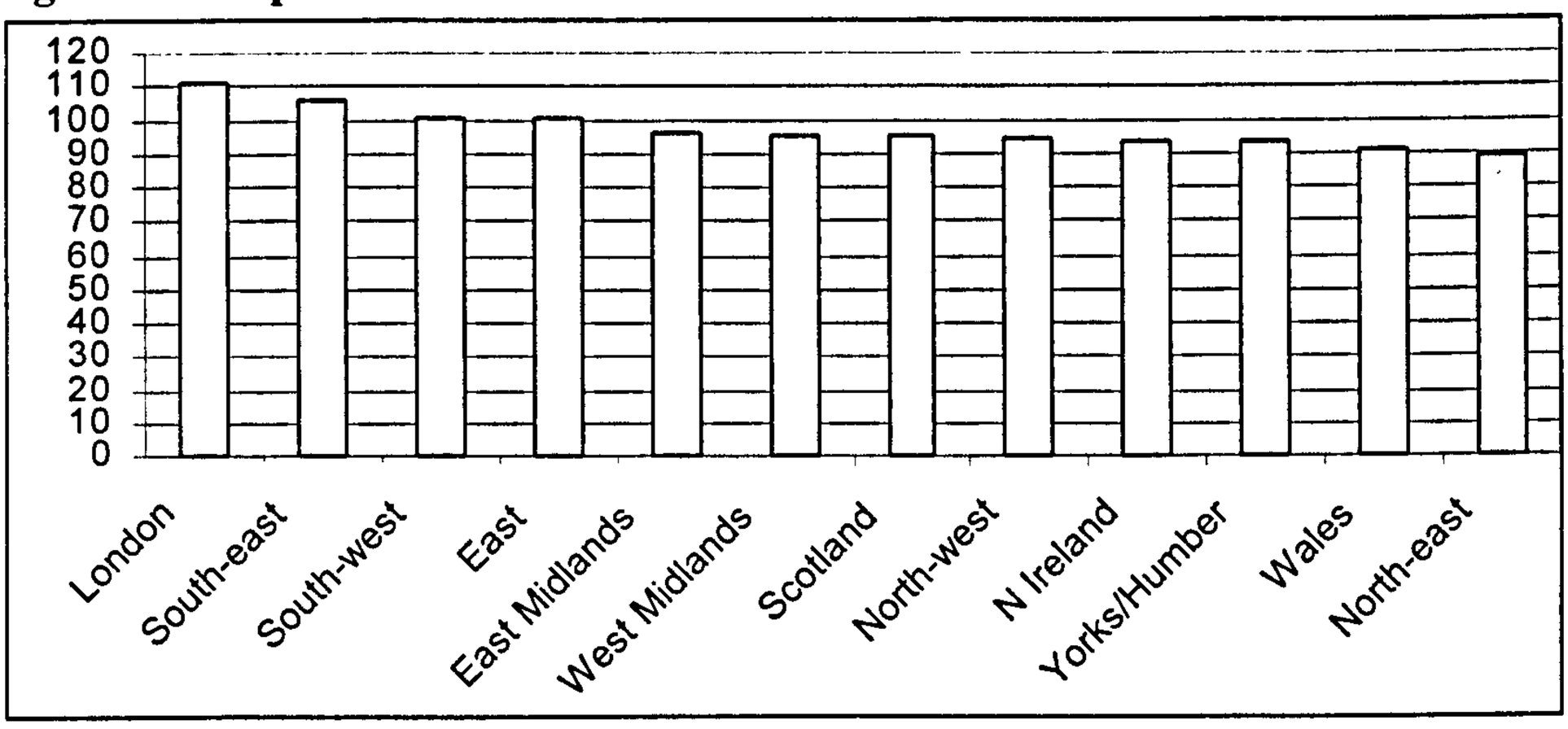
Source: (DTI, 1998)

Of the entire business population, 99.9% is classed as SMEs. This thesis examines the 10-499 employees' category, which accounts for 31% of employment, 5.1% of total businesses and 37.8% of turnover in the UK. Micro-businesses (size class zero or less than 10 employees businesses) are companies with distinct different characteristics to SMEs, in terms of business culture and practices (Gorton, 1999). Micro-businesses are also the subject of separate research programme in the North East of England (Raley and Moxey, 2000), and were specifically excluded for those reasons.

The share of employment provided by SMEs varies greatly between industries. In terms of regions, the North East has a total of 99,140 businesses of which 99.8% are SMEs, and 621,000 employees of which 61.4% are in SMEs. The North West has a total of 298,470 businesses of which 99.8% are SMEs, and they employ 1,829,000 employees of which 59.6% are working in SMEs. According to a recent government sponsored report, there is a widening gap in regional competitiveness (Huggins, 2000). London and the south-east are ranked amongst the world's 10 most

competitive nations, but Wales, North East England and Yorkshire are ranked with countries such as Chile, Hungary and Israel. The results emerge from a competitiveness index developed by Robert Huggins (2000). Huggins suggested that the government was unwilling to highlight the widening gulf "for political reasons". Although the DTI has carried out certain research on competitiveness in the UK it has been reluctant to measure the actual comparative performance of regions and localities, the report states. The report also argues that the concentration of the most competitive firms on the South and South East may result in the widening of the gap between the north and the south. The following figure, with a base average index for the UK of 100, clearly shows the variations in competitiveness between regions.

Figure 2 Competitiveness Index



Source: Huggins, (2000)

There are certain limitations to the reliability of the DTI (1999a) data.

1. Statistics are compiled using various sources that may differ, with the main source being the Inter Departmental Business Registry administered by the Office of National Statistics.
2. DTI estimates take into account very small businesses that do not appear on the official Business Registry.

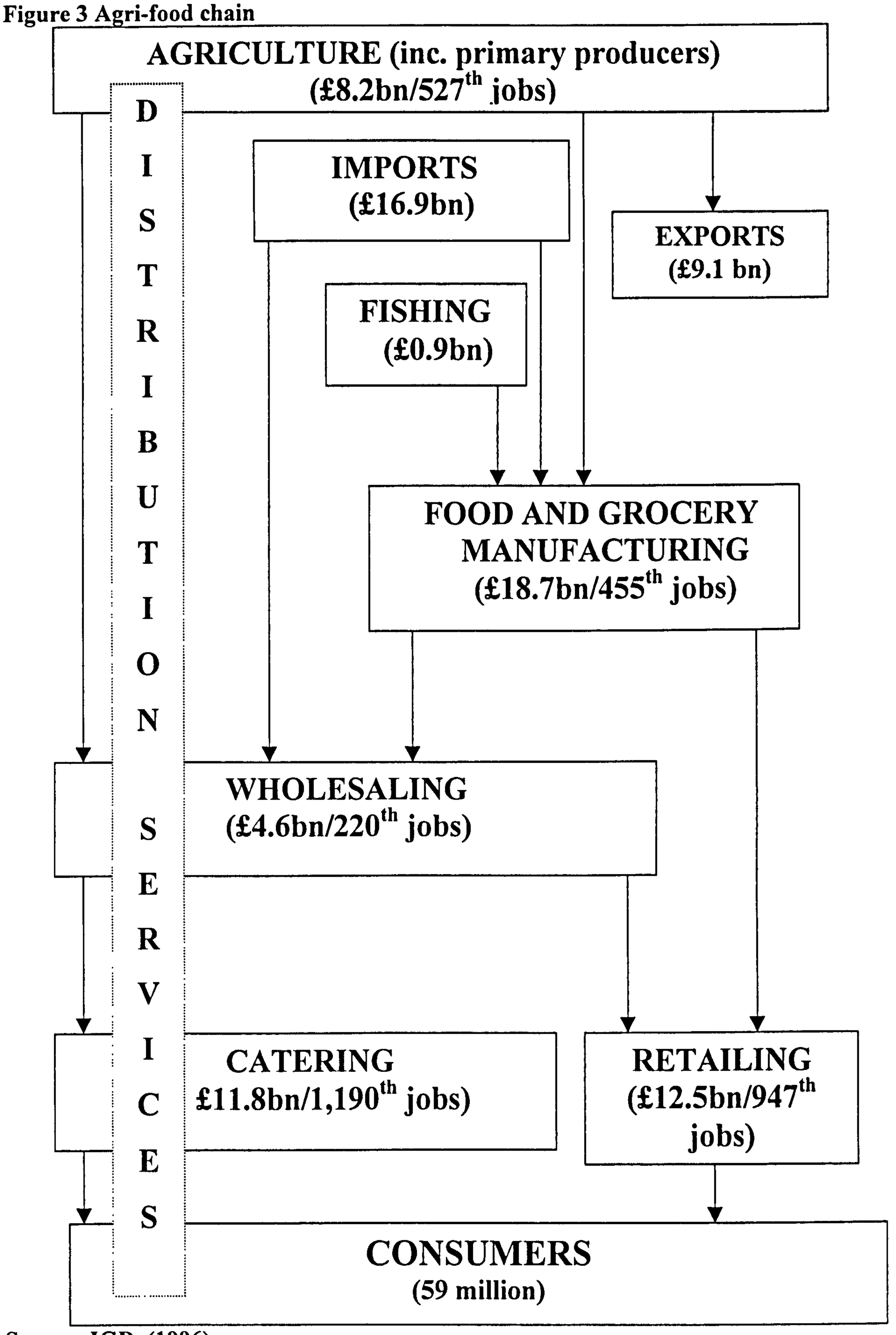
3. The SMEs statistics are published every 18 months after the start of the reference year. This reflects the delay in the reporting of a minority of business births and deaths.

Therefore, this thesis could not use more up to date data since it was written before August 2000, which is when the 1999 SME report would be published.

2.4.2 The agri-food industry in the UK

The agri-food chain covers the area of economic activity involving the carrying out of a variety of processes to raw food materials, for example grains, fish and meat, which allow the final products to be sold through retailers for consumption by the public (Howe, 1982). There is a diagrammatical illustration of the agri-food chain. (figure 3), taken from the Food Industry Forces of Change report, by the Institute of Grocery Distribution (IGD, 1996), and from MAFF's Working Together for the Food Chain Report (1999). It graphically represents the UK agri-food supply chain and basic statistics on some sectors' total value (in £s) and employment (in thousand of employees, full and part time).

Figure 3 Agri-food chain



Source: IGD, (1996)

The UK agri-food chain comprises of the agriculture, horticulture, fisheries and acquaculture, food and drink manufacturing, food and drink wholesaling, food and drink retailing and catering industries. Excluding fisheries and acquaculture, residential catering and traders (agents), it accounts for gross value added of £56 billion (nearly 8 per cent of gross domestic product), provides 3.3 million jobs (over 12 per cent of total employment) and exports goods worth £9 billion (some 6 per cent of total UK exports) (Euro PA, 1998). The UK is a net importer of food and in 1998 the trade deficit in the food sector had reached £7.47bn compared to £6.03bn in 1994. This has prompted extensive research on the competitiveness of the food industry. Projects such as the Strathclyde Food project were launched in order to reduce this gap (Shaw, 1994).

This thesis is concerned with food and drink manufacturing, the wholesaling sectors and some diversified farms (which are part of the agriculture in the chain) in the North of England due to the availability of the above companies in Financial Analysis Made Easy (FAME) database. Therefore, the next sections will examine each sector in turn.

Agri-food Manufacturing industry

Nationally, only about 8000 businesses are classified as food/drink manufacturers and the industry is highly concentrated. Although the largest 10 food manufacturers account for only 21 per cent of the industry's turnover, for many products three firms account for over 75 per cent of turnover. The following table shows that growth in the food and drinks market is limited to specific sectors led by rapid changes in consumer behaviour.

Table 2 Change of food sub-sectors total sales (in billion £s)

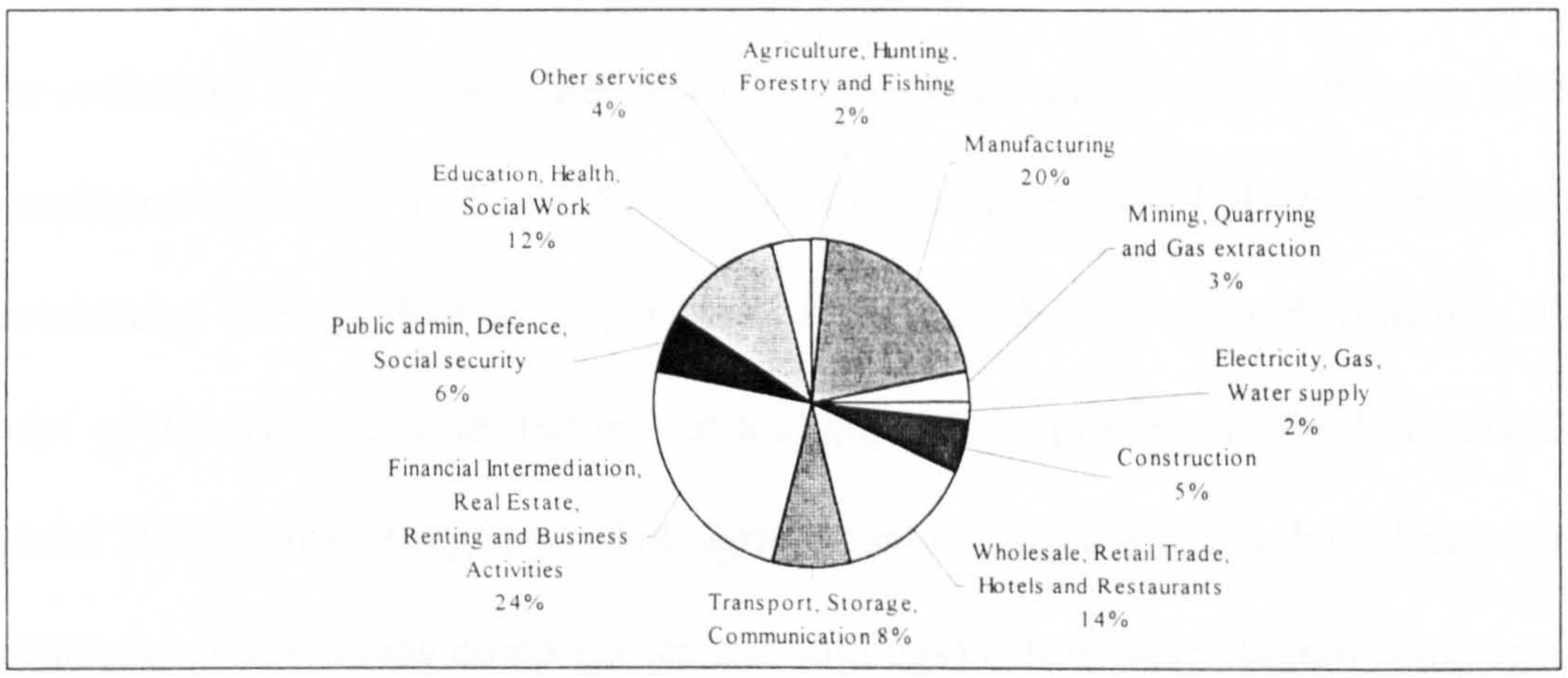
Product category	1997 billion £s	1998 billion £s	% change
Meat & products	12.10	12.10	None
Dairy products	7.42	7.51	+1
Fresh fruit & vegetables	6.21	6.97	+12
Soft drinks	6.70	6.90	+3
Confectionery	5.2	5.4	+4
Bakery products	5.05	5.18	+2
Frozen food	3.14	3.30	+5
Snack food	2.40	2.50	+4
Cereal products	2.32	2.36	+2
Fish & products	2.29	2.35	+3
Canned food	1.75	1.75	None
Hot beverages	1.45	1.51	+4
Chilled food	1.13	1.29	+14
Meal accompaniments	1.16	1.24	+6
Oils & fats	1.16	1.11	-4
Sweeteners & preserves	0.57	0.53	-6

Source: IGD, (1998)

Table 2 shows that meal accompaniment and frozen and snack foods show the biggest growth, maybe reflecting the change in consumers attitudes towards convenience foods and hence the development of new niche sectors in the sectors, something that can trigger SME activity.

Within the manufacturing sector, food and drink processing activities are amongst the top five sectors with more than 12% share of manufacturing GDP, as is clearly shown from figure 4 below.

Figure 4 Share of Sectors of UK GDP

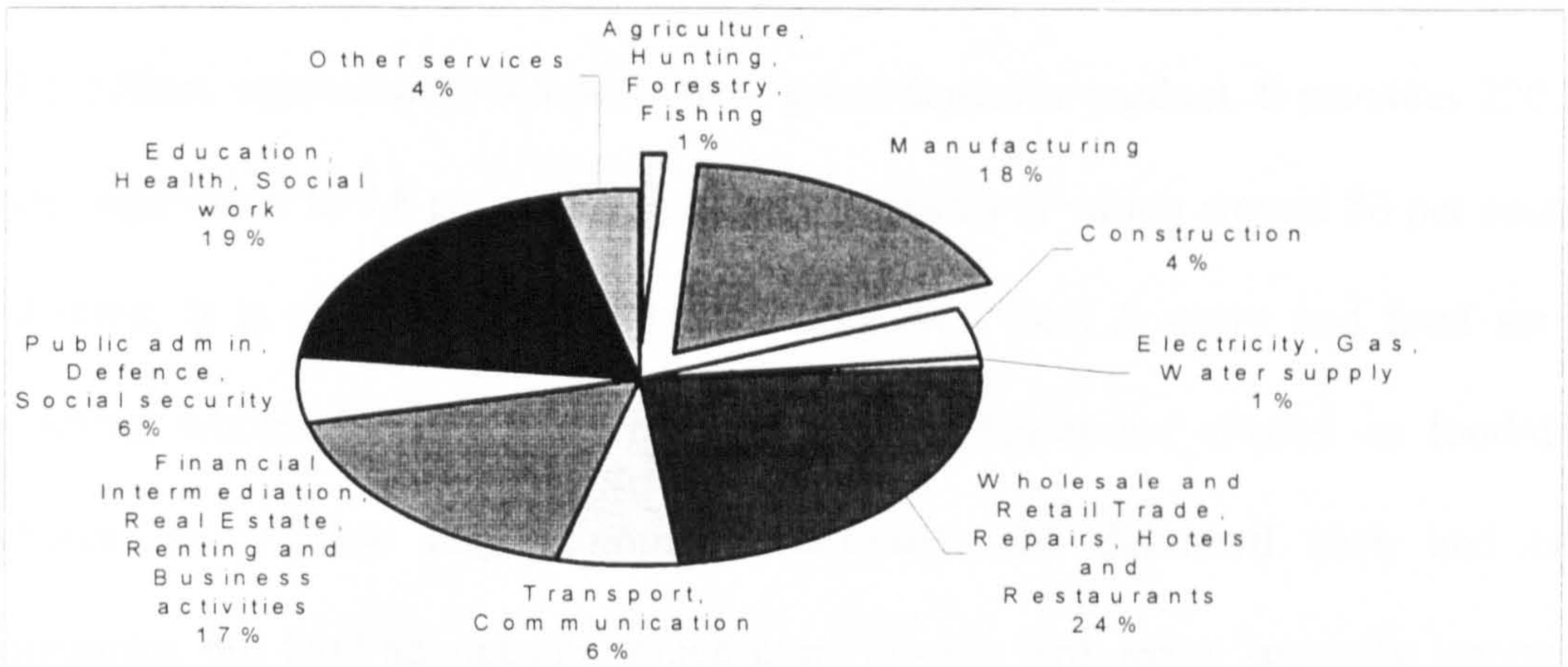


Source: Euro PA (1998)

Of the 18% of employment in manufacturing, 11% is in the food and beverages

sector (Euro PA, 1998), again pinpointing the importance of the agri-food sector, as seen from figure 5. Furthermore, 1% of total employment is still in the agriculture, hunting, forestry and fishing sector and 24% in the wholesale retail trade hotels and restaurant sectors (figure 5).

Figure 5 Shares of UK Employment by Industry sector, 1996



Source: Euro PA, 1998

Agricultural industry

Within the agri-food chain, the agricultural industry accounts for gross value added of £8.2 billion, equivalent to 1.2 per cent of gross domestic product (The Food Chain Group, 1999). Agriculture's share of GDP is now one of the lowest in the world, reflecting the UK's post-industrial economy.

Nevertheless, it still provides 527,000 jobs (equivalent to 1 per cent of total employment as seen in figure 5) though only about half are full-time employed. Its production is equivalent to 53 per cent of the food that we eat and to nearly 70 per cent of the types of food that we eat and are able to produce in the UK. There are about 300,000 minor registered UK agricultural holdings. The number of agricultural businesses (which may comprise several holdings) is less clear, though some 150,000 are registered for VAT. The majority is small businesses, with only 2,800 having a

turnover of £1 million or more and fewer than 300 having a turnover of more than £5 million.

Agri-food Wholesaling industry

Finally, the food and drink wholesaling industry accounts for gross value added of £4.6 billion, equivalent to 0.6 per cent of gross domestic product. It provides 220,000 jobs (equivalent to 0.8 per cent of total employment) of which around 80 per cent are full-time. It is divided into two broad categories: cash & carry and food service (catering wholesaling). A little over 17,000 businesses are classed as food/drink wholesalers. A few large companies dominate the delivered cash and carry categories, but food services are much more diverse with many specialist operators. Overall, the largest 10 firms account for 17 per cent of turnover (Keynote, 1999), which leaves the remaining 83 per cent of turnover to the SME sector.

2.4.3 Agri-food SMEs

The UK market has traditionally centred on many small companies, often serving local markets or specialised needs. In the 1990s, the industry consolidated around the leading operators. In many commodity sectors such as milk, fish and meat, industry over-capacity has been reduced in recent months due to closures and mergers (Keynote, 1999). In the UK Food and Drink industry, there were 127 acquisitions in 1998, down slightly from the 1990s record of 131 made in 1997. In traditional market sectors such as bakery meat and fresh produce, smaller companies continue to struggle. Many are acquired by larger concerns or merging with other similar-sized firms in order to compete more effectively. However, at the other end of the scale,

among the larger food and drink companies in the UK, there has been a general trend towards refocusing on core activities and divesting smaller, non-core businesses (Leatherhead, 1999).

The UK food industry has experienced a shift in the balance of employment from large to small establishments (Smallbone *et al*, 1995). As a consequence, there has been an increase in the total number of agri-food manufacturing SMEs between 1981 and 1990 (table 4). In 1996, for example, the SMEs sector accounted for 85 per cent of the UK's food and drink businesses, 12 per cent of employment and 10 per cent of turnover within the sector (IGD, 1999). Such businesses are not only critical for wealth and job creation but also provide a vital element of innovation and specialism to the industry.

Table 3 Establishment size and Employment Distribution in the Food, Drink and Tobacco Industries

Establishment Size	1981	1992	% Change 1981-1991
Micro & Small (1-99 employees)	97,500 (17.7%)	124,447 (23.1%)	+27.6
Medium (100-499 employees)	165,400 (25.2%)	207,964 (38.6%)	+25.7
Large (500+ employees)	394,100 (57.1%)	205,781 (38.2%)	-47.8
Total Employment	657,000 (100%)	538,192 (100%)	-18.1

Source: SIC 41/42 (1981-1992), CSO, Business Monitor PA 1003, (1992)

However, there have been considerable variations within each agri-food sub-sector, as seen from the following adapted table from Smallbone *et al* (1995).

Table 4 Size distribution of establishments in the UK Food and Drink industry

SIC Group	Description	Level of Concentration of Employment of the largest five firms (%)	% Employed in SMEs
411	Organic Oils and Fats	66.9	N/A.
412	Slaughtering of animals and production of meat	26.2	31.5
413	Preparation of milk and mils products	51.7	29.9
414	Processing of fruit/vegetables	43.1	39
415	Fish processing	57.6	41.9
419	Bread, biscuits and flour confectionery	39.6	39.9
421	Ice cream, chocolate, sugar confectionery	62.2	20.8

Source: Central Statistics Office, Business Monitor PA1002, (1990)

There are many ways for agri-food SMEs to co-exist successfully alongside their larger competitors. In the agri-food sector, it is difficult for SMEs to compete only on price as large companies benefit significantly from economies of scale in areas such as marketing, distribution and production.

However, SMEs can compete by producing highly specialised products for niche markets. For example, in spirits distilling, where the mass market is dominated by a small number of large conglomerates, SMEs focus on producing high quality speciality products such as malt whisky for the upper end of the market (Smallbone *et al*, 1995).

Innovation and product development are another two areas of competitive advantage, with Northern England showing several examples of success. One of them is Derwent Valley Foods, the Consett-based manufacturer of the Phileas Fogg range of adult premium snacks recently acquired by United Biscuit. Flexibility and speed of response is another source of competitive advantage of SMEs. The speed of development of health conscious and ethnic foods ranges of Pride Valley Foods, a

successful and innovative Northern company, shows the possibilities of the Northern region to become more competitive and reduce the gap with the South.

Some SMEs supply national markets with basic products through supply relationships with major retail chains and caterers. Other firms are highly niche focused (for example speciality foods, a market worth approximately £3 billion) supplying national and sometimes international markets with a high quality branded product (malt whisky or quality chocolates) or specialise in supplying particular segments of the market (ethnic or health foods). Such firms may be own-label suppliers to the retail trade, although they may also have branded products within their portfolio (May, 1997). Finally, there are SMEs that serve predominantly local markets either because they are unable to compete at a national level in price or production terms, or because they wish to avoid becoming overly dependent on the large retail chains.

2.5 Social trends in the agri-food industry

In terms of trends, food share of total consumer spending has been falling steadily, and similarly food business numbers have been declining in recent years (Keynote, 1999). The rapid development of out-of-town superstores across the UK offering convenience and a wide-choice of goods has created a one-stop shopping experience for the family and at the same time was the major factor behind the closure of smaller food retailers. More specifically, over the past thirty years, supermarkets have developed through diversification and growth. On the other end of the scale, this trend has led to a decline in independent grocers, retailers, butchers and

neighbourhood stores. It has also led to a decline in trade of food wholesalers such as cash and carry, delivered wholesalers and so on. Public concerns on issues like Genetically Modified Foods and food safety, have recently added pressure to the dynamic environment of the agri-food industry. This has also led to supermarkets sourcing their products through preferred suppliers, which in turn have designated groups supplying them to a particular specification (Mintel, 1998).

Furthermore, rapid changes of consumer preferences with more emphasis on convenience foods and functional foods (Wood, 1998) an ageing population, rise of single member households, the increasing role of women as consumers/employees are all some of the new forces that influence and change both the retailers and the agri-food chain beyond recognition (Mintel, 1998). The increase in expenditure on food services is providing important opportunities as well as threats to the chain. For example, Tesco is investing heavily in its new e-business by creating 8000 new jobs in the UK alone and 12,000 world-wide (Marketing Week, 2000). This trend towards less time spent on food preparation will make the chain even more segmented, and will provide potential niche markets for SMEs (The Food Chain Group, 1999). Because of the continuous pressure on the UK agri-food industry, for example the cost of new regulation (Heasman and Henson, 1997), and since the UK agri-food industry lacks behind the European competition, (Mann, 1999), there is further need for research in the competitiveness of the agri-food SME sector.

2.6 Summary

In this chapter, an environmental analysis was taken and issues relating to the UK SMEs and the agri-food industry were discussed. Furthermore, some social trends of the overall industry were analysed together with some future trends and possibilities for northern agri-food SMEs competing in the market. In the next chapter, there will be a discussion of the literature relating to agri-food SMEs with particular relevance to marketing.

Chapter 3 LITERATURE REVIEW

3.1 Introduction

This chapter discusses the comparative, integrated model to marketing research in agri-food SMEs. It is divided into two parts. The first part describes the approach used in the thesis to do research in marketing of agri-food SMEs. In doing so, it analyses the current state of research in marketing and agri-food marketing. It also identifies and clarifies their differences. It then proposes the blending of the transactional and relational marketing approaches for this research project.

The second part of the review proposes a comparative, integrated model to research marketing in agri-food SMEs. It suggests the use of the comparative study of independent and subsidiary SMEs in order to gain a better understanding of the effect and importance of marketing, as Shrader and Simon (1997) and Cooper (1993) suggested. This part also argues for an integrative model in researching marketing in SMEs. By doing so, it identifies the possible models, critically examines them and proposes the comparative integrated model to research in marketing in agri-food SMEs.

3.2 The approach

3.2.1 Marketing and agri-food marketing; a definition and the state of current research.

Defining marketing is, and has always been, very controversial. According to Webster, (1992) marketing had a managerial approach in the 1950s and 1960s, but has evolved to reach today's relational character.

Early managerial authors identified marketing as a decision making or problem solving process and relied on analytical frameworks from economics, psychology, sociology and statistics. Marketing analysis focused on demand, costs and profitability, and the use of traditional economic analysis to find the point where marginal costs equal marginal revenue. This fitted well with strategy structure and culture of multinational, hierarchical organisations. One of the few examples of marketing analysis at the time was Levitt's attempt to identify the problems with many US based organisations in terms of not identifying their market segments properly and failing to take opportunities, what he termed as marketing myopia (Levitt, 1960).

In the late 1960s, Kotler and Levy discussed, in one of the most influential papers in marketing, the broadening concept of marketing (Kotler and Levy, 1969). They argued that marketing does not only apply to business but also to non-business organisations like universities, hospitals etc. They believed that marketing is a pervasive activity that goes beyond the selling of toothpaste or soap and concluded

by stating that the marketing concept should guide all non-business organisations if they are to succeed.

In the 1970s and 1980s, the concept of strategic business unit (SBU) emerged. Marketing became more decentralised, which resulted in the disappearance of the middle layers of management. Downsizing and delayering, in order to reduce costs, was the norm. Bagozzi (1975) argued in favour of a new paradigm which viewed marketing as exchanges. This was the first indication that marketing was moving away from the traditional optimisation problem towards a more interactionist approach.

During the 1980s, new forms of business organisations emerged. There was a shift away from formal contracting and managerial reporting towards increased emphasis on flexibility, multiple types of ownership, partnering within the organisation and sharing of technologies. Marketing was identified as the process whereby an organisation accurately identifies and meets its customers' needs and wants, in order to fulfil its objectives (Ritson, 1986). Houston, (1986, p.85) proposed the concept that the achievements of an entity's exchange-determined goals are most efficiently met through a thorough understanding of the needs and wants of the potential exchange partners. The latter is accomplished by comprehending the costs associated with satisfying those needs and wants, and then designing producing and offering products in light of this understanding. At an operational level, the American Marketing Association defined the marketing concept as follows:

"Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange and satisfy individual and organisational objectives"

(AMA, 1985).

One of the main limitations in defining marketing is that in many instances, the practitioners' opinion is ignored. The Economic and Social Research Council (ESRC) attempted to capture the practitioners' perspective in marketing. They conducted a large-scale survey investigating attitudes of UK executives towards marketing and the organisation and execution of their marketing efforts (Hooley and Lynch, 1991). They found that in terms of approaches to marketing, they could group the respondents into the following four categories.

1. Marketing philosophers see marketing as a function with the responsibility of identifying and meeting customers' needs and as a philosophy for the whole organisation. They also do not see marketing confined to the marketing department, but as integrated between all functions of the organisations.
2. Sales supporters hold the view that marketing was about sales and promotions and it was restricted to the marketing department.
3. Departmental marketers believe that though marketing is confined to the marketing department, it is central for the identification and meeting of customers needs.
4. The 'unsures' did not accept any of statements of the questionnaire as exactly describing the role of marketing in their companies.

An interesting result is that most of the companies grouped as marketing philosophers, were the consumer marketers including parts of the agri-food industry (Hooley and Lynch, 1991). However, there are distinct differences between traditional marketing and agri-food marketing.

Agri-food marketing has its roots in the early 20th century. American Midwestern universities and farmers were interested in the processes by which products were brought from the farmers to the market and the end consumer. Analysis was also involved with the determination of prices for those agricultural products. As Webster points out (1992) these early approaches to the study are interesting because they do not have a managerial orientation. Marketing was perceived as a set of social and economic processes rather than a set of managerial activities and responsibilities.

Similarly, Jones (1990) refers to a number of articles and books published in the 1920s referring to marketing of farm products. However, marketing in Europe took off in the second half of the century. The Chair of Agricultural Marketing established in the University of Newcastle in 1963 was the first in Europe with the term "marketing" in its title.

Agricultural marketing, in contrast to marketing, is used as a descriptive word referring to part of the economy, namely the agricultural or food sector. Its main preoccupation has been with economic structure and efficiency of the agricultural marketing sector, and the government's role in intervening to improve the performance of agricultural markets and increasing the share of expenditure on food received by farming (Ritson, 1997). However in the late 1980s and 1990s there has

been general agreement that agri-food marketing is converging with the general principle of marketing management (Meulenberg, 1986, Richardson, 1986), despite earlier criticisms and arguments against a business approach to agri-food marketing (Watson, 1983).

The following table taken from Ritson (1997) provides a classification of subject areas of agri-food marketing.

Table 5 Classification of subject area of agri-food marketing

	Positive	Normative
Micro	The behaviour of food consumers. Study of the marketing behaviour of firms in the agri-food sector	Application of marketing principles to firms in the food marketing sector. Farmer marketing (including co-operative marketing.) Government marketing initiatives on behalf of farmers (e.g. marketing boards)
Macro	The behaviour of agricultural and food markets (e.g. marketing margin analysis, price analysis, effect of agricultural	Application of structure/ conduct/performance approach to the agri-food sector. Public interest aspects, 'Green Marketing'.

Source: Ritson (1997)

In identifying the links between agriculture and marketing, Ritson (1997) suggests three reasons for agricultural marketing following a different path to marketing. First, farming is production rather than market-led. Second, the production is mainly undifferentiated. Not many farmers use marketing tools to differentiate their produce to gain better margins. However, there is a recent trend, especially with regionally produced foods, for farmers to identify marketing opportunities and use marketing tools in order differentiate their products and gain better margin (Ashworth, 1998).

Finally, farmers are geographically remote from the final consumer. Food value typically more than doubles between farm gate and retail sale, and this process is controlled by businesses independent of farmers. Most of the opportunities for profitably matching organisational objectives with consumer requirements occur at this part of the supply chain. As we move further down the supply chain, from farmer to consumer, opportunities for businesses to exploit marketing advantages increase.

Therefore, marketing in the agri-food industry has more similarities with business to business or transactional marketing rather than some traditional consumer marketing.

As well as the Ministry of Agriculture, Fisheries and Food (MAFF) which is interested in this project, other researchers of agri-food marketing have claimed that the sector is in more need of improving its level of market orientation than many other industries (Bove *et al,* 1996). One of the few attempts at applying the marketing orientation concept to the agri-food industry has been made by some Danish researchers like Grunert *et al* (1996). They made two recommendations for research directions; first the combination of research methodologies into a contingency theory of company competencies, and second the creation of a catalogue of competencies of relevance on the agri-food industry (Grunert *et al,* 1996, p.252). Both of these recommendations will be followed in this research project.

This section defined marketing and agri-food marketing and identified its differences, which are similar to differences between transactional and relational marketing. The next section will examine the two issues in more detail.

3.2.2 Market orientation, the transactional approach.

Marketing academics and practitioners have been observing business performance in order to see how market orientation has influenced performance. But what is market orientation and what is its difference to our previous discussion of the marketing concept?

Trustrum (1989) defines a marketing-oriented company as one that strives to satisfy the customer but also to achieve a match between market requirements and organisational capabilities. However, he continues, the company should not overstate the need of customers. Whilst the customer's needs are important, the objective of the marketing concept is to balance these with organisational capabilities to achieve stated objectives.

Market orientation has been approached in two perspectives: 'market orientation as a philosophy of the organisations', that is linked to our previous discussion of the marketing concept, as an overriding philosophy of the organisation, and 'market orientation as behaviour'. The operationalisation of market orientation by both Narver and Slater (1990) and Kohli and Jaworski (1990) fall into the latter category, and will be the topic of this section.

Kohli and Jaworski (1990) and Jaworski and Kohli (1993) consider a market oriented organisation as one that's actions are consistent with the marketing concept. They define market orientation as consisting of three organisation wide activities: market

intelligence generation; the dissemination of this intelligence across departments; and responsiveness to intelligence.

Market intelligence generation consists of defining current and future needs of customers, and identifying and monitoring exogenous market factors such as competition, regulation, technology and so on. This is the responsibility of all departments. Intelligence must be disseminated to the relevant departments and individuals in order for the correct responses to be generated. The responsiveness of this intelligence is conceptualised in two ways: firstly it consists of a response design (developing plans in response to market intelligence) and response implementation (the implementation of these plans). Again all departments participate in responding to market trends.

The operationalisation of this model resulted into a 32-item measuring instrument. The score for market orientation was calculated by equally weighting and summing the item scores of the three components of intelligence generation, dissemination and responsiveness.

In another study, a different measure of market orientation was provided. Narver and Slater's (1990) definition of market orientation tries to include both the philosophical and behavioural perspectives of market orientation. However, their operationalisation is behavioural, reflecting the degree to which Strategic Business Units are engaged with practices of customer orientation, competitor orientation and interfunctional orientation. There are also two decision criteria, long term focus and profitability.

Customer and competitor orientation include all the activities involved in acquiring information about the buyers and competitors in the target market and disseminating it throughout the business (Narver and Slater, 1990, p.21). Interfunctional co-ordination is based on information from customers and competitors and comprises the businesses' co-ordination effort to create superior value for the customer. This typically involves more than the customer department. Market orientation, in order to be effective needs a long-term focus even more so with today's competitive environment (Narver and Slater, 1990). They also found that the overriding objective of the business is profitability (or economic wealth) (Narver and Slater, 1990, p.22).

Since then, a number of academics have applied the above models or a combination thereof (Cadogan and Diamantopouos, 1995), in order to examine relationships between market oriented companies and performance, within the domestic or international environments.

UK studies on market orientation have produced some contradictory results. Hooley and Lynch (1991) claim in their cross-sectional study of UK companies, that high performing companies do more formal marketing planning than other organisations, and that marketing's role in strategic planning is greater in better performing companies. However, Greenley (1995) found, in another cross sectional UK study, that the influence of market orientation on performance is highly moderated by the external environment. Furthermore, there is evidence that larger companies in the UK are more market oriented than medium sized ones, and that further research is needed in order to investigate the reasons behind this (Liu, 1995).

There are also criticisms of the use of the models, even from their creators. Slater (1995) argues that single industry studies have greater internal validity than multi-industry studies. Market research studies should be conducted with smaller numbers of businesses and more respondents in each business, if it is to be relevant. He concludes by encouraging more longitudinal studies.

This section showed that transactional marketing could be defined differently by academics and by practitioners. Furthermore, there is a lack of market orientation research in the UK medium and smaller sized businesses with notable exception of Cox *et al* (1994) and Brooksbanks (1990) studies, and very limited studies examining the UK agri-food sector.

3.2.3 Marketing criticisms; the relational approach

Marketing, according to many scholars, is in a mid-life crisis. How this affects this thesis, together with alternative viewpoints and approaches to marketing research will be investigated.

Marketing, an art or a science, objective or subjective, realist or relativist? This debate reached its peak in the mid 1980s and continued through to the end of the 1990s.

The first claim that marketing is a science, was made fifty-five years ago in Converse's much cited article *The Development of the Science of Marketing* (Converse, 1945). It was the beginning of a long debate in the 1950s and 1960s about

the status of marketing. In that first phase, the endeavours of marketing as a science "won" the science or art debate (Brown, 1996, p. 246).

The second phase started in the beginning of the eighties when Paul Anderson challenged the fundamental philosophical premises of marketing "science". He questioned empiricism and concluded that in order for marketing to become a science it should look to the recognised social and natural sciences for guidance, and make a greater commitment to theory-driven programmatic research aimed at solving cognitively and socially significant problems (Anderson, 1983). Peter and Olsen (1983) showed that many aspects of scientific activity are consistent with basic marketing concepts and processes. They also argued that the relativistic/constructionist approach to marketing could produce more creative and useful theories.

In later years, Hunt (Hunt, 1992; Hunt, 1993; Hunt, 1994; Hunt and Edison, 1995) wrote extensively to defend his position on marketing as a science, first stated in 1976 (Hunt, 1976). The author argued that if qualitative techniques are to progress and take their place as useful complements to quantitative methods, they need to become more positivistic, (Hunt, 1994). Bass also suggests pursuing the traditional path of empirical research as a guide to fruitful directions for future research in marketing (Bass, 1993).

In the debate between Hunt and Anderson, Kavanagh (1994) argues that the anthropocentric focus of the debate has limited the breadth of the philosophical discussion on marketing. He also encourages researchers to look to the world of art

for metaphors and analogies, which might guide the future development of marketing.

Some authors, both in consumer research and marketing research, have started, in the mid-late eighties up to the end of the nineties, arguing in favour of the post-modern approach in studies of marketing. For example, in examining whether marketing is an art, Brown concludes that marketing has more similarities with the world of arts, rather than with science (Brown, 1996). In *Post-modern Marketing* Brown criticises most of academia for following the traditional positivistic logic in marketing (Brown, 1998a; Brown, 1995) and claims that the "four most horrifying, most blood-curdling words in the marketing lexicon are 'I have a model'." (Brown, 1998b, p.226). There have also been consumer researchers, most notably Hirschman, Holbrook, Firat and Sherry (Holbrook, 1995; Hirschman and Holbrook, 1992; Firat *et al*, 1994; Sherry, 1990; Sherry, 1991) pursuing the path of post-modern marketing research.

An examination of Western marketing prescriptions and practices work in Eastern European transitional economies concludes that the traditional Western marketing models are not entirely appropriate, even though Thomas (1994), is still "forced" to use and consult them, assuming they are correct.

There has been a shift in marketing thought during the late 1980s and most of the 1990s, along the post-modernist marketing criticisms. Academics like Grönroos and Foxall, started to question seriously the universal applicability of the marketing concept. Foxall (1989) argues that the concept of exchange cannot be applied to say family relations or crime prevention. Furthermore, he believes that the concept of

exchange is seriously distorted when applied to managerial social or non-business marketing problems. He believes "matching" is a better concept than exchange to delineate marketing's domain. Moreover, some of the most prominent advocates of the traditional marketing concepts and tools have started worrying about a marketing mid-life crisis. The following table adapted from Brown (1998a) shows some of the main concerns raised by well-known academics in the field:

Table 6 Marketing criticisms

'Not only is marketing in decline; not only is it falling; not only is it anachronistic; not only is it being abandoned by its erstwhile advocates; it is simply no longer appropriate to the changed socio-economic circumstances of the late 20th century'
Peter Doyle (1994).

There is a crisis of confidence in the dominant paradigm and the new paradigm researchers have found mainstream marketing theory wanting. Consumer behaviour is a theoretical blackhole. The only thing that we know with certainty is that we do not know very much at all. Not much for an outcome for 50 years' scientific endeavour.
Francis Buttle (1994)

Marketing as a domain of knowledge and practise is itself becoming as myopic complacent and inward looking as all the once great but now defunct myopic companies. Is the end of marketing, as we once knew it in sight?
Douglas Brownlie (1994)

Perhaps classical 4Ps marketing, with changes in emphasis to its constituent parts is not as relevant a framework outside the FMCG domain as we have become prepared to accept.
Malcolm McDonald (1995)

The assumptions upon which the organisation has been built and is being run no longer fit reality.
Peter Drucker (1994)

Source: Brown (1998a)

In recent years relationship marketing has drawn widespread attention in the marketing literature and practice because of the limitation of traditional marketing principles (i. e. Grönroos, 1997; Morgan and Hunt, 1994; Piercy, 1998; Sheth and Prvatiyar, 1995). Grönroos defines relationship marketing's role as:

"...to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment of promises" (Grönroos, 1997, p.327)

Relationship marketing expanded in Europe with ideas into the marketing function as viewed from the perspective of customers of companies operating in the industrial and service sectors of Northern Europe. The term itself was first mentioned by Berry (1983) and adopted in the US services marketing literature. According to Berry, customer relationship is best achieved around a "core service" which ideally attracts new customers through its need-meeting character". Creating customer loyalty among the old customers is one of the main goals of Relationship Marketing. Finally Berry defines internal marketing as a "pivotal relationship marketing strategy", where employees are considered as customers inside the organisations.

