

THE PERCEIVED CONTRIBUTION OF THE PRACTISE OF STRATEGIC MARKETING ON THE PERFORMANCE OF SOUTH AFRICAN COMPANIES

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Abstract: Despite criticism that the marketing discipline has a diminished role and influence within academia and business, there is general agreement that strategic marketing practice could contribute to company performance. The focus of this article is on how South African companies implement key strategic marketing concepts in order to establish a pattern of organisational behaviour around strategic marketing practice. The perceived contribution of these practices on company performance is also established. The South African perspective provides new insight into the practice and compliance of marketers within the context of developing countries. Insight of 167 South African marketing executives, obtained by means of a quantitative survey, suggests that although most firms performed strategic marketing activities, they were less confident that they established a competitive advantage or customer insight from doing so. The relative importance of customer insight was demonstrated by the fact that it had a significant correlation with financial performance, whereas segment-based marketing activities did not. Merely 'ticking the boxes' and performing strategic marketing activities for the sake of it is thus not enough to improve financial performance.

Key phrases: Segmentation, targeting, segment-based marketing, market fit, performance

1 INTRODUCTION

The role and relevance of marketing, both as an organisational function and academic discipline, have received considerable attention in public and academic debate and literature (Brown 2005; Katsikeas, Robson & Hulbert 2004; Nath & Mahajan 2008; Reibstein, Day & Wind 2009; Verhoef & Leeflang 2008; Webster, Frederick, Malter & Ganesan 2005). In these discussions, marketing is denounced by academics for its '*manipulative pseudo intimacy*' and disparaged by CEOs for its imprecise and unquantifiable contribution to the bottom line (Brown 2005:28).

In fact, a study conducted by McDonald and Dunbar (2004:9) revealed that marketing, as a function has been increasingly relegated away from the core strategy-making engine of organisations to become a sales support department, in charge of T-shirts and promotions. Research findings presented by Sheth and Sisodia (2005:162) confirm that the marketing discipline has been marginalised and suggest that many strategically important aspects are being absorbed by other functions in the organisation. The general consensus seems to be that marketing has lost its strategic role and that marketers are increasingly engaged with more tactical decisions, particularly advertising and support (Brown 2005; McDonald & Dunbar 2004; Sheth & Sisodia 2005; Verhoef & Leeflang 2008).

Marketing academics are partly to blame for the steadily shrinking marketing domain. In addressing the question of '*Is marketing academia losing its way?*' Reibstein *et al.* (2009:1) expressed their concern that marketing academics have little to say about critical strategic marketing issues. Instead, they argue that marketing academics have left voids in the marketing literature as a result of benign neglect. New insights and perspectives in traditional marketing concepts are now produced by other academic disciplines such as strategy, operations management and psychology, and this situation seems to be mirrored in practice (Reibstein *et al.* 2009:1). Critics furthermore question the relevance and rigour of academic research in marketing (Katsikeas *et al.* 2004:568 Wind 2008:22). These authors suggest that academic research in marketing does not sufficiently support firms confronting today's hostile business conditions.

Although some may declare many of the statements about the diminished role and influence of marketing in today's firms as anecdotal and journalistic, several authors have found empirical support for the weakened position of the marketing department (cf. McDonald & Dunbar 2004; McGover, Court, Quelch & Crawford 2004; Nath & Mahajan 2008; Sheth & Sisodia 2005; Verhoef & Leeflang 2008). These authors conclude that marketing departments should become more accountable and use their knowledge of the market and customers to contribute to new product and service development in order to get marketing back into the boardroom. This concurs with the agenda for action set by Reibstein *et al.* (2009:2) which calls for research that illuminates important, relevant and substantive strategic issues, even if no new methodologies or theories are advanced. This call emphasised earlier calls for more research to be conducted on issues relevant to practising managers within the areas of global marketing strategy, consumer behaviour and marketing strategy (Katsikeas *et al.* 2004:568).

Despite marketing practitioners and academics expressing similar priorities in terms of strategic relevance of marketing, true research collaboration seems to be lacking. Academic literature on strategic marketing, for example, mostly focuses on conceptual and theoretical concepts and models, while practitioners struggle with the practical implementation of these concepts (Dibb & Simkin 2009a; Quinn 2009:256). The

problem, according to Wind (2008:22), might be found in the fact that academics tend to focus on rigour with limited attention to relevance, while practitioners focus on relevance with limited attention to rigour. As such, the prevailing research paradigm in most parts of marketing academia is to begin with a new methodology, dataset, or behavioural hypothesis while less attention is given to strategic marketing issues and their application. The result is a divide between theory and practice. Most research on marketing is moreover conducted in the developed world rather than the developing world where many future opportunities lie (Wind 2008:21).

This article makes a contribution to addressing the theory/practice divide by focusing on how South African companies implement key strategic marketing concepts. The contribution of strategic marketing practise to perceived company performance will also be investigated. Rather than focusing on consumer behaviour, this study sought to establish a pattern of organisational behaviour around strategic marketing practice. The South African perspective expands the traditional developed world perspective and provides new insight into the practice and compliance of marketers within the context of developing countries. In this study we took the view that strategic marketing is the result of segmentation, targeting and segment-based marketing or positioning. The focus of the investigation was furthermore on the adoption and implementation of key strategic management concepts and excluded strategic management processes and outcomes. In addition, this study represents an important contribution to the understanding of the relative impact of the practice of strategic marketing on perceived company performance. In particular, we sought to answer the following research questions:

RQ1: To what extent are strategic marketing concepts adopted in the marketing practice of South African companies?

