Key Drivers of Successful Marketing Strategy in Times of Recession Versus Growth

Roger Brooksbank, University of Waikato, rogerb@waikato.ac.nz
Ron Garland, University of Waikato, rgarland@waikato.ac.nz

Abstract

This article investigates the key drivers of successful marketing strategy against the backcloth of two very different sets of economic conditions. The research inquiry is based on two point-in-time surveys, one in 1997 and one in 2007 with similar though not identical samples of 815 and 534 New Zealand goods marketing companies respectively. Results suggest that although different economic conditions necessitate different priorities for successful marketing strategy, some practices are truly enduring.

Keywords: marketing strategy, successful marketing, economic conditions

Key Drivers of Successful Marketing Strategy in Times of Recession Versus Growth

Introduction and Literature

Over many years, a plethora of marketing 'success' studies have aided our understanding of marketing's contribution to firm performance as a strategic discipline (see for example, Hooley, West and Lynch, 1985; Doyle, Saunders and Wong, 1985; Brooksbank, Kirby and Wright, 1992; Brooksbank and Taylor, 2002; Siu, Fang and Lin, 2004; Huan, Brooksbank, Taylor and Babis, 2008). While these studies examine different types and sizes of firms operating in different markets/countries at different points in time, and in different ways, they have the same basic aim: "to profile the marketing practices of successful firms, and compare them against those of less successful firms in order to offer insights to researchers and managers into ways of improving firm performance" (Gray, Matear, Deans and Garrett, 2007, p.72). Although this body of work has examined all aspects of the strategic marketing process, such as conducting a situation analysis and objective-setting, a number of strategy-specific practices have emerged as being most commonly associated with higher performing firms. Notably, two of the authors' own studies, conducted among a wide cross-section of New Zealand companies in 1997, and then again in 2007, have similarly served to validate these five practices as being fundamental to the achievement of competitive success (see Brooksbank and Taylor, 2002; Brooksbank, Garland and Taylor, 2008). In no particular order these practices (P) are:

- P1: *Higher Performing Firms (HPF) have a strategic focus based on raising volume, rather than securing productivity improvements* (Doyle, Saunders and Wong, 1985; Hooley and Beracs, 1997; Brooksbank, Kirby and Wright, 1992 and Brooksbank and Taylor, 2002).
- P2: *HPF target selected market segment(s) rather than going for the whole market* (Doyle and Stern 2006; Jackson, 2007).
- P3: *HPF avoid head-on competition as far as possible in their competitive approach* (Jackson, 2007; Brooksbank and Taylor, 2007).
- P4: *HPF compete on the basis of value-to-the-customer, rather than price alone* (Hooley and Jobber, 1986; Lai *et al.,* 1992; Hooley and Beracs, 1997; Siu, 2000; Siu and Liu, 2005; Hooley, Piercy and Nicoulaud, 2008).
- P5: *HPF innovate more frequently* (Hooley and Lynch, 1985; Brooksbank and Taylor, 2002; Siu, Fang and Lin, 2004; Matear, Garrett and Gray, 2004 and Huan *et al.,* 2008).

The global financial crisis of early 2008 has understandably given rise to a surge of academic research aimed at providing firms with the knowledge and tools necessary to navigate their way amidst the most difficult of world-wide trading conditions for almost half a century. Thus, set in this context, the overall purpose of this paper is to do likewise by conducting a re-examination of the data generated in our 1997 and 2007 studies. This is made possible since, with the benefit of hindsight, it seems that the timing of these enquiries was somewhat fortuitous. In late 1997 (the period in which we conducted our first survey), New Zealand goods marketing firms had just endured a decade of low or no growth, culminating with the "Asian flu" of the mid-1990s. However, by late 2007 (the period of our repeat survey), they had experienced a decade of the most sustained economic growth since the 1960s. Consequently, the objective of this paper is to identify which of the five specific practices listed above (P1 – P5) were the strongest predictors (the so-called key drivers) of higher firm performance during the unfavourable, recessionary economic conditions that provided the backcloth to our 1997 study, compared with a decade later under the much more favourable economic conditions of 2007.

