Market orientation of the Hungarian SMEs working in the meat processing and dairy industries

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Abstract. We are looking for the answer as to what tendencies were indicative of the future development of required marketing activity of the SMEs in the article dealing with the marketing activity of the SMEs working in the food industry. The article is based on a nationwide survey among 200 SMEs working in the food processing industry. In this

article, we focus on the SMEs working in the dairy and meat processing industries. The results of the nationwide research and some domestic references refer to that there is a latent demand of effective marketing activity among small and medium-sized enterprises. It manifests itself in specifying marketing-related fields to be improved in the future. The marketing itself is believed not to be an important field at the same time. This apparent opposition is the small enterprise marketing paradox in the background of which is the lack of knowledge about the marketing instruments. It can be stated that these small businesses collect mainly general market information and have no information about particular products. Therefore, the presence of marketing planning is really rare and where there is some kind of planning it is not connected to available funds and follow-up control. The marketing strategy can be characterized by products processed mainly at low or medium level. Therefore, market position is defined by "lower price–good quality". They mainly use the traditional distribution channels and their communication is accidental and has a low level.

The marketing-oriented way of thinking still exists among the factors affecting entrepreneurial behaviour, which cannot be found at the level of clusters, according to our results. We could identify 8.3% of the enterprises as having satisfactory marketing activity.

1 Introduction

The operation of smaller enterprises diverges in several ways from the logic of the general market orientation models. These are worth calling attention to, and we must assess the research results dealing with them. In their case, personal attitudes can have a significant influence on the culture, operation, and learning abilities of the organization in terms of marketing and market orientation knowledge (*Cegarra-Navarro* & *Rodrigo-Moya*, 2007).

In the case of small companies, the level of market information collection is inadequate; they characteristically do not have an independent marketing expert. Their marketing activity relies on secondary data such as scientific papers, sectoral analyses, or information acquired through personal channels (consumers, suppliers, business partners). If the enterprise sells its product in a small geographic area or region, it is able to use the different data collection methods more efficiently. The communication of market information within the corporation is less important in the case of SMEs since the owner is often also the decision-maker (*Werhees* & *Meulenberg*, 2004). However, effective communication of market information is linked to the staff's satisfaction and increases in their loyalty, since *Ruekert's* results (1992) suggest that an increase

in market orientation is connected to satisfaction with the workplace.

Tajeddini et al. (2006) in Sweden researched 650 companies with between 5 and 200 employees, applying the MKTOR scale. Their research suggests that there is a positive correlation between consumer orientation and market share, returns on investments (ROI), and the rate of new products in total sales. According to their results, properly operating competitor orientation also has a positive influence on the market share and the rate of new products in total sales. Coordination between functional areas could have a positive influence on the returns on investments (ROI), while it did not have a statistically justifiable influence on the other mentioned areas. Their research focused on the degree of companies' market orientation and the connection with innovativeness. In this respect, they also stated the importance of market orientation, since all the three areas of the MKTOR scale are statistically justifiable and have a positive connection with the enhancement of a company's innovation abilities.

In Spain, *Armario et al.* (2008) surveyed the characteristics of the market orientation of small- and medium-sized enterprises together with their increased international presence. They analysed the area, involving 112 SMEs and applying the MARKOR scale. Their results supported the idea that with an increase in market orientation the performance of a company improves. They pointed out that companies with more efficient marketing systems are more successful competitors compared internationally. They also confirmed that with stronger marketing orientation the examined companies could develop better corporate education abilities, and through this they could respond faster and more efficiently to the market.

Baker & Sinkula (2009) studied the behaviour of American small companies, involving 88 companies in the research. Applying the MORTN scale created by *Desphande & Farley* (1998), they aimed to find out the common influence of market orientation and entrepreneurial orientation on entrepreneurial profit-making ability. Their results show that an increase in market orientation has a significant positive impact on financial success. However, they call attention to the fact that marketing orientation means not only the tracing of product preferences but also the monitoring of the external market environment and the division of consumer information. In companies of this size, it must also include the manager's total commitment to maximizing consumer satisfaction.

Siu & Liu (2005) studied 307 small- and medium-sized Chinese enterprises. They carried out their research with a logical model established by themselves; its fields were corporate philosophy, strategic analysis, marketing aims, marketing strategy, marketing organization, and marketing control. Their re-

sults show that those small companies perform better where marketing takes a central place in the company's philosophy.

