

**“An Exploration of the Synergies Created by Communication of
Supermarket Loyalty Card Data to SMEs in the
Agri-food Industry in Northern Ireland.”**

**Christina Donnelly
Centre for Value Chain Research
Kent Business School
University of Kent
Canterbury
CT2 7PE**

Phone: +44(028) 90368 994

Email: cd233@kent.ac.uk

Supervisors:

Professor Andrew Fearne (a.fearne@imperial.ac.uk)

Dr. Gillian Armstrong

Dr. Geoff Simmons

18th Summer Academy-EDAMBA

Soreze, France

July 2009

Abstract

The research proposed aims to explore the communication of supermarket loyalty card data to Small to Medium-Sized Enterprises (SMEs) in the agriculturally based-food industry (agri-food) in Northern Ireland (NI). The research will explore and consider the SME owner-manager's marketing competencies, characteristics and needs in relation to the information communicated. The research will focus on the communication of the supermarket loyalty card data from the dunnhumby database. The aim of the communication of this formal information to SMEs is to create 'synergies' in which optimal communication of supermarket loyalty card data is created to SMEs for decision making/ value creation. The research will also provide a platform for developing new knowledge and understanding into how a formalised marketing tool (dunnhumby data) can be communicated to meet the inherently formal nature of SMEs.

Key words: SMEs, marketing, supermarket loyalty card, dunnhumby, communication, competencies, entrepreneurial decision making.

Research Background

In today's competitive business environment, small to medium sized businesses (SMEs) need to constantly seek out new opportunities {{74 Wiklund, Johan 2005, p.2}}. This involves a willingness to innovate and to rejuvenate current products in the market. In order to do this SMEs need to take risks by trying out new products, services, and markets in an attempt to be maintain a competitive advantage{{33 Covin,J.G. 1991}}and to remain open to future opportunity.

The potential for SME growth in the NI agri-food Industry has been aided by the development of the Food Strategy Group (FSG) set up in 2004. This group led the report 'Fit for Market' {{34 DARD 2004}} which was designed to develop and shape the implementation of a broadly based strategy for the growth of the NI agri-food sector. The report contained 31 recommendations spanning marketing, supply chain, innovation and capability development. The paper established a transformation strategy approach which required the industry to embrace change and actively seek out the opportunities and openings that change inevitably brings. The over arching aim of this transformation diagram was capability development, and within this was the need for market intelligence (See Appendix

1: Figure 1 Transformation diagram). It is upon these findings, that this research will be based and developed. Through this study, the researcher has access to the richest form of supermarket loyalty card data in the form of dunnhumby data. Dunnhumby data is the collation of information from the Tesco Clubcard. The Tesco Clubcard is used by 15 million shoppers (approx. 40% of UK households) of which 12 million are active users (dunnhumby, 2008). This provides access to data from over 1 million transactions per week that are perceived to be representative of shopper spending behaviour in general. The Clubcard database on this understanding represents a rich source of market information. By utilising the dunnhumby data of shopper insight into the food industry in NI, SMEs will be able to gain a fuller picture of how their product performs, understand shopper trends and how better to exploit their markets.

Research Area

Before an opportunity can be identified however, it must be recognised {{125 Forlani,David 2002}}. On a daily basis, owner- managers are bombarded by extensive information. Owner-managers face the challenge of ciphering one piece of information from another in order to extract the most important or most relevant piece for their own business purposes. Marketing activity is essential for all businesses within all sectors in the form of obtaining information and giving out information. Information on shoppers has become the starting point for marketing activity {{139 Kotler, P.H. 2001}} and information from supermarket loyalty cards has served as the starting point for the embedded knowledge about shoppers and markets that helps inform strategic decision making {{140 Stone, M. 2007}}. According to {{67 Simmons, Geoff 2008}} SMEs are mostly likely to fail rather than they succeed, due to a lack of strategic thinking and inadequate investment in information about shoppers.

