Strategic Marketing and Competitive Performance: An Empirical in Ogun State, Nigeria

Abiodun Eniola Alao**, Sydney Akinsunmi*, Aliu Ajani Odunmbaku** and Adebola Lawrence Adeeko**

Review of scholarly articles showed a gap in knowledge between strategic marketing practice and performance of small and medium enterprises in Nigeria. The paper focuses on testing the relationship between strategic marketing practice and MSMEs performance in Ogun state, Nigeria. The evidence collected from 234 samples of MSMEs operators and owners showed a strong relationship between strategic marketing and competitive performance of MSMEs, measurable in terms of sales, market share, profit and growth. This implies the need for MSMEs in Nigeria to improve on their strategic marketing content towards ensuring higher competitive performance.

Keywords: Strategic Marketing, Marketing, Strategic orientation, MSMEs, competition, Competitive Environment, Competitive Performance

1. Introduction

 Businesses at all levels are growing in leaps and bounds, expanding their competitive landscape within Nigeria economy and presenting more difficult environment for firms to operate successfully. Profit maximization goal becomes more of a difficult task for business to achieve within such a growing competitive environment. Profit maximization has been identified as a broad goal upon which general performance of any business can be assessed and measured (Alao and Odunmbaku, 2012). The authors buttressed that measure of performance level in a business is usually expressed in terms of profit maximization, which is contingent upon the attainment of other specific goals including customer satisfaction, high sales volume and market share increase. Strategic marketing offers a competitive value for every firm operating in a complex marketing environment towards ensuring that set objectives such as increase in customer satisfaction, market share, sales volume and profitability are achieved (Alao and Odunmbaku, 2012).

It has been identified that MSMEs in Nigeria are strongly challenged with their limited capability to addressing low level of performance in the growing competitive market environment over the years in spite of large financing of the sector by government (Safiriyu and Njogo, 2012). One major factor mitigating against every MSME operation is the propensity to achieving improved competitive performance. The problem of low rate of survival in the sector has equally been attributed to poor strategic marketing capability (Ayanda and Labara, 2011),

*Sydney Akinsunmi, (Ph.D),Department of Business Administration and Marketing, Babcock University, Ilishan Remo, Ogun State. Nigeria. E-mail: sydney4u2k2@gmail.com, Phone: +2348033437123
**Abiodun Eniola Alao, Aliu Ajani Odunmbaku & Adeola Lawrence Adeeko, Department of Marketing, Moshood Abiola Polytechnic, P.M.B 2210, Abeokuta, Ogun State. Nigeria. E-mail: abbeyalao@yahoo.co.uk, Phone: +2348034716838
Alao, Akinsunmi, Odunmbaku & Adeeko

that could position them to perform well amidst competition. MSMEs operating in the Nigeria’s competitive environment are currently faced with the prevailing competitive nuances characterized by global competitive pressure, having some resultant effects on their growth and performance (Business Day, July, 2014).

MSMEs as a critical sector of every economy, is naturally faced with limited resource capability, lesser market experience, and competitive strength, therefore their relative performance level has not reached the expected contributory economic measure in the developing countries (Siu and Bao, 2008). In Nigeria, poor performance-based issues in terms of low sales level, production inefficiency, poor quality of products and services, low level of profitability and poor growth are hallmarks in MSMEs operations (Osuagwu, 2004). Given the performance indicators, the complex nature of the contemporary competitive landscape within which MSMEs operate need to be understudied vi-a-vis strategic marketing practice and their expected performance level. However, previous work has not succinctly established whether there is a significant relationship between strategic marketing and competitive performance of MSMEs in the competitive landscape of Nigeria (Ayanda and Labara, 2011).

The study intends to examine the extent of relationship between strategic marketing and competitive performance of MSMEs operating in Nigeria, and answer The study is expected to expand on the key relationships of some intervening variables not covered by previous authors, which constitutes a gap in knowledge.

The rest part of the paper is organized to include conceptual and theoretical issues relating to strategic marketing, competitive environment, strategic orientation, marketing process and competitive performance discussed in a synchronized form under the literature review. Methodology aspect of the paper describes the procedure for sampling design and questionnaire administration. The clear goal is to contribute to the body of knowledge. However, the field data will be statistically tested using SPSS 17 to examine the extent of relationship in the variables put in operation. The empirical investigation is expected to lead to outcome that should be significant to the operations of MSMEs in Nigeria.

