Marketing Responses of Greek Food Manufacturing Firms due to Economic Crisis

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Abstract

One of the essential requirements for firms to achieve successfully their survival, their performance and growth during crisis period is changes in their marketing strategy. The empirical research in this paper tries to investigate the changes in marketing strategies of 92 Greek food manufacturing companies during the economic crisis started in 2010. In order to achieve the above research aims, we obtained our empirical data from a questionnaire survey conducted in January-September 2014. Face-to-face semi-structured interviews were conducted with managers at their place of business. Our results show that Greek food manufacturing firms increased their efforts on developing new products, increased their promotions targeting to consumers, increased their efforts on producing customized products and high quality products and targeting new markets abroad.

Keywords: marketing strategies, economic crisis, food firms, Greece

1. Introduction

Since, the objective of this study is to examine the impact of the economic crisis started in 2010 on Greek food manufacturing firms and the adjustments they have made in addressing their new economic reality, it will be helpful to begin with a brief history. The global financial crisis that erupted in August 2007, following the collapse of the US sub prime mortgage market, initially had little impact on Greek financial markets. But in early May 2010, in
light of the rapid worsening of the fiscal situation in Greece, the agreement between the Greek government and the International Monetary Fund, the European Central Bank, and the European Commission, for a three-year, €110 billion adjustment loan under which the Greek government committed to lower its fiscal deficit lead to the implementation of austerity measures. The implementation of this strict austerity programme caused a substantial decrease in demand for goods and services pushing the Greek firms to a deep recession.

As food is one thing that people will never completely stop buying but they possibly switch their preferences, the companies have to change their strategies in order to meet consumers’ new preferences. In order to react to economic crisis, firms are making the appropriate changes in the general marketing strategies and particularly to the four main elements of the marketing mix: product, price, place and promotion.

The purpose of this article is to review briefly the literature about the changes in marketing strategies, during economic crisis and to investigate the changes in marketing strategies of 92 Greek manufacturing companies during the economic crisis started in 2010.

2. Literature review

Since marketing strategy can be seen as the way in which firms adjust their activity to the market environment, the state of crisis in external environment affects companies’ marketing strategy (Ang et al, 2000; Shama, 1978).

During economic crisis firms make very important changes in product policy. Firms are recommended to withdraw weak and non-profitable products and to spend proportionately more on R&D in order to perform better than others (Ang, 2001; Shama, 1993; Shama, 1981; Morbey and Dugal, 1992). Significant correlation has been confirmed between the introduction of a new product and firm performance (Koksal and Ozgul, 2007). Introduction of new products should focus on those that add significantly to the firm’s bottom line while it is not recommended if the goal is filling the free space within a product line (Ang et al., 2000).

According to the literature (Ang et al., 2000; Koksal and Ozgul, 2007) there are two main quality strategies related to pricing in conditions of crisis: to apply the same prices for higher quality products, or to offer the same quality product at lower prices. In the first case, firms assume that consumers will remain loyal due to values added to the existing product and are willing to lose poorer customers. This strategy may lead to smaller market share and profitability during period of crisis but, in the long run, when the crisis is over this effect will reverse. In the second case, by offering the same quality product at lower prices, firms gain market share. However, firms know that once price is reduced, it is difficult to reverse it when economy recovers. Therefore, instead of reducing prices, firms offer promotional discounts. This strategy allows firms to keep their market share during crisis but leads to smaller profitability. Of course, there is the option of offering lower quality product at lower prices especially in the mass market but there is the risk of consumers continue to perceive the product as being of inferior quality after the recession.