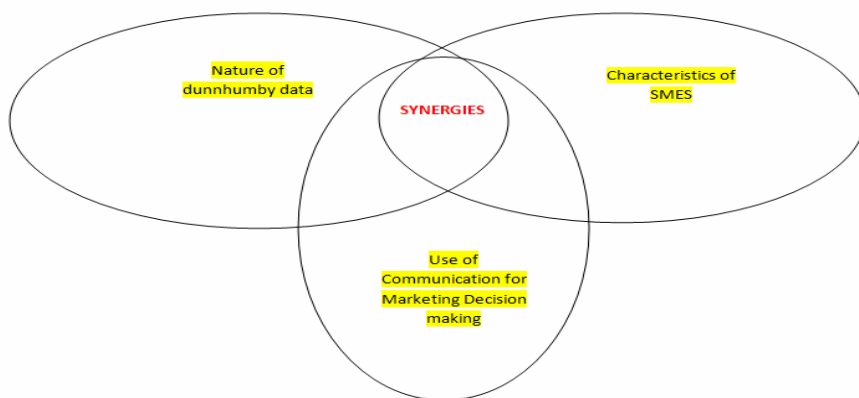


Figure 1: Research area for discussion

The gap in literature is the ‘synergies’ created when the nature of consumer information is communicated to owner- managers for marketing decision making.

1. The nature of consumer information--- purchasing information is traditionally formalised/ statistics based and quite in depth which has been collated from the real shopping purchases of a supermarket shopper through a supermarket loyalty card.
2. The characteristics of SME owner- managers are inherently informal, short term and production focused {{31 Carson,David 2001}}.
3. The communication is the link between the nature of consumer information and characteristics of SMEs.

Research Aim:

The overall aim of this research is to explore the synergies created by communication of supermarket loyalty data (dunnhumby) to Small-Medium Enterprises (SMEs) in the agriculturally based food Industry (agri-food) in Northern Ireland (NI). This research will explore how SME owner-managers exploit information, by varying the ways it is communicated. The way information is acquired and understood, is dependent on the way it is communicated. By exploring the different ways of communicating supermarket loyalty data, the research will therefore attempt to identify how this impacts on the ‘synergies’ of formal data and informal recipients of data.

The research will address the following objectives:

Objective 1: To identify the marketing competencies of SMEs in the agri-food industry in NI.

Objective 2: Design / create optimal communication tool/approach (for practitioners, government, regional bodies, consultants, trainers, marketers, educators) to identify what kind of communication is most effective/ appropriate for SME owner/managers learning.

Objective 3: To formulate recommendations to government and agencies in the agri-food industry to assist SMEs acquisition and utilisation of Supermarket loyalty card data.

Currently decisions have concerned the making of information available. However, this focus is no longer sufficient. According to {{27 Bettman, J. R. 1977, p. 239}} ‘*even if information is available, if it is not easily processable it cannot be used...*’ If this objective is achieved, government support agencies must be able to facilitate workshops which are specifically designed with the SME owner manager’s entrepreneurial characteristics and business needs in mind. Thus processability is as important as availability to meet the characteristics and needs of the SME owner/ manager.