RQ2: Does strategic marketing improve company performance?

Hence, the purpose of this article is to critically examine the performance contribution of the practice of strategic marketing. This is done by firstly examining the literature from both a conceptual and application perspective. Next, the authors report on the research methodology and then share the insight of 167 South African

marketing executives obtained by means of a quantitative survey. The article conclude with practical implications for marketing managers and a research agenda for marketing scholars.

2 LITERATURE REVIEW

Despite the criticism faced by the marketing discipline, it is difficult to find companies that actually do not want marketing to take the lead in developing sustainable competitive performance in the complex, confusing, paradoxical and rapidly changing markets they face (Leventhal 2005:3). The traditional marketing approach that advocates the marketing mix principles and the quest for market share dominance through mass marketing techniques and a focus on new customer acquisitions is, however, unlikely to be effective (cf. Grönroos 1994; Gupta, Lehmann & Stuart 2003; Keegan 2004; Rust, Lemon & Zeithaml 2004; Venkatesan & Kumar 2004; Verhoef 2003).

Thus, for marketers to regain influence they need to break from the tactical focus in marketing and associate with initiatives that are strategic, cross-functional and bottom-line orientated (Kumar 2004:2). The first point of departure of this study was therefore the realisation and confirmation of what strategic marketing entails from an academic perspective. This was done by considering the content and structure of an ad hoc selection of strategic marketing textbooks used and prescribed by educational institutions. It would be expected that strategic management textbooks would illuminate important, relevant and substantive strategic issues. Next, academic literature was consulted to gain a better understanding of the adoption and implementation of key strategic management concepts.

2.1 Strategic marketing: What is being taught?

In the past strategic marketing concepts were taught, within the wider marketing discipline, in a rather piecemeal fashion and with little attention given to the holistic process of strategic marketing. However, in an attempt to advance the role of marketing, academics have elevated strategic marketing from a chapter in a marketing textbook to a field of study in its own right. It could generally be expected that textbooks prescribed in this field would provide a broad indication of what is widely taught in academic strategic management. Based on the content of

prescribed textbooks (Alsem 2007; Best 2009; Cravens & Piercy 2006; Drummond, Ensor & Ashford 2008; Ferrell & Hartline 2008; McDonald & Dunbar 2004; Kotler & Keller 2008; Venter & Jansen van Rensburg 2009; Walker, Mullins & Larréché 2008; West, Ford & Ibrahim 2010; Wilson & Gilligan 2009), strategic marketing revolves around:

1. *Defining a market*: Market definition includes understanding market dynamics (situation and opportunity analysis) and defining possible customers and markets (customer and industry analysis).
2. *Segmentation, targeting and positioning*: This core strategic marketing function includes the division of a market into several homogeneous submarkets, quantifying and qualifying the needs of the defined customer groups (segments) within defined markets and selecting appropriate target markets (targeting). Positioning entails the development of appropriate value propositions based on product/service offerings and costs to meet needs expressed by the segments (creating a sustainable competitive advantage).
3. *Formulating and implementing marketing strategies*: Most textbooks indicate that strategies should be contained in a marketing plan. This plan constitutes a strategic and tactical section. From a strategic perspective it is recommended that the marketing plan contains specific marketing objectives and strategies for each segment. These objectives and strategies are suggested to be the result of insight into customer needs and market opportunities with due consideration to internal organisational resources and capabilities. From a tactical perspective it is recommended that the marketing plan contains the traditional marketing mix strategies and explain how value propositions would be communicated and delivered internally and externally.
4. *Measuring marketing performance*: The final strategic management phase is based on control and typically measures performance against objectives.

Authors agree that, for the strategic marketing process to be effective, organisations need to apply a marketing orientation and should operate in a customer-driven manner. It is also widely agreed that the essence of strategic marketing is found in the segmentation, targeting, positioning (STP) formula. This formula is considered by

Sarvary and Elberse (2006:1) as a prerequisite for designing a successful marketing strategy. Leading authors expand the formula to include the concept of value and consider marketing as a value creation entity that defines markets and understands value, determines value propositions, delivers value and monitors value (Best 2009; Kotler & Keller 2008; McDonald & Dunbar 2004).

Strategic marketing is thus a process that contains generic as well as company-specific aspects. The focus of this paper is on the generic processes (i.e. defining markets, segmentation and targeting, and segment-based marketing) and not on company-specific processes or content (i.e. the selected markets, positioning, marketing plans). In line with previous calls for research the focus of the investigation is furthermore on the practical aspects of strategic marketing such as the adoption and implementation of key strategic management concepts. In the next section studies that dealt with practical relevance of key strategic management concepts will be considered. The overview includes a discussion of market definition, market segmentation and targeting and highlights the practical importance of these concepts as well as possible gaps in the literature.

