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MARKET INFORMATION RESOURCE AND THE DEVELOPMENT OF SMALL FIRM  
MARKETING CAPABILITIES

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## ABSTRACT

This research investigates whether an increase in the level of market information resource (MIR) possessed by small firms is positively related to the development of small firm marketing capabilities, over time. Research suggests that the implementation of MIR in small firms may refine marketing capabilities, by providing customer insights that guide firms as to which value-adding activities they should undertake, and how they should be implemented. While MIR can offer tangible benefits to all firms, an understanding of the internal mechanisms through which it enhances marketing capabilities in small firms is limited. Extant research evaluating the relationship between MIR and marketing capabilities has predominately focused on large firms. By exploring this from a small firm perspective, this study addresses calls in the literature to identify how specific resources contribute to firms within their own contexts. This research investigates seven case studies from the Northern Irish agri-food industry, to provide a qualitative perspective of the developments that may occur in small firms following the implementation of MIR.

Word Count: 1885

## 1.1 INTRODUCTION

The development and delivery of innovative product-market strategies in small firms relies on their ability to utilize information about their environment (Sok et al., 2017). Market Information Resource (MIR) provides insights that guide firms as to which value-adding activities they should undertake, and how they should be implemented, to match market conditions and customer needs (Day, 1994). A small pool of research purports that MIR can refine the deployment of small firm marketing capabilities, allowing for improved strategic planning and informed decision-making (Del Vecchio et al., 2018; Hutchinson et al., 2016). Consequently, small firms are now being presented with a considerable opportunity to maximize upon MIR available to them and to build novel value propositions for customers (Del Vecchio et al., 2018).

## 1.2 LITERATURE REVIEW

Marketing capabilities are much less developed in small firms given their lack of resources, time and smaller target markets. Consequently, small firms attribute a lower priority to the marketing process, deploying informal marketing mix practices, which according to Spence and Hamzaoui-Essoussi (2010) rely on the lowest-cost tactics to produce impact. This has resulted in a call for small firms to develop effective marketing capabilities to respond to changing markets (Cacciolatti and Fearne, 2013). Extant research shows that the formalized structure of MIR has been shown to encourage small firms to undertake a more organized and planned approach to marketing (Donnelly and Simmons, 2013). In turn, the integration of marketing capabilities in small firms is said to have a direct and positive impact on customer value and satisfaction (Hutchinson et al., 2015).

Marketing capabilities are sets of integrative processes, whereby knowledge and skills are combined with resources to transform static inputs to tacit outputs that are valuable to the consumer (Vorhies, 1999). This study addresses three capability types: architectural, specialized and dynamic capabilities. Architectural capabilities are the planning processes involved in the formulation of consumer knowledge (Morgan 2012) and specialized capabilities are used to design and implement individual marketing-mix activities (four-Ps) (Morgan et al., 2018). Morgan et al. (2009) have proposed that firms who align these two marketing capabilities should see performance advantages accrue, over time. RBV and capability theory has attributed this, in part, to the implicit internal mechanisms that enable capability integration, as they are difficult for competitors to diagnose, and imitate (Hunt and Morgan, 1996). This inimitability can be strengthened through other processes that leverage resources and capabilities in a consistent manner (Day 2002; Winter, 2003). These are referred to as dynamic capabilities, defined by Teece et al. (1997) as a firm's ability to integrate, build and reconfigure internal and external competences. Erevelles et al. (2016) state that a firm using novel consumer insights extracted from MIR to understand unmet consumer needs enhances their dynamic capability. Dynamic capabilities iteratively foster new thinking within organizations, as does MIR, given its market orientated and informative nature. Consequently,

Braganza et al. (2017) argues that the utilization of MIR is a dynamic capability in itself when applied as part of a sustained initiative to use data repetitively.

### 1.3 METHODOLOGY

This research runs alongside a 3-year funded project by Invest Northern Ireland, to increase environmental insights and improve the marketing skills of NI small firms. As a result, case firms have been provided with free MIR in the form of Tesco Clubcard Reports, otherwise known as Dunnhumby. These data reports offer firms real time consumer purchasing behavior and customer lifestyle, lifestage and family profiles across the UK. Further, Mintel and GlobalData consumer analysis reports have been supplied to provide robust research on key consumer forces driving industry change. Both data types have been filtered, tailored to meet firm needs and requests, and presented in a standardized format. Longitudinal engagement, over 10-months, pursued with seven case firms in a three-stage process, as discussed below.

*Stage 1: Marketing Capabilities Prior to Data Provision* - During stage 1 the owner-managers of each case firm were formally interviewed using semi structured interview questions relating to the firm's marketing function, MIR usage and marketing capabilities. This first stage interview was designed to capture the case firm's current level of marketing capability. All firms expressed an unfamiliarity with MIR at this point and had never utilized it in a formalized or strategic manner.

*Stage 2: 10-month Longitudinal Data Provision* - Following the case firm interviews, MIR reports, directly relating to each firm's product listings and environment, were supplied. Every second month the researcher connected with the firms in person, via phone or email, further contact outside of this was initiated by the firm. Regular contact was utilized to build rapport with case firms and deal with requests for data reports, interpretation support (offered to all firms following first interview) and additional meetings.