However, they also call attention to the fact that in their case it is advertising and sales elements that are important, while market analysis is pushed into the background. The pretence of strategic planning was observed at a higher rate among those enterprises with a better than average performance. These companies put a high emphasis on a wide-scale position analysis. They also found significant differences in the marketing strategic aims of companies with a higher marketing orientation level compared to the other companies. Market-oriented enterprises with better performance characteristically have longer-term profit aims, which means that the time horizon of their planning is much longer than that of their competitors. In terms of marketing strategies and their control, some other differences have been noted among those performing better or worse than the competition. Companies with a better than average result in each case had a marketing strategic plan, while those with worse performance tried to advance by reducing their costs and increasing their productivity. The existence of strategy within these companies had a definite link with the differences in their corporate structure. The more successful companies had an independent marketing unit.

From the body of research surveying market orientation, we would highlight the research of *Verhees & Meulenberg* (2004), who studied market orientation in relation to innovation ability. Their research is mentioned here because the authors, going beyond the models investigating market orientation, tried to work out a logical frame adjusted to the peculiar operation of SMEs applying the experiences coming from these conceptions. Their starting point was *Kohli & Jaworsky's* model (1990), but they significantly reinterpreted it. They reduced its definition of market information collection to obtaining consumer information. They omitted the communication between corporate units since in their interpretation data collection, strategic planning, and decision-making are concentrated in the hands of one person, the owner. Besides this, they restricted responsiveness to conformity in the field of innovation. According to their results, the positive influence of improved market orientation in small companies is clear. They revealed a positive correlation between consumer information and innovation ability, which has a favourable influence on product quality, the range and level of connecting services, and proper timing.

This last study reminds us that in the case of small- and medium-sized enterprises the usefulness of the results revealed by general market orientation models is restricted, since several of their elements (e.g. information flow between organizational units, coordination between functions, responsiveness)

have a totally different meaning for SMEs than they do for bigger companies.

2 Materials and methods

The two fundamental methods of marketing research – primary and secondary data collection – were used to collect results that are introduced in this article.

2.1 Data collection

Primary data collection can be separated into two phases: the phase of preparation and that of quantitative data collection.

The field work of the national in-hall test was carried out in June and July in 2010 with the help of the countrywide network of Szocio-Gráf Market and Public Research Institute seated in Pécs. 200 enterprises were examined in this research, but we focus in this article on the SMEs working in the meat processing and dairy industry (*Table 1*).

Filling in the questionnaires was the task of previously prepared questioners, who filled them personally with marketing leaders of enterprises or, if there were not any, with a leader of each enterprise who had a full view to the whole activity of the enterprise.

Table 1: Composition of the sample

Industry	0–9 heads	10–19 heads	20–49 heads	50–249 heads	Altogether
Meat processing, production of meat products	27	14	20	15	76
Production of dairy products and ice creams	9	1	3	7	20
Altogether	36	15	23	22	96

The applied questionnaire can be separated into two blocks of questions that are followed by background variables. Altogether 61 questions were put to respondents and as a last group of questions statements were created, in which the agreement of respondents was examined. This question group helped form clusters. At the end of the questionnaire, 7 background variables took place.

Characteristically closed type questions were applied with two or more possible answers. However, respondents were allowed to give opinions different from the given ones in the "Others" answer category. In the questions – where scales had to be used –, Likert scales ranging from 1 to 5 were applied in all cases. In these scales, only the first and the last points were named.

The first group of questions examined the information collection habits of the respondents, the second one studied the existence of the enterprise's planning, the third one considered the leading structure, and the fourth one examined the expansion conceptions and cooperation willingness of enterprises. The next four groups of questions analysed the marketing tools according to the 4P. At the end of the questionnaire – as a ninth question group –, 44 statements are suitable to form clusters. With these statements, the respondents' agreement was analysed.

2.2   Methods of analysis

The data received from the research were analysed with the help of SPSS 13.0 statistical software package. Frequency superscripts from univariate statistical analyses, arithmetic average from medium values, connected to this, standard deviation (square average mutation) from deviation superscripts were applied (*Sajtos & Mitev*, 2007; *Molnár*, 2007). These methods are widely known and their application is a daily practice in market research tasks, which is why we do not consider necessary to introduce them.

