

# Prevailing challenges in rural food SMEs in Finland: the promise of a relationship marketing approach

Small-scale food processing is one of the main rural industries in Finland and small and medium-sized enterprises (SMEs) are extremely important for rural areas as promoters of employment and social well-being. It has been forecasted that a new form of competition will dominate in the near future in food markets: chain versus chain, rather than individual competing enterprises. However, it is far from clear what will actually happen in practise. The globalisation of competition is affecting all the industries, also the food processing industry which has traditionally been a domestic industry. The developments in the supply chain (SC) environment are resulting in an increasingly competitive business environment. However, at the same time with the development of global economy, there is a growing interest in local products in the food sector. Current and future

changes in the macro environment of the food industry call for strategic decision-making at the managerial level in food SMEs. Therefore, to enhance the position of SMEs in food SCs, more research is needed in the field.

The small size of businesses and the lack of adequate knowledge are tightly linked together. In general, SMEs do not have enough resources for the development of new products or for marketing, and their competence in these fields is rather restricted. Therefore, a clear need to study and develop these areas is evident. There already exists well-established development work carried out by the authorities in the field of small-scale food processing at the regional level in Finland, but it is rarely based on scientific knowledge and may be too shortsighted. In order to mend this weakness, more visionary aspects of the future should direct the development work. In this study future visions are examined with the help of the Delphi technique as the other type of data, such as statistics or other research results, is virtually non-existing in this case. In this study, the Delphi study had three rounds and it was carried out as a mail survey. Altogether 19 experts were recruited for the Delphi, of which 14 finalised the last round.

The purpose of the study is to identify the factors influencing the Finnish food industry, especially from SCs' and SMEs' perspectives, and the demands and potential for theoretical approaches to understand the companies' opportunities for success in this new situation. Two objectives are set for this article. The first objective is to identify factors that influence the operation and development of food SCs and analyse their significance especially for rural food SMEs in Finland. The first objective is attained by using the Delphi method. An application

## EXECUTIVE SUMMARIES

possibility of the Delphi method is the identification of a theoretical perspective for the research purposes. The Delphi findings suggest that horizontal networking among food SMEs could be the way to survive in the concentrated food markets and gain more bargaining power in vertical relationships. Thus, the second objective is to show the relevance of network and relationship marketing (RM) theories for advancing research concerning the role of food SMEs

in food SCs. Based on the analysis of the Delphi results, the usefulness and application possibilities of network and RM theories in SMEs are further discussed. In addition to enhancing the understanding of the situation of rural food SMEs in food SCs in Finland, the theoretical contribution of this article is the specification of application potential of network and RM theories for researching co-operation, competitive strategies and food SC relationships. ■