

The relationship between strategic marketing and competitive advantage: In the case of brewery firms in Ethiopia

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Abstract

This study is an attempt to identify and investigate the relationship between various strategic marketing subjects like (market orientation, innovation orientation and marketing capabilities) and competitive advantage. Further, the research raised the question, what are the significances of strategic marketing efforts to firm's competitive advantage?, Marketing managers, Supervisors, sales managers and distribution managers of brewery firms were the main target respondents of the study, a total of 165 questionnaires were distributed in person and through mail to respondents found in 11 different breweries in Ethiopia and 106 fully completed questionnaires were received back. Pearson's product moment correlation coefficient and multiple regression analysis were employed. The results indicate the existence of significant relationship between competitive advantage and strategic marketing in the study area.

Keywords: strategic marketing, market orientation, innovation orientation, inside – out capability, outside – in capability, competitive advantage

1. Introduction

The resource based view entails that in order to have a competitive edge over competitors, a firm should have resources and capabilities which are not owned by others, therefore, marketing assets and capabilities are meant to have a great role in determining a firm's competitiveness and performance.

In today's competitive business environment, it is a must to identify and define one's own source of competitive advantage so as to stay alive. Strategic marketing efforts like market orientation, innovation orientation and marketing capabilities has been presented as a potential sources of competitive advantage by different authors.

The literature suggests that the goal of any strategic marketing effort should focus on bringing long term success and profitability to a business. Long term success in a business requires building a sustainable competitive advantage. Finding and nurturing a competitive advantage can mean increased profit and a venture that is sustainable and successful over the long term (Cole E, 2008).

Ethiopia has become the ground of fierce competition among local and multinational beverage companies running for a superior share of an expanding market. The companies' survival and performance in this intense competition requires gaining and sustaining a competitive advantage through proper implementation of strategic marketing.

Hence, it will be helpful to study and identify the various strategic marketing subjects like market orientation, innovation orientation and marketing capabilities, and determine the cause and effect relationship among those strategic marketing variables, competitive advantage.

The main aim of this study is to investigating the relationship between strategic marketing and competitive advantage and more specifically, the relationship between:

- Market orientation and competitive advantage
- Innovation orientation and competitive advantage
- Inside-out capabilities and competitive advantage
- Outside-in capabilities and competitive advantage

2. Literature Review

2.1 Strategic Marketing

Jain (2000) said "Strategic marketing means looking at the whole of a company's portfolio of products and markets, and managing the portfolio to achieve the company's overall goals". According to Osuagwu (2004) Strategic marketing was viewed as a disciplined effort to produce basic decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future. It is said to be something that gives a direction to what a firm has intended to do and in which way the firm want to achieve its goals.

Market orientation entails building a competitive advantage through a customer-focused venture in which the customer is taken as a center of attention and a focal point. Slater & Narver, 1998, argue that market-oriented firms look out to understand customers' expressed and latent needs, and build up greater solutions to those needs.

Innovative thinking has become a must for success in today's global environment. Innovation orientation has been defined by Siguaw *et al.* (2006) cited in Adrian and Cornel, as "A multidimensional structure composed of knowledge learning philosophy, strategic directions and trans– functional beliefs of a company that guides and directs all actions and organizational strategies". Innovation can be manifest in product modifications, new marketing and distribution strategies, process changes, and new conceptions of scope (Porter 1990). All types of innovations can lead to sustained competitive advantage

The capability-based theory suggests that a firm can achieve

competitive advantage through distinctive capabilities possessed by the firm and that the firm must constantly re-invest to maintain and expand existing capabilities in order to inhibit imitability. Marketing capability of a firm is reflected in its ability to differentiate products and services from competitors and build successful brands and firms with strong brand names can charge premium prices in foreign markets to enhance their profitability (Weerawardena, 2003).

2.2 Competitive Advantage

It is noted that several studies investigating firm performance have drawn interest to the need for understanding the sources of sustainable competitive advantage and the main challenge of organizations in today’s dynamic business environment is to gaining and sustaining it. Such need is fundamental to most firms’ mission, and has become a major area of research in the field of marketing and strategic management. Competitive advantage has been defined by various authors; some of the definitions are presented and discussed below.

Competitive advantage is said to be the extent to which an organization is able to create a defensible position over its competitors or a competitive advantage is a competitive edge that cannot be quickly or easily imitated by competitors.