New Zealand goods marketing firms can be viewed as an important research focus for a number of reasons. Firstly, goods marketing, and the manufacturing sector in particular, plays a significant role in the national economy. Secondly, the topic of strategic marketing and the extent to which it is practiced in the goods sector has received relatively little attention by marketing academics in New Zealand. Thirdly, it seems strategic marketing has become 'topical' in New Zealand marketing circles. Recent research has revealed that among New Zealand marketing practitioners – working at all levels and in all types and sizes of firms – strategic marketing is perceived as the #1 most essential area of marketing knowledge to possess (Gray, Ottesen, Bell, Chapman and Whiten, 2007).

Methodology

The findings reported in this paper are based on two large scale mail surveys that span a ten year period between 1997 and 2007. The earlier survey, with a response rate of 22% yielded a sub-sample of n = 815 self-reported goods marketing companies with 20 or more employees. The latter survey, exactly a decade later, used a virtually identical questionnaire, mailed to a list of 5808 New Zealand businesses, again with 20 or more employees, and drawn from the same commercial database as had been employed ten years previously. Also, as previously, the target recipient was the Managing Director and this person was addressed by name. Of the questionnaires dispatched in late 2007, a total of 337 were returned by NZ Post as undeliverable, and 800 fully completed questionnaires were received (14.6% response rate) from which a subset of 534 self reported goods marketing firms was subsequently identified. In view of the non-response bias at both time-points, 'early' versus 'late' analyses were conducted, each revealing no statistically significant differences. Nonetheless, it should be noted the true extent to which each study sample is representative of the larger population of New Zealand companies remains unknown. Our emphasis upon goods and product marketing firms, and the omission of services dominated companies, is deliberate (i.e. any firm reporting service dominance in its market offering was removed from our two samples) because through the same ten year period (1997 – 2007), Gray and Matear and their co-authors (see for example, Gray *et al*., 1998; Gray *et al*., 2007; Matear *et al.,* 2002, 2004) were active in conducting academic research, with similar objectives, into the marketing activities of the New Zealand services sector.

In order to investigate the key drivers of successful marketing strategy for each of our study samples we, like other authors in marketing 'success' research, use multivariate analysis (ordinary least-squares regression). The dependent variable of performance was an index of four self-reported measures of performance (profit, sales volume, market share and return on investment), using methods similar to those of Law, Wong and Mobley (1998). In the questionnaire, respondents were asked to report how their company had performed (in their last financial year) relative to its major competitors on each measure of performance, thereby allowing the following classification:

- Higher performance firms performed "better" than their competitors on at least three of the four indicators and no worse than "the same" on the fourth (23% of the sample in 1997 and 28% of the sample in 2007).
- Medium performance firms performed variously across the four indicators (40% of the sample in 1997 and 35% of the sample in 2007).
- Lower performance firms either performed "worse" than their competitors on all four indicators or did not know how they had performed (37% of the sample in 1997 and 37% of the sample in 2007).
-

Although self reported measures of relative performance 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 (Dess and Robinson, 1984; Bamberger, Bacharach and Dyer, 1989; Powell, 1992; Matear *et al.,* 2004). Nevertheless, limitations include the unknown extent to which the sample is truly representative of the population under scrutiny and differences in the respondents' interpretation of certain questions in the questionnaire.

Comparisons of the internal composition of both samples showed that between 1997 and 2007, there has been a statistically significant shift upwards (at the 5% level) in self reported competitive performance. In addition, the median turnover for New Zealand goods marketing businesses was $15 million in 2007 compared with $11 million in 1997, and firms employing 50 or more staff increased by 4%. At both time-points, ownership characteristics remained constant at three-quarters New Zealand owned, three-quarters of companies describe themselves as autonomous (fully independent) and levels of product diversification also remained virtually the same. Firms' main markets changed somewhat in 2007 with 9% more claiming they operated in established, growing markets than mature, stable markets, perhaps reflecting the economic sentiments (sustained growth) of the 1997 - 2007 decade.

