How does marketing strategy influence firm performance? Implementation of marketing strategy for firm success

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Abstract: Marketing strategy has been a focus of organizations and a tool for attaining overall firm performance. Our study contributes to the existing study of marketing strategy by supporting a relationship between marketing strategy factors and overall firm performance. Deduction from existing literature enabled a construction of a conceptual model that explains overall firm performance. Promotion, pricing, distribution, and product standardization and adaptation have an impact on sales, customer and financial performance of firms. The study suggests that the impact is mediated by marketing strategy implementation success. At the same time the impact of moderating factors of product homogeneity, stage of product life cycle and competitive intensity are present.

Key words: Marketing strategy, marketing mix, Marketing strategy implementation success, firm performance

1. INTRODUCTION

The most influential studies on standardization argue that world markets have been harmonized and the customers from distant parts of the world increasingly demand and prefer similar products through low-cost positioning, low prices and high-quality offerings (Jain 1989; Ohmae 1985). In the perspective of standardization, for the firm pursuing a global marketing strategy, marketing processes and programs have been standardized across different national boarders in regard to the product offering, promotional mix, pricing strategy and distribution structures. However, as for studies that favours the concept of adaptation in pursuing the global marketing strategy toward advancing firm performance calls for the differentiated approach of marketing strategy.

The fundamental tenet of global marketing strategy for the model developed in this study is that the international marketing process and program of the company should be either standardized or adapted to markets depending on the customer requirements. There are two concepts to which marketing strategy components such as product offering, pricing, promotional mix and channels of distribution should be based on to achieve firm performance. The two concepts are standardization and adaptation to which the global marketing strategy is streamlined toward the scope of performance regarding sales, financial and customer. The foundation of the research model of this current study is based on the theory that marketing strategy plays a critical role on firm's performance in the global market that is vastly supported by the study of Zou and Cavusgil (1996). Next, the research model is purposively developed to explore whether marketing strategy should be based on standardization or adaptation to attain firm performance across national boundaries.


2. HYPOTHESIS BUILDING

2.1 Standardization versus Adaptation in Marketing Strategy

2.1.1 Standardization

The total standardization perspective of marketing strategy views market conditions across national borders increasingly similar, preferring the standardization of marketing activities as the significant approach to achieving firm performance. Some studies that support standardization have indicated that the pursuit of standardized marketing activities by itself has a common positive impact on performance (Özsomer and Simonin 2004), dependent on some moderating effects. Levitt (1983) is among the most prominent proponents of standardization, who argues that cultural differences have diminished across countries due to technological advancements and thus make a globally standardized marketing strategy the preferred alternative to capture worldwide economies of scale and consequently attain firm performance. Other proponents of standardization include (e.g., Eger, 1987; Ohmae, 1985; and Yip, 1995), who advance various arguments regarding scale advantage, time to market, and worldwide consistency of company image associated with the standardization perspective.

The majority of prior studies show several ongoing trends suggesting that standardization remains an important, positive antecedent to firm performance. The observation by Levitt (1983) on standardization dated more than 25 years ago shows that markets across the world are converging as consumers become more similar, thus provoking marketing activities to be standardized across national boundaries. Through review of literature on standardization process of converging markets and consumer tastes is found to be driven by the increasing multinationalism, world sports, world tourism, and expanded communication and transportation systems (Belk, 1996). These trends of transformations forms as antecedent for firms to standardize to achieve performance in the marketing processes such as production, pricing, distribution, logistics, advertising, and promotional mix and also in research and development (Porter 1980; Shoham 1999; Yip 1995). Moreover, Neff (1999) posits that standardization is important for firm performance as it decreases the time of product to market by reducing the time needed in case of adaptation to local specifications.