Besanko *et al.* (2000), in their study stated that “When a firm earns higher rate of economic profit than the average rate of economic profit of other firms competing within the same market, the firm has a competitive advantage in that market”

Barney (1991) said that “a firm is said to have a competitive advantage when it is implementing a value-creating strategy not simultaneously being implemented by any current or potential competitor”

2.3 Strategic Marketing and Competitive Advantage

The literatures in marketing strategy reveal the relationship between strategy and competitive advantage as mutual. In one hand it is said that competitive advantage is a foundation for formulating strategy, on the other hand, strategy is formulated to create and sustain competitive advantage. Market orientation, can be understood as raw materials of competitive advantage according to Fahy and Smithee, (1999) resources which are enabling value creation to be considered as a potential sources of competitive advantage. Others also argue

that companies acting in a market-oriented method construct an advantage with high barriers for competitors to match. Literature indicates the relationship between innovation orientation and competitive advantage as positive. It is suggested that the basic logic of the RBV starts with the theory that a company has a unique resources or distinctive competencies and it has to create a sustainable competitive advantage by lowering prices, cutting costs and providing better services based on these distinctive competencies. Similarly Jakkoola stated “Competitive advantages can be achieved by possessing and effectively using certain resources”. Barney (1991) [3] stated that resources have to be valuable, rare, imperfectly imitable and substitutable to lead to such a position at marketplace. Therefore, it can be hypothesized that good outside-in and inside-out capabilities are likely to lead to a position of competitive advantage.

Based on the results and findings of various previous researches the following hypothesis could be developed:

3. Methodology

Marketing managers, Supervisors, sales managers and distribution managers of the firms were the main target respondents of the study. A total of 165 questionnaires were administered to respondents found in 11 different breweries in the country. While 75 questionnaires were distributed physically, the rest 90 were mailed to the respondents due to the scattered geographical location of the factories and respondents. 106 fully completed questionnaires were received back and 64.2% of response rate was achieved. Therefore, the analysis was made on those 106 completed questionnaires.

The questionnaire regarding strategic marketing components were composed of (38) questions which are designed to establish information about strategic marketing issues based on the constructs used by many authors on the study area. The constructs contains: market orientation (14), innovation orientation (4), inside-out capabilities (10) and outside-in capabilities (10). Competitive advantage was measured with (18) constructs.

4. Results

Table 1: Correlation between strategic marketing and competitive advantage

		Competitive Advantage
Market Orientation	Pearson Correlation	.382**
	Sig. (2-tailed)	.000
Innovation Orientation	Pearson Correlation	.557**
	Sig. (2-tailed)	.000
Inside Out Capabilities	Pearson Correlation	.452**
	Sig. (2-tailed)	.000
Outside In Capabilities	Pearson Correlation	.571**
	Sig. (2-tailed)	.000
Overall Strategic Marketing	Pearson Correlation	.587**
	Sig. (2-tailed)	.000

** Correlation is significant at the 0.01 level (2-tailed).

Source: developed for this research, 2017

As indicated on table 4.1, a medium (moderate) positive relationship was found between three strategic marketing factors and competitive advantage i.e. Outside- in capabilities (r=0.571, p<0.01), Innovation orientation (r=0.557, p<0.01)

and inside- out capabilities (r=0.452, p<0.01) which is statistically significant at 99% confidence level. In addition, the above table shows that there is a low, positive and statistically significant relationship between market orientation

and competitive advantage ($r = 0.382, p < 0.01$). The results on table 4.1 above shows that there is still a positive and statistically significant medium or moderate relationship between overall strategic marketing and competitive advantage of the sample firms ($r = 0.587, P < 0.01$) statistically significant at 99% level of confidence

Therefore, it can be concluded there is significant relationship between components of strategic marketing (Market orientation, Innovation orientation, Inside-out capabilities, and Outside-in capabilities) and competitive advantage.

Multiple Regressions

In order to find out the best and poor predictors of the dependent variable i.e. competitive advantage, multiple regression analysis was performed.

This analysis was performed by taking competitive advantage as a dependent variable and the factors of strategic marketing (market orientation, innovation orientation, inside- out capabilities and outside-in capabilities) as an independent

variables or explanatory variables in order to test the following hypothesis.