2. Literature Review

Firms around the world operate in constantly changing competitive environment that posits great challenge to run business smoothly. Thus, firms have to become more strategic in functions and decisions to position for better competitive performance (Wanda and Khanna, 2011). Without being an exception, MSMEs should learn to develop strategic thinking capability to support in dealing with realities of the changing but complex operating environment. Strategic thinking, from the perspective of strategic marketing, involves how firms behave in ensuring constant interaction with their competitive marketing environment in order to guarantee creation, communication and delivery of value for consistent exchanges and attainment of specific set goals and objectives (Varadarajan, 2010). Strategic marketing has been an equally important strategic base for business to achieve specific level of performance within the competitive market situation (Varadarajan, 2010). The critical issue about the concept of strategic marketing hinges on the design and application of appropriate marketing strategy, ranging from marketing mix to market differentiation focus and innovation, market segmentation, market targeting and positioning among others to achieve firm’s superior performance (Yan and Chew, 2011). It should be emphasized that review of various research studies spanning over a decade have developed a perspective of strategic marketing as a field of study relating to design and adoption of appropriate strategic content that ensures effective and efficient marketing of products and services and firms’ performance in the competitive environment.
environment (Carton and Hofler, 2006; Friend and Hickling, 2005; Davies and Walters, 2004). Some of the studies failed to expand their views on the scope of strategic marketing practice and its relevance to different sectors of the developing economy such as Nigeria. In a more assuming context, Hunsaker (2001) explains strategic marketing as a range of strategic options available for firms to adopt appropriate, to determine firms marketing behavior towards creating, communicating and delivering value to the market place, and gaining competitive advantage through superior performance. The view provides the basis for applied dimension of strategic marketing with emphasis on firm’s use of marketing strategy to achieving competitive performance. Therefore, it is pertinent to establish how strategic marketing and marketing strategy relate as one, create a platform for strategic options and adoption to fight competition and achieve higher performance in business.

According to Kotler (2013), strategic marketing involves activities of marketing embedded into marketing strategic plan, whereby organizations become market or customer oriented, towards marketing philosophy; through the process of analyzing market-based information and developing marketing strategic plan. Strategic marketing focuses on broad strategic decisions relating to analyzing market-related information, executing marketing philosophy and adopting most appropriate marketing strategy decisions (Mahmoud, 2011), towards creating competitive advantage. Marketing strategy addresses the selection of target market and development of appropriate marketing mix to perform and gain competitive advantage in the selected market (Slater and Olson, 2001). The marketing strategy of a firm usually deals with specific decision areas of the business which include market, product, price, distribution and marketing communications (Alao and Odunmbaku, 2012). All this presents a clear scope of strategic marketing. The model figure 1.1 shows the relationship between strategic marketing, development of marketing strategy and business performance.

**Figure 1: Marketing Strategy Development Model**

![Marketing Strategy Development Model](Source: Researchers' Idea (2016))
The essential role of marketing as a dynamic business function, process and strategy, can be viewed as the basis for MSMEs level of performance in any given business environment. Performance of a firm in a given marketing environment relates to its capability to put its marketing and business resources into best possible use towards attaining specific goals and measures for business performance (Alao and Odunmbaku, 2013). According to Carton and Hofler (2006) performance is a critical factor for measuring the essence of an organizational existence and fortune. It is regarded as the basis upon which firms must pay attention to strategic issues of their growing competitive marketing environment for constant assessment leading to development of strategy and its implementation (Folan and Browne, 2005). Given the model in figure 1.1 performance measures of a firm can be expressed in terms of customer satisfaction, market share, sales volume and profitability. The role of marketing in delivering the expected level of performance for a firm is enshrined in the adoption and application of strategic marketing decision (Varadarajan, 2010).