Grönroos (1989), in criticising the nature of transactional marketing concluded that:

1. Marketing models of the standard literature on marketing management are not always geared to the customer relationships of firms because they are based on North American marketing situations and empirical data from consumer packaged goods.
2. Marketing is more of a management issue than a specialist function only.
3. The marketing function is spread all over the firm, outside the realms of the marketing department. Because of this there are a lot part-time marketers whose

main duties relate to production, deliveries invoicing, customer training, technical service, claims handling and telephone reception, and many other tasks and functions. In spite of these main duties, they have marketing responsibilities as well.

4. Marketing is not only to plan and implement a given set of means of competition in a marketing mix, but to establish develop and commercialise customer relations so that individual and organisational objectives are met. The customer relationship concept is the core of marketing thought.
5. Promises of various kinds are mutually exchanged and kept in the relation between the buyer and seller, so that the customer relation may be established, strengthened and developed and commercialised (Grönroos, 1989, p.58)

The role of relationship marketing challenges the transactional focus of traditional marketing and highlights limitations-the four Ps and the microeconomic market model-around that it was build. Grönroos also believes that the main reason for the problematic nature of the transactional approach is the fact that the four Ps framework makes teaching marketing easy, simplistic and straightforward. However marketing involves many social processes and consequently researchers and marketers are constrained by its simplistic nature (Grönroos, 1997).

However, there are major problems and criticisms of the concept of relationship marketing. In a special edition of the Journal of Strategic Marketing, various papers were presented in order to identify some of the limitations and directions for further research. Coviello and Brodie (1998) accept the view that the axioms of relationship marketing represent better the nature and practice of modern marketing. The authors

report on a study designed to test the perceived relevance of a set of relationship marketing axioms when applied to a variety of businesses from different sectors. The findings of their paper, suggest some lack of support for the relationship marketing propositions. In their implications, the authors encourage a new framework integrating the transactional with the relational models of marketing.

Saren and Tzokas (1998) argue that the propositions for relationship marketing need reconceptualisation. They conclude by redefining relationship marketing as "the process of planning, developing and nurturing a relationship climate that will promote a dialogue between a firm and its customers which aims to imbue an understanding, confidence and respect of each other's capabilities and concerns when enacting their role in the market place and the society". (Saren and Tzokas, 1998, p.192).

Gummesson (1997) argues in favour of relationship marketing and that there is indeed a shift in the marketing paradigm, and concludes that society is a network of relationships in which we interact. Business and marketing are embedded in society and marketing is a property or a subset of society. Consequently marketing can be viewed as part of that network of relationships. An understanding of the structures and processes by which those relationships can be nurtured and managed is hence important. Network theory attempts to do that. Network theory in marketing can be described as follows:

"Colloquially, networking as a verb used to describe the initiation and sustenance of interpersonal connections for the rather Machiavellian purpose of tapping those relationships later for commercial gain...As a noun, a network describes a collection

of actors (person, departments, firms, countries, and so on) and their structural connections (familial, social, communicative, financial, strategic, business alliances, and so on)...Social networks traditionally were those networks whose relational ties were primarily social in nature (e.g., communication patterns, interpersonal liking and so on), developing largely within the discipline of sociology...Networks in marketing represent the study of structural links of any sort including, but not limited to, social ties as applied to problems within marketing." (Iacobucci and Zerrillo, 1996, p. 393).

Due to the competitive environment of the 1980s and the 1990s, many firms had to participate in more interorganisational relationships than at any other time in the modern history of business. In doing that, they intentionally or unintentionally created business networks (Zerrillo and Raina, 1996). The research on networks that seems to have future potential in marketing is the one that disaggregates networks into dyads and examines the effect on dyads that are connected negatively or positively to other nodes in the system (Stern, 1996). However there are various types of networks or as Iacobucci and Zerrillo (1996) state, multiple levels of relational marketing phenomena and dyads is one of them. Networks are another level of examining phenomena, where typically the whole marketplace of an industry including all the competitors and their connections are researched (Iacobucci and Zerrillo, 1996). Research in SMEs and entrepreneurship distinguish between types of networks (e.g. professional, social and commercial) and highlight the interaction between these networks in entrepreneurial settings. Entrepreneurs mobilise different networks (e.g. business contacts, family friends and so on) for resources (e.g., information, capital and so on) to translate their visions and business plans not reality

(Araujo and Easton, 1996). Furthermore, the actor-network approach has been use in order to explain how entrepreneurial driven firms use networks to gain access to resources and to establish stable exchange structures based on trust, reputation, and reciprocity (Larson, 1992).

One of the most appropriate views of conducting marketing research is presented and summed up by Foxall (1995) and Zaltman (1997). Foxall (1995, p.14) states that:

"...all philosophising is a perversion of reality: for, in a sense, no philosophic theory makes any difference to practice. It has no working by which we can test it. It is an attempt to organise the confused and contradictory world of common sense, and an attempt which invariably meets with partial failure-and with partial success... almost *every philosophy seems to begin as a revolt of common sense against some other theory, and ends-as it becomes itself more developed and approaches completeness-by itself becoming more preposterous-to everyone but the author.* (Italics in original)"

He goes on to suggest not to pursue any theory to a conclusion. He finally recommends that both experience, leading to empirical evidence, and interpretation, conferring order and meaning on sense data are essential elements of any system of knowledge derived from the world of phenomena (the natural world by which the author draws parallels). Moreover attempts to separate them to promote one at the cost of disparaging the other, shows misunderstanding of their interactive contribution. The thesis follows Foxall's view, which argues for toleration of paradigms, of ontologies of methodologies.

Zaltman (1997) stresses the importance of human processes such as storytelling, metaphors, sensory images that may be used in the design of research methods in order to incorporate existing and new techniques. Important qualities of customer and manager thought that are absent from most standard research tools. Brinberg (1986) also points out that the strengths of marketing research with an academic orientation (rigour to bear on concepts and their relations) combined with the strengths of marketing practitioners orientation (pragmatic relevance of the problem under study and the sophistication used to articulate the problem) should be combined and co-operate for the advancement of the marketing field.

In this section, there was a discussion of transactional marketing and criticisms of the approach, together with a description of relational marketing literature. This thesis advocates towards a blend of research methodologies from the traditional positivistic combined with the qualitative paradigm, the transactional as well as the relational marketing approaches.

3.3 The model

3.3.1 Marketing differences between Independent and Subsidiary SMEs

After discussing the blending of the approaches, this section argues in favour of a comparative, integrated model to research in marketing of agri-food SMEs. The comparative nature is followed to gain a deeper understanding of differences between marketing of subsidiaries and independent SMEs (Carson, 1998). Also targeted marketing policy recommendations can be made to subsidiary and independent SMEs.

There are three types of major influences on marketing of SMEs; the capital and environment influences related with the small size of the enterprise; the entrepreneur or person in charge of marketing; and the internal system of control of the SME. The following section will describe marketing practices of both independent and subsidiary SMEs, in relation to capital and environmental influences, the entrepreneur or chief marketer and internal control issues.

Capital and environmental influences

There is a general lack of financial resources within independent SMEs, which suppresses their growth potential. Furthermore, they do not have a team of specialist experts on aspects of the business but instead must rely on generalist individuals, which in many cases is the owner/manager (Carson, 1998).

However subsidiary SMEs have both the capital resources and the management capability to respond to rapid levels of growth (Hines, 1957), even though subsidiaries in their early business cycle stages may not have part of the expertise. In terms of assets, subsidiary SMEs are able to get the parent's brand reputation and trademarks, as well as having access to effective distribution systems and dealers at low cost (Caves and Porter, 1977; Hines, 1957). CVs are also able to gain economies of scale due to their parent's capacity or integration (Caves and Porter, 1977).

Externally, the SMEs small size means that they have limited control and influence over their operational environments. Thus, they are vulnerable to competitive threats and environmental change, and they find it difficult to position themselves against a competitor. There may be a great number of competitors, which will be complicated

and costly to analyse. Furthermore, targeting will require sophisticated methods and SMEs will have neither the money nor the time to engage with.

On the other hand subsidiaries are regularly the market leaders of their sub-markets and hence act as a leader rather than a follower. They may have access to executives from diverse functional areas and emphasise the marketing function (Knight, 1989), due to is importance for the company.

The entrepreneur or chief marketer innfluence

Independent SMEs will be shaped heavily by the owner/manager, because most of the decision making throughout the enterprise is made by him/her. The entrepreneur's style and background will also influence his/her decision-making. Since the entrepreneur tends to get involved in all aspects of the SMEs' activities, they tend to be generalists. Limited expertise in marketing as well as other functions, combined with limited resources to acquire such knowledgeable employees makes the entrepreneur involved in all marketing aspects like pricing, distribution and product development. In the case of a charismatic entrepreneur, this charisma becomes an embodiment of the marketing concept in SMEs (Morris, 1995). A drive and enthusiasm for the company makes entrepreneurs highly motivated individuals (Gardner, 1991). This motivation can assist marketing activity particularly in developing new products or markets and acquiring new customers. Customers are stimulated by this high enthusiasm and dedication and perceive it as a higher degree of personal service. Therefore, size limitations and entrepreneurial influence are likely to lead to unstructured, unsophisticated, and simplistic decision-making. Internally, most independent SMEs will have a limited range of products, with

pricing decision being made in a cost plus method, or discounted because of competitive pressures. Promotion and advertising budgets will be limited. Distribution and delivery will also be limited to servicing the individual customer's requirements and will not conform to a co-ordinated pattern (Stokes 1998, Waterworth, 1987). It will however be opportunistic and flexible, changeable and innovative in a competitive and customer-oriented way (Carson *et al*, 1995 p.81). Entrepreneurs tend to be change-focused, always looking for new opportunities (Carson *et al*, 1995). The search for new opportunities and the generation of new ideas often lead the enterprise new and unplanned directions, even changing the emphasis of the entire business. This change in focus may lead the entrepreneur to fall into a new niche target market that requires him/her to experiment with new approaches to marketing to fully exploit this new market.

Subsidiary SMEs on the other hand may expect professional marketing and management assistance from the parent company and many of the traditional marketing principles (Kotler, 1997) can be applied. Furthermore professional managers must balance a variety of conflicting political and corporate objectives (Fast, 1981), and since they are evaluated on adhering to specific objectives their marketing behaviour becomes less entrepreneurial (Weiss, 1981).

Internal control influence

Internally, power in SMEs remains largely in the hands of one individual, that is the owner-manager/entrepreneur. There is a general reluctance to entrust responsibility for key marketing activities to others. Generally the entrepreneur will exert power and influence over marketing expenditure by deciding to do promotions or

advertising based on an impromptus basis. As the enterprise grows it becomes harder to exert internal power and to influence company marketing activity in this way. Externally this power is mainly related to influence key outsiders for the benefit of the company, a term that is called networking

Subsidiary SMEs have multiple sophisticated review levels and structures. This is mainly imposed by the parent company to impose control mechanisms and processes, so that the corporate objectives, regularly short-term quantitative objectives, could be met (Sykes, 1986). This restricts marketing to a function of objective setting, and marketing to a more functional role in the company. The differences are briefly outlined in table 7.

Table 7 Differences between Subsidiary and Independent SMEs

	Capital and environment	Entrepreneur or Chief marketer	Control
Subsidiary SME	More funds. Relatively easy and cheap to obtain from parent. Large budgets for marketing. Generally, marketing mix leaders rather than followers.	Political and corporate performance related. Strict objectives which often suppress innovative and entrepreneurial attitude.	Regular reviews and tight control means less independency on marketing movements. Control and marketing direction coming from parent.
Independent SME	Less capital availability which often leads to limited or no marketing? Marketing mix followers, limited environmental auditing.	Clear objectives and focus. Closer to the end customer and hence increased perceived customer service. Usually not keen to delegate responsibility. However, flexible to customer changes.	Simple flat structure. More autonomy for entrepreneurs and more opportunities for networking.

Because of these differences, Shrader and Simon (1997) as well as Cooper (1993) recommend the comparative nature of research, since there is limited empirical research on the subject, in order to advance knowledge in strategic marketing.

3.3.2 Overview of marketing approaches for SMEs

In a recent literature review, (Romano and Ratnatunga, 1995) identified three research thrusts. The marketing as a culture thrust, which included studies that focused on enterprises conducting analysis of consumer needs and detailed assessment of firm competitiveness. The second thrust was marketing as strategy, which focused mainly on strategy development in small enterprises to enhance actual

and potential market position. Finally, the marketing as tactics thrust was involved with the analysis of the 4Ps and their influence on growth and performance.

Siu and Kirby (1998), however, identified four approaches of research; the stages/grow model; the management styles model; the marketing as a function model and the contingency model (Siu and Kirby, 1998). Notably, however, the two studies are not mutually exclusive and overlap with each other in some areas. Siu and Kirby's (1998) classifications (see table 8) is split into the following four groups:

The Stages/Growth Model suggests that any model of SMEs marketing must consider the stages of the development of the business the principal focus is on the types of problems encountered and the consequent business activities and marketing behaviour of the small business or owner manager (Churchill and Lewis, 1983). It is further divided into the traditional category and the environmental category. The traditional category is mainly concerned with marketing as a functional problem within SMEs, and the unit of analysis is the organisational structure and strategy (Kazanjian, 1984). On the other hand, the environmental category is concerned with marketing as a business philosophy, and the unit of analysis is marketing structure and strategy (Carson, 1985).

The Management Styles Approach suggests that the environment and SMEs size make the owner/manager act as a responsive marketer. This approach mainly acknowledges characteristics of the small firm and its environment. It is subdivided into the pull, push and behavioural streams. The pull stream looks at environmental influences on SMEs marketing, and external factors are the units of analysis. It is

named as 'look after itself marketing' because businesses seem to be pulled into it, by external environmental influences and the structure of their businesses (Watkins and Blackburn, 1986). The push stream emphasises the personal characteristics of the entrepreneur, and has the psychograpgic characteristics of the entrepreneur as the unit of analysis (Smart and Conant, 1994)

The Marketing as Management Function Model views marketing as one of the main functions of the firm, similar to that of finance, human resource management and production. These studies have been wide ranging and fall under the 'marketing as a business function', 'marketing as an essential ingredient in strategic planning', and 'marketing as a business concept/philosophy' categories. The first one has its emphasis on solving management problems of SMEs, and has the marketing department or the owner manager as the unit of analysis (Broom and Longenecker, 1979). Marketing as a planning component is focused on strategic planning and has the entrepreneur or owner/manager as the unit of analysis (Wellsfry, 1983). Finally, the business philosophy stream focuses on the strategic marketing concept and has the firm as the unit of analysis. (Waterworth, 1987).

Finally, the contingency approach consists of studies aiming at bridging the gap between marketing and small firm research. They are classed as small business orientation and marketing orientation. Small business orientation studies, where the unit of analysis is the small business, examine the limitation of small businesses (Carson, 1995), whereas marketing orientation studies, where the unit of analysis is the marketing discipline, examine problems associated with the marketing discipline (Brooksbank, 1992).

Contingency approaches are positioned as mid-range management theories between the two extreme views that:

1. Universal principles of organisation and management exist; and
2. Each organisation is unique and must be analysed separately (Zeithaml, 1988).

Contingency theories have been used and tested in a variety of contexts including organisational and management (Hofer, 1975), strategy and performance (Hambrick, 1985; Ruekert, 1985), and management characteristics and performance (Miller, 1986). Yet, the contingency approach is rarely used explicitly in small firms marketing literature, with exceptions of studies such as Yeoh and Jeong (1995) who attempted to propose an integration of the exporting, entrepreneurship and organisational behaviour literatures, with the aim of employing a contingent approach.

The contingency approach has contributed to the small firms' marketing literature in acknowledging, implicitly, that the marketing-strategy-performance relationships can vary across different environments and firm sizes (Lee, 1993). Adopting the contingency approach allows the researcher to focus on exploring mid-range relationships that hold within particular types of settings rather than to search for a grand universal theory that is appropriate across all possible settings (Siu amd Kirby, 1998). It is split into the small business orientation and the marketing discipline orientation

Table 8 (taken from Siu, 1997) demonstrates the classification of the approaches of studies on SME marketing.

Table 8 A Literature review of Small Business Marketing

	Stages/Growth Model		Management Style Approach			Management Function Approach			Contingency Approach	
Streams or Categories	Traditional	Environmental	Pull	Push	Behavioural	Business Function	Planning Component	Business Philosophy	Small Business Orientation	Marketing Orientation
Emphasis	Organisational Changes	Marketing Responses	Environmental Influences	Personal Characteristics	Organisational Culture	Solve Management Problem	Assist Strategic Planning	Strategic Marketing Concept	Limitation of Small Business	Marketing as a Discipline
Marketing	Functional Problems	Business Philosophy	'Look after Itself' Marketing	'Entrepreneurial' Marketing	'Organisational' Marketing	Tactical Marketing Concepts	Small Share or Low Cost Marketing	Strategic Marketing	Specific Paradigm	Normative Marketing
Unit of Analysis	Organisational Structure and Strategy	Marketing Structure and Strategy	External Publics	Psychographic Characteristics	Organisational Culture	Marketing Department or Managers	Entrepreneurs or Owner-Managers	Small Firm	Small Firm	Marketing Discipline
Representative Literature	Churchill & Lewis (1983) Kazanjian (1984) Flamholtz (1986)	Tyebjee, Bruno & McIntyre (1983) Carson (1985)	Scase & Goffee (1980) Watkins & Blackburn (1986)	Ford & Rowley (1977) Smart & Conant (1994)	Carson & Cromie (1989); Morris & Paul (1987)	Broom & Longenecker (1979)	Frantz(1978); Ames & Wellsfry (1983)	Waterworth (1987) Colleran (1985)	Carson (1990) Carson *et al* (1995)	Moller &Antilla (1987); Brooksbank, Kirby & Wright (1992)

Source: Siu (1997)

3.3.3 Critique of the approaches

The Stages/Growth Model suggests that any model of small firm marketing must take into account the stage of development of the business. However, according to Siu and Kirby (1998), there are two weak assumptions in this model:

First, many businesses may not adhere to the assumption that change in the business and marketing practices of the owner or the enterprise will enable the progression of the business from one stage to the next; and the awareness, and ability of the owner-manager to deal with different problems. Entrepreneurs with prior marketing knowledge may benefit from adopting a professional marketing approach early on the life-cycle of the business, like some new high-tech start-ups.

Second the stages of the life of a business may be variable, and there may be no progression from one stage to the next.

Finally, the external environmental influences that will shape the cycle of the business are ignored.

The management style approach (table 8) acknowledges the importance of the small firm's limitations and provides a useful explanation for the development of the small firm. However, both the pull and push models are black-box models as interactions between variables, such as the organisational structure and the owner-manager's marketing decision process and behaviour are ignored. On the other hand, the behavioural stream, by examining relationships between entrepreneurial style and

company performance, ignores contributions of the professional marketer and marketing processes. This is because entrepreneurial orientation and marketing orientation are not the same business philosophies (Miles and Arnold, 1991).

The major contribution of the management function approach is the acknowledgement of marketing as an important function and an essential concept in small firm growth and survival.

However much of the literature on business function has ignored the strategic and competitive dimensions and has confined marketing to the management function.

The major contribution of the planning and business philosophy streams is their acknowledgement of the use of strategic orientation in the small firm's planning process. However, the empirical studies have focussed on the functional approach rather than the strategic perspectives (Brooksbank, 1999). Marketing researchers apply normative marketing concepts that come from the positivist approach to research, in order to study small business activities. This approach emphasises the disciplinary foundation of marketing without paying attention to the limitation and constraints of small firms. On the other hand, small business researchers, when studying marketing in small firms, pay insufficient attention to marketing and too much attention to the constraints and limitations of small firms.

The contingency approach acknowledges that various factors affect marketing performance of small businesses.

However, this approach is still primitive, with a major problem being a lack of a common platform (Cannon 1991). Zeithmal (1998) proposes the contingency approach to theory building and research. However the contingency theory has not been used appropriately and rigorously. There is also a lack of empirical studies using the contingency approach. One limitation of this approach is that it is an outcome not a process model. Marketing involves human dimensions, which have a socio-cultural perspective and are ignored by the contingency approach (Hooley and Saunders, 1993; Piercy and Morgan 1994). It is true that marketing concepts are universally applicable but the implementation processes are different. Unfortunately, as reported earlier, the researchers tend to place major emphasis on the outcome not the process of marketing in small businesses.

3.3.4 The integrated model

Hybrid designs have slowly started incorporating attributes of both qualitative and quantitative methodologies in small business studies (Siu and Kirby, 1997, Brooksbank, 1992, Cox, 1994, Carson, 1991). This review shows that a theoretical framework integrating the contingency approach with the process model is suitable and appropriate for advancing theories in small business marketing. Quantitative research strategies may be useful to identify the specific marketing practices of successful small firms, but not appropriate when trying to determine how and why small firms perform the way that they do.

Thus, qualitative research methods, for example ethnographies and case studies, seem to be a complementary alternatives in advancing understanding of small business marketing (Siu, 1999).

Siu and Kirby (1998) propose an integrated approach, consisting of two methodologies:

1. The application of the contingency approach quantitatively to identify strategy-performance relationships in small firm marketing; and
2. The application of the process model qualitatively to examine the marketing implementation process in small firm is the way forward to advance theory in small firm marketing.

3.4 Conclusions

In this chapter, we examined literature from areas of general marketing in order to identify and conceptualise marketing and agri-food marketing. There was also a suggestion of a blend of the transactional with the relational approaches of marketing, in order to advance knowledge of agri-food marketing, as suggested by Covelio and Brodie (1998).

The second part of the review discussed the differences between independent and subsidiary SMEs, and the importance of researching comparative groups of both to advance knowledge in agri-food marketing. Finally, there was a review of small business marketing literature, and the suggestion of a hybrid integrative model, in order to advance the theory of marketing practices in small agri-food firms.

Chapter 4 METHODOLOGY

4.1 Introduction

This chapter describes the research questions and objectives of the thesis as well as the research design and methodologies. It splits the methodology into two stages and analyses the theoretical framework underpinning the comparative integrated model as suggested by the literature review findings in chapter 3.

4.2 Research rationale

Many researchers have highlighted the importance of small businesses in the general economic environment of a country, mainly due to their job creation capabilities (Gray, 1995; Gallagher and Robson, 1995). Hills and LaForge (1991) and academics from the entrepreneurship, marketing and small business fields (Brooksbank *et al,* 1999; Sashittal and Wilemon, 1997; Brooksbank *et al*, 1992; Cannon, 1991; Hogarth-Scot *et al*, 1996; Waterworth, 1987), point to the importance of marketing for small business success. The UK government has also been supporting the role of small businesses in the economic life of a region, by initiatives like the new Small Business Service (SBS). According to the DTI (1999b), the Small Business Service (SBS) is intended to contribute to the Government's wider economic and social objectives, and to sustainable development more generally. SBS main mission is to help build an enterprise society in which small firms of all kinds thrive and achieve their potential. The main aims were set by DTI (2000) as helping all SMEs overcome

the barriers to their success and enhance the performance of SMEs with high growth potential. There is also further interest by the Ministry of Agriculture Fisheries and Food (MAFF) to explore the role of small businesses in the agri-food sector in order to improve its competitiveness

Despite this interest, there is a lack of empirical studies in small business marketing using the integrative approach, as seen from chapter 3.

This study, therefore, identifies, analyses, compares and evaluates small firm marketing at a regional level, in the agri-food industry.

4.3 Research questions

It is intended that this study will build upon and expand the knowledge of marketing activities of small firms, in a specific industry and environment, and also benefit from a comparison of small independent and subsidiary firms as proposed by Shrader and Simon (1997) and Cooper (1993). This research will therefore address these questions:

1. What are the approaches of independent agri-food SMEs to marketing?
2. Are there any differences and similarities between independent and subsidiary agri-food SMEs in their marketing practices, and if so which ones are influencing marketing performance the most?
3. What are the marketing practices of the agri-food industry?
4. How and why do successful independent SMEs' marketing implementation practices differ from the subsidiary SMEs?

4.4 Research objectives

Based on the above questions this study aims to:

1. Understand the marketing practices of agri-food SMEs including business philosophy, strategic awareness, marketing strategies, marketing organisation, marketing control, the importance of networks and the agri-food environment;
2. Identify the components of marketing that have the most influence on marketing performance of independent, subsidiary and the whole agri-food industry's SMEs to use for clear marketing policy recommendations;
3. Determine the marketing differences between independent, subsidiary and the whole group's SMEs by comparing and contrasting their marketing practices and impact on performance.
4. Determine why successful independent and subsidiary SMEs behave the way that they do in their implementation of their marketing practices; and
5. Construct an explanatory model to describe the marketing activities and implementation processes of successful agri-food SMEs.

4.5 Significance of research

This research tries to examine the extent to which the agri-food industry has adopted traditional marketing tools in order to survive and prosper. It is the first attempt to use the integrative approach, described in chapter three, within a single industry and region. Furthermore, the comparative nature of the study (independent versus subsidiary SMEs) builds on existing work from Shrader and Simon (1997) to gain a deeper understanding of agri-food marketing of SMEs. Finally, it improves the

performance instrument used in the previous works of Hooley and Lynch (1991), Brooksbank *et al* (1992, 1999), Siu (1997) Siu and Kirby (1998a) and Cox *et al* (1994), by testing statistically its validity.

The thesis will thus address both fundamental requirements towards advancing theory as stated by Anderson (1983), which are the pursuit of marketing knowledge and improving the efficiency and effectiveness of marketing practice, thereby contributing to scientific progress and advancement in science. It will also contribute to the MAFF policy recommendations on improving the competitive position of the agri-food industry.

4.6 Research methodology

Hoffer and Bygrave (1992) suggest that the entrepreneurial process, which involves the dynamic state of change, limits the applicability of traditional management research methodologies in small business theory building. Davis, Hills and LaForge (1985) note that it is difficult for SMEs to provide accurate and up-to-date data. Therefore they suggest a 'stream of research' where each study is carefully examined to build upon what has been previously learnt and to contribute to the established knowledge base. Specifically, they suggest the use of case studies initially, then a small-scale exploratory study followed by a large-scale survey research, controlled by a final field study. Similarly, Gibb (1992), Siu (1997) and Kirby (1992) advocate the use of a blend of both qualitative and quantitative techniques in a multistage project, to advance knowledge in the small business field.

Research methodologists claim that the sequencing of stages is not fixed, and researchers often skip over one or more stages and sometimes move backwards as well as forwards (Siu 1997). Thus the research strategies used in this project will be based on Davis Hills and LaForge (1985), Gibb (1992), Kirby (1992), Siu (1997) and Shrader and Simon (1996).

The following sections describe the two different stages of this research project. The first stage is involved with a large-scale survey of SMEs in the North of the UK. The second stage of in-depth personal interviews and case studies will look at specific successful SMEs in order to verify the survey results and better understand the implementation of marketing in successful agri-food SMEs.

4.6.1 Stage one: Descriptive research

This stage is intended to provide a clearer understanding of the marketing practices of agri-food SMEs in the North of the UK. The literature review in chapter 3 suggests an integrative approach to advance SME marketing theory and develop a better understanding of the marketing process of SMEs. The contingency model for marketing research used by Brooksbank *et al* (1992) and Siu (1997) was adopted to classify SMEs into performance groups (high, medium and low), and to answer the research questions stated earlier in the chapter.

Research design

The descriptive method is appropriate when the research purpose is to describe characteristics of certain objects, without just being a fact-gathering expedition but:

"a glue of explanation and understanding" (Siu, 1999, p.138). The survey research method is a branch of descriptive research used for obtaining data from respondents. Three common survey administered methods are identified; telephone interview, personal interview and mail interview. Though the mail survey is widely criticised due to potentially low response rates, low data reliability and non-response error (Siu, 1999), it has proven to be a valuable and widely used method of collecting information in the marketing and small firm's marketing literature. This is due to its low cost, no or limited interviewer's bias, and the ability of the respondents to complete it at their convenience (Erdos, 1970; Yu, 1983). The researcher assured confidentiality and anonymity in order to encourage respondents to give sensitive information about marketing practices and performance, relative to their competitors. Thus, the mail survey methodology was adopted for this stage of the research.

Sampling frame design

The sampling frame was derived from the Financial Analysis Made Easy (Fame) on-line database (1998). This is a database of companies in the UK and Ireland. As stated in the web-site: (http://Fame.bvdep.com/cgi/template.dll?product=1)

"Fame gives detailed financial reports for up to 460,000 companies including ownership, and descriptive information for 1.3 million additional companies."

The database includes the company's full name and registered address, phone and fax number, and the names of the directors together with the ownership status and all financial report items like balance sheet, profit and loss account and cash flow. Additionally, there are, on selected firms, calculated financial ratios. The possibilities

presented by the database made comparisons between financial data (accounts data) of SMEs and respondents performance data given from the owner-managers possible. This increased the validity of the performance instrument used in the survey. Furthermore, comparisons within the same industry (peer group comparisons) were made as a further measure of increasing the reliability of the survey.

Sample size determination

Strategy-performance studies using the contingency model have an important indicator in their models, the relative performance of the company in relation to their marketing practices. According to Kirby (1992), relative marketing performance can be measured by asking respondents to rate their company's performance in relation to their competitors during the last financial year in terms of (1) profitability, (2) sales volume, (3) market share and (4) return on investment. Companies are given a rating between 1 and 3 (1 being "Better than", 2 being "Worse than" and 3 "Do not Know") which is, according to Hooley and Lynch (1991), an appropriate measurement scale. This produces a combination of 12 possible occurrences, which can be presented by a matrix, or table, of 12 cells. The Chi-square test used in this thesis requires the minimum expected value in each cell being 5 (Churchill, 1987). Industrial surveys have an expected response of about 15% (Baldauf, 1998) and hence the target set for this thesis was set at about 10% (Jobber 1989). This gave an overall sample frame of about 600 Northern agri-food SMEs.

Table 9 Performance instrument

Q16 How have you performed, during the last financial year, **<u>in relation to your major competitors</u>** , (**not** in relation to your last year's performance), in terms of:	Better	Worse	Do not know
Sales Volume	☐	☐	☐
Profit	☐	☐	☐
Market Share	☐	☐	☐
Return On Investment (ROI)	☐	☐	☐

1. A four by three table which gives 12 cells

2. Minimum cell count for each cell should be 5, as suggested by Churchill (1991)

3. Expected response rate set at 10 %

$$\text{Sample frame size} = \frac{1 \times 2}{3} = \frac{12 \times 5}{10\%} = 600$$

Sample selection

There were two main selection criteria for the sample, which are as follows:

The UK agri-food industry was defined with the aim of the following VAT codes, due to their simple definitions. The VAT codes, derived from Fame database, are presented in table 10.

Table 10 Codes and names of sectors which define the agri-food industry.

Code	Name of the (sub)-sector
0013	Dairying
0014	Mixed farming (no more of 50% of the above)
0017	Market gardening and fruit farming
0030	Fishing
2120	Bread and flour confectionery
2130	Biscuits
2140	Bacon-curing, meat and fish products
2151	Milk and milk products (other than ice cream)
2152	Ice cream
2160	Sugar
2170	Cocoa, chocolate and sugar confectionery
2180	Fruit and vegetable products
2190	Animal and poultry foods
2290	Food industries not elsewhere specified
2310	Brewing and malting
2320	Soft drinks
2391	Spirit distilling and compounding
2392	British wines, cider and perry
8101	Fresh meat, fish, fruit and vegetables
8102	Alcoholic drink (including bottling)
8109	Other food and drink
8201	Grocers
8202	Dairymen
8203	Butchers
8204	Fishmongers and poulterers
8205	Greengrocers and fruiterers
8206	Bread and flour confectioners selling wholly or mainly bought in goods
8851	Restaurants, cafes, snack bars etc. Selling food for consumption on the premises only

Second, there was a need of defining a small and medium sized company. There has been a long debate about what constitutes an SME. Brooksbank (1992) used in his study, number of employees, annual turnover and product strategy as the classification criteria, since it was very difficult to obtain data on companies large product portfolios, especially the subsidiaries. Hence, the product strategy is not going to be adopted as one of the screening criteria in this project. The criteria for this project for an SME are as follows:

1. No of employees 10-500: This research was not interested in micro businesses since they are a separate group with distinct characteristics. A micro business as

defined by the EU is "... enterprises having fewer than ten employees" (Papoutsis, 1998). The companies therefore are between 10-500 employees or officially classed as small and medium sized businesses (EU, 1996). Most companies in the sample have been in operation for 5 years or more, which implies knowledge accumulation and financial stability.

2. Turnover £100,000-£25 million: According to the latest report of the European Commission "...an SME is a company which...has annual turnover of not more than 40 million ECU" (Papoutsis, 1998). With an exchange rate at the time of the survey (March 1999) of 1.6 ECU to a pound sterling this worked out as £25 million.

3. Companies with registered trading addresses in the North and North West of England. That included the following regions; Northumberland, Cumbria, County Durham, North Yorkshire, Tyne & Wear, Lancashire, Greater Manchester.

The following criterion was used in order to split the sample to independent and subsidiary SMEs:

1. Independent companies defined by FAME database. The definition is that an independent company is not partly or wholly subsidiary or holding company. Independence by the EU is defined as follows :

"Independent enterprises are those which are not owned as to 25% or more of the capital or the voting rights by one enterprise, or jointly by several enterprises, falling

outside the definitions of an SME or a small enterprise, whichever may apply. This threshold may be exceeded in the following two cases:

a) If the enterprise is held by public investment corporations, venture capital companies or institutional investors, provided no control is exercised either individually or jointly;
b) If the capital is spread in such a way that it is not possible to determine by whom it is held and if the enterprise declares that it can legitimately presume that it is not owned as to 25% or more by one enterprise, or jointly by several enterprises, falling outside the definitions of an SME or a small enterprise, whichever may apply.

From these criteria, subsidiary companies were classed as those, which did not satisfy the ownership status of the above definition, in order to compare them with the independent companies. The total sampling frame generated was 600 sample units of which 380 were independent and 220 subsidiary SMEs.

The Instrument

The questionnaire was developed through a combination of the literature review on small business marketing, with particular emphasis on the studies of Cox *et al* (1994), Brooksbank *et al* (1992), and Siu (1997). It was modified in the light of the literature on market orientation and the specific issues associated with the UK agri-food industry and the smaller businesses. The single-page length (two-up, double sided) format was described as appropriate for industrial mail surveys (Jobber, 1989; Baldauf, 1998), and the professional survey approach (Erdos, 1970), was adopted. In

addition, recommendations by small business researchers (Alpar and Spitzer, 1989; Forsgren, 1989) and marketing researchers (Baldauf, 1998) on small firms mail surveys were used to motivate high response rates. An original letter (see appendix a) was sent together with an A4, one-page questionnaire to the Managing Directors or Marketing Directors addressed as either Dear Managing Director/Marketing Director or the specific name of the person, if known. The name of the addressee and company address appeared in the covering letter, as well as the printed outgoing envelope. The covering letter invited companies to participate in research in order to attract their attention since the four most important reasons for low response rates in surveys are as follows:

1. Not enough time for the manager/owner to fill it in
2. The large number of questionnaires received by the company.
3. The questionnaires being too long.
4. The lack of perceived benefits for the company. (Baldauf, 1998)

In mail surveys, "timing" and "technique" dimensions must be considered in order to achieve high response rates. Consequently, the questionnaire was sent in March 1999, a relatively quiet time for agri-food businesses. Furthermore, a full report of the results was promised to the respondents including recommendations to improve their marketing practices. Confidentiality was stressed by the researcher, and respondents were given one month to return the questionnaire. No follow-ups were used for the independent sample since the response rate was higher than the average and was considered adequate. However, there was a follow up telephone call for the subsidiary companies in order to increase the response rate.

Four experts, two in agri-food marketing and two in small business marketing reviewed the questionnaire. Piloting the original questionnaire with ten agri-food

SMEs tested the structure and format of the questionnaire and the covering letter. Their useful comments improved the layout of the questionnaire and helped determine the classification system for the performance tool. An amended questionnaire was adopted as the finalised version (appendix b).

Questionnaire administration

The questionnaire was designed to compile information about agri-food SMEs operating in the North of the UK, concerning their marketing practices and performance. The first batch was sent in March 1999 and questionnaires were returned within one month. The effective mail out was 380 independent companies and 220 subsidiary companies. Sixteen responses were excluded since they were returned by post as undeliverable (ceased to operate), of which 12 were independent and 4 were subsidiaries.

The valid responses were 92 for the independent SMEs (24.2% response rate), and 59 subsidiary SMEs (26.8% response rate). The response rates were higher than previous studies (Brooksbank, 1992, Hooley and Lynch 1994, Saunders 1994, Siu 1997).

Data analysis

From the valid returned questionnaires (92 independent and 59 subsidiaries) six independent and four subsidiaries were excluded from the study, since they did not fully meet the criteria set out in the previous section (sample characteristics). Therefore, the first sample included 86 independent agri-food SMEs, all operating in the North of England, from a total sample of 368. In terms of subsidiary SMEs, from

an effective sample of 216, the used responses were 55. Because of the low actual absolute number of the subsidiary SMEs (even after the follow up phone-calls) the medium and low performance groups were merged into one medium/low performance group. This issue will be further discussed in chapter 5.

The information from the mail survey was analysed in three steps, using SPSS 9.0 for Windows 95/NT software. First, the chi-square test in the CROSSTABS routine was used. Second, discriminant analysis was used to determine the relative importance of various marketing components on the company's marketing performance. Finally, the Log Linear Model for Contingency Tables in the CATMOD routine for SAS for Unix was used to examine the differences between independent and subsidiary SMEs in their respective approaches to marketing. A detailed examination of all three techniques is given in appendix c.

Summary

The findings from stage one provide an evaluation of marketing practices of independent and subsidiary SMEs. In particular, the chi-square results provide the description of how, and to what extent, agri-food SMEs make marketing decisions and maintain competitiveness, and how the more successful performers differ in the independent and subsidiary SMEs from the low performers. Discriminant analysis findings classify the importance of the marketing practices of SMEs in terms of their importance on performance. Finally, the use of Log Linear Analysis for Three-variable table identifies the differences between the two groups in terms of their marketing practices. The overall results assist the development of stage two, which is

to verify the results of the survey and gain a better understanding as to how and why financially successful SMEs practice marketing the way that they do.

4.6.2 Stage two: Case studies and personal interviews

Although a mail survey can help to identify the marketing practices of agri-food SMEs, it provides limited information as to *how* and *why* successful SMEs practice marketing the way they do. As Yin (1994) stated, the case study inquiry is more appropriate for research because it:

1. Copes with a distinctive situation in which there will be many more variables than data points. As in this case, the marketing process consists not only of marketing practices, but also of interactions between these practices, the nature of which is impossible to capture in a survey.
2. Relies on multiple sources of evidence, with data needing to convergence in a triangular fashion, that is from three different types of sources, and;
3. Benefits from the prior development of theoretical propositions to guide data collection and analysis.

The purpose of this research stage is threefold:

1. To verify the survey results using five case studies as a vehicle for triangulation;
2. To gain a better understanding of why financially successful agri-food SMEs practice marketing the way that they do, and;
3. To understand the differences in marketing practices between successful independent and subsidiary agri-food SMEs.

Research design

The methodological instrument used for this stage was the case study. Yin (1994) defines a case study as "an empirical inquiry that investigates a contemporary phenomenon within its real-life context".

Criticisms of case study include lack of rigour, little basis for scientific generalisations, excessive length and the collection of massive unreliable documents (Yin, 1997). Yet it is very useful in expanding analysis of a situation, generalising and even generating theory (Eisenhardt, 1989).

Evaluation of research method

The selection criteria for the choice of methodology are shown in table 11. According to Yin (1994), these criteria are:

1. The type of research question that needs to be proposed (like who, where, how and why);
2. The extent of control that the researcher has over the actual behavioural events, and;
3. The degree of focus on contemporary as opposed to historical events.

Since this research is trying to identify why and how marketing is practised and implemented in successful SMEs, and there is no need for control over the marketing operations of the SMEs, case study research is the appropriate methodology.

Table 11 Types of questions and appropriate methodology adapted

Strategy	Form of Research Question	Requires control over behavioural events?	Focuses on contemporary events?
experiment	how, why	yes	yes
survey	who, what, where, how many, how much	no	yes
archival analysis	who, what, where, how many, how much	no	yes/no
history	how, why	no	no
case study	how, why	no	yes

Source: Yin (1994)

Sampling plan

Five respondent companies from the high performers, as defined in the questionnaire, were selected. To encourage the respondents to offer interviews the researcher offered a free report of the sector the company was operating in, from either MINTEL (Market Intelligence) or EUROSTAT (European Statistics) market research companies.

As the purpose of the study was to examine only the successful SMEs, all the medium and low performers were excluded. Successful hi-tech firms differ from medium and low performing firms in terms of the marketing factors that influence their success (Warren and Hutchinson). Furthermore, a different study shows that there are distinct success factors on a variety of SMEs, not just related to the hi-tech sector (Yusof and Aspinwall, 1999).

A follow-up telephone call was made to confirm the interviews and the possibility of interviewing either the owner/manager, or if they were not available, the marketing executive/manager.

The Instrument

The long interview technique (McCracken, 1988) was utilised. It focused on a series of open-ended questions relating to the marketing decision of owner/managers of agri-food SMEs. Various researchers on small businesses (Shaw, 1998, Eisenhardt, 1989) and strategic marketing (McKiernan, 1993, Thomas 1993) have used interviewing as their instrument for data collection. Furthermore, Siu (1997) Siu and Kirby (1999) and Carson *et al* (1990,1996) have expanded this methodology to SMEs marketing research, giving it validity and acceptance within the small business and marketing academic communities. The process model of Brooksbank *et al* (1992) and Siu (1997) was used and adapted for the Northern agri-food industry.

Thus, an interview schedule with a questionnaire was designed to give a framework and discipline to the interview. A semi-structured interview process was followed, (appendix d), in order to add flexibility to the discussion.

Analytical method

Five companies were examined, two subsidiary agri-food SMEs operating in Newcastle upon Tyne, and three independent agri-food SMEs, having their trading offices either in Newcastle, Northumberland or Middlesborough. The interviews ranged from 45 minutes to two and half-hours, were tape recorded with the consent of the respondents and subsequently transcribed. QSR NUD.IST 4 (1997), a

computer aided qualitative research software was used (appendix d) to process the data in Word 5 (for Macintosh) format. NUD.IST software has been praised for its validity and ability of replicability of studies in marketing research (Prothero, 1996).

The use of qualitative software is not new in the social sciences. Both marketing academics as well as other social scientists such as ethnographers and sociologists use software similar to NUD.IST to analyse their data (for example see Richards and Richards, 1994; Strauss and Corbin, 1990; Fielding and Lee, 1991). There have been qualitative issues also relating to the marketing/entrepreneurship interface (Carson and Coviello, 1996), the use of qualitative software in psychology (Cohen, 1999), as well as other diverse areas like consumer preferences in fashion (Souza, 1996). Qualitative research and strategic marketing planning research has also been applied by researchers with agri-food related background (Hill and McGowan, 1999) to investigate strategic marketing issues.

Concepts found in the interview transcripts were taxonomised and then drawn from the transcribed interviews, with the aid of NUD.IST. There was triangulation of the interview scripts with one researcher to ensure reliability of the conclusions and the scripts, as suggested by Miles *et al* (1994) and Yin (1994).

Contribution to the thesis

Analysis of the survey results, combined with this part of the thesis, will lead to a better understanding of the marketing implementation processes of successful agri-food SMEs. It will also help in the development of a 'best practice' marketing model for agri-food SMEs.

4.7 Conclusions

This chapter argues in favour of a stepwise approach to marketing research in SMEs. It proposes a two-stage approach, starting with a quantitative survey of agri-food SMEs, and a comparison of the two ownership groups within that. The second stage is qualitative in nature, representing the integration of the contingency and process models as suggested by Siu (1997).

The survey results identify the marketing practices of independent and subsidiary agri-food SMEs, and their impact on company performance. There is also a comparison between the independent and subsidiary groups to gain better insights of the effect of ownership status on marketing and performance.