Findings

Table 1 shows three distinct strategic marketing practices have been found to be common to the activities of the higher performing firms in both 1997 and 2007: targeting selected markets; competing on the basis of value-to-the-customer, and the development of new ways of doing business. Hence each of these practices has proved to be durable over time. To the extent that they are already well-established as "core" practices that are fundamental to marketing success (as shown in both the empirical and theoretical strategic marketing literature), perhaps this finding might have been expected and somewhat unremarkable. Yet, what is noteworthy is that the durability of these practices has been shown to hold across the full spectrum of trading conditions (i.e. from the harshness of the mid-1990's recession to the buoyancy of the mid-2000s). In other words, this study has shown that these three practices are indeed "evergreen" marketing success factors! Nonetheless, (with respect to the other dimensions of strategic decision-making), the prevailing economic circumstances necessitated contrasting priorities. For example, whereas for the higher performers in 1997, seeking to avoid head-on competition through a process of gradually re-positioning their offerings within existing markets would appear to be a logical, low-risk approach during a recession, almost polar opposite approaches typified higher performers in 2007. Perhaps understandably, following a period of sustained growth, and during a period when there was an abundance of investment funds and high levels of business confidence, successful firms were focused on increasing sales volume through radical re-positioning in their existing markets (major shifts to new and more viable positions), and through innovative re-positioning (creating completely new positions) through developing new products. This interpretation is borne out by our two samples' descriptive characteristics whereby 9% more firms in 2007 than in 1997 listed their main market as "established or growing".

Table 1. Marketing strategy: key drivers of performance

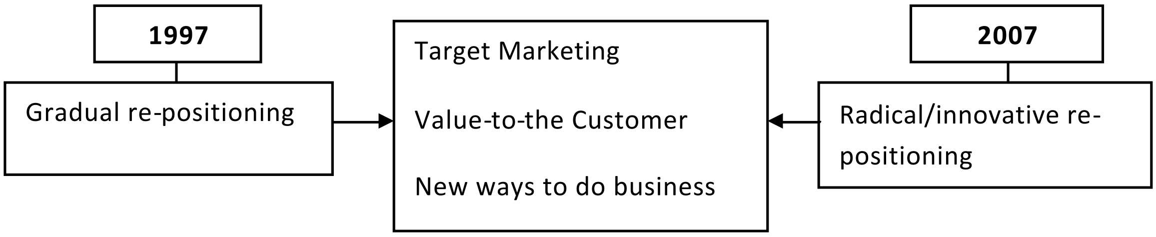
Marketing Strategy Variables	1997 Performance		2007 Performance	
	Std Beta	Signif	Std Beta	Signif
P1: Expanding demand versus reducing costs	-.02	.66	**.09**	**.04**
P2: Whole market versus segmented approach	**-.10**	**.01**	**-.08**	**.07**
P3: Avoidance of competition	**-.07**	**.04**	-.03	.46
P4: Offering superior value	**.08**	**.03**	**.08**	**.05**
P5: Approach to developing new products/services	.06	.08	**.10**	**.03**
P5: Approach to developing new modes of business	**.08**	**.03**	**.11**	**.02**
1997 Adjusted R^2 = .03; df = 6, F = 5.41; 2007 Adjusted R^2 = .05, df = 6, F =5.66				

Conclusions and Managerial Implications

As with many empirical studies in the 'marketing success' domain that employ surveys, the contribution that strategic marketing practices are found to make to competitive success are handicapped by the relatively low levels of explanation provided by multivariate methods of analysis. Our study is no exception but we can offer the explanation that strategic marketing practice on its own, whilst important, can never fully predict competitive success. Nevertheless, the use of regression analysis in this study has led to some interesting, if tentative, conclusions about the similarities and differences between the priorities for successful marketing strategy in favourable economic times versus less favourable recessionary conditions.

