

Impact Case Study

UoA 19: Business & Management Studies

Enhancing SME Market Orientation within the Retail Supply Chain

1. Summary of the impact

The retail industry and its supply chain represents the largest private sector employer in Northern Ireland and is a major employer across Europe. With the vast majority of enterprises in the retail supply chain being small in size, they traditionally lack sufficient resources, formal procedures and expertise to effectively develop new market opportunities. Our research focuses on how SMEs in the retail supply chain can develop a strong market orientation. This industry-focused research has had a direct impact on a range of beneficiaries, through the development of new products, services and networks for SMEs, and a significant contribution to policy development and implementation.

2. Underpinning research

The case study refers to a body of related research projects since the early-to-mid 2000s, funded and supported by a variety of key stakeholders (see section 3), addressing SME market orientation across the retail supply chain. Market-oriented companies commit themselves to the continuous generation and internal dissemination of market intelligence relevant to the current and future needs of their customers, as well to the continuous improvement of their responsiveness to such needs. Although a positive relationship between market orientation and business performance has been established for several types of industries, little is known about the market orientation of SME companies in the retail supply chain. Our research projects address this gap.

The overall aim of the research was to identify real business solutions that could enhance SME market orientation and thus competitiveness within the retail supply chain. Thus, the research had a strong industry and practitioner focus. Specifically, the focus of the research to which this case study refers involved a number of objectives:

- To explore the characteristics of market orientation in SMEs in the retail supply chain;
- To examine the barriers to market orientation encountered by retail supply SMEs;
- To explore the role of Customer Relationship Management (CRM) in the development of market orientation in retail supply SMEs and the relationship between customer loyalty data and market orientation;
- To make recommendations to industry and key stakeholders to assist market orientation in the SME retail supply chain that would lead to increased competitiveness.

The research identified the key role played by owner managers and the importance of an entrepreneurial approach in the development of market orientation (Hutchinson *et al.*, 2005; 2007). An entrepreneurial approach leads to the identification of new market opportunities and a capacity to innovate. In the SMEs we examined, informal market orientation traits were mainly evident with a reliance on existing business networks (Donnelly *et al.*, 2013). These SMEs tended not to have any processes in place to collect customer data and to utilise that data effectively (Simmons *et al.*, 2008). However, they did exhibit several unique points of differentiation from larger competitors, including high levels of personalised customer service, and a focus on local produce and brands.

The firm level barriers to market orientation included limited financial and human resources and know-how, and a lack of formal market knowledge and intelligence (Hutchinson *et al.*, 2009). At the

macro level unclear planning guidelines, and a general lack of government support has affected SME development. The barriers to market orientation differ to some extent depending on the nature of the SME and its specific trading environment.

The research found that informal marketing traits can be complemented successfully by the formalized market intelligence that comes from customer loyalty data (Donnelly *et al.*, 2013; Duffy *et al.*, 2013). An entrepreneurial approach helps SMEs to leverage this data and SMEs, despite their size limitations, can utilise formalised data to increase market orientation, through fostering stronger supply chain relationships, with a clearer understanding of their target consumers, a better focus on competitors and an ability to identify and exploit new market opportunities.

Staff members: Quinn in post at Ulster since 1995; Armstrong in post at Ulster since 1997; Hutchinson in post at Ulster since 2004.

3. References to the research

There were a number of publications in peer-reviewed journals, a selection of which include:

- Hutchinson, K., Quinn, B. and Alexander, N. (2005) 'The Internationalisation of Small to Medium Sized Retail Companies: Towards a Conceptual Framework', *Journal of Marketing Management*, Vol. 21, Nos. 1/2, pp. 149-179. DOI: [10.1362/0267257053166857](https://doi.org/10.1362/0267257053166857)
- Hutchinson, K., Alexander, N, Quinn, B. and Doherty, A.M. (2007) 'Internationalisation Motives and Facilitating Factors: Qualitative Evidence from Small Specialist Retailers', *Journal of International Marketing*, Vol. 15, No. 3, pp. 96-122. DOI: [10.1509/jimk.15.3.96](https://doi.org/10.1509/jimk.15.3.96)
- Simmons, G., Armstrong, G. and Durkin, M. (2008) 'A Conceptualization of the Determinants of Small Business Website Adoption: Setting the Research Agenda', *International Small Business Journal*, Vol. 26, No. 3, pp. 351-389. DOI: [10.1177/0266242608088743](https://doi.org/10.1177/0266242608088743)
- Hutchinson, K., Fleck, E and Lloyd-Reason, L. (2009) 'An Investigation into the Initial Barriers to Internationalisation: Evidence from Small UK Retailers', *Journal of Small Business and Enterprise Development*, Vol. 16, No. 4, pp. 544-568. DOI: [10.1108/14626000911000910](https://doi.org/10.1108/14626000911000910)
- Duffy, R., Fearne, A., Hornibrook, S. Hutchinson, K. and Reid, A. (2013) 'Engaging Suppliers in CRM: Role of Justice in Buyer-Supplier Relationships', *International Journal of Information Management*. Vol. 33, No. 1, pp. 20-27. DOI: [org/10.1016/j.ijinfomgt.2012.04.005](https://doi.org/10.1016/j.ijinfomgt.2012.04.005)
- Donnelly, C., Simmons, G., Armstrong, G. and Fearne, A. (2013) 'Digital Loyalty Card 'Big Data' and Small Business Marketing: Formal versus Informal or Complementary?', *International Small Business Journal*, Online First. DOI: [10.1177/0266242613502691](https://doi.org/10.1177/0266242613502691)

The underpinning research in this case study was completed through 7 externally funded research awards:

'Retail in Rural Regions', EU ERDF Northern Periphery Programme (2009-11). Value £170,000. Awarded to Quinn and Hutchinson.

'Research Study to Deliver Market Intelligence Derived from Dunhumby Academy', Department of Agriculture and Rural Development (Regional Government Department, Northern Ireland, September 2008-11). Value £116,000. Awarded to Armstrong.

'Barriers to Internationalisation: The Case of UK Retailers', British Academy Small Research Grant (2006-8). Value £7,000. Awarded to Hutchinson.

Three Knowledge Transfer Partnerships (2007-12) and national KTP 'Business Leader of Tomorrow Award': http://info.ktponline.org.uk/content/awards_2010/Tomorrow.aspx

Value £276,000. Awarded to Hutchinson.

‘Agri-food Marketing Research’ sponsorship, Moy Park Ltd. (2006-09). Value £30,000. Awarded to Armstrong.

4. Details of the impact

Our research is of significant value to policy makers in influencing government policies and support programmes, for a number of reasons. Firstly, findings into the characteristics of market orientation in SMEs, and the barriers to market orientation, allow for the identification of the critical areas for support in order to lead to increased market orientation and competitiveness. Secondly, the findings highlight how the support should be tailored to meet the requirements of various SME types in the retail supply chain (that is, retail SMEs and SME producers in supply relationships with larger retailers). Thirdly, the findings provide insights into the practice of Customer Relationship Management (CRM) and the utilisation of customer intelligence in the SME retail supply chain. A summary of the evidence of impacts and indicators is provided in Table 1. In Table 1, and in the text that follows numbers in bold refer to evidence in Section 5.

Table 1: Enhancing SME Market Orientation - Research Impacts

Key Research Areas	Impacts and Dates	Evidence	Impact Indicators
Market orientation of SME retailers in rural locations	European SME retail business expansion (2009-12)	Testimonials from regional and national trade bodies (1-3)	There are a range of indicators of impact from this research across the 3 key research areas: <ul style="list-style-type: none"> • Development of new products/ services and supply networks (1-4,7) • Industry workshops, project websites and company reports (4,7) • Reports and Presentations to Committee of Enterprise, Trade and Employment (House of the Oireachtas) (6), Agricultural Minister, ARD Committee (8), Agri-food Strategy Board (9) • Dissemination to industry (10)
Market orientation of SME retailers in town centres	Policy recommendations on the need for re-orientation of urban places towards changing customer buying behaviour (2012)	Testimonials from trade bodies (1,2) Letters of commendation from both committees in NI Assembly and House of the Oireachtas (the National Parliament of Republic of Ireland) (5,6) Report of Joint Committees (House of the Oireachtas and Northern Ireland Assembly) (6)	
Customer relationship management and market orientation	Business development (2008-11) Change to DARD support measures (2008-13) Policy recommendations and implementation (2012-13) Dissemination of effective CRM practice for SME retailers (2013)	Testimonials from trade bodies (1,2) Testimonial from DARD (4) Policy reports to ARD Committee and Agri-Food Strategy Board, and key policy role (8,9) Award winning article for CMI and Subject Panel Expert role (10)	

The findings on CRM led to the delivery of targeted support to SME firms, through 18 industry workshops. The impact of our research was to develop tailored support and recommendations that would enable various types of SMEs in the retail supply chain within Northern Ireland, across the UK and Europe to enhance their market orientation and competitiveness.