However, there is a need to gain a deeper understanding of the nature of SMEs (Carson, 1990) and their different marketing processes, as described in chapter 3. While quantitative research strategies may be useful for identifying the most important marketing practices, they do not provide information on why and how these marketing practices are carried out. Therefore, personal interviews are proposed as a complementary method to provide insights into the effect of ownership status on small firm marketing, in order to advance understanding of agri-food SMEs marketing. The following chapters will first examine the rationale behind the model selection, and then analyse the results of both the quantitative and qualitative research.

Chapter 5 HYPOTHESES RATIONALE

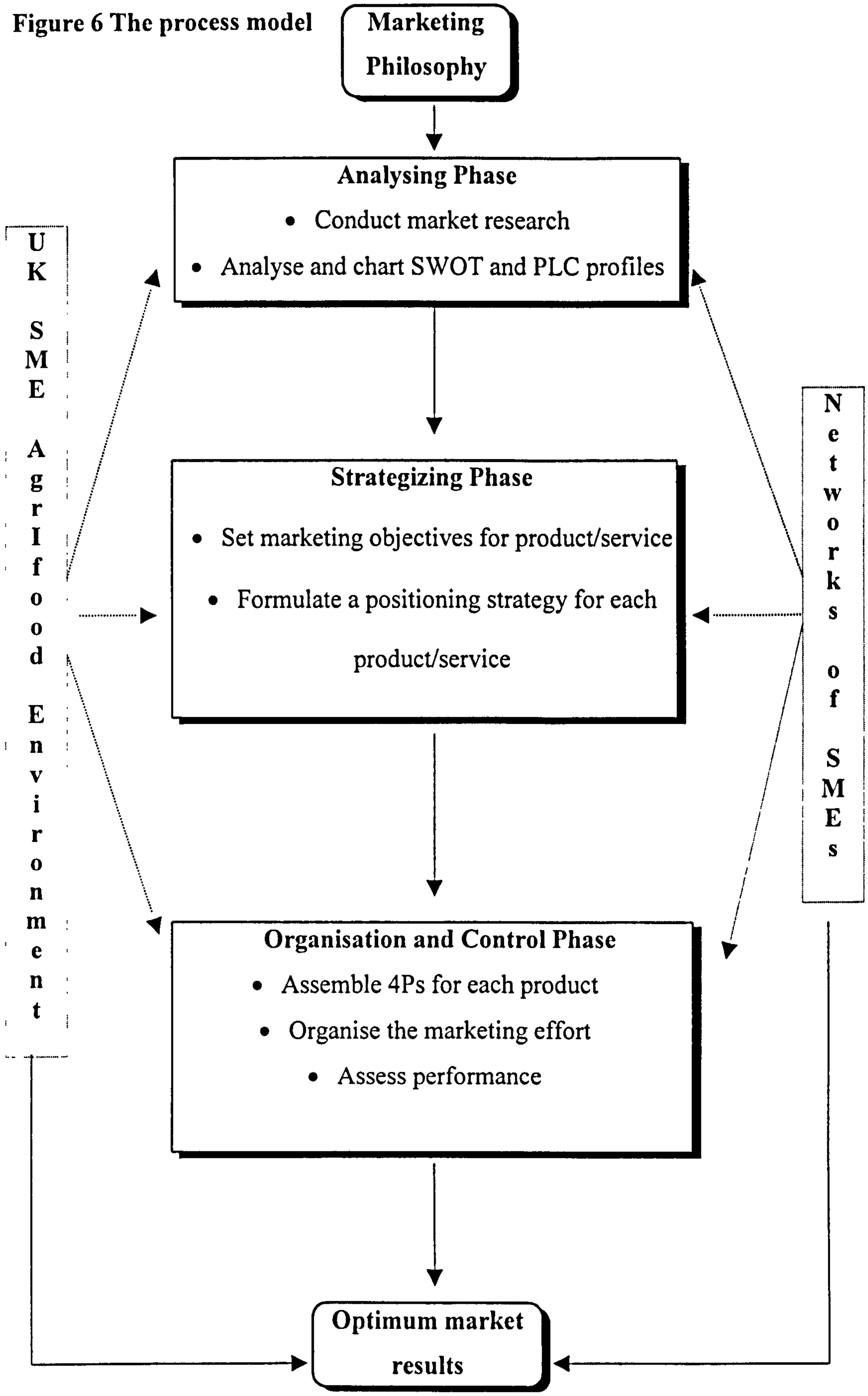
5.1 Introduction

This chapter outlines the rationale behind the chosen hypotheses. The process model chosen for the study is examined. Twenty hypotheses for three groups, namely independent, subsidiary and the whole agri-food SMEs are discussed. Furthermore, the performance indicator will be analysed, together with the sample characteristics. Finally, the correlation between subsidiary and independent SMEs' performance will be statistically tested by means of a Chi-square test.

5.2 Model selection

Figure 6 is the marketing process model adapted from Brooksbank (1990b) in order to meet the needs of the smaller agri-food business. Twenty hypotheses were formulated based on a review of empirical and normative literature on marketing and SMEs for each of the three groups under investigation, group A, the independents, group B the subsidiaries and group C the overall agri-food sample. The primary objective was to test these hypotheses in the context of the agri-food SME environment in the North of England (see map 1, p.5). The model/framework used was adapted from Brooksbank's *et al* (1992) research on medium manufacturing companies in the UK, and Cox's *et al* cross-sectional study of SMEs around the UK (Cox *et al*, 1994). Furthermore, the existing models of market orientation combined with Hooley and Lynch research (1991) add to this framework.

Figure 6 The process model



The hypotheses will be grouped into the following general categories, for independent (group A), subsidiaries (group B) and the whole agri-food firms (group C):

1. Business philosophy
2. Strategy analysis
3. Marketing strategy
4. Marketing organisation and control

Furthermore marketing networks and the external environment will be examined, since chapter 3 showed their importance for relational marketing and market orientation research.

5.2.1 Hypotheses relating to business philosophy

Hypotheses 1A, 1B and 1C

Higher Performing Small and Medium sized independent (Hypothesis 1A), subsidiary (Hypothesis 1B) and the whole agri-food (Hypothesis 1C) Enterprises are more likely to define their marketing as customer-driven rather than selling or production driven.

Research by Peterson and Lill (1981) and Brooksbank *et al* (1992) showed that there is a significant relationship between customer orientation and high performing companies. Furthermore, literature on market orientation argues that customer orientation is an important part of the market orientation construct and therefore plays a significant role in high performing companies (Kohli and Jaworski, 1990; Narver and Slater, 1990; Jaworski and Kohli, 1993). Finally, literature from food

marketing claims that there is a strong relationship between business to business marketing and retail organisations' choices for their food suppliers (Scellhase *et al*, 2000).

5.2.2 Hypotheses relating to strategic analysis

Hypothesis 2A, 2B and 2C

Higher Performing Small and Medium sized independent, subsidiary and the whole agri-food Enterprises are more formal marketing planning oriented than other SMEs.

Small business and marketing researchers (Brooksbank *et al*, 1992; Cox *et al*, 1994) found a positive relationship between organisational performance and formal planning. Moreover, research in the marketing and strategy literature (McDonald, 1984; Mintzberg, 1994) points to the importance of planning for performance. Empirical evidence in SMEs in the UK also highlighted the importance of formal-long term strategic planning (Carson and Cromie, 1989). However, some academics examining the relationship between SMEs planning and financial performance found their results inconclusive (McKiernan and Morris, 1994) and criticise the methodological and theoretical foundations of similar studies. Although there is literature to suggest that the food industry does a lot of marketing planning (Wringley, 2000), the findings do not apply to the SME sized agri-food business. Therefore, empirical testing is needed.

Hypothesis 3A, 3B and 3C

Higher Performing Small and Medium sized independent, subsidiary and the whole agri-food Enterprises place major emphasis on a comprehensive situation analysis.

Empirical findings both from the marketing study of UK companies (Hooley and Lynch, 1991), and of UK SMEs (Brooksbank *et al*, 1992; Cox *et al* 1994; Brooksbank *et al*, 1999) support the notion that a situation analysis, consisting of internal, competitor, customer, market, and the wider business analysis will have a positive influence on performance.

Hypothesis 4A, 4B, 4C, 5A, 5B, 5C, 6A, 6B, 6C & 7A, 7B and 7C

Higher Performing Small and Medium sized independent, subsidiary and the whole agri-food Enterprises make greater use of SWOT *(Strengths, Weaknesses, Opportunities, Threats) analysis.*

Higher Performing Small and Medium sized independent, subsidiary and the whole agri-food Enterprises are more aware of SWOT analysis.

Higher Performing Small and Medium sized independent, subsidiary and the whole agri-food Enterprises make greater use of PLC (Product Life Cycle) analysis.

Higher Performing Small and Medium sized independent, subsidiary and the whole agri-food Enterprises are more aware of PLC analysis.

Much of the marketing literature (Doyle, 1994; Kotler, 1994) encourages the use of strategic marketing tools in order to achieve high performance. Empirical evidence in the UK and in particular in the SME sector also show support for this hypothesis (Hooley and Lynch, 1985; Carson and Cromie, 1989; Cox *et al*, 1994; Appiah-Adu,

1997), even though some academics argue for a change of the traditional promotional mix in today's communication's environment (Cowles and Kiecker, 1998). There is also literature on the food industry in Denmark pointing out to the importance and lack of use of strategic tools such as SWOT and PLC analysis (Grunert *et al,* 1996).

Hypothesis 8A, 8B and 8C

Higher Performing Small and Medium sized independent, subsidiary and the whole agri-food Enterprises make greater use of marketing research in their planning activities.

Brooksbank (1990c) and Brooksbank *et al* (1992) show that smaller businesses benefit from the use of marketing research in their planning activities, and that they can as a result reach high performance levels (Carson *et al*, 1995). In order to measure this, we will include both commissioned market research and research carried out by the company itself. Literature on the issue of the use of market research by non-retail organisations does not exist in the UK. However in Denmark in a similar study for the food industry, Grunert *et al* (1997) found there is a relationship between performance and high levels of marketing research.

5.2.3 Hypotheses relating to marketing strategy

Hypothesis 9A, 9B and 9C

Higher Performing Small and Medium sized independent, subsidiary and the whole agri-food Enterprises have a strategic focus based on raising volume rather than productivity improvement.

Most of the "excellence" literature of the eighties (Hooley and Lynch, 1985; Peters, 1982; Saunders and Wong, 1985) supported the assertion that aggressive marketing objectives characterise higher performers, which are more likely to be differentiated by the strategic focus based on increased volume rather than productivity improvements (Brooksbank *et al*, 1992).

Hypothesis 10A, 10B, 10C, 11A, 11B, 11C, & 12A, 12B and 12C

Higher Performing Small and Medium sized independent, subsidiary and the whole agri-food Enterprises produce better quality products than their competitors.

Higher Performing Small and Medium sized independent, subsidiary and the whole agri-food Enterprises reputation is better than their competitors.

Higher Performing Small and Medium sized independent, subsidiary and the whole agri-food Enterprises distribution is better than their competitors.

Marketing strategy, and in particular the above elements of the marketing mix, were shown, in previous empirical studies, to be positively related with high levels of performance (Brooksbank *et al*, 1992). Furthermore, normative research in SMEs suggests that these are the main value adding mechanisms of the marketing mix in

SMEs (Carson, 1990; Carson *et al*, 1995). Finally, food marketing literature shows that these are significant factors for the success of the food industry (Deliza *et al*, 1999).

5.2.4 Hypotheses relating to marketing organisation

Hypothesis 13A, 13B, and 13C

Higher Performing Small and Medium sized independent, subsidiary and the whole agri-food Enterprises have more flexible marketing organisational structures.

Brooksbank *et al* (1992) suggested the overlap between marketing and other functions as one measure of flexibility. There are more recent examples from the marketing implementation literature pointing to the importance of flexibility, integration and co-operation of all the departments of the company, for a high performing enterprise (Pelham, 2000). Literature from food marketing also point to the distinct flexibility of smaller enterprises (Dana, 1999).

Hypothesis 14A, 14B and 14C

Higher Performing Small and Medium sized independent, subsidiary and the whole agri-food Enterprises respond more quickly to changes in customer requirements or to negative customer satisfaction information.

Walker, (1987, p.32) found a positive relationship between performance and effectiveness in relation to competitor's products, efficiency (Return On Investment), and adaptability (business's success to adapt over time in changing conditions). The

speed of response to changes or complaints of customers was adopted by Appiah-Adu, (1997) as part of the measure of market orientation for small firms, which was also found to be related to high levels of performance. Brooksbank (1990b) and Siu (1997) also point to the importance of speed of change of SMEs, and conclude that there is a significant relationship between the high performing companies and the above variable.

5.2.5 Hypotheses relating to marketing control

Hypotheses 15A, 15B, 15C & 16A, 16B and 16C

Formal customer feedback improves performance of SMEs

Marketing intelligence systems improve performance of SMEs

The above propositions are strongly supported by empirical literature (Brooksbank, 1990c; Brooksbank *et al*, 1992; Carson *et al*, 1995; Cousins *et al*, 1988; Cox*et al*, 1994; McDonald, 1984; Piercy, 1989).

Another study of implementation processes in the SME sector, (Sashittal and Wilemon, 1996) state the importance of viewing the marketing implementation interface as a singularly interactive process, integrating marketing within the whole business functions. In all of the firms that they sampled, they also found that managers agreed to the latter synergy and its importance to the successful implementation of marketing strategy, and ultimate high performance.

Sashittal and Tankersley (1997) also point to the importance of the environment and the above interface and conclude by stressing that the increasing integration of the cross functions of the organisations will be a vital part for the successful planning-implementation interface to be successful. Therefore, this study will try to test whether this hypothesis applies to the agri-food industry.

5.2.6 Hypotheses relating to networks and the UK agri-food environment

Hypothesis 17A, 17B, 17C &18A, 18B and 18C

Higher Performing Small and Medium sized independent, subsidiary and the whole agri-food Enterprises make greater use of their networks.

Higher Performing Small and Medium sized independent, subsidiary and the whole agri-food Enterprises attach greater importance to their networks

The importance of networking in the marketing performance of SMEs has been stressed by many academics (Brown *et al*, 1990; Larson, 1992; Zerrillo and Raina, 1996). There is also a trend amongst small business researchers to examine the importance of networks within a small business environment and many have found a positive relationship between network use and importance, and HPSMEs (Shaw, 1998; Siu and Kirby, 1998c; Brown *et al*, 1990). Furthermore, it was considered critical to include networks and the environment in the model as vital elements of the relational and transactional approaches to marketing (chapter 3).

Hypothesis 19A, 19B and 19C & 20A, 20B and 20C

Higher Performing Small and Medium sized independent, subsidiary and the whole agri-food Enterprises view government or European regulation as a threat.

Higher Performing Small and Medium sized independent, subsidiary and the whole agri-food Enterprises view the major market leaders as a threat for their survival

Most of the studies on market orientation and performance use the environment as part of the measurement construct (Narver and Slater, 1990; Jaworski and Kohli, 1993; Cadogan and Diamantopoulos, 1995). UK studies, (Greenley, 1995) and SME studies in particular (Appiah-Adu, 1997) show the importance of this variable for the marketing-performance relationship, by empirically testing its relationship with high performing companies. However, this study was in a specific area, within a specific industry, and thus, the environment was controlled. Two questions were generated, one relating to the recent trend of mergers and acquisitions within the agri-food industry, and whether SMEs view that as a threat. The second was related to UK and European regulation.

5.3 Performance instrument

Although firm performance plays an essential role in strategy research, there is considerable debate on the appropriateness of various approaches to the concept and measurement of organisational performance. The complexity of performance is the major factor contributing to the debate.

Objective measures from accounts data are preferable to subjective measures from owner-managers. However they are not usually available because most small firms are privately held and the owners are neither required by law to publish financial results nor are they willing to reveal such information to outsiders (Beal, 2000). Although sometimes financial data may be available, they may be inaccurate because they are not audited.

For this study, it was necessary to classify companies according to their financial performance. Perceptual measures of performance were used. In particular respondents were asked to give information on their companies' performance measures in relation to their major competitors, in the last financial year. These financial measurements are widely considered as appropriate and are used in similar studies to classify performance (Brooksbank, 1990c; Brooksbank *et al*, 1999; Brooksbank *et al*, 1992; Chander and Hanks, 1993; Cox *et al*, 1994, Hooley and Lynch, 1986, 1991). They consist of Sales Volume, Profit, Market Share and Return on Investment (ROI) in relation to their main competitor, in the last financial year. Table 12 shows the exact nature of the performance question and is taken from the actual questionnaire.

Table 12 Performance instrument

Performance indicators

Q16 How have you performed, during the last financial year, **in relation to your major competitors** , (**not** in relation to your last year's performance), in terms of:

	Better (1)	Worse (2)	Do not know (3)
Sales Volume	☐	☐	☐
Profit	☐	☐	☐
Market Share	☐	☐	☐
Return On Investment (ROI)	☐	☐	☐

5.3.1 Classification selection and criteria

Based on the answers, the companies were classified into three groups, "high", "medium" and "low" performers. This classification was supported from both previous studies (Hooley and Lynch, 1991) and personal informal interviews with various owners of the companies, in the piloting stage of the questionnaire. This stage included the test of the structure and format of the letter with the questionnaire to 15 companies. Their useful comments improved the layout of the questionnaire and determined the performance classification system used in this study. The classification criteria were as follows:

- High Performing firms were companies with at least three out of the four measurements better than their competitors (the order does not matter since all four measurements carried equal importance 'weight').
- Low Performing firms were companies which had the following combinations (similarly the order does not matter since all four measurements carried equal importance 'weight'):

a) All four measurements worse than their competitors

b) All four measurements as do not know (interpreted as they did not understand their market position or they did not want to disclose such sensitive information).

c) Three worse and one do not know

d) Three do not knows and one worse

e) Two worse and two do not knows, and finally

f) Two worse and two blank

- Medium performing firms were companies that had all other possible combinations.

A summary of the classification criteria is presented below, where 1 is 'better', 2 is 'worse', 3 is 'do not know' and 9 is 'blank'.

High performers = 1111, 1112, 1113, 1119.

Low performers = 2222, 3333, 2223, 3332, 2233, 2299

Medium performer = 1122, 1222, 1333, 2239, 1239, 1299, 1999, 9999, 9933, 9333.

However, the above classifications can be criticised as soft measures and subjective in nature. Hence, there is a two-stage validation of the performance measure. First, a comparison between three companies and their immediate competitors, in terms of financial data is made. The second stage of the validation process of the performance construct tests statistically the relationship between the three groups of performance (high, medium and low) with financial ratios of 69 companies for which objective accounts data were available from Fame database (appendix c).

5.4 Rationale behind split of sample to independent and subsidiary SMEs

Earlier in the thesis, there have been discussions on the importance of marketing within the SME sector, in order to improve its competitiveness. Furthermore, the importance of the agri-food industry was outlined together with a need for the industry to become more market orientated and examine its marketing practices. Chapter 3 also pointed out the importance of examining SME marketing separately to marketing of big businesses, and highlighted the importance of comparative studies within SME research, for example, between independent and subsidiary SMEs (Shrader and Simon, 1997; Cooper, 1993).

After validating the performance measure used for this study, a chi-square cross-tabulation was conducted between the validated performance instrument and the ownership status of the SMEs. For this, independent companies were coded as ones and subsidiaries as twos. The results are presented in the following table:

Table 13 Chi-square of ownership status and performance

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.856[a]	2	.053
Likelihood Ratio	5.827	2	.054
Linear-by-Linear Association	4.918	1	.027
N of Valid Cases	141		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 14.43.

The results of the test show that there is a significant relationship, at the 10 per cent significance level (Ch-square = 5.856, p value = 0.053). In other words, there is a relationship between ownership status and the performance indicator.

From the table below, we can see that although high performers are equally spread between the two groups of independent (48.1%) and subsidiary (51.9%) SMEs, the majority of medium (67.3%) and low (70.3%) performers are independent. This may mean that although ownership status may not determine your financial success, it may show that you are stuck either in the middle or a low performer. This evidence argues for separate investigation of the performance of independent and subsidiary SMEs.

Table 14 Ownership status to performance

Ownership status * Performance indicator Crosstabulation

			Performance indicator			Total
			High performers	Medium performers	Low performers	
Ownership status	Independent	Count	25	35	26	86
		% within Performance indicator	48.1%	67.3%	70.3%	61.0%
	Subsidiary	Count	27	17	11	55
		% within Performance indicator	51.9%	32.7%	29.7%	39.0%
Total		Count	52	52	37	141
		% within Performance indicator	100.0%	100.0%	100.0%	100.0%

5.5 Conclusions

In this chapter, the process model together with the hypotheses rationale were presented. Moreover, the performance measure and grouping was justified with comparisons between groups.

The following chapters of the thesis will discuss the survey results and possible recommendations for the industry and the ministry of agriculture, the sponsor of this thesis

Chapter 6 SURVEY RESULTS

6.1 Introduction

This chapter tests the twenty hypotheses formulated in chapter 5, based on the literature review on SMEs (chapter 3). To elaborate how and to what extent independent agri-food SMEs are different to subsidiary SMEs, this chapter proceeds to use the data collected in the survey in order to test the hypotheses. Furthermore, it will test the whole sample of agri-food SMEs and compare it to the two separate groups, in order to make clearer recommendations about the state of the industry, in terms of SMEs in the North of England. There are three parts to the chapter. The first part uses the chi-square contingency tables, for the independent, subsidiary and all agri-food SME groups to see whether various marketing practices are significantly related to performance. The second part tests the significance of these practices in order of their importance weight, by using Discriminant Analysis. Finally, the significant marketing differences between subsidiary and independent SMEs are tested using log-linear analysis.

6.2 Hypotheses testing

This section will test the hypotheses using the Chi-square tests for contingency tables for the independent, the subsidiary and finally a comparison of the two groups with all of the agri-food SMEs. Because of the small number of respondents of the subsidiary group (55 companies), and in order to satisfy the Chi-square assumption that expected values should be greater than five, the performance measure was

merged from high, medium and low performers, into financially successful (the high performers) and financially average/low (the medium and low performers merged in one group). The rationale for this split is that the thesis concentrates on the successful high performers and their difference to the rest of the performers. Therefore, the major group of interest is the high performers. The full contingency tables are given in appendix e and the results of the tests are summarised in table 18. It is worth noting that due to the exploratory nature of the research and the purpose of building a tentative model, the confidence level is set at the 90% level. This is also in line with Brooksbank's (1990c) study of marketing practices of medium sized businesses.

Another main point is that some Chi-square tests have expected counts of less than five, therefore their results and explanatory power is limited. This is explicitly stated in the results section. Finally in two hypotheses (11A and 14A) in the independent group, the financial performance had to be integrated into two measures in a similar fashion to the subsidiary group, because of the low expected variables.

6.2.1 Hypothesis relating to business philosophy (hypothesis 1A, 1B and 1C)

Hypothesis 1A, High Performing Independent SMEs (HPISMEs) are more likely to define their company's approach as marketing driven.

As shown from tables e1-e2 (appendix e), there is no statistical relationship between financial performance and the marketing approach of the company (Chi-square value = 1.84, p value = 0.399). However the majority of the high performers (60%) place major emphasis on prior analysis of market needs, whereas the majority of both

medium (53.1%) and low (59.1%) performers place major emphasis on either advertising, public relations, or sell to whoever will buy. Therefore, H1A is rejected.

Hypothesis 1B, High Performing Subsidiary SMEs (HPSSMEs) are more likely to define their company's approach as marketing driven.

Tables e3-e4 show that there is no statistical relationship between the marketing approach and the financial performance of subsidiary SMEs (Chi-square value = 0.057, p value = 0.811). Furthermore, there is no distinct difference between the marketing approach of financially successful, and financially average/low SMEs. Similarly, H1B is rejected.

Hypothesis 1C, High Performing Agri-food SMEs (HPASMEs) are more likely to define their company's approach as marketing driven.

There is no significant relationship between marketing approach and financial performance of the companies in the survey, as revealed in tables e5-e6 (Chi-square value = 1.539, p value = 0.463). From a brief comparison we see that high performers tend to place major emphasis on prior analysis of market needs (57.7%). However all three categories were found to have no statistical relationship showing maybe that traditional textbook marketing does not apply to the SME sector, as mentioned in chapter 2, in particular not in the agri-food industry. Hence, H1C is rejected.

6.2.2 Hypotheses relating to strategic analysis (hypotheses from 2A to 8C)

Hypothesis 2A, HPISMEs tend to have formal strategic marketing plans.

Tables e7-e8 (Chi-square = 4.687, p value = 0.096) show that there is a significant relationship, at the 10 per cent level, between high performers and formal strategic marketing planning. From the above tables, it is clear that the majority of the higher performers (66.7%) have annual and longer-term plans, whereas the majority of the low performers (60%) have only annual or no marketing plans. H2A is therefore accepted.

Hypothesis 2B, HPSSMEs tend to have formal strategic marketing plans.

From tables e9-e10 there is no significant relationship between high performing subsidiary SMEs and strategic market planning (Chi-square value = 1.569, p value = 0.210). However, the majority of the high performers (66.7%) have annual and longer-term plans. Hence, H2B is rejected.

Hypothesis 2C, HPASMEs tend to have formal strategic marketing plans.

Hypothesis 2 (tables e11-e12) shows at the 5 per cent significance level, a statistical relationship with performance (Chi-square value = 6.926, p value = 0.031). Furthermore, 66.7% of the high performers have longer term planning whereas the equivalent for medium is 44.9% and it drops to 41.9% for the low performers. This shows an acceptance of H2C.

Hypothesis 3A, HPISMEs attach more importance to a comprehensive situation analysis.

From tables e13-e14 we conclude that there is a significant relationship between company performance and the degree of importance attached to a comprehensive situation analysis (Ch-square value = 5.895, p value = 0.052), at the 10 per cent level. Furthermore, the high performers attach more importance to a situation analysis (66.7%) than the medium (50%) and the low (32%) performers. Therefore, H3A is accepted.

Hypothesis 3B, HPSSMEs attach more importance to a comprehensive situation analysis.

On the contrary, high performing subsidiary SMEs (tables e15-e16) show no statistical relationship with the importance of situation analysis (Chi-square = 0.016, p value = 0.898). Furthermore, there is not a big difference between high (51.9%) and average/low (53.6%) performers attaching high importance in a situation analysis. In other words H3B is not significant and therefore is rejected.

Hypothesis 3C, HPASMEs attach more importance to a comprehensive situation analysis.

Tables e17-e18 show that there is no relationship, in the overall sample, between performance and a situation analysis (Chi-square = 3.357, p = 0.187). However we have to acknowledge the fact that high performers consider situation analysis important (58.8%) whereas low performers do not consider it very important (38.9%). Therefore, there is no support for H3C.

Hypothesis 4A, HPISMEs make greater use of SWOT analysis.

There is a significant relationship at the 0.1 per cent significance level, between usage of Strengths Weaknesses, Opportunities, Threats (SWOT) analysis and high performance (Chi-square = 18.102, p value = 0.001). Tables e19-e20 also show that from the high performers 47% make high use and 47% make medium use, with only 4.3% having low use. The majority of low performing (60%) makes low usage of this tool. The results point to the acceptance of H4A.

Hypothesis 4B, HPSSMEs make greater use of SWOT analysis.

Tables e21-e22 show that there is a relationship, at the 10 pr cent level, between performance of subsidiary SMEs and SWOT analysis (Chi-square = 3.229, p value = 0.072). However, the majority of high performers (61.5%) make medium or low use of SWOT analysis. Nevertheless, the equivalent percentage for average/low performers was 84%. Hence, H4B is also supported.

Hypothesis 4C, HPASMEs make greater use of SWOT analysis.

From the tables e23-e24, we see that there is a significant relationship in the agri-food industry between performance and SWOT analysis at the 1 per cent significance level (Chi-square = 14.050, p value = 0.007). It is evident that there is a clear link in all types of companies between usage of SWOT analysis (or something equivalent) and performance. Therefore, this is of policy interest and H4C is accepted.

Hypothesis 5A, HPISMEs are more aware of SWOT analysis.

In terms of levels of awareness of SWOT analysis (tables e25-e26), there is a significant relationship at the 5 per cent level (Chi-square = 7.666, p value = 0.022),

between performance and high awareness of this tool. It is also evident that high performers are very aware of this or similar tools (72.7%) whereas only 33.3% of low performers have high awareness of SWOT analysis. In other words results show support for H5A.

Hypothesis 5B, HPSSMEs are more aware of SWOT analysis.

There seems to be no statistical relationship between awareness levels of SWOT and performance (Chi-square = 0.014, p value = 0.905), as seen from tables e27-e28. Similarly 54.2% of the high performers had average to low awareness of SWOT analysis, and the equivalent for medium/low performers was 52.4%. Hence, H5B is not supported.

Hypothesis 5C, HPASMEs are more aware of SWOT analysis.

Tables e29-e30 show no relationship between SWOT levels of awareness and performance (Chi-square = 4.521, p value = 0.104). The majority of low performers (65.6%) have medium or low awareness of SWOT analysis, whereas the majority of high performers (58.7%) have high levels of awareness of SWOT analysis. Therefore, H5C is rejected.

Hypothesis 6A, HPISMEs make greater use of PLC analysis.

Product Life Cycle (PLC) levels of usage is significantly related to performance at the 10 per cent level (Chi-square = 13.723, p value = 0.08). It is also evident from tables e31-e32 that 52.2% of high performers have high use of PLC whereas only 13% of low performers having high use. Furthermore, 65.2% of low performers have low usage of PLC. The results point to the acceptance of H6A.

Hypothesis 6B, HPSSMEs make greater use of PLC analysis.

On the contrary with independent SMEs, high performing subsidiary SMEs seem to have no significant relationship with PLC usage levels (Chi-square = 0.944, p value = 0.331). However, this is a very careful estimation since the expected count for two cells (50%) is less than five as seen from tables e33-e34. Hence, this limitation makes the test very weak.

Hypothesis 6C, HPASMEs make greater use of PLC analysis.

Tables e35-e36 show that there is a significant relationship between high performance and usage of PLC at the 5 per cent level (Ch-square = 9.631, p value = 0.047). Therefore, H6C is supported.

Hypothesis 7A, HPISMEs are more aware of PLC.

There is a 10 per cent significant relationship between awareness of PLC and performance (Chi-square = 4.849, p value = 0.089). As shown from tables e37-e38, 54.5% of high performers have high awareness of PLC. However, what is interesting is that the lowest percentage of high awareness of PLC is the medium performers with only 25.8% of them having high levels of awareness. Hence, H7A is accepted.

Hypothesis 7B, HPSSMEs are more aware of PLC.

Tables e39-e40 show no relationship between performance and awareness of PLC (Chi-square = 0.548, p value = 0.459). 64% of high performers claim medium and low awareness of the tool, whereas 73.9% of low performers claim the same. There is no support for H7B.

Hypothesis 7C, HPASMEs are more aware of PLC.

There seem to be no relationship between PLC awareness and performance in the agri-food sample (Chi-square = 3.832, p value 0.147). Tables e41-e42 however show that 44.7% of high performers are highly aware of PLC while only 28.9% of medium and 25.8% of low performers are highly aware of PLC. Again it may be the case that some companies in the industry value this tool's usage and not awareness and believe there is no direct link between performance and its awareness. Results point to the rejection of H7C.

Hypotheses 8A, HPISMEs make greater use of marketing research in their planning activities.

Tables e43-e44 show a significant relationship at the 10 per cent level between performance and usage of shelf generated or commissioned market research (Chi-square = 9.357, p value = 0.053). Furthermore, 44% of high performers use this type of research very often, at least once every six months, whereas the equivalent for medium performers is 20% and for low performers is 12%. Therefore, H8A is accepted.

Hypothesis 8B, HPSSMEs make greater use of marketing research in their planning activities.

There also seem to be a significant relationship between performance and market research usage at the 10 per cent level (Chi-square = 2.763, p value = 0.096). However, from tables e45-e46 we see that 33.3% of high performers use it at least once every 6 months whereas only 14.3 of medium/low performers use it as often. Results in other words lead to the support of H8B.

Hypothesis 8C, HPASMEs make greater use of marketing research in their planning activities.

At the 5 per cent level, there is a relationship between performance and market research usage in the overall agri-food SME industry (Chi-square = 13.122, p value = 0.011), as tables e47-e48 show. A similar pattern with the previous two groups appeared, that is 38.5% of high performers use it often, whereas only 8.3% of low performers use as often. This result is of policy interest since there is a consistency on its importance to all types of companies. Hence, H8C is also accepted.

6.2.3 Hypotheses relating to marketing strategy (hypotheses from 9A to 12C)

Hypothesis 9A, HPISMEs have a strategic focus based on raising volume.

There is no relationship between strategic focus and performance (Chi-square = 3.181, p value = 0.204). From tables e49-e50, 73.9% of high performers focus on expanding their total markets and winning share from their competitors, whereas the percentage for medium performers is 50% and for low performers 56.5%. Therefore, H9A is rejected.

Hypothesis 9B, HPSSMEs have a strategic focus based on raising volume.

Similarly there is no relationship between performance and strategic focus of subsidiary SMEs (Chi-square = 0.537, p value = 0.464). Tables e51-e52 show that the high performers and the medium/low performers are close into their strategic focus (45.8% expand their market/win market share from competitors, whereas the equivalent for medium/low performers is 56.5%). This may show that in terms of

strategy there is not such a big differentiation between subsidiary companies. H9B is also rejected.

Hypothesis 9C, HPASMEs have a strategic focus based on raising volume.

Tables e53-e54 show that there is also no relationship between performance and strategic focus of agri-food SMEs (Chi-square = 2.662, p value = 0.264). From that, we conclude that strategy focus and a lot of its literature relating it to high performance may not apply to the SME sector in the agri-food industry. Therefore, H9C is rejected.

Hypothesis 10A, HPISMEs have better product quality than their competition.

There is, at the 10 per cent level of significance, a relationship between performance and product quality in relation to competitors (Chi-square = 4.632, p value = 0.099). Tables e55-e56 also show the importance of quality since 80% of the high performers claim superior quality to their competitors, whereas only 56.5% of the low performers claim the same. The results show support for H10A.

Hypothesis 10B, HPSSMEs have better product quality than their competition.

Tables e57-e58 show a significant relationship, at the 5 per cent level, between performance and product quality (Chi-square = 4.964, p value = 0.026). It is also clear from the tables that 77.8% of high performers have superior quality whereas only 48% of low performers claim superior quality. Similarly, H10B is also accepted.

Hypothesis 10C, HPASMEs have better product quality than their competition.

There seem to be a relationship, at the 1 per cent level, (Chi-square = 9.221, p value = 0.01), between performance and product quality, as tables e59-e60. This comes as a confirmation to the increasing importance in the sector of the quality of products, especially during the last 5-10 years after public scares like the BSE crisis, and consumers decreased confidence. Hence, H10C is supported.

Hypothesis 11A, HPISMEs company/brand reputation is better than their competition.

As mentioned at the beginning of the section, in this test we integrated medium and low performance into one group since the expected values were less than five. So we are a bit cautious on the reliability of this finding. Company/brand reputation is, at the 5 per cent level, significantly related to performance (Chi-square = 3.999, p value = 0.046). This confirms some literature on the importance of word of mouth effect and reputation on an SMEs performance. As tables e61-e62 show, 72% of high performers have superior reputation. There was no medium performer claiming inferior company/brand reputation and 51.7% of the medium/low performers stated inferior reputation. There is in other words support for H11A.

Hypothesis 11B, HPSSMEs company/brand reputation is better than their competition.

There is no relationship (tables e63-e64) between company/brand reputation and performance in the subsidiary group (Chi-square = 1.160, p value = 0.282). Since the brand, in a lot of the cases, is associated with the parent company, subsidiary SMEs

do not see a reason for a link between their performance and their company/brand reputation. Hence, H11B is rejected.

Hypothesis 11C, HPASMEs company/brand reputation is better than their competition.

Tables e65-e66 show a 10 per cent level significant relationship (Chi-square = 5.513, p value = 0.064) between performance and company/brand reputation. Therefore, it is of policy importance for agri-food SMEs to protect and improve their reputation in order to increase profitability. H11C is therefore supported.

Hypothesis 12A, HPISMEs' distribution is better than their competition.

There seems to be no relationship between performance and distribution of SMEs (Chi-square = 2.616, p value = 0.270). However, 63.5% of high performers claim superior distribution whereas only 39.1% of low performers make the same claim (tables e67-e68). The results do not support H12A.

Hypothesis 12B, HPSSMEs' distribution is better than their competition.

There also seems to be no link between performance and distribution within the subsidiary group (Chi-square = 0.010, p value = 0.922) as indicated in tables e69-e70. The results therefore point to the rejection of H12B.

Hypothesis 12C, HPASMEs' distribution is better than their competition.

Distribution has no direct effect on performance of agri-food SMEs (Chi-square = 3.188, p value = 0.203). Similarly from tables e71-e72 we can see that the results lead to the rejection of H12C.

6.2.4 Hypotheses relating to marketing organisation (hypotheses from 13A to 14C)

Hypothesis 13A, HPISMEs have integrated marketing with the overall business functions.

There seems to be a relationship at the 5 per cent significant level between performance and the degree of integration of marketing with other business functions (Chi-square = 7.307, p value = 0.026). Tables e73-e74 also show that 70.8% of high performers have much integration whereas only 37.1% are the medium and 40% are the low performers with high levels of marketing integration. Hence, H13A is accepted.

Hypothesis 13B, HPSSMEs have integrated marketing with the overall business functions.

Tables e75-e76 show a 5 per cent significant relationship between performance and degree of integration (Chi square 4.259, p value = 0.039). Similarly, 63% of high performers claimed much integration whereas only 34.6% of the medium/low performers claimed much marketing integration. Similarly to the independent SMEs, H13B is supported.

Hypothesis 13C, HPASMEs have integrated marketing with the overall business functions.

The agri-food SMEs' performance is related to the degree of marketing integration with the other business function. More specifically, at the 1 per cent significant level, there is a relationship between the two (Chi-square = 11.151, p value = 0.004). Tables e77-e78 prove that point, and the fact that this area is of also of policy interest for MAFF, and that H13C is accepted.

Hypothesis 14A, HPISMEs are faster to changes in customer requirements.

This test as mentioned at the beginning of the section was the second within the independent group to have expected values (25%) of less than five, even after the integration of the performance variables, and hence its results should be interpreted with great caution.

Tables e79-e80 show a 2.5 per cent significant relationship between performance and response to customer changes (Chi-square = 8.003, p value = 0.018). What is interesting from the tables are that 95.8% of high performers claimed very fast responses to customer changes, whereas only 68% of low performers claimed the same. Therefore, H14A is accepted.

Hypothesis 14B, HPSSMEs are faster to changes in customer requirements.

On the other hand there is no relationship between performance and SMEs response to customers changes (Chi-square = 0.617, p value = 0.432), as tables e81-e82 show. Hence, H14B is not supported.

Hypothesis 14C, HPASMEs are faster to changes in customer requirements.

There is a 1 per cent significant relationship between performance and responses to customer changes within the whole SME agri-food industry in the North (Chi-square = 11.654, p value = 0.003). As tables e83-e84 show 84.3% of high performers are very fast /responsive whereas the equivalent for low performers is only 58.3%. The results point to the acceptance of H14C.

6.2.5 Hypotheses relating to marketing control (hypotheses from 15A to 16C)

Hypothesis 15A, HPISMEs use formal customer feedback.

Although there is a cell with expected count of less than five, it only constitutes 11.1% of the total so the results are valid. There seem to be a 1 per cent relationship between performance and frequency of customer satisfaction surveys (Ch-square = 14.495, p value = 0.006). Tables e85-e86 however show that the majority of high performers (58.3%) only sometimes conduct this type of survey. Therefore, H15A is supported.

Hypothesis 15B, HPSSMEs use formal customer feedback.

There is no statistical relationship between frequency of customer satisfaction surveys and performance (Chi-square = 0.895, p value = 0.344), as tables e87-e88 show. Therefore, H15B is not supported for subsidiary SMEs.

Hypothesis 15C, HPASMEs use formal customer feedback.

From tables e89-e90 we see that there is a 1 per cent significant relationship between frequency of customer satisfaction surveys and performance (Chi-square = 19.689, p value = 0.001). Therefore, in the agri-food industry H 15C is supported.

Hypothesis 16A, HPISMEs have an on-going marketing intelligence gathering system.

There is also a 1 per cent significant relationship between performance and usage of an on-going marketing intelligence system (Chi-square = 13.502, p value = 0.009). Therefore from tables e91-e92, we see a distinct difference between high performers and low performers since 75% of the former have high use and only 29% of the latter has high usage of intelligence gathering systems. Therefore, H16A is accepted.

Hypothesis 16B, HPSSMEs have an on-going marketing intelligence gathering system.

There also seem to be a significant relationship at the 1 per cent level between usage of an on-going marketing intelligence gathering system and performance (Chi-square = 9.968, p value = 0.002), as shown in tables e93-e94. Therefore, H16B is also supported in the subsidiary group.

Hypothesis 16C, HPASMEs have an on-going marketing intelligence gathering system.

This test has one cell with expected count of less than five, which constitutes 11.1% of total cells. Therefore, we can accept the results. Tables e95-e96 also prove that there is a significant relationship at the 0.1 per cent level (Chi-square = 24.218, p

value = 0.000) between performance and usage of marketing intelligence gathering systems, within the whole agri-food sample. Therefore H16C is accepted and is of policy interest.

6.2.6 Hypotheses relating to networks and the agri-food environment (hypotheses from 17A to 20C)

Hypothesis 17A, HPISMEs make greater use of their networks.

There seem to be no relationship between usage of networks and performance (Chi-square = 0.512, p value = 0.774). Therefore, from tables e97-e98, H17A is not accepted.

Hypothesis 17B, HPSSMEs make greater use of their networks.

Similarly there is no statistical relationship between performance and usage of networks within the subsidiary group (Chi-square = 0.127, p value = 0.721). Interestingly the medium/low performers make greater use of their networks (43.5%) than high performers (just 38.5%). Nevertheless, from tables e99-e100, the conclusion is that H17B should be rejected.

Hypothesis 17C, HPASMEs make greater use of their networks.

There is also no relationship between usage of networks and financial performance within the whole SME sample (Chi-square = 1.177, pa value = 0.555). As tables e101-e102 show medium performers make higher use of networks (42.9%) than high performers (40.8%). There is no support for H17C.

Hypothesis 18A, HPISMEs attach greater importance to their networks.

There seems to be no relationship between the importance of networks and performance (Chi-square = 2.798, p value = 0.247). Tables e103-e104 show however that 60.9% of high performers believe that networks are important, whereas the equivalent for low performers is 39.1%. This leads to the rejection of H18A.

Hypothesis 18B, HPSSMEs attach greater importance to their networks.

Tables e105-e106 show no relationship between performance and importance of networks (Chi-square = 0.201, p value = 0.654). Furthermore, 54.5% of average/low performers believe that networks are very important whereas only 48% of high performers believe in the importance of networks. Therefore, H18B is rejected.

Hypothesis 18C, HPASMEs attach greater importance to their networks.

Similarly tables e107-e108 show no relationship between performance and importance of networks (Chi-square = 1.306, p value = 0.520). In this case, most high performers (54.2%) believe in the high importance of networks whereas the equivalent for medium is 42.6% and for low 46.9%. Hence, H18C is not supported.

Hypothesis 19A, HPISMEs view government or European regulation as a threat.

From tables e109-e110 there seems to be no relationship between performance and government or European regulation posing a threat (Chi-square = 1.00, p value = 0.606). Of the high performers 60% agree with the statement whereas, only 45.8% of low performers agree with the statement. Therefore, H19A is rejected.

Hypothesis 19B, HPSSMEs view government or European regulation as a threat.

There seems to be a 2.5 per cent significant relationship between performance and government or European regulation posing a threat (Chi-square = 5.263, p value = 0.022). Tables e111-e112 also show that 71.4% of the medium/low performers agree with the statement whereas only 40.7% of the high performers agree. Hence, H19B is accepted.

Hypothesis 19C, HPASMEs view government or European regulation as a threat.