The diagram shown in Figure 1 summarises the essence of our findings. It shows that the truly enduring practices are: targeting selected markets as opposed to treating the market as a whole; competing on the basis of value-to-the-customer rather than just price, and; being innovative with regard to finding new ways to do business. Interestingly, although these three practices have long been established as "evergreen" principles of successful strategy (in both the empirical and prescriptive marketing literature), our study has served to further validate their durability by demonstrating that they apply equally in both the "good times" (favourable economic conditions in 2007) as well as in the "bad times" (unfavourable/recessionary economic conditions in 1997). Probably, the differences between 1997 and 2007 can be largely explained by the general state of the economy at each point in time. As also shown in Figure 1, there can be little doubt that in the context of an economic recession, adopting a gradual re-positioning strategy that reflects an essentially risk- averse "defensive" strategic approach enabled the higher performers to at least survive, if not prosper, in 1997. Conversely, in the context of the highly favourable economic conditions that provided the backcloth to our 2007 survey, there can be equally little doubt that adopting a radical/innovative re-positioning strategy that reflects a proactive, volume-led "offensive" stance served its purpose in enabling the higher performers to grow and prosper.

Figure 1. Priorities for Successful Marketing Strategy 1997 versus 2007



The managerial implications of this study's findings are self evident. Our findings surely provide some basic lessons for marketing strategists; lessons that are arguably applicable not only to New Zealand businesses but also to firms further afield that operate within a similarly modern, free market economy. Companies that are currently suffering in the wake of 2008's global financial crisis would do well to ensure that they observe the "evergreen" practices of focusing and concentrating on one or more well-chosen target market(s), competing on the basis of value-to-the-customer, and innovating new ways of doing business. At the same time however, it is important for them to be risk-averse in overall approach, seeking to avoid head-on competition through a process of gradually repositioning their offerings within their existing markets.

References

Bamberger, P., Bacharach, Dyer, L. 1989. Human Resource Management and Organizational Effectiveness: High Technological Entrepreneurial Startup Firms in Israel, Human Resource Management 28 (3), 349-436.

Brooksbank, R., Kirby, D.A., Wright, G. 1992. Marketing and Company Performance: An Examination of Medium Sized Manufacturing Firms in Britain. Small Business Economics 4 (3), 221-236.

Brooksbank, R., Taylor, D. 2002. The adoption of strategic marketing and its contribution to the competitive success of New Zealand companies. Marketing Intelligence and Planning 25 (1), 31-44.

Brooksbank, R., Kirby, D., Tompson, G., Taylor, D. 2003. Marketing as a determinantof long-run competitive success in medium-sized U.K. manufacturing firms. Small Business Economics 20, 259 – 272.

Brooksbank, R., Taylor, D. 2007. Strategic marketing in action: a comparison of higher and lower performing manufacturing firms in the UK. Marketing Intelligence & Planning 25, 31-44.

Brooksbank, R., Garland, R., Taylor, D. 2008. Strategic marketing practices: Their contribution to the competitive success of medium-sized manufacturing firms in New Zealand. Small Enterprise Research 16 (2), 8-20.

Day, G. S., Montgomery, D.B. 1999. Charting New Directions for Marketing. Journal of Marketing, 63 (Special Issue), 3-13.

Deng, S., Dart, J. 1994. Measuring Market Orientation: a Multi-Item Approach. Journal of Marketing Management, 10, 725-742.

Dess, G., G., Robinson Jr., R.B. 1984. Measuring Organizational Performance in the Absence of Objective Measures: The Case of Privately Held firms and conglomerate Business Units. Strategic Management Journal, 5, 265-273.

Doyle, P., Saunders, J., Wong, V. 1985. A Comparative Investigation of Japanese Marketing Strategies in the British Market. Report to the Economic and Scientific Research Council, Ref: F20023203, January.

