The Relationship between Innovation and Marketing in SMEs in the EU Food Sector[1]

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Abstract

In the EU market small and medium sized enterprises (SMEs) represent the greater part of the food industry, specially with regard to traditional food products (TFPs). However, the growth of competition, connected mainly to globalisation, is making it very difficult for SMEs to survive. On the other hand, market opportunities for SMEs are connected to the evolution of consumer preferences toward food quality. To profit from such opportunities and to survive on the market, SMEs need to adapt their strategies, focusing on innovation aspects in order to meet consumer requirements and to compete on the market. The literature shows that firms' market orientation and marketing capabilities are very important for innovation in food industries to guarantee that innovation reflects market needs. The purpose of this paper is to analyse the relationship between the level of firm innovativeness and the different stages of marketing management process, in order to understand if good results in marketing management can affect firm innovation. An interactive questionnaire available on the web has been used for the data collection, with the aim of evaluating SME marketing management capabilities and innovation development. The survey was conducted on 468 EU country SMEs producing TFPs. Linear Regression was run to assess the link between marketing activities and the level of firm innovation. Our empirical analysis reveals that SME marketing management capabilities show significant and positive relationships with a firm's innovation. This aspect reinforces our assumptions on the strategic role of marketing activities on a firm's capacity to understand consumer needs, and thus its need to be innovative and market oriented.

Keywords: *traditional food products, innovation, marketing management capabilities, linear regression model*
JEL: L25, L66, M31, Q13

1 Introduction

In the EU market, small and medium sized enterprises (SMEs) represent the greater part of the food industry (Spillan and Parnell, 2006), especially with regard to traditional food products (TFPs). However, the growth of competition, connected mainly to globalisation, is making it very difficult for SMEs to adapt to market changes and to survive alongside big enterprises (Banterle *et al*., 2008 and 2009), despite the fact that they can take advantage of changes in demand patterns, which are becoming even more oriented towards quality, by adopting appropriate strategies.
In this context, SMEs often introduce new ideas, products and processes in order to survive and grow in the market (De Jong and Marsili, 2006; Wagner and Hensen, 2005). The capacity to innovate is a strategic tool for those firms that want to maintain their competitive position in the marketplace (De Jong *et al.*, 2004; Laforet and Tann, 2006).

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However, it is very important in the food industry that the innovations introduced reflect both market and consumer needs. Therefore, as marketing is the dimension closest to the market environment, firm marketing capabilities play an important role in complying with changing consumer preferences, allowing increasing competition to be faced (Hughes, 2009; Traill and Grunert, 1997).
The purpose of this paper is to understand whether there is a significant relationship between marketing management capabilities and the SME innovativeness level and, thus, with the ability of SMEs to adapt their strategies to market changes.
The choice to analyse the traditional food sector was connected to various elements: TFPs are an important part of food production in Europe, deriving mostly from SMEs; they are strongly related to the evolution of consumer patterns; and in most cases they have a deep link with specific geographic areas, with significant implications in the local economy. The definition of traditional food products we use refers back to rules concerning production (national/ regional/local), to product authenticity (recipe, origin of raw material, production process), to the commercial availability of the products (at least 50 years), and to their gastronomic heritage.
A self registered interactive questionnaire was developed, and published on the web in order to collect data across European SMEs. The questionnaire is aimed at evaluating traditional food SME marketing capabilities and innovation capacity. A sample of 468 European firms was used in the analysis. This paper lies within the context of the Truefood European research project.
The paper is organised as follows: the theoretical framework is presented in section 2; the methodology is described in section 3; the results are analysed in section 4, and concluding remarks are presented in section 5.