There also seems to be no significant relationship between performance and regulation posing a threat to the agri-food industry (Chi-square = 0.973, p value = 0.615). Tables e113-e114 therefore lead to the rejection of H19C.

Hypothesis 20A, HPISMEs view the major market leaders as a threat.

Tables e115-e116 show no statistical relationship between performance and the big players posing a threat to the survival of independent SMEs (Chi-square = 1.970, p value = 0.373). Furthermore, 54.3% of the medium performers agree with the comment whereas only 48% of the high and 36% of the low performers agree. Hence, the results point to the rejection of H20A.

Hypothesis 20B, HPSSMEs view the major market leaders as a threat.

Similarly there seems to be no relationship between performance and the big players within the subsidiary group (Chi-square = 2.289, p value = 0.130). As tables e117-e118 show 53.6% of the medium/low performers agree with the hypothesis whereas only 33.3% of the high performers agree with the statement. Maybe this reflects the

fact that subsidiaries are the big players in many food sub-sectors. Hence, H20B is not supported.

Hypothesis 20C, HPASMEs view the major market leaders as a threat.

Finally tables e119-e120 show no relationship between performance and big players posing a threat (Chi-square = 1.426, p value = 0.490). The SMEs in the agri-food industry therefore aren't influenced by strong competition. Hence, H20C is rejected.

6.2.7 Summary

From the results of the survey, it seems that the overall business philosophy of SMEs is not directly linked with performance. However, strategic analysis for independent companies is definitely linked to performance, whereas it is not so important for the subsidiary SMEs. Marketing strategy is low in the subsidiary's agenda whereas the independents show more interest in quality and reputation, similar to the overall group. In addition, marketing organisation is directly linked with independent SMEs performance and the overall sample's performance. However, subsidiary SMEs performance is not linked to their response to customer changes. Marketing control has an effect on the performance of independents but not on subsidiaries, although it looks particularly important for the overall agri-food SME sector.

Finally, networks and the agri-food environment have no effect on performance other than regulation, which may influence subsidiary companies more than independents. The next part of the research is concerned with the importance of these marketing practices, and their relative weight, on the performance of the SMEs.

Table 15 Summary of Chi-square results

Marketing Process	Marketing Practices	Independent SMEs	Subsidiary SMEs	All agri-food SMEs
Business Philosophy	Company approach to marketing	N.S.	N.S.	N.S.
Strategic Analysis	Formal strategic marketing planning	S.	N.S.	S.
	Degree of importance attached to a comprehensive situation analysis	S.	N.S.	N.S.
	Usage of SWOT analysis	S.	S.	S.
	Awareness of SWOT analysis	S.	N.S.	N.S.
	Usage of Product Life Cycle (PLC)	S.	N.S.*	S.
	Awareness of PLC	S.	N.S.	N.S.
	Usage of shelf generated or commissioned market research	S.	S.	S.
Marketing Strategy	Company strategic focus	N.S.	N.S.	N.S.
	Product quality	S.	S.	S.
	Company/brand reputation	S.	N.S.	S.
	Distribution	N.S.	N.S.	N.S.
Marketing organisation	Degree of integration of marketing with other business functions	S.	S.	S.
	Response to customer change	S.*	N.S.	S.
Marketing Control	Frequency of customer satisfaction surveys	S.	N.S.	S.
	Usage of an on-going marketing intelligence system	S.	S.	S.
Networks and the agri-food environment	Usage of networks	N.S.	N.S.	N.S.
	Importance of networks	N.S.	N.S.	N.S.
	European or government regulation as a threat	N.S.	S.	N.S.
	Big players posing a threat to SMEs survival	N.S.	N.S.	N.S.

"S." denotes statistically significant association between the marketing practice and company performance, $p < 0.1$

"N.S." denotes statistically insignificant association between marketing practice and company performance, and "*" denotes over 20% of expected values being less than five

6.3 Marketing process Effect on Marketing Performance

Though comparison of company performance by means of independent components in the marketing process throws light on the marketing practices of SMEs, it tells little about their weight and contribution to high performance and competitive position. The preceding section has been concerned primarily with identifying the significance of differences between performers across various marketing practices using the chi-square statistical test. The causal relationship, however, has not been examined. For example, higher performing independent agri-food SMEs give priority to integrating marketing with other business functions, though this process has not been investigated in detail.

Using the chi-square test assumed that each marketing practice is an independent and separate measure. Yet, the marketing process components are interrelated and interactive, as shown by Brooksbank (1990b,c) and Siu (1997). For example, regular customer feedback would lead to the development of a better marketing control and planning process. It is very unlikely that all variables will have independent effects. Therefore, rather than relying solely on using the chi-square test on each marketing component as a separate measure, a weighted combination of all components would be useful to predict whether or not a company is likely to attain success. This section will identify, for independent, subsidiary and all combined agri-food SMEs, the marketing practices/components that have the greatest impact on performance through:

1. Identifying the marketing components that tend to have the greatest impact on performance

2. Determining a weighted combination of the marketing process components to predict the likelihood that an SME will attain higher or lower level of company performance.

6.3.1 Analytical method

To achieve these aims, discriminant analysis in SPSS 9.0 for Windows NT is used to identify the features of different levels of SMEs performance, namely financially successful and financially average/low This technique is used to obtain a weighted combination of all the marketing practices that are significant in the chi-square analysis. For example, in the independent SMEs sample, there were thirteen significant marketing practices whereas in the subsidiary there were six but only five highly significant variables were included (see discussion in chapter 4, appendix c discriminant analysis). Finally, in the whole agri-food sample, there were ten significant variables (see section 6.2.7 for a summary of the chi-square results). Each of the variables in the marketing process components was classified into dummy (0, 1) variables, because the option under each question could not be considered an interval scale measurement.

The discriminant analysis will start with the independent SME group. Then there will be an analysis of the subsidiary group and finally the whole agri-food SMEs of the North of England will be analysed to make recommendations for policy in the industry. It is worth mentioning that due to the exploratory nature of the research, the relatively low discriminative power of the model as will be shown (29%, 28.9% and 30.9%) is accepted.

6.3.2 Discriminant Analysis for the independent SMEs

The first step in order to undertake the analysis is to test for one of the principal assumption underlying discriminant analysis, that is the assumption of equal variance/covariance matrices. The most common test for this is Box's M test (Hair, 1998). Table 16 shows that at the 5 per cent level, the null hypothesis is accepted. (p value = 0.608). In this test, the analysis requires values over 0.5, hence the principal assumption of discriminant analysis is met.

Table 16 Box's M test for the independent SMEs

Test Results

Box's M		39.830
F	Approx.	.919
	df1	36
	df2	4625.706
	Sig.	.608

Tests null hypothesis of equal population covariance matrices.

Table 17 shows that of 86 total responses, 73 of them are valid (84.9 per cent of the total).

Table 17 Summary of discriminant analysis of the independent SMEs

Analysis Case Processing Summary

Unweighted Cases		N	Percent
Valid		73	84.9
Excluded	Missing or out-of-range group codes	0	.0
	At least one missing discriminating variable	13	15.1
	Both missing or out-of-range group codes and at least one missing discriminating variable	0	.0
	Total	13	15.1
Total		86	100.0

Table 18 Test of Equality of Group Means of the independent SMEs

Tests of Equality of Group Means

	Wilks' Lambda	F	df1	df2	Sig.
Q4 a1) Usage of SWOT analysis	.950	3.748	1	71	.057
Q4 a2) Awareness of SWOT analysis	.926	5.636	1	71	.020
Q4 b1) PLC levels of usages	.873	10.303	1	71	.002
Q8 Company/brand reputation in relation to your competitors	.965	2.592	1	71	.112
Q10 Integration of marketing with other business functions	.940	4.507	1	71	.037
Q11 Response to customer changes	.970	2.188	1	71	.144
Q12 Frequency of customer satisfaction surveys	.999	.088	1	71	.768
Q13 Usage of on-going marketing intelligence gathering system	.858	11.765	1	71	.001

The table above shows the univariate analysis of variance, which is used to assess the significance between means of the independent variables for the two groups. It shows that all independent variables' means and the two groups of performance (high and average/low) are significantly related, with the exception of frequency of customer satisfaction surveys, company/brand reputation in relation to your competitors and response to customer change.

The procedure used in this thesis was the simultaneous approach, where all independent variables were entered at the same time. The results show that the function is significant at the one per cent level (Wilk's Lamda = 0.711, Chi-square = 22.808, p value = 0.004). Thus, there is enough information within the independent variables to explain the function.

Table 19 Wilks' Lambda Test of the independent SMEs

Wilks' Lambda

Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.711	22.808	8	.004

The function also displays a canonical correlation of 0.537. If this number is squared, it means that approximately 29% of the variance in the dependent variable can be accounted for by this model. As mentioned at the end of section 6.3 this is relatively low and reflect the exploratory nature of the analysis and the fact that other variables are not taken into consideration and may influence performance more.

Table 20 Eigenvalues of the independent SMEs

Eigenvalues

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	.406[a]	100.0	100.0	.537

a. First 1 canonical discriminant functions were used in the analysis.

Table 21 Discriminant Function Coefficients of the independent SMEs

Standardized Canonical Discriminant Function Coefficients

	Function
	1
Q4 a1) Usage of SWOT analysis	-.031
Q4 a2) Awareness of SWOT analysis	.357
Q4 b1) PLC levels of usages	.528
Q8 Company/brand reputation in relation to your competitors	.240
Q10 Integration of marketing with other business functions	.174
Q11 Response to customer changes	.100
Q12 Frequency of customer satisfaction surveys	-.149
Q13 Usage of on-going marketing intelligence gathering system	.589

Based on the canonical function coefficients (table 21), the function takes the following form:

PER = -0.031USESWOT + 0.357AWARESWOT + 0.528USEPLC + 0.240CO/BRREPU + 0.174INTMKT + 0.100RECUCHA – 0.149FREQCSS + 0.589USEMIS

Where PER = Performance

USESWOT = Usage of Swot Analysis

AWARESWOT = Awareness of Swot

USEPLC = Use of PLC

CO/BRREPU = Company/Brand reputation

INTMKT = Integration of Marketing with other business functions

RECUCHA = Response to customer change

FREQCSS = Frequency of customer satisfaction surveys

USEMIS = Usage of an on-going marketing intelligence gathering system

From examining the coefficients, the importance of usage of a marketing intelligence gathering system and the usage of PLC and awareness of SWOT analysis are the three most important independent variables on effecting performance.

Group centroids can be used to interpret the discriminant function results from a global or overall perspective. For the average/low performers, it is negative (-0.386) whereas for the higher performers it is positive, (1.022). This shows the distinct differences between the two groups and the marketing practices associated with them.

Table 22 Group centroids of the independent SMEs

Functions at Group Centroids

	Function
Performance	1
Financially Average/Low	-.386
Financially Successful	1.022

Unstandardized canonical discriminant functions evaluated at group means

The next step of the discriminant analysis is the stage of assessing the overall fit. The proportional chance criterion described in chapter 4, appendix c, was utilised. From these results:

$C_{PRO} = p^2 + (1-p)^2 = (0.5271) + (0.075) = 0.6021$

From our function, 69.9% of the original grouped cases are correctly classified, as shown in table 23. This is higher than the 60.25% found in the proportional chance criterion test. Thus, the classification accuracy for the analysis exceeds at a statistically significant level the classification accuracy expected by chance.

Table 23 Classification results for independent SMEs

Classification Results[a]

			Predicted Group Membership		
		Performance	Financially Average/Low	Financially Successful	Total
Original	Count	Financially Average/Low	37	16	53
		Financially Successful	6	14	20
	%	Financially Average/Low	69.8	30.2	100.0
		Financially Successful	30.0	70.0	100.0

a. 69.9% of original grouped cases correctly classified.

As mentioned earlier on, for interpretation purposes, the best tool is the structure matrix. The table below indicates that the most important marketing practices of independent SMEs are the following six in relation to their importance weights.

1. Usage of an on-going marketing intelligence gathering system
2. Usage of PLC analysis.
3. Awareness of SWOT analysis.

4. The integration of the marketing function with other business functions.

5. Usage of SWOT analysis; and

6. Company/brand reputation in relation to your competitors.

Table 24 Structure matrix of independent SMEs

Structure Matrix

	Function
	1
Q13 Usage of on-going marketing intelligence gathering system	.639
Q4 b1) PLC levels of usages	.598
Q4 a2) Awareness of SWOT analysis	.442
Q10 Integration of marketing with other business functions	.396
Q4 a1) Usage of SWOT analysis	.361
Q8 Company/brand reputation in relation to your competitors	.300
Q11 Response to customer changes	.276
Q12 Frequency of customer satisfaction surveys	.055

Pooled within-groups correlations between discriminating variables and standardized canonical discriminant functions
Variables ordered by absolute size of correlation within function.

This shows the importance of both the strategic analysis stage of the marketing process model, as well as the organisation and control of the marketing effort of the independent SMEs. In simultaneous discriminant analysis, all variables are entered in the function, and generally any variables exhibiting loadings of greater than plus or minus 0.30, are considered significant (Hair *et al*, 1995, p. 221).

To gain a better understanding of the impact of the five variables on performance, the percentage of each performance category is given in the following table.

Table 25 Performance by marketing practices of independent SMEs

Marketing process stage Marketing Practices	**Financially successful**	**Financially average/low**
Strategic Analysis		
Usage of SWOT	47.8%	27.6%
Awareness of SWOT	72.7%	38.6%
Usage of PLC	52.2%	19.6%
Marketing Strategy		
Company/brand reputation	72%	49.2%
Marketing Organisation		
Degree of integration of marketing with other business functions	70.8%	37.7%
Marketing Control		
Usage of an on-going marketing intelligence system	75%	40%

Table 25 shows that 72% of high performers have a strong company/brand name. They are also very competent at gathering marketing intelligence and analysing it, since 75% of them did so on a regular basis. Integrating the marketing function within the whole business was also rated highly among the successful SMEs (70.8%). In terms of strategic analysis, successful SMEs are high users of both strategic tools, namely SWOT analysis (47.8%) and awareness (72.7%), and PLC usage (52.2%).

However, the average/low performers showed very low score in most elements of the strategic tools. In particular only 27.6% of them use SWOT analysis regularly, and only 38.6% are aware of it. Furthermore, only 19.6% of average/low performers are users of any form of PLC analysis. They are also characterised with poor degree of integration of marketing within the business (37.7%), and a relatively low company/brand reputation (49.2%). Finally, they seem to lack a marketing intelligence gathering system, since only 40% of them use one regularly.

Implications for independent SMEs

The results suggest that, from the original eight variables entered, due to their high significance scores from their chi-square tests, (i.e. $p < 0.05$, for details see appendix c) usage of an on-going marketing intelligence system remains the most important variable for the successful SMEs. The elements of the strategic analysis stage of the marketing process models, namely usage of PLC and awareness of SWOT seem to lead to successful performance. Finally, integration of the marketing effort within the business combined with the importance of the company/brand reputation (maybe because of the importance of the word of mouth effect on independent agri-food SMEs) are also important. The next section will examine the subsidiary SMEs

6.3.3 Discriminant Analysis for the subsidiary SMEs

In order to test the importance of the six significant independent variables on the subsidiary group, the same discriminant analysis procedure will be employed. The first step is to assess whether there are equal variance/covariance matrices. For this purpose, Box's M test was undertaken, with the results shown in the table below.

Table 26 Box's M test for the subsidiary SMEs

Test Results

Box's M		16.186
F	Approx.	.667
	df1	21
	df2	8352.637
	Sig.	.870

Tests null hypothesis of equal population covariance matrices.

It is clear that the null hypothesis is accepted ($p = 0.870$), and thus, the variables have equal population covariance matrices.

The second stage of the analysis is to fit the model into the data. The numbers of valid observations entered in the function were 50 out of 55, which is a 90.9% percentage of the total sample.

Table 27 Summary of discriminant analysis of subsidiary SMEs

Analysis Case Processing Summary

Unweighted Cases		N	Percent
Valid		50	90.9
Excluded	Missing or out-of-range group codes	0	.0
	At least one missing discriminating variable	5	9.1
	Both missing or out-of-range group codes and at least one missing discriminating variable	0	.0
	Total	5	9.1
Total		55	100.0

Table 28 shows the univariate analysis of variance used to assess the significance between the means of the independent variables for the two groups of performance. That means that at the 10 per cent level all of the group means of the independent variables are significant, other than the use of either self generated or commissioned market research variable, which is insignificant (p = 0.154).

Table 28 Test of Equality of Group Means of subsidiary SMEs

Tests of Equality of Group Means

	Wilks' Lambda	F	df1	df2	Sig
Q4 a1) Usage of SWOT analysis	.941	2.999	1	48	.090
Q5 Use of either self generated or commissioned market research	.958	2.094	1	48	.154
Q7 Overall product quality in relation to competition	.898	5.476	1	48	.023
Q10 Integration of marketing with other business functions	.897	5.486	1	48	.023
Q13 Usage of on-going marketing intelligence gathering system	.841	9.056	1	48	.004
Q15 a) Government or European regulation poses a threat	.920	4.149	1	48	.047

The next step of the discriminant analysis procedure includes calculating the overall fit of the function. From following table, we conclude that the function is significant at the 2 per cent level ($p = 0.018$).

Table 29 Wilks' Lambda test for subsidiary SMEs

Wilks' Lambda

Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.711	15.351	6	.018

That means that there is significant information for the marketing variables to explain the function, or the dependent group (of successful and average/low performers).

The eigenvalue for this function is 0.407, and the canonical correlation is 0.538. By squaring the correlation $(0.538)^2 = 0.289$ or 28.9% of the variance of the dependent variable (financial performance) can be accounted for by this by this model. Again as mentioned earlier this limitation is accepted due to the exploratory nature of the study.

Table 30 Eigenvalues of subsidiary SMEs

Eigenvalues

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	.407[a]	100.0	100.0	.538

a. First 1 canonical discriminant functions were used in the analysis.

Table 31 Discriminant Function Coefficients for subsidiary SMEs

Standardized Canonical Discriminant Function Coefficients

	Function
	1
Q4 a1) Usage of SWOT analysis	.087
Q5 Use of either self generated or commissioned market research	.100
Q7 Overall product quality in relation to competition	.514
Q10 Integration of marketing with other business functions	.577
Q13 Usage of on-going marketing intelligence gathering system	.333
Q15 a) Government or European regulation poses a threat	-.277

From the coefficients shown in table 31, the discriminant function for the subsidiary SMEs will look as follows:

PERF = 0.087USESWOT + 0.100USEMS + 0.514PRODQUAL + 0.577INTMAR + 0.333USEMIS – 0.277GEUREG

Where PERF = Performance

USESWOT = Usage of SWOT analysis

USEMS = Use of either self-generated or commissioned market research

PRODQUAL = Overall product quality in relation to competition

INTMAR = Integration of marketing with other business functions

USEMIS = Usage of an on-going marketing intelligence gathering system

GEUREG = Government or European regulation posing a threat

Even though coefficients can be used for interpretation purposes, Hair *et al* (1995, 1998) suggest using the results from the structure matrix instead.

Group centroids of the function are presented below. For the average/low performers it is –0.650 whereas for the successful SMEs it is positive, reaching 0.600. The opposite signs, similarly to the group centroids of the independent SMEs, show the distinct difference between the two groups.

Table 32 Group centroids for the subsidiary SMEs

Functions at Group Centroids

	Function
Performance	1
Financially Average/Low	-.650
Financially Successful	.600

Unstandardized canonical discriminant functions evaluated at group means

Before going into the interpretation stage, this section will assess the overall function. The proportional chance criterion is utilised:

$C_{PRO} = p^2 + (1-p)^2 = (0.48)^2 + (0.52)^2 = 0.2304 + 0.2704 = 0.5008$

From our original sample, 74% of the cases were correctly classified, which is higher than the 50.08% found from the proportional chance criterion. In other words, we would be correct 74% of the time, if we assigned all observations to this group. That also means that this function is a better method of grouping the marketing variables than pure chance.

Table 33 Classification results for the subsidiary SMEs

Classification Results[a]

			Predicted Group Membership		
		Performance	Financially Average/Low	Financially Successful	Total
Original	Count	Financially Average/Low	19	5	24
		Financially Successful	8	18	26
	%	Financially Average/Low	79.2	20.8	100.0
		Financially Successful	30.8	69.2	100.0

a. 74.0% of original grouped cases correctly classified.

The following stage is interpreting the discriminant function. The structure matrix is better in interpreting the function. Signs also indicate a positive or negative relationship.

Table 34 Structure matrix for subsidiary SMEs

Structure Matrix

	Function
	1
Q13 Usage of on-going marketing intelligence gathering system	.681
Q10 Integration of marketing with other business functions	.530
Q7 Overall product quality in relation to competition	.530
Q15 a) Government or European regulation poses a threat	-.461
Q4 a1) Usage of SWOT analysis	.392
Q5 Use of either self generated or commissioned market research	.328

Pooled within-groups correlations between discriminating variables and standardized canonical discriminant functions
Variables ordered by absolute size of correlation within function.

From the above table, we can rank the marketing practices in order of their importance on influencing the success of a subsidiary SME. This is done in terms of their importance:

1. Usage of an on-going marketing intelligence gathering system.
2. Integration of marketing with other business functions.
3. Overall product quality in relation to competition.
4. Government or European regulation posing a threat (due to the negative sign we can interpret that as an opportunity).
5. Usage of SWOT analysis.
6. Use of either self generated or commissioned market research.

This shows a similar pattern with the independent sample, that is the importance of an on-going marketing intelligence gathering system. However, it also points to the importance of integration of marketing with other business functions, as well as the quality of the product. What is also interesting is the negative sign of the regulation variable. This can be interpreted like regulation posing an opportunity rather than a threat for the survival of subsidiary SMEs. In other words, they may use regulation in order to find new opportunities, explore new markets, and improve their profitability.

To gain a better understanding of the results, the following table is constructed:

Table 35 Performance by marketing practices of subsidiary SMEs

Marketing process stage Marketing Practices	**Financially successful**	**Financially average/low**
Strategic Analysis		
Usage of SWOT	38.5%	16%
Use of either self-generated or commissioned market research	33.3%	14.3%
Marketing Strategy		
Overall product quality	77.8%	48%
Marketing Organisation		
Degree of integration of marketing with other business functions	63%	34.6%
Marketing Control		
Usage of an on-going marketing intelligence system	74.1%	30.8%
The agri-food environment		
Government or European regulation posing a threat	40.7%	71.4%

It is evident from the results that 74.1% of the successful subsidiaries have a strong marketing intelligence gathering and analysis system. In terms of quality, 77.8% of them claim that they provide a very high quality product and 63% of them claim a high degree of integration of the marketing function with the overall business. It is also evident that only 40.7% of them agree with the threat of regulation, whereas on the other hand, 71.4% of the average/low performers view regulations as a threat. Finally, strategic planning is relatively poor with only 38.5% of successful SMEs

using SWOT regularly and 33.3% of them using market research regularly. This may be attributed to the fact that market research is usually bought from external agencies, whereas SWOT analysis may be heavily dependent upon the holding companies strategies.

The average/low performers on the other hand can be characterised with limited expertise on strategic planning tools (only 16% use SWOT and 14.3% of them use any form of market research). Their product quality is relatively high with 48% claiming high levels, but still nowhere near the 77.8% of the successful companies. About 34.8% of them claim some degree of integration of marketing with other functions, whereas only 30.8% of them have a system of marketing intelligence information and analysis. The latter is supposed to be the most significant factor for high performance, and is inevitably lacking from the low performers.

Implications for the subsidiary SMEs

From the above results we can characterise high performers as competent marketing managers with solid organisational and control skills, whereas the low performers may be weak in management, with very limited use of strategic analysis. Another distinct difference between successful and average/low subsidiary performers is the role of regulation. Successful subsidiaries view regulation as an opportunity to improve their financial position, whereas average/low subsidiaries view it predominantly as a threat for their survival.

An important similarity with the independent SMEs is the high importance of marketing intelligence gathering system for their success. What would be therefore

interesting is to see in the next section the agri-food industry's trends in terms of the importance of marketing practices, to improve its competitive position.

6.3.4 Discriminant Analysis for all agri-food SMEs

Similar to the previous sections, the first step of the discriminant analysis is to conduct the Box's M test in order to test for equal covariance matrices, a principal assumption of this type of analysis. The following table indicates that the null hypothesis is accepted (p value = 0.331). That means that the variables come from a population with equal covariance matrices, as requested in order to conduct the discriminant analysis.

Table 36 Box's M test for the agri-food SMEs

Test Results

Box's M		65.459
F	Approx.	1.073
	df1	55
	df2	28352.574
	Sig.	.331

Tests null hypothesis of equal population covariance matrices.

In terms of the number of variables entered in the analysis, the following table provides a comprehensive summary. It shows that 120 out of the total 1412 agri-food SMEs entered the function, which is a percentage of 85.1%.

Table 37 Summary of discriminant analysis of the agri-food SMEs

Analysis Case Processing Summary

Unweighted Cases		N	Percent
Valid		120	85.1
Excluded	Missing or out-of-range group codes	0	.0
	At least one missing discriminating variable	21	14.9
	Both missing or out-of-range group codes and at least one missing discriminating variable	0	.0
	Total	21	14.9
Total		141	100.0

Table 38 shows the results of the tests for equality of group means. The table results indicate that all independent variables are significant other than two; the response to customer change and frequency of customer satisfaction surveys.

Table 38 Test of equality of group means of the agri-food SMEs

Tests of Equality of Group Means

	Wilks' Lambda	F	df1	df2	Sig.
Q2 Formal strategic marketing planning	.942	7.310	1	118	.008
Q4 a1) Usage of SWOT analysis	.948	6.489	1	118	.012
Q4 b1) PLC levels of usages	.948	6.505	1	118	.012
Q5 Use of either self generated or commissioned market research	.918	10.551	1	118	.002
Q7 Overall product quality in relation to competition	.934	8.323	1	118	.005
Q8 Company/brand reputation in relation to your competitors	.963	4.470	1	118	.037
Q10 Integration of marketing with other business functions	.924	9.732	1	118	.002
Q11 Response to customer changes	.995	.634	1	118	.427
Q12 Frequency of customer satisfaction surveys	.993	.881	1	118	.350
Q13 Usage of on-going marketing intelligence gathering system	.815	26.818	1	118	.000

The next stage of the discriminant function is calculating the overall fit of the function. From the following table, we conclude that the function is highly significant (Wilks' Lambda = 0.692, Chi-square = 41.626, p value = 0.000). That is interpreted in that there is enough information in the marketing variables to explain the discriminant function.

Table 39 Wilks' Lambda test for the agri-food SMEs

Wilks' Lambda

Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.692	41.626	10	.000

The next table gives the eigenvalues of the function. It shows that the canonical correlation is 0.555. By squaring it we get 0.309 which means that 30.9% of the variance in performance can be accounted by this model. This also shows that there may be other variables with more discriminating power that have not been included in the model, a limitation explained in section 6.3.

Table 40 Eigenvalues of agri-food SMEs

Eigenvalues

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	.445[a]	100.0	100.0	.555

a. First 1 canonical discriminant functions were used in the analysis.

Table 41 Discriminant Function Coefficients for the agri-food SMEs

Standardized Canonical Discriminant Function Coefficients

	Function
	1
Q2 Formal strategic marketing planning	-.011
Q4 a1) Usage of SWOT analysis	.122
Q4 b1) PLC levels of usages	.239
Q5 Use of either self generated or commissioned market research	.252
Q7 Overall product quality in relation to competition	.337
Q8 Company/brand reputation in relation to your competitors	.224
Q10 Integration of marketing with other business functions	.343
Q11 Response to customer changes	-.006
Q12 Frequency of customer satisfaction surveys	-.221
Q13 Usage of on-going marketing intelligence gathering system	.625

The function becomes as follow:

PERF = -0.011FORSTMKPL + 0.122USESWOT + 0.239USEPLC + 0.252USEMS + 0.377PRQUAL + 0.224COBRREPU + 0.343INMKT – 0.006RESPCUS – 0.221FREQOFCSS + 0.625USEMIS

Where PERF = Performance

FORSTMKPL = Formal strategic marketing planning

USESWOT = Usage of SWOT analysis

USEPLC = Usage of PLC analysis

USEMS = Use of either self-generated or commissioned market research

PRQUAL = Product quality

COBRREPU = Company/brand reputation in relation to your competitors

INMKT = Integration of marketing with other business functions

RESPCUS = Response to customer change

FREQOFCSS = Frequency of customer satisfaction surveys

USEMIS = Usage of an on-going marketing intelligence gathering system

Group centroids of the function are presented in table 42. The different signs also show the distinct difference between the two groups of successful and average/low performers.

Table 42 Group centroids of agri-food SMEs

Functions at Group Centroids

	Function
Performance	1
Financially Average/Low	-.513
Financially Successful	.854

Unstandardized canonical discriminant functions evaluated at group means

For interpretation purposes of the function, we will use the structure matrix, as suggested by Hair *et al* (1995). As the table shows there are five variables with a score above the point of 0.3 again recommended in Hair *et al* (1995) for the interpretation of the discriminant function using the simultaneous procedure.

Table 43 Structure matrix of agri-food SMEs

Structure Matrix

	Function
	1
Q13 Usage of on-going marketing intelligence gathering system	.714
Q5 Use of either self generated or commissioned market research	.448
Q10 Integration of marketing with other business functions	.430
Q7 Overall product quality in relation to competition	.398
Q2 Formal strategic marketing planning	.373
Q4 b1) PLC levels of usages	.352
Q4 a1) Usage of SWOT analysis	.351
Q8 Company/brand reputation in relation to your competitors	.292
Q12 Frequency of customer satisfaction surveys	.129
Q11 Response to customer changes	.110

Pooled within-groups correlations between discriminating variables and standardized canonical discriminant functions
Variables ordered by absolute size of correlation within function.

The following variables are ranked in terms of their importance:

1. Usage of an on-going marketing intelligence gathering system
2. Use of either self-generated or commissioned market research
3. Integration of marketing with other business functions
4. Product quality in relation to competition
5. Formal strategic marketing planning
6. Usage of PLC analysis
7. Usage of SWOT analysis

In order to gain a better understanding we will produce the following table:

Table 44 Performance by marketing practices of all agri-food SMEs

Marketing process stage Marketing Practices	**Financially successful**	**Financially average/low**
Strategic Analysis		
Formal strategic marketing planning	66.7%	44.2%
Usage of SWOT	42.9%	24.1%
Usage of PLC analysis	37.5%	17.7%
Use of either self-generated or commissioned market research	38.5%	15.7%
Marketing Strategy		
Overall product quality	78.8%	52.4%
Marketing Organisation		
Degree of integration of marketing with other business functions	66.7%	36.8%
Marketing Control		
Usage of an on-going marketing intelligence system	74.5%	37.2%

Table 44, shows that the successful agri-food SMEs have a very strong analysis stage. They make high use of SWOT (42.9%) and PLC (37.5%) analysis, and 38.5% of them use market research. They are also strong on strategic market planning with 66.7% of them using it very often (at least once per year). The quality of their product is superior in 78.8% of the cases, and they claim high degree of integration of marketing with other business function (66.7%). The final and most important variable, usage of an on-going marketing intelligence gathering system, shows very high scores in the successful agri-food SMEs, with 74.5% of successful respondents claiming pointing to its importance for their high performance and success.

On the other hand, average/low performers make low use of strategic analysis. For example, although 44% of them have some form of strategic plan, only 24.1% of them use SWOT and 17.7% use PLC analysis. To make matters worse, 15.5% use any form of market research. Product quality is high only to 52% of the average/low performers, and only 36.8% of them have a high degree of integration of marketing

with the other business functions. Most importantly, only 37.2% of them have a marketing intelligence gathering system in place.

Implications for the agri-food industry

Form this final section of discriminant analysis, government and industry experts working towards improving the competitiveness and marketing of the agri-food SMEs should concentrate on the following areas:

Strategic analysis, particularly a regular plan, followed by assessment of the position of the company within its environment and competitors (SWOT analysis) and its products (PLC analysis). Market research use is also vital for high performance, as the results showed.

Marketing mix: The industry should also not forget that one of the most important issues for its success is the quality standards of the product, especially the last decade with consumers' power and concerns increasing, and putting the industry under continuous pressure (MINTEL, 1999).

Marketing organisation: Integration of marketing with other business functions is also an important component of the success of agri-food SMEs.

Marketing control: Finally, the industry should start developing systems by which marketing intelligence information should be easily reached within a company. From the results of this study and previous studies (Brooksbank, 1999, Carson,

1995), the above issues remain important but with particular emphasis to this industry.

This research has still not addressed the question of what the differences are between independent and subsidiaries, because of their ownership status, rather than because of chance or just different marketing practices. The next section will address this question.

6.4 Ownership status and its effect on performance

The results of this project so far suggest that there are some differences between independent and subsidiary agri-food SMEs. For example, in terms of strategic analysis, there seem to be a relationship with high performers in the independent group, whereas in the subsidiary group the marketing planning may already be determined by the parent company and therefore not contribute to the direct financial success of the company. Another example may be the company/brand reputation. It looks as if there is a relationship between high performing independent SMEs and their reputations, maybe due to the importance of the word of mouth effect. However subsidiary SMEs tend to rate it not as high especially since there is no direct link between high performing subsidiary SMEs and their company/brand reputation. Response to customer change and frequency of customer satisfaction surveys both are significantly related to high performing independent SMEs, whereas there is again no direct link with subsidiary SMEs. This may be because they use either research done by the parent company, or have the resources to commission an agency and do this part of the marketing implementation process externally.

However are the differences statistically significant, or are they just a result of chance? In addition, the interdependence relationships among marketing performance marketing practices and ownership status have not been examined. The differences in performance may be due to differences in marketing behaviour and not necessarily to ownership status. The following section will therefore investigate the hypothesis of whether there are any differences between subsidiary and independent (ownership) SMEs, in terms of their marketing practices and performance.

Ho: No statistical difference between ownership and marketing practices of SMEs', and performance.

H_1: There is a statistical difference between ownership and marketing practices of SMEs' and performance.

Thus to understand how independent and subsidiary companies are different, there is a need to examine the interdependence among the three variables-performance, marketing practices and ownership status.

Against this background this section aims to:

1. Compare the statistical differences between the marketing practices of independent and subsidiary agri-food SMEs and their impact on performance; and
2. Investigate the independence among performance, marketing practices and ownership status.

6.4.1 Analytical method

The log-linear model is utilised to examine the independence among the three variables by identifying the odd ratio of occurrence. The log-linear models are

analysis of variance models applied to the natural logarithms of multinomial probabilities or expected cell counts so as to determine the interdependence of three or more variables in cross-classification.

The log-linear models have been applied in a variety of studies and contexts. For example, Susan and Bang Nam (1999) applied log-linear analysis to foreign direct investment data to estimate the flow determinants of direct investment. Furthermore, the log-linear technique was used to examine the relationship between network theory and small business growth. The results showed that networks have an influence on growth of a small business, especially through contacts with national and international entrepreneurs (Donckels and Lambrecht, 1995). This technique has also been used in food consumer research. The relationship between consumer unit type and expenditures on food away from home using micro-data from the 1989 Consumer Expenditure survey was explored. A log-linear model was used to purge the effects of income and race from consumer unit type/food-away-from-home expenditure relationship. Log-linear analysis was shown as a valuable tool for consumer researchers in the food industry (Louis and Sukgoo, 1995). Therefore this technique has already been employed on both food and small business contexts.

In this thesis, Categorical Data Analysis for Log Linear Model for Three-variable Tables is used, as suggested by Stoke *et al* (1995). Since the main purpose is to determine the ownership status effect on performance, only the main effect model which is the effects influenced independently by ownership status and marketing practice is adopted, rather than the interactive model which is the joint and interactive effect of ownership status and marketing practices. The CATMOD routine in the SAS software package was used for the analysis of the data.

After conducting the analysis, the differences at the 10 per cent significant level consistently with the Chi-square tests, between independent and subsidiary agri-food SMEs are the usage of SWOT analysis, the company's strategic focus, the company/ brand reputation, and the European or government regulation posing a threat. For presentation purposes only hypothesis testing significant differences between independent and subsidiary marketing practices will be shown. These are as follows:

Role of usage of SWOT analysis

Table 45 reveals that at the 5 per cent significant level there is a statistical difference (Chi-square = 10.80, p = 0.0289) between independent and subsidiary agri-food SMEs in the usage of SWOT analysis. The ownership status effect (Chi-square = 7.44, p = 0.0242) is also found to be significant at the 5 per cent significant level.

Table 45 Categorical Data Analysis of Performance by Usage of SWOT analysis by ownership status

MAXIMUM-LIKELIHOOD ANALYSIS-OF-VARIANCE TABLE

Source	DF	Chi-Square	Prob
INTERCEPT	2	4.91	0.0859
OWNERSHIP STATUS	2	7.44	0.0242
USAGE OF SWOT	4	13.34	0.0097
LIKELIHOOD RATIO	4	10.80	0.0289

Tables 46 and 47 show the differences between the two groups. It is evident that in the independent SMEs, over 47.8% of high performers have high usage levels and

47.8% of again the high performers have medium usage levels. On the other hand 38.5% of subsidiary high performers have high usage levels and low usage levels of high performers is 26.9% compared to only 4.3% of the independent high performers. The tables also show the distinct difference in the low performing groups. From the independent group, 60% of low performers have low usage levels of this tool, whereas the respective number for subsidiary low performers is just 25%. The results therefore lead to support that independent agri-food SMEs make greater usage of SWOT analysis than subsidiary agri-food SMEs.

Table 46 Independent SMEs

Crosstab

% within Financial performance

		Financial performance		
		High performer	Medium performer	Low performer
Q4 a1) Usage of SWOT analysis	High use	47.8%	31.3%	24.0%
	Medium use	47.8%	40.6%	16.0%
	Low use	4.3%	28.1%	60.0%
Total		100.0%	100 0%	100.0%

Table 47 Subsidiary SMEs

Crosstab

% within Financial performance

		Financial performance		
		High performer	Medium performer	Low performer
Q4 a1)Usage of SWOT analysis	High use	38.5%	17.6%	12.5%
	Medium use	34.6%	58.8%	62.5%
	Low use	26.9%	23.5%	25.0%
Total		100 0%	100 0%	100 0%

Company' s strategic focus

Table 48 indicates that at the 10 per cent level of significance, independent and subsidiary agri-food SMEs are different in terms of their strategic focus (Chi-square = 4.67, p = 0.0969). The ownership effect (Chi-square = 8.38, p = 0.0152) is found to be significant at the 95 per cent level of confidence. The statistical results appear to suggest that the focus of their perspective strategies differ.

Table 48 Categorical Data Analysis of Performance by the Company's Strategic Focus by Ownership Status

MAXIMUM-LIKELIHOOD ANALYSIS-OF-VARIANCE TABLE

Source	DF	Chi-Square	Prob
INTERCEPT	2	4.69	0.0959
OWNERSHIP STATUS	2	8.38	0.0152
COMPANY STRATEGIC FOCUS	2	6.37	0.0414
LIKELIHOOD RATIO	2	4.67	0.0969

Tables 49 and 50 also show that 73.9% of the high performing independent SMEs expand their total market or win share from their competitors, whereas the equivalent for subsidiary SMEs is only 37%. Similarly, 43.5% of low performing independent SMEs have a focus of entering new market segments or focusing on cost and productivity improvements, whereas all of the low performing subsidiary SMEs (100%) concentrate on cost and productivity reduction, or entering new food market segments. This shows, that is there is a significant difference between independent and subsidiary SMEs in terms of their strategic focus.

Table 49 Independent SMEs

Crosstab

% within Financial performance

		Financial performance		
		High performer	Medium performer	Low performer
Q6 The strategic focus of the company	Expanding total market/winning share from competitors	73.9%	50.0%	56.5%
	Enter new market segments/focus on cost&productivity/other	26.1%	50.0%	43.5%
Total		100 0%	100 0%	100 0%

Table 50 Subsidiary SMEs

Crosstab

% within Financial performance

		Financial performance		
		High performer	Medium performer	Low performer
Q6 The strategic focus of the company	Expanding total market/winning share from competitors	37.0%	23.5%	
	Enter new market segments/focus on cost&productivity/other	63.0%	76.5%	100.0%
Total		100 0%	100 0%	100 0%

Company/brand reputation

Table 51 shows that at the 5 per cent significant level, independent and subsidiary SMEs are different in terms of their company brand reputation (Chi-square = 9.58, p = 0.0482). Furthermore the ownership status effect (Chi-square = 7.28, p value 0.0262) is also found to be significant at the 5 per cent significance level.

Table 51 Categorical Data Analysis of Performance by Company/brand Reputation by Ownership Status

MAXIMUM-LIKELIHOOD ANALYSIS-OF-VARIANCE TABLE

Source	DF	Chi-Square	Prob
INTERCEPT	2	0.60	0.7408
OWNERSHIP STATUS	2	7.28	0.0262
COMPANY/BRAND REPUTATION	4	8.64	0.0708
LIKELIHOOD RATIO	4	9.58	0.0482

As observed in tables 52 and 53, even though the differences between the high performing companies are not that great, there is a distinct difference both in the medium and low performing groups. For example, 52% of the low performing independent SMEs claim superior company/brand reputation, whereas the equivalent

for the subsidiary SMEs is only 25%. On the other hand 50% of low performing subsidiary SMEs claim similar company/brand reputation, whereas only 36% of independent SMEs make a similar claim.

Furthermore, 45.7% of the independent medium performers claim superior company/brand reputation whereas the equivalent for subsidiaries is far higher to 64.7%. Hence, from the results independent medium and low performing SMEs differ from their similarly performing subsidiary SMEs in terms company/brand reputation.

Table 52 Independent SMEs

Crosstab

% within Financial performance

		Financial performance		
		High performer	Medium performer	Low performer
Q8 Company/brand reputation in relation to your competitors	Superior	72.0%	45.7%	52.0%
	About the same	20.0%	54.3%	36.0%
	Inferior	8.0%		12.0%
Total		100.0%	100.0%	100.0%

Table 53 Subsidiary SMEs

Crosstab

% within Financial performance

		Financial performance		
		High performer	Medium performer	Low performer
Q8 Company/brand reputation in relation to your competitors	Superior	66.7%	64.7%	25.0%
	About the same	29.6%	23.5%	50.0%
	Inferior	3.7%	11.8%	25.0%
Total		100.0%	100.0%	100.0%

European or government regulation

Table 54 indicates that at the 10 per cent significance level, independent and subsidiary agri-food SMEs are different, in terms of viewing regulation as a threat to their survival (Chi-square = 5.25, p = 0.0724). The ownership status effect is

significant at the 10 per cent level (Chi-square = 5.36, p = 0.0686). This appears to suggest that regulation is more of a concern to the subsidiary SMEs than to the independent SMEs.

Table 54 Categorical Data Analysis of Performance by European/government Regulation by Ownership Status

MAXIMUM-LIKELIHOOD ANALYSIS-OF-VARIANCE TABLE

Source	DF	Chi-Square	Prob
INTERCEPT	2	4.50	0.1055
OWNERSHIP STATUS	2	5.36	0.0686
EUROPEAN/GVMN REGULATION	2	1.11	0.5740
LIKELIHOOD RATIO	2	5.25	0.0724

Tables 55 and 56 show that 52% of high performing independents either disagree or neither agree or disagree with regulation posing a threat, the respective for subsidiary SMEs is 59.3%. Furthermore, only 36% of low performing independent SMEs agree with the statement. On the other hand, 72.7% of the low performing subsidiary SMEs agree with the comment. There is a difference between medium and low performing independent and subsidiary SMEs, in relation to the role of regulation.