2.2 Practical relevance of strategic marketing concepts

Forlani and Parthasarathy (2003:142) found that a proper definition of the market is an important first step of an effective strategy analysis. A clear market definition ensures that the strategy will be deployed in set parameters of engagement. For instance, from the economic perspective a market definition determines the meeting place of buyers and sellers as well as the potential competitors. From the marketing perspective, it addresses the issue of whom to create a relationship with and why partners in the relationship might concur. From the enactment perspective, it identifies what the manager thinks are the most important issues to establish in a relationship (Forlani & Parthasarathy 2003:145). In most markets, however, the breadth of customer requirements is too extreme to allow single organisations to satisfy all customer product and/or service needs all of the time. Companies are more likely to achieve a match between their particular assets and the diversity of needs by concentrating efforts on customer groups with fairly homogeneous requirements (Dibb & Simkin 1997).

Market segmentation is thus necessary to balance diverse customer needs with the capabilities and resources of competing organisations in the marketplace (Lin 2002:260). The organisational benefits of market segmentation are widely accepted (Dibb & Simkin 2009a; McDonald & Dunbar 2004; Quinn 2009) and the concept has arguably received more scholarly attention than any other managerial marketing concept (Quinn 2009:253). To date, much of the research on market segmentation has focused on the development of segmentation bases and models, segmentation research techniques and the identification of statistically sound solutions (e.g. Allenby, Arora & Ginter. 1998; Andrews & Currim 2003; Boone & Roehm 2002; Koehly, Arabia, Bradlow & Hutchinson 2001; Sarabia 1996).

However, according to Dibb and Simkin (2009a:219), practical questions about implementation and the integration of segmentation into marketing strategy have received less attention, even though practitioners are known to struggle with the actual practice of segmentation. Bailey, Baines, Wilson and Clark (2009:228) concur and suggest that an adequate understanding of current segmentation practice is under-informed. Quinn (2009:255) highlights that an evaluation of the ways in which segmentation approaches can be integrated with the needs and priorities of strategic, managerial decision making has remained a requirement in segmentation research. In an attempt to bridge the theory/practice divide in segmentation the Journal of Marketing Management published a special issue in 2009 dealing with segmentation implementation. In response to a call for papers with the aim to improve understanding of segmentation Dibb and Simkin (2009b), Quinn (2009) and Bailey *et al.* (2009) addressed practical segmentation implementation issues.

Although each of these studies contributed to the overall understanding of practical and managerial issues relating to segmentation implementation, the insight was obtained by means of qualitative research within the UK context. These studies could be well complemented by descriptive survey work exploring current practice in the generation and auctioning of segmentation implementation within different contexts. Such insight could add granularity to the issue of segmentation implementation within the holistic study of contemporary strategic marketing practice.

Once the organisation understands the market structure and segments it accordingly, it has to decide which segments it wants to serve and how. Target market selection is thus the next logical step to follow segmentation. This process involves the evaluation of each market segment's attractiveness and selecting one or more segments to target (Sarvary & Elberse 2006:2). The choice of segments to target is based on commercial impetus or some corresponding organisational objective as well as market competitiveness (Tonks 2009:342). McDonald and Dunbar (2004:16) suggest that target market selection should be based on those segments that provide the greatest opportunities for the organisation to achieve its objectives, given the organisation's financial and managerial resources. Successful targeting is thus dependent on a clear strategic direction as well as customer insight within each segment.

Strategically, segmentation and targeting allow organisations to locate and tailor their offerings for one or a number of the identified segments based on market fit. Market fit is the capability configuration of an organisation moderated by the external market dynamics (Taghian & Shaw 2010:398). To obtain market fit, organisations need to have sufficient insight into the needs of customers within specific segments as well as the opportunities presented by the external environmental dynamics (Tonks 2009). Market fit is a sound marketing objective and Taghian and Shaw (2010:395) demonstrate that it associates positively with performance. Marketing objectives and strategies should thus be specific per target market. This requires organisations to have a deep understanding of customer needs within each segment as well as employ information systems that are geared to provide them with required information per segment and formal processes to identify marketing opportunities. Finally, to monitor value, performance should be measured per segment (McDonald & Dunbar 2004; Taghian & Shaw 2010).

2.3 The link between the practice of strategic marketing and performance

Earlier research established that a firm's performance is determined, at least in part, by how effectively and efficiently the firm's marketing strategy is implemented (Olson, Slater & Hult 2005:49). However, according to Olson *et al.* (2005) most studies that consider the influence and impact of strategic marketing activities and the specific behaviours of organisations associated with the adoption and implementation of these activities on performance is done in isolation. This study represents an important

contribution to the understanding of the relative impact of the practice of strategic marketing on firm performance. The review of literature found that both academic prescriptions and practical considerations indicate that strategic marketing is the process of market definition, segmentation and targeting with improved organisational performance as the desired outcome.

Strategic marketing inputs (as opposed to outputs) furthermore require clear objectives and strategies for each chosen segment, and should result in segment-based marketing and measurement. We use these strategic marketing concepts as the foundation for this research. We then build on prior research to explore the dimensionality of the strategic marketing item scales to determine underlying factors that represent the practice of strategic marketing. The relative impact of these factors is measured on the firm's perceived financial performance. This approach provides insight into the specific strategic marketing requirements for improved company performance. This should guide marketing executives as they attempt to construct high performance organisations.