Changes in promotional strategies during crisis are very important. Kim (1992) & Werner (1991) found that those firms increasing or maintaining their level of advertising will increase sales, income and market share during and after the recession. Contrary, firms that cut their advertising budgets during a recession performed worse than those that had maintained or increased their promotional efforts (Rosberg, 1979). During recession, the number of firms declines and competitors advertise less than the years before crisis. This could lead to diminished market competition and could raise the opportunity to firms’ promotional messages to be noticed by consumers (Quelch, 2008; Ang et al., 2000). Also, firms can benefit from the lower costs and better servicing from hard-pressed medias owners and advertising agencies due to reduced demand for their services and gain a larger share of advertising message and hence of consumer attention. Also, firms can benefit from the increasing number of the Internet users and of different and innovative ways of low cost online advertising (Quelch and Jocz, 2009). Finally, selected promotion techniques (coupons, bonuses, free samples etc), from which the consumer gains value immediately and personal selling can affect company performance positively during recession.

Koksal and Ozgul (2007) suggest that in the case of distribution policy, the elimination of unprofitable channels and intermediaries and the reallocation of scarce resources is the best strategy during crisis. Ang et al. (2000) suggest that companies may consider alternative channels and direct selling I order to reduce intermediary expenses.
3. Empirical research and results

The empirical research in this paper tries to investigate the changes in marketing strategies of 92 Greek manufacturing companies during the economic crisis started in 2010. Case studies of 92 established Greek entrepreneurs involved in food industry were developed. Face-to face semi-structured interviews were conducted with managers at their place of business. We obtained our empirical data on changes in marketing strategies by food firms from a questionnaire survey conducted in January- September 2014. The first part of the questionnaire contained questions to collect descriptive data relating to the companies. In the second part, respondents were presented with 19 marketing strategies – two product, three price, four place (distribution), six promotion, and four general – and were asked to what extent and in which direction their company had changed those strategies since the begging of crisis period in 2010.

Table 1. Number of firms for each industry

| Industry                            | Number of firms |
|-------------------------------------|-----------------|
| Dairy products                      | 12              |
| Processing & preserving of fruit and vegetables | 13              |
| Meat and sausages                   | 8               |
| Bread, pies & cakes                 | 6               |
| Oil & fats                          | 5               |
| Biscuits & chocolates               | 5               |
| Other food products                 | 21              |
| Wines                               | 10              |
| Water & soft drinks                 | 6               |
| Brewery & alcoholic industry        | 3               |
| Grain mill products                 | 4               |
|                                      |                 |

We chose food manufacturing firms because the Greek food and beverage industry consistently constitutes one of the most important areas of the secondary sector of the domestic economy and one of the driving forces of Greek manufacturing. Specifically, it is the first among the other branches of manufacturing production in value terms and gross value added (19.7%) and second largest in terms of turnover (20.2%, with the first carbon and refined with 22%, IOBE, 2014). Table 1 presents the number of firms for the eleven different industries that have been chosen.
Managers were asked first to select (with the appropriate scale to show) the extent to which these certain problems arising from the economic crisis affect the efficient operation of their business. These problems are: (a) changing consumer behavior, (b) Decrease in consumer purchasing power, (c) Difficulty in obtaining financing and (d) Increase borrowing costs.

The results as it was expected are really consistent to the literature. 79% of food manufacturing firms believe that decrease in consumer purchasing power affected much and too much their efficient operation. 69% of food manufacturing firms believe that problems in obtaining finance affected much and too much their efficient operation. 70% of food manufacturing firms believe that changing consumer behaviour affected much and too much their efficient operation. 61% of food manufacturing firms believe that increased borrowing cost affected much and too much their efficient operation.

Then, managers were asked to select (with the appropriate scale to show) how much the marketing strategies changed in their business due to the economic crisis (after 2010). They were asked about: (a) changes in product strategy, (b) changes in pricing strategies, (c) changes in promotion strategy, (d) changes in distribution networks and (e) changes in other marketing strategies.

3.1. Changes in Product strategy

The changes in product strategies are presented in figure 2. Although for half of firms (45%) the R&D budget remains the same during economic crisis, 70% of firms declare that they slightly or very increased their efforts on developing new products (design, packaging etc).