Table 55 Independent SMEs

Crosstab

% within Financial performance

		Financial performance		
		High performer	Medium performer	Low performer
Q15 b) The big players pose a threat to our survival	I agree	48.0%	54.3%	36.0%
	I disagree/Neither agree or disagree	52.0%	45.7%	64.0%
Total		100.0%	100 0%	100.0%

Table 56 Subsidiary SMEs

Crosstab

% within Financial performance

		Financial performance		
		High performer	Medium performer	Low performer
Q15 a) Government or European regulation poses a threat	I agree	40.7%	70.6%	72.7%
	I Disagree/Neither agree or disagree	59.3%	29.4%	27.3%
Total		100.0%	100.0%	100.0%

6.4.2 Implications

Table 57 shows a summary of the results of the CATMOD procedure. It is clear from the analysis that independent and subsidiary agri-food SMEs differ in the following marketing practices:

1. Usage of SWOT analysis
2. Company strategic focus
3. Company/brand reputation

European or government regulation posing a threat also shows distinct differences between the two groups.

Table 57 Summary of results of the log-linear analysis

Marketing process	Marketing practices	Likelihood Ratio	Ownership status Effect	Practice effect
Business Philosophy	Company approach to marketing	0.728	0.0486	0.5136
Strategic Analysis	Formal strategic marketing planning	0.8416	0.1066	0.0514
	Degree of importance attached to a comprehensive situation analysis	0.2458	0.0610	0.2051
	Usage of SWOT analysis	0.0289*	0.0242*	0.0097
	Awareness of SWOT analysis	0.1880	0.0183	0.0868
	Usage of Product Life Cycle (PLC)	0.2285	0.095	0.0267
	Awareness of PLC	0.2701	0.0305	0.1060
	Usage of shelf generated or commissioned market research	0.2866	0.0554	0.0165
Marketing strategy	Company strategic focus	0.0969**	0.0152*	0.0414
	Product quality	0.9843	0.0318	0.0108
	Company/brand reputation	0.0482*	0.0262*	0.0708
	Distribution	0.2556	0.0438	0.1326
Marketing organisation	Degree of integration of marketing with other functions	0.9474	0.0251	0.0041
	Response to customer changes	0.4761	0.0177	0.0018
Marketing control	Frequency of customer satisfaction surveys	0.8914	0.0373	0.0015
	Usage of an on-going marketing intelligence system	0.7414	0.0382	0.0006
Networks and the agri-food environment	Usage of networks	0.5329	0.0195	0.5714
	Importance of networks	0.2448	0.0283	0.5768
	European or government regulation as a threat	0.0724**	0.0686**	0.5740
	Big players posing a threat to SME survival	0.1554	0.0681	0.5187

*denotes significance at the 0.05 level
**denotes significance at the 0.10 level

The exact reasons behind their differences still remains unclear but it may be due to their different marketing culture as shown in table 7 from page 47, (Shrader and Simon, 1997) or because of the specific environment of the agri-food industry

(Ritson, 1997; Grunert, 1996). Thus, the evidence from this section supports the notion that marketing behaviours and practices within a specific environment may be different between subsidiary and independent SMEs. In other words, their ownership status may be a determinant of their marketing behaviours, and researchers interested in SMEs should distinguish between these two if they are to make reasonable recommendations and conclusions for their marketing.

6.5 Conclusions

This chapter reports the main survey findings of 141 agri-food SMEs in the North of England. The subsidiary, independent and the whole agri-food samples showed interesting results. Distinct marketing practices like for example usage of SWOT analysis and use of customer research contribute to their success. However, other marketing practices have an impact only on one group and not on the other. For example, company/brand reputation seems to be related with high performing independent SMEs, but not subsidiary SMEs. Discriminant analysis also showed the degree of importance of some of the results found in the Chi-square analysis. For example, the importance of an on-going intelligence gathering system was found in the subsidiary, independent and the whole agri-food groups, as the most important variable for the success of agri-food SMEs. This section also showed where policy should be mainly targeted to, if it is to become more effective. It is worth mentioning that the discriminant functions of all three groups had relatively low goodness of fit scores[1] (around 30%). This suggests that there are other factors influencing the two

[1] The percentage of variance in the dependent variable (performance groups) that can be explained by the function.

groups of successful and medium/low performance. However, the results show that not following some marketing practices is associated with the lower performance group. In other words agri-food SMEs need to practice marketing so that they will not enter the lower performing group. However, marketing on its own, is not sufficient to achieve high performance.

The final part of this chapter explained the role of ownership effect on the marketing practices of the SMEs. It showed that there are four areas of differences in marketing practices, because of the ownership status of the company, namely the way of use of SWOT analysis, the strategic focus and brand reputation of the company, and finally the role of regulation. By comparison with similar studies, (Brooksbank *et al*, 1992) the results show some agreement in that most successful agri-food SMEs have a good knowledge of the main principles of marketing. However, the reasons behind their decisions, and the fact that marketing is not the main business philosophy of this industry, raises further questions about the marketing practices of these companies. Therefore, a more in depth qualitative methodology like case studies and personal interviews, seem to advance knowledge of this industry's marketing activities. Hence, having provided a quantitative analysis of the marketing practices of agri-food SMEs and their impact on performance, this study will progress with a detailed in-depth analysis of five successful cases selected from the sample, examining in more detail the practices of the companies, and verifying the results of the main survey.

Chapter 7 CASE STUDY RESULTS

7.1 Introduction

The previous chapter discussed the importance of the survey methodology in order to identify the marketing practices most associated with high performance. It also distinguished between subsidiary and independent agri-food SMEs and identified differences, either due to their marketing practices or ownership status. This chapter reports on the results of five case studies of agri-food SMEs in the Northeast. Details of the firms are shown in the table below. All five firms are operating in the agri-food industry as defined in chapter 4, and are based in the North of England. Three of them are independently owned whereas two of them are subsidiary companies of multinational companies. The products that they sell include sandwiches, fresh fruit salads, fruit and vegetables, ready made meals and meat. The focus of this chapter is on why and how do successful (chosen by their responses in the questionnaire) agri-food SMEs practice marketing the way they do as well as confirm the results of the survey. Furthermore a detailed analysis of two cases, one independent and one subsidiary agri-food SME, is given in appendix f. This is done to provide evidence for this chapter. Finally, this chapter develops a theory of successful marketing of agri-food SMEs and makes policy recommendations, in order to improve the performance and competitiveness of the UK agri-food industry.

Table 58 Details of the five successful Northern SMEs

	Type of Company	Size of Company	Operating Location	Customers	Details of Methodology
Company 1 Independent	Sandwich Manufacturer	Small (100 employees)	Middlesborough	Businesses (hotels, catering firms)	Interviews with owner/managers and production and sales directors. Conducted market research project for the company (consultancy work)
Company 2 Independent	Farmer (including coffee shop, supermarket and fruit-picking operations)	Small (27 employees)	Northumberland	Consumers (visitors to the farm) and businesses (supermarket)	Interview with the owner/manager
Company 3 Independent	Manufacturers of meat products	Medium (120 employes)	Northumberland	Businesses (tenders for schools, hospitals)	Interview (small focus group) with two owner/managers.
Company 4 Subsidiary	Manufacturer of fresh fruit salads	Medium (128 employees)	Newcastle upon Tyne	Businesses (supermarkets, catering firms)	Interviews with marketing manager over a period of time. Involved in a students group, which conducted New Product Development project.
Company 5 Subsidiary	Wholesaler of fruits and vegetables	Small (19 employees)	Newcastle upon Tyne	Businesses (corner-shops, catering firms)	Interviews with owner and sales director. Participation in monthly sales meeting.

Small sized company: employees 10-100, turnover <£5,000,000

Medium sized company: employees 101-499, turnover <£25,000,000

7.2 Business Philosophy

After analysing the interview transcripts, it is revealed that the business philosophy of all five successful agri-food SMEs can be characterised as product orientated. All five companies believe strongly in the power of their product, emphasising the importance of its quality and price.

The following excerpt is a typical example of a response of one company on their business philosophy of operating:

"Firstly, we do not need much advertising. We have to be there when a customer wants something. For example, mince meat is £1.50 a pound a day then you have a sale, but tomorrow the guy down the road sells his mince at £1.30 a pound so you do not sell any tomorrow because the other guy goes in cheaper. You have to be making contact with the price and the customer. You do not necessarily want it. I mean we make what we can and sell it to whoever will buy." (Company 3)

However, product oriented manufacturers still stress the importance of finding a niche market for their product or even producing a new product. Two of the companies either produce niche products or operate in a niche market. That is because of a technological breakthrough, or because of their new idea.

For example, the first one, a subsidiary, uses a patented packaging technology, which increases the fruit salad shelf-life, and therefore reduces the wastage from supermarkets and caterers (their major customers). As the marketing director states:

" Because of the new product development that goes on with our new technology and product, and because of our growth, marketing is ignored at the moment. It is very product-focused. We do some marketing, and we have the parent company providing some reports but it (marketing) has been retailer led. As we grow, more resources will be provided for marketing, but it is still ignored." (Company 4)

The second SME on the other hand, an independent farmer, operates his farm as a family experience and has in store a coffee shop and a small supermarket, with ready made meals (made in the farm) and various other high quality high value items. In the owner/manager's words:

"The essence of the farm...is to be different. When you go to a farm you want to buy fresh produce which is probably a bit more expensive and of a higher quality. Unlike anybody else (farms) we have our own shop and the customer can buy absolutely everything. They can also walk around the farm and the shop (supermarket), have their tea or coffee! I consider this a leisure industry rather than the traditional farming industry. We offer entertainment for the family and that is our niche." (Company 2)

From the statistical results, it is also evident that there is no relationship between the marketing approach of the company and the performance of independent or subsidiary SMEs (chapter 6). Therefore the findings from this section come to provide further evidence as to how successful agri-food SMEs perceive their philosophy and why. The results also support research in the food marketing field

supporting the fact that the agri-food industry does not have marketing as the overriding business philosophy (Grunert, 1996).

7.3 Strategic Analysis

7.3.1 Strategic Planning Concepts

The interview results show that despite their product orientation, most of the successful companies are aware of some of the strategic planning concepts. One of the examples of the companies is an owner of a farm. He claims that:

"... we have annual and longer term plans... The budget is done three years ahead, all improvements in equipment are done three years ahead and the food cropping is done about four years ahead so that we know where we are going! We also need to check whether we change the direction of the shop (the supermarket within the farm). We know next season for example, will be fine for our Christmas turkeys. We have someone working on our finances, an important person, myself." (Company 2)

The major reasons behind using, for example, SWOT analysis is that the SMEs need to plan because of the dynamic nature of the industry they operate. It would be impossible to operate with no planning. As another respondent who was talking about the commodity nature (wholesaler of fruits and vegetables) said about strategic analysis:

"We do have annual and longer term plans! ...sometimes we have no control because we do not have a constant stream of supply (weather). Citrus is expensive because of a frozen zone in California. It is a lot of demand and supply because of the commodity nature of the product. So we have to plan ahead to know where we can get our produce from, even if there is a disaster somewhere." (Company 5)

On a strategic level, most respondents also agreed with the notion of the importance and use of SWOT analysis. However, the main difference between the independents and the subsidiaries was that it seemed that independents conduct SWOT analysis to evaluate their position within the market. On the other hand, while undertaking SWOT analysis subsidiaries examined the position of the company in respect to their parent's activities. One respondent claimed that:

"We do a meeting once every month with an agenda and everything to see how we are doing, something like SWOT. The agenda so far is done every month; January, February, March etc. We set objectives for every sales person and we see at the end of the month how much we have met these objectives-especially with the salespeople. We also check any problems complaints etc. ... try to make sure that our branch in Glasgow for example does not interfere and compete with us...we are all one team" (Company 5)

However, from the interview results, PLC usage and awareness was low. Most respondents have either never heard of the concept, or do not heavily use it. The farmer for example claimed that:

"...We do not do any PLC analysis, we never do that sort of thing" (Company 2)

The companies claimed that there was no need for such an analysis, no obvious benefit to their business. Finally, in terms of information collection the following tables summarises the picture of the companies:

Table 59 Sources of Information

	Sources	Information Need	Frequency	Importance	Type
Company 1 Independent	Friends, family members, sales representatives, customers, van drivers	Information and feedback	Moderate active	Strengthening relationship Order-getting	Market/competitors reports, product feedback, production methods
Company 2 Independent	Friends family members, customers	Information and feedback	Very active	Strengthening relationship, order getting	Product style, market trends
Company 3 Independent	Friends, customers, sales representatives, van drivers	Information, feedback and confirmation	Moderate active	Strengthening relationship, Mutual dependent, order-getting	Pricing of competition, market trends, creditworthiness of buyers
Company 4 Subsidiary	Holding company, customers	Information and feedback and confirmation	Moderate active	Mutual dependent, strengthen relationship, order getting	Market and customer trends overseas market trends, new product development (NPD) trends, promotional results
Company 5 Subsidiary	Holding company, customers sales representatives	Information and feedback	Very active	Strengthening relationship, order-getting	Customer and market trends, creditworthiness of buyers, NPD trends.

A common theme of the five companies is that, in terms of information gathering, they are either moderately active or very active. The information is competitors' activities or market trends. It can also be customer feedback on products/services and performance. SMEs see the process of gathering market research as strengthening their relationship with their customers and as promotional vehicles to get more customers. Some of them also look for new trends in New Product Development, by asking customer's opinions about their products (the subsidiaries, as seen from table

59 tend to have a more formal and structured way of customer feedback on their products) which is of significant importance in the food industry (Deliza, 1999).

The subsidiaries use their holding companies' resources for market research whereas the independent use a lot of friends and family members as well as their customers and sales-force, confirming some researchers' point of view (Carson *et al*, 1995; Stokes and Fitchew, 1998).

Companies with their own distribution place their van drivers as an integral part for information gathering and feedback. They even provide them training. One respondents claims:

"Our van-drivers are our ambassadors so they gather information. They are our first touch with the customers and they get instructions in what they should do. They are heavily involved in giving feedback. We have a relatively flat structure so everyone can have feedback... every driver has a radio in the van so if there is something wrong like giving credit to the customer or whatever he calls us back in the centre and we tell him how do deal with the customer." (Company 3)

What is interesting is the fact that companies, which relied on big contracts (for example companies 3 and 4), have a mutual dependency on information exchanges. In other words, because they spend a lot of their time and effort on those big contracts, they need the information as much as their customers need their information on how they are doing business. Due to those contracts, they need

information for feedback on their performance and for confirmation that what they are providing them is of high standards.

All five companies mentioned that the owner/manager was responsible for collecting the information. They also remarked on the importance of the sales-force in collecting information and passing it in on to the owner/managers. In the case of one company, there were early steps for the creation of a marketing department with distinct responsibilities of marketing research and information gathering. That was mainly because of the size of the company (medium sized with turnover in excess of 15 million pounds) and the help that they got from their parent company. However, most companies were happy with the amount of information that they got and the limited amount of money they were spending on the process.

From the results of the case studies, we can see that there is still a high importance attached to a SWOT analysis, confirming the positive statistical relationship found in the survey results of chapter 6.

However, the awareness and usage of PLC analysis was variable, with most companies not knowing the concept but some of them undertaking it without understanding its full meaning. Finally, market research was also proven to be of significant importance for performance, particularly for the subsidiaries, as shown from the discriminant analysis (chapter 6, section 6.3)

7.4 Marketing Strategy

In terms of their strategic focus, SMEs had a common response, which was expanding their total market and winning market share form their competitors. The subsidiary companies were more involved with exporting activities as well as looking at Europe more aggressively at new markets, whereas the independents generally operate locally.

This may also be related to the results of the CATMOD analysis (chapter 6) that their strategy is integrated with the holding company's strategy, whereas the independents follow their own strategic plans. However, the statistical results show no relationship between the strategic focus and high performance, something shared by the respondents. They did not believe that a strategic focus would give them higher returns.

The interview scripts showed that in terms of some of the traditional marketing mix components, the five successful companies show particular strength in product quality and some of them in distribution. One respondents says:

"We are superior I would say in terms of both our company/brand reputation and product quality. We are definitely superior. Many people see us as a leader in our sub-market although our size is not extremely big. We have our own vehicles so we do the distribution ourselves. However, how do you rate distribution? If we are talking about the area, we are relatively local; if you talk about efficiency and the quality of our vans and that sort of thing we are better. We have a new fleet of 16

vans both with frozen and fridge temperature control with our name badge on the van; not that many companies have such distribution" (Company 3)

Another respondent claims that one of their main success factors is their quality product. Their attitude towards quality is as the owner/manager claims:

"We always aim at a high specification at the fillings that we put in our sandwiches, and we always look for good quality ingredients; I am not saying we always meet this but we try very hard. We do not really want to make cuts. We know you can get cheaper bread or cheaper chicken or use dark and white chicken but we always go for the chicken breasts… So we always aim at a better quality product. We feel that the price we can sell it for can only go so far." (Company 1)

Hence, having good suppliers and aiming at high quality is an important factor for this industry. Company/brand reputation has also been of importance with the independent companies relying more on the word of mouth effect, and the subsidiaries being more into their (or their parent's) established brand name.

From the statistical results, we see that although quality and brand reputation are related to high performers, distribution is not so important. Maybe this is because of the nature of the sub-markets of the five companies. For example, many agri-food companies do not have their own distribution or provide a service rather than being in the manufacturing industry. Nevertheless, from a manufacturer perspective, the whole distribution effort, from educating the drivers when interacting with the customers, to the logos used on the vans, contributes to the success of a company.

7.5 Marketing organisation

In terms of marketing organisation the interview transcripts showed that the owner/manager takes the marketing decisions in four out of the five cases. Furthermore, the degree of integration of the marketing function with the other business functions was very high. For example, a respondent said that:

"I know exactly what I need. I buy peanut cheese and pies. I then have to look at what I have got and compare it with supermarkets just to make sure that I am more or less there. I know perfectly well what I need to sell and I know that my strawberries should be priced from £1.45 to £1.65 but it does not really matter where you are between those prices. That little bit of falling outside is sometimes resolved by information I get from my staff. They tell me that." (Company 2)

Another respondent reacted as follows:

"I would say we are very responsive and are very integrated as a marketing function within the whole business. For example when a customer does not come back then I know. With 19 salesmen, if one of the customers falls out with a salesman hopefully the others will get new customers...and the problem will be resolved soon enough for the customer to come back.... This network is very important-market trends come from that network and responses are very fast". (Company 5)

The results seem to agree with the survey results that there is a high degree of marketing integration in both subsidiary and independent high performing agri-food

SMEs. Furthermore, the response to customer change seems to be also related to the high performers in the independent groups, but not in the subsidiary and the whole agri-food group. From the interview transcripts however both subsidiaries believed that if they do not respond fast they will lose their competitive position.

7.6 Marketing control

In terms of the marketing control function, and the tools used, the successful companies seem to have an on-going marketing intelligence gathering system which could include weekly or monthly planning meetings, where SWOT analysis and planning is made. However, these meetings are also there to set new objectives and see how many of the old objectives are met.

Another respondent said that they have a special meeting in order to check and control the function organised mainly by the sales-force whereas the owner/managers do not attend but get a report and set the agenda:

"We have another meeting behind closed doors we do not go there and we get a report. Because Friday is such a busy afternoon for us out there, we meet up to exchange views on a Monday. The sales director is in charge of the meeting. We also set the agenda to check how we have performed." (Company 3)

Therefore, there are certain ways the SMEs control the information gathering system and objective setting. It is evident that in all five cases, there have been meetings, sometimes separate from planning, where the marketing function is controlled. The

sales people are a highly significant part of this function since most of the time they are the ones who attend or even control the meeting.

From the statistical tests, there is a significant relationship between usage of an on-going marketing intelligence system and high performers within the independent, subsidiary and within the whole agri-food sample. Discriminant analysis also showed that usage of an on-going marketing intelligence gathering system is the most important component of agri-food SMEs for financial success.

7.7 Networks and the agri-food environment

Respondents of the five companies varied significantly in relation to the importance of networks. They define networks as their friends and family. They also include colleagues and employees and their network. For example, respondents placed a high degree of importance because they use them in order to get market information and pricing decisions are based on these networks:

"We have a network of 19 sales people and their working "network" and our holding company's subsidiaries... This network is very important as market trends come from that network. For example one day we had to decide on the price of strawberries depending on the weather forecast.... but we used our network in the South to tell us that the weather was getting worse there, (therefore the pickers could not pick strawberries) in spite of the weather forecast which said that the weather was going to be sunny. We then used this information to sell our produce later, when the prices were going to be higher." (Company 5)

On the other extreme, we got responses such as the following:

"A network? No, no we do not need or use a network. There is no need for that. All the information that I need to run the business comes from here" (Company 2)

The statistical results also confirm that there is no relationship between usage and importance of networks and high performance of both independent and subsidiary groups.

In terms of regulation, there are some interesting findings. Respondents generally tend to use regulation for their own success and they only complain in rare cases where they do not see the need for it. For example a subsidiary said:

"We English always play by the rules. So it is true because we play by the book all the time so therefore costs are up. Do you know for example that we are not allowed to sell a large orange? Do you know why? I have no bloody idea! They are putting a lot of restrictions on us. We are not allowed to cut a cucumber in halves because of safety and hygienic reasons whereas the retailer is allowed to do that. It can get frustrating but we find ways around it." (Company 5)

However most cases claimed that it does not influence them. In one case it is actually good for the industry they were operating:

"We are carrying out a safer operation because of regulations. It is not really a threat. It is better cut (meat) and more hygienic, so other than BSE, we do not feel

regulation has done any harm. The standard has improved dramatically from a safety perspective." (Company 3)

Another respondent went even further to claim that:

"I do not think the European regulation is going to pose a threat. Not at all. No way. They are not there to get us out of business. We have vastly improved as an industry in the last ten years. What is happening in Spain...ten years ago we were trying to get to their standards. Now, we are very good if not better than them." (Company 3)

In terms of competition and the big players, similarly none of the companies felt threatened. One company went as far to say that intense competition and the big players could become beneficial:

"They (supermarkets) are competition but they are good for us. I have learned more from the big multiples than I have learned from anybody else. They are brilliant in selling-you cannot say that anybody who is brilliant in selling is bad, you want to go and learn from them." (Company 2)

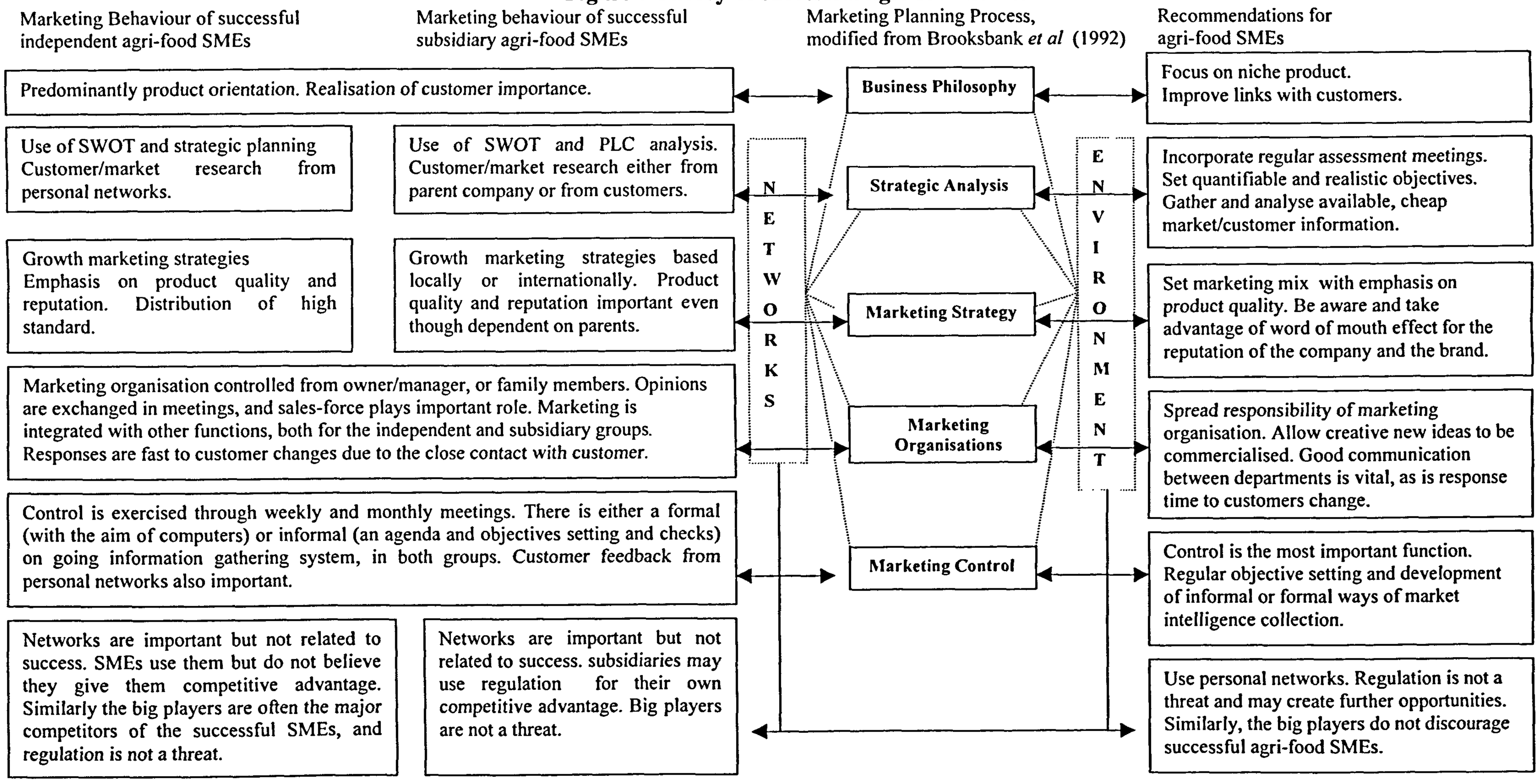
From the statistical results, we see that there is no direct link between networks and high performance. Something that is also proved by the interview results. However, in terms of regulation it looks as if most successful companies either do not care or even use it to their advantage. Even from the Chi-square results we found a relationship between regulation posing a threat to survival and high performers, in

the subsidiary group, the discriminant analysis results showed that this may be not a threat but an opportunity.

7.8 A Proposed model of successful agri-food SMEs marketing

This section will try to link the research findings from both the survey results and the case studies, in order to provide a theory of successful agri-food marketing within the SME sector. The following table integrates the marketing process model with the actual marketing behaviour of both subsidiary and independent SMEs, to provide a diagrammatic representation of the model:

Figure 7 Theory of successful agri-food SMEs



7.8.1 Business Philosophy

The research results seem to indicate that the business philosophy of agri-food SMEs is product orientated. The most successful independent and subsidiary SMEs operate in either a niche market or have a niche product, which helps them differentiate themselves from competition. However, both groups seem to indicate a high degree of awareness of the importance of the customer. Though product orientated, they seem to either know or practice, without their conscious awareness, different degrees of customer retention and satisfaction techniques. Therefore, the customer is not ignored. Thus, it is reasonable to explain why there is no statistical relationship between business philosophy and high levels of financial performance as indicated by the survey results.

7.8.2 Strategic Analysis

From the results of both survey and the case studies, strategic formal planning tends to be of financial significance mainly to independent SMEs. Due to their ownership status, SWOT analysis is undertaken differently. Independent SMEs use their personal network to gather market and customer information as cheaply as possible. The subsidiary SMEs use their parent company's information, buy their own or use their customers' database for information on their performance. Therefore, for a successful agri-food SME it would make sense to incorporate a systematic meeting procedure either weekly or monthly to assess performance and set new objectives. They should also incorporate a SWOT analysis or something similar, which would provide them with information about their performance. Information should be

collected with the help of the personal networks of employees including the owner/managers and the sales-force, with a minimum cost. Since this is of importance to high performers, it is also of policy interest to the agri-food industry, especially the independent group.

7.8.3 Marketing strategy

The successful SMEs employ a growth marketing strategy, constantly seeking new markets, locally, nationally or within an international context. The subsidiaries are more capable of that due to their expertise and resources, as the statistical analysis confirmed.

In terms of the marketing mix, the common characteristic as mentioned earlier between successful SMEs was the high quality of their product and the importance of company/brand reputation. However, the independent group has a brand reputation and uses the word of mouth effect more often than the subsidiaries, which rely more on their parent companies reputation and brand name. Interestingly, the product quality and reputation within the independent group are statistically related to high performance, whereas there seems to be no statistical relationship within the subsidiary group.

Successful SMEs look constantly for new opportunities for growth, and aim at a high quality product, something that is both statistically related with high performance and of importance (see discriminant analysis, chapter 6). Furthermore, there should be an emphasis on brand and company reputation and awareness that the word of

mouth effect can become one of the most effective tools of the mix. Distribution should not be ignored, since the successful companies use vehicles and drivers as a means of promoting their companies.

7.8.4 Marketing organisation

Marketing organisation is mainly controlled by the owner/managers. Employees however are exchanging opinions in either the weekly or monthly meetings about possible improvements or new ideas, in both independent and subsidiary successful agri-food SMEs. The sales-force also has an important input on that. The degree of integration of marketing with other departments is of vital importance. There is also a statistical link between high performance and the degree of integration in both groups. Finally, because of the close interaction with the customers, the response to customer changes is very fast, and is related to high performers.

7.8.5 Marketing control

This is one of the most important functions of the marketing processes of SMEs. The cases also confirmed its importance through owners/managers expressing the importance of objective-setting and control on a regular basis. Marketing intelligence gathering, either done informally with the aims of an agenda setting and meeting or via a computer system, is also vital for the effective control of the marketing function. It is also the most important component of high performance for all three groups (see discriminant analysis, section 6.3).

Customer feedback on the overall marketing effort is mainly done by the successful companies' customers themselves, or by utilising the personal network and the sales-force. Statistically, marketing control is both related to high performers and has very important weight on the success of the companies of both groups (shown from the discriminant analysis results in chapter 6).

Recommendations for agri-food SMEs include the development of objective settings, and an intelligence gathering system, either informally or when resources allow it formally.

7.8.6 Networks and agri-food environment

Personal networks are, as already shown, in high use in all of the successful agri-food SMEs. However, according to the cases and the statistical results, they do not contribute to their high financial performance in either groups of independent and subsidiary.

The regulation, whether European or government, is not related to high performance in independent SMEs. However, the subsidiaries often use it in order to improve their competitive position by either learning or doing their products better. It is also highly important for their performance from the statistical result in chapter 6. Finally, the big players are either competitors to the successful agri-food SMEs (even though some of them may be small in absolute size), or in the case of subsidiaries, may be the big players themselves.

The agri-food SME should not view the environment as a threat, in terms of the big sized competitors and use a lot of environmental information like regulation or even techniques of competitors in order to improve their competitive position.

7.9 Conclusions

The evidence from this chapter shows that successful subsidiary and independent SMEs have many common characteristics, but still have some distinct differences. Although the industry is mainly product-orientated, even within the successful SMEs, there were several strategic and marketing principles that are used in order to give them this competitive edge. For example, regular SWOT analysis and the quality of the product have both led to positive influences on SMEs performance. Furthermore, the importance of the company/brand reputation was also stressed from the respondents, together with an effective control system. The most influential factor for success is the development of an intelligence gathering system.

As shown from the statistical results, companies will be successful despite their environments or the strong competition, and though they may use their networks for their advantage, it will not be a determining factor in their success. Finally, the proposed theory can act as guidance to both SMEs and policy makers to target the areas that contribute most to the success of the agri-food companies.

Chapter 8 CONCLUSIONS AND FURTHER RESEARCH

8.1 Introduction

This chapter is a summary of the research project and is split into the following sections:

Section 8.2 describes the research aims and objectives, whereas section 8.3 examines the research design with a brief review of the research process employed, together with its strengths and limitations. Section 8.4 evaluates the theoretical, methodological and managerial contributions. This chapter concludes by giving suggestions for further research into the area.

8.2 Research aims and objectives

Though marketing principles apply to a certain extent to the SME sector, it is agreed that, due to their characteristics, SMEs practice marketing in a different way than bigger companies. Furthermore, there has been increasing interest within the agri-food sector towards the development and improvement of the SMEs of the industry, due to their job and wealth creation potential. Regional studies also point to the importance of SMEs for local communities, and thus the European Union funds a number of projects for support of food SMEs. It is also commonly agreed that the two most important factors for the success of an SME are finance and marketing (Hills and LaForge, 1992). Therefore it is vital to understand how and why marketing

is practised in agri-food SMEs, and how do subsidiary and independent SMEs differ in practising marketing. Hence this project:

1. Investigated the relationship between marketing practices and performance of subsidiary, independent and the whole agri-food industry's SMEs
2. Identified the differences between the two groups of companies and provided a tool for policy makers interested in helping the overall industry
3. Developed a marketing model followed by the successful agri-food SMEs

8.3 Research design

8.3.1 Research process

This thesis used a stepwise approach to understand SMEs marketing. Each step was designed to build upon what has been learned in the previous stage to make an incremental contribution to the established knowledge base. This allowed the research to provide an in-depth and focused analysis of agri-food SMEs in the North of England. Methodologically, this thesis uses a two-stage approach utilising the survey approach to investigate the relationship between marketing practices and performance of 141 agri-food SMEs, of which 86 are independent and 55 are subsidiary. Subsequently, in-depth interviews with five successful companies were conducted, to identify the reasons behind how marketing is practised in successful SMEs, and to validate the survey results. Theoretically, the research adopts an integrative approach using the contingency approach to conduct the survey and then blends the process model to undertake the case studies, in order to advance research

in marketing theory as proposed by Anderson (1983). Some of the advantages and disadvantages of the research approaches are given below.

8.3.2 Mail survey

Mail survey is a very valuable method of collecting data from industrial populations because of its low cost, its ability to collect data from wide geographical areas, and the lack of interviewer bias. It also allows respondents to complete it in their own time, and the researcher to store detailed data on marketing practices and performance.

However, using mail survey in industrial research has a low response rate. In this thesis, the 15-20% response rate is considered high for industrial research. The non-response error was reduced, because of the relatively high response rate. Follow up telephone calls with some subsidiary companies to improve their response rate also increased the validity of the results. Hence, it was felt that the results accurately reflect the situation.

8.3.3 Personal interviews

Case studies using in depth personal interviews provide an opportunity to investigate issues related to the marketing of agri-food SMEs in more depth. The purpose of using this technique in the thesis is threefold:

1. To verify the findings of the survey, using the interview data as a vehicle of triangulation;

2. To gain a deeper understanding of how and why successful SMEs practice marketing the way they do; and finally
3. To recognise any differences between subsidiary and independent SMEs in their marketing practices.

However, case studies have faced criticisms like lack of rigour, little basis for scientific generalisation and the generation of massive unreliable data. To minimise the above effects, the following measures were taken. McCracken's (1988) long interview technique was used to steer the interview, focusing on a semi-structured, open-ended technique where the respondent had the freedom to expand on a structured interview agenda. The QSR NUD.IST 4 computer software was used to process the interview transcripts. The interview results were co-examined by a researcher present in the interviews, as a method of co-inquiry. This assured triangulation of data information as recommended by Lincoln and Cuba (1986). It is believed that this model is a rigorous approach and assists to the construction of a model of successful marketing of agri-food SMEs.

8.4 Contribution

8.4.1 Theoretical contributions

This research is the first attempt to use an integrative approach- blending the contingency approach with the process model- in a specific region (Northern England) of a specific industry (the agri-food industry). It is also building on the

knowledge base of SME marketing, since it examines and confirms theories of small business marketing that have not been empirically proved.

This study is also building on the Shrader and Simon (1997) call for more empirical marketing research on comparative issues of subsidiary and independent SMEs. It is the first attempt to build on existing knowledge on comparative literature on strategic marketing of SMEs.

The results of this project suggest that industry combined with ownership variations influence the marketing practices of agri-food SMEs and their effect on performance. Therefore, great caution should be taken when generalisations are attempted for marketing practices.

8.4.2 Methodological Contributions

This project acknowledges the importance of a stepwise staged approach (Gibb, 1992, Siu, 1997, Siu and Kirby, 1998b), as well as the multidimensional approach suggested by Greenley (1983, 1986) in strategic marketing research.

Previous studies have used the chi-square test to compare marketing practices and performance of medium sized companies (Brooksbank, 1990c). However, the chi-square approach assumes that each marketing practice is an independent and separate measure. In fact, marketing process components are interrelated and interactive. Hence, discriminant analysis is used to identify a weighted combination of all

components to predict whether a company is likely to attain higher performance levels, and compare differences between independent and subsidiary SMEs.

Most strategy studies assume that the owner/managers' financial responses are an accurate statement of reality. The performance classification instrument (high, medium and low) was compared statistically with 69 respondent SMEs' accounts data. This research proved, that for Northern agri-food SMEs, the subjective classification of the performance instrument used in the thesis was statistically related to accounts data (four financial ratios).

The results prove to be valuable since they help improve the understanding of marketing differences between higher and lower performing companies, and identify the marketing practice components that have the greatest positive impact on performance.

8.4.3 Managerial contributions

This thesis identifies some distinctive characteristics of the most successful agri-food SMEs in the North of England. It shows that successful SMEs, though product orientated, have a strong use of strategic planning tools, and superior levels of product quality and company/brand reputation. They are trying to find new areas of expansion both in terms of their products but also in terms of service levels. If there is a marketing department it is integrated within the whole business functions, and the more resources the company gains, the more money goes into the marketing function. Activities such as creation of customer databases, promotional material as

well as low-cost advertising are the responsibilities of the low budgeted marketing departments. Customer surveys are relatively rare because of their high cost. However some form of customer feedback is coming from their customers and in extreme cases external bodies are hired (with the financial help of Business Link) in order to consult on marketing issues, and conduct consumer research. Finally, the successful performers do not view the environment they operate as a threat, rather they use it many times for their advantage. Regulation is not considered a threat rather than a way of improving the industry standards, and big players are in cases the direct competitors of these companies, which despite their size, are market leaders in their sub-markets.

The results do show a consistent pattern in terms of differences and similarities in marketing practices. The adoption of marketing does contribute to their financial success, and high performers tend to show higher appreciation of some fundamental planning, strategic, and control marketing principles.

8.5 Conclusions and areas of further research

This research provided evidence to suggest that agri-food SMEs differ from other SMEs in terms of their marketing orientation. However, it also provided evidence to suggest that the most successful of them have got a very good understanding of the fundamental marketing principles. It also showed that agri-food SMEs need to practice marketing so that they will not enter the lower performers, but marketing alone is not sufficient for high performance.

It also provided empirical evidence to support the notion that marketing differs between subsidiary and independent SMEs, in four of the marketing areas, namely SWOT analysis, strategic focus, company/brand reputation and European or government regulation posing a threat to the survival of the company.

The case studies further showed that most successful SMEs are product oriented with high degrees of quality, variety and service. They all operate on distinct niche markets or have a niche product in an established market. They are also familiar with many planning and strategy concepts, undertaking many of them internally and constantly seeking to strengthen their relationship with their customers.

Furthermore, the independent companies do not have the tendency to spend big budgets on marketing research but try to gain them from family, friends or their sales-force and their customers. Subsidiaries, on the other hand, tend to have bigger contracts/accounts, which allows them to get information from their customers. A common theme however was that the more the business resources expand, the more money will be spend on marketing function or departments.

There are certain limitations of this research project. First of all the sample size of the subsidiary SMEs, despite its high response rate, was in absolute terms small and did not allow the differentiation of three groups of performers. Instead, it was necessary to merge the medium and low performers into one category, since the focus of the thesis was the identification of the successful SMEs and their differences with the lower performers. What would be interesting is the extension of this type of

research to more regions of the UK in order to have a bigger sample and to test for differences (if any) in marketing due to geographical and environmental variations.

The theory proposed in chapter seven links the marketing process model with the actual marketing behaviour of successful independent and subsidiary SMEs. However, there is no examination of medium and low performing companies in order to investigate further the differences between the groups. Thus, a possible area that goes beyond the scope of this thesis could be the examination and differences between the marketing behaviour of various performing companies and their marketing practices.

The survey and case studies were made in an industry that is very dynamic and changes constantly. Systematic research over a longer period of time as suggested by Schwarz (1998), or in other words longitudinal analysis, would make the theory more valid in the face of new environmental changes, for example the effect of internet food shopping. Finally, other important factors for the success of an SME as indicated in chapter 1, like finance, were inevitably neglected, which could be another fertile area of research.

To conclude, this thesis suggests that researchers examining small firm marketing practices should pay attention to business settings and ownership status, and if possible examine single-industry settings. It also indicates that the integrative approach- blending the process model into the contingency approach- is useful to advance small firm marketing.

Appendix a Letter for Survey Participation

University of Newcastle

Dear Sir/Madam

I would like to invite you to participate in research currently being undertaken by the department of Agricultural Economics & Food Marketing, of the University of Newcastle upon Tyne. This research examines the marketing practices of a range of agri-food Small and Medium sized Enterprises (SMEs) in the North of England.

In return for your co-operation you will receive:

- A report of the results of the existing marketing practices of Northern agri-food Small and Medium Sized Enterprises (SMEs).
- Recommendations for the improvement of current marketing practices of agri-food SMEs.

All we ask for is **five** minutes of your valuable time to complete the attached questionnaire and return it in the envelope provided. Confidentiality will be assured.

Thank you very much, and I am looking forward to hearing from you soon.

Yours faithfully,

Konstantinos Tsorbatzoglou

Appendix b Questionnaire

University of
Newcastle upon Tyne

Survey of Marketing Practices of UK Agri-Food Small and Medium sized Companies

Please state your job title:.....
(i.e. Managing Director, Marketing Director)

How many years has your company been in operation?
Less than 1 year ☐
Between 1-5 years ☐
More than 5 years ☐

In the following section, please answer **all** questions and tick only **one** box in each question:

Q1 What is the marketing approach of your company?

"We place major emphasis on prior analysis of the market needs" ☐
"We make what we can and sell to whoever will buy" ☐
"We place emphasis on advertising, selling and public relations" ☐

Q2 What is the extent of "formal" (long-term strategic) marketing planning?

"We have annual and longer term plans" ☐
"We only have annual marketing plans" ☐
"We only have annual budgeting" ☐
"We have little or none of the above" ☐

Q3 What is the importance attached to a comprehensive situation analysis (a combination of internal, competitor, market, customer and wider business environment analysis)?

High importance ☐
Average importance ☐
Low importance ☐

Q4 What is the usage and awareness levels of the following marketing planning tools (please tick **one** box in **each** column):

1) SWOT (Strengths, Weaknesses Threats Opportunities) analysis or <u>something equivalent</u>?

High levels of use	☐	High levels of awareness	☐
Average level of use	☐	Average levels of awareness	☐
Low level of use	☐	Low levels of awareness	☐

2) PLC (Product Life Cycle) analysis or <u>something equivalent</u>?

High levels of use	☐	High levels of awareness	☐
Average level of use	☐	Average levels of awareness	☐
Low level of use	☐	Low levels of awareness	☐

Q5 How often does your company use market research carried out either by the company itself (self-generated) or commissioned-in market research?

Use often (at least once every six months)	☐
Use sometimes (once a year)	☐
Use seldom (once every 18/24 months or less)	☐
Never	☐

Q6 What is the strategic focus of your company?

Expanding your total market/winning share from the competitors	☐
Entering newly emerging market segments	☐
Focusing on cost reduction & productivity improvement	☐
Other (please state).....	☐

Q7 How do you rate your overall product quality (quality levels, design, performance) <u>in relation to your major competitor</u>?

Superior	☐
About the same	☐
Inferior	☐

Q8 How do you rate your company/brand reputation <u>in relation to your major competitor</u>?

Superior	☐
About the same	☐
Inferior	☐

Q9 How do you rate your company's distribution <u>in relation to your major competitor</u>?

Superior ☐
About the same ☐
Inferior ☐

Q10 To what extent are marketing and other business functions (i.e. production, finance etc.) integrated/linked?

Much integration ☐
Some integration ☐
None ☐

Q11 How fast is the response of your company to changes in customer requirements, or to negative customer satisfaction information?

Very fast/responsive ☐
Average ☐
Not very fast/it takes a long time to process ☐

Q12 What is the frequency of your customer satisfaction surveys (i.e. mailed questionnaire to your customers about your business performance)?

Frequently (at least once every six months) ☐
Sometimes (once every year or less) ☐
Never ☐

Q13 What is the level of usage of an on-going marketing intelligence (i.e. information feedback by salespeople every month, market and competitor information from various sources etc.) gathering system?