Performance can be measured by means of objective or subjective evaluations of achievements. The distinction between objective and subjective measures lies in whether the measure is based on empirical observation or, alternately, on beliefs, attitudes or perceptions (Wang & Gianakis 1999:538). Strategic management researchers often encounter problems obtaining objective measures of selected aspects of organisational performance that are reliable and valid. These problems emanate from competitive realities, customised measurement metrics and complex organisational structures constituting business units in multi-industry firms (Dess & Robinson 1984; Van der Stede, Chow & Lin 2006). Subjective evaluations of performance were used in preference to objective measures, as the context of the study considered the organisational behaviour of a wide variety of organisations representing various sizes and industries. Company performance was measured from a competitive perspective and expressed in terms of a company's financial performance compared to the rest of the industry over the last three years.

Dess and Robinson (1984:266) suggest that profitability of the industry within which the firm competes is a significant predictor of firm profitability which in turn provides an

indicator of firm performance. After an overview of the methodology employed by the study, the organisational behaviour displayed by South African companies around strategic marketing practice is presented.

3 METHODOLOGY

Since the research was exploratory and of general interest, seeking to establish a pattern of organisational behaviour around the practice of strategic marketing and performance, a positivistic and quantitative approach was used. In order to elicit a higher response rate, structured telephone interviews were conducted with the selected respondents using a survey approach. Data were collected by means of computer-assisted telephone interviewing (CATI) using questionnaires with a predetermined set of questions. Respondents were also given the choice to complete the survey in their own time online. This method reduced costs, increased timeliness and improved data quality (Couper 2005:487). The interviews were conducted by a research company familiar with the sample frame and the average interview lasted between 10 and 15 minutes.

3.1 Population and sample

The population relevant to this study included marketing decision makers employed by medium to large South African-based companies that employed at least 100 staff members. This choice was based on the assumption that larger business organisations have a greater likelihood of targeting multiple segments, having a significant marketing budget, having a formal marketing structure and exhibiting a higher incidence of formal strategic marketing practice. Since there is no widely recognised sampling frame of South African marketing decision makers to draw from, the sampling methodology had to be non-probability sampling.

A combination of sampling techniques was used to select a final sample. Firstly, convenience sampling was used to construct a sampling frame. A database containing 733 eligible respondents was compiled from industry sources. Each respondent represented a unique organisation and was selected on the basis of his/her role in strategic marketing. In all cases only one marketing executive per organisation was targeted. The unit of analysis was individuals that were primarily responsible for strategic marketing functions and were considered to be key decision makers within

the strategic management function regardless of job title. Quota sampling was also used due to budgetary constraints. In total, 167 surveys were completed representing firms operating in three broad industries, namely manufacturing, trade (wholesale and retail) and service.

3.2 Measurement instrument

Data were acquired by means of structured questionnaires. Although the questionnaire comprised various sections covering a variety of marketing issues, the focus of this article is on two sections dealing with company and respondent particulars and strategic marketing practice in the establishment. The latter section used closed rating and category questions to collect opinion, behaviour and attribute data (Saunders, Lewis & Thornhill 2007). In this section respondents had to identify the main basis used by their companies to define markets and segments, indicate their level of agreement with a range of statements dealing with the practice of strategic marketing and rate their company's overall financial performance compared to the industry in which they operate.

Measurement items for strategic marketing practice were adapted from the work of McDonald and Dunbar (2004:xvii) to fit the South African context through pilot testing. During this process the opinions of a group of industry experts (six), senior marketing academics (four) and a qualified statistician were obtained on the representativeness and suitability of the questions from a content and data perspective.

Table 1 contains a summary of key strategic marketing concepts that were investigated and indicates the items used to measure agreement of respondents on a 5-point Likert scale. Two of the strategic marketing concepts namely, market definition and targeting, are considered to be clear outcomes of strategic marketing decisions. As such, one measurement item per concept was appropriate to measure the adoption thereof. More measurement items were used to measure the remaining concepts as these concepts constitute different interpretations and degrees of adoption as established in previous studies (i.e. McDonald & Dunbar 2004).

TABLE 1: Strategic marketing measurement items

Concept	Measurement items
Market definition	We have a clear definition of the market(s) we are serving
Segmentation	We have identified clearly defined market segments We are able to categorise each of our customers according to the segment they fall into We have a deep understanding of the needs of each segment We have formal processes in place to identify marketing opportunities
Targeting	We focus on specific segments that are attractive to us
Segment-based marketing and market fit	We have specific marketing objectives for each of our chosen market segments We have a clear strategy for each of our chosen market segments We know exactly how we perform in our chosen segments compared to our competitors Our information systems are geared to provide us with the information we require for each segment

3.3 Data analysis

After being edited and captured in PASW (SPSS), the data were processed to provide descriptive measures in order to describe the data set according to its shape. Data were summarised for individual variables in the form of frequency tables and, where applicable, graphs. Descriptive statistics were also calculated to describe (and compare) variables numerically (Saunders *et al.* 2007).