According to (Maljers 1992; Özsomer and Prussia 2000; Özsomer and Simonin 2004) standardization facilitates firms to exploit superior products and distribution channels in multiple markets to have greater performance over overseas markets (Taylor and Okazaki 2006), and to retain a consistent reputation locally and overseas (Okazaki, Taylor, and Doh 2007; Shoham 1999). The pursuit of standardization in firms is owing to the benefits stated above, because the strategy of standardizing marketing programs internationally is a lucrative option that firms can pursue to improve performance (Johansson and Yip 1994; Katsikeas, Samiee, and Theodosiou 2006). As a result of these benefits, the strategy of standardizing international marketing programs is an attractive option for many firms (Johansson and Yip 1994; Katsikeas, Samiee, and Theodosiou 2006). Therefore, standardization is linked to global marketing strategy to improve firm performance. In this regard, the impact of standardization on firm performance is influenced by whether a firm’s marketing strategy is active globally especially in the existence of it in major markets (Yip, 1991) or the presence of the marketing strategy in only a few number of international markets. Theoretical underpinnings have recognized two important opportunities attached to global market participation relying on standardization approach. Firstly, standardization offers the greatest possibilities for exploiting economies of scale and scope on a global market participation (Grant, Jammine, and Thomas 1988; Kim, Hwang, and Burgers 1993), thus maximizing standardization’s potential impact on firm’s sales, customer and financial performance. Secondly, marketing strategy pursued in international markets has an effect on the firm’s level and form of investment in those particular international markets which significantly affect the firm’s capability to employ standardization effectively toward the firm performance (Chandra, Griffith, and Ryans 2002). The larger the number of target markets by a firm, the more easily and efficient standardization approach can be applied to each of the countries becomes in comparison to adaptation approach of marketing strategy. Hence, firms with a high degree of global market participation strategy possess a high probability to succeed in marketing their product offerings when adopting a standardized approach. Firms with the global marketing strategy can leverage their standardization approach to a much greater extent than competitors with few targets in foreign markets. The bulk of empirical research has examined standardization with respect to individual marketing mix elements (e.g., advertising content, brand name, distribution channel, and pricing), with advertising receiving the greatest coverage (Jain, 1989).

H1: There is a positive relationship between marketing program standardization and firm performance

2.1.2 Adaptation

The total adaptation perspective emphasizes persistent differences between various international markets, which requires the customization of the firm’s marketing efforts to meet customer
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2.2 Impacts of Marketing Strategy on Performance

2.2.1 Product

It is of prime advantage for the firm to possess the ability of consistent and planned activities to meet and exceed customer preferences and value that can be regarded as customer performance (Cavusgil and Zou, 1994). This customer performance is achieved by the firm regardless of the approach of marketing pursued meaning either undertaking standardization or adaptation. However, some scholars argue that a firm that pursue product adaptation strategy in a global market significantly leads to sales growth performance (Johnson and Arunthanes, 1995; Leonidou et al., 2002). An empirical study conducted by Cavusgil and Zou, (1994) validated that product adaptation is not only linked to sales growth but financial performance of companies such as profitability and return on investment. Cavusgil and Zou, (1994) further add that product adaptation as a global marketing strategy positively affects the overall business performance. In order for a company to securely adapt to varying international markets, the marketing strategy should take into consideration the internal and external business environment that affects a company positively to revel in greater performance (Bainey, 1991).

The influence of marketing strategy- product focus on various dimensions including actual and augmented product factors on performance in international markets, has quite received attention by numerous researchers (e.g., Kaynak and Kuan, 1993; Cavusgil and Zou, 1994; McGuinness and Little, 1981). The study conducted by Albaum et al., (1997) which employed composite export performance measures, focused on product design marketing mix element found conducive to performance of companies pursuing global marketing in that it can serve product adaptation as a means of differentiation for rival's products and influence overseas customer attitudes (customer performance) toward a firm's product. In overall, the study by Albaum et al., (1997) found product design and style to have a significant positive effect on firm performance. While other studies researched on the relationship between product quality and firm performance in international markets in which the relationship is found to be positively associated (e.g. Terpstra and Sarathy, 1997). The provision of high-quality product to customers has been postulated to augment the value associated with customer performance. Prior studies reveal two observations regarding quality of product in line with the marketing strategy that are important. First, the positive influence of product quality on sales performance was stressed more in studies conducted in Europe. Second, the empirical data indicated a strong association between product quality and customer performance (Terpstra and Sarathy, 1997). The linkage between product quality and customer performance can offset the reservations that foreign customers perceive regarding product marketing strategy performance and minimize their risk perceptions pertaining to the purchase of such goods, thus having an effect on sales and financial performance (Terpstra and Sarathy, 1997). Thus far, the element of product adaptation is particularly important when a firm enters a new overseas market or targets the geographically distant markets.

