

<b>Institution: UNIVERSITY OF KENT</b>
<b>Unit of Assessment: UOA19</b>
<b>Title of case study: Sustainable growth for farming and small food businesses through the use of consumer insight</b>
<b>1. Summary of the impact</b>

Prof. Andrew Fearne's consumer insight research project influenced marketing practice in almost 400 farming and small food businesses, while helping eight food industry associations and regional development agencies meet their remits. It also supported local supplier initiatives at the UK's largest supermarket, Tesco. A recent participant survey showed that 89% of farmers and small food producers who engaged with the project found that the consumer insight was either 'quite' or 'extremely useful'. Meanwhile, the project helped Tesco grow its sales of local food and drink from £0.5 billion (2005) to over £1 billion (2012) against average retail sales growth of less than 5% per year over the same period (Office of National Statistics).

<b>2. Underpinning research</b>
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This consumer insight project was led by Professor Andrew Fearne with the support of University of Kent colleagues. These include Dr Sue Hornibrook, Dr Rachel Duffy, Dr Marian Garcia Martinez and a team of research associates and PhD students under the umbrella of the [Centre for Value Chain Research](#). Fearne joined Kent Business School in 2005 and the research referred to was all conducted after that date.

This longstanding and on-going research project is the product of a partnership between Kent Business School and consumer science consultancy, [dunnhumby](#), a wholly-owned subsidiary of Tesco. The consumer insight was derived from analyses of Tesco Clubcard data by nine externally-funded PhD students (3.6), who each investigated a specific research question in the context of a particular sector (e.g. meat, dairy, cereals) or region (e.g. North West England, Scotland, Northern Ireland). Their PhD research developed in parallel with the delivery of the insight, but broadly fitted into two research themes: consumer purchasing behaviour and entrepreneurial decision making. A third research theme is the development of inter-organisational relationships, an area that Centre staff have worked on since 2005.

The academic contribution is both methodological and conceptual. Most published research on consumer purchasing behaviour is based on survey data (reported or claimed behaviour) or highly aggregated supermarket scanner data. This represents a limitation in the empirical evidence base, with significant implications for theory development.

The research uses a variety of methods, with supermarket loyalty card data (segmented by life stage, lifestyle, region and geo-demographics) as its unifying feature. In the context of consumer behaviour, this provides a rich and robust picture of (heterogeneous) consumer responses to changes in the marketing mix. The work by one PhD student (and later Research Associate), Melanie Felgate (3.1, 3.3), demonstrates this by developing conceptual frameworks for explaining and predicting the impacts of price promotions.

In the context of entrepreneurial decision-making, the work by Walton et al (3.4), demonstrates the positive association between tacit market knowledge and market information gathering activities in high risk and slow growth sectors. Meanwhile, the work of Duffy et al (3.2) highlights the moderating role of distributive justice in supermarket suppliers' use of consumer

## Impact case study (REF3b)

insight for customer relationship management. In brief, suppliers who feel they are being adequately and fairly rewarded in terms of their input into the relationship (distributive justice) are more likely to use data essential to the implementation of Tesco's CRM strategy.

Each individual study uses an action research model. This means that 'impact' is integral to project design, with the analysis of practical interventions providing data for subsequent theory development. Much of the research was also undertaken through funded PhD projects and this also explains the emergence of publications after the reported impact activity.

The project was also supported by a research grant from DEFRA (3.5, 5.7). A key conclusion of this element of the project is that providing consumer insight for farmers and small food producers is insufficient in the absence of training in data analysis and marketing planning.

### 3. References to the research

#### Selected Outputs

- 3.1 Felgate, M., Fearn, A., DiFalco, S., Garcia Martinez, M. (2012). 'Using supermarket loyalty card data to analyse the impact of promotions', *International Journal of Market Research*, Vol 54 Issue 2, pp.1-21. (ABS 2\*) – available from Kent Business School.
- 3.2 Duffy, R., Hornibrook, S., Fearn, A., Hutchison, K. & Read, A. 2012. Engaging suppliers in CRM: The Role of Justice in Buyer-Supplier Relationships, *International Journal of Information Management*, Vol.3, No.1, pp20-27. DOI: 10.1016/j.ijinfomgt.2012.04.005 (ABS 2\*)
- 3.3 Felgate, M. & Fearn, A. 2011. Analysing the impact of supermarket promotions: a case study using Tesco Clubcard data in the UK, *40th Anniversary Conference of Academy of Marketing Science*, Miami, June, 2011 - available from Kent Business School.
- 3.4 Walton, B., Petrovici, D. & Fearn, A. 2011. Factors impacting the success of new product development in the UK grocery retail industry: an empirical examination of product innovation performance, *Academy of Marketing Science Annual Conference*, Reims, June, 2011 - available from Kent Business School.

#### Research Grants

- 3.5 Fearn: Department for Environment, Food and Rural Affairs 'Promoting and developing a commercial market information service for UK Farmers and Small Producers', £324,000 (2008-2010)
- 3.6 Fearn: Nine PhD studentships, funded by industry associations and regional development agencies (2006 - 2013)

### 4. Details of the impact

Since 2008, findings from this project have helped each of its stakeholders achieve key commercial objectives and provided participants with the tools to develop sustainable best practice in their use of customer insights. Principal outcomes are:

#### 4.1 Growth for farmers and small food and drink producers

The impact of this research on the 400 participating farmers and small food producers (5.6) is wide and varied. By necessity, this case study will focus on selected aspects and specific examples.