Data analysis aimed to empirically validate the numerous variables believed to have an impact on strategic marketing practice and to combine these variables into factors relevant to the research context. Variables were thus subjected to exploratory factor analysis to assess the dimensionality of the strategic marketing item scale and to determine the relevance of categories identified from literature. To confirm the suitability of the variables contained in the correlation matrix to factor analysis and the significance of all correlations, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of sphericity were calculated. Varimax rotation was employed to derive a simple structure, and factors with Eigenvalues less than 1 were screened out (Hair, Black, Babin, Anderson & Tatham 2005:90). To determine the correlation between a scale item and a factor, a factor loading of 0.5 was deemed acceptable, given the guidelines provided by Hair *et al.* (2005:128). Cronbach's alpha

was used as a measure of internal reliability for the identified factors. Factors identified with alpha coefficients that exceeded the suggested lower limit of 0.7 (Hair *et al.* 2005) were retained. Finally, correlation analyses, considering Spearman's rank correlation coefficients, were done to assess the strengths of relationships between the new factors and company performance (dependent factor) and to calculate the level of significance.

4 DISCUSSION AND RESULTS

The results report on the sample profile and organisational behaviour with regard to strategic marketing practice and the relative impact thereof on performance. This section will provide the findings from the survey in order to address the research questions.

4.1 Company and respondent particulars

In total 167 respondents completed the survey. This was in line with the quota sampling guideline of at least 150 respondents, with at least 30 of them representing each of the broad industry classification sectors (manufacturing, trade and service industries). The companies represented in the analysis operated mainly in manufacturing (43.7%), followed by services (36.5%) and trade (19.8%). The average number of full-time employees was 1 483. Approximately 17% of companies employed more than 1 000 full-time employees, and 27.4% of the companies employed between 500 and 1 000 employees. Companies that employed between 250 and 500 staff members constituted 27% of the sample and the remainder (28.5%) of companies employed between 100 and 250 employees.

Management levels of respondents varied and 8.4% of the respondents indicated that they were appointed in a director's position, 49.9% in a senior manager or executive position and 43.7% of the respondents were middle managers. We concluded that the sample was generally representative of marketing decision makers in formal South African business organisations.

4.2 Segmentation bases

As a point of departure, respondents had to indicate whether their companies employed the practice of segmentation. Considering the relative size of companies

included in the analysis it was not surprising that all respondents confirmed that they practised market segmentation. Next, it was deemed important to determine the main bases used by South African companies to define and segment markets. It was not however, the intention of this study to evaluate the appropriateness, efficiency, quality or effectiveness of customer segment bases or schemes. Respondents were, as a result, requested to select one of six well-recognised segmentation criteria adopted by companies as their main basis for market definition and segmentation, i.e. customer demographics, products or services, customer psychographics, customer behaviour, customer needs or other criteria not specified. Figure 1 provides an illustration of responses. Only one respondent indicated that the company he/she represented split customers evenly between sales representatives.

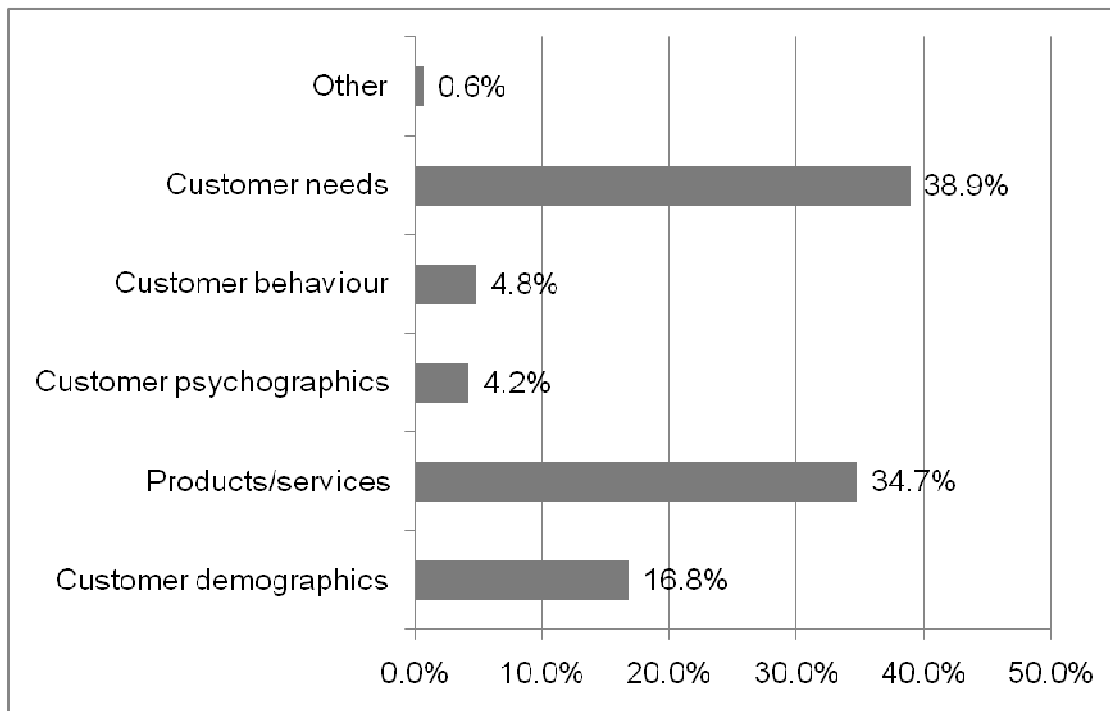


FIGURE 1: Criteria used to define and segment South African markets

Best practices in segmentation literature (Best 2009; McDonald & Dunbar 2004) prescribe a shift towards needs-based segments in line with the required market orientation approach. This is reflected in the results, with customer needs (39%) the most popular basis of segmentation. However, companies tend to make more use of tangible measures of market segmentation, such as customer demographics,