Leonidou et al. (2002) posit that an opportunity to increase sales performance can be achieved by serving more customer segments and marketing, administrative, and other exporting costs can be spread over a number of products which is known as product adaptation (Beamish and Munro, 1986). However, the export product marketing mix for companies is usually of a narrower range than that offered domestically, because of financial constraints and operational difficulties associated with global marketing activities (Albaum et al., 1997). The meta-analysis results of the study by Leonidou et al. (2002) revealed a significant affirmative relationship between product offering and overall firm performance in export markets. The relation between product adaptation and firm performance in international markets is the most widely researched issue in the extant literature, and most of the prior studies we reviewed examined this relationship. Product adaptation in terms of the degree to which the firm’s actual and augmented product elements are adapted for international markets is able to accommodate differences of new environmental forces, different consumer behavior, use purpose patterns, and competitive situations of such international markets. However, three benefits can be derived from product adaptation strategy. First, it significantly reflects a customer-oriented posture because the firm engaging in global marketing systematically evaluates consumer and buyer behavior.
and host market characteristics that improve the firm’s total performance (Douglas and Wind, 1987). Second, product adaptation strategy can lead to greater financial performance such as profitability, as a quality product-market match can result in greater customer satisfaction thus improving customer performance that is one of the outcome in our research model, which consequently allows for greater pricing freedom for the firm. Third, pressures associated with meeting a great degree of specific market requirements on international level often demand creative and innovative marketing strategy, which may bring about additional products for a firm’s domestic and international markets (Czinkota and Ronkainen, 1998; McGuinness and Little, 1981). Thus, product adaptation was found to be significantly correlated with superior firm performance, especially highly associated with sales performance in the study conducted by (Czinkota and Ronkainen, 1998).

A firm’s product offering and strategy constitute to its lifeline to the marketplace. Therefore, product strategy is the way a firm competes in the market and improve its total performance (e.g., Aaker 1999; Day and Wensley 1988). According to Samiee (1980) product strategy is the single most important component of marketing strategy product and is regarded as a blueprint for marketing resources allocation toward realizing the objectives of the firm, which is sales, financial and customer performance (Rosa and Spanjol 2005; Hughes and Morgan 2007; Yarbrough et al. 2011). To keep consistent performance, firms regularly adjust their marketing strategies to conform to changes in the export markets with the aim of enduring responsiveness to their operating marketplace (Ye et al. 2007). Thus far, product adaptation is a suitable strategy toward market responsiveness as it offers the development of new products that meet the needs of a changing marketplace.

H3: The more active the product adaptation of the firm, the greater is its performance

2.2.2 Pricing
The impact of pricing strategy on export performance has been validated in prior studies. Louter et al., (1991) empirical results confirmed the relationship between pricing strategy and firm performance, showing a strong positive link between pricing strategy and overall export performance. Pricing strategy may vary market to market because of many reasons associated with the PESTEL model such as political, economic, social, technological, environmental and legal forces. Therefore, it is these forces that have effects on pricing component of marketing strategy by control effects on marketing, distribution, and transportation costs; taking into consideration of market structures and demand; also tariffs, taxes, and other financial trade barriers of different countries affect the pricing strategy; the competitors’ pricing practices; and costs and margins of distribution channels all have significant impact on the pricing strategy. Thus far, it is for this reason of diversity of foreign market pricing factors makes price adaptation necessary for firms to survive and remain competitive and ultimately achieve total firm performance in host markets. We can posit that price standardization cannot apply in international marketing strategy unless the firm operates in block regions whereby taxes and tariffs are removed-off of by bilateral agreements. The study conducted by (Christensen, et al., 1987) found six pricing-related decisions for their potential influence on a firm’s export performance, namely pricing method, pricing strategy, sales terms, credit policy, currency strategy, and price adaptation. According to the same study, pricing method was restrained to the marketing pricing strategy, in which the firm exercise its power in setting up the prices in different international markets dependent on market demand and competitive practices. The approach to adopt these practices is in line with price adaptation to ensure responsiveness to changes in overseas market circumstances, competitiveness, and other environmental forces, accumulative the prospect of export performance (Christensen et al., 1987). However, the argument is valid to the extent that pricing strategy success is measured in terms of export proportion of sales and profit level, and customer satisfaction.

