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Marketing planning and digital customer loyalty data in small business

Digital customer
loyalty data

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Abstract

Purpose – Retailer loyalty card marketing intelligence presents actual customer purchasing preferences, competitor activities and performance. Typically, extant literature implies that larger firms with formal marketing planning approaches will be more able to leverage it, structured as it is within a formalized statistical format. Small business literature on the other hand emphasizes their more informal approach to marketing planning. The purpose of this paper is to consider, for the first time, the potential relationship between retailer loyalty card marketing intelligence and small business market orientation.

Design/methodology/approach – A conceptual model is developed which diagrammatically interprets how retailer loyalty card marketing intelligence can relate to small business market orientation. Propositions provide a basis for further discussion with applied and research implications.

Findings – A pertinent aspect of the conceptualization is the role of small business owner-manager insight and intuition within an experiential learning context. A complementary relationship is posited in the leveraging of retailer loyalty card marketing intelligence to enhance small business market orientation, which with higher levels of entrepreneurship orientation can lead to positive organizational outcomes, such as facilitating more successful and informed engagement with larger suppliers.

Originality/value – The paper addresses the increasing pressure small businesses face in dealing with retailer loyalty card marketing intelligence. Generally, literature has yet to adequately address marketing planning implications for firms. The informal/formal tension when considering small businesses presents a particularly interesting area of conceptual development, integrating market orientation literature and also recent developments which point to interaction between market and entrepreneurship orientations. This paper therefore provides a basis for a new small business research agenda in an area which is highly topical and important, with a synthesis of the extant literature in developing a conceptualization and propositions. The conceptualization and propositions can facilitate the development of new research and thinking in this potentially fruitful area of future enquiry.

Keywords Small enterprises, Marketing management, Marketing planning, Marketing intelligence, Market orientation, Entrepreneurship orientation, Small business marketing, Retailer loyalty card

Paper type Conceptual paper

Introduction

Marketing planning is recognized as vital for small businesses, creating an interface with the external environment in which they operate (Zontanos and Anderson, 2004). Small businesses which strive for market development, and which continuously search for new market opportunities and expansion of the consumer base, have a better chance of survival and growth (Baker and Sinkula, 2009). It is the unique nature of small businesses that shapes and dictates the manner in which their marketing is



performed (Nieto and Santamaria, 2010). Their smaller size is a significant factor influencing marketing planning processes (Gilmore *et al.*, 2001, 2006; O'Dwyer *et al.*, 2009). Their size gives them relatively little impact in terms of modifying their environmental surroundings and makes them dependent on a small consumer base (Jones *et al.*, 2007). However, their smaller size allows them to form closer relationships with customers, providing flexibility in operations and responsiveness to change (Moriarty *et al.*, 2008).

Small businesses can overcome the typical advantages of larger firms, such as market power and economies of scale, by being market-oriented (Alpkan *et al.*, 2007). Narver and Slater (1990, p. 21; see also Kohli and Jaworski, 1990) define market orientation (MO) as “the organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus continuous superior performance for the business.” While a substantial academic literature has examined MO, this work is theoretically limited with respect to the characteristics of small businesses (Blankson *et al.*, 2006). MO for small businesses is not determined by formalized and complex planning processes organized around the generation, dissemination of, and response to marketing intelligence, as in larger organizations (Kohli and Jaworski, 1990). Small businesses strive to compete in global markets through MO that is built on their owner-managers' insights, preferring pragmatic and intuitive generation, dissemination of, and response to marketing intelligence (Moriarty *et al.*, 2008). The small business literature emphasizes the focal role of owner-managers to the nature and level of business conducted (Hult *et al.*, 2003; Wilson and Stokes, 2004; Zontanos and Anderson, 2004). The owner-manager will be running the business, or be responsible to a large extent for its failure or success which can be critical to them achieving personal and business goals (Mazzarol *et al.*, 2009).

Armario *et al.* (2008) state that MO facilitates the development of small business learning processes, as owner-managers apply their knowledge to the solution of market problems. These learning processes relate to the unique nature of small businesses (e.g. limited resource base, simple organizational structure, informal business processes, networking, owner-manager dominance – Blankson and Omar, 2002; McCarton-Quinn and Carson, 2003; Moriarty *et al.*, 2008). Larger firms have the resources to develop learning-based MO routines centered on marketing intelligence, in a planned and structured manner, which is beyond the means of most small businesses. An empirical study by Blankson *et al.* (2006), found that owner-manager learning capabilities were based upon a more informal, unstructured and experiential context when engaging with marketing intelligence.