![Fig. 2. Changes in Product strategies](image)

Koksal and Ozgul (2007) suggest that it will be useful to focus R&D on the development of products that capture niche markets and technology and production methods that save costs. Also, introductions of new products should focus on those that add significantly to the firm's bottom line. These tend to be products that are consistent with consumer values of frugality, durability and functionality (Ang et al 2000).
3.2. Changes in pricing strategies

According figure 3, fifty-two percent (52%) of firms charge the same prices. Such a strategy of price maintenance induces consumers to remain loyal to the firm by adding value to the product offering. This assumes that the firm has high customer loyalty and is willing to lose poorer customers to competitors.

However, businesses should bear in mind that once a price cut is implemented, it is very difficult to reverse it when times improve. Therefore, instead of offering a permanent price cut, businesses can offer promotional discounts (54% of firms hold the level of discounts the same while 34% of them increase it).

![Fig. 3. Changes in pricing strategies](image)

3.3. Changes in promotion strategy

Advertising spending in TV and radio remain the same for almost 50% of those firms that used to spend on advertising before crisis while 35% declare that they slightly or completely decreased TV and Radio spending. However, efforts on product differentiation slightly or very much increased for 64% of the Greek food manufacturing firms (figure 4). According figure 5, fifth four percent (54%) of firms increased their promotions targeting to consumers slightly or very much. Almost 55% of firms admit that they increased their efforts on developing new methods of promotion (through, social media, or contests etc).
3.4. Changes in distribution networks

According to figure 6, 44% of the firms increase their effort on development new methods for positioning and distribution while almost half of the firms hold it in the same level. Also, 44% of the firms increase their effort on targeting to wholesalers. The same level of number of sellers keeps 51% of the firms while 9% of them tried to increase that number. Finally, more than half of the firms hold in the same level the training of sellers. As
consumers are likely to ask salespeople for more information before they make a purchase, salespeople have to be trained to handle consumer questions and objections. Bennet (2005) found that companies that did continue to train their marketing staff during recession attained superior performance.

![Figure 6. Changes in distribution channels](image)

3.5. Changes in other marketing strategies

According to our results (figure 7) almost 70% of firms increased their efforts on producing customized products either slightly or very much. Also almost 60% of food manufacturing firms increased their efforts on producing high quality products. The economic crisis has spurred Greek food businesses to examine new markets worldwide. These include non-traditional markets where minimal business linkages had been established in the past (70%).

4. Concluding remarks

The empirical research in this paper tries to investigate the changes in marketing strategies of 92 Greek manufacturing companies during the economic crisis started in 2010. Case studies of 92 established Greek entrepreneurs involved in food industry were developed. Face-to-face semi-structured interviews were conducted with managers at their place of business. We obtained our empirical data on changes in marketing strategies by food firms from a questionnaire survey conducted in January-September 2014. Then managers were asked to select how much the marketing strategy changed in their business due to the economic crisis (after 2010). They were asked about: (a) changes in product strategy, (b) changes in pricing strategies, (c) changes in promotion strategy, (d) changes in distribution networks and (e) changes in other marketing strategies.

The results show that for the majority of firms the R&D budget remains the same during economic crisis but on the same time they slightly or very much increased their efforts on developing new products (design, packaging etc).
Also, the majority of firms charge the same prices and instead of offering a permanent price cut, businesses offer promotional discounts (54% of firms hold the level of discounts the same while 34% of them increase it). Advertising spending in T.V and radio remain the same for almost 50% of those firms that use to spend on advertising before crisis while 35% declare that they slightly or completely decreased T.V and Radio spending. The majority of firms increased their promotions targeting to consumers slightly or very much and their efforts on developing new methods of promotion (through, social media, or contests etc). Finally, the majority of firms increased their efforts on producing customized products, increased their efforts on producing high quality products and targeting new markets abroad.

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