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Changes in Marketing Strategies during Recession

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Abstract

The purpose of this article is to investigate the changes in marketing strategies of Greek food manufacturing companies due to the economic crisis started in 2010. In order to achieve the above research aim, face-to face semi-structured interviews with managers of 161 established Greek firms involved in food industry were conducted. The analysis of firms with changed marketing strategies due to economic crisis with the use of the principal components method explains the presence of seven leading profiles in the sample survey. They are: i) promotional oriented; ii) new product oriented; iii) seller oriented, iv) advertising oriented, v) cost-price oriented; vi) discounts oriented and vii) B2B market oriented. Based on the seven factor scores, a cluster analysis has been conducted and three homogeneous groups are identified.

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1. Introduction

When a financial crisis occurs, consumers change their buying behaviour. As the consumers change their buying behaviour, the companies have to alter the way conduct business and change their strategies in order to meet the customers' new preferences. During economic crisis firms make very important adaptations in their marketing mix and marketing policy. Empirical research examine either adaptations occurred in each part of marketing mix separately, or on product policy changes, and suggest to withdraw weak and non-profitable products and to spend proportionately more on R&D (Ang, 2001; Shama, 1993; Shama, 1981; Morbey and Dugal, 1992). Also, Koksals and Ozgul, (2007) confirm that introduction of new products have significant impact on firm performance.

Referring to price decision, according to the literature (Ang, et al., 2000; Koksals and Ozgul, 2007) firms usually either maintain the same prices for higher quality products, assuming that consumers will remain loyal due to values added or offer the same quality product at lower prices. In the first case, firms expect 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, there is a big risk, since once price is reduced, it is difficult to reverse it when economy recovers. So, instead of lowering prices, firms offer promotional discounts, which allows firms to keep their market share during crisis, although leads to smaller profitability. Of course, there is the option of offering lower quality product at lower prices especially in the mass

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market but there is the risk of consumers continue to perceive the product as being of inferior quality after the recession.

Kim (1992), Werner (1991) and Quelch, (2008) examine the impact of changes in promotional strategies due to economic crisis. Their results prove that by increasing or maintaining the level of advertising, sales income and market share increased during and after the recession. Contrary, by decreasing their advertising budgets during a recession, their performance was worst. 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). Additionally 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. Ang et al. (2000) and Koksal and Ozgul (2007) suggest that if a firm decides to change its distribution policy, the elimination of unprofitable channels and intermediaries and the reallocation of scarce resources is the best strategy during crisis.

The Greek economy remains in a deep recession for the sixth consecutive year, due to the implementation of austerity measures after 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. The implementation of this strict austerity programme caused a substantial decrease in demand for good and services pushing the Greek firms to a deep recession. For this reason, it is very crucial to understand and investigate how Greek food firms are adapting and which marketing changes occur due to this deep recession. There is a limited number of works that investigate which determinants explain profitability differences for the period during crisis (Notta and Vlachvei, 2014; Lemonakis et al, 2014; Agiomirgianakis et al, 2013) for food firms and tourism sector. Notta and Vlachvei (2014, 2015a) proved in a sample of 128 dairy firms, that there is actual a structural break between the two periods before and after crisis in the estimation of profitability model. According to the results of Lemonakis et al (2014), the majority of Greek exporting firms were widely influenced by the economic crisis and the lack of sufficient liquidity and financing, while Agiomirgianakis et al. (2013) prove that the age of a firm (credibility effect), firm's size and low cost access to bank financing, are, indeed, factors that may influence positively and substantially the profitability of a firm operating in the tourism sector. However none of these studies investigate the changes and the adaptations made by firms in marketing strategies due to the changed economic environment and changed consumers' buying behavior. The empirical model of this paper develops further the paper of Notta and Vlachvei (2015b), taking into account a larger number of sample firms and utilizing a principal component factor analysis and conducting a k-means cluster analysis. The scores of the centroids of the factors drawn out permit the characterization of homogeneous firm groups.

The purpose of this article is to investigate the changes in marketing strategies of Greek food manufacturing companies due to the economic crisis started in 2010. In order to achieve the above research aim, face-to face semi-structured interviews with managers of 161 established Greek firms involved in food industry were conducted. The article is structured as follows: After the introductory section is a section that describes the sample and methodology used in empirical research and presents the main findings. Finally, section three summarizes the results along with their implications.

2. Empirical Research and Results

The empirical research in this paper tries to generate more knowledge about how the Greek food manufacturing firms change their marketing strategies in order to cope with the changing buying behavior, which is an effect of the economic crisis started in 2010. We obtained our empirical data on changes in marketing strategies by Greek food firms from a structured questionnaire survey conducted in January- September 2014. A total number of 3540 food manufacturing firms were identified from Hellastat database. A systematic random sample of 1018 firms was drawn. The pre-tested survey questionnaire with an introductory cover letter was mailed to the respondents, to inform them about the importance of their contribution, and they were assured of confidentiality of the results. Face-to face semi-structured interviews were conducted with managers of 161 established Greek firms involved in food industry, at their place of business, yielding a satisfactory effective response rate of 16.0 percent (161/1018). Companies ranged from small businesses to large global players. The majority had less than 10 employees (38.7%), followed by companies with 11-50 employees (34.5%) and those with over 50 employees (26.8%).

The first part of the questionnaire contained questions to collect descriptive data relating to the companies. In the second part, we utilized 22 marketing strategies – two 'product', five 'cost-price', two 'place' (distribution), eight 'promotion', and five 'general' – to capture the impact of economic crisis on firms' marketing mix. Respondents

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