Marketing intelligence underpinning MO is being transformed by the increasing availability of new sources such as retailer loyalty cards. Small businesses are being significantly impacted by the increasing competitive pressure exerted by the availability of retailer loyalty card marketing intelligence (Mauri, 2003; Dunn, 2006; Cacciolatti *et al.*, 2009). Larger businesses are actively purchasing it as an invaluable form of formalized marketing intelligence which presents actual customer purchasing preferences, competitor market activities and performance. The term formalized signifies that the marketing intelligence is structured within a statistical format, with tables, graphs and charts illustrating market growth, trends and profiles (Anstead *et al.*, 2008). Smaller businesses do not have the resources, financially or in terms of expertise, to acquire and leverage it putting them at a competitive disadvantage (Cacciolatti *et al.*, 2009). However, as multiple retailers open up their shelves to small (local, niche) suppliers to differentiate their retail offer, they are making efforts to

remove the barriers for this part of their supply base. Subsequently, there are increasing moves to make access to and provide interpretive support for small businesses. This makes it particularly pertinent to the small business marketing planning literature, and indeed to the wider small business management literature.

It can be broadly argued that larger firms will be more suited to adopting retailer loyalty card marketing intelligence, with their more formalized and structured marketing planning approach to generating, disseminating and responding to marketing intelligence. Small business literature on the other hand emphasizes a more informal and intuitive approach. However, recent work by Simmons *et al.* (2011) would suggest that formalized marketing intelligence may potentially complement and support the more informal type of marketing planning small businesses' practice. Drawing on these issues in this paper we consider for the first time the potential relationship between retailer loyalty card marketing intelligence and small business marketing planning represented by the MO concept. Generally, literature on retailer loyalty card marketing intelligence has yet to adequately address marketing planning implications for firms. The informal/formal tension which is introduced by the small business context is a particularly interesting area of study in this respect.

The fundamental premise in this paper, in setting a new small business research agenda, is that the relationship between retailer loyalty card marketing intelligence and small business MO could be transformative. That is, while formalized and therefore potentially foreign to the informal nature of small business MO, retailer loyalty card marketing intelligence may complement it. Consistent with this premise, and after reviewing existing treatments of MO, small business MO and retailer loyalty card marketing intelligence in the literature, we synthesize this literature to develop the conceptualization that interprets the relationship between small business MO and retailer loyalty card marketing intelligence. Although this paper is not empirically based, the conceptualization and propositions developed from this premise will facilitate the development of new research and thinking in this potentially fruitful area of future enquiry. Acknowledging recent developments in the small business literature on interaction between MO and an entrepreneurship orientation (EO) (Baker and Sinkula, 2009), we also integrate into the conceptualization the potential relevance of EO to the relationship.

Studies to date have addressed the history and development of retailer loyalty cards, by considering the technology involved in collecting and extracting marketing intelligence and the impact of the loyalty schemes in relation to the shopper and the retailer (Ziliani and Bellini, 2004). Actual understanding of how the data can be used for marketing planning is not clear. The focus has been placed on the potential of the loyalty card increasing customer loyalty, rather than the loyalty card providing a source of marketing intelligence that can be used in marketing planning (Cortiñas *et al.*, 2008). In this paper we explicate marketing planning implications for small business owner-managers in accessing and utilizing retailer loyalty card marketing intelligence. Multiple retailers are increasingly making this marketing intelligence available to smaller firms, often supported by relevant government agencies. What we attempt to emphasize is that small business owner-managers should not fear or have apprehension when considering retailer loyalty cards as a source of marketing intelligence to inform their marketing planning. Rather, they need to realize that to compete with larger firms that have intelligence access and interpretation skills, and to gain acceptance for their products and services on multiple retailer shelves, there may be significant benefits for them in engaging with retailer loyalty card marketing intelligence. If this

understanding is created, this could have potential significance for the small businesses marketing going forward.

Key to this is creating an understanding of how new forms of formalized marketing intelligence such as retailer loyalty cards, can be integrated into the marketing planning process for small businesses. If, as proposed in this paper, the introduction of retailer loyalty card marketing intelligence can raise the level of small business owner-manager MO, then our understanding of this and the relationship with informal aspects of small businesses marketing planning appear critical. Owner-manager insight is posited to be key to this, facilitated by their intuition underpinning marketing planning approaches. We consider the relationship between formalized retailer loyalty card marketing intelligence and informal owner-manager insight and intuition in the context of experiential learning. The role of EO is presented as integral to this. A complementary alignment of an enhanced MO through exposure to retailer loyalty card marketing intelligence, and with high levels of EO, can facilitate small business owner-managers in marketing planning that can proactively exploit market opportunities. These contributions also facilitate new insights into how retailer loyalty card marketing intelligence can have relevance to marketing planning in small businesses particularly. Understanding of retailer loyalty cards and their relationship with marketing planning to this point has not been developed (Cortiñas *et al.*, 2008).

We now proceed by developing relevant literature. From this literature and its theoretical synthesis a conceptualization is developed. Applied implications are then explicated before conclusions and directions for further research are presented.