Firstly, there are a number of ways in which consumer insight can be used to support marketing decision-making or business planning. The results of our supplier survey (5.1) indicate that study participants experienced a range of benefits. For example:

## Impact case study (REF3b)

- Sixty one per cent of respondents used consumer insight reports for competitor analysis.
- Thirty one per cent used reports to retain or increase their supermarket business.
- Thirty per cent of respondents used reports for new product development.
- Twenty four per cent of respondents used reports in support of promotional planning.
- In summary, 52% of respondents stated that the consumer insight reports were 'extremely useful', while a further 37% found them 'quite useful'.

Second, individual business case studies, based on consumer insight outcomes, provide more detailed evidence of benefits specific to each farmer or food producer (5.2):

- [Donnelly Horticulture](#), a flower and salad grower from Northern Ireland, made major changes to its production plans, having identified the potential of Oriental Lilies. This resulted in incremental sales of 400,000 lilies per year from 2011 to 2012.
- [Bath Ales](#), a microbrewery looking to expand into the retail sector, discovered a growing demand for lighter, paler beers and an unexpected seasonal peak in sales around Easter. As a result, they launched Golden Hare into the retail market and timed the launch to capitalise on the Easter peak in sales. The launch generated sales growth of 10% for the brand and a 20% increase in customer penetration during 2011.
- In 2011, [Burts Chips](#) used a report on the premium crisps market to secure a listing for their branded crisps in 60 Tesco stores and persuaded the Tesco buying team to re-think its approach to the premium crisp category. This resulted in a re-positioning of the Burts brand within the Tesco Finest range and the development of collaborative relationships with other Tesco suppliers, including Nando's.
- [Morelli's](#) is a heritage ice cream brand that has diversified into the wholesale market. Although listed by Tesco in 2009, Morelli's ice cream was struggling to sell. The team discovered that customers were put off by poor quality packaging and were concerned about the authenticity of the product stocked by Tesco. A 2010 re-launch, with new packaging and tub sizes, led to a 7% increase in Morelli's sales in Tesco during 2011.
- [Natural Balance Foods](#) is the company behind the 'Nakd' range of healthy snacks. Participating in this project taught the owners that multipacks offered them the most potential for growth. The Nakd Oaties multipack launch trebled sales of Nakd bars in the top three UK supermarkets between 2008 and 2009.
- [Provenance Salads](#) produced a range of dressed salads using organic vegetables, after receiving an insight report on the importance of convenience to purchasers of luxury coleslaw. Since launching in Tesco, the company has used further insight data to replace some original products with new varieties that appeal more strongly to its affluent target market. Between 2010 and 2011, sales increased by 130%.
- [Cornish Country Larder](#) is an artisan cheese maker and used a consumer insight report to secure additional distribution of its Tesco brand goats' cheese. Between 2010 and 2011, sales grew more than 42%, against an overall decline in this sector.

### 4.2 Support for Tesco's relationship with local suppliers

During 2011, the research team helped the Tesco 'Local' buying team run a series of five regional workshops for over 300 local suppliers, led by Fearne and colleagues (5.3). The workshops addressed issues such as promotions, packaging, quality control and new product development, in order to support mutually beneficial relationships with smaller, local suppliers.

## Impact case study (REF3b)

Subsequently, Fearne received the following letter from one of Tesco's regional marketing managers (5.4):

“Kent Business School's long-term relationship with dunnhumby continues to be a great benefit to small businesses that are prevented from accessing and making use of data like this on a regular basis. ...We will continue to recommend your service to small businesses in the future - not only is it a great resource for suppliers it is also very helpful for our team – not least because we benefit immensely from having better informed suppliers.”

### 4.3 Helping industry associations and regional development agencies support stakeholders

The following eight agencies engaged with this research by sponsoring one or more PhD studentships between 2006 and 2013, investing a total of £845,000 in the study. These include the Agriculture & Horticulture Development Board, Department of Agriculture and Rural Development, (Northern Ireland), South East England Development Agency, Scottish Executive Environment and Rural Affairs Department, Home Grown Cereals Authority, Northwest Food Alliance, Milk Development Council and Meat and the Livestock Commission.

The primary objective of these organisations was to provide commercial benefit for the farmers and small food and drink producers who fall within their remit. However, additional benefits for this group of stakeholders include outcomes such as an increased understanding within their own organisations of consumer purchasing behaviour. As the Tree Fruit Research Manager of the Horticultural Development Council commented (*see corroborating contact No. 2*):

“The HDC has struggled for many years to persuade its members to invest in consumer research, so focussed have they been on grappling with the technical aspects of fruit and vegetable production. This pump-priming initiative not only benefitted many of our sector groups directly, by helping them to align their production and promotional plans with the market, it also served to highlight the importance of working collaboratively with other links in the chain, to turn insight into action, saving money and adding value where it matters most, at the point of purchase”

The DEFRA-funded Agricultural Development Scheme Grant provided additional support to these stakeholders from 2008 to 2010 and focussed on the development of marketing skills and capabilities amongst farmers and small food producers. A total of 37 workshops and seminars were delivered across the country, involving over 1500 farmers and small producers (5.7).

## 5. Sources to corroborate the impact

- 5.1 Small farmer and food producer participant survey (60 respondents – summer 2013)
- 5.2 Full length participant case studies
- 5.3 Tesco Local presentations, Prof. Andrew Fearne (2011)
- 5.4 Letter from Regional Marketing Manager, Tesco Local Scotland on use made of Fearne's findings in Tesco Local workshops (2011)
- 5.5 Comment by representative of the Horticultural Development Council on how the research helped sector groups align themselves to the market (2013)
- 5.6 List of project participants from 2008 onwards
- 5.7 DEFRA Agricultural Development Scheme Grant, end of project report (2011)

For full versions of letters, case studies and other corroborating evidence, see [here](#).