products or services and customer behaviour, with 56% of companies opting for this method of segmentation compared to 43% opting for intangible bases of segmentation, such as customer psychographics and customer needs. This result is perhaps not unexpected, given that segmentation projects using intangible measures such as customer needs tend to be relatively complex, expensive and time-consuming. Results therefore suggest that there may be substantial differences in the ways companies implement and practise strategic marketing.

This was further examined by comparing the extent to which different industries use different segmentation bases (see Figure 2). It was interesting to note that the wholesale and retail trade used tangible measures of segmentation (demographics, products and services and behaviour) much more than they used intangible measures (psychographics and needs), while service firms used intangible measures more than they used tangible measures. It would thus seem firms that are location and product driven will tend to make more use of tangible measures of segmentation.

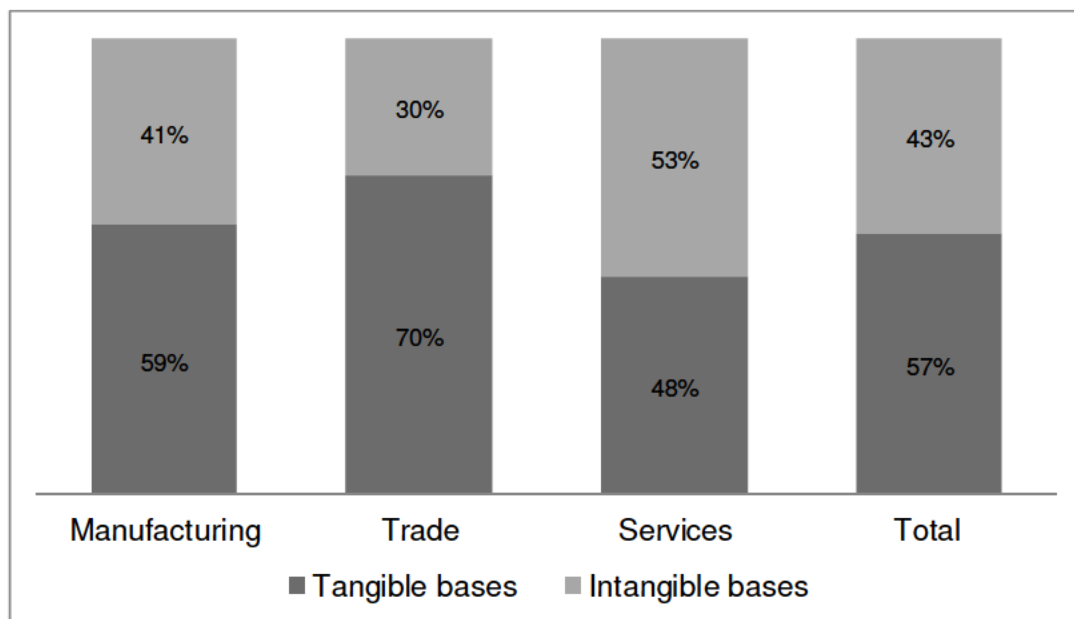


FIGURE 2: Bases of segmentation across different industries

4.3 The adoption of strategic marketing processes

In order to explore to what extent South African companies employ key strategic marketing practices respondents were asked to consider and indicate their level of agreement with statements that related to market definition, segmentation, targeting, determining market fit and market-based segmentation. An overview of the results is provided in Table 2. To do meaningful analysis of responses, data were subjected to top-two box analysis. Results were thus recoded to indicate respondents that agreed (combining responses with a 4 or 5 rating), respondents with neutral feelings (neither agree nor disagree) and respondents that disagreed (combining responses with a 1 or 2 rating).

Table 2: South African companies' compliance with key strategic marketing practice

N = 167	Disagree	Neither	Agree
We have a clear definition of the market(s) we are serving	1.2%	3.6%	95.2%
We have identified clearly defined market segments	1.8%	7.2%	91.0%
We focus on specific segments that are attractive to us	2.4%	6.0%	91.6%
We have specific marketing objectives for each of our chosen market segments	3.6%	7.8%	88.6%
We have a clear strategy for each of our chosen market segments	3.6%	10.2%	86.2%
We have a deep understanding of the needs of each segment	6.0%	15.6%	78.4%
We know exactly how we perform in our chosen segments compared to our competitors	12.0%	15.0%	73.0%
Our information systems are geared to provide us with the information we require for each segment	12.4%	18.6%	68.9%
We have been able to categorise each of our customers according to the segment they fall into	6.6%	9.6%	83.8%
We have formal processes in place to identify marketing opportunities	16.8%	16.2%	67.1%

Results in Table 2 suggest that most respondents agreed that their companies adhered to strategic marketing practice. However, less agreement is observed with statements that relate to practice required to determine market fit and do segment-based marketing (see Table 1). One-way analysis of variance (one-way ANOVA) was used to analyse the variance within and between group representatives of different

industries, company sizes and companies employing different segmentation bases by comparing means (Saunders *et al.* 2007). However, results showed that there were no significant differences for any of the attributes between groups displaying different levels of agreement. It can thus be concluded that South African companies display similar levels of agreement despite their company size, the industry in which they operate or the segmentation criteria they use to define and segment their markets.