Stochorst and Van Raaij (2004) posited that the basis for measuring performance will depend on the extent to which strategic marketing is allowed to impact on the critical business decisions. The philosophy of market orientation which centers on long term purpose existence of a firm as a customer-focus is a foundation for strategic orientation. The degree to which a firm becomes strategic will position it towards overcoming competitive challenges in the changing marketing environment. It will also ensure improved performance through the attainment of goals of differential advantage, customer satisfaction and higher market share (Li and Zhon, 2010). Marketing explanation of firm’s performance will usually place emphasis on related measures of sales, market share, profit, competitive advantage and growth, all of which is contingent upon the adoption of marketing philosophy, a brain child of strategic marketing (Mahmoud, 2011).

Previous researches among others (Akdag and Zineldin, 2011; Matin-Consuegra and Esteban, 2007; Baker and Sinkula, 2005;) have established that there is a positive relationship between strategic marketing and firm’s performance expressed in terms of market-based measures. On the other hand, quite a numbers of authors have questioned the true relationship between the two constructs, judging their views on possible cost implication of marketing strategy vis-à-vis firm's performance. In an instance view, Njoya and Niemeser (2011) suggested that the cost of selected strategy should be put into perspective while making strategic decisions, not to jeopardize the expected level of performance of a firm. In another context, Henderson, (2011) in a study found that cost leadership will unlikely lead to best competitive performance. A cursory look at the MSME’s competitive performance in terms of head-to-head with each other and other larger and high volume-based businesses and companies, it may be practically difficult to achieve cost advantage while assessing firms’ effective strategic decisions and best performance. However, MSME’s operating in a competitive environment which demands high level of resource commitment in terms of appropriate strategic marketing decision will have to consider major consequences of their strategy mostly from the standpoint of long-term performance. Porter (1996) viewed the overriding essence of strategy as key marketing decision is to perform specific marketing activities differently and relatively to competitors. From this view point, it is imperative for firms at all levels to critically look into how best to attain and record optimum business performance while charting new and dynamic strategic direction and guideline in a changing competitive environment. Aremu (2004) opined that SMEs in Nigeria have not reached the point of genuine commitment to marketing philosophy and strategic marketing plan that guide their entire operations. From this perspective, it is suggested that MSMEs in Nigeria must support their entire operations in business with good and consistent strategic marketing framework for monitoring and evaluating performance. This is expected to further assist in providing guide for strategic decisions that propel improved performance. It is
critical that the philosophy and orientation of marketing permeates this sector in focus. It should be buttressed that strategic marketing framework is required by firms in the sector to maximize potential market opportunities, win competition and improve upon competitive performances through a changing process of strategy application (Alao and Odunmbaku, 2011). However, MSMEs operating in Nigeria competitive landscape are expected to develop strong marketing prowess which is encourages strategic marketing framework that leads to position them for better for competitive performance and growth. The SMEs would rather learn to adhere to the guiding principle and philosophy of marketing as a strategic area of business practice and not just a simple business function. Every business requires a strategic framework to adopt and adapt to its changing environment to survive the changing trend around competitive marketing (Alao and Odunmbaku, 2011).

Strategic marketing content provides an adequate ground for MSMEs to achieve higher performance specific analysis flows which include customer management analysis, market management analysis, environment analysis and future building by the measure of growth (Nanda and Khana, 2011). Based on defined but specific marketing objectives, MSMEs engage in strategic market analysis, internal analysis, towards identifying strengths, weaknesses, core competencies, resource constraint analysis and development of marketing strategy (Varadarajan, 2010). Another important analysis relates to competitive analysis which leads to the process of developing appropriate marketing strategy. While the given context takes account of possible strategic challenges and issues of MSMEs marketing environment, the significance of strategic marketing process through the development of strategic marketing plan and content would have been emphasized upon (Nanda and Khana, 2011), as the basis for adopting strategy that could offset the inherent resource constraints of the sector (Yan and Chew, 2010).