H4: Pricing has a strong influence on overall firm performance

2.2.3 Promotion
Many researchers have emphasized the importance of promotional mix to export markets as a valuable tool for achieving performance. Sales, financial and customer performance is achieved through promotional mix by gaining experience in the opportunities and problems arising in specific export markets, boosting communication, personalizing relationships, and cultivating a team spirit with customers abroad, and providing timely response and immediate support to the export venture’s needs (Tooke, 1964; Cunningham and Spigel, 1971; Kaynak and Kothari, 1984). The study by Styles and Ambler, (1994) examined six promotion-related variables, i.e., advertising, sales promotion, personal selling, trade fairs, personal visits, and promotion adaptation, for their effects on export performance. Most of the promotional related variables were found to be positively linked to firm performance. Review of literature shows that the use of trade fairs to promote exports has been examined in several studies (e.g., Bello and Barksdale, 1986; Rosson and Seringhaus, 1995; Seringhaus and Rosson, 1998).
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However, some empirical studies (e.g., Karafakioglu, 1986; Styles and Ambler, 1994) linked trade fairs to export performance. Most of the studies exhibits support on the impact of trade fair participation on export proportion of sales and other measures of export performance. Notably, advertising was the most widely researched variable of promotional mix, based on the notion that sound advertising procedures the firm can communicate information, constantly remind, and persuade foreign customers to buy the products and, therefore, generate more sales. The study results by Cateora and Graham, (1999) verified that advertising positively influence export sales performance and other performance.

**H5: Promotion positively influences sales and other firm performance**

### 2.2.4 Distribution

The distribution channel is an important component of the marketing strategy mix as it serves for the provision and availability of products to various export markets. It is these structures in place that makes sure that products manufactured in one country crosses borders to tap into global markets, in the process sales performance is achieved. The findings of the meta-analysis results done by Louter et al., (1991) indicated that this argument is valid to the extent that distribution strategy positively impacts firm performance in terms of export proportion of sales and profit level. The study adds that the relationship between export channel intermediary type and overall export performance is significantly linked. With the distribution strategy, the adaptation or standardization approach do not have much effect of it on total firm performance, however, is slightly in support of adaptation strategy. Its function is making sure that products are accessible in targeted markets internationally. This study model takes into consideration that the appropriateness of a particular channel of distribution is not stagnant but depends mainly on the conditions of the foreign market, such as economic situation, the structure of distribution, and competitive practices.

Distribution strategy carries a critical role in dealing with delivery time that influence the export performance of the firm. The effectiveness and efficiency in the delivery time of the products exported constitutes a key to total firm performance in overseas markets, as it affects the firm's operations in terms of competitiveness and success in the market (Piercy et al., 1997). The results of the study by Keegan, (1995) exhibited a positive correlation between distribution channel and sales performance. In addition, significant findings on delivery time which is a result of distribution structures put in place by a firm were also observed to be related to sales volume, export proportion of sales, and certain composite performance measures. Many studies are in support of distribution adaptation toward achieving and improving firm performance, which calls for the adjustment of the exporting firm's channel design of distribution in export markets. The occurrence of such adjustments is necessary for response to the variations in business environments, such as economic situation, legislation, and physical conditions. Finally, the differences in distribution structures in terms of the number of intermediaries like types of outlets, and channel functions (Keegan, 1995). Therefore, the necessity for distribution adaptation was represented in the analysis of the results, where a significant positive relationship with performance was found, besides its impact on sales but also financial performance especially export profit level.