3   Results

3.1   Marketing situation report on food industrial SMEs

As an element of the examined enterprises' information collection habits, I wanted to know to what extent enterprises do market research/data collection activity. 69.8% of the respondents do some kind of information collection in order to meet their potential target markets. This rate can be regarded quite favourable until we take into consideration the channels used to get information, which are summarized in *Table 2*.

It can be seen that these information sources are usually suitable to obtain knowledge about general market tendencies (acquaintanceship, public databases). Those channels that could give concrete consumer information about the enterprises' products (own research on enterprises, market research company) fell rather behind on the list. According to this, the target mar-

Table 2:   Information sources used to meet the potential target markets (N = 67)*

Answer category	Division of answers	
	Respondents	%
Acquaintanceship	55	82.1
Database, available in public	29	43.3
Own research of enterprises	19	28.4
Market research company	3	4.5
Others	3	4.5

* Respondents could give more than one answer

ket selection based on market information is characteristic in only 3.1% of the respondents. Nevertheless, the respondents judge the level of information supply as sufficient.

Thus, it is not surprising that planned marketing activity is characteristic in only a very small proportion. 29.2% of the respondents claimed to make a marketing plan, which seems a good rate at first. Examination of the further elements of the group of questions focusing on planning became more and more detailed; e.g.: presence of marketing budget, its controlling and lifecycle analyses. The former determined number began to decrease dramatically following the detailed questions. Only 15.6% of them have a marketing budget, which is controlled regularly by 14.6% of them (the way of control is not mentioned yet), and only 9.4% follow and evaluate their products' lifecycle. So, the former 29.2% decreased quite a lot as the questions got more detailed.

These results forecast the level of the enterprises' marketing knowledge. One element of the question group examining the management of the company searched its source. *Table 3* contains the results of this question group.

Probably the following tendency can be found in the background of the not too favourable results concerning the situation of marketing: enterprises consider the experiences obtained in the course of business satisfactory for marketing activity. A question arises here: what kind of knowledge can these enterprises receive from each other if none of them have marketing knowledge? Altogether 9.4% of the enterprises have a colleague with – in most cases, a medium-level – marketing qualification.

Analysing product policy, it has been found that the examined enterprises try to compete on the market with their products' good quality. However, they do not possess any information about their consumers' judgement. The

product's pretended consumer judgement coincides with the respondents' admittedly own opinion in this question. Moreover, they are convinced that the product's quality would be the most important factor of competition in the food industry nowadays, with an average rate of only 3.64 on a one-to-five scale. Some 65.6% of the respondents deal with the production of mass products that provide the majority of their income.

Table 3: Source of marketing knowledge (N=96)*

Answer category	Division of answers	
	Respondents	%
Past experiences	76	79.2
From journals and special books	13	13.5
Through participation in professional conferences	10	10.4
The enterprise has a leader with marketing qualification	9	9.4
Others	3	3.1

* Respondents could give more than one answer

Analysing pricing strategy together with product policy, it can be demonstrated that the enterprises believe that the basis for positioning is obviously in the dimension of lower price and good quality. The basis of the respondents' pricing is firstly formed by the consumers' acknowledged market value, secondly, by the production costs, and thirdly by profit maximization. Among pricing points of view, there was not observed any consideration resulting from marketing aims (e.g. positioning considerations).

Enterprises do not carry out a conscious channel policy: 60.4% of the respondents do not select their markets, they try to be present everywhere where they can. 58.3% of the respondents use a channel with one or two elements in order to pass their products to consumers, but in spite of this the average rate for this question is 3.47 on a one-to-five scale (1 means "I cannot follow it at all" and 5 means "I am completely able to follow it").

An important character of their communication is that 53.1% of them do not possess a brand name. Those who do some kind of planned communication, characteristically target the end-users, and they target intermediate persons at a lower rate, or a group with 15.6% of respondents wants to send messages to both groups. The typically applied tools are consumption inspiration and

direct selling, while intermediate persons are mostly motivated with gifts. Both communication forms are done at a low intensity.