2 Economic framework

Current literature shows that the way SMEs often take to survive and grow in the market is to introduce new ideas, products and processes (De Jong and Marsili, 2006; Wagner and Hensen, 2005). Innovation is a strategic tool for firms aiming at maintaining their competitiveness in the marketplace (De Jong *et al.*, 2004; Laforet and Tann, 2006). Moreover, several empirical analyses have highlighted a link between innovation and firm profitability.
Nevertheless, SMEs producing traditional food products, particularly very small ones, are often subject to constraints that restrict the possibility of introducing innovation in the firm, especially with regard to new products. Such constraints are connected to financial resources and to specific product characteristics.
Very small firms frequently do not have adequate financial capabilities to implement R&D activities within the firm. At the same time, the intrinsic nature of food products related to tradition leads to difficulties in carrying out product innovation. Therefore, our analysis related to SMEs producing TFPs does not focus on product innovation, it makes reference to the concept of innovativeness, which is a broader approach concerning the propensity of the firm to implement innovative conducts, such as investment in product and process improvement, the search for new markets and the exploration of innovative distribution channels for product distribution (Banterle *et al*., 2009).
According to Traill and Grunert (1997), a firm's market orientation plays an important role in innovation in the food industry as it guarantees that any innovation introduced reflects market needs. Therefore, a good level of firm market orientation has a positive effect on innovation activities, supporting improvement in firm competitiveness and profitability. Market oriented firms will have a greater capacity to innovate, and will be more successful in

responding to environmental needs that lead to competitive advantage and superior performance (Atuahene-Gima, 1996; Appiah-Adu and Singh, 1998).
A firm's market orientation is strictly connected to its marketing activities, particularly marketing management capability, as such activities are considered a strategic key to consumer orientation (Kara *et al.*, 2005; Kohli and Jaworski, 1990). Moreover, there is empirical evidence of a link between market orientation and marketing capability for food firms (Banterle *et al.*, 2009). Consequently, our analysis focuses on the relationship between the marketing capability and the innovativeness of small food businesses.
According to Kotler (2004), marketing capabilities derive from a well performed marketing management process, which consists of analysing market opportunities, formulating clear marketing objectives and developing a marketing strategy that should be implemented and controlled. There are four stages of the marketing management process: market research, marketing strategy, planning and implementation, and control and evaluation.
Market research is aimed at collecting information and data to analyse the competitive environment (Day, 1994; Gofton, 1997). This analysis concerns not only consumer behaviour and competitor strategies, but also studies the other agents of the supply chain, such as suppliers and retailers (Bagozzi, 1998).
Marketing strategy defines the aims of marketing activities, outlines the segmentation and the targeting of demand, and applies product differentiation (Albisu, 1997; Bagozzi, 1998; Knight, 2000).
Planning and implementation are focussed on implementing the objectives of the marketing strategy, and defining marketing tactics through the application of a marketing plan in line with the firm's global strategy, which should be adapted to market change (Narver and Slater, 1990; Carson, 1990).
Control and evaluation is the step connected to assessing the implementation of the marketing strategy objectives. In order to maintain an efficient marketing plan, a firm needs to monitor, and periodically control, its marketing activities so that if any corrective actions are needed they can be made at the appropriate time (Kotler, 2004).
With regard to this conceptual framework, the hypotheses the empirical analysis aims to test are three:
1. Innovativeness is relevant for small businesses to compete in the food market;
2. Marketing management capability has a positive effect on SME innovativeness;
3. Of the four stages of the marketing management process, some have a stronger correlation with SME innovativeness than others.

3 Methodological issues

A survey was conducted through an interactive on-line questionnaire to evaluate the innovativeness capacity and the marketing management capability (MMC) of SMEs producing TFPs. The questionnaire includes questions related to innovativeness, general data of the firms, market research, marketing strategy, planning and implementation, control and evaluation.
To analyse the relationship between innovativeness and MMC we ran a linear regression model in order to understand whether good marketing management results can lead firms to be more innovative.
The dependent variable is innovativeness, i.e. the index created by the mean score of the three questions included in the section dedicated to innovative level (tab. 1). The concept of innovativeness we used is a little wider than the common concept of innovation as SMEs often do not have a specific functional area connected to R&D. Therefore, our analysis also

considers aspects related to the choice of innovative distribution channels and new geographical markets, as well as the general aspects concerning product improvement.