Theoretical background

MO

MO is essentially the application of the concept of marketing, which implies that the basic function of the firm is to generate new customers (Drucker, 1954). It is based upon marketing intelligence, its generation, dissemination and an organization's response to it (Kohli and Jaworski, 1990; Jaworski *et al.*, 2000), as well as the culture that most effectively creates and nurtures these behaviors within a customer and competitor orientation (Narver and Slater, 1990; Narver *et al.*, 2004). The value of MO to this paper is therefore significant, as it underpins our conceptualization of the relationship between small businesses and retailer loyalty card marketing intelligence. It is therefore also integral to small business marketing planning, whether formally or informally defined around retailer loyalty card marketing intelligence. Various authors have provided definitions of MO over the past 20 years or so.

Table I provides the reader with a comprehensive overview of MO definitions.

As a theory MO began to develop in the 1990s, with discussion about the construct and its nature and consequences for firms (Kerin, 1996). Since then, research has intensified seeking to measure its effects on firm performance, as well as its influence on internal marketing planning initiatives. In terms of conceptual development, MO is behaviorally based upon the generation of marketing intelligence relating to the needs of current and future customers, the dissemination of this intelligence throughout the firm, and the strategic market response (Kohli and Jaworski, 1990). In other words, it implies acquiring information from buyers and competitors in the target market and disseminating this information throughout the company. Integral to this, MO also implies having the cultural values and norms, to enable the acquisition of information from buyers and competitors in the target market, and its dissemination throughout the company (Narver and Slater, 1990).

Shapiro (1988, pp. 120-2)	“Information on all important buying influences permeates every corporate function.” “Strategic and tactical decisions are made interfunctionally and interdivisionally” and “divisions and functions make well-coordinated decisions and execute them with a sense of commitment”
Kohli and Jaworski (1990, p. 6)	“Organisation-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organisation-wide responsiveness to it”
Narver and Slater (1990, pp. 20-1)	“The culture that most effectively and efficiently creates the behaviours for the creation of superior value for buyers,” state that MO “consists of three behavioural components – customer orientation, competitor orientation, and interfunctional coordination – and two decision criteria – long-term focus and profitability”
Jaworski and Kohli (1993, p. 467)	“Organisation-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence horizontally and vertically within the organisation, and organisation-wide action or responsiveness to market intelligence”
Deshpande and Farley (1998, p. 467)	“A set of beliefs that puts the customer’s interest first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise”
Day (1994, p. 37)	“superior skills in understanding and satisfying customers”
Hunt and Morgan (1995, p. 11)	“The systematic gathering of information on customers and competitors, both present and potential, the systematic analysis of the information for the purpose of developing market knowledge, and the systematic use of such knowledge to guide strategy recognition, understanding, creation, selection, implementation and modification”
(Jaworski and Kohli, 1996, p. 131)	“Organisation-wide generation of market intelligence pertaining to customers, competitors, and forces affecting them, internal dissemination of the intelligence, and reactive as well as proactive responsiveness to the intelligence”
Deshpande and Farley (1998, p. 226)	“A set of behaviours and processes related to continuous assessment and serving customer needs”
Harris (2002, p. 247)	“The extent to which an organisation is perceived to act in a coordinated, customer and competitor-orientated fashion”

Table I.
Definitions of market
orientation

These approaches according to Cambra-Fierro *et al.* (2011, p. 446) should be considered as overlapping, where MO is “a cultural orientation with behavioural implications.” To disassociate these two MO perspectives would lead to what Avlonitis and Gounaris (1997, p. 38) term “an erroneous viewpoint.” Homburg and Pflesser (2000) reconciled the contemporary definitions established by Narver and Slater (1990) and Kohli and Jaworski (1990), with the culture of MO preceding behaviors characterizing a market-orientated organization. More recently, Narver *et al.* (2004) define MO on a continuum with reactive (responding to expressed customer needs and representing extant thinking on MO) at one side and proactive (responding to latent customer needs) at the other. Their theoretical expectation is that by introducing the concept of a proactive MO, there will be a significant contribution to the explanatory power of a responsive MO. The presence of a strong MO facilitates improved business results, whether in the context of large firms (Slater and Narver, 1994; Jaworski and Kohli, 1993; Panigyrakis and Theodoridis, 2007; Menguc and Auh, 2006), or in small businesses (Pelham, 2000; Martin *et al.*, 2009). As well, market-oriented enterprises assume that their customers’ needs change, and that adapting to changing market forces can generate opportunities for growth and profits (Martin *et al.*, 2009).

The behavioral process associated with MO is integrally linked with adaptive learning (Baker and Sinkula, 1999; Slater and Narver, 1995). Single-loop (Argyris, 1977), or adaptive (Senge, 1990), learning supports tactical adjustments to marketing planning and implementation (Sinkula, 1994; Sinkula *et al.*, 1997). Market-driven behavior develops from adaptive learning and provides a basis for creating competitive advantage (Kohli and Jaworski, 1990; Narver and Slater, 1990; Jaworski and Kohli, 1993; Day, 1994). It can enable firms to develop incremental innovations through a focus on expressed customer needs. Incremental innovations represent ongoing improvements to existing product, marketing planning processes and service (Han *et al.*, 1998; Slater and Narver, 1999). However, an MO is not intrinsically capable of facilitating radical innovation (Baker and Sinkula, 1999; Slater and Narver, 1995). Indeed, MO has been criticized for overlooking competition from non-traditional sources and focussing more on current customers' expressed needs and less on future customers' latent needs. It is consideration of these latent needs that creates the potential for radical innovations that represent advancements in knowledge and the consequent development of radically new products and marketing planning processes to open up new market spaces (Chandy *et al.*, 2003; Gatignon and Xuereb, 1997; Hamel and Prahalad, 1994).