3.2 The appearing latent demand

Several Hungarian researches (*Sajtos*, 2004; *Szabó*, 2009; *Polereczki & Szabó* 2005; Józsa, 2004) show the same unfavourable picture analysing the small enterprises' marketing activity as the above mentioned situation. A question arises here whether the judgement of marketing as a tool is so unfavourable among Hungarian small enterprises or not. In order to give an answer, we need to analyse what companies think about future, which fields they expect development in.

In 2003, *Nyers & Szabó* asked enterprises in their survey about which fields they see the main future success factors. The answers are shown in *Table 4*.

Table 4: The main success factors determined by SMEs

Main success factors	The rate of high (5) agreement	
	Firms in foreign property	Firms in Hungarian property
Better service of clients' needs	**39.3**	**44.8**
Occupation of new markets	**26.2**	**26.3**
Introduction of international quality assurance	31.1	24.3
Forming individual markets	**13.1**	**16.2**
Introduction of a new product or service	**21.3**	**15.1**
Improvement of employees' qualification	9.8	13.7
Introduction of modern information system	**13.1**	**12.9**
Developing new technology	8.2	11.7
Development of cooperation	**13.1**	**11.5**
Service providing	**16.4**	**10.3**
Opening export markets	11.5	8.1

Source: *Nyers & Szabó* (2003)

If we examine the answers written in bold letters in *Table 4*, then we can see that respondents named fields in big proportion that are in strict connection with marketing. Forming new markets, a better understanding of the clients' needs, creating individual (niche) markets are all tasks that can be developed classically with the help of marketing tools.

The results of our research also show a similar tendency. The results that can be seen in *Table 5* show respondents' ideas about future development. Respondents also named several fields that can be covered with marketing tools to a large proportion, such as expansion of customer base, or product innovation.

Table 5: Possible future development directions according to respondents (N=96)*

Answer category	Division of answers	
	Respondents	%
Expansion of customer base	45	46.9
Product innovation in the field of mass products	26	27.1
Product innovation on the market of niche market products	26	27.1
Development of marketing activity	10	10.4
Forming horizontal integrations	5	5.2
Forming vertical integrations	2	2.1
Other	4	4.2

* Respondents could choose from more than one answer

In another question, respondents stated that they would be able to make an acceptable profit by an average of 18.23% price-level increase. The tools of reaching a higher price level according to enterprises are summarized in *Table 6*.

The fields that also need an important marketing activity were also emphasized in this case. Another important aspect of the results is that respondents ranked marketing activity behind in both *Table 5* and *Table 6*; only about 10-11% of them think it could be important in the future. It can be stated that enterprises do not consider marketing a key-factor from the point of view of their future, but at the same time they name such directions important that definitely belong to this field.

The apparent contradiction can be resolved as follows. It is well known that these enterprises' real marketing knowledge is very low. In other words, we can say that these enterprises do not really know what activities marketing really contains. In spite of this, they instinctively see their way out of this more and more difficult market fight in such fields that are in strong connection with

Table 6: The tools of reaching a higher price level according to respondents (N=96)*

Answer category	Division of answers	
	Respondents	%
Development of a relations system	36	37.5
Product innovation on the market of niche market products	27	28.1
Product innovation in the field of mass products	22	22.9
Development of marketing activity	11	11.5
Horizontal cooperation with other processors	10	10.4
Application of brand names	6	6.3
Vertical cooperation	3	3.1
Others	10	10.4

* Respondents could choose from more than one answer

marketing. This is nothing else but a latent demand for an effective marketing activity present in enterprises.

At this point, it is worth mentioning the work of *Chikán & Czakó* (2002), in which they explain that the position of marketing has become stronger in enterprises during the past few years, but, at the same time, it is well behind the level of western countries. According to the results of *Achrol & Kotler* (1999), this tendency can be reckoned as natural because it is observed in their research that the marketing orientation of enterprises operating under hard competition conditions was getting stronger. So, enterprises exposed to hard competition consider marketing more and more as a strategic tool. It can be concluded that with a stronger competition in Hungary a stronger marketing orientation can be expected.

We can state that with a fiercer market competition among the investigated enterprises such field is expected to develop in the future that might lead to an improvement in their marketing orientation.

3.3 The appearance of marketing orientation

In the followings, a question arises: if this latent demand really exists among the analysed enterprises, then does it appear at the level of real activity and can it be identified?