Review of a related study (Cheah, Kang and Chang, 2007) has shown that the theoretical bases for MSMEs performances basically revolves around marketing theory, strategic choice approach, resource-based view theory and contingency theory. Marketing theory relies on the application of classical models within the domain of marketing management (Chaston and Mangles, 2002). The decision of strategic marketing management represents business view of environmental management which is critical to reducing business risk relating to the fluctuations in the level of economic activities (Zeithaml and Zeithaml, 1984). The environmental management issues include the competitive, economic, market-based, government among others, and they are key predictors to the level of performance of business organizations at all levels (Chen, 2006; Yan and Chew, 2010). Another critical theoretical viewpoint is entrenched in strategic choice approach which focuses on the central role of strategy as a key determinant of firms’ performance (Friend and Hickling, 2005). The perspective of the strategic choice approach hinges on the fact that firms operate in the open market, which presents challenges and opportunities (Yan and Chew, 2010) and the ability to respond adequately to such environmental challenges and opportunities will go a long way determining firms’ level of performance. It should be emphasized that strategic choice approach is a relevant theoretical view to MSMEs performance because the adoption of appropriate strategy in terms of marketing strategy will enable them to minimize business risks and maximize market potentials and opportunities within the best available resources. The adoption of resource-based view is expected to recognize the resource limitations of MSMEs and assist to focus the available resource and capabilities to provide direction for adoption of best and most effective business and marketing strategy. The resource-based view focuses on the firm’s resources and capabilities such as finance, technology, market size, managerial and entrepreneurial skill, tangibles (such as building, plant and equipment) and intangible (such as brand name, copyright and patent) among others (Barney, 1991; Wernerfelt,
Contingency theory has been widely adopted in measuring firm’s performance in the context of operating constraints and environmental uncertainties. The theory claims there is no optimum approach to systemize a firm (Fielder, 1964). This implies contingency theory posits that the optimum approach for firm’s systemic operation, structure and performance is the one best fits a given operating situation or contingency such as strategy, environment, and market among others (Burns and Stalker, 1961; Lorsch, 1967, Woodward, 1965). It should be recognized that every firm has its peculiar set of internal and external constraints as well as environmental nuances which present same degree of uncertainties in optimizing performance. The ability of a firm to adopt contingency approach in managing its own situation will go a long way affecting the level of performance relatively to other competing firms operating within the given uncertainties of its environment. The contingency approach may apply where a firm adopts appropriate marketing strategy as a response to emerging marketing trends that may have negative effect on firm’s competitive performance. The outcome of a research, (Moorthy, Tan, Choo, Wei, Ping and Leong, 2012) has supported the use of contingency theory in the application of marketing strategy. The study posited that firm’s adoption of marketing information as a variable may result from contingency arrangement in determining most appropriate marketing strategy, and will have a direct positive relationship with firms’ performance. This outcome corroborates the position of another study; Mahmoud (2011), where a correlation was found between MSMEs marketing proactivity to the changing operating environment, in terms of adoption of appropriate marketing strategy and competitive performance. This research will integrate the theoretical views as domains adapted from previous studies to establish the expected relationships between independent and dependent variables for further empirical study.

3. The Methodology and Model

Descriptive study was carried out to investigate how strategic marketing could enhance MSMEs competitive performance in the Nigeria competitive landscape. A sample comprising the operators, managers and decision makers was randomly determined from 234 MSMEs operating in the selected sectors of agriculture, manufacture, buying and selling and services among other sectors totaling 2334 within Lagos and Abeokuta business environs (NAMSME, 2012) representing 53% of all SME sectors in the region. A questionnaire was developed having twenty-five (25) question items, designed on six-point response scale of 1 to 6 (where 1 elicits response of strongly disagree and 6 strongly agree). A reliability test was conducted using 20 respondents to carry out a pilot test in order to ensure the questionnaire measures real relationships among the given variables and constructs. Cronbach’s coefficient alpha further confirmed through reliability analysis result of 0.802 (approx. 0.80). Nunnally (1978) recommended a reliability value of .70 to confirm the degree of reliability of the items in the research instrument.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach Alpha</th>
<th>Number of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMEs Competitive Environment</td>
<td>0.735</td>
<td>6</td>
</tr>
<tr>
<td>Strategic Orientation</td>
<td>0.773</td>
<td>3</td>
</tr>
<tr>
<td>Marketing Process</td>
<td>0.728</td>
<td>4</td>
</tr>
<tr>
<td>Strategic Marketing</td>
<td>0.823</td>
<td>7</td>
</tr>
<tr>
<td>SMEs Competitive Performance</td>
<td>0.764</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Field data (2014)

The results in table 1 indicated that all the variables show high degree of reliability relatively to the recommended reliability value of 0.70 (Nunnally, 1978). This equally aligns with Armstrong
and Foley (2003) position that “the closer the Cronbach Alpha result is to 1.00, the more reliable the scale. The rule of thumb further supported by Ferketich (1991) and recommended that corrected item-total correlation should range between .30 and .70 for good scale. Based on these assumptions, it can be confirmed that the items used in the constructs were reliable and consistent. The study model explains the dimensions of the operational variables and their relationship.

