Chapter 14

Strategies for the Development of New Products in the Spanish Agri–Food Industry

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ABSTRACT

The objective of this study is to identify the resources and strategies associated with the introduction of new products in the Spanish agri-food industry. The source of information used is the Encuesta sobre Estrategias Empresariales, ESEE (Survey of Business Strategies). From this survey, innovation inputs and outputs have been extracted for the years 2000-2008. The results show that the efforts made by firms to invest in capital goods, R&D, and ICTs produced positive results. Nevertheless, little use has been made of other innovation resources such as technological cooperation with other businesses and/or institutions in the Spanish agri-food industry, and greater efforts in this direction would improve its competitive position. Moreover, while SMEs have made important efforts in recent years to adopt ICTs, there still remains a big gap between them and large firms. The efforts being made could lead to improvements in competitiveness due to the positive impact of ICTs on economic growth and on productivity.

INTRODUCTION

In Spain, the agri-food sector plays an important role in the economy, contributing 8.7% of its GDP and more than 13.5% of total employment (FIAB, 2010). Its annual turnover is 81,369 million Euros, representing 16% of all industry. This makes it the leading industrial sector of the Spanish economy and the fifth largest in Europe. The agri-food sector comprises a total of 30,261 firms (96% of them SMEs) that employ 445,475 workers, representing 17% of industrial employment.

The sector’s importance becomes even greater when analyzing the contribution it makes to the maintenance of the population in disadvantaged areas of rural Spain, providing economic activity,
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and therefore demand for labor, which assists in the development of these areas. It is therefore critical that agri-food companies increase their competitiveness in order to continue contributing to and promoting economic growth.

The growth of the sector depends on the efforts made by the firms that make it up to improve their resources and capacities. The fact that this is a strategic sector for the Spanish economy obliges it to be in a state of permanent evolution, adopting new technologies which can provide it with new methods of managing production, that is, to improve production processes, products and final services. In short, the agri-food industry has to innovate in order to be competitive both in the Spanish market and outside it. (Rama, 1996, 2008; Grunert et al., 1997; Traill & Meulenberg, 2002; Alfranca et al., 2004; Capitanio et al., 2009; Bayona et al., 2012).

Innovation strategies can be diverse, that is, various innovation inputs can be developed and/or combined and the obtaining of various innovation outputs planned. Worthy of particular note in the context of the possible inputs is the difference between carrying out R&D inside the firm (investing in capital goods, hiring R&D staff, using ICTs, etc.) and using R&D from outside it (cooperation with various agents, sub-contracting technological agents, etc.) (Brewin et al., 2009; Barge-Gil, 2010). Among the innovation outputs that can be obtained are product and process innovations, management improvements and protection of innovations with patents. It is essential to examine the issues that arise here in greater detail in order to make recommendations to firms that do not innovate and to improve the strategies of those that do. This basic need for improvement is all the greater in times of economic crisis such as those currently being experienced. It needs also to be borne in mind that current economic circumstances may lead to transformations to economies and societies at the international level (Sahin, 2009), and with them new patterns of growth (Torrent & Ficapal, 2010), though it is also true that these changes may take place slowly (Rivas, 2003; Alarcón & Sánchez, 2013b). In this context of change through innovation ITCs have been shown to have a potentially positive effect on economic and social growth (Fernández & Ramos, 2009; Myro, 2009; Sahin, 2009). The study of the impact of ITCs on economic growth began in the 1990s and focused on firms in the United States (Alonso & Furio, 2011). These improvements in the use of ITCs would lead to firmer and more sustainable growth through the acquisition of competitive advantages obtained through increased production and cost reductions leading to lower prices, and/or improvements to the organization of the production process (with improvements to productivity, efficiency and employment) (Fernández & Ramos, 2009; Katz, 2009; Alonso & Furio, 2011). This forms the basis for the interest in innovation and ITCs in this study.

The objective of this study is: (1) describe the Spanish agri-food industry with regard to the resources and management strategies used in relation to innovation and new technologies, (2) examine developments in this area in the period 2000-2008, and (3) establish connections between the various innovation inputs and the number of innovations carried out by these firms. The rest of the chapter will be structured as follows: in the following section there will be a brief literature review of work carried out on innovation in the agri-food sector, then there will be a description of innovation in the sector and an examination of how it developed in the period 2000-2008, distinguishing between SMEs and large firms and firms in the meat sector, food products and tobacco, and beverages sectors. This will be followed by discussion of the results of the econometric model which uses various business assets and strategies as explanatory variables and the number of product innovations as the dependent variable. The chapter ends with a brief section on future lines of investigation and another of conclusions.