Small business MO

In small business literature a common theme is the issue of resource constraints relating to time, expertise, finance or labor, for example. Overcoming resource constraints, competitive advantage is leveraged from the speed with which they can respond to customers' wants and needs with their marketing planning processes (Li *et al.*, 2008). In so doing, their capacity for adjustment depends on this flexibility and responsiveness (e.g. limited resource base, simple organizational structure, informal business processes, networking, owner-manager dominance – Blankson and Omar, 2002; McCarton-Quinn and Carson, 2003; Moriarty *et al.*, 2008; Baker and Sinkula, 2009; Nieto and Santamaria, 2010).

Despite the attention given to MO by researchers more generally, small-business-specific research has been limited (Blankson *et al.*, 2006). To appreciate, understand and practice MO is a challenge for many small businesses (Pelham and Wilson, 1996; Harris and Watkins, 1998; Blankson and Stokes, 2002; Blankson *et al.*, 2006). Notwithstanding, Kara *et al.* (2005) found that MO can be positively correlated to small business performance. This is further supported through studies by Pelham (1997) and Harris and Watkins (1998). However, factors may exist which restrict or prohibit small businesses from developing their MO. In a study of small hotel businesses, Harris and Watkins (1998) found that several factors impeded their ability to fully appreciate, understand and develop an MO. These include ignorance of the concept and its application, limited resources, perceived inappropriateness, contentment with status quo, short-termism in their marketing planning, unclear views of the customer and finally a lack of competitive differentiation.

The small business literature overall, indicates that small and larger businesses have different characteristics and therefore should be studied separately. This is a significant literature stream for this paper as it provides a basis for understanding the daily operations of the small business. Indeed, Welsh and White (1981) first introduced the now popularized notion that a small business is not a little big business, and this is still being emphasized in the literature today (Renko *et al.*, 2009). Where small business MO differs from larger businesses, is in a literature focus on their informality

integrated with a view that they are defined very much by the personal commitment and characteristics of their owner-managers. Owner-manager influence creates an individual, informal and often idiosyncratic approach to the way small businesses are managed (Perks, 2006; Jones *et al.*, 2007). Small business MO is therefore fundamentally characterized by the management style and personality of their owner-managers (Moriarty *et al.*, 2008; Simmons *et al.*, 2008).

Owner-manager perceptions of marketing have in many cases emerged from the belief that they can successfully achieve sales without formally planning their marketing activities (Stokes, 2000). Planning in small businesses is largely viewed as informal and largely resident in the head of, and dependent upon, owner-managers (Miller and Toulouse, 1986; McCarthy, 2003). Owner-managers prefer pragmatic action in the immediate time-frame depending on speed and agility to respond to customers (Li *et al.*, 2008), rather than formalized planning and the contemplation of future desirables (Kirchoff, 1994; Doern, 2009). Other scholars have found that owner-managers are rarely planners who focus on the long term or act according to rational principles; instead they act on insights, intuition and impulse (Bhide, 1994).

Owner-managers are therefore focussed more on the “here and now” in marketing planning, intuitively assessing short-term achievements and learning experientially by doing (derived from the accumulated knowledge of doing business: Clarke *et al.*, 2006) as opposed to thinking ahead and developing longer-term marketing objectives due to time, expertise and resource constraints (Armario *et al.*, 2008; Blankson *et al.*, 2006; Clarke *et al.*, 2006; Lewis *et al.*, 2007; O’Dwyer *et al.*, 2009; Liberman-Yaconi *et al.*, 2010). This differs from the formalized forward marketing planning favored by senior managers in larger firms. It also presents potential difficulties when one considers the relationship between small business MO and the formalized nature of retailer loyalty card marketing intelligence. Notwithstanding, larger firms are proactively leveraging retailer loyalty card marketing intelligence which presents a competitive challenge to small firms. The next section develops this further.

Retailer loyalty cards

Consumers have been the focus of much MO literature to date, being regarded as pivotal to all definitions. Jones and Rowley (2011, p. 28) emphasized the importance of “developing an attitude of consistent consumer dedication.” Yet a narrow focus on consumers can lead to an unbalanced outlook by firms, with the need for a competitor focus also apparent in the literature (Sorensen, 2009). Competitor orientation ensures that firms understand their short-term strengths and weaknesses by acknowledging the long-term capabilities and marketing planning of both the main current and main potential competitors (Narver and Slater, 1990). Lafferty and Hult (2001), however, suggest that a competitor orientation is similar to that of consumer orientation as it requires information gathering to occur. Essentially it is argued that different types of information can be gleaned through a focus on consumer orientation or competitor orientation. This information can be used depending on the type of decision to be made or the type of decision maker. Therefore a firm’s use of competitor information is a vital piece of input in the marketing planning process, particularly when the market is led by businesses which ultimately drive the industry.

