Strategic Marketing: Situation Analysis and Competitive Success

Ron Garland, Roger Brooksbank, University of Waikato

Abstract

Interest in strategic marketing as a means of improving competitiveness at the individual firm level has continued from its heyday in the 1980s. Irrespective of location in the world, of industrial context, of size of firm, etc, almost all studies emphasise the contribution, directly or indirectly, of strategic marketing to competitive success. Thus, based on comparisons between two mail surveys ten years apart (1997 and 2007), this paper explores the extent to which one aspect (the strategic situation analysis) of strategic marketing has contributed to the competitive success of larger (20 or more employees) New Zealand companies. Ten years on, our findings show that these companies now pay more attention to conducting a situation analysis as part of their overall strategic marketing planning efforts. Further, we affirm conventional wisdom: strategic marketing planning still contributes to competitive success.

Introduction, Literature and Objectives

Since the mid 1980s, not only have many European and North American studies shown the important contribution of a number of basic strategic marketing practices to the achievement of company success, but there has also been a plethora of prescriptive-style books and articles on the subject, and a strong surge of interest in marketing as a means of improving competitiveness at the individual firm level (Brooksbank and Taylor, 1999). Yet another stream of the literature has been concerned with the adoption of the marketing concept (see for example, Shapiro 1988; Kohli and Jaworski 1990; Narver and Slater 1990; and Deng and Dart 1994) and, depending on the definitions employed, much of this work has also addressed a number of issues related to strategic marketing and examined its effects on business performance. There is consensus among commentators as to the relevant stages of the strategic marketing planning process. For example, Brooksbank (1996) and Hooley and Greenley (2005), focus on four key stages: analysing; strategising; implementing; controlling.

The strategic marketing practice research alluded to here tends to support the notion that strategic marketing planning and business 'success' (irrespective of how success is measured) are positively correlated (see Table 1). Yet measuring this correlation, or even the direction of causality, has proved difficult and commentators such as Pulendran, Speed and Widing (2003) suggest that these relationships are indirect and context specific. (Limited space precludes a more in-depth review of this literature.) The notion that strategic marketing planning and business 'success' are correlated spawns our paper's over-arching objectives:

- To test the general applicability of conventional wisdom regarding the key determinants of successful strategic situation analysis to the case of "larger" New Zealand companies (20 or more employees).
- To gauge the extent to which the adoption of 'textbook' strategic situation analysis has changed, between 1997 and 2007, for these companies.

Table 1. Recent studies of strategic marketing planning and business performance

Author	Focus	Method	Conclusions
Olson & Bokor (1995)	Strategic Process	Survey	+ve impact on performance
Siciliano (1997)	Formal Planning	Survey	+ve impact on organisational performance
Hopkins & Hopkins (1998)	Planning Intensity	Survey	+ve impact on bank performance
Glaister & Falshaw (1999)	Planning	Survey	+ve impact on performance
Anderson (2000)	Planning	Survey	+ve impact on performance in industrial settings
Pulendran *et al.* (2003)	Planning, business performance	Survey	indirect +ve performance
Panayides (2004)	Planning, market orientation	Survey	Mixed results in industrial settings
Hooley & Greenley (2005)	Competitive positioning	Survey	Direct impact on performance
Akan *et al.* (2006)	Tactical implementation	Survey	Direct impact on performance

Specific hypotheses relating to the strategic situation analysis are as follows:

H.1 Higher performing companies (HPC) are more formal marketing planning oriented. This hypothesis is derived from both prescriptive and empirical work (e.g. Saunders and Wong, 1985; Hooley and Jobber, 1986; Lysonski and Pecotich, 1992; Pulendran *et al.* 2003).

H.2 HPC pay more attention to undertaking a comprehensive situation analysis which refers to an internal (company) analysis, competitor analysis, market analysis, customer analysis, and an analysis of the wider business environment. Both the prescriptive literature (e.g. Aaker, 2004; Piercy, 2000) and the empirical literature (e.g. Brooksbank and Taylor, 2002;

Siu and Liu, 2005) stresses the importance of conducting a thorough situation analysis as the necessary basis for developing effective marketing strategies and plans.

H.3 HPC adopt a more proactive rather than reactive approach to the future. Hooley and Jobber (1986), Doyle and Wong (1998), and Brooksbank and Taylor (2002) all found "pro-activity" to be an important feature of "successful" companies.

H.4 HPC make greater use of marketing research in their planning activities. Schlegmilch, Boyle and Therivel (1985), Baker, Hart and Black (1988), and Panayides (2004) all found that HPCs make greater use of marketing research in their planning activities.