High use ☐
Average use ☐
Low use ☐

Q14 What is the level of use and importance of your networks (either personal or company) in your marketing operations (please tick **one** box in **each** column)?

Very high use	☐	Very high importance	☐
Medium use	☐	Medium importance	☐
No use	☐	No importance	☐

Please Turn Over The Page

Q15 Do you agree with the two following comments:

1) "In our market, government or European regulation poses a big threat to our survival":

I agree ☐
Neither agree nor disagree ☐
I do not agree ☐

2) "In our market, the big players (i.e. big multiples) are a major threat for our survival":

I agree ☐
Neither agree nor disagree ☐
I do not agree ☐

Performance indicators

Q16 How have you performed, during the last financial year, **in relation to your major competitors** , (**not** in relation to your last year's performance), in terms of:

	Better	Worse	Do not know
Sales Volume	☐	☐	☐
Profit	☐	☐	☐
Market Share	☐	☐	☐
Return On Investment (ROI)	☐	☐	☐

Please feel free to make any general comments or raise issues not addressed in this questionnaire.

General Comments

Thank you very much for your time

Appendix c Chi-square analysis, Discriminant analysis, Log-linear analysis and ANOVA analysis descriptions.

This section describes the three techniques used in the quantitative research stage; namely the chi-square cross tabulation technique, the discriminant analysis and the log-linear analysis for cross tables.

The Chi-square analysis

The chi-square test is a non-parametric technique, which is commonly used in economics and business. This technique requires limited distributional assumptions about the data and is particularly suited for categorical data.

As a general hypothesis-testing procedure, use of the chi-square involves comparison of observed sample frequencies in defined data categories with the expected frequencies for those categories, based on the assumption that the null hypothesis is true (Kazmier and Pohl, 1984). The null hypothesis tested is that the two variables are statistically independent (contingency table test). Independence implies that knowledge of one variable does not help in predicting the other variable. The observed frequencies are entered in a two-way classification table, or contingency table. The dimensions of such a table are described by identifying the number of rows r and the number of columns k in the identity $r \times k$. Therefore, in our case, since we have high, medium and low performers as the dependent variable, we have three columns $k=3$ and the rows vary depending on the hypothesis (usually between two and three).

To test for independence, a table of expected frequencies is generated based on the null hypothesis being true. Then the observed and expected frequencies for each cell location are used to determine the chi-square statistic for the data table, through the following formula:

$$\chi^2 = \sum_{i=1}^{\kappa} \frac{(f_o - f_e)^2}{f_e}$$

where, f_o is the observed frequency for the ith category, f_e is the expected frequency for the ith category, and k is the number of categories. The expected value should be more than 5. If it is not, it is advisable to either increase the sample size or, if practicable, adjacent data categories should be combined (Kazmier and Pohl, 1984).

This calculated value is then compared with the chi-square critical values computed from statistical tables. In order to do that, knowledge of the degrees of freedom of the calculated chi-square value and the level of significance are required. The degrees of freedom for the calculated value, for a contingency table, are the number of rows minus one, times the number of columns minus one. Thus,

$df = (r - 1)(k - 1)$.

The significance level for tests of this type in the social sciences varies between 2.5% and 10% and can be set by the researcher (Selkirk, 1980). If the calculated chi-square value is higher than the chi-square value derived from the statistical tables, then we reject the null hypothesis. If, on the other hand, the calculated value is less than the value from the tables, then we accept the null hypothesis, which means that we accept the independence of the two variables under investigation.

However, there are two potential problems associated with the conclusions of hypothesis testing. If the null hypothesis is really correct, but we accept the alternative hypothesis, then we have made a type 1 error. If, on the other hand, the null hypothesis is incorrect but we accept it then we have made a type 2 error. The following table illustrates this more clearly:

	H_0 true	H_1 true
H_0 accepted	Correct	Type 2 error
H_1 accepted	Type 1 error	correct

Type 1 errors are more important than type 2 errors, since type 1 errors encourage change, which is more costly. On the contrary, type 2 errors consist of incorrectly confirming the status quo. The probability of making a type 1 error is the level of significance of the test and is usually denoted by α (Selkirk, 1980). The probability of a type 2 error is difficult to determine but increases as sample sizes diminish, for very small samples it may be quite large.

Discriminant Analysis

Discriminant analysis is the appropriate statistical technique for testing the hypothesis that the group means of a set of independent variables for two or more groups are equal. In this thesis, discriminant analysis has the objective of determining the effect of the combined independent variables (that is marketing practices) on the defined performance groups. It will also assess the most discriminating variables, or the most influential independent variables on

performance, the dependent variable. It can therefore be considered as a profile analysis.

Discriminant analysis is the appropriate statistical technique when the dependent variable is categorical and the independent variables are metric. The analysis involves deriving a variate, the linear combination of the two or more independent variables that will best discriminate between *a priori* defined groups. Discrimination is achieved by setting the variate's weights for each variable to maximise the between-group variance relative to the within group variance. The linear combination for a discriminant analysis is also known as the discriminant function. It is derived from an equation that takes the following form:

$$Z_{JK} = \alpha + W_1X_{1K} + ... + W_NX_{NK}$$

Where

Z_{jk}=discriminant Z score of discriminant function j for object k

α=intercept

W_i=discriminant weight for independent variable i

X_{ik}=independent variable I for object k

In order to do that, discriminant analysis multiplies each independent variable by its corresponding weight and adds these products together. The result is a single composite discriminant Z score for each individual in the analysis. By averaging the discriminant scores for all the individuals within a particular group we arrive at the group mean, which is referred to as a centroid. The test for the statistical significance of the discriminant function is a generalised measure of the distance between the group centroids (Hair, 1998).

In terms of the research design there are issues associated with the selection of the dependent variables. The researcher should choose the dependent variables first. In this project, the polar extreme approach is followed. This approach states that the research should compare only the two extreme groups. This approach becomes particularly useful when regression results are poor; that is the polar extremes approach with discriminant analysis can reveal differences that are not as prominent in a regression analysis of the full data set (Hair, 1995, p.195). In our case medium and low financial performers are merged into one (average/low) performance group. Furthermore, no holdout sample needs to be used (Hair, 1995; Siu, 1997), especially since the sample size is small.

Independent variables that had either a significant ($p < 0.1$) or highly significant ($p < 0.05$) relationship with high performance, in the chi-square tests (for a detailed examination see chapter 6, section 6.2), are the variables included in the discriminant analysis. In particular, the subsidiary and the agri-food SMEs' independent variables are the significant variables from their perspective results of their chi-square tests. The independent SMEs independent variables were all the highly significant ($p < 0.05$) variables from its chi-square results. The rationale behind this was to add statistical robustness to the model, since the simultaneous estimation accounts for carefully selected independent variables. According to Hair *et al* (1998), the minimum sample size should be the number of independent variables multiplied by five. As a practical guideline, each group of the dependent variable should have at least 20 observations or more.

The principal assumptions underlying discriminant analysis are as follows:

1. normality of the independent variables,
2. unknown dispersion and covariance structures as defined by the dependent variables,
3. no multicollinearity or dependence of the independent variables,
4. and that all relationships are linear

In terms of computational methods, there are two alternatives, the simultaneous estimation and the stepwise procedure. In simultaneous estimation, the discriminant function is computed based on the entire set of independent variables, regardless of the discriminating power of each independent variable. Multicollinearity is considered to have a greater effect on the stepwise procedure than on the simultaneous procedure, since it involves more independent variables in the function (Hair, 1995).

The Wilk's Lambda test was used in order to evaluate the statistical significance of the discriminatory power of the discriminant function. Once the discriminant function is identified, the attention shifts to the overall fit of the retained discriminant function. This assessment involves either the proportional chance criterion or the Press Q statistic. The formula for the proportional chance criterion is as follows:

$C_{PRO} = p^2 + (1-p)^2$

Where

C_{PRO}= proportion chance criterion

p = proportion of firms in the average/low performers group

1-p= proportion of firms in the successful performers group

Finally, the interpretation of results stage involves either looking at the discriminant weights (function coefficients table), the discriminant loadings (structure matrix table) or the partial F values (group means table). According to Hair *et al* (1998), the discriminant loadings should be preferred for that purpose. Any negative signs in the discriminant loadings should be interpreted as this variable is having the opposite effect.

Log-linear Model for Three-variable Tables

The log linear model is a categorical data analysis method, which is an analysis of variance model applied to the natural logarithms of multinomial probabilities or expected cell counts, used to investigate whether an association between two variables changes when other variables are considered (Siu, 1997). For a single response, it is simpler and more natural to use logit models (Agresti, 1996). The log-linear model for three variable table can be utilised to examine the independence among the three variables in cross classifications by identifying the odd ratio of occurrence.

The log-linear model can be presented as follows:

$$\mathbf{E_A\,(F) = F\,(\pi) = X\beta}$$

Where $\mathbf{E_A}$ denotes asymptotic expectation

X is the design matrix containing fixed constants, and

β is a vector of parameters to be estimated

As for each sample *i,* the probability of the *j*th response (π_{Ij}) is estimated by the sample proportion $p_{ij} = n_{ij}/n_i$. The vector **(p)** of all proportions is then transformed into **F = F (p),** a vector of functions. If π denotes the vector of true probabilities of the population, then the functions of the true probabilities will be by **F (π).**

In this research project, the ownership status effect on company performance is investigated. Therefore, the main effect model is used, which is the effects influenced independently of ownership status and marketing practices. Thus, the model is presented as follows:

Categorical variable y : p = Pr (y = 1),

1-p = Pr (y = 2).

The probability p depends on factors A and B. Thus,

P = Pr (y = 1 for A = i, B = j), where i = 1…a; j = 1…b.

A logistic linear model with main effect only is:

$$\ln\frac{p_{ij}}{1 - p_{ij}} = \mu + A_I + B$$

There are two approaches to the analysis of the data: the maximum likelihood approach and the weighted least square method. The maximum likelihood approach is commonly used by researchers because of the widespread availability of statistical software like SAS and SPSS. This research uses the maximum likelihood approach of the SAS CATMOD routine to analyse the data as specified by Stokes *et al* . (1995).

ANOVA analysis

The one factor randomised design of the analysis of variance is concerned with testing the differences among k population means when the subjects are assigned randomly to each of the k treatment groups. The 'one factor' is the method of instruction with three treatment levels associated with this factor.

As a way of describing and differentiating the various types of experimental designs in the analysis of variance, each type of design can be represented in terms of the linear model that identifies the components influencing the value of the random variable. The linear equation that represents the one-factor completely randomised design is defined as follows:

$X = \mu + \alpha_k + \varepsilon_{ik}$

Where μ = overall mean of all treatment population

α_k = effect of the treatment in the particular group k from which the value was sampled

ε_{ik} = random error associated with the process of sampling

The test statistic, F, is defined as:

$$F = \frac{MSTR}{MSE}$$

Where MSTR = The mean square based on the differences among treatment-group means

MSE = Means Square within each group (does not include any influences associated with the treatment).

Appendix d Performance measure validation and interview questions

In this appendix, there will be a comparison of the performance measure used in the questionnaire with accounts financial data from FAME database of 69 available companies. There will also give the questions asked during the interviews as well as the detailed analysis process, which was undertaken with the aim of NUD.IST software.

Comparison of three companies with their competition

The approach of positioning financial performance measures in the context of the owner/managers perception, and comparing that to a national and market level is not new. Ettlinger (1996) used this approach in order to evaluate small firms' performance in a local context. Several more studies have been undertaken to identify the financial ratios used by owner/managers of small and growing businesses to monitor their businesses (Holmes and Nicholls, 1989, McMahon and Davies, 1991).

Three of the respondent companies' financial data (classed from their performance responses as high, medium and low) were compared to the overall average of the original sampling frame of 600 agri-food SMEs. Furthermore, a peer group of companies who operate in the same or similar market was also averaged and compared to the companies' data. These peer companies may not meet the SME criteria, since many of the SMEs analysed operate in markets with large companies as their major competitors.

The peer group was specified by FAME database as "companies with the same Primary UK SIC-92 code". Unfortunately it was impossible to change the SIC

(Standard Industrial Classification) codes to VAT codes used in this thesis because of the nature of the database. Hence, the closest equivalent to VAT competition was chosen. One of Fame's functions allows the calculation of the average (mean) and mode of various financial measures. This comparison proved that data given by the owner/managers were accurate in relation to their true financial accounts, and therefore the classification used by the research was valid.

The actual performance of three companies, one from each financial group (specified as high, medium and low from the performance instrument), is compared. For the purposes of the following section, the companies will be classified with alphabetical letters, to preserve anonymity. Company A will be the high performing company, company B the medium performer and finally company C the low performing company.

Profit before tax, Return on Capital Employed and Profit Margin, for three consecutive years; 1996, 1997 and 1998, is examined. There is a comparison of these figures with the median of the peer group and the average of the overall sampling frame. In company A, the high performer, Profit per employee instead of profit after tax is used, since that financial variable was not available for peer group comparisons. Furthermore, similar studies in the marketing orientation literature and the small business literature, (for example see Pelham (2000) for a comprehensive review) show the importance of comparing such financial data both within the market and within the overall environment.

The peer group includes large companies as well as micro businesses. Therefore, the mean of these measures is not considered a true estimate of the group's average,

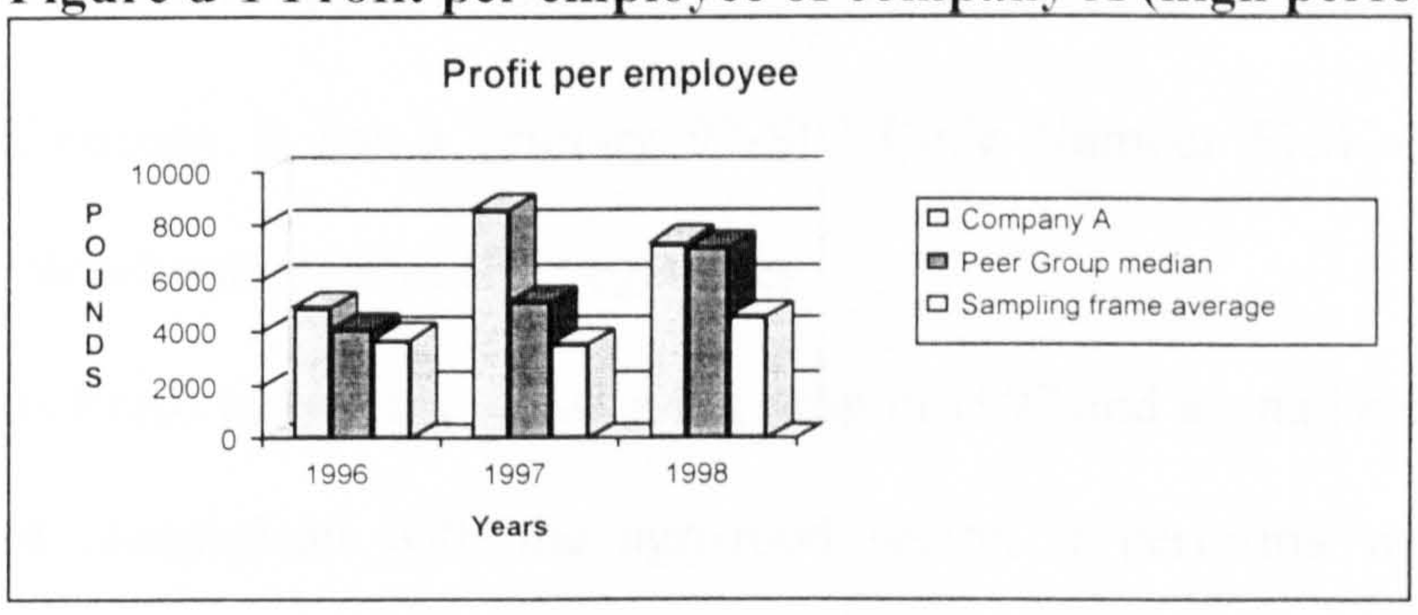
since it is highly influenced by the fluctuations of big companies. As an alternative measure, the mode is used as recommended by Fame database. On the other hand, the mean is considered an accurate estimate for the overall sampling frame, since the number of SMEs was large.

The High Performer.

Company A has a Primary 92-SIC Code Number of 1596 and a description of "Manufacture of Beer".

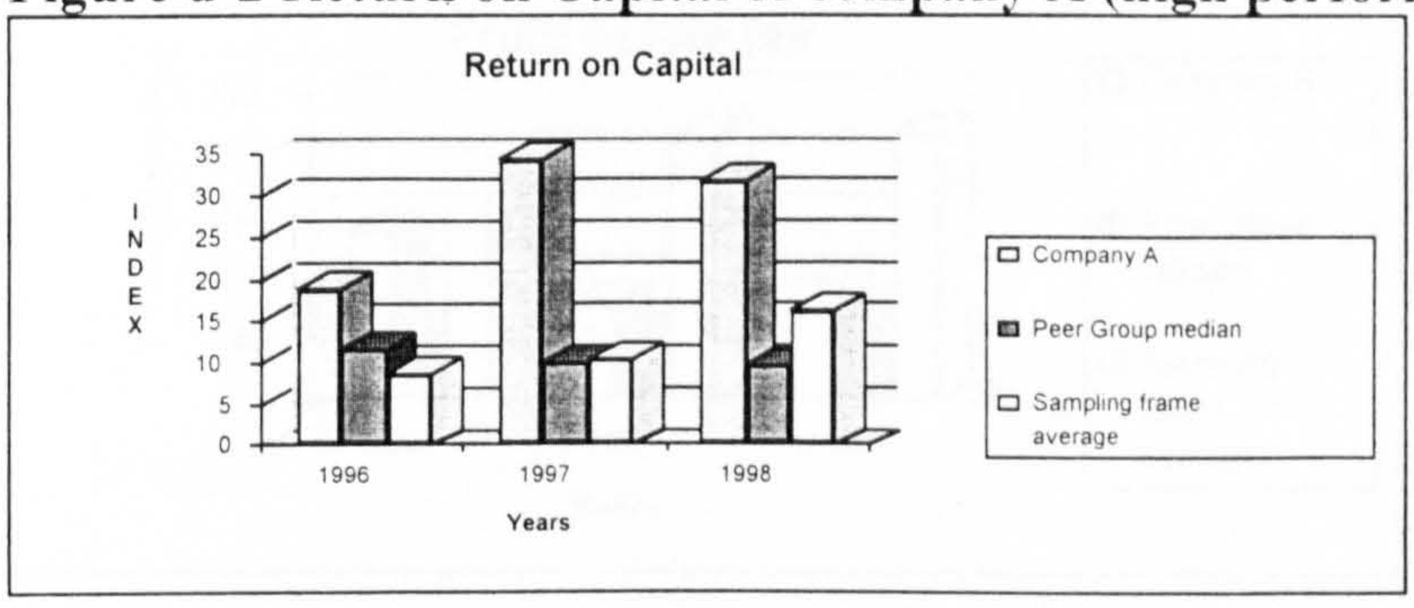
Its Profit per employee, as we can see from figure 7, is still higher than both its peer median and its overall sampling frame's average (or mean of the sampling frame of the 600 agri-food SMEs).

Figure d-1 Profit per employee of company A (high performer)



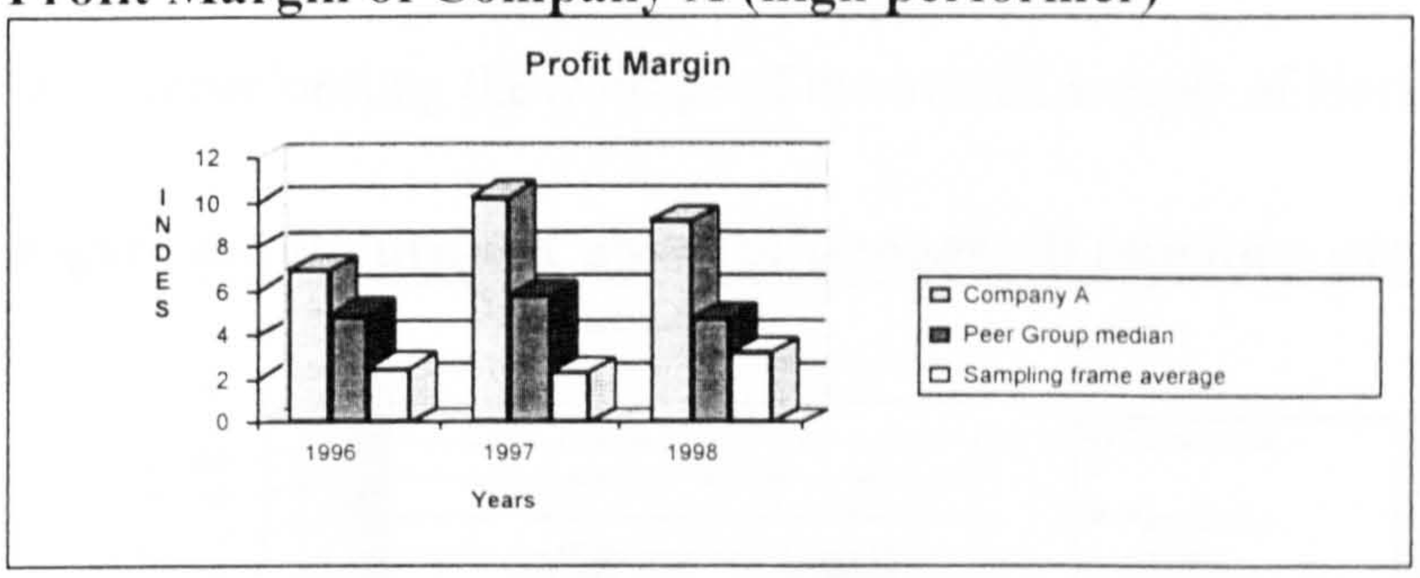
Similarly Return on Capital Employed shows a distinct high performance compared to both groups.

Figure d-2 Return on Capital of company A (high performer)



Finally, the profit margins of this company, which operates in the drink sector, are also higher than the sampling frame's average.

Profit Margin of Company A (high performer)



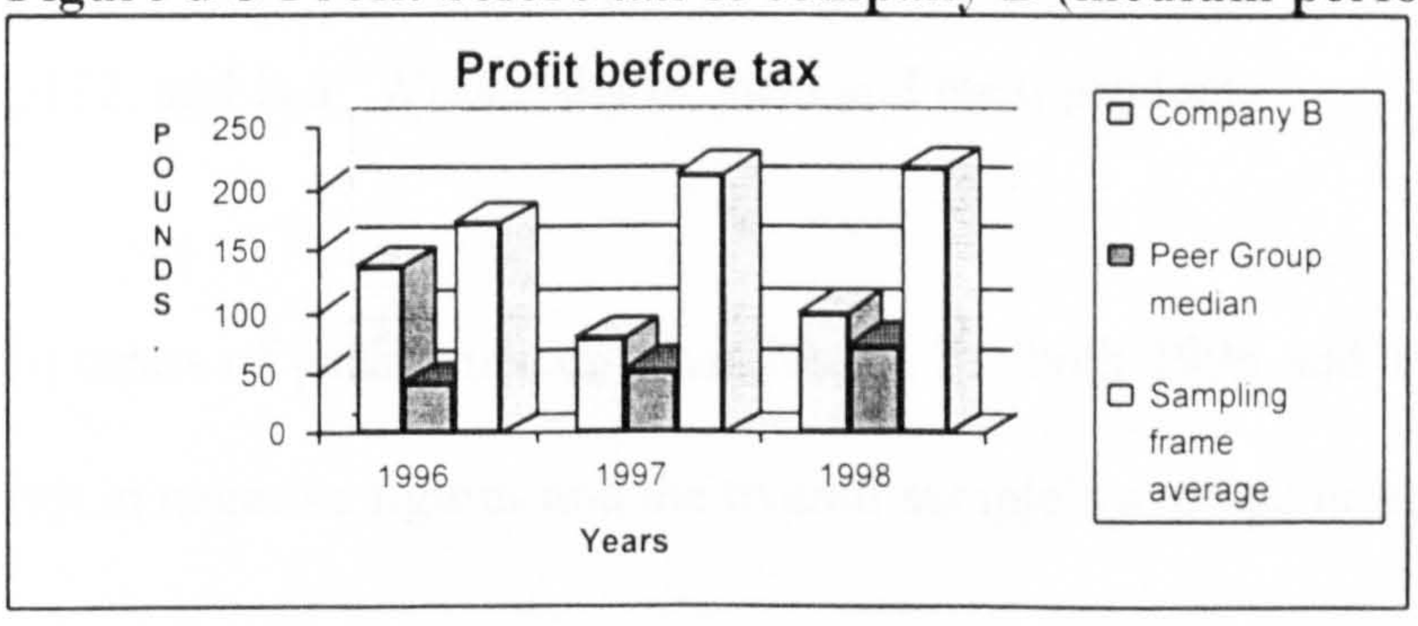
From the figures and comparisons, we see that owner/managers perform well against the financial measures specified in the questionnaire, as well as three other objective performance indicators, both within the market they operate (peer group) and the agri-food SMEs in the North of England.

The Medium Performer.

Company B has a Primary 92-SIC Code Number 5131 and its description is as "Wholesale of fruit and vegetables".

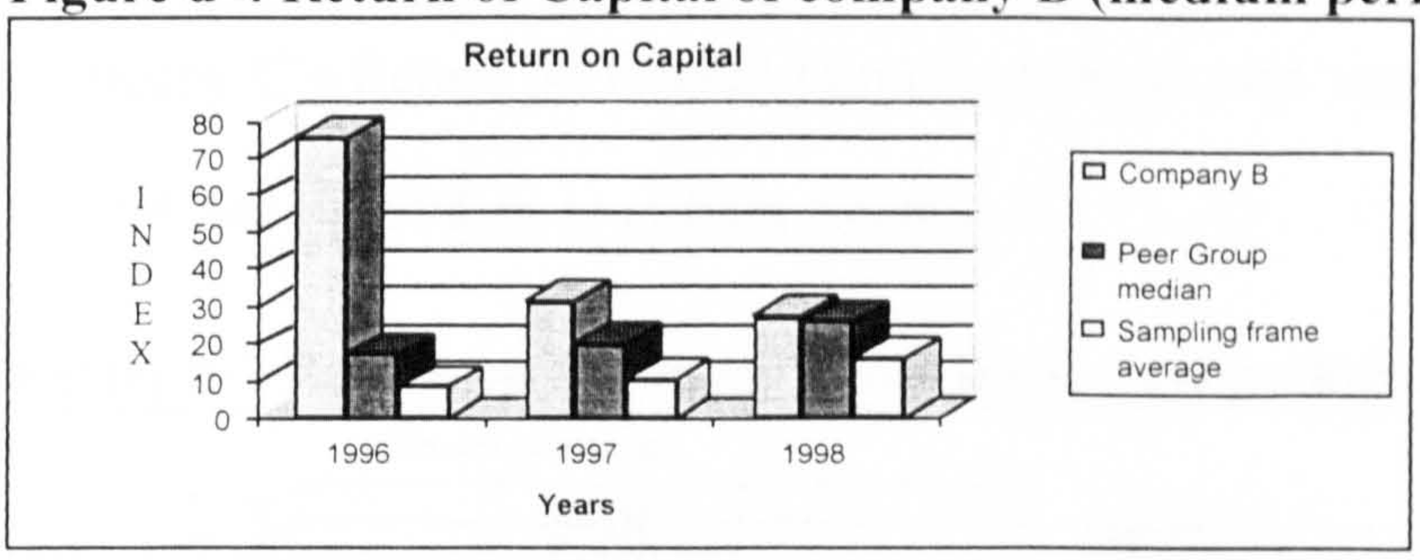
Its Profit before tax shows a big drop in 1997 and a small recovery in 1998. In terms of comparison with the agri-food sector, it performs worse than the sampling frame's, but better than its peer market's average, although the rate of increase of the market is higher than the increase of the company, between 1997-98.

Figure d-3 Profit before tax of company B (medium performer)



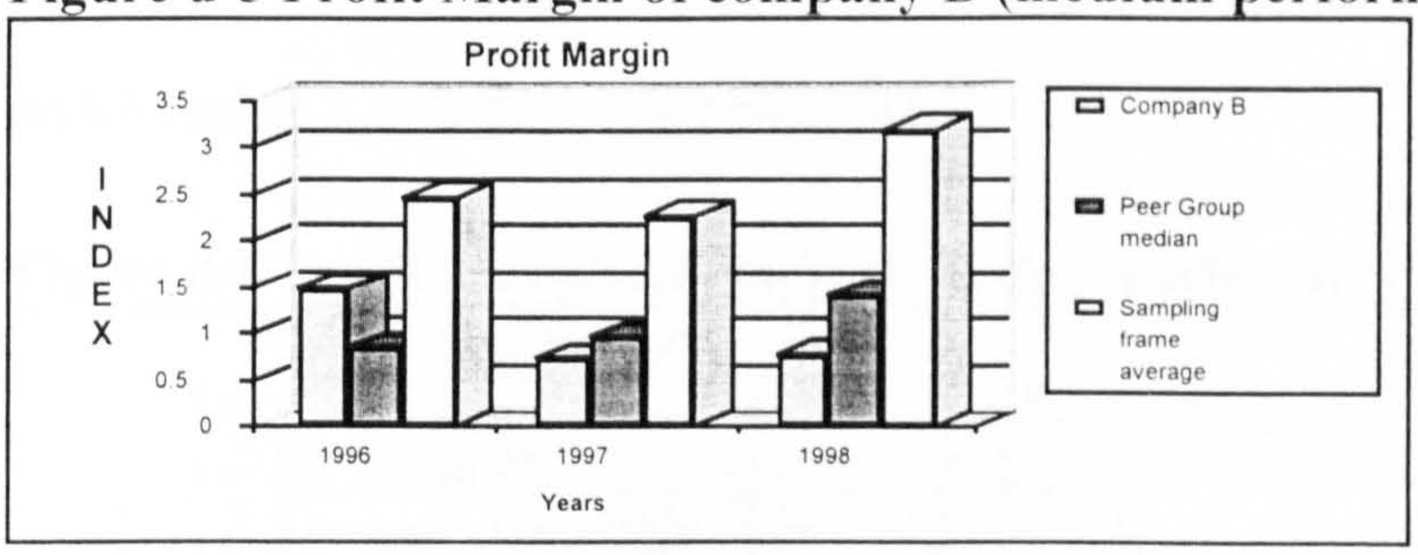
In terms of return on capital employed, after its high performance in 1996, it has dropped. On the other hand, both its peer companies and the agri-food sample average increases, reaching similar levels of ROC in 1998 with its peer group, but still outperforming the average of the overall sample of Northern SMEs.

Figure d-4 Return of Capital of company B (medium performer)



Finally, company B has a profit margin that is lower than both its market average and the SMEs in the North. However, it slightly picked up from 1997, showing that there may be better performance in its margin.

Figure d-5 Profit Margin of company B (medium performer)

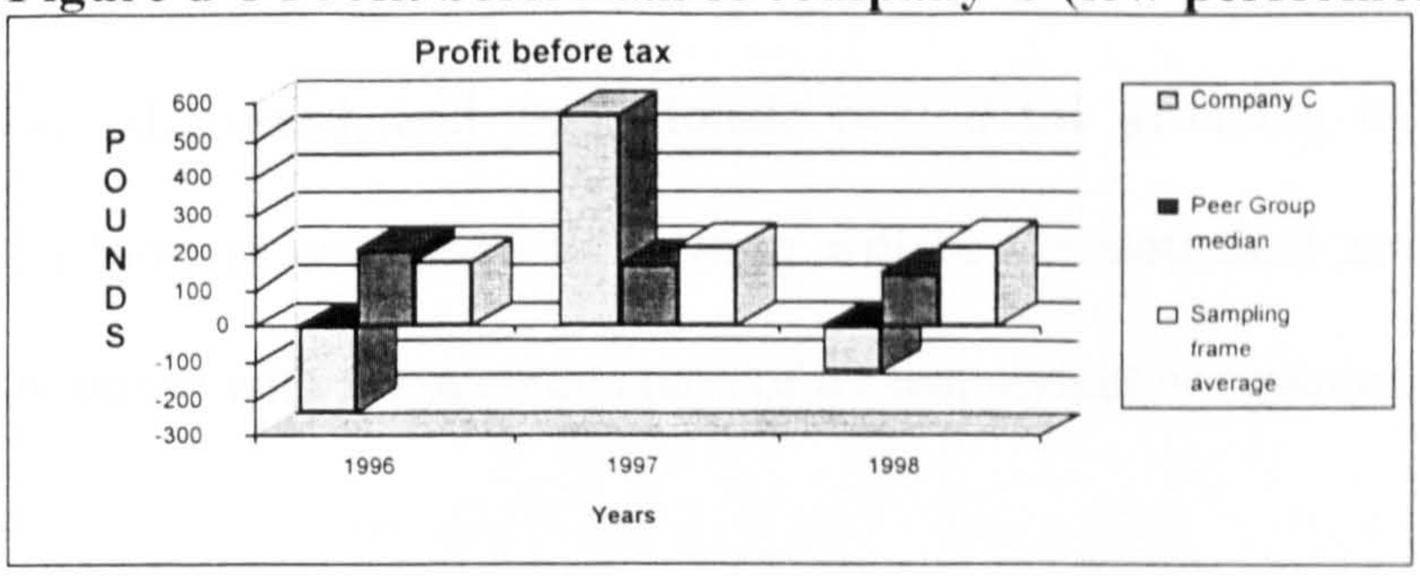


The Low performer.

Company C, classed as a low performer, has a Primary 92 SIC Code Number of 5132, and is a "Wholesaler of meat and meat products".

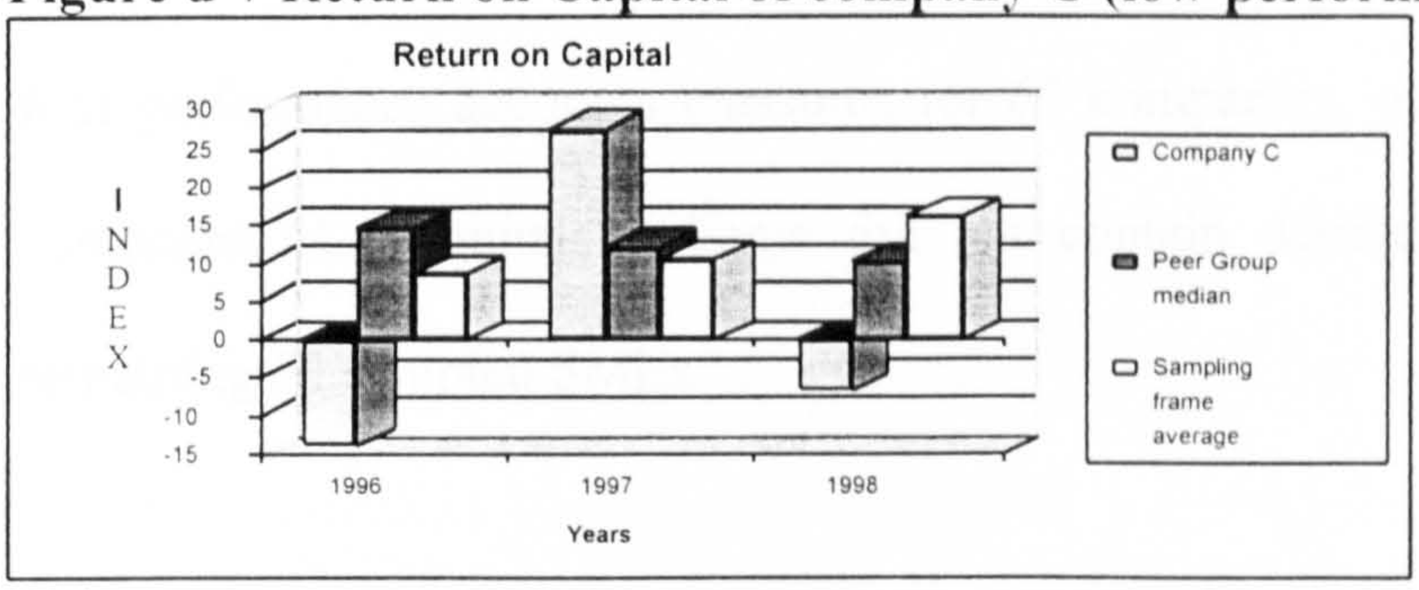
In terms of performance, it has losses, for both 1996 and 1998. Again its market is not in negative figures and the overall sample's average is again positive.

Figure d-6 Profit before tax of company C (low performer)



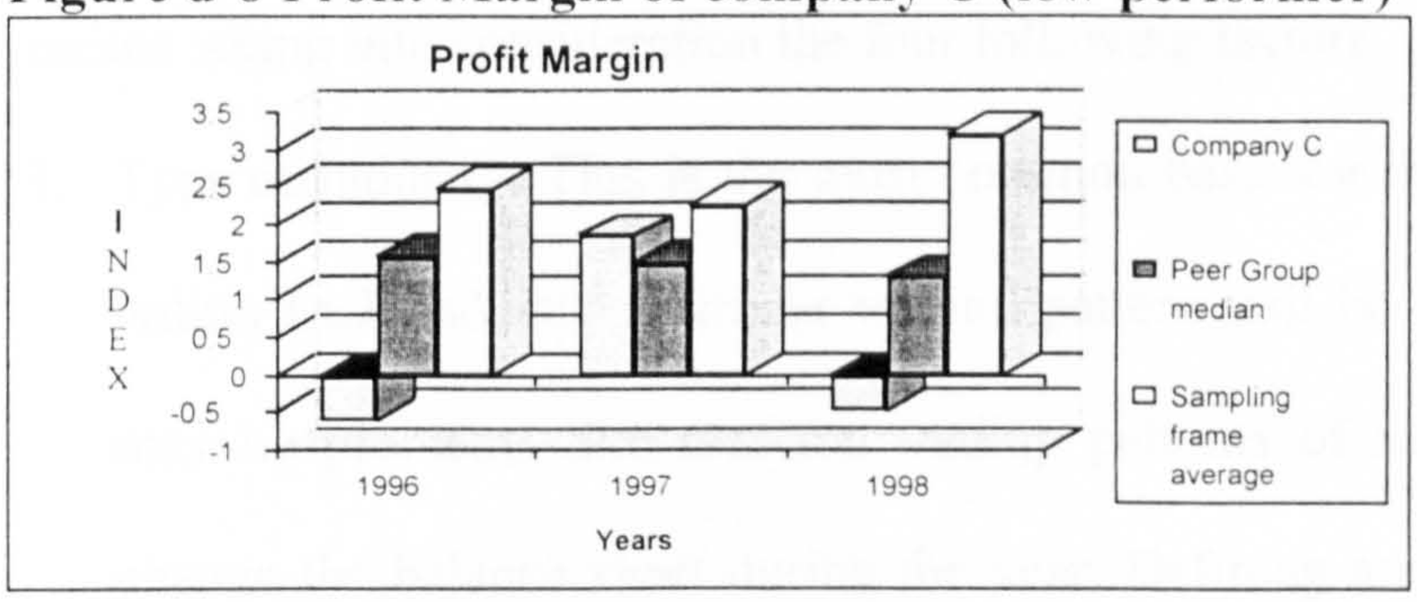
Company C's Return on Capital Employed shows also very poor performance both in 1996 and in 1998, as seen from figure d-7.

Figure d-7 Return on Capital of company C (low performer)



Finally, its profit margins show again negative performance both in 1996 and 1998, which makes it a distinct low performer.

Figure d-8 Profit Margin of company C (low performer)



This company, however, performs very well in 1997, which may be a year of selling part of the business. In any case, the figures are still well below average for 1998, which was the year of this survey.

To summarise this section, the performance variations of three respondent companies was discussed, and the rationale behind the grouping of high, medium and low performers was given. Following will be the statistical analysis of the performance measure with the accounts data of 69 respondent companies, taken from Fame.

Analysis of accounts and survey performance data

This section will analyse in a more statistically robust way the performance classification used in the thesis. In particular, it will draw from the Fame database four performance accounts measures for 69 companies, out of the 141 respondent companies. Unfortunately, Fame did not contain detailed financial data on the remaining 72 sampled SMEs.

Then it will compare the accounts data of these companies with the performance classification instrument, to test its validity. When making comparisons between accounts data businesses should have a similar trading pattern (Blake, 1989). This means taking into consideration the four following factors:

1. Type of industry: This is the most common basis for making comparisons since within each industry a similar trading pattern will be expected. However there may be problems like seasonal trading patterns of sub-industries, which may change the balance sheet during the year. Defining an industry may be another problem. This thesis is concerned with a single industry, therefore this prerequisite is met.
2. Nationality: The legal and cultural framework within which a business operates can have a significant impact on the accounts. Hence, this is also met by this project, since all SMEs are in England.

3. Regionality: In some case comparisons between regions within a country may be more valid and preferable (Baker 1989). Again, this project examines the North of England adding an element of regionality to the comparison.
4. Size of business: When using accounting ratios, the size of the company is likely to affect the trading patterns. For example, a chain of supermarkets has a different trading pattern to a small grocer's shop, although both are in the same industry. However, all companies in the survey are SMEs, therefore this prerequisite was also met.

The four financial performance variables used from Fame are profit margin, return on capital, gearing and profit per employee. These are defined as follows:

1. Profit margin is a performance ratio and is calculated by dividing net profit by turnover.
2. Return on Capital is probably one of the most used performance variables and indicates the net profit of a company divided by the capital employed.
3. Gearing is a measure of the financial structure of a company. It measures the way in which a business is financed. The degree of capital gearing is computed by adding interest to profit before tax and then dividing the sum by profit before tax.
4. Profit per employee is another measure of performance and is calculated by dividing gross profits with the total number of employees. It is a more accurate estimate of profitability than profit before or after tax, since it takes into consideration the number of employees or in other words the size effect (Glautier and Underdown, 1997).

Methodology

Since there was data available from Fame on the above four variables, one way analysis of variance (ANOVA test) was considered the appropriate methodological tool. The ANOVA procedure (for a detailed analysis, see the next appendix d) produces a one-way analysis of variance for a quantitative dependent (financial ratios from Fame database) and a factor (subjective performance groups from survey responses) variable. In this case the dependent variables are the four financial ratios derived from Fame, namely profit margin, return on capital employed, gearing, profit per employee and current ratio. This technique tests whether differences exist between means of groups. The assumptions are the following:

1. Each group is an independent random sample from a normal population
2. Data should be symmetric and
3. The groups should come from populations with equal variances.

To test the last assumption the analysis uses Levene's homogeneity-of-variance test. The SPSS 9.0 for Windows computer software was utilised. The examination, as mentioned earlier, is to test the null hypotheses that the means between the three performance classifications used in the survey (high, medium and low) and the four accounts variables were not different.

In order to test the validity of the results one of the assumptions stated should be examined, and the Levene's homogeneity-of-variance test should be used. Performing the test for all four variables produces the following results:

Table d-1 Test of Homogeneity of variances

Test of Homogeneity of Variances

	Levene Statistic	df1	df2	Sig.
Profit Margin	15.907	2	52	.000
Return on Capital Employed ROC	6.036	2	65	.004
Gearing (in %)	7.679	2	63	.001
Profit per Employee (in units)	13.312	2	65	.000

The above table shows that all four tests are significant at the 5 per cent level. Therefore, the third assumption is met, which means that all variables come from populations with equal variances. The next section will examine the results of the ANOVA tests.

Results from the ANOVA tests

The following table shows the descriptives of the ANOVA tests, with respect to the three performance groups. That includes the means, standard deviations and standard errors of the variables, together with the high and low mean values (at the 95% confidence interval).