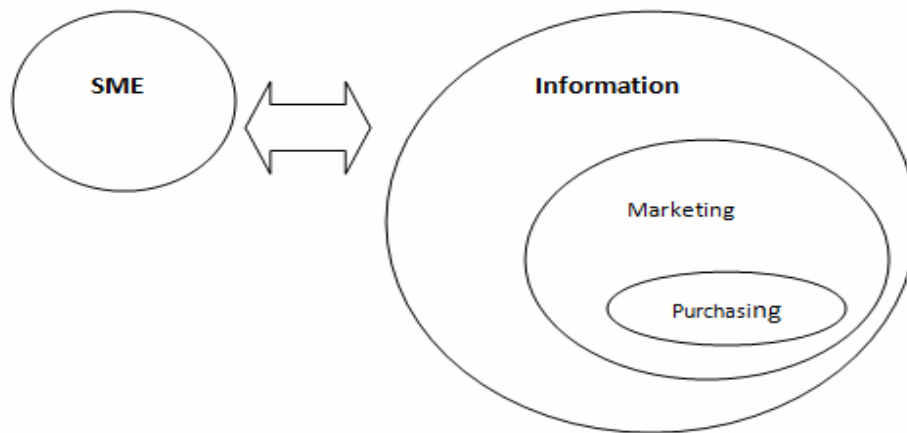


Figure 2: Summary of my focus

Research Methodology

A collaborative project devised between the Department of Agriculture and Rural Development (DARD), University of Ulster (UUJ) and Kent Business School (KBS) has been funded to provide workshops to deliver communication on purchasing information to SMEs in the NI agri-food industry over a three-year period. The purpose of the workshops is to provide an insight and understanding of shopper segmentation for primary and processed food products produced in NI. It is anticipated that through the provision of sixteen workshops, over 300 SME owner- managers will have had access to purchasing information. Due to the nature of the project, this research seeks to be exploratory in nature and requires a case study approach, employing qualitative information in order to extract as much information from the SME owner- manager. Case study approaches are recognised as one approach which successfully enhances the understanding of a complex issue and re-enforce

what is previously known, while simultaneously emphasising detailed contextual analyses of limited conditions {{146 Dooley,Larry M. 2002}}.

Research Objectives

- 1. To explore current approaches/practices to communicate/ deliver formalised purchasing information to SMEs.**
- 2. To establish a ‘profiler’ where by SMEs receive optimal communication of purchasing information in response to their level of capability.**

In total sixteen workshops will be carried out over a three year period, addressing key issues of interest across all sectors of the agri-food industry. The researcher aims to apply longitudinal case studies, adopting a representative sampling plan using a selected sample of SMEs across all food sectors in the agri-food industry. The selected sample will therefore be sufficient representatives of the total population {{49 Judd,Charles 1991}}. The sample will be created through the follow up stage (post workshop) where the SME wishes to find out more information about his business through insight into the purchasing information (dunnhumby). The researcher will manipulate selection by purposive sampling by applying good judgement and an appropriate strategy {{49 Judd,Charles 1991, p.136}}.

There is a three stage approach to this study (See appendix 3 for Workshop diagram).

Stage 1 (Pre- workshop): SMEs are invited to the workshop relating to their sector. They come with no previous knowledge of the dunnhumby data.

Stage 2 (During- workshop): The researcher acting as a consultant presents this data in a standard form- words, stats and pictures.

Stage 3 (Post- workshop): Evaluation forms detailing their feedback/ follow up requests for information.

Those who follow up will get one-to-one interviews with the SME for the purpose of this research to explore how and why they did or did not understand the presentation being presented to them, whether they seen the value of this information for their own business, and whether they will use the information for business purposes- decision making/ value creation.

It also may be important to observe visual feedback during the workshop through the use of a video camera.

The three stage approach will be repeated but this time:

Stage 1: SMEs will be coming to the presentation with prior knowledge. SME will be segmented into workshops which have been designed to meet the needs of that group.

Stage 2: Positioning of information in an optimal form to ensure maximum up/intake and understanding of the purchasing information being used for business purposes. This means changing the communication methods- settings, style of format, content of information, tone, structure of workshop to meet the profile of those attending.

Stage 3: Follow up requests- leading to one- to – one interview’s with SMEs to see whether the second workshop met their needs more effectively.

Interviews will be addressing four key competencies of the SME: Experience, Knowledge, Communication and Judgement {{92 Gilmore, Audrey 2001}}. Experiential Learning Theory (ELT) is “*learning acquired through experience and developed as an accumulation of knowledge and experience built upon and from communication and judgement*” {{31 Carson,David 2001, p.3}}.