Table 1. Variables' definition

Variable name	Description	Variable type	N	Mean	SD
Innovativeness					
Investment in product improvements	The company invests in improving its traditional products	scale (1-5)	443	3.93	1.06
Search for new markets	The company searches for new markets	scale (1-5)	447	3.91	1.05
Innovative distribution channels	The companies sells its product with innovative distribution channels	scale (1-5)	440	2.94	1.17
General data of firms					
Membership to a consortium	If the company is member of a consortium or cooperative value 1, otherwise 0	dummy (0-1)	401	0.59	0.49
Employees	Number of employees (<10; 10-50; 50-250; >250)	scale (1-4)	467	2.28	1.00
Voluntary quality certifications	Number of voluntary certification schemes that the company have implemented	scale (1-5)	425	2.16	1.25
Distribution channels (Supermarkets)	Most important distribution channels is the Supermarkets value 1, otherwise 0	dummy (0-1)	456	0.42	0.49
Distribution channels (Specialised shop)	Most important distribution channels is the Specialised shop value 1, otherwise 0	dummy (0-1)	456	0.11	0.31
Distribution channels (Direct sale)	Most important distribution channels is the Direct sale value 1, otherwise 0	dummy (0-1)	456	0.16	0.37
Distribution channels (Wholesalers)	Most important distribution channels is the Wholesalers value 1, otherwise 0	dummy (0-1)	456	0.15	0.36
Distribution channels (Small grocery shop)	Most important distribution channels is the Small grocery shop value 1, otherwise 0	dummy (0-1)	456	0.06	0.23
Main sale markets (local)	Major market is the local one value 1, otherwise 0	dummy (0-1)	451	0.15	0.35
Main sale markets (regional)	Major market is the regional one value 1, otherwise 0	dummy (0-1)	451	0.17	0.38
Main sale markets (national)	Major market is the national one value 1, otherwise 0	dummy (0-1)	451	0.53	0.50
Main sale markets (international)	Major market is the international one value 1, otherwise 0	dummy (0-1)	451	0.15	0.36
Market research					
Brand analysis	The company investigates the position of its brand in the market	scale (1-5)	464	3.23	1.26
Supplier analysis	The company investigates the competencies/skills of our suppliers before we select them	scale (1-5)	468	3.84	1.11
Retailer analysis	The company investigates the requirements of our retailers	scale (1-5)	463	3.82	1.11
Competitor analysis	The company investigates the marketing strategy of our competitors	scale (1-5)	468	3.38	1.18
Market analysis	The company analyses any data and information about the market	scale (1-5)	468	3.73	1.08
Consumer analysis	The company analyses the requirement of our consumers	scale (1-5)	467	3.87	1.04
Marketing strategy					
Existence of clear objectives	The company has measurable objectives presented in our marketing strategy	scale (1-5)	457	3.71	1.14
Strategy well-known inside firm	The company implements very strictly our marketing strategy	scale (1-5)	459	3.46	1.10
Product tailoring according the consumer needs	The company tailors its products according to the needs of the consumer	scale (1-5)	457	3.82	1.03
Product differentiation	The company seeks to make its product different from that of competitors	scale (1-5)	459	3.92	1.08
Influence on price setting	The company strongly influences the price of our products	scale (1-5)	456	3.44	1.14
Investment in dynamic and qualified sales forces	The company invests in dynamic and qualified sales force	scale (1-5)	457	3.53	1.19
Choice of distribution channel	The company chose the type of distribution according to our sales objective	scale (1-5)	452	3.75	1.10
Investment in promotion and advertising	The company invests in promotion and advertising	scale (1-5)	455	3.23	1.19
Planning & Implementation					
Planning in advance	The company applies detailed marketing planning in advance	scale (1-5)	451	3.43	1.19
Adaptation of promotional activities to changes in market	The company adapts its promotional activities to changes of the market	scale (1-5)	454	3.41	1.21
Adaptation of budget to changes in market	The company adapts easily the budget for marketing activities if necessary	scale (1-5)	452	3.18	1.19
Control & Evaluation					
Evaluation of results	The company reviews whether or not the objectives of the promotional activities were realized	scale (1-5)	451	3.49	1.27
Cost analysis	The company reviews the marketing costs in comparison to the results achieved	scale (1-5)	453	3.47	1.25
Benchmarking with competitors	The company collects information about the results of competitors	scale (1-5)	452	2.71	1.26

Source: own calculations

The independent variables regard the general data of the firms and their MMC, reported in table 1, including definitions, means, and standard deviations of all variables employed in the model. The majority of the variables connected to the general data are dummy, whereas all the variables regarding MMC have a Likert-scale from 1 to 5, reflecting capability from worst to best.