The **reach** of the impacts is evident through the key intervention role played by our research. The research has directly impacted upon SME market orientation in the retail supply chain and competitiveness at a regional level and also more widely across European regions. A number of beneficiaries have been affected, including SME businesses, business support agencies and policy makers. Issues around enhanced SME market orientation and competitiveness are of significant interest to policy makers and support agencies, and our research has contributed to policy debate and the policy influencing efforts of trade bodies, as evidenced by testimonials from a range of industry and Government bodies at regional, national and international levels **(1-5)**. In short, these testimonials illustrate that the research has helped to place issues around SME market orientation in the retail supply chain on the UK and Irish Government policy agendas.

The **significance** of the impacts, or how much difference it has made to stakeholders and beneficiaries, is now outlined.

By identifying the barriers to market orientation and competitiveness within rural markets, these findings provided the basis for the development of tailored training and support programmes provided to approximately 100 SME retailers, leading to these SME retail businesses across Europe improving their market orientation, and their business performance, through the expansion of customer led product lines and services, including e-commerce and new tourism activities. The provision of enhanced product lines and services that addressed customer needs in turn led to benefits for the SME retailers' local communities, in terms of increased choice and product availability. The research enabled the SME retailers to exchange experiences and learn from each other, which in a number of cases led to new business transactions and the development of new networks, including new purchasing/supply relationships **(1,2,3)**.

The research identified the government support measures that would enable SME retailers to compete more effectively in town centre locations, and the need for reorientation of town centres to take account of changing customer needs **(1,2,5,6)**. The research provided '*critical insight*' **(5)** and underpinned a trans-Governmental report and set of recommendations for town centre development in Northern Ireland and Republic of Ireland **(5,6)**. In addition, it received national media coverage through an article in the Sunday Times.

workshops, a project website and 250 individual company reports, on how to utilise market intelligence data within the retail supply chain. This has had a direct impact on the market orientation and competitiveness of 250 SMEs, leading to new customer-led product and market opportunities in the form of new product listings with major multiple grocery retailers, a stronger focus on competitors, enhanced internal processes for collecting and utilising customer data, and greater proactiveness to market opportunities **(1,2,4,7)**. Policy recommendations have been made to UK Government bodies and Committees (including Department of Agriculture and Rural Development, DARD, and the Agri-food and Rural Development, ARD, Northern Ireland Assembly) on the need to recognise the importance of free access and analytical support to SMEs regarding loyalty card data and other forms of formalised market intelligence **(4)** and on the need for a market focus for SMEs to ensure sustainability **(8,9)**. As a result, there has been a clear impact on Government (DARD) support to SMEs; as shown by the inclusion of a food chain Co-operation Scheme in the draft consultation document for the 2014-20 Rural Development

Programme (4). Furthermore, our research expertise has been utilised to assist in the implementation of these policy recommendations (9). The findings on CRM have been disseminated widely to industry practitioners, through the Chartered Management Institute (CMI) and have been cited as having strong industry relevance for its 138,000 member network (10). Our research expertise has been formally recognised by CMI as playing a key role in influencing how marketing knowledge is communicated to their broader management audience (10).

5. Sources to corroborate the impact

1. Federation of Small Business Factual Statement, National Policy Vice Chairman
2. Invest Northern Ireland Factual Statement, Executive Director, Business & Sector Development
3. Northern Ireland Independent Retail Trade Association Factual Statement, Chief Executive
4. Department of Agriculture and Rural Development (DARD) Factual Statement, Head of Agri-Food Support Services (endorsed by Tesco)
5. House of Oireachtas Factual Statement, Republic of Ireland TD and Chair of Joint Committee on Environment, Culture and the Gaeltacht, Republic of Ireland National Parliament
6. House of Oireachtas and Northern Ireland Assembly policy report
7. DARD/Tesco (dunnhumby) project: <http://www.business.ulster.ac.uk/DARD/>
8. Policy Recommendations to Agri-food and Rural Development (ARD) Committee, Northern Ireland Assembly, Stormont
9. Support for Agri-Food Strategy Board Policy Development
10. Chartered Management Institute article and award:
<http://www.managers.org.uk/articlesoftheyear>