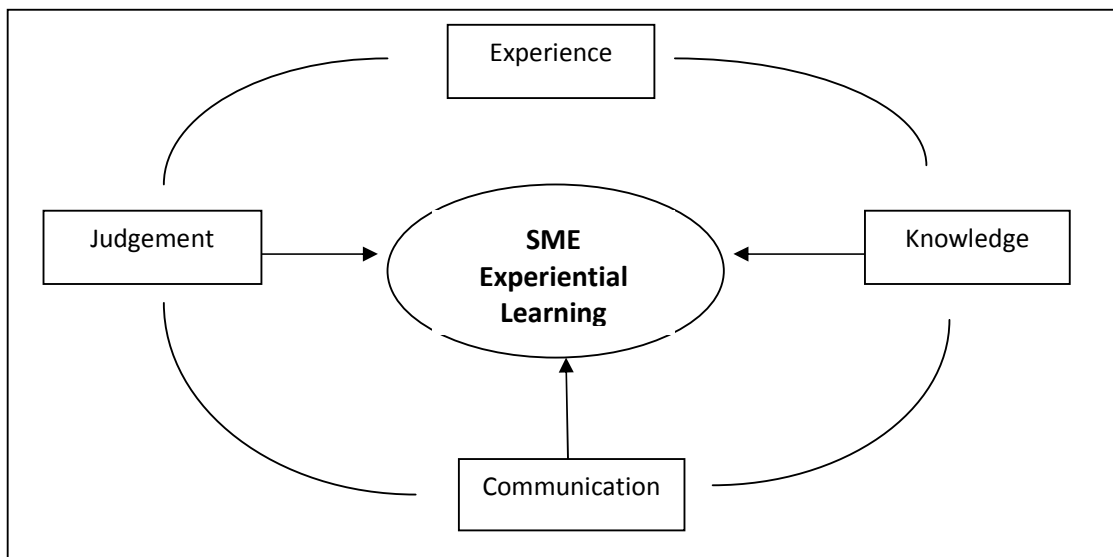


Figure 3: Experiential learning’s four core competencies {{31 Carson,David 2001}}

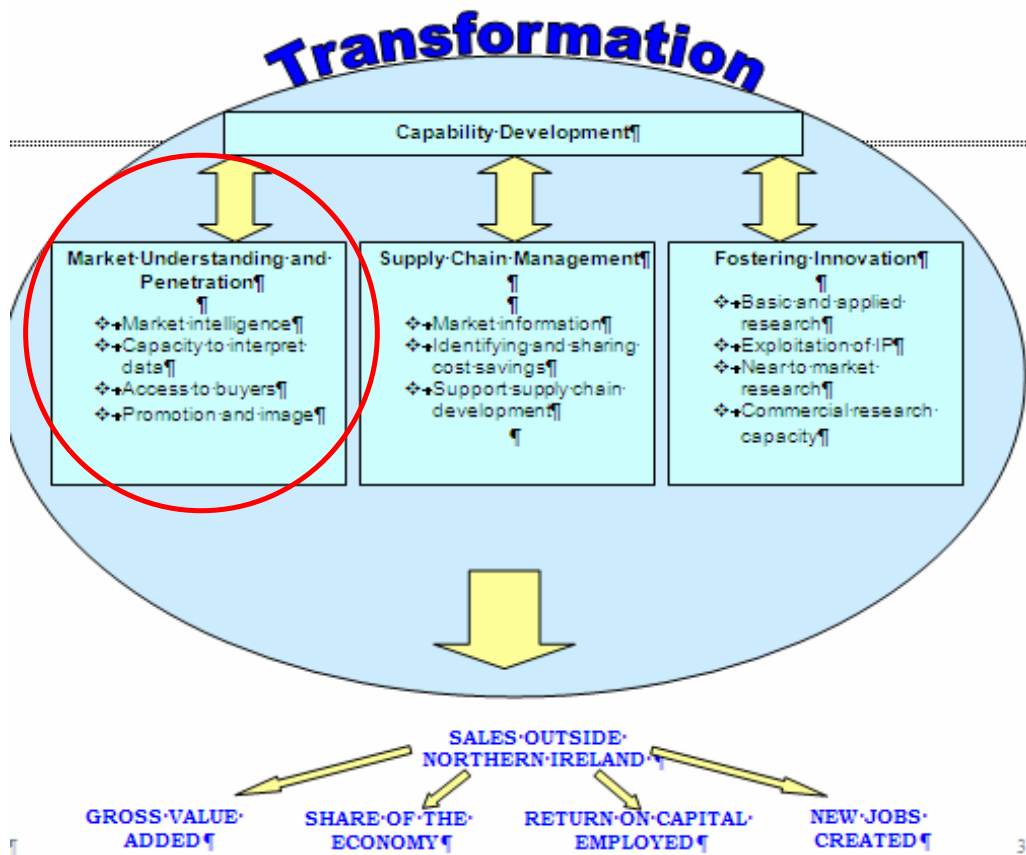
This questionnaire will attempt to understand why some individuals (SME owner-managers) recognise opportunities while others do not, despite using the same stimuli.