Doyle, P., Stern, P. 2006. Marketing Management and Strategy, (4th ed.) London: Prentice-Hall.

Gray, B.J., Matear, S., Boshoff, C., Matheson, P. 1998. Developing a better measure of market orientation. European Journal of Marketing, 32 (9), 884-903.

Gray, B.J., Matear, S., Deans, K.R., Garrett, T. 2007. Assessing sources of competitive advantage in a service-dominant world. Australasian Marketing Journal 15 (1), 69-75.

Gray, B.J., Ottesen, G.G., Bell, J., Chapman, C., Whiten, J. 2007. What are the essential capabilities of marketers? A comparative study of managers', academics' and students' perceptions. Marketing Intelligence and Planning 25 (3), 271-295.

Hooley, G.J., Lynch, J.E. 1985. Marketing lessons from the UK's high-flying companies. Journal of Marketing Management 1, 65-74.

Hooley, G.J., West, C.J., Lynch, J.E. 1985. Marketing in the UK: A survey of Current Practice and Performance, Institute of Marketing, Berks: Cookham.

Hooley, G.J., Jobber, D. 1986. Five common factors in top performing industrial firms. Industrial Marketing Management 15, 89-96.

Hooley, G., Beracs, J. 1997. Marketing strategies for the 21st century: lessons from the top Hungarian companies, Journal of Strategic Marketing 5, 143– 165.

Hooley,G.J., Piercy, N.F., Nicoulaud, B. 2008. Marketing Strategy and Competitive Positioning (4th edition), London: Prentice-Hall.

Huan, G., Brooksbank, R., Taylor, D., Babis, P. 2008. Strategic marketing in Chinese manufacturing companies, Asia Pacific Journal of Marketing and Logistics 20 (3), 276-288.

Jackson, S. 2007. Market share is not enough: why strategic marketing positioning works. Journal of Business Strategy 20, 18-25.

Jaworski, B.J., Kohli, A.K. 1993. Market orientation: antecedents and consequences. Journal of Marketing, 57 (July), 53-70.

Lai, W. B., Huang, J. Y., Hooley, G.J., Lynch, J., Yau, O. 1992. Effective Marketing in Taiwan. Profiles of the Top Performers, European Journal of Marketing 26 (3), 5-17.

Law, K.S., Wong, C-S., Mobley, W.H. 1998. Toward a taxonomy of multidimensional constructs. Academy of Management Review 23 (4), 741-755.

Matear, S.M., Osbome, P., Garrett, T., Gray, B.J. 2002. How does market orientation contribute to service firm performance? European Journal of Marketing 36 (9/10), 1058-1075.

Matear, S.M., Garrett, T., Gray, B.J. 2004. Market orientation, brand investment, new service development, market position, and performance for service organisation. International Journal of Service Industry Management 15 (3), 284-301.

Narver, J.C., Slater, S.F. 1990. The effect of a market orientation on business profitability. Journal of Marketing 54 (4), 20-35.

Peters, T.J., Waterman, R.H. 1982. In search of excellence. New York: Harper & Row.

Powell, T. C. 1992. Organizational Alignment as Competitive Advantage. Strategic Management Journal 13, 119-134.

Shaw, V. 1995. Successful marketing strategies: a study of British and German companies in the machine tool industry. Industrial Marketing Management 24 (4), 329-339.

Siu, W.S. 2000. Marketing and Company Performance of Chinese Small Firms in Hong Kong. Marketing Intelligence & Planning 18, 292-30.

Siu, W.S., Fang, W., Lin, T. 2004. Strategic marketing practices and the performance of Chinese small and medium-sized enterprises (SMEs) in Taiwan. Entrepreneurship & Regional Development 16 (2), 161–178.

Siu, W.S., Liu, Z. 2005. Marketing in Chinese small and medium enterprises (SMEs): the state of the art in a Chinese socialist economy. Small Business Economics 25, 333-346.