Before estimating the Linear Regression Model, we reduced the variables to factors by using Principal Components Analysis (PCA).

The number of cases in this analysis is the 468 firms of the sample. All produce TFPs and are located in Austria, Belgium, the Czech Republic, France, Greece, Hungary, Italy, Norway, Spain, or Turkey (table 2).

Table 2. Firms of the sample per country

	SMEs producing TFPs	
	number	%
Austria	36	7.7
Belgium	56	12.0
Czech Republic	86	18.4
France	28	6.0
Greece	5	1.1
Hungary	26	5.6
Italy	129	27.6
Norway	8	1.7
Spain	74	15.8
Turkey	20	4.3
Totale	468	100.0

Source: own calculations

4 Results

4.1. Descriptive analysis

The sample is composed mainly by SMEs that represent 86.3% of the firms analysed, whereas 12.6% are large enterprises, and 1% of the firms did not answer the question regarding employment (tab. 3). Among the SMEs, 26.7% are micro-sized firms, 30.1% are small, and 29.5% are medium. The micro-sized firms constitute a relevant part of the sample in Hungary (53.8%), Belgium (50%), and Italy (41.9%). Medium-sized firms are predominant in Turkey (55%), Austria (44.4%) and the Czech Republic (43%), whereas large firms constitute a small percentage in each country, except for Spain and Austria where the firms with more than 250 employees are respectively 30% and 28%.

With regard to firm innovativeness, as shown in figure 1*a,* the most developed innovative activities of the firms are product improvement and the search for new markets, whereas the choice of innovative distribution channels does not reach high scores. Moreover, regarding the innovativeness per size (fig. 1*b*), we can consider the sample divided into two sub-groups: up to 50 employees, and more than 50 employees. In the first subgroup, micro firms innovate more than small ones, whereas in the second subgroup, medium firms perform better than large ones.

Table 3. Size of the firms of the sample

	Austria	Belgium	Czech Rep.	France	Greece	Hungary	Italy	Norway	Spain	Turkey	Total
						%					
Employees											
<10 empl.	2.78	50.00	17.44	14.29	20.00	53.85	41.86	12.50	4.05	20.00	26.71
10-50 empl.	25.00	28.57	30.23	32.14	40.00	15.38	37.21	25.00	29.73	15.00	30.13
50-250 empl.	44.44	16.07	43.02	35.71	20.00	19.23	14.73	37.50	36.49	55.00	29.49
>250 empl.	27.78	3.57	9.30	17.86	20.0	7.69	4.65	12.50	29.73	10.00	12.61
n.d.	0.00	1.8	0.00	0.00	0.00	3.85	1.55	12.50	0.00	0.00	1.07
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Turnover											
< 2 M	2.78	17.86	8.14	25.00	20.00	3.85	35.66	25.00	4.05	20.00	17.52
2-10 M	11.11	21.43	12.79	32.14	20.00	11.54	22.48	0.00	21.62	10.00	18.59
10-50 M	22.22	12.50	13.95	25.00	20.00	3.85	13.18	25.00	29.73	15.00	17.09
50-100 M	30.56	3.57	10.47	3.57	0.00	0.00	2.33	12.50	17.57	10.00	8.97
> 100 M	22.22	7.14	43.02	14.29	20.00	0.00	5.43	25.00	18.92	10.00	16.88
n.d.	11.11	37.50	11.63	0.00	20.00	80.77	20.93	12.50	8.11	35.00	20.94
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: own calculations

a) *b*)