Hypothesis 1

Ho: Strategic Marketing Will Not Significantly Explain the Variance in Competitive Advantage

Ha: Strategic Marketing Will Significantly Explain the Variance in Competitive Advantage

H1a: Market orientation will significantly explain the variance in competitive advantage

H1b: Innovation orientation will significantly explain the variance in and competitive advantage

H1c: Inside-out capability will significantly explain the variance in competitive advantage

H1d: Outside-in capabilities will significantly explain the variance in competitive advantage

Regress competitive advantage on the selected strategic marketing factors (Market orientation, Innovation orientation, inside-out capabilities, and outside-in capabilities

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.593 ^a	.352	.326	.48864

a. Predictors: (Constant), Outside In Capabilities, Market Orientation, Inside Out Capabilities, and Innovation Orientation

Table 3: ANOVA^b

Model 1	Sum of Squares	Df	Mean Square	F	Sig.
Regression	13.089	4	3.272	13.704	.000 ^a
Residual	24.116	101	.239		
Total	37.205	105			

a. Predictors: (Constant), Outside In Capabilities, Market Orientation, Inside Out Capabilities, Innovation Orientation

b. Dependent Variable: Competitive Advantage

Table 4: Coefficients

Model 1	Unstandardized Coefficients		Standardized Coefficient	t	Sig.
	B	Std. Error	Beta		
Constant	.610	.369		1.652	.102
Market Orientation	.141	.095	.149	1.485	.141
Innovation Orientation	.044	.148	.074	.296	.768
Inside Out Cap	.107	.109	.151	.982	.328
Outside In Cap	.261	.156	.325	1.669	.098

a. Dependent Variable: Competitive Advantage

The coefficient of multiple correlations which is the degree of association between competitive advantage and strategic marketing factors, as indicated by R in Table 4.2a above, is 0.593.

Given the R Square value of 0.352 and adjusted R square of .326, the model summary revealed that the proportion of the variation in competitive advantage explained by the four predictors jointly is 35.2%. The remaining 64.8 % of the variance is explained by other variables not included on this study.

The unstandardized regression coefficients of the bivariate

association between the independent variables (components of strategic marketing) and the dependent variable (competitive advantage) are explained in the form of the following equation. Predicted competitive advantage score = .610+ (.141 market orientation) + .044 (innovation orientation) + .107 (inside- out capability) + (.261 outside – in capability) as shown in Table 4.2c.

The equation further indicates that:

- .610 is the intercept term – it can be interpreted as the average value of the company’s competitive advantage when the stated independent variables (components of strategic marketing: market orientation, innovation orientation, inside- out capability and outside – in capability) are set equal to zero.
- .141 units is an estimate of the expected increase in the company’s competitive advantage corresponding to an increase of one unit in market orientation when all other independent variables are held constant.
- .044 units is an estimate of the expected increase in the company’s competitive advantage corresponding to an increase of one unit in innovation orientation when all other independent variables are held constant.
- .107 units is an estimate of the expected increase in the company’s competitive advantage corresponding to an increase of one unit in inside – out capability when all other independent variables are held constant.

- .261 units is an estimate of the expected increase in the company's competitive advantage corresponding to an increase of one unit in outside – in capability when all other independent variables are held constant.

The above table 4.2b further shows that, all the explanatory variables: components of strategic marketing included in this study can significantly explain at 99% confidence level to the variation on the dependent variable- the company's competitive advantage. This is because, the value in the last column of table 4.2b, .000 is the p-value associated with the F test for significance or the overall significance of the regression.

In addition, the above table 4.2c shows that the variable outside-in capability with a Beta value of 0.325 is the best predictor of competitive advantage. This is followed by inside – out capability with a Beta value of 0.151. On the other hand market orientation has a beta value of 0.149. The least predictor of competitive advantage among the four strategic marketing variables was innovation orientation with a beta value of 0.074. Therefore, the alternate hypothesis will be accepted and the null hypothesis will be rejected. Conclusion can be made that there is a significant relationship between competitive advantage and strategic marketing.

5. Conclusion

This study evidenced that the strongest relationships were found between outside – in capabilities and competitive advantage (0.325). Many authors have associated the relationship between outside-in capability and competitive performance as positive. Firms adopting outside-in perspective has demonstrated high profitability, customer satisfaction and reduced cost. The second strong relationship links were between inside – out capability and competitive advantage (0.151). The resource-based view and the findings of other researches support the high role of internal resources and capabilities in achieving competitive advantage. Further this research identified that, the market orientation and competitive advantage relationship has resulted in a beta value of (0.149). Other studies also suggest that Market orientation; can be understood as raw materials of competitive advantage, resources which are facilitating value creation to be counted as potential sources of competitive advantage. Among the four strategic marketing variables, innovation orientation with a beta value of (0.074) was found the least predictor in this study. This finding can be related with the idea that, while innovation orientation has several potential advantages to get to the market early, also some drawbacks are related to it: for example, being first in market may turn to costly failure if demand is significantly smaller than expected.

6. References

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