The source of consumer and competitor information has in recent years being significantly influenced by new database technologies. A key feature of this has been the emergence of large data warehouses that can store consumer and competitor data on a scale hitherto unheard of or achievable. These warehouses have been critical to the

growth and dominance of multiple retailers from Walmart in the USA to Tesco in the UK. Power for multiple retailers resides in their proximity to end consumers and their ability to extract significant quantities of consumer data. In the UK, for example, Tesco have the largest consumer base considered representative of the UK population as a whole (Anstead *et al.*, 2008). Marketing intelligence is increasingly orientated around retailer loyalty cards which are intrinsically linked to large data warehouses. This marketing intelligence can be interpreted by market research agencies such as dunnhumby (who manage Tesco Clubcard data) to provide information and marketing intelligence that goes beyond that gathered by more traditional market research surveys, for example. According to Dunn (2006, p. 47) “you need to look at real (consumer) behaviour, real motivation, and you need to be able to link all that knowledge.”

Loyalty cards are a relatively new phenomenon presenting opportunities for further academic research and understanding. Most studies to date have focussed on loyalty cards from the consumer’s perspective, in terms of exploring the link with loyalty (Wright and Sparks, 1999; Turner and Wilson, 2006; Everett, 2009; Smith and Sparks, 2009). Significant gaps exist in the literature in respect of the formalized marketing intelligence derived from retailer loyalty cards and the impact in terms of marketing planning. In particular, Cortiñas *et al.* (2008, p. 52) point to the need for further exploration of retailer loyalty card marketing intelligence for marketing planning purposes: “the main potential of loyalty cards may lie not so much in increasing consumer loyalty as in providing a source of useful data on consumer behaviour that can later be used to design better adjusted marketing strategies.”

Access to and the ability to analyze this form of marketing intelligence is critical to ensuring interpretation and effective marketing planning.

Within the UK retail sector Tesco Clubcard is by far the largest retailer loyalty card, comprising 17 million shoppers (approximately 40 percent of UK households), followed by Sainsbury’s Nectar Card (12 million) and Boots (ten million shoppers) (Ziliani and Bellini, 2004). Tesco Clubcard marketing intelligence, managed by dunnhumby, is available through a web portal called “The Shop.” This comprises a set of analytical tools that firms can buy into to help build reports and gain insight into how their products are performing in all Tesco UK outlets (Humby *et al.*, 2007). It is an expensive intelligence source but firms prepared to act on the information the shop provides can see the value and the return on investment (Humby *et al.*, 2007). The power of retailer loyalty card marketing intelligence relates to its insights into specific consumer niches and their actual buying behaviors, how specific product categories are performing, and how specific suppliers are performing. This enables retailers and their suppliers to work out not just who is buying their products, but also helps to identify other products that each specific customer is likely to want (Cacciolatti *et al.*, 2009). Building upon and synthesizing the literature presented, in the next section we develop a conceptual model, which interprets the relationship between relationship between small business MO and retailer loyalty card marketing intelligence, while also introducing integral elements such as EO.

Conceptual development

Literature has emphasized the informal marketing planning approach of small businesses driven by their owner-managers (O’Dwyer *et al.*, 2009). Defining small business MO, their use of informally based networking with customers, suppliers and even competitors forms the basis of the generation, dissemination and response to

marketing intelligence. However, in many markets where small businesses supply retailers, an understanding of competition and consumers is being defined by more formalized means of generating, disseminating and responding to marketing intelligence. Tesco Clubcard data are a representative example, disseminated through their subsidiary, dunhumby, via the “Shop.” Small businesses have limited exposure to this kind of formalized marketing intelligence in their daily routines, due to the lack of marketing expertise, time and resource available to them (Jocumsen, 2004). Also, small businesses typically take a short-term focus finding little relevance in longer-term marketing planning often due to a struggle to grow, or simply survive (Kirchoff, 1994; Doern, 2009). Which comes back to our consideration in this paper of the potential relationship between retailer loyalty card marketing intelligence and small business marketing planning.

A conceptual model is presented in Figure 1, which diagrammatically interprets how retailer loyalty card marketing intelligence can relate to small business MO. We also introduce the concept of an EO into the model. Recent work on small business MO has begun to consider the role of an EO as critical to understanding the relationship with innovation and performance outcomes. The model and propositions presented provide pertinent implications for owner-managers in their marketing planning approaches as well as research implications which we subsequently present.