Results

This research will ultimately contribute to the better understanding of formalised information use for owner- managers of small businesses who are naturally and inherently informal and intuition driven. This research will look at this from a marketing and communications lens in which the owner- manager and the firm will be profiled in an attempt to create synergy between the communication techniques used, the nature of the purchasing information presented and the acquisition of the information by the SME owner/ manager for decision making purposes.

This research will have implications for theory, business practice, practitioners and government agencies within the agri-food industry and beyond with a ‘profiler’ for communicating formalised information to different types of SMEs within different industries.

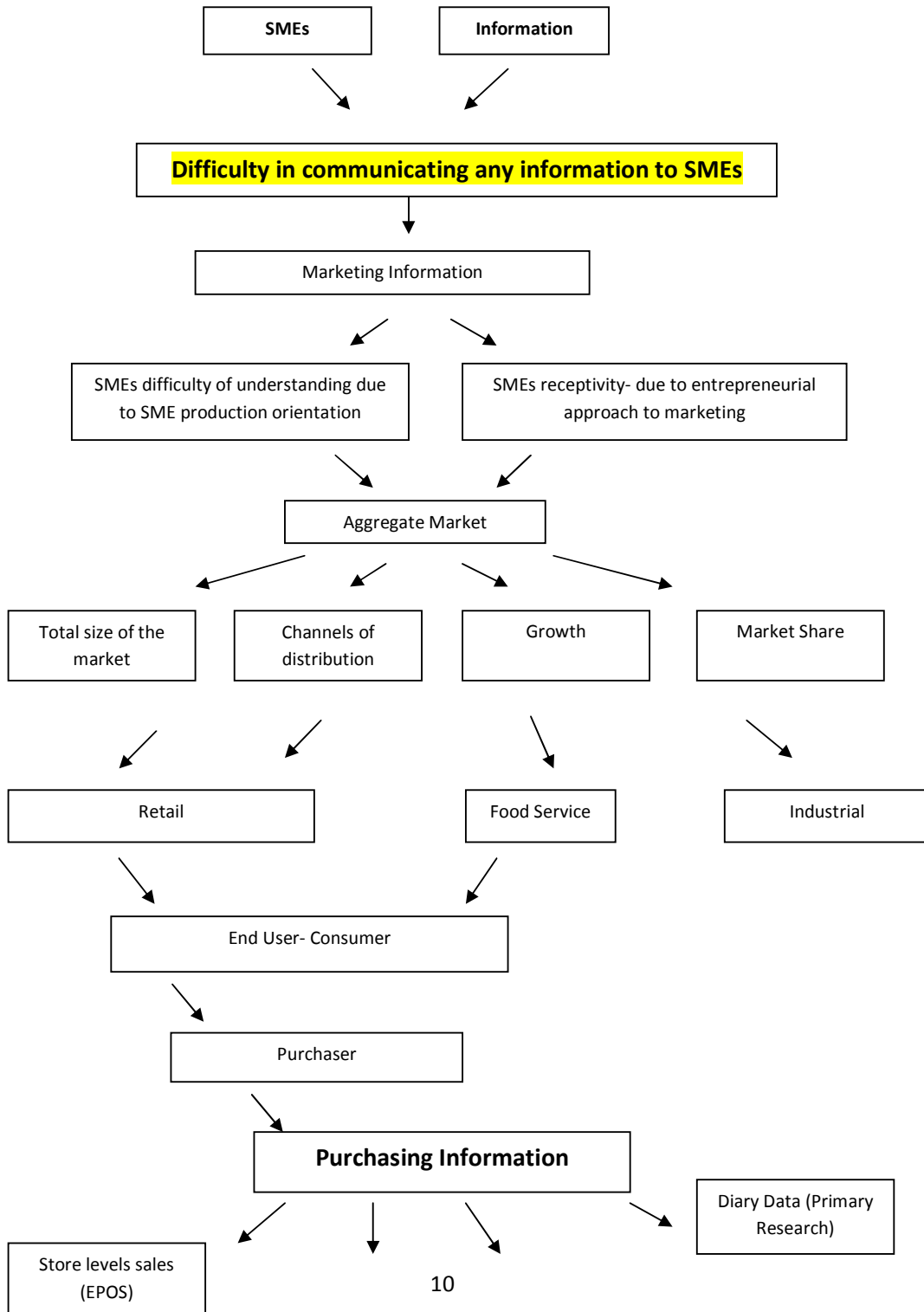
APPENDIX 1:

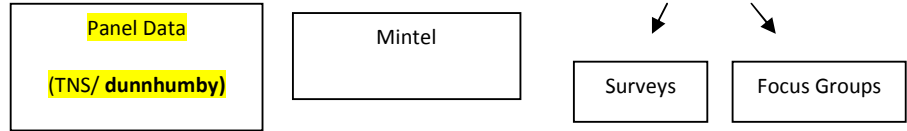


Conceptual Model for transformation strategy ('Fit for Market,' 2004: 37)

APPENDIX 2:

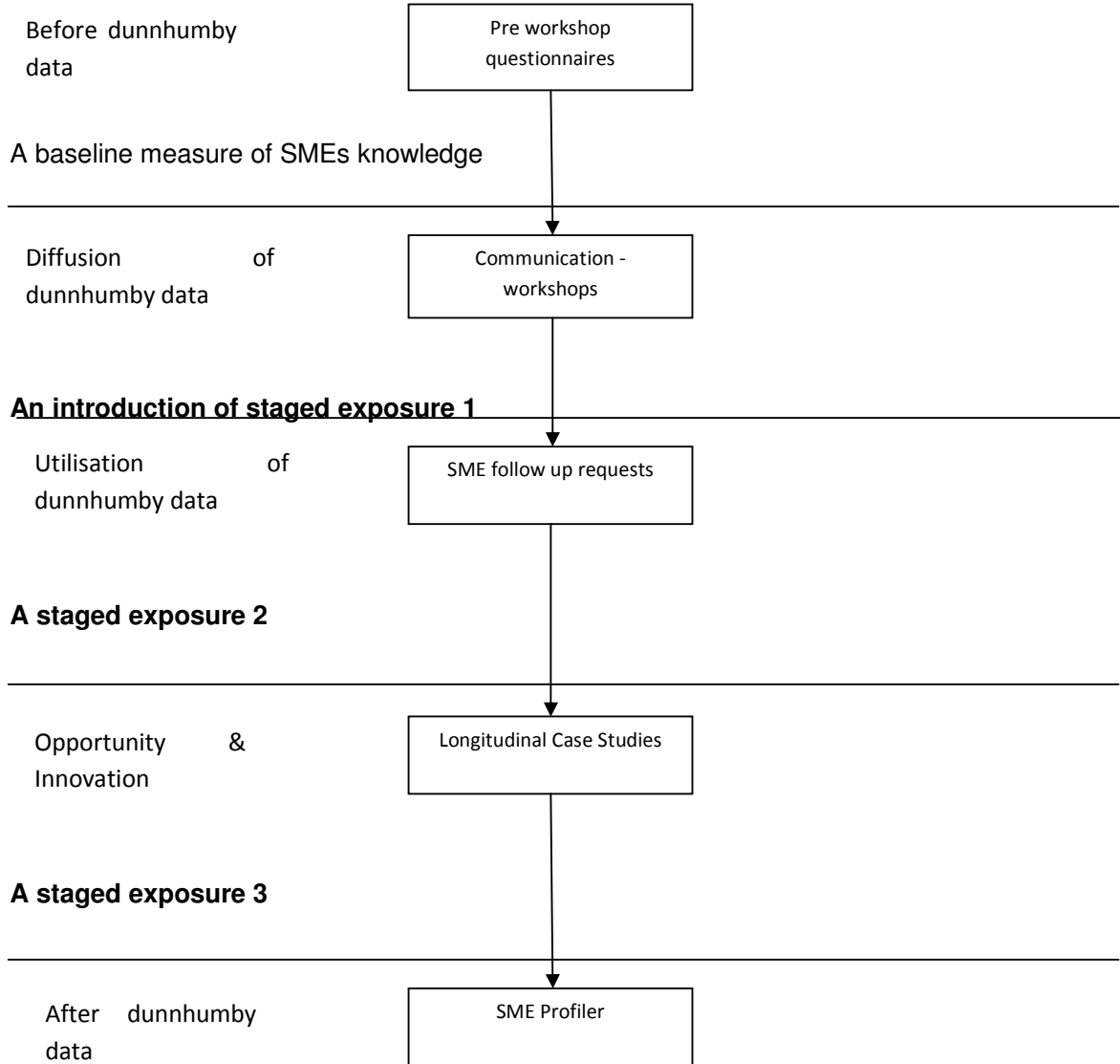
Overview of Research





APPENDIX 3:

Structure of workshops



References

- Bettman, J.R. & Kakkar, P. 1977, "Effects of Information Presentation Format on Consumer Information Acquisition Strategies", *Journal of Consumer Research*, vol. 3, no. 1, pp. 233-240.
- Carson, D. & Gilmore, A. 2001, "Marketing at the Interface: Not 'What' but 'How'", *Journal of Marketing Theory & Practice*, vol. 8, no. 2, pp. 1.
- Covin, J.G. & Slevin, D.P. 1991, "A conceptual model of entrepreneurship as firm behaviour", *Entrepreneurship Theory Pract.*, vol. Fall, pp. 7-25.
- DARD 2004, *Fit for Market: Food Strategy Group Report*, Department of Agriculture and Rural Development, Belfast.
- Dooley, L.M. 2002, "Case Study Research and Theory Building", *Advances In Developing Human Resources*, vol. 4, no. 3, pp. 335-354.
- dunnhumby 2007, *In the shoes of Tesco Customers*, a edn, dunnhumby, London.