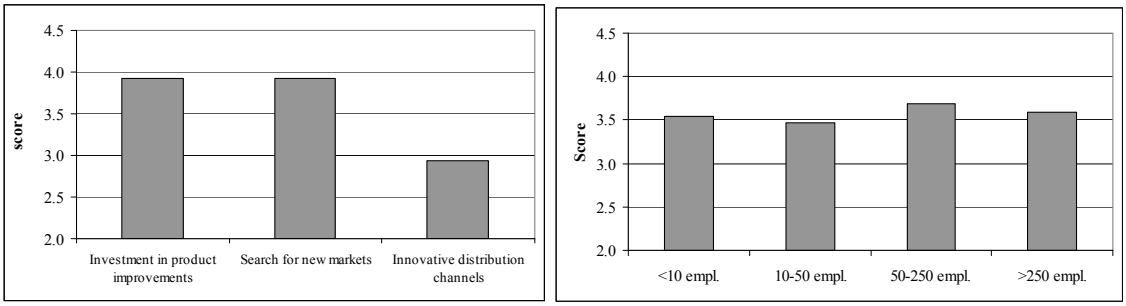

Figure 1 . Innovativeness of sample (*a*) and per size of firm (*b*) Source: own calculations

The score of each stage of marketing management was calculated by summing, for each section of the questionnaire, the scores (ranging from 1 to 5) obtained by each firm, and dividing this sum by the maximum score reachable by each firm.

The results reveal that the analysed firms lack appropriate tools in marketing management, confirming the literature findings concerning SMEs. Indeed, micro and small firms score below 3.5 (which in our scale reveals weak performance) in all the stages of marketing management, whereas medium and large firms perform better, especially in market research and marketing strategy (fig. 2). This fact outlines a fair market orientation of traditional food producers.

The most problematic stages of marketing management can be seen to be planning and implementation, and control and evaluation, as medium and large firms also score quite low; in fact, they just reach 3.5.

Therefore, the main bottlenecks are connected to the formulation of the marketing plan and to the control of the results achieved, showing weaknesses in the internal organisational activities of the firms. This is a typical problem for SMEs, which are characterised by poor organisational capacity.

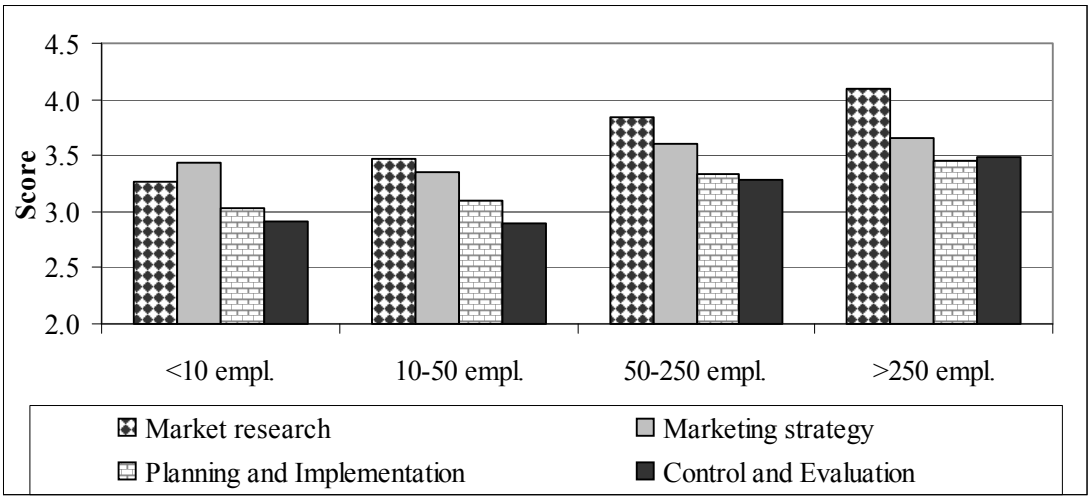

Figure 2. Marketing management capabilities of the sample per size of firms
Source: own calculations

With regard to some other characteristics of the firms in the sample, concerning the distribution channels chosen by the firms, supermarkets are predominant in the sample (41.2%), followed by direct sale (15.4%), wholesalers (14.7%), and specialised shops (10.7%) (tab. 4). The importance of supermarkets is revealed in all the countries analysed, especially in Austria (83.3%). The only exception is Hungary, where direct sales constitute the most frequently used channel (34.6%).