Armario *et al.* (2008) state that MO facilitates the development of learning processes, as firm employees apply their knowledge to the solution of market problems. From this perspective, MO is considered an internal capability of the firm that is difficult to imitate (Day, 1994). It can also orient them toward the search for growth opportunities, while reducing opportunity response time (Kirca *et al.*, 2005). Larger businesses have the resources to develop learning-based MO routines in a formalized and structured manner, which is beyond the means of most small businesses. For smaller businesses these learning processes relate to their unique nature (e.g. limited resource base, simple organizational structure, informal business processes, networking, owner-manager dominance) (Blankson and Omar, 2002; McCarton-Quinn and Carson, 2003; Moriarty *et al.*, 2008), being based upon a more informal, unstructured and experiential context (e.g. intuitive awareness of markets) (Blankson *et al.*, 2006). These learning routines could be viewed as patently unsuited to the formalized structure and presentation of retailer loyalty card marketing intelligence. However, while it may be logical to assume this a closer look at the literature provides a potentially new angle from which to view this from the perspective of small business exposure to retailer loyalty card marketing intelligence.

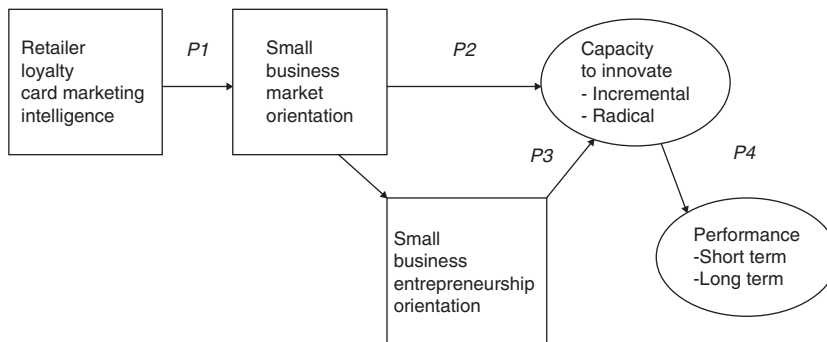


Figure 1.
Conceptual model

Corbett (2005) relates experiential learning in small businesses to an information acquisition and transformation experience. Significantly, MO is viewed as a transformational competency, requiring the transformation of marketing intelligence into marketing planning responses aimed at achieving customer satisfaction and competitive advantage (Armario *et al.*, 2008). Pelham and Wilson (1996) and Pelham (2000), indicate that the typically low levels of formalization in small businesses' marketing planning will not necessarily reduce the innovative and flexible aspects of their ways of achieving this. Recent work by Simmons *et al.* (2011) suggests that an informal-formal synergy may exist in this regard.

In a study of small business web site optimization they found that those firms at leading edge were positively influenced by using cost-effective web tools such as web analytics, online surveys, community forums and database technology. These tools were used to facilitate more formalized and structured approaches to understanding online customers. Simmons *et al.* (2011) found that such tools complemented and supported online and offline the more informal type of marketing planning the small businesses studied would normally practice. They based this on small business competencies such as creativity, flexibility and intuitive judgment. Retailer loyalty card marketing intelligence represents a formalized approach to understanding customers which, building on Simmons *et al.* (2011), could be complemented and enhanced by small businesses in their unique and more informal style of marketing planning. Therefore, access to this intelligence could increase their MO levels by leveraging an informal/formal marketing planning synergy. From this we propose the following:

- P1.* Small business exposure to retailer loyalty card marketing intelligence will have a positive impact on their MO.

Baker and Sinkula (2009) reveal that a high level of MO will lead to market-driven small business behavior and incremental innovations. Incremental innovations represent ongoing improvements to existing product, process and service (Han *et al.*, 1998; Slater and Narver, 1999). Small businesses are often constrained in developing innovations due to the need to step out from the industry norms. Becker (1982) states that any industry will exist within certain customs and practices, outside of which it is difficult to find acceptance. These established norms are so strong in most sectors that they will determine how business is done (Williamson, 1985; Camerer and Vepsäläinen, 1988). In particular, small businesses are believed to conform to established industry norms in order to do business, primarily because they are small and cannot hope to step out from established practices (Fuller, 1994). Carson and Gilmore (2000) go as far as to state that most small businesses can only ever hope to attain some relatively marginal differentiation, and therefore must conform to the industry customs and practices in presenting this differentiation. However, retailer loyalty card marketing intelligence and its provision of precise customer insights could provide the confidence that small business owner-managers need to manage the risks, while proactively stepping outside industry norms to develop incremental innovations that are market based and relevant to customers. Therefore we propose the following:

- P2.* Small business exposure to retailer loyalty card data will have a positive impact on incremental innovations.

An EO can facilitate the development of learning processes that allow a firm to adapt to their environment to exploit new opportunities, leading to new and often dynamic competitive spaces (Shane and Venkataraman, 2000). The relevant traits (innovativeness, risk tolerance and proactiveness) are often more associated with smaller as opposed to larger firms (Li *et al.*, 2008; Baker and Sinkula, 2009). For small business owner-managers, these entrepreneurial traits can be encouraged and enhanced within the unique nature of their firms (e.g. limited resource base, simple organizational structure, informal business processes) (Schindehutte *et al.*, 2008; Baker and Sinkula, 2009; Renko *et al.*, 2009). Baker and Sinkula's (2009) results suggest that small business EO complements their MO by instilling an opportunistic culture that impacts the quality and quantity of their capacity to innovate. Small businesses, therefore, require an understanding of the need to balance a strong EO with a strong MO. Li *et al.* (2008) hypothesized that an appropriate alignment between MO and EO was critical to small business performance.