*Stage 3: Marketing Capabilities Post MIR and Overall Response to MIR* - Final interviews were conducted with owner-managers at the end of the longitudinal 10-month period. The purpose of these interviews was to explore whether any variance had occurred in the architectural, specialized and dynamic capabilities of the case firms since the data reports were first provided.

### 1.4 RESULTS AND DISCUSSION

*Stage 1: Marketing Capabilities Prior to Data Provision* - All firms expressed a lack of architectural and specialized capabilities. Market planning was based on explicit knowledge about competitors or retailers, and segmentation was not conducted. Predominantly marketing mix activities were based on gut feeling, NPD processes were founded on twisting current product lines and were selected on limited in-house taste tests. Over half of the case firms expressed a concern about deviating away from standardized product offerings, given a lack of

evidence that new or innovative offerings would be successful. Price and promotional activities were generally driven by external bodies such as retail buyers, and participants stated a lack of confidence and control in the retail environment. Dynamic capabilities were non-existent, or highly constrained. Firms voiced a willingness to be proactive market sensors. However, this was counterbalanced with the belief that the size of the firm limited the time for sensory activity and the opportunities that could be seized, case participant (CP) 7 stated that the firm would *“like to be proactive and sense the market but the size of our business kinda dictates that”* adding *“we would be willing to seize good market opportunities...but only if there was evidence that there would be success in the market!”*

*Stage 2: Small Firm Response to MIR Over 10-month Longitudinal Period* - During the longitudinal period, firms reacted differently to MIR, with some engaging regularly, and eagerly applying the data with significant outcome. Nonetheless, despite the acknowledged value of data and the offer of interpretation support, absorption of the data was stalled in two case firms, if applied at all. Although these firms presented a desire for growth, they struggled to see past day-to-day business activities and cited a lack of time and personnel as a restriction to data utilization but also a concern that it was not suited to the business. MIR reports in C6 were passed around several employees, without direction from the owner-manager, resulting in the reports going un-used. Case observations indicate that negativity or nonchalance toward data on the part of the owner-manager, played a significant role in its lack of adoption. Consequently, this study adds to very recent literature pertaining to small firm marketing (Massiera et al., 2018b), suggesting that small firms who opt out of data application are more likely to exhibit a culture of learning by failure, rather than proactively learning from knowledge resources.

*Stage 3: Marketing Capabilities Post MIR and Overall Response to MIR* - Analysis of this third stage is still on-going, but to date research has shown that those firms who readily absorbed the data and dedicated time to utilize it, developed both an understanding of how to interpret data, but most importantly, they leveraged marketing capabilities to apply and maximize the potential of the data. MIR was used in the planning process of three new products, the accession of two new target markets, two new distribution deals and four contracts secured with new retailers. They also cited an increased level of confidence in themselves as data analysts, in day-to-day decision making, but also in seizing opportunities and investing in new resources. CP3 stated: *“the data directed us where to go. We knew it had potential, but it gave us confidence to go for it... We had to change our entire cooking process, but we went for it, and it paid off!* These case firms began to display dynamic capability, allowing MIR to become the focal point within the planning process and they continued to request MIR reports going forward. CP2 claimed *“data is king, I measure twice and cut once, every time... its critical to know what’s going on out there, so you’re ready to act!”*

Conversely, those firms who struggled with the data demonstrated great difficulty in finding time to conduct final interviews and exhibited little, if any, difference in their marketing approach than was initially found. CP4 presented a sense of uncertainty and wariness during

the initial interview stage and later cited “*It just doesn’t suit our business, we’re too small... it seems to be time consuming. To be honest, I didn’t really understand the point of the whole thing...*” This resulted in this case firm becoming wholly detached from the researcher and being non-responsive over the 10-month period. This disengagement may be attributable to a lack of trust between participant and researcher, given their unknown status in the agri-food industry and emanating from an academic perspective. Furthermore, a fear of the unknown, as cited by Donnelly and Simmons (2013a) has been thought to negatively influence individuals to engage with data resources to their fullest potential.

This study suggests that small firm marketing capabilities are significantly more developed at a high level of MIR absorption, in an iterative process, when compared to low level or no adoption. It also proposes that small firms are capable of conducting ‘higher-level’ dynamic capabilities, that were often thought to exhibit only in larger firms.

## 1.5 IMPLICATIONS FOR THEORY AND PRACTICE

While MIR can offer tangible benefits to all sizes of firms an understanding of the internal mechanisms through which MIR can enhance marketing capabilities in the small firm context is very much limited. By exploring this, we specifically address the call by Kraaijenbrink et al. (2009) to identify how certain resources contribute to firms within their own contexts. This moves away from an objective definition of resource or value, to one defined by the situation or context. Furthermore, the concept of marketing capabilities are still relatively new to the marketing discipline, thus, architectural, specialized and dynamic marketing capabilities have yet to be comprehensively identified and catalogued giving rise to their selection for study (Morgan et al., 2012).

Given the increasing number of small business start-ups across the UK and Ireland, the need for continued research in the small firm sector is critical. Industry research indicates that marketing is a greater obstacle to small firms when compared to larger firms (Bailey, 2015). To counteract these challenges, the N.I government is supporting small firms through the provision of MIR and interpretive support with the aim of increasing industry turnover and employment. However, these objectives cannot come to fruition if small firms fail to acknowledge the importance of marketing as a business function and the resources required to sustain it.

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