Table 4: Distribution channels and geographical market of the firms of the sample

	Austria	Belgium	Czech Rep.	France	Greece	Hungary	Italy	Norway	Spain	Turkey	Total
						%					
Distrubution channels											
supermarkets	83.33	25.00	26.74	50.00	60.00	19.23	35.66	25.00	66.22	35.00	41.24
specialised shops	5.56	12.50	15.12	7.14	0.00	15.38	13.95	0.00	4.05	5.00	10.68
direct sale	2.78	23.21	19.77	14.29	0.00	34.62	15.50	12.50	4.05	20.00	15.38
wholesalers	5.56	12.50	10.47	14.29	40.00	23.08	19.38	25.00	9.46	25.00	14.74
small grocery shops	0.00	3.57	17.44	7.14	0.00	0.00	3.88	12.50	1.35	15.00	6.20
others	2.78	10.71	8.14	7.14	0.00	3.85	10.08	25.00	13.51	0.00	8.97
n.d.	0.00	12.50	2.33	0.00	0.00	3.85	1.55	0.00	1.35	0.00	2.78
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Sale markets											
local	8.33	23.21	17.44	3.57	20.00	50.00	11.63	25.00	1.35	10.00	14.10
regional	2.78	12.50	25.58	32.14	20.00	11.54	16.28	37.50	10.81	10.00	16.45
national	75.00	28.57	39.53	53.57	60.00	30.77	53.49	37.50	67.57	70.00	51.07
international	13.89	25.00	5.81	10.71	0.00	3.85	17.83	0.00	18.92	10.00	14.32
n.d.	0.00	10.71	11.63	0.00	0.00	3.85	0.78	0.00	1.35	0.00	4.06
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: own calculations

The majority of the firms in the sample sell their products in the national market (51%), whereas only 14.3% of the sample operates in the international market. The rest of the considered firms place their products at local (14.1%) and regional (16.4%) levels. For the Hungarian firms the local market is very relevant (50%).

4.2. Estimation results

Before estimating the Linear Regression Model, PCA was applied to reduce the number of independent variables in the model, and to obtain relevant factors that can explain the issues affecting innovativeness.
PCA was used for 14 variables to extract factors. This is a linear transformation of the variables that assumes those factors able to explain all the variance in each variable. We extracted 2 factors, representing the marketing research section (f_1), composed by six items, and the marketing strategy section (f_2), with eight items (table 5 and 6).

Table 5. Factor analysis concerning market research

Variables	*Factor 1* **Market research (f_1)**
Brand analysis	0.751
Supplier analysis	0.730
Retailer analysis	0.711
Competitor analysis	0.766
Market analysis	0.775
Consumer analysis	0.660
Cronbach's Alfa: 0,827	
Keiser Meyer Olkin test: 0,840	
Rotation method: Varimax	
Total Explained variance: 53,734%	
Bartrlet Test: 880,066 (0.000)	

Source: own calculations

Table 6. Factor analysis concerning marketing strategy

Variables	*Factor 2* **Marketing strategy (f_2)**
Existence of clear objectives	0.782
Strategy well-known inside firm	0.761
Product tailoring according the consumer needs	0.559
Product differentiation	0.560
Influence on price setting	0.448
Investment in dynamic and qualified sales forces	0.750
Choice of distribution channel	0.683
Investment in promotion and advertising	0.619
Cronbach's Alfa: 0,803	
Keiser Meyer Olkin test: 0,836	
Rotation method: Varimax	
Total Explained variance: 42,868%	
Bartrlet Test: 963,898 (0.000)	

Source: own calculations

Cronbach's Alpha reliability test shows that the items contribute well to each factor. The factors f_1 and f_2 were utilised as independent variables with other variables described in table 1 in estimating the Linear Regression Model. Orthogonal rotation (Varimax) was carried out after the initial extraction of the factors. The factors produced by SPSS were used for ordinal regression.