However, a major criticism of EO is that it creates the conditions radical innovations that can be in advance of market requirements, and therefore may be deemed a failure more often than a success (e.g. Hamel and Prahalad, 1994; Slater and Narver, 1995, 1999, 2000; Baker and Sinkula, 1999; Zahra, 2008). Noting the results of Baker and Sinkula (2009), we do not propose in this conceptualization that retailer loyalty card marketing intelligence will directly impact upon small business EO. However, we do posit that enhanced levels of MO through exposure to the marketing intelligence can provide the confidence that small business owner-managers need to manage the risks, while proactively stepping outside industry norms to develop radical innovations that are market-focussed and relevant to customers. We therefore propose the following:

- P3.* Enhanced MO through exposure to retailer loyalty card marketing intelligence will complement small business EO in developing market-focussed radical innovations.

Literature has indicated that higher levels of small business MO will result in a positive impact on small business performance (Pelham, 1997, 2000; Blankson and Cheng, 2005; Blankson *et al.*, 2006; Armario *et al.*, 2008; Baker and Sinkula, 2009). We qualify this with the contention that this will be short-term performance. Jaworski *et al.* (2000), make the point that MO can create differentiated competitive positions by managing the present through short-term market-driven actions and incremental innovations. Atuahene-Gima and Ko (2001), concurring with *P2* and *P3*, found that firms with high levels of MO and EO, ME firms, were more successful in introducing incremental and radical innovations. Jaworski *et al.* (2000) and Kumar *et al.* (2000) state that exceptional organizations manage the present through short-term market-driven actions and incremental innovation. Simultaneously, or consecutively, they consider how to reshape markets by driving them over the longer term into new competitive spaces through radical innovation. Therefore we propose the following:

- P4.* Small businesses enhanced MO post-exposure to retailer loyalty card marketing intelligence and with high levels of EO can achieve exceptional short-term and long-term performance.

Discussion

We posit in this paper that a critical aspect of owner-managers' utilization of formalized marketing intelligence will be their insight (see e.g. Clarke *et al.*, 2006).

Scholars, such as Mintzberg (1989) and Weick (1995), define intuition in the context of insight. Insight represents the seeing and understanding of the inner nature of things; facilitated by intuition. Thereby intuition is defined as “the immediate knowing of something without conscious use of reasoning” (Vaghely and Julien, 2010, p. 74). Small business owner-managers are praised for being flexible and intuitive in their planning approaches. Considering the findings of Simmons *et al.* (2011), the synergy facilitated by formalized retailer loyalty card marketing intelligence appears to reside in a potentially complementary relationship with informally based owner-manager insight and intuition underpinning marketing planning approaches. As Tesco Marketing Director Simon Uwins has commented, retailer loyalty card marketing intelligence can move firms from being intuitive to being more analytical, while also leveraging their intuition through the marketing intelligence to lead to better thinking, and the confidence to ask the right questions in their marketing planning process (see Humby *et al.*, 2007, p. 107).

Central to this is the experiential knowledge of the owner-manager (Grant *et al.*, 2001) and how, as an aspect of their MO, it could determine their use, or lack thereof, of formalized retailer loyalty card marketing intelligence. Corbett (2005) focussed on experiential learning within the process of opportunity identification and exploitation. In this context, Shane and Venkataraman (2000) indicate that small business owner-managers “must possess prior knowledge and the cognitive properties” in order to be able to identify, develop and exploit opportunities. By considering the relationship between formalized retailer loyalty card marketing intelligence and informal owner-manager insight and intuition, the opportunity is also presented for owner-managers to reflect on and enhance their experiential learning in order to consider new more analytical approaches to their marketing planning that still retain and leverage their innate insights and intuition.

An important aspect of this is the role of an EO. Marketing planning in small businesses is implicitly associated with an entrepreneurial approach (Schindehutte *et al.*, 2008). An EO can facilitate the development of learning processes that allow a firm to adapt to their environment to exploit new opportunities, leading to new and often dynamic competitive spaces (Shane and Venkataraman, 2000). Owner-manager experiential learning is based on an informal, unstructured context (encouraging a more intuitive awareness of markets). This is not easily matched to the formalized generation, dissemination and responsiveness to marketing intelligence underpinning larger business MO. However, it can be viewed as particularly relevant to the generative learning associated with EO that challenges existing market perceptions (e.g. Atuahene-Gima and Ko, 2001; Baker and Sinkula, 2009). It is the complementary alignment of an enhanced MO through retailer loyalty card marketing intelligence exposure with high levels of EO that can facilitate small business owner-managers in implementing marketing planning processes that proactively exploit market-based opportunities, while managing risks with more confidence borne from a more precise understanding of their markets. A particular feature of this complementary relationship is the increased potential for incremental and radical innovations that are in tune with market needs. This can form the basis of short-term and longer-term superior performance and may have significant implications on the success of small businesses in presenting new products in an informed, professional and confident manner to larger suppliers such as Tesco or other major retail multiples.