Next, exploratory factor analysis was done to define the underlying structure in the data matrix and to reduce and summarise the data (Hair *et al.* 2005). The KMO measure of sampling adequacy of 0.848 and Bartlett's test of sphericity of <0.01 indicated the suitability of the data. All the initial and extracted communalities were also greater than 0.255, in line with factor analysis requirements. Two factors were obtained based on Eigenvalues (> 1) and cumulatively explained 59.1% of the variance. These factors were labelled as segment-based marketing and segment insight. Table 3 presents the underlying structure for the two strategic marketing factors and includes scale variables, factor loadings and the Cronbach's alpha coefficients of the respective factors.

TABLE 3: Rotated component matrix^a

	Factors	
	Segment-based marketing $\alpha = 0.838$	Segment insight $\alpha = 0.778$
We have a clear definition of the market(s) we serve	.769	
We have identified clearly defined market segments	.814	
We focus on specific segments that are attractive to us	.694	
We have specific marketing objectives for each market segment	.757	
We have a clear strategy for each of our chosen market segments	.720	
We have a deep understanding of needs of each segment		.647
We know exactly how we perform in our chosen segments compared to our competitors		.778
Our information systems are geared to provide us with the information we require for segments for each segment		.814

	Factors	
	Segment-based marketing $\alpha = 0.838$	Segment insight $\alpha = 0.778$
We have formal processes in place to identify marketing opportunities		.726
Extraction method: Principal component analysis. Rotation method: varimax with Kaiser normalisation.		
a. Rotation converged in three iterations.		

Factor 1 was labelled ‘segment-based marketing’, as the five variables displaying high loadings all relate to practice associated with segment-based marketing. This factor postulates that strategic marketing is based on the company’s ability to clearly define markets and market segments. Specific segments should then be selected and served with specific objectives and strategies per segments. This factor indicates internal consistency reliability (*Cronbach’s $\alpha = 0.838$*). The second factor was labelled ‘segment insight’, as the four variables displaying high loadings all relate to the overall understanding of the needs and opportunities found in each segment as well as the requirements to obtain such insight, i.e. information systems and performance measures. This factor indicates internal consistency reliability (*Cronbach’s $\alpha = 0.778$*).

These factors are in line with the requirements set by leading authors for successful strategic marketing, namely a clear market orientation (expressed through customer insight) and the STP formula as a prerequisite for successful marketing strategies. When comparing the means for the two factors, it emerged that the segment-based marketing factor (mean = 4.3) was rated significantly higher than the customer insight factor (mean = 3.8). This result suggests that firms generally feel more comfortable that they have segment-based marketing in place than they feel about their real insight into customers in the chosen segments. This is further emphasised if the rating of ‘strongly agree’ on the items associated with each factor is compared (see Figure 3).