- Forlani, D. & Mullins, J., W. 2002, "Perceived risks and choices in entrepreneurs new venture decisions", *Journal of Business Venturing*, vol. 15, no. 4, pp. 305-322.
- Gilmore, A., Carson, D. & Grant, K. 2001, "SME marketing in practice", *Market Intelligence & Planning*, vol. 19, no. 1, pp. 6-11.
- Judd, C., Smith, E. & Kidder, L. 1991, *Research Methods in Social Relations*, 6th edn, New York : Holt, Rinehart and Winston, ©1986, New York : Holt, Rinehart and Winston, ©1986.
- Kotler, P.H. 2001, *A Framework For Marketing Management*. Prentice Hall, Englewood Cliffs, New Jersey.
- Simmons, G., Armstrong, G., Fearne, A. & Robinson, R. 2008, "Utilisation of customer insight by SME food businesses", *Institute for Small Business and Entrepreneurship*, pp. 1-10.
- Stone, M., Bond, A. & Foss, B. 2007, *Consumer insight: how to use data and market research to get closer to your customer*, Kogan Page Limited, London.
- Wiklund, J. & Shepherd, D. 2005, "Entrepreneurial Orientation and small business performance: a configurational approach", *Journal of Business Venturing*, vol. 20, no. 1, pp. 71-91.