To test the research hypotheses it was necessary to classify the sample of firms according to their performance. Given firms' sensitivity to revealing financial data to third parties, this study employed self reported measures (felt to be less intrusive). Although self reported measures have the potential to contain bias, a number of authors have suggested that in the absence of objective criteria they can be both appropriate and reliable (Bamberger, Bacharach and Dyer, 1989; Powell, 1992; Hooley and Greenley, 2005).Thus, in the questionnaire, respondents were asked to report how their company had performed in their last financial year relative to major competitors, in terms of: profit, sales volume, market share and return on investment. Then an index of competitive performance (high, medium, low) was created from these four variables as follows. Firms which outperformed their competitors on all four counts were classified as "high" performing companies (HPC) while firms which underperformed their competitors on all four counts, or did not know how they had performed became "low" performing companies (LPC). Firms which performed variously across the four indicators were classified as "medium" performing companies (MPC).

Method and Sample

Findings reported here represent only a small portion of the results obtained from a large-scale mail survey of New Zealand companies with more than 20 employees. The 2007 survey (sample size n=789, response rate: 17%) results are an update, a decade on, of a 1997 survey (sample size n=1302, 22% response rate). In view of these relatively low response rates, an "early" versus "late" response analysis was performed on both data sets. No statistically significant differences emerged suggesting that the samples are broadly representative of their populations. Sampling errors for each sample are small (+/- 2% at 95% confidence) and the combined standard error of the proportion for comparing the two samples is 2.2% at 95% confidence. Standard ANOVA was used for comparisons of the results from the two independent data sets (1997 versus 2007) while the analysis of the 2007 data by competitive performance (high, medium, low) was by chi-square testing.

Findings, Discussion, Conclusions

This research was first conducted in 1997 when New Zealand business was emerging from periods of low economic growth complicated by the Asian economic crisis which severely impacted upon many of New Zealand's trading partners. Ten years on (2007), New Zealand firms had enjoyed the longest period of sustained economic growth since the 1960s and compared to 1997 there was, in relative terms, an air of optimism in the economy.

Comparisons 2007 versus 1997 (Table 2's 1st and 2nd columns) show that strategic marketing planning has become more prevalent among New Zealand's firms particularly in terms of more comprehensive situation analyses, more proactive planning, and more reliance on in-house market research. Turning to the hypotheses addressing the 2007 data, we note that H1 is confirmed: HPC are more formal marketing planning orientated (see rows four to seven on Table 2). We should also note that to test the hypothesis (H2) "that higher performing companies place more emphasis upon a comprehensive situation analysis than do their lower performing counterparts", respondents were asked to indicate the degree of importance their firm attached to conducting the following five types of situation analysis: internal (company), competitor, market, customer and wider business environment. The summation (by averaging each variable and calculating an overall index of situation analysis) of these results is observed in Table 2 in the section "Comprehensive situation analysis". Table 2's rows 10-12 confirm H2. Similarly H3 and H4 are confirmed by their relevant results in Table 2.

Table 2. Performance and measures of strategic situation analysis

	1997	**2007**	**High (HPC)**	**Medium (MPC)**	**Low (LPC)**	**Chi-square**	***P* value**
Sample size	(1302)	(789)	(169)	(435)	(185)		
Formal mktg planning	%	%	%	%	%		
Annual & longer	32	32	42	31	26		
Annual mktg plan	24	26	25	27	25		
Annual budgeting	28	27	24	28	29		
Little or none	16	14	9	14	20	15.47	.02
	No sig. diff 1997-2007						
Comprehensive Sit. Analysis	%	%	%	%	%		

High importance	41	57	67	59	46		
Av importance	42	31	27	30	32		
Low importance	17	12	6	11	22	27.17	<.01
	1997-2007 diff, $p<0.01$						
Future planning	%	%	%	%	%		
Forecast/plan to make happen	65	74	83	75	63		
Monitor, adapt	35	26	17	25	37	22.02	<.01
	1997-2007 diff, $p<0.01$						
Use market res in general	%	%	%	%	%		
Use often	47	51	61	51	43		
Seldom/never use	53	49	39	49	57	22.55	<.01
	1997-2007 diff, $p<0.01$						
Use of commissioned-in market research	%	%	%	%	%		
Use often	10	12	21	11	6		
Seldom/never use	90	88	79	89	94	40.36	<.01
	No sig. diff 1997-2007						

Our assumptions about the direction of causality can be questioned. Rather than strategic marketing activities being an antecedent of success as we have assumed, it is conceivable that they might be a consequence of it. Yet we think not. The evidence presented here shows not only a gradual improvement in the use of strategic situation analyses within the strategic marketing planning activities of New Zealand business but that the basic marketing practices advocated in mainstream academic and prescriptive literature are undeniably associated with higher performing New Zealand companies. That said there are still many companies that have, as yet, not embraced strategic marketing planning as resolutely as they might.

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