Table d-2 Descriptives of ANOVA

Descriptives

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
Profit Margin	High performer	21	7 0833	3.8506	.8403	5.3306	8 8361	2 05	15 74
	Medium performer	23	3 6257	3.7021	7719	2.0247	5 2266	.31	16 58
	Low performer	11	-6 2836	13.34	4 02	-15.25	2 6801	-37 08	4.16
	Total	55	2 9640	8 2613	1.11	.7307	5 1973	-37.08	16 58
Return on Capital Employed ROC	High performer	25	26 6208	15.85	3.17	20 08	33.163	5 04	58 17
	Medium performer	29	16 9631	13.72	2.55	11.74	22 183	1 24	49 68
	Low performer	14	-36 08	132 6	35 4	-112.6	40 477	-495.23	17.63
	Total	68	9 5926	64 40	7 81	-5 996	25.182	-495 23	58.17
Gearing (in %)	High performer	25	81.1492	79 51	15.9	48.33	113.97	1.00	297.04
	Medium performer	29	91.8500	113.5	21 1	48 66	135 04	.41	507.45
	Low performer	12	213 84	262 8	75 9	46 87	380 82	11 41	873 64
	Total	66	109 98	148 4	18.3	73 49	146 47	.41	873 64
Profit per Employee (in units)	High performer	25	21539	30660	6132	8883	34194	1238 00	122970 0
	Medium performer	29	3908 7	3784	703	2469	5348 0	84.00	13562 00
	Low performer	14	-3387	8387	2241	-8229	1455.2	-27720 0	4932 00
	Total	68	8888 2	21408	2596	3706	14070	-27720 0	122970.0

The next step of the procedure was to test the F statistic of the null hypothesis that the group means are equal. The following table shows the results of the ANOVA procedure. It is evident that at the 2.5 per cent significance level the means of the performance group (high, medium and low) are significantly different for each of the four accounts performance variables, namely profit margin, return on capital employed, gearing and profit per employee.

Table d-3 ANOVA results for the performance variables

ANOVA

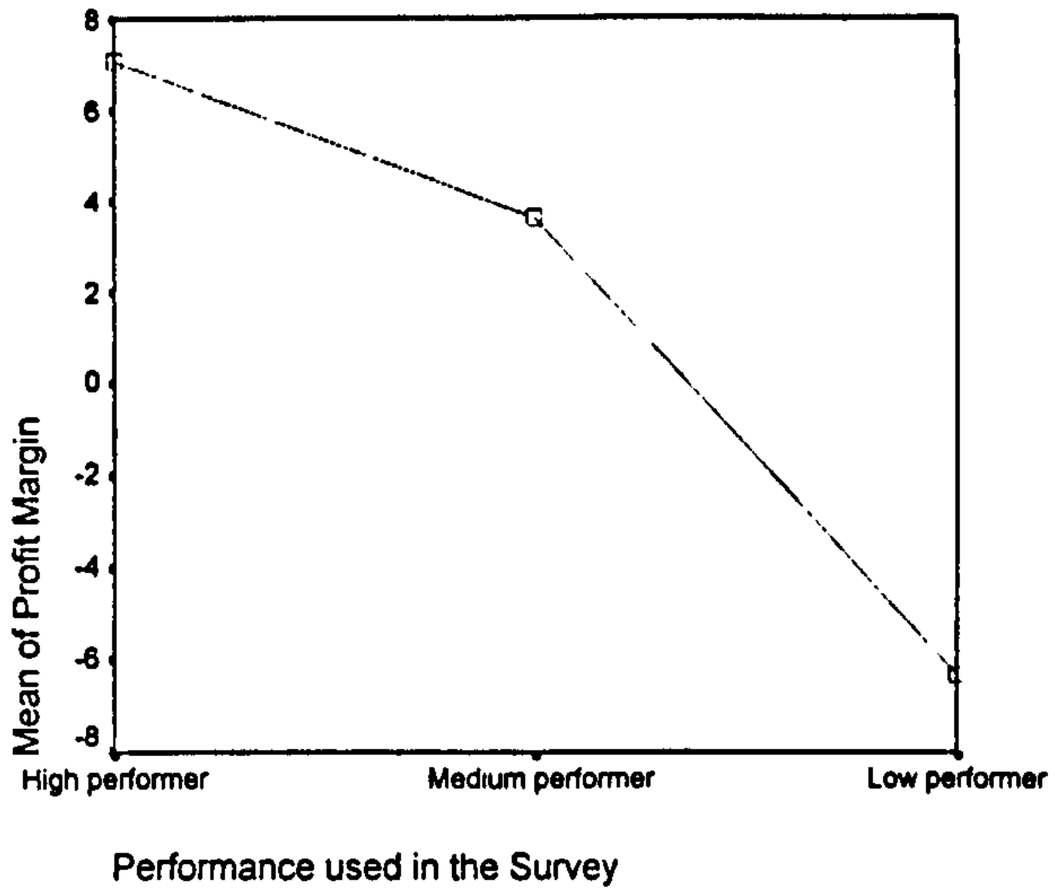
		Sum of Squares	df	Mean Square	F	Sig
Profit Margin	Between Groups	1307.123	2	653.561	14.289	.000
	Within Groups	2378.337	52	45.737		
	Total	3685.460	54			
Return on Capital Employed ROC	Between Groups	38030.945	2	19015.473	5.153	.008
	Within Groups	239868.972	65	3690.292		
	Total	277899.917	67			
Gearing (in %)	Between Groups	159765.767	2	79882.883	3.955	.024
	Within Groups	1272384.5	63	20196.579		
	Total	1432150.2	65			
Profit per Employee (in units)	Between Groups	6.829E+09	2	3.415E+09	9.296	.000
	Within Groups	2.388E+10	65	367319942		
	Total	3.071E+10	67			

This shows that there are variations between objective financial performance accounts data and the subjective performance groups used in the study. In order to find the type of variations, we will examine the mean scatter plots of the four accounts variables with the performance instrument used in the study.

First, the group means of the performance instrument used in the survey are different from the means of the profit margin (F value = 14.289, p value = 0.000).

Figure d-9 shows that there is a negative trend between performance groups and profit margins. So there is a negative relationship between profit margins and performance group. For example, there is a relationship between mean low performers and low profit margins.

Figure d-9 Means plot of profit margin to performance



Another diagrammatic illustration of this can be shown with the aim of a Box-Whisker plot[2]. From the following figure, we can further conclude that the distribution of the variables is concentrated in the high performers (1) in the higher end of the profit margin scale whereas in the low performers within the lower end of the profit margin scale. The medians of the groups are also following a similar pattern to the means as shown from figure d-10.

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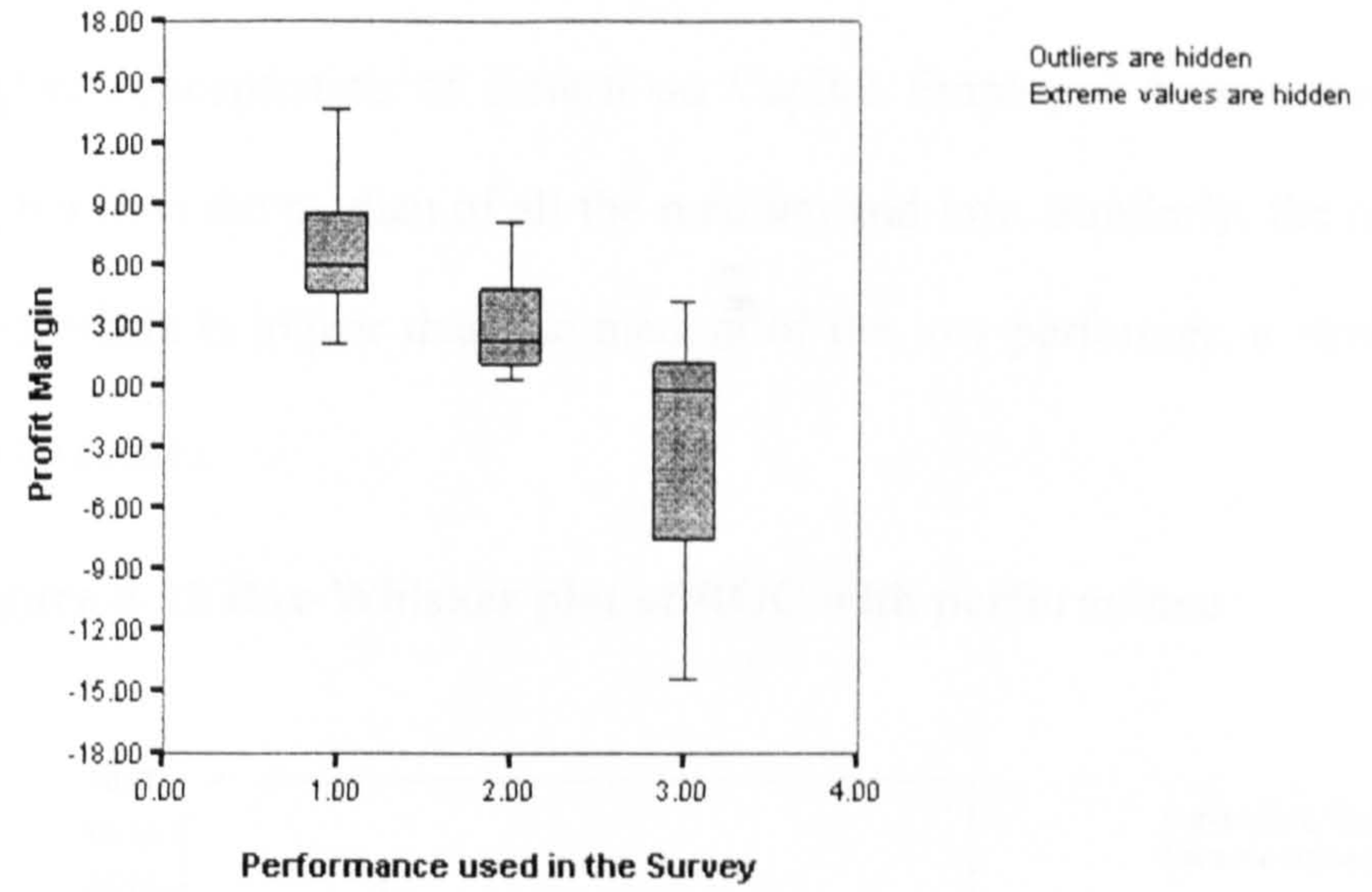
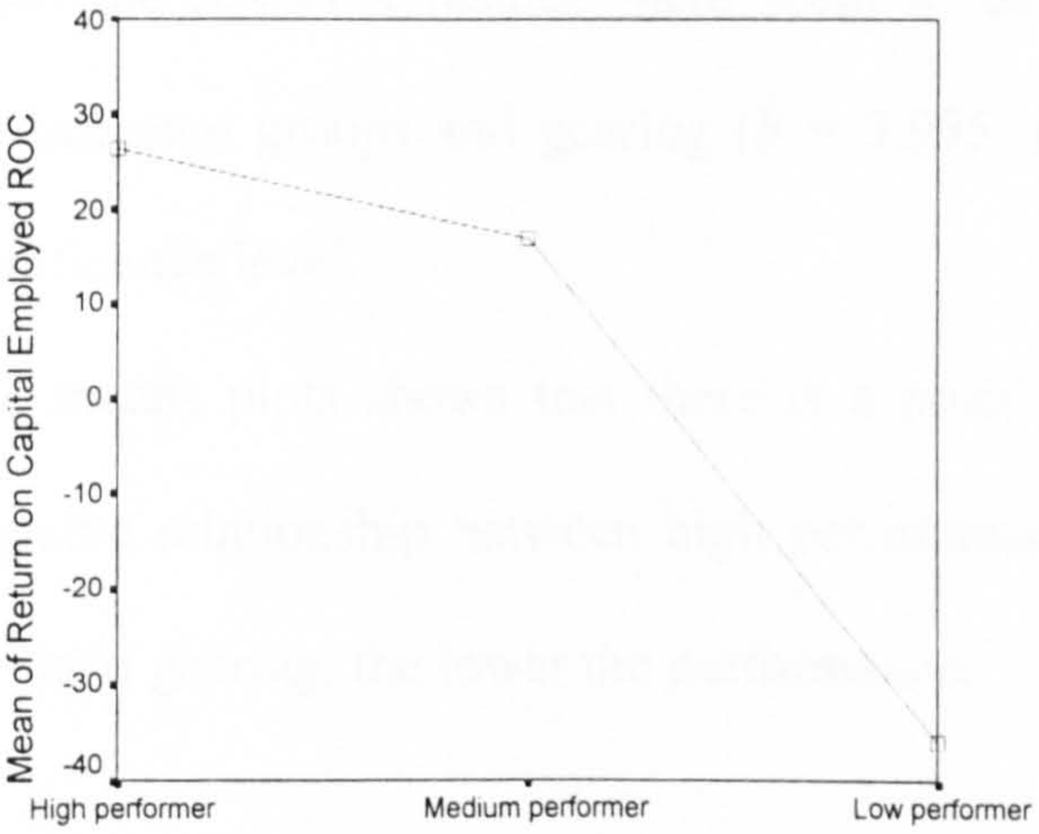
[2] This plot splits the observations into four quartiles, for each performance group (1 = high, 2 = medium and 3 = low). The shaded area shows the second and third quartile of the values and the horizontal line within it shows the median of the values. The purpose of this plot is to show whether the values are skewed in any of the performance groups. For presentational purposes, the outliers and extreme values are excluded from the plots.

Figure d-10 Box-Whisker plot of profit margin to performance



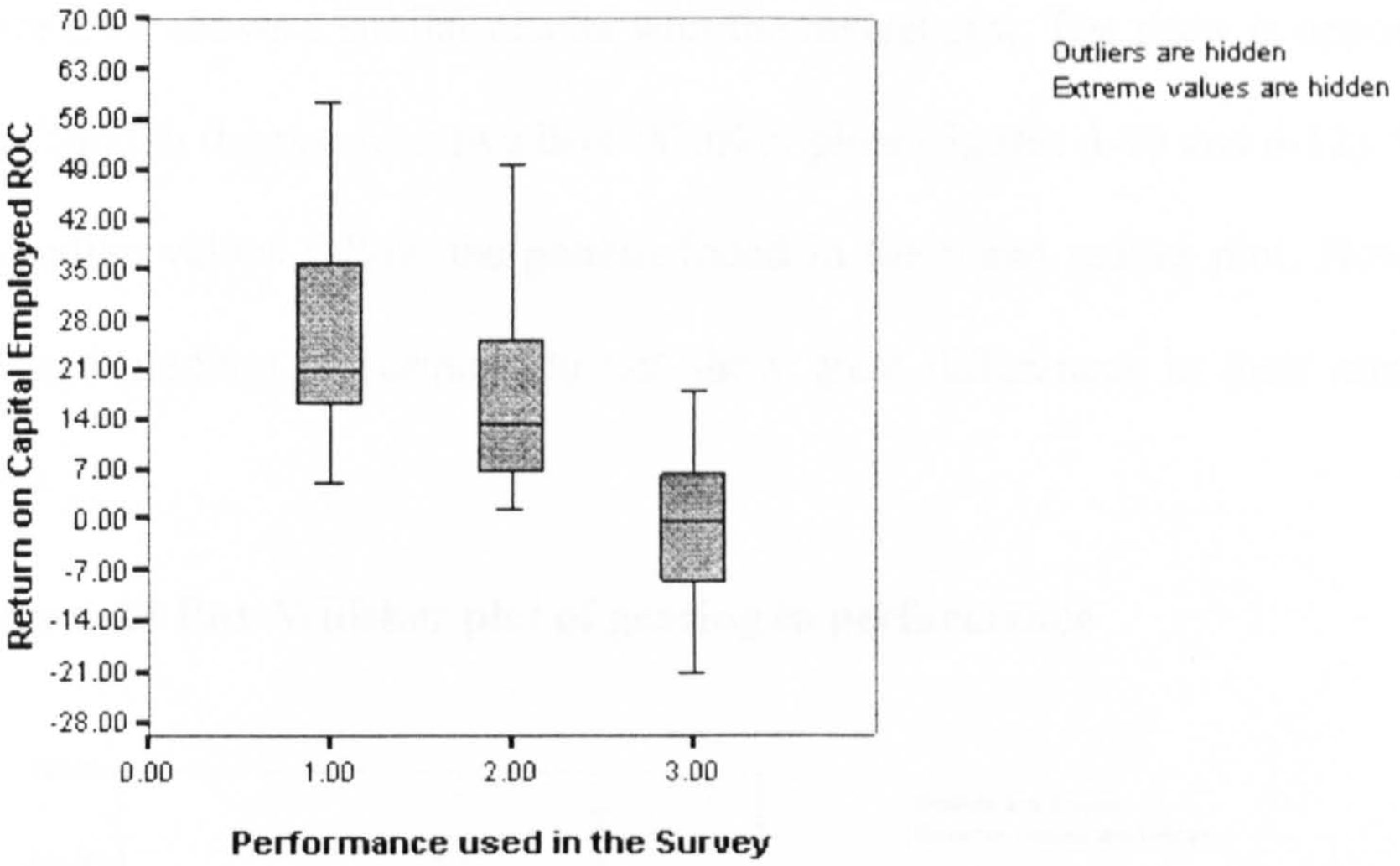
The performance groups' means are also significantly different to the mean of Return on Capital Employed, at the 1 per cent level of significance (F = 5.153, p value = 0.008). The means scatter plots shown below (figure d-11) shows similarly a negative slope therefore a positive trend between high performers and high Return on Capital Employed.

Figure d-11 Means plot of ROC to performance



Furthermore, the Box-Whisker plot (figure d-12) shows that there is a similar pattern to the one shown in the profit margin figure, i.e. the high performers tend to have higher concentration of Return on Capital Employed scores, and their median is higher than the median of all the medium and low. Similarly, the median of medium performers is higher than the median of the low performer, a similar pattern to the mean scores.

Figure d-12 Box-Whisker plot of ROC with performance



From the ANOVA results, there seem to be a difference between the means of performance groups and gearing (F = 3.955, p value = 0.024), at the 2.5 per cent significance level.

The means plots shows that there is a positive slope. This shows that there is a negative relationship between high performance and gearing. The higher the mean levels of gearing, the lower the performance.

Figure d-13 Means plot of gearing to performance

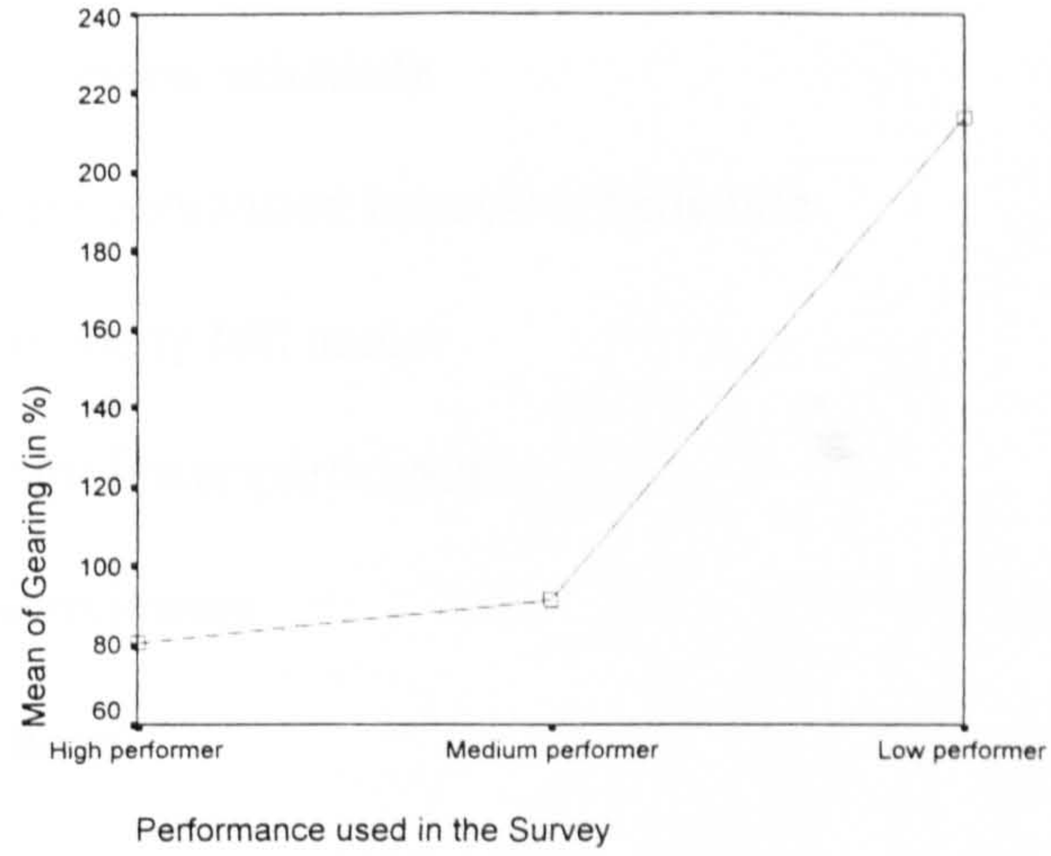
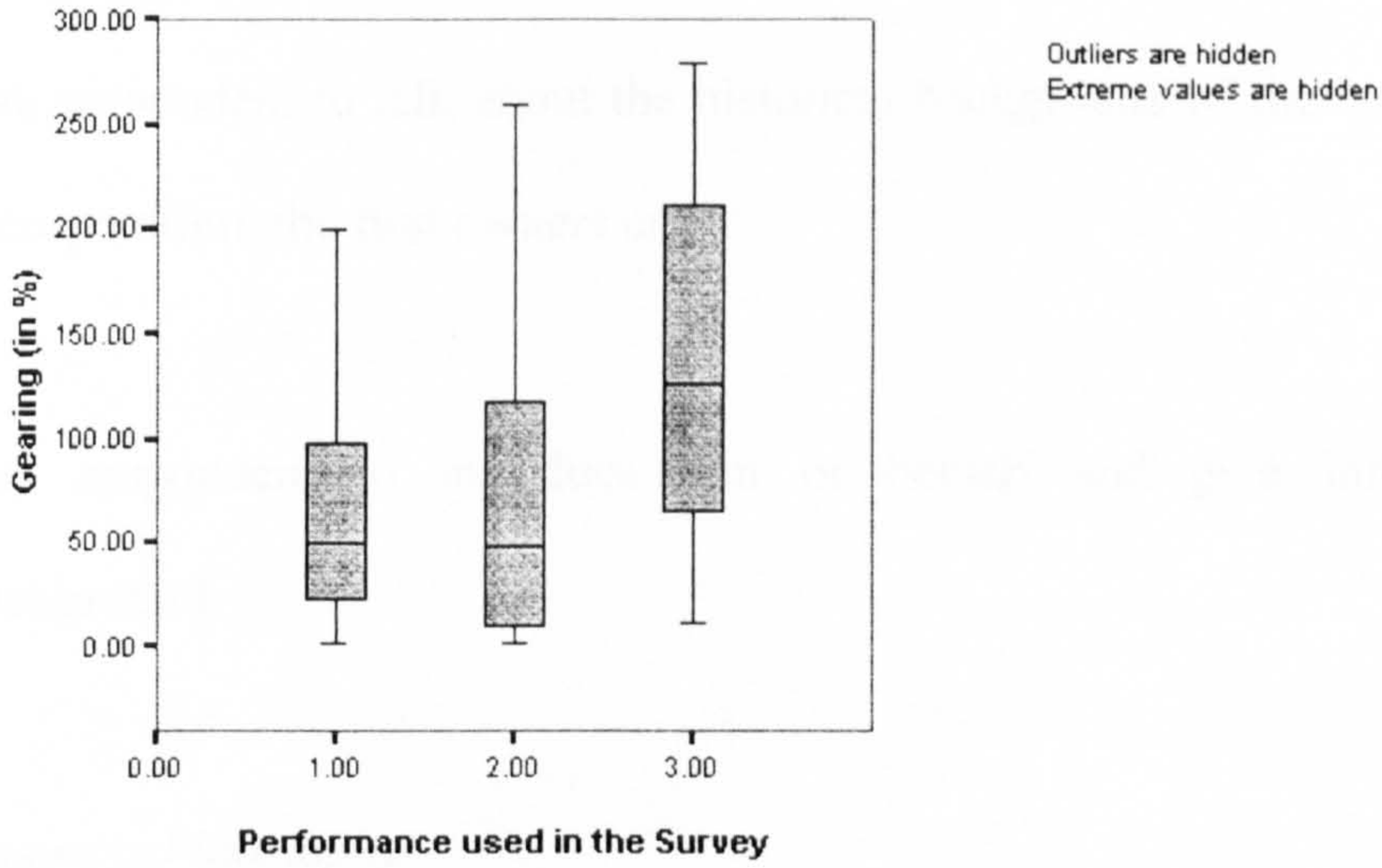


Figure d-14 shows a similar results with the means plot. The skew is opposite to the ones found in the previous two Box-Whisker plots (figures d-10 and d-12). Similarly, the median values follow the pattern found in the mean scatter plot. However, the high and medium performers do not show great differences in their medians and skews.

Figure d-14 Box-Whisker plot of gearing to performance



Finally, the means of the performance groups are different to the mean of the profit per employee variable, at the 1 per cent level ($F = 9.926$, p value = 0.000).

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Interview Schedule and qualitative data analysis

Interview schedule

Semi-Structured Interview Schedule

Company full name:

Interviewer participants:

Interviewee:

Venue:

Time:

Opening questions:

Thank respondent for accepting your offer for the interview

Stress confidentiality

Ask for permission to tape the interview

Company's history

Ask respondent to talk about the historical background of the company (i.e. date of incorporation, the first owners etc.).

Ask respondent to introduce him or herself and give information on their background.

Business Philosophy

What do you think marketing involves in your company?

Who is in charge of the whole function?

What are some of the tasks of marketing in your company?

What is the marketing philosophy of your company (probe them to the question from the questionnaire)? Why?

Strategic Analysis

Do you have any strategic plans? If so what sort of plans and how often do you plan?

Are you aware of any planning tools like SWOT analysis or something similar? (explain if they do not understand what SWOT analysis involves)

How exactly do you use this type of tools and why do you believe they are important/not important?

What about market information, like market trends, competitor analysis, and so on. Do you gather any and if so from where and how. Do you find it useful?

If so who is in charge of analysing the data? How do you do that and how many people are involved? Do you use the data for strategic decisions?

Marketing strategy

How would you describe your overall marketing strategy (probe them with the questions from the survey)? Where do you focus, cost reduction and productivity improvement? Why?

What is your marketing mix strategy, i.e. product, price, promotion, place (explain). In other word which of the 4 Ps are your strongest areas? Why? How have you developed them?

Has your company recently developed a new product or new idea? Please describe the process of change.

Would you describe your company as aggressive or conservative? Why? Do you think you can tap to new markets?

Marketing organisation

What is the structure of the management of the company?

How is the communication within the company and the departments? How do you respond to changes in customers requirements, and how does the communication flow within the company?

Who makes the decisions? How much are the departments integrated with the marketing department?

Marketing control

Do you have a marketing intelligence gathering system? If so why? How does it work?

Do you get any feedback on your performance and objectives by your customers?

Do you have an internal method of assessing your effort?

Networks and agri-food environment

Do you use any network of friends or colleagues for your operations? If so why and how do you find them useful?

Do you believe that the regulations imposed can become a threat to your company? How do they affect you?

What about the competitors, the big players. How and why do they affect your company?

Closing comments

Thank you for your time

Results will be sent as soon as they are analysed

Give contact details in case they have any questions/need help

Qualitative data analysis

QSR NUD.IST (1997) is a computer package designed to aid users in handling Non-numerical and unstructured data in qualitative analysis, by supporting processes of coding data in an index system, searching text or searching patterns of coding and theorising about the data. NUD.IST stands for Non-numerical Unstructured Data Indexing Searching and Theorising and the following figure explains the process by which non-numerical unstructured data can become theory. There are four stages in the process of analysis using this software.

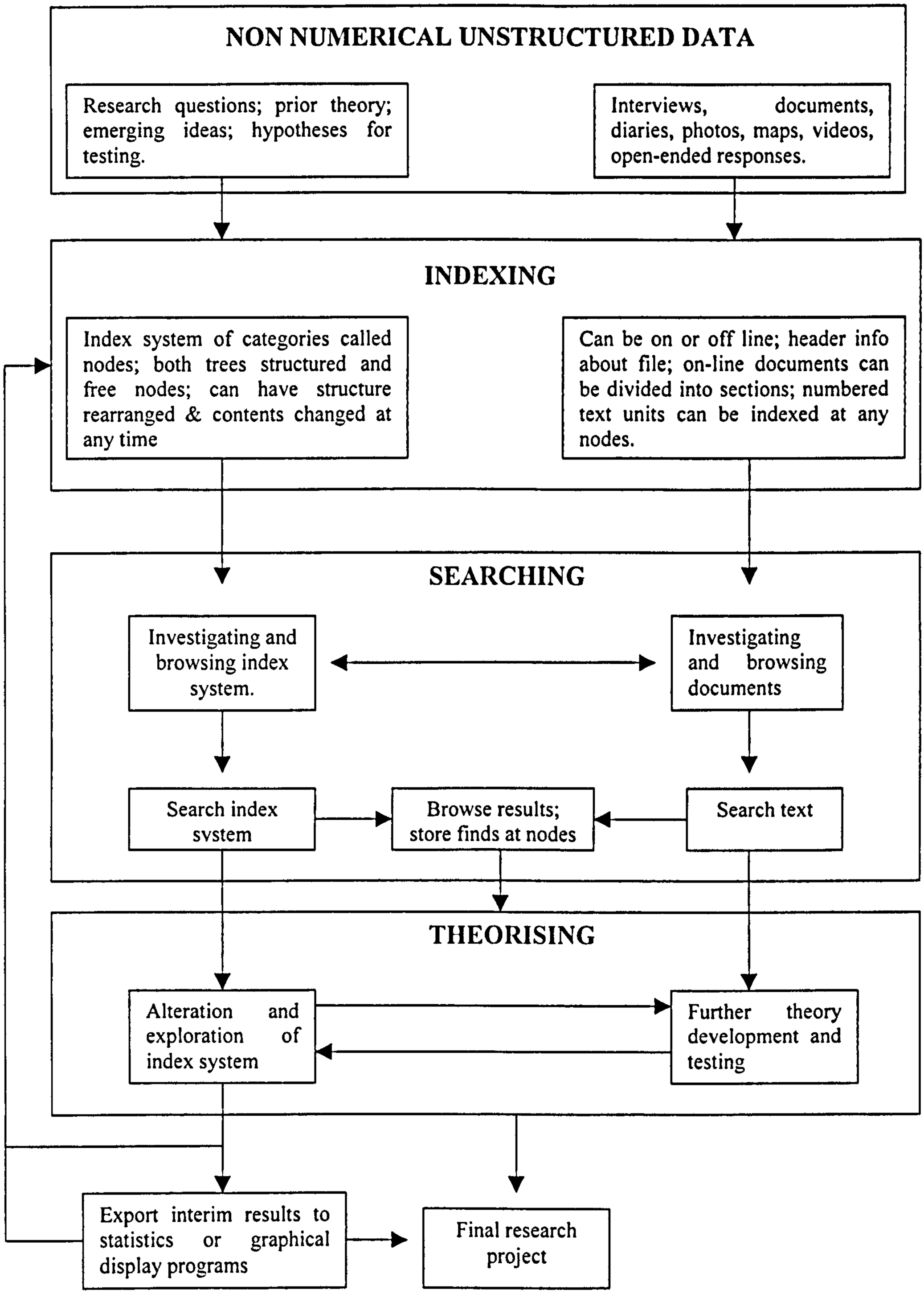
The first stage starts by simultaneously asking the research questions and the hypotheses to be tested, and undertaking the interviews, and collecting documents relevant to the study.

The next step is to use the indexing system in order to put documents into some taxonomy and order, depending on their content.

The third stage is the stage where searching of the index system and text, and developing nodes, will lead to theory development.

The final step is concerned with putting the results into a workable theory and further evaluation of the results, which then goes to the final project results or goes back to the indexing stage.

Figure d-20 QSR NUD.IST 4 analysis process (adapted from QSR NUD.IST, 1997)



Appendix e Chi-square Tables

Table e-1 Q1 Marketing Approach of Independent SMEs

Crosstab

% within Financial performance

		Financial performance			Total
		High performer	Medium performer	Low performer	
Q1 Marketing Approach	We place major emphasis on prior analysis of market needs	60.0%	46.9%	40.9%	49.4%
	We ..sell to whoever will buy/we emphasise advertising, PR..	40.0%	53.1%	59.1%	50.6%
Total Count		25	32	22	79

Table e-2 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.840[a]	2	.399
Likelihood Ratio	1.851	2	.396
Linear-by-Linear Association	1.720	1	.190
N of Valid Cases	79		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 10.86.

Table e-3 Q1 Marketing Approach of Subsidiary SMEs

Crosstab

% within Financial Performance

		Financial Performance		Total
		Financially successful	Financially Average/Low	
Q1 Marketing Approach	We place major emphasis on prior analysis of market needs	55.6%	52.2%	54.0%
	We...sell to whoever will buy/we emphasise advertising, PR..	44.4%	47.8%	46.0%
Total Count		27	23	50

Table e-4 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.057[b]	1	.811
Continuity Correction[a]	.000	1	1.000
Likelihood Ratio	.057	1	.811
Linear-by-Linear Association	.056	1	.813
N of Valid Cases	50		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 10.58.

Table e-5 Q1 Marketing Approach of all agri-food SMEs

Crosstab

% within Financial performance

		Financial performance			Total
		High performer	Medium performer	Low performer	
Q1 Marketing Approach	We place major emphasis on prior analysis of market needs	57.7%	47.8%	45.2%	51.2%
	We ..sell to whoever will buy/we emphasise advertising, PR..	42.3%	52.2%	54.8%	48.8%
Total Count		52	46	31	129.0

Table e-6 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.539[a]	2	.463
Likelihood Ratio	1.544	2	.462
Linear-by-Linear Association	1.378	1	.240
N of Valid Cases	129		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 15.14.

Table e-7 Q2 Formal strategic marketing planning of independent SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q2 Formal strategic marketing planning	We have annual and longer term plans	66.7%	40.6%	40.0%	48.1%
	We only have annual marketing plans, only budgeting or none	33.3%	59.4%	60.0%	51.9%
Total Count		24	32	25	81

Table e-8 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.687[a]	2	.096
Likelihood Ratio	4.746	2	.093
Linear-by-Linear Association	3.393	1	.065
N of Valid Cases	81		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.56.

Table e-9 Q2 Formal strategic marketing planning of subsidiary SMEs

Crosstab

% within Financial Performance

		Financial Performance		
		Financially successful	Financially Average/Low	Total
Q2 Formal strategic marketing planning	We have annual and longer term plans	66.7%	50.0%	58.2%
	We only have annual marketing plans, only budgeting or none	33.3%	50.0%	41.8%
Total Count		27	28	55

Table e-10 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.569[b]	1	.210
Continuity Correction[a]	.959	1	.327
Likelihood Ratio	1.579	1	.209
Linear-by-Linear Association	1.541	1	.215
N of Valid Cases	55		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.29.

Table e-11 Q2 Formal strategic marketing planning of all agri-food SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q2 Formal strategic marketing planning	We have annual and longer term plans	66.7%	44.9%	41.7%	52.2%
	We only have annual marketing plans, only budgeting or none	33.3%	55.1%	58.3%	47.8%
Total Count		51	49	36	136

Table e-12 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.926[a]	2	.031
Likelihood Ratio	7.028	2	.030
Linear-by-Linear Association	5.815	1	.016
N of Valid Cases	136		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 17.21.

Table e-13 Q3 Importance attached to situation analysis of independent SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q3 Importance attatched to situation analysis	High importance	66.7%	50.0%	32.0%	49.4%
	Average importance/Low importance	33.3%	50.0%	68.0%	50.6%
Total Count		24	34	25	83

Table e-14 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.895[a]	2	.052
Likelihood Ratio	6.020	2	.049
Linear-by-Linear Association	5.821	1	.016
N of Valid Cases	83		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.86.

Table e-15 Q3 Importance attached to situation analysis of subsidiary SMEs

Crosstab

% within Financial Performance

		Financial Performance		
		Financially successful	Financially Average/Low	Total
Q3 Importance attatched to situation analysis	High importance	51.9%	53.6%	52.7%
	Average importance/Low importance	48.1%	46.4%	47.3%
Total Count		27	28	55

Table e-16 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.016[b]	1	.898
Continuity Correction[a]	.000	1	1.000
Likelihood Ratio	.016	1	.898
Linear-by-Linear Association	.016	1	.899
N of Valid Cases	55		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 12.76.

Table e-17 Q3 Importance attached to situation analysis of all agri-food SMEs

Crosstab

% within Financial performance

		Financial performance			Total
		High performer	Medium performer	Low performer	
Q3 Importance attatched to situation analysis	High importance	58.8%	51.0%	38.9%	50.7%
	Average importance/Low importance	41.2%	49.0%	61.1%	49.3%
Total Count		51	51	36	138

Table e-18 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.357[a]	2	.187
Likelihood Ratio	3.380	2	.185
Linear-by-Linear Association	3.276	1	.070
N of Valid Cases	138		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 17.74.

Table e-19 Q4 a1) Usage of SWOT analysis of independent SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q4 a1) Usage of SWOT analysis	High use	47.8%	31.3%	24.0%	33.8%
	Medium use	47.8%	40.6%	16.0%	35.0%
	Low use	4.3%	28.1%	60.0%	31.3%
Total Count		23	32	25	80

Table e-20 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.102[a]	4	.001
Likelihood Ratio	20.249	4	.000
Linear-by-Linear Association	11.509	1	.001
N of Valid Cases	80		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 7.19.

Table e-21 Q4 a1) Usage of SWOT analysis of subsidiary SMEs

Crosstab

% within Financial Performance

		Financial Performance		
		Financially successful	Financially Average/Low	Total
Q4 a1) Usage of SWOT analysis	High Use	38.5%	16.0%	27.5%
	Medium/Low use	61.5%	84.0%	72.5%
Total Count		26	25	51

Table e-22 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.229[b]	1	.072
Continuity Correction[a]	2.199	1	.138
Likelihood Ratio	3.315	1	.069
Linear-by-Linear Association	3.165	1	.075
N of Valid Cases	51		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.86.

Table e-23 Q4 a1) Usage of SWOT analysis of all agri-food SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q4 a1) Usage of SWOT analysis	High use	42.9%	26.5%	21.2%	31.3%
	Medium use	40.8%	46.9%	27.3%	39.7%
	Low use	16.3%	26.5%	51.5%	29.0%
Total Count		49	49	33	131

Table e-24 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.050[a]	4	.007
Likelihood Ratio	13.539	4	.009
Linear-by-Linear Association	10.541	1	.001
N of Valid Cases	131		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 9.57.

Table e-25 Q4 a2) Awareness of SWOT analysis of independent SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q4 a2) Awareness of SWOT analysis	High awarenes	72.7%	43.8%	33.3%	48.7%
	Medium or Low awareness	27.3%	56.3%	66.7%	51.3%
Total Count		22	32	24	78

Table e-26 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.666[a]	2	.022
Likelihood Ratio	7.885	2	.019
Linear-by-Linear Association	6.926	1	.008
N of Valid Cases	78		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 10.72.

Table e-27 Q4 a2) Awareness of SWOT analysis of subsidiary SMEs

Crosstab

% within Financial Performance

		Financial Performance		
		Financially successful	Financially Average/Low	Total
Q4 a2) Awareness of SWOT analysis	High awareness	45.8%	47.6%	46.7%
	Medium or Low awareness	54.2%	52.4%	53.3%
Total Count		24	21	45

Table e-28 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.014[b]	1	.905
Continuity Correction[a]	.000	1	1.000
Likelihood Ratio	.014	1	.905
Linear-by-Linear Association	.014	1	.906
N of Valid Cases	45		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 9.80.

Table e-29 Q4 a2) Awareness of SWOT analysis of all agri-food SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q4 a2) Awareness of SWOT analysis	High awareness	58.7%	46.7%	34.4%	48.0%
	Medium or Low awareness	41.3%	53.3%	65.6%	52.0%
Total Count		46	45	32	123

Table e-30 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.521[a]	2	.104
Likelihood Ratio	4.573	2	.102
Linear-by-Linear Association	4.484	1	.034
N of Valid Cases	123		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 15.35.

Table e-31 Q4 b1) PLC levels of usage of independent SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q4 b1) PLC levels of usages	High usage	52.2%	25.0%	13.0%	29.5%
	Medium usage	4.3%	34.4%	21.7%	21.8%
	Low usage	43.5%	40.6%	65.2%	48.7%
Total Count		23	32	23	78

Table e-32 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.723[a]	4	.008
Likelihood Ratio	14.686	4	.005
Linear-by-Linear Association	5.645	1	.018
N of Valid Cases	78		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.01.

Table e-33 Q4 b1) PLC levels of usage of subsidiary SMEs

Crosstab

% within Financial Performance

		Financial Performance		
		Financially successful	Financially Average/Low	Total
Q4 b1) PLC levels of usage	High usage	24.0%	13.0%	18.8%
	Medium or Low usage	76.0%	87.0%	81.3%
Total Count		25	23	48

Table e-34 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.944[b]	1	.331
Continuity Correction[a]	.362	1	.548
Likelihood Ratio	.962	1	.327
Linear-by-Linear Association	.924	1	.336
N of Valid Cases	48		

a. Computed only for a 2x2 table

b. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 4.31.

Table e-35 Q4 b1) PLC levels of usage of all agri-food SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q4 b1) PLC levels of usages	High usage	37.5%	22.9%	10.0%	25.4%
	Medium usage	22.9%	35.4%	26.7%	28.6%
	Low usage	39.6%	41.7%	63.3%	46.0%
Total Count		48	48	30	126

Table e-36 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.631[a]	4	.047
Likelihood Ratio	9.928	4	.042
Linear-by-Linear Association	6.858	1	.009
N of Valid Cases	126		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 7.62.

Table e-37 Q4 b2) Awareness of PLC analysis of independent SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q4 b2) Awareness of PLC analysis	High awareness	54.5%	25.8%	31.8%	36.0%
	Medium/Low awareness	45.5%	74.2%	68.2%	64.0%
Total Count		22	31	22	75

Table e-38 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.849[a]	2	.089
Likelihood Ratio	4.771	2	.092
Linear-by-Linear Association	2.433	1	.119
N of Valid Cases	75		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 7.92.

Table e-39 Q4 b2) Awareness of PLC analysis of subsidiary SMEs

Crosstab

% within Financial Performance

		Financial Performance		
		Financially successful	Financially Average/Low	Total
Q4 b2) Awareness of PLC analysis	High awareness	36.0%	26.1%	31.3%
	Medium/Low awareness	64.0%	73.9%	68.8%
Total Count		25	23	48

Table e-40 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.548[b]	1	.459
Continuity Correction[a]	.184	1	.668
Likelihood Ratio	.551	1	.458
Linear-by-Linear Association	.537	1	.464
N of Valid Cases	48		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 7.19.

Table e-41 Q4 b2) Awareness of PLC analysis of all agri-food SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q4 b2) Awareness of PLC analysis	High awareness	44.7%	28.9%	25.8%	34.1%
	Medium/Low awareness	55.3%	71.1%	74.2%	65.9%
Total Count		47	45	31	123

Table e-42 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.832[a]	2	.147
Likelihood Ratio	3.802	2	.149
Linear-by-Linear Association	3.300	1	.069
N of Valid Cases	123		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 10.59.

Table e-43 Q5 Use of either self generated or commissioned market research of independent SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q5 Use of either self generated or commissioned market research	Use often, at least once every 6 months	44.0%	20.0%	12.0%	24.7%
	Use sometimes, once a year	28.0%	25.7%	24.0%	25.9%
	Use seldon, once every 18/24 months or less	28.0%	54.3%	64.0%	49.4%
Total Count		25	35	25	85

Table e-44 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.357[a]	4	.053
Likelihood Ratio	9.385	4	.052
Linear-by-Linear Association	8.398	1	.004
N of Valid Cases	85		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.18.

Table e-45 Q5 Use of either self generated or commissioned market research of subsidiary SMEs

Crosstab

% within Financial Performance

		Financial Performance		
		Financially successful	Financially Average/Low	Total
Q5 Use of either self generated or commissioned market research	Use often, at least once every 6 months	33.3%	14.3%	23.6%
	Use sometimes, once a year/use 18/24 or less	66.7%	85.7%	76.4%
Total Count		27	28	55

Table e-46 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.763[b]	1	.096
Continuity Correction[a]	1.808	1	.179
Likelihood Ratio	2.815	1	.093
Linear-by-Linear Association	2.713	1	.100
N of Valid Cases	55		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.38.