Before running the linear regression, we tested the existence of multicollinearity among variables. As can be seen from the table 7, no variable seems to be a linear function of the others, as the VIF for all the variables is less than 10 (O'Brien, 2007).
Estimates of model, explained in table 7, show that firm size is significant and is negatively correlated with the dependent variable. This is in line with recent literature stating that small firms are more innovative than large firms, due to their flexibility and their great capacity to adapt rapidly to market change and needs.

Table 7. Estimates of the model

	Innovativeness	Collinearity Statistics	
	β	Tolerance	VIF
α	3.908 ***		
Membership to a consortium	0.101	0.862	1.160
Employees	-0.134 ***	0.654	1.529
Voluntary quality certifications	0.003	0.861	1.161
Distribution channel (supermarket)	-0.045	0.286	3.492
Distribution channel (specialized shops)	0.041	0.510	1.959
Distribution channel (directsale)	-0.117	0.444	2.252
Distribution channel (wholesalers)	-0.194	0.407	2.458
Distribution channel (small grocery schops)	0.019	0.530	1.886
Sale market (local)	-0.175	0.641	1.559
Sale market (regional)	-0.300 ***	0.669	1.495
Sale markets (international)	0.073	0.868	1.151
Market research (f_1)	0.121 **	0.393	2.546
Marketing strategy (f_2)	0.341 ***	0.295	3.388
Planning in advance	0.008	0.420	2.380
Adaptation of promotional activities to changes in market	-0.006	0.399	2.505
Adaptation of budget to changes in market	-0.067	0.425	2.350
Evaluation of results	-0.009	0.335	2.981
Cost analysis	0.008	0.364	2.745
Benchmarking with competitors	0.099 ***	0.603	1.659

* Significance at the 0.1 level
** Significance at the 0.05 level
*** Significance at the 0.01 level

Source: Our survey

Selling at the regional level constitutes a significant and negative variable for a firm's innovativeness as the reference market is relatively small, and, thus, marketplace needs are quite restricted.
With regard to MMC, the factors representing market research and marketing strategy reveal significant and positive relationships with the innovativeness. This aspect reinforces our assumptions on the strategic role of marketing activities on a firm's capacity to understand consumer needs and thus its need to be innovative and market oriented.
Finally, a variable concerning benchmarking with competitors reveals a positive relationship with innovativeness, showing that, besides consumer knowledge, comparison with competitors is also very important in order to be innovative and have a competitive advantage that allows firms to survive in the market.

5 Conclusions

This paper aims to evaluate the relationship between marketing management capabilities and innovativeness with reference to small businesses in the food sector. A general result of the empirical analysis concerns the importance of innovativeness for SMEs to compete in the food market. The self-evaluation tool used in the survey highlighted that the firms consider innovativeness quite relevant, especially with reference to investment in product improvement and the search for new markets. However with regard to distribution, the firms show very little attention to innovative distribution channels.

The results of the linear regression model underline the existence of a positive correlation between the marketing management capability of the sample firms and their innovativeness. Therefore, this evidence confirms the hypothesis that good SME skills in marketing activities, allowing them to be market oriented, lead to a high propensity in adopting innovative conducts, this means improvement of the product and the search for new markets for such products. In this way SMEs can reinforce their competitiveness and increase their profitability.

Nevertheless, the analysis shows that not all the stages of the marketing management process affect firm innovativeness. Market research and marketing strategy are the two stages that revealed a positive and significant correlation with firm innovativeness, whereas variables connected to planning and implementation, control and evaluation, were not significant, the only exception being the variable concerning benchmarking with a firm's competitors.

This results appear quite logical, as market research is the stage of the marketing management process that allows a firm to know the economic environment in which it operates, while marketing strategy is the stage aimed at identifying marketing objectives and outlining product differentiation. Following the market orientation approach, these two parts of marketing activities lead the firm to become consumer focused. Thus the firm achieves an understanding of its need for innovation and the implementation of innovative conducts. Note that the variable concerning competitor benchmarking highlights the importance of comparing a firm's performance with that of its competitors in order to come up with innovative choices.

With regard to the relation between innovativeness and firm size, the regression revealed a negative and significant link, underlining that SMEs can be more innovative than large companies in the food sector, better adapting their business to market change and consumer needs.

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