Therefore, when considering the potential of retailer loyalty card marketing intelligence, small business owner-managers need to also consider their level of MO

and EO. MO studies have increasingly integrated an EO when considering performance implications (e.g. Atuahene-Gima and Ko, 2001; Gonzalez-Benito *et al.*, 2009; Matsuno *et al.*, 2002; Zahra, 2008). While this research has largely focussed on a general business context, the small business literature has been slow in following. However, recent research has indicated that EO may be critical in complementing MO in smaller businesses to boost performance (Li *et al.*, 2008; Baker and Sinkula, 2009). For small business owner-managers it may be difficult to recognize, or admit, weaknesses in these orientations. However, without recognition, and more importantly rectification, owner-managers will be constrained in leveraging retailer loyalty card marketing intelligence. Changing to a marketing-oriented mindset will be difficult – requiring culture change – and will not happen overnight. However, small business owner-managers will have to at least recognize its importance in this respect. While small businesses are considered to be inherently entrepreneurial, they may do well to reflect on their proactiveness, risk-taking attitudes and innovativeness in product development and business processes.

Developments in these areas can also contribute to the further study of retailer loyalty card marketing intelligence and its particular relevance to marketing planning. To date research has largely focussed on the value of loyalty cards for the consumer and for multiple retailers (Ziliani and Bellini, 2004). However, actual understanding of retailer loyalty card marketing intelligence and the relationship with marketing planning is still not clear (Cortiñas *et al.*, 2008). Also, a more specific consideration of small businesses in the literature has not been developed to any extent. Small businesses are simply viewed as being too small, lacking the resources, time and expertise as well as the funds to access and make sense of complex, formalized marketing intelligence. The role of loyalty card marketing intelligence extends the scope and relevance of its potential use as a marketing planning tool for small businesses in this respect. The complementary relationship we put forward in this paper holds much promise in terms of applied, theoretical and research implications going forward.

Conclusions and research implications

This paper provides a conceptual basis for extending an understanding of the potential in the relationship between retailer loyalty card marketing intelligence and small business marketing planning. Small business owner-managers could benefit from such formalized marketing intelligence, while requiring the experiential knowledge and capabilities needed to leverage it in their marketing planning approaches. This also produces potentially significant policy implications. Government bodies charged with supporting and growing small businesses and their economic contribution, need to provide the access, initial training and interpretation skills to utilize such formalized marketing intelligence in their marketing planning. Policy makers may also consider other types of formalized marketing intelligence beyond retailer loyalty cards, to aid small business development and economic contribution.

It should be noted that to conduct further research to address the propositions presented and to extend our understanding of this important area of marketing planning, researchers will need to secure access for small businesses to retailer loyalty card marketing intelligence. Government agencies are increasingly keen to work with universities and research bodies to make retailer loyalty card marketing intelligence available to small firms and to provide initial interpretation. An example is the University of Kent's Business School. In April 2005 a joint venture was established

between their Centre for Value Chain Research and dunnhumby. This partnership provides a mechanism for small firms to access shopper insight from the largest consumer database in the UK derived from Tesco Clubcard data.

Due to the lack of research in this area an exploratory approach for future research is required initially. Typically, the marketing/MO fields are dominated by quantitative studies mostly consisting of large firms (Tregear, 2003) using very structured instruments to statistically rationalize results (Kohli and Jaworski, 1990; Narver and Slater, 1990; Greenley, 1995). Qualitative case study-based research is particularly suited to disaggregating the MO and EO concepts, to probe which components are relevant to leveraging retailer loyalty card marketing intelligence in marketing planning approaches. Specifically, a case study-based approach could involve small businesses being provided with retailer loyalty card marketing intelligence, with initial support provided for its interpretation at the level of individual businesses. Longitudinal cases could involve researcher engagement with small firms through workshops on a sectoral basis where the marketing intelligence is delivered and interpreted. Researchers would utilize the workshop engagements as a basis for conducting in-depth interviews and observational study. The same firms could be invited to a second workshop at a later date. Due to the nature of the research and the role of retailer loyalty card marketing intelligence, in-depth interviews need to be conducted a priori in the first instance; that is exploring the nature of MO before the introduction of the marketing intelligence to small business owner-managers. Interviews then need to be conducted a posteriori; that is probing after the introduction of retailer loyalty card marketing intelligence. The timing of this a posteriori, should ensure that owner-managers have had time to digest and react to the insights derived from the marketing intelligence, and therefore that the intelligence will have potentially caused positive changes in their marketing planning approaches. Future research in this area will serve to increase our understanding of this and facilitate original insight into an emerging and highly topical area of study.

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Further reading

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