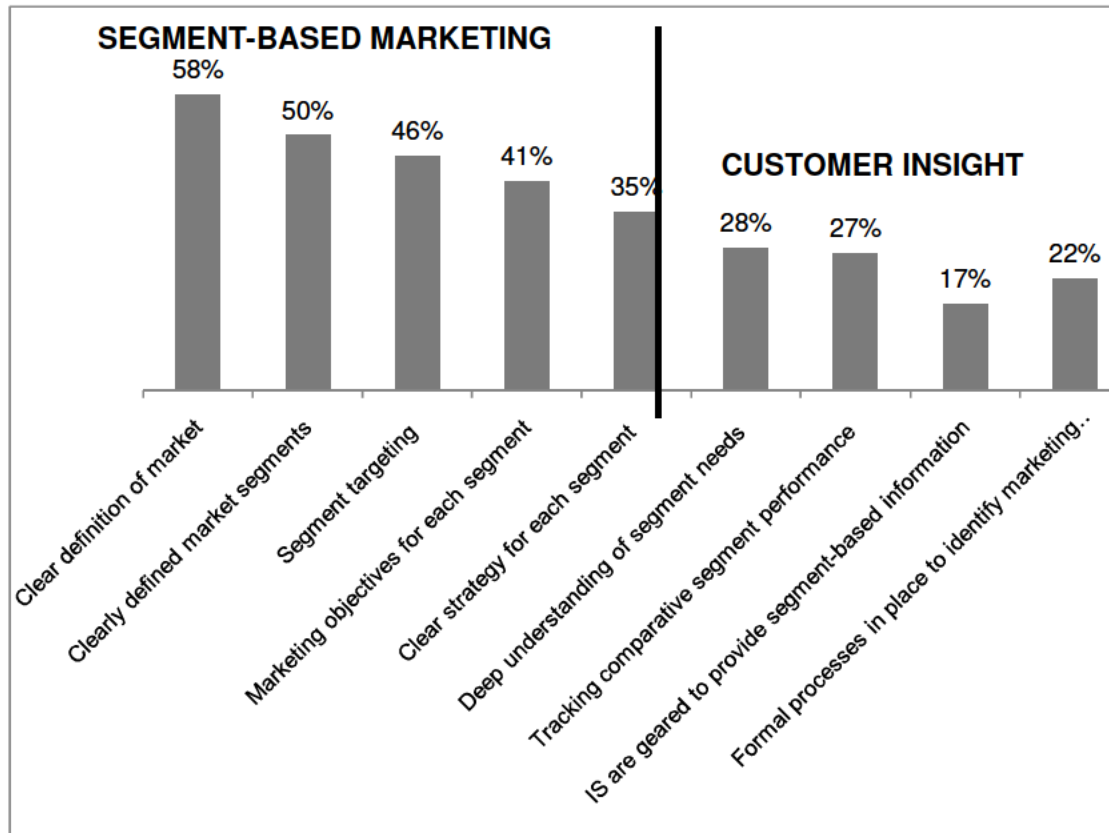


FIGURE 3: Comparison of factor items with a rating of strongly agree

4.4 Strategic marketing and company performance

Company performance was measured from a competitive perspective and expressed in terms of a company's financial performance compared to the rest of the industry over the last three years. In order to assess performance respondents were asked to rate their financial performance against the rest of their industry as either below to average or as above average. The majority of respondents (67.7%) considered company performance as above average and the remaining 32.3% (54 respondents) indicated performance to be below to average. This simplistic measurement item was used as a dependent factor within correlation analysis. Correlation analysis considered Spearman's rank correlation coefficients to assess the strengths of relationships between the new factors and performance (dependent factor) to calculate the level of significance. The result of this analysis is depicted in Table 4 and in Figure 4.

TABLE 4: Correlations

			Financial performance	Customer insight	Segment-based marketing
Spearman's rho	Overall financial performance	Correlation coefficient	1.000		
		Sig. (2-tailed)	.		
		N	167		
	Customer insight	Correlation coefficient	.233**	1.000	
		Sig. (2-tailed)	.002	.	
		N	167	167	
	Segment-based marketing	Correlation coefficient	.097	.486**	1.000
		Sig. (2-tailed)	.215	.000	.
		N	167	167	167
**. Correlation is significant at the 0.01 level (2-tailed).					



FIGURE 4: Role of segment-based marketing and customer insight in financial performance

Results displayed in Table 4 indicate that segment-based marketing does not have a significant correlation with financial results, and customer insight has a significant ($p < 0.005$) but weak positive correlation ($r = 0.233$). There is a significant ($p < 0.005$) moderate positive correlation ($r = 0.486$) between the latter construct and customer insight. These results therefore suggest that the processes of market segmentation, on their own, will not improve financial performance. It is important to use the processes of segmentation to gain better insight into customers, and improved customer insight will lead to better financial performance. This implies that the practice of segmentation is not a differentiator, but that customer insight might be.

5 CONCLUSION

The study set out to examine two research questions. Firstly, we examined the strategic marketing practice adopted by South African firms. As a point of departure we investigated the bases of segmentation used by South African firms, as market segmentation is the starting point of the strategic marketing process and the chosen basis of segmentation will affect all other strategic marketing activities. Our results in this regard suggested that most firms are more or less evenly split on tangible and intangible bases of segmentation, but there are also indications that there are sectoral differences, with service firms favouring intangible measures and manufacturing and trade/hospitality firms favouring tangible measures of segments. This seems to be mostly based in the product and location focus of manufacturing and trade firms, compared to the more intangible nature of services.

Next, we examined other strategic marketing practices adopted by South African firms. Our findings here suggested that, although most firms indicated that they perform strategic marketing activities, they were less confident that they established a competitive advantage or customer insight as a result. The relative importance of customer insight was demonstrated by the fact that it had a significant correlation (albeit relatively weak) with financial performance, whereas segment-based marketing activities did not. Merely 'ticking the boxes' and performing strategic marketing activities for the sake of it is thus not enough to improve financial performance. Examining this link between financial performance and strategic marketing activities was the third objective of our study.

For marketing practitioners the findings suggest that the method of segmentation seems to be less important than how segmentation is used to develop customer insight. This requires a particular effort to develop a deep understanding of segment needs, to understand the relative competitive position of the firm in the segment, to align organisational systems with market segments and to encourage organisational activities, such as interdepartmental knowledge exchanges, that promote customer insight.

For academics the study suggests that there is a need for a deeper understanding of actual marketing practice. While many organisations have indicated that they

perform strategic marketing activities, our experience in practice suggests that these activities are performed with varying levels of quality. It would thus contribute to a deeper understanding of the role of strategic marketing in organisations if these could be studied in depth in the organisations where they occur to evaluate the appropriateness, efficiency, quality and effectiveness of practices.

Whereas this study considered generic strategic management activities further studies that consider company specific outcomes (i.e. the selected markets, positioning and marketing plans) have the potential to increase our understanding of the practise of marketing. Further research is also required to investigate the ways in which segmentation approaches can be integrated with the needs and priorities of company specific strategic decisions. There is also a paucity of research on strategic marketing on the African continent, a gap that should be addressed if we are to develop a better understanding of strategy and management in Africa in general.

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