**H6: Distribution has a positive impact on sales and financial performance**

### 2.3 Impacts of Marketing Strategy Moderating Factors on Performance

#### 2.3.1 Product homogeneity

Previous studies have stressed the significance of homogeneous product characteristics on sales performance and showed there is an impact on a firm's ability to standardize effectively (Chandra, Griffith, and Ryan 2002). However, the impact of product homogeneity characteristics on the standardization and firm performance relationship is strong, as customers perceive the products as interchangeable (Greenstein 2004; Pelham 1997; Bakos 1997; Robinson, Clarke-Hill, and Clarkson 2002). It is found that high degree of product homogeneity characteristics occurs in an increasing number of diverse industries (Olson and Sharma 2008; Greenstein 2004; Sharma and Sheth 2004). Product homogeneity is considered an important phenomenon of marketing strategy toward sales performance (Heil and Helsen 2001; Unger 1983). We can, therefore, posit that when there are minor product differences in the market whereby some products are offered by competitors and homogeneity is high, in that case standardization is regarded as a stronger performance alternative because useful adaptations may be difficult to be developed by firms. According to Rangan and Bowman (1992), homogeneous products are mainly marketed on the basis of price. Therefore, a standardization strategy may provide crucial cost-saving advantages and thus increase firm performance. We can, therefore, posit that firms that operate in industries with homogeneous products can leverage and benefit to a great extent on their sales performance when relying on standardization approach to export markets. Thus, we hypothesize the following:

**H7: Product homogeneity has a strong moderating effect on sales performance**
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2.3.2 Impact of Product Life Cycle Stage on Financial Performance

Standardization strategy in the export market is found to be a viable option when customers are equally familiar with the product offered and show reasonably similar demand levels that are essential to improve financial performance. This occurs when the product is at the same stage in its life cycle in various export markets targeted for standardization (Rau and Preble, 1987). The literature resonances that the degree of product homogeneity in the stage of product life cycle (PLC) between home and export markets directs strategy standardization toward financial performance (e.g., Ozsomer and Simonin 2004). However, the challenge to standardize is when products may well be at different stages of life cycle across markets, therefore adaptation strategy is better option to accommodate export market conditions because of variations in customers’ product knowledge, perception, utilization, and demand patterns.

H8: Product homogeneity of the firm’s PLC stage is positively related to the degree of financial performance.

2.3.3 Impact of Competitive Intensity on Customer Performance

The competition intensity in export markets significantly influence a firm’s international marketing strategy toward customer performance. According to Cavusgil et al. (1993) posit that competitive intensity leads to greater adaptation that is paramount to meeting different customer requirements, thus improving customer performance in host markets by exporting firms. In addition, Subramaniam and Hewett (2004) reveals that competitive intensity is a significant predictor of the marketing decision strategy to adapt or standardize products in international markets in achieving customer satisfaction. The pressure to standardize marketing strategies, on is affected by the trend of globalization and the main purpose that firms can leverage off market similarities to standardized one or more aspects of their marketing programs to satisfy customer requirements (Yip, 2003). In particular, when a rival business standardizes its marketing approach in the export market for greater efficiency and lower costs to gain a competitive advantage position in customer performance, other businesses are likely to follow the same strategy. Hence, the greater the competitive intensity and the desire to be more customer-oriented, the greater the local managers are under pressure to adapt marketing strategies to the local market environment (Yip, 1989).

H9: Competitive intensity has a positive impact on customer performance.

The illustration of the research model is displayed in figure 3.1, exhibiting the influence of marketing strategy toward firm performance.

Figure 1: Research Model
3. CONCLUSION AND RECOMMENDATIONS

The relationship between marketing strategy and firm performance has been well-documented and analyzed in prior research and has been a topic of major discussion for scholars. It is becoming increasingly apparent from the literature that marketers need to consider customer-level information when they generate a marketing strategy for the firm. In this article, the authors develop a customer-focused framework that uses a marketing strategy with an overall objective of maximized financial performance. Recent studies on marketing strategies have called for research that links product, pricing, promotion and distribution standardization to the overall performance of the firm, more specifically, the firm’s sales, customer and financial performance. This research operationalizes the moderating effects of product homogeneity, competitive intensity and stages of the product cycle and examines its relationship with firm performance. It is the first empirical research to operationalize the above-mentioned variables with the moderating variables and the relationship with comprehensive firm performance. Several suggestions for future research are offered to explore and harness this newly available evidence. According to the resource-based view of the firm, product, pricing, promotion and distribution standardization should directly influence firms’ capabilities (the firm’s sales, customer and financial performance). These overall findings, based on prior knowledge and previous research conducted by various authors, show that all the variables included in our study would have an impact on the overall firm performance. No doubt there might be other factors as well that could also significantly contribute to the individual performance factors. Future studies should therefore empirically test our research model or expand the research model by introducing new variables.

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