Dependent Variable ----------------------------- SMEs Competitive Performance (CPsmes)
Independent Variable ------------------------- Competitive Environment (CE)
Independent Variable ------------------------- Strategic Orientation (SO)
Independent Variable ------------------------- Marketing Process (MP)
Independent Variable ------------------------- Strategic Marketing (SM)

The relationship thus expresses; SMEs competitive performance will depend on the effects of competitive environment, strategic orientation, marketing process and strategic marketing.

\[ CPsmes = f (CE, SO, MP, SM) \]

Thus; \( Y = f(x_1, x_2, x_3, X) \)

Where \( Y \) represents dependent variable (CPsmes) and \( x_1, x_2, x_3, X \), represent the combination of related independent variables.\( (x_1=CE; x_2=SO; x_3=MP; X=SM) \).

Therefore; \( Y = f(x_1, x_2, x_3, X) \)…………………………..eq1

Given the above representations, the regression model and hypothesis can be derived as thus:

\[ Y = f(\alpha_0+ \beta_1x_1+\beta_2x_2 +\beta_3x_3+ \beta X+e_o)…………………………. eq2 \]

H_0: There is no significant relationship between competitive environment, strategic orientation, marketing process, strategic marketing and SMEs competitive performance.
The empirical test is conducted to evaluate the given models and hypothesis.

3.1 Data Collection

A structured questionnaire was administered to collect data relating to SMEs competitive performance and strategic marketing. The data was collected from the selected sample of respondents drawn from representative sector units of SMEs which include manufacture, services, agriculture, and buying and selling.

<table>
<thead>
<tr>
<th>SMEs Sector</th>
<th>No of firms</th>
<th>No of Respondents</th>
<th>Representation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacture-based</td>
<td>13</td>
<td>42</td>
<td>17.95</td>
</tr>
<tr>
<td>Service-based</td>
<td>22</td>
<td>66</td>
<td>28.21</td>
</tr>
<tr>
<td>Agriculture-based</td>
<td>32</td>
<td>49</td>
<td>20.94</td>
</tr>
<tr>
<td>Buying and selling</td>
<td>39</td>
<td>77</td>
<td>32.90</td>
</tr>
<tr>
<td>Total</td>
<td>106</td>
<td>234</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field Data (2014)

Table 2 shows that the buying and selling sector has the highest representation of 32.90%, followed by service-based with 28.21%. While the manufacture has the least of 17.95%, the
agriculture-based sector is 20.94% representation. This is 100% rate of response with relative fair representation of respondents drawn from each sector unit of SMEs. It is a clear evidence of the quality of data collected for analysis.

4. The Findings

Using multiple linear regressions, the result shows the coefficient of $R^2$ as 0.743. This implies that 74.3 percent of variation in dependent variable of $Y' = CP_{smes}$, can be explained by the given independent variables of $x_1 = CE_{smes}; x_2 = SO; x_3 = MP$ and $X = SM$. The finding explains the degree to which selected independent variables can predict the occurrence of the dependent variable. The analysis of variance, ANOVA, further shows F statistics at 47.167, which explains there is a significant functional relationship existing among all the variables, including dependent and independent variables. The P value of all the independent variables is given at $P < 0.05$, meaning all the independent variables have positive relationships with SMEs competitive performance. The outcome of the F statistic showing significant relationship implies that $H_0$ which is the null hypothesis is hereby rejected. This result confirms the position of Stockhorst and Van Raanij (2004) where the study established there is a significant relationship between strategic marketing and competitive performance in the operations of a firm.