In order to clear up this question, factor and cluster analyses (K-means) were carried out on the basis of agreement of 44 statements appearing at the end of the questionnaire regarding the enterprise's way of thinking and activity. The results of the research showed the following: 4 different characteristic behavioural models were successfully identified during factor analysis, among which the marketing-oriented way of thinking could already be found. These are those who consider it necessary to pay particular attention to understanding consumer needs. They try to form product features according to these needs at an economically justifiable level, considering sustainability point of views. However, it has to be noted that this factor could barely be identified. In the next step, cluster analysis was carried out based on certain factors. It can be seen from the results that none of the cluster groups are characteristically marketing-oriented. The presence of marketing could be found only in one group, but even there marketing got a very subordinated and executive function with no noticeable effect on the enterprise's strategy. So, the presence of market orientation at the level of factors is not strong enough to form a market-oriented group among the clusters.

Although a marketing-oriented way of thinking could not be proved at the level of the enterprise cluster, a further examination was carried out in order to try to find an enterprise group with marketing-oriented attitudes. For this reason, four fields were stressed upon from the question block connected to marketing information collection and marketing planning. Answers given to these questions gave the basis for determining sufficient marketing activity. These four fields are the following: market information collection serving the basis for product features, an existing marketing plan with own budget, control of amounts spent on marketing as well as analysis and use of product life cycle. Thus, the rate of enterprises that carry out market information collection as a basis of marketing planning for concrete products, which possess formerly determined own marketing budget, control the utilization of this money, and set their planning to the current life cycle of their products/product groups, amounts to 2.3% of the whole sample. This rate increases to 8.3% in case the proper operation of three of the listed four elements is considered sufficient.

Testing these enterprises in terms of enterprise size, two poles can be found. Their common feature is that all but one of them pertain to the meat industry, all of them operate in the form of an Ltd., and they do not show local uniformity. A smaller group of them belong to small enterprises of 0–20 employees and maximum of Ft 250 M net income. Enterprises with 20–100 employees and more than Ft 750 M net income form a bigger part. These are the firms that can be called innovators – examples of consumer novelty acceptance – in

the examined group of small enterprises.

According to the results, it can be stated that the marketing-oriented way of thinking already exists among the enterprises of both examined industries, although it has only a small effect on SMEs operating in the sectors.

4   Conclusions

As to the results, information collection pertaining to the general market tendencies is typical of the respondents and few of them have particular information about their own product. Otherwise, they believe that their market research activity is at the required level. It shows that they do not perceive the lack of information and it is not believed as an obstacle from the view of their market success.

Therefore, the presence of marketing planning is low in the sample, while, on the other hand, it is not linked to budget and subsequent supervision. The tested enterprises usually do not have an employee with marketing qualification, and therefore there is not a permanently responsible person for marketing activities. This kind of behaviour is behind the lack of strategic approach. It causes the disability of setting up long-term conceptions. It also results in low marketing efficiency even among companies that have some kind of planned marketing activity.

An overwhelming majority of the companies believe that the way to future is the improvement of mass products. On the other hand, more and more of them want to produce special products as well. It is mainly caused by the lack of alternative future perspectives, which is due to the lack of information about consumer demands, and the production- and sale-oriented approach. They do not have the abilities to plan the company's activities on a consumer-oriented way or to reach the target groups effectively, and no more than 8.3% of them have the adequate marketing skills. It means that a marketing-oriented way of thinking can be measured among the factors, while at the same time it is characteristic of such a few enterprises that an independent behaviour group (cluster) cannot be found. It also means that a market-oriented way of thinking is getting stronger among SMEs in the food industry, which is defined as one of the side effects of stronger market competition by the literature.

Their product policy focuses on producing mass products, which is linked to a lower price position. 72.9% of them are able to make profit at present prices, but they would like an average price rise of 16.7%.

The classical channels (retail trade, wholesale trade, HORECA) dominate

their sales. Their communication is accidental and the market position of their products is the lower price–proper quality. 53.1% of them do not have an own brand name and 60.4% of them have no web page. Their communication strategy is built up according to the pull strategy; therefore, the target of their messages are the end-consumers. On the other hand, the push strategy is less wide-spread. It can be stated that the push strategy is more useful for them regarding the characteristics of their products and the features of these two strategic options.

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