Table e-47 Q5 Use of either self generated or commissioned market research of all agri-food SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q5 Use of either self generated or commissioned market research	Use often, at least once every 6 months	38.5%	21.2%	8.3%	24.3%
	Use sometimes, once a year	48.1%	42.3%	47.2%	45.7%
	Use seldon, once every 18/24 months or less	13.5%	36.5%	44.4%	30.0%
Total Count		52	52	36	140

Table e-48 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13 122[a]	4	.011
Likelihood Ratio	14 003	4	.007
Linear-by-Linear Association	10 618	1	.001
N of Valid Cases	140		

a 0 cells (0%) have expected count less than 5. The minimum expected count is 8.74

Table e-49 Q6 The strategic focus of the company of independent SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q6 The strategic focus of the company	Expanding total market/winning share from competitors	73.9%	50.0%	56.5%	59.2%
	Enter new market segments/focus on cost&productivity/other	26.1%	50.0%	43.5%	40.8%
Total Count		23	30	23	76

Table e-50 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.181[a]	2	.204
Likelihood Ratio	3.281	2	.194
Linear-by-Linear Association	1.421	1	.233
N of Valid Cases	76		

[a] 0 cells (.0%) have expected count less than 5. The minimum expected count is 9.38.

Table e-51 Q6 The strategic focus of the company of subsidiary SMEs

Crosstab

% within Financial Performance

		Financial Performance		
		Financially successful	Financially Average/Low	Total
Q6 The strategic focus of the company	Expanding total market/winning share from competitors	45.8%	56.5%	51.1%
	Enter new market segments/focus on cost & productivity/other	54.2%	43.5%	48.9%
Total Count		24	23	47

Table e-52 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.537[b]	1	.464
Continuity Correction[a]	.194	1	.659
Likelihood Ratio	.538	1	.463
Linear-by-Linear Association	.526	1	.468
N of Valid Cases	47		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.26.

Table e-53 Q6 The strategic focus of the company of all agri-food SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q6 The strategic focus of the company	Expanding total market/winning share from competitors	54.0%	40.4%	38.2%	45.0%
	Enter new market segments/focus on cost&productivity/other	46.0%	59.6%	61.8%	55.0%
Total Count		50	47	34	131

Table e-54 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.662[a]	2	.264
Likelihood Ratio	2.662	2	.264
Linear-by-Linear Association	2.255	1	.133
N of Valid Cases	131		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 15.31.

Table e-55 Q7 Overall product quality in relation to competition of independent SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q7 Overall product quality in relation to competition	Superior	80.0%	54.3%	56.5%	62.7%
	About the same/Inferior	20.0%	45.7%	43.5%	37.3%
Total Count		25	35	23	83

Table e-56 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.632[a]	2	.099
Likelihood Ratio	4.916	2	.086
Linear-by-Linear Association	2.908	1	.088
N of Valid Cases	83		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 8.59.

Table e-57 Q7 Overall product quality in relation to competition of subsidiary SMEs

Crosstab

% within Financial Performance

		Financial Performance		
		Financially successful	Financially Average/Low	Total
Q7 Overall product quality in relation to competition	Superior	77.8%	48.0%	63.5%
	About the same/Inferior	22.2%	52.0%	36.5%
Total Count		27	25	52

Table e-58 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.964[b]	1	.026
Continuity Correction[a]	3.763	1	.052
Likelihood Ratio	5.050	1	.025
Linear-by-Linear Association	4.868	1	.027
N of Valid Cases	52		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 9.13.

Table e-59 Q7 Overall product quality in relation to competition of all agri-food SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q7 Overall product quality in relation to competition	Superior	78.8%	51.9%	54.8%	63.0%
	About the same/Inferior	21.2%	48.1%	45.2%	37.0%
Total Count		52	52	31	135

Table e-60 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.221[a]	2	.010
Likelihood Ratio	9.614	2	.008
Linear-by-Linear Association	6.201	1	.013
N of Valid Cases	135		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.48.

Table e-61 Q8 Company/brand reputation in relation to your competitors of independent SMEs

Crosstabulation

% within Performance

		Performance		
		High performance	Medium/Low Performance	Total
Q8 Company/brand reputation in relation to your competitors	Superior	72.0%	48.3%	55.3%
	About the same/Inferior	28.0%	51.7%	44.7%
Total Count		25	60	85

Table e-62 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.999[b]	1	.046
Continuity Correction[a]	3.098	1	.078
Likelihood Ratio	4.122	1	.042
Linear-by-Linear Association	3.952	1	.047
N of Valid Cases	85		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.18.

Table e-63 Q8 Company/brand reputation in relation to your competitors of subsidiary SMEs

Crosstab

% within Financial Performance

		Financial Performance		
		Financially successful	Financially Average/Low	Total
Q8 Company/brand resputation in relation to your competitors	Superior	66.7%	52.0%	59.6%
	About the same/Inferior	33.3%	48.0%	40.4%
Total Count		27	25	52

Table e-64 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.160[b]	1	.282
Continuity Correction[a]	.631	1	.427
Likelihood Ratio	1.163	1	.281
Linear-by-Linear Association	1.138	1	.286
N of Valid Cases	52		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 10.10.

Table e-65 Q8 Company/brand reputation in relation to your competitors of all agri-food SMEs

Crosstab

% within Financial performance

		Financial performance			Total
		High performer	Medium performer	Low performer	
Q8 Company/brand reputation in relation to your competitors	Superior	69.2%	51.9%	45.5%	56.9%
	About the same/Inferior	30.8%	48.1%	54.5%	43.1%
Total Count		52	52	33	137

Table e-66 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.513[a]	2	.064
Likelihood Ratio	5.601	2	.061
Linear-by-Linear Association	5.097	1	.024
N of Valid Cases	137		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 14.21.

Table e-67 Q9 Company's distribution in relation to competition of independent SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q9 Company's distribution in relation to competition	Superior	62.5%	48.6%	39.1%	50.0%
	About the same/Inferior	37.5%	51.4%	60.9%	50.0%
Total Count		24	35	23	82

Table e-68 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.616[a]	2	.270
Likelihood Ratio	2.640	2	.267
Linear-by-Linear Association	2.544	1	.111
N of Valid Cases	82		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.50.

Table e-69 Q9 Company's distribution in relation to competition of subsidiary SMEs

Crosstab

% within Financial Performance

		Financial Performance		
		Financially successful	Financially Average/Low	Total
Q9 Company's distribution in relation to competition	Superior	34.6%	33.3%	34.0%
	About the same/Inferior	65.4%	66.7%	66.0%
Total Count		26	27	53

Table e-70 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.010[b]	1	.922
Continuity Correction[a]	.000	1	1.000
Likelihood Ratio	.010	1	.922
Linear-by-Linear Association	.010	1	.922
N of Valid Cases	53		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 8.83.

Table e-71 Q9 Company's distribution in relation to competition of all agri-food SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q9 Company's distribution in relation to competition	Superior	48.0%	48.1%	30.3%	43.7%
	About the same/Inferior	52.0%	51.9%	69.7%	56.3%
Total Count		50	52	33	135

Table e-72 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.188[a]	2	.203
Likelihood Ratio	3.273	2	.195
Linear-by-Linear Association	2.154	1	.142
N of Valid Cases	135		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 14.42.

Table e-73 Q10 Integration of marketing with other business functions of independent SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q10 Integration of marketing with other business functions	Much Integration	70.8%	37.1%	40.0%	47.6%
	Some Integration/No Integration	29.2%	62.9%	60.0%	52.4%
Total Count		24	35	25	84

Table e-74 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.307[a]	2	.026
Likelihood Ratio	7.453	2	.024
Linear-by-Linear Association	4.520	1	.034
N of Valid Cases	84		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.43.

Table e-75 Q10 Integration of marketing with other business functions of subsidiary SMEs

Crosstab

% within Financial Performance

		Financial Performance		
		Financially successful	Financially Average/Low	Total
Q10 Integration of marketing with other business functions	Much Integration	63.0%	34.6%	49.1%
	Some Integration/No Integration	37.0%	65.4%	50.9%
Total Count		27	26	53

Table e-76 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.259[b]	1	.039
Continuity Correction[a]	3.200	1	.074
Likelihood Ratio	4.319	1	.038
Linear-by-Linear Association	4.179	1	.041
N of Valid Cases	53		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 12.75.

Table e-77 Q10 Integration of marketing with other business functions of all agri-food SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q10 Integration of marketing with other business functions	Much Integration	66.7%	36.5%	38.2%	48.2%
	Some Integration/No Integration	33.3%	63.5%	61.8%	51.8%
Total Count		51	52	34	137

Table e-78 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.151[a]	2	.004
Likelihood Ratio	11.310	2	.003
Linear-by-Linear Association	7.872	1	.005
N of Valid Cases	137		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 16.38.

Table e-79 Q11 Response to customer changes of independent SMEs

Crosstabulation

% within Performance

		Performance		
		High performance	Medium/Low Performance	Total
Q11 Response to customer changes	Very fast/responsive	95.8%	80.0%	84.5%
	Average/Not very fast, it takes a long time to process	4.2%	20.0%	15.5%
Total Count		24	60	84

Table e-80 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.285[b]	1	.070
Continuity Correction[a]	2.186	1	.139
Likelihood Ratio	4.026	1	.045
Linear-by-Linear Association	3.246	1	.072
N of Valid Cases	84		

a. Computed only for a 2x2 table

b. 1 cells (25.0%) have expected count less than 5. The minimum expected count is 3.71.

Table e-81 Q11 Response to customer changes of subsidiary SMEs

Crosstab

% within Financial Performance

		Financial Performance		
		Financially successful	Financially Average/Low	Total
Q11 Response to customer changes	Very fast/Responsive	74.1%	64.3%	69.1%
	Average/Not very fast, it takes a long time to process	25.9%	35.7%	30.9%
Total Count		27	28	55

Table e-82 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.617[b]	1	.432
Continuity Correction[a]	.244	1	.622
Likelihood Ratio	.619	1	.431
Linear-by-Linear Association	.605	1	.436
N of Valid Cases	55		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 8.35.

Table e-83 Q11 Response to customer changes of all agri-food SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q11 Response to customer changes	Very fast/responsive	84.3%	86.5%	58.3%	78.4%
	Average/Not very fast, it takes a long time to process	15.7%	13.5%	41.7%	21.6%
Total Count		51	52	36	139

Table e-84 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.654[a]	2	.003
Likelihood Ratio	10.697	2	.005
Linear-by-Linear Association	7.201	1	.007
N of Valid Cases	139		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 7.77.

Table e-85 Q12 Frequency of customer satisfaction surveys of independent SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q12 Frequency of customer satisfaction surveys	Frequently (at least once every six months)	25.0%	20.0%	16.0%	20.2%
	Sometimes (once every year or less)	58.3%	20.0%	24.0%	32.1%
	Never	16.7%	60.0%	60.0%	47.6%
Total Count		24	35	25	84

Table e-86 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.495[a]	4	.006
Likelihood Ratio	15.271	4	.004
Linear-by-Linear Association	5.412	1	.020
N of Valid Cases	84		

a. 1 cells (11.1%) have expected count less than 5. The minimum expected count is 4.86.

Table e-87 Q12 Frequency of customer satisfaction survey of subsidiary SMEs

Crosstab

% within Financial Performance

		Financial Performance		
		Financially successful	Financially Average/Low	Total
Q12 Frequency of customer satisfaction surveys	Frequently (at least once every six months)	25.9%	15.4%	20.8%
	Sometimes (once every year or less)/Never	74.1%	84.6%	79.2%
Total Count		27	26	53

Table e-88 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.895[b]	1	.344
Continuity Correction[a]	.369	1	.544
Likelihood Ratio	.905	1	.341
Linear-by-Linear Association	.878	1	.349
N of Valid Cases	53		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.40.

Table e-89 Q12 Frequency of customer satisfaction surveys of all agri-food SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q12 Frequency of customer satisfaction surveys	Frequently (at least once every six months)	25.5%	19.2%	14.7%	20.4%
	Sometimes (once every year or less)	52.9%	21.2%	26.5%	34.3%
	Never	21.6%	59.6%	58.8%	45.3%
Total Count		51	52	34	137

Table e-90 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.689[a]	4	.001
Likelihood Ratio	20.629	4	.000
Linear-by-Linear Association	9.057	1	.003
N of Valid Cases	137		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.95.

Table e-91 Q13 Usage of on-going marketing intelligence gathering system of independent SMEs

Crosstab

% within Financial performance

		Financial performance			Total
		High performer	Medium performer	Low performer	
Q13 Usage of on-going marketing intelligence gathering system	High use	75.0%	45.7%	29.2%	49.4%
	Average/Low use	25.0%	54.3%	70.8%	50.6%
Total Count		24	35	24	83

Table e-92 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.413[a]	2	.005
Likelihood Ratio	10.821	2	.004
Linear-by-Linear Association	9.963	1	.002
N of Valid Cases	83		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.86.

Table e-93 Q13 Usage of on-going marketing intelligence gathering system of subsidiary SMEs

Crosstab

% within Financial Performance

		Financial Performance		Total
		Financially successful	Financially Average/Low	
Q13 Usage of on-going marketing intelligence gathering system	High use	74.1%	30.8%	52.8%
	Average use/Low use	25.9%	69.2%	47.2%
Total Count		27	26	53

Table e-94 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.968[b]	1	.002
Continuity Correction[a]	8.306	1	.004
Likelihood Ratio	10.304	1	.001
Linear-by-Linear Association	9.779	1	.002
N of Valid Cases	53		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 12.26.

Table e-95 Q13 Usage of on-going marketing intelligence gathering system of all agri-food SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q13 Usage of on-going marketing intelligence gathering system	High use	74.5%	42.3%	27.3%	50.7%
	Average use	23.5%	44.2%	45.5%	36.8%
	Low use	2.0%	13.5%	27.3%	12.5%
Total Count		51	52	33	136

Table e-96 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24.218[a]	4	.000
Likelihood Ratio	25.576	4	.000
Linear-by-Linear Association	22.692	1	.000
N of Valid Cases	136		

a. 1 cells (11.1%) have expected count less than 5. The minimum expected count is 4.13.

Table e-97 Q14 a) Usage of networks of independent SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q14 a) Useage of Networks	Very high use	43.5%	38.2%	33.3%	38.3%
	Medium use/No use	56.5%	61.8%	66.7%	61.7%
Total Count		23	34	24	81

Table e-98 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.512[a]	2	.774
Likelihood Ratio	.512	2	.774
Linear-by-Linear Association	.505	1	.477
N of Valid Cases	81		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 8.80.

Table e-99 Q14 a) Usage of networks of subsidiary SMEs

Crosstab

% within Financial Performance

		Financial Performance		
		Financially successful	Financially Average/Low	Total
Q14 a) Usage of Networks	Very high use	38.5%	43.5%	40.8%
	Medium use/No use	61.5%	56.5%	59.2%
Total Count		26	23	49

Table e-100 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.127[b]	1	.721
Continuity Correction[a]	.004	1	.948
Likelihood Ratio	.127	1	.721
Linear-by-Linear Association	.125	1	.724
N of Valid Cases	49		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 9.39.

Table e-101 Q14 a) Usage of networks of all agri-food SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q14 a) Useage of Networks	Very high use	40.8%	42.9%	31.3%	39.2%
	Medium use/No use	59.2%	57.1%	68.8%	60.8%
Total Count		49	49	32	130

Table e-102 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.177[a]	2	.555
Likelihood Ratio	1.200	2	.549
Linear-by-Linear Association	.586	1	.444
N of Valid Cases	130		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 12.55.

Table e-103 Q14 b) Importance of networks of independent SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q14 b) Importance of newtorks	Very high importance	60.9%	41.2%	39.1%	46.3%
	Medium importance/No importance	39.1%	58.8%	60.9%	53.8%
Total Count		23	34	23	80

Table e-104 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.798[a]	2	.247
Likelihood Ratio	2.805	2	.246
Linear-by-Linear Association	2.159	1	.142
N of Valid Cases	80		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 10.64.

Table e-105 Q14 b) Importance of networks of subsidiary SMEs

Cross tabs

% within Financial Performance

		Financial Performance		
		Financially successful	Financially Average/Low	Total
Q14 b) Importance of Networks	Very high importance	48.0%	54.5%	51.1%
	Medium/No importance	52.0%	45.5%	48.9%
Total Count		25	22	47

Table e-106 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.201[b]	1	.654
Continuity Correction[a]	.024	1	.876
Likelihood Ratio	.201	1	.654
Linear-by-Linear Association	.196	1	.658
N of Valid Cases	47		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 10.77.

Table e-107 Q14 b) Importance of networks of all agri-food SMEs

Croostab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q14 b) Importance of newtorks	Very high importance	54.2%	42.6%	46.9%	48.0%
	Medium importance/No importance	45.8%	57.4%	53.1%	52.0%
Total Count		48	47	32	127

Table e-108 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.306[a]	2	.520
Likelihood Ratio	1.308	2	.520
Linear-by-Linear Association	.560	1	.454
N of Valid Cases	127		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 15.37.

Table e-109 Q15 a) Government or European regulation poses a threat to independent SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q15 a) Government or European regulation poses a threat	I agree	60.0%	54.3%	45.8%	53.6%
	I Disagree/Neither agree or disagree	40.0%	45.7%	54.2%	46.4%
Total Count		25	35	24	84

Table e-110 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.000[a]	2	.606
Likelihood Ratio	1.002	2	.606
Linear-by-Linear Association	.973	1	.324
N of Valid Cases	84		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.14.

Table e-111 Q15 a) Government or European regulation poses a threat to subsidiary SMEs

Crosstab

% within Financial Performance

		Financial Performance		
		Financially successful	Financially Average/Low	Total
Q15 a) Government or European regulation poses a threat	I agree	40.7%	71.4%	56.4%
	I disagree/Neither agree or disagree	59.3%	28.6%	43.6%
Total Count		27	28	55

Table e-112 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.263[b]	1	.022
Continuity Correction[a]	4.089	1	.043
Likelihood Ratio	5.351	1	.021
Linear-by-Linear Association	5.167	1	.023
N of Valid Cases	55		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.78.

Table e-113 Q15 a) Government or European regulation poses a threat to all agri-food SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q15 a) Government or European regulation poses a threat	I agree	50.0%	59.6%	54.3%	54.7%
	I Disagree/Neither agree or disagree	50.0%	40.4%	45.7%	45.3%
Total Count		52	52	35	139

Table e-114 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.973[a]	2	.615
Likelihood Ratio	.975	2	.614
Linear-by-Linear Association	.248	1	.618
N of Valid Cases	139		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 15.86.

Table e-115 Q15 b) The big players pose a threat to our survival of independent SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q15 b) The big players pose a threat to our survival	I agree	48.0%	54.3%	36.0%	47.1%
	I disagree/Neither agree or disagree	52.0%	45.7%	64.0%	52.9%
Total Count		25	35	25	85

Table e-116 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.970[a]	2	.373
Likelihood Ratio	1.990	2	.370
Linear-by-Linear Association	.714	1	.398
N of Valid Cases	85		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.76.

Table e-117 Q15 b) The big players pose a threat to our survival of subsidiary SMEs

Crosstab

% within Financial Performance

		Financial Performance		
		Financially successful	Financially Average/Low	Total
Q15 b) The big players pose a threat to our survival	I agree	33.3%	53.6%	43.6%
	I disagree/Neither agree or disagree	66.7%	46.4%	56.4%
Total Count		27	28	55

Table e-118 Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.289[b]	1	.130
Continuity Correction[a]	1.540	1	.215
Likelihood Ratio	2.308	1	.129
Linear-by-Linear Association	2.247	1	.134
N of Valid Cases	55		

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.78.

Table e-119 Q15 b) The big players pose a threat to our survival of all agri-food SMEs

Crosstab

% within Financial performance

		Financial performance			
		High performer	Medium performer	Low performer	Total
Q15 b) The big players pose a threat to our survival	I agree	40.4%	51.9%	44.4%	45.7%
	I disagree/Neither agree or disagree	59.6%	48.1%	55.6%	54.3%
Total Count		52	52	36	140

Table e-120Chi Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.426[a]	2	.490
Likelihood Ratio	1.428	2	.490
Linear-by-Linear Association	.249	1	.618
N of Valid Cases	140		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 16.46.

Appendix f Two cases of independent and subsidiary agri-food SMEs

The following two cases are examples of the five companies involved in the case studies of successful agri-food SMEs. The actual studies were done during the summer of 1998, therefore some of the statistical tables reflect that time-period. The first case was interviews with the owner managers who were the directors of the company, and the second case was an interview with the marketing director of the company.

Case 1: High performing independent agri-food SME

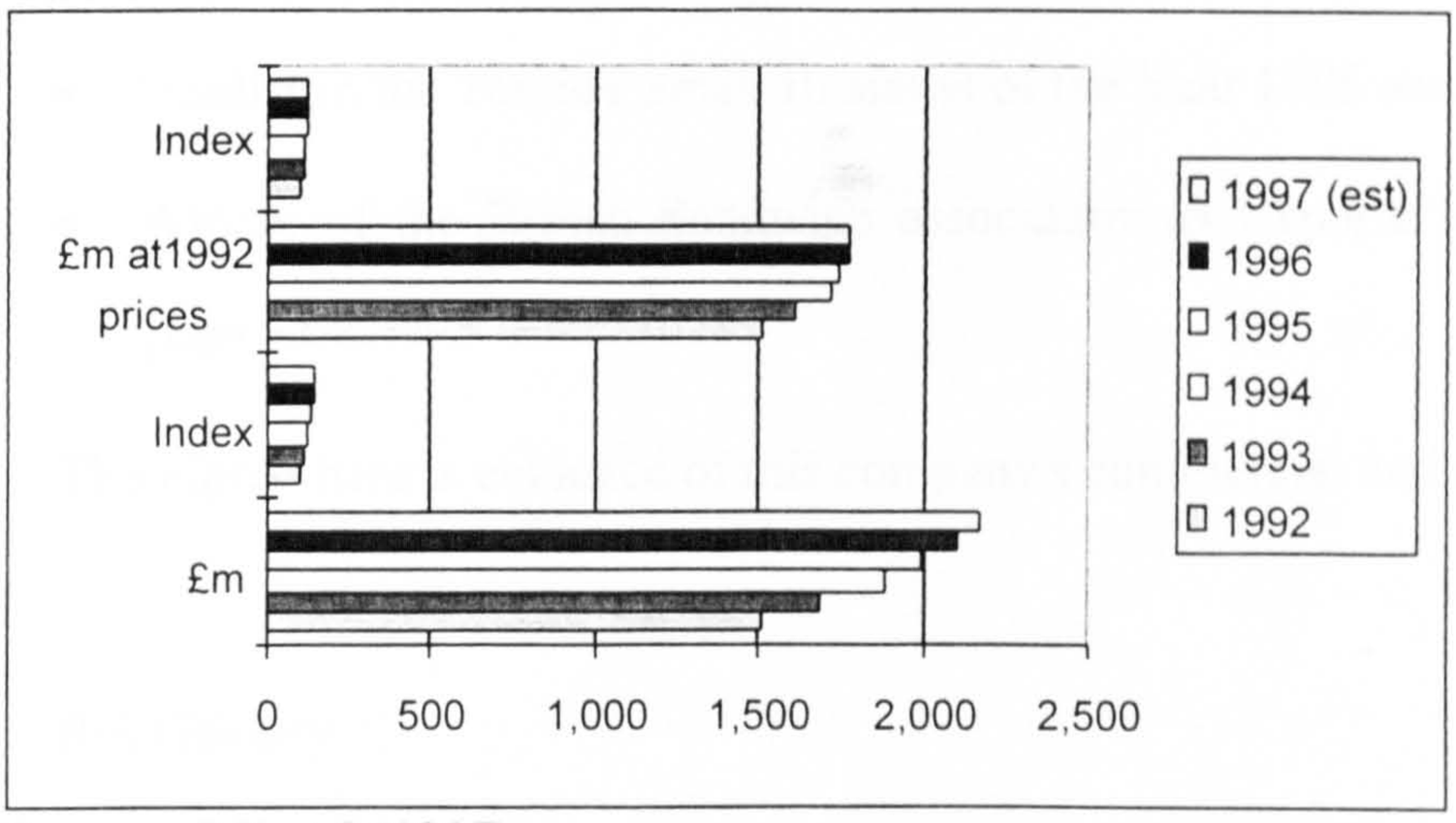
This company was founded in February 1990 and is now a small family owned sandwich manufacturing company based in Cleveland-Middlesborough, in the North East of the UK. It is a limited company, employing 80 to 110 full and part time employees, depending on the season. Its turnover showed a significant increase the last five years and the owners are a married couple who are also the Managing Directors (MDs). The main distribution area is the North of England, from Newcastle to Liverpool, although the company has some exporting activities in the European Union.

The market

Mintel (1997) estimates the commercial UK sandwich sector to be worth an estimated £2.2 billion at 1997 prices. During 1997, almost 1.7 billion sandwiches were sold. Sales have benefited from the convenience, good value and relatively healthy image of the sandwich. The sandwich sector remains extremely buoyant, with growth of 45% at current prices registered between 1992 and 1997.

Nonetheless, annual growth rates across the industry have slowed despite the healthy 15% increase recorded by some multiple retailers in 1996-97.

Table f-1 Total Sandwich Market



Source: Mintel (1997)

In addition to the £2.2 million worth of sandwiches sold commercially, it has been estimated that some £3 billion worth of sandwiches are made at home. The home-made sandwich is probably a greater threat to the industry than many of the obvious competitors, such as other savoury snacks and different types of fast food. However, the convenience and diversity of sandwiches available pre-packed from the supermarket/high street multiple or freshly made at the bakery/sandwich bar will continue to ensure that demand remains strong (Mintel 1997). Further steady growth is forecast for the sandwich market. Mintel (1997) expects future developments will be spearheaded by sandwich manufacturers and retailers with expertise in the catering sector.

Main achievements

Case 1 has been awarded various accolades including the following:

- Winner of the Teeside training and Enterprise Council Small Business of the Year 1994.

- Finalist in the Northern Business of the year Awards Small Business section 1995.
- Winner of the Anglo-Dutch Award for Enterprise 1995.
- Finalist in the Teeside Small Business of the Year 1995 and 1996.
- Winner of the British Sandwich association as Exporter of the year 1996 and 1997.

Therefore, there is evidence of this company's commercial and international success.

Brief history

The company started as a coffee shop, which provided high quality sandwiches and salads. The company also provided sandwiches for the local businesses and offices. After this initial stage, the company decided to start producing sandwiches for the wholesale market i.e. garage forecourts and local newsagents, from a small room above the coffee shop. Production reached 1000 units per day. In order to increase their market share and attract large customers, the company had to expand. An investment of £100,000, together with a £20,000 Economic Development Grant was used to convert two buildings adjoining the coffee shop into a sandwich production unit. Daily production of 1500 units (sandwiches) began in 1993, and the full capacity of the new production unit was 8000 units per day. In 1996/97 full capacity had been reached. The next stage of the company was to invest £500,000 in a new sandwich production facility in an industrial park nearby. This new unit started operations in September 1997, and has a production capacity of 50,000 units per day. Now the company produces about 14,000 units per day.

Business Philosophy

Case 1 produces a high quality sandwich, and offers a bigger variety than the average sandwich manufacturer, at a reasonable price. It wants to expand its customer base, and since it is in a stage of becoming a medium sized company, it seeks advice on marketing issues. Its competitors do not have the capacity to produce the quantities this company produces, and the closest real competitor is located at least 100 miles away. The owners' perception of the main reason behind the company's success is the product. Therefore, case 1 can be classed as a production marketer.. Word of mouth was also found to have a significant importance to the company's success.

Strategic analysis

The company believes that although planning tools are important, it does not actively use many of them.

" We do not do anything formally. We do not right down anything, and do not get to great length to analyse anything. Everything is done so far on gut instinct. As we have grown, we have become a bit more formal. We know where we are and what we should do at any stage so there is not a need for sophisticated analysis tools. The more we grow however, the more we will need to use formal sophisticated planning tools. We know where we need to change to get where we want."

The market research and information on competitors and the market comes from friends and colleagues. Nevertheless the company employed a consultant for a market research project, in order to investigate their customers' preferences, and how they are performing (Larkinson *et al*, 1998).

As the owners said:

" We are in a stage where we desperately need to know what our customers thing about our products. We produce new products because we like them. John likes fillings that are more complicated but we really need to know what our customers need. We have never had, apart from complaints, any feedback nor have we or know any way of doing it. We perhaps never needed it before but we do know. I know if we did some market research we would identify our star products and cut some from our range which do not make much profit."

The outcome of the consultation document was for the company to:

- Eliminate 5 loss making products and 13% of the product portfolio, which increased profitability by 5%.
- Incorporate 3 new packaging designs to their existing line.
- Adopt the marketing research methodology for future use.

Marketing strategy

The owners want to be more aggressive with their market penetration, especially in Europe. They seek new customers but do not have the time to expand in mainland Europe, despite their success record in exporting activities. However, they claim that:

"Europe is our future. We would like to spend more time to expand the market there. We have people calling us from abroad all the time, to help them out with their sandwich operation…we just do not have the time and energy, we are getting old…"

In terms of the marketing mix, they acknowledge the importance of the reputation and product quality for their success. The also have their own vans for distribution, but do not use the drivers to collect information.

Company reputation for a high quality product and good variety with a capacity to produce large quantities were the three most important factors of customer satisfaction in the market research undertaken for the company (Larkinson *et al* 1998).

Marketing organisation

The owners are in charge of most marketing activities within the company. They make the decisions and they gather information for the market and their competitors, predominantly from colleagues and friends, in order to analyse them and use in pricing or variety of products. There is not a separate department.

The company has a problem in responding fast to customer change, however due to the owners' peoples' skills, they find a way to retain their customer for a long time:

"...this is a small example but, when a particular customer would want to change to put their own pricing on the label, and you say yes no problem, and then all of a sudden you have created twenty five different types of labels and different types of pricing...and because of bad management we sometimes have to call customers and say, look we are going to give you an extra 2% discount if you do not have your label and price on the sandwich, and then we pay them a visit to let them know that it will

not happen again. Actually we are addressing that issue at the moment and we know we have to stop doing it. Otherwise we are going to loose all of our customers."

Marketing control

The consultation document provided the company with a more structured way of collecting marketing information and controlling the marketing function.

"We desperately needed that type of information…"

Nevertheless there are still issues of delegating responsibility, since they need to stop being generalists but assign someone just for marketing.

"We do a bit of everything in order to control the business…maybe we need to give more responsibility to our staff"

Networks and the agri-food environment

The company uses mainly friends and family as well as outside colleagues to benefit the business. For example they knew an academic the University of Newcastle and asked for his help with the marketing research consultation project. However, the owners do not think it is enough to grow and succeed.

"Networks are important but not as important as product or service quality. However, do not get me wrong, we use networks as much as possible"

Similarly for the European and government regulation was not an issue. However the big players, although not regional, have some influence on them:

"Really now we are competing against the big companies, so we had to throw a lot of money on business management issues like finance and some marketing, and we will continue to do so, even more…no they do not pose a threat they are competition, since the lower end of the sandwich manufacturers have died out the last five year, the remaining companies compete on equal terms…"

Case 2: High performing subsidiary agri-food SME

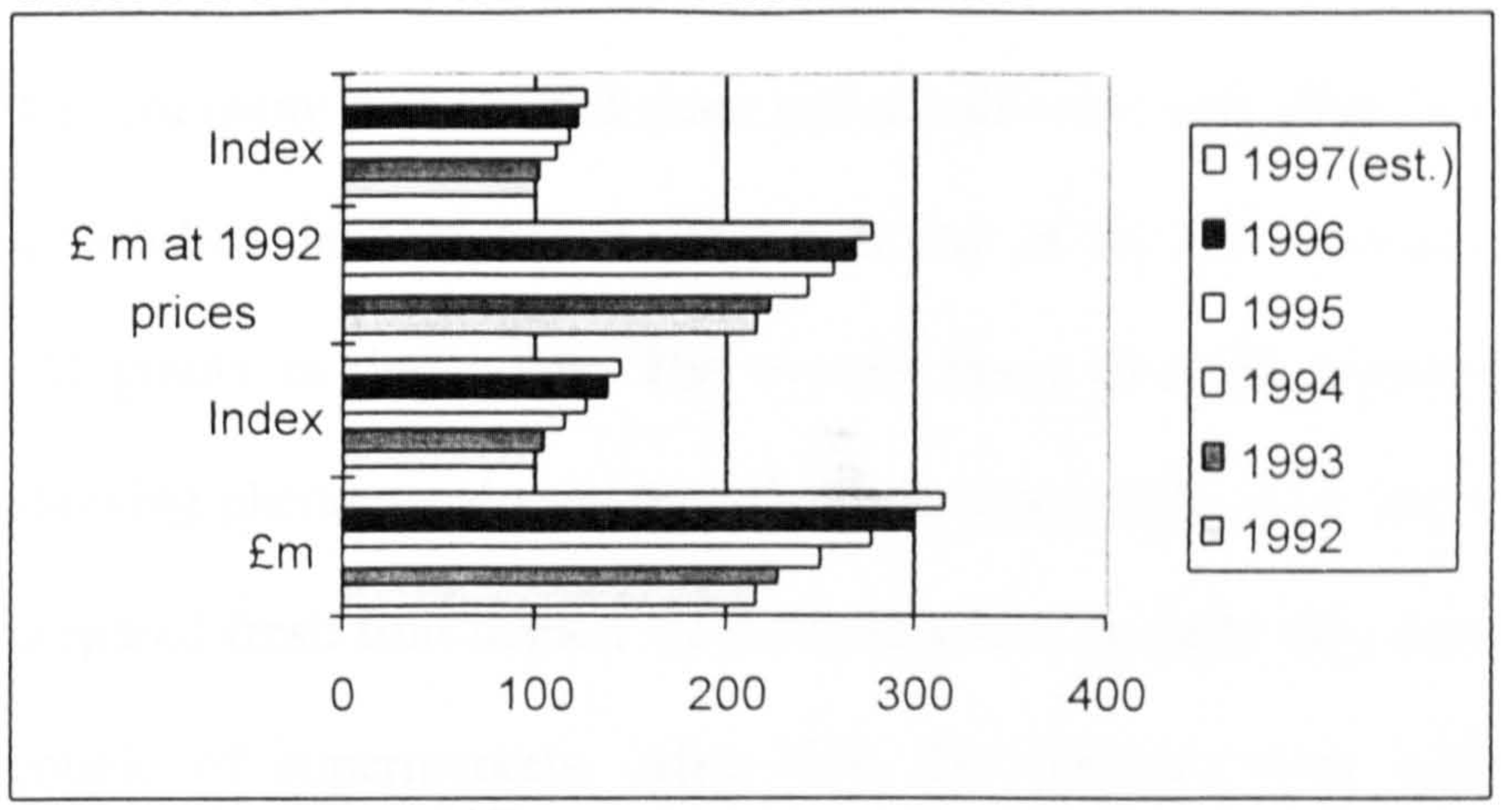
Company profile

The company was formed in 1995 in the North East region of the UK as a private company, and is now a subsidiary company of a Canadian multinational, which specialises in packaging of fresh fruit produce. It was acquired in February 1997, and it is the fastest growing producer of prepared cut-fruit products in the UK. It employees about 110-130 full and part time employees. Its sales showed significant increase throughout the last three and a half years, and one of the previous two owners is still the Managing Director of the company, whereas he second left the company after the acquisition. Distribution of the products is only in the UK, with plans for extension to other European countries.

The market

The sales of prepared salads have been on an upward trend since 1992. At current prices the market grew by 38% between 1992 and 1996 to reach a value of £300 million.

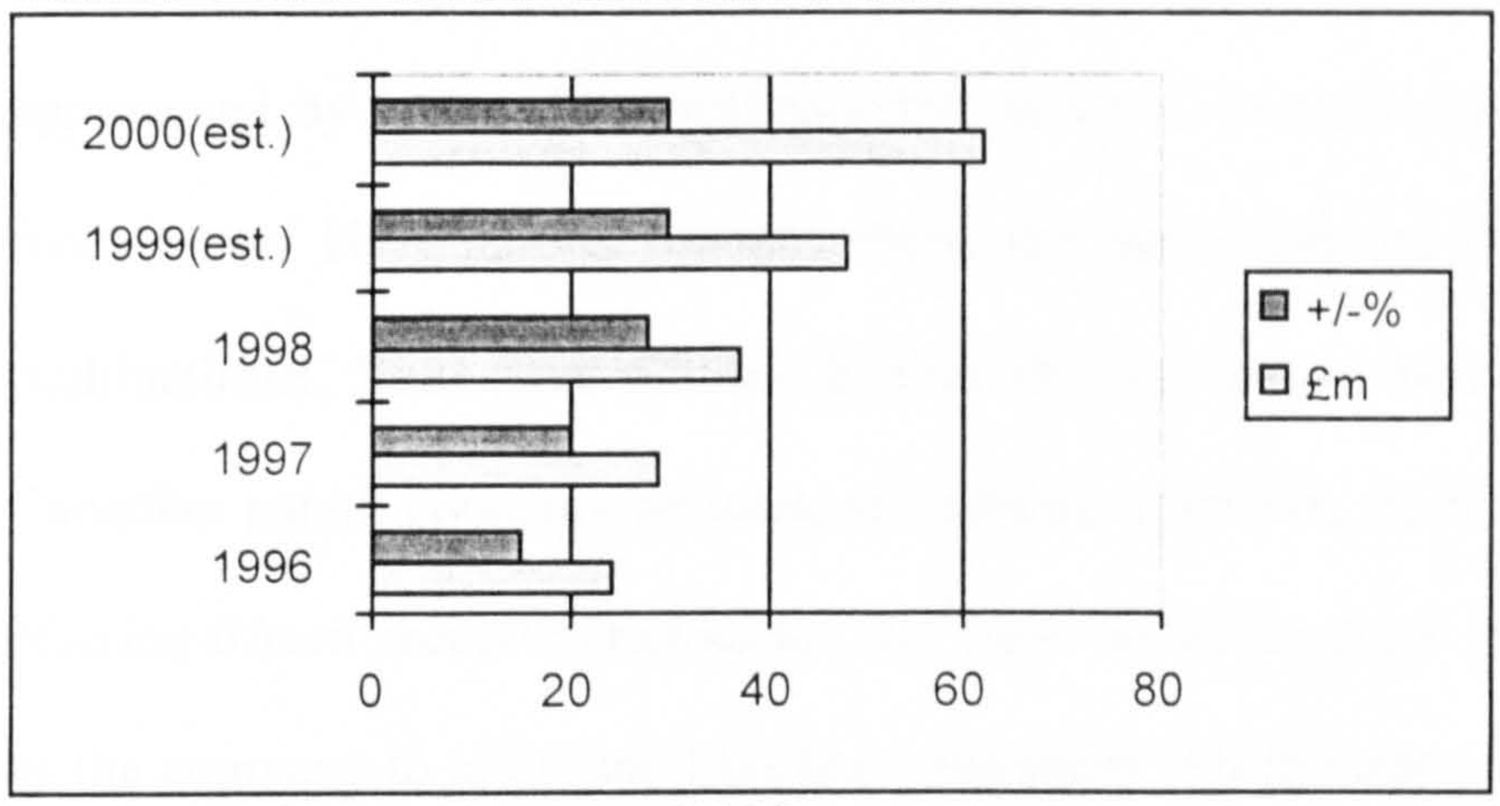
Table f-2 Total Fresh Fruit Salads Market



Source: Mintel (1997)

The prepared fresh fruit salads and products sector has also shown enormous growth over the years, and is one for the fastest growing sub-sectors of the agri-food chain.

Table f-3 Growth of Fresh Fruit Salads



Source: Industry Estimate (1998)

Sales have benefited from the high health image and the convenience of the fresh salad. The competition in this market includes companies from sectors such as canned fruit, dried fruit, frozen fruit prepared fruit and prepared green salads. The strongest competitors lie in the frozen and prepared fruit salad sectors with the market leader being the supplier of Marks & Spencer's fresh fruit salad. There is a declining trend for sales of canned and dried fruit products whilst fresh prepared products, as shown in the figures above, is forecasted to grow rapidly.

Brief history

The company was formed three and a half years ago. The two owners formed and established the company in the North East of the UK because of the availability of EU grants in the region. The owners knew that the prepared salads sector was showing phenomenal growth at the time (about 35% p.a.), and they thought that the prepared fresh fruit market would follow suit. Initially they secured contracts with a couple of supermarkets. After this, the company was approached by venture capitalists and agreed to sell part of the company to them (20% stake). This gave the company easy access to finance. In terms of its distribution the company expanded from the North East region to the whole of the country, securing retailers and companies such as Tesco, British Airways and Boots. In 1997, the company was approached by a Canadian multinational, which is specialising in packaging in the food sector. Negotiations brought about the acquisition of the company by the multinational. The main rational behind the acquisition was that it offered the Canadian parent company an increased product portfolio, from a single fruit to one offering fifteen prepared fruit salads and value-added products. It also was though of as the company to aid to the European expansion. Furthermore, the parent company has a new packaging technology that lets fresh fruit salads to stay fresher for longer than conventional packaging. This is the main competitive advantage of the company.

Business Philosophy

The philosophy of the business is heavily centred on the product. This is a new technology and the product has high demand. Because of rapid growth, the company has ignored marketing.

"Yes marketing has been ignored....I mean as resources will become available and we will focus on it much more but now I am on my own the marketing department, as well as in charge of procurement as well as the packaging materials and chemicals."

Therefore, this is another case of a product-oriented company.

Strategic analysis

Because of a rapid change after the acquisition, in the production facilities to incorporate the new packaging technology, strategic analysis has either been ignored or reactive to changes. For example in 1997 years budget they had ASDA a major multiple as a customer. Because of the change in their packaging, ASDA was not interested in paying the premium for their new packaging and product. Therefore, they lost the account.

"The budget for example was with ASDA last year, but then again we lost the revenue through ASDA. However, we gained the lost revenue from Sainsbury new account, the ASDA name comes out the Sainsbury name comes in."

In terms of planning tools, the company has regular meetings and focus groups with its customers in order to assess how they are performing and how they can improve their performance. Marketing information comes from their big customers like retailers, who charge them for the service. The parent company also conduct marketing research on new products and existing products, and then distributes the results to the subsidiary.

Marketing strategy

In terms of the strategic focus and the use of the mix, the company bases it on the product itself. It is looking aggressively at Europe and the BeNeLux (Belgium, Netherlands and Luxembourg) countries

"Once we move to the Benelux countries I think by taking the two major retailers in these countries we are going to be able to secure over 70% of the consumers we are targeting"

The marketing director also stressed the importance of the company and brand name:

"The product are is predominantly the are we are the strongest with a strong brand name. It is in terms of quality of our product and the shelf-life which is a huge issue. However we would still do own label where we believe there is a good account."

Marketing organisation

The company has regular meetings with its customers for two reasons:

"To assess our customers' requirements and to check our performance."

These meetings also give the company a very fast response rate to their customer's requirements.

Since there is not a distinct marketing department, with the marketing and commercial director being mainly responsible for data gathering and analysis, and

most of the marketing activities, there is not such thing as integration of marketing with other functions.

Marketing control

The customer satisfaction surveys, as mentioned earlier, come from either some of the customers or the parent company. Because of the growth rates, the company identified the need for an on-going marketing intelligence system, and are now in the process of establishing one.

"We are in the process of creating a database where it sill look at market trends, customer preferences and so on…but it is a new thing still in process of developing it. I know it is vital for the development of our business since we will make strategic moves with more information in our hands."

Networks and the agri-food environment

The company does not do any use of networks or does not thing that they are of any importance. When asked, the marketing director claimed that they use colleagues and their employees (internal network), but do not get any form of external help for the development or operations off the business.

Similarly regulation does not pose a big threat and the company manages to use it for its advantage, by, for example, getting assistance grants from the European Union. Finally in terms of competition, there is only one bigger company in the UK in the fresh fruit salad sector; hence, they are more like direct competitors.

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