<table>
<thead>
<tr>
<th>Model (Independent variables)</th>
<th>Unstandardized coefficient $\beta$</th>
<th>Standardized coefficient $\beta$</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>1.057</td>
<td>0.263</td>
<td>2.612</td>
<td>0.000</td>
</tr>
<tr>
<td>CE</td>
<td>-0.163</td>
<td>-0.178</td>
<td>-2.368</td>
<td>0.000</td>
</tr>
<tr>
<td>SO</td>
<td>0.434</td>
<td>0.556</td>
<td>7.497</td>
<td>0.005</td>
</tr>
<tr>
<td>MP</td>
<td>0.543</td>
<td>0.646</td>
<td>10.738</td>
<td>0.000</td>
</tr>
<tr>
<td>SM</td>
<td>0.706</td>
<td>0.784</td>
<td>14.884</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Source: Field Data (2014)

$R^2 = 0.543; \quad P < 0.05; \quad P < 0.01$

From table (3) above, the unstandardized coefficient regression model is derived as thus; $CP_{smes} = 1.057 - 0.163CE + 0.434SO + 0.543MP + 0.706SM$, showing the varied level of effect of each independent variables against the given dependent variable. Therefore, the derived equation shows that competitive environment has the least coefficient $\beta$ value of -0.163, followed by strategic orientation with 0.434 and marketing process with 0.543. The most coefficient $\beta$ value which is strategic marketing is given as 0.706, and it indicates that the independent variable has the most significant effect on SMEs competitive performance. The study has derived from its analysis that the degree to which a firm becomes strategic will position it towards overcoming possible emerging competitive challenges in a changing marketing environment. A firm is further positioned in achieving improved level of performance measurable through differential advantage, customer satisfaction and increased market share (Li and Zhon, 2010).
Mahmoud (2011) has emphasized that level of competitive performance of SMEs can be measured in terms of sales, market share control, level of profit, competitive advantage and growth. The study has considered these indices as real measures and constructs for assessing expected level of competitive performance of SMEs operating in Nigeria. The results of the study further confirmed the position of Stockhorst and Van Raanij (2004) which emphasized that firm’s performance is dependent upon the extent of strategic marketing input in business decisions. It should be noted that position had been adjusted based on cost implication of adopting strategic marketing process, where Njoya and Niemeser (2011) suggested that cost of selected marketing strategy will have a significant effect on the success of adopted strategic marketing; Therefore, in consideration of the size of MSMEs and their resource constraint nature, it can be derived that inability of firms to meet up with the cost of implementing strategic marketing process may impact negatively of their competitive performance level. Since MSMEs operating in a competitive marketing environment require high level of resource commitment to successfully impact on the implementation of their strategic marketing framework, the critical issue of high cost involvement may have a long-term consequence on their performance against other competitors with higher capacity to achieve cost leadership. However, the result of a study has shown that cost leadership would unlikely lead to best competitive performance (Henderson, 2011). The critical issue raised in this study is whether cost advantage has positive or negative consequences on MSMEs competitive performance level while implementing strategic marketing framework. MSMEs operating in Nigeria will have to assess all issues of result from this study and adopt them as the basis for developing appropriate policy framework and strategic business decisions.

5. Summary and Conclusions

The results of the study provide that MSMEs operating in Nigeria will have to learn to respond adequately to environmental challenges and opportunities through strategic marketing process and achieve higher level of growth. The result is a large improvement on previous studies of related context (Slater and Olson, 2001; Ayanda and Labara, 2011; Njoya and Niemeser, 2011). In the given context, firms operating in SMEs sector especially in developing counties such as Nigeria have to become more strategic in the way and manner businesses are being managed towards achieving competitive performance. Furthermore, given the outcome, MSMEs operating in Nigeria require an overwhelming change in orientation in terms of application of strategic marketing framework in their business operations. The practical change should enable them face and overcome the challenges of their peculiar competitive environment and position them to better tap into market opportunities and enjoy greater competitive advantage and performance. Future research would have to be directed to area of possible relationships in strategy adoption, cost involvement and competitive performance of MSMEs in Nigeria. As earlier stated, future research may need to find the extent to which cost leadership may create high level competitive performance of MSMEs in the context of strategic marketing.

References