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THE ROLE OF MARKETING IN CORPORATE COMPETITIVENESS: MARKETING PRACTICE ANALYSIS OF HUNGARIAN COMPANIES

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Abstract:
The objective of this article is to analyse the marketing practice of Hungarian companies. On the one hand, the role of marketing function in the company has been revealed, and on the other hand the relationship between marketing efforts and market performance has been investigated. In frame of the Hungarian Competitiveness Studies, 300 marketing executives were surveyed to rate the marketing practice of their companies, concentrating on branding, pricing policy, applied marketing channels and promotional activities. The results confirm that sophisticated marketing practice leads to higher business performance.

Keywords: marketing tools, competitiveness, performance.

1. Introduction

A great many conditions can be identified in an economy that can have effects on the practice and the standards of marketing. Besides these there are several development indicators, cultural and societal factors, which exhibit a significant dispersion on an international scale and can have an impact on marketing. These external factors are constantly changing and along with them the role of marketing activity alters, as well.

In our research program called 'In Global Competition' we had the possibility to track these changes and (based on the present snapshot) to examine what the current situation of marketing practice at Hungarian companies was.

Primary data for testing our hypotheses were collected via questionnaire survey among 300 companies and within in each company four managers responsible for different functions were asked to participate. As far as it was possible, the company's general manager, its marketing manager, financial manager and production manager administrated distinct questionnaires concerning their special field. This study focuses on data regarding marketing function.

First of all, the objective of this article is to explore the role of marketing at a firm and its connections to other functions. Secondly, this study focuses on marketing tools that companies use, and explores the relationships between them and the performance of companies. Our focus in this research is the question whether the marketing practice of leading companies differs from those of laggards or not? We will analyse the contribution of branding, pricing, distribution strategy and advertising policies to the performance of the companies involved. Throughout the analysis, results of the present study will be contrasted with the ones of the same research from 2004, making it possible to compare and to assess the development of marketing practice of Hungarian firms.

2. Competitiveness Research

The Hungarian Competitiveness Research Center conducted its first research in 1996 and since then it is the fourth time that similar method and questionnaire have been used to assess the competitiveness of Hungarian companies. The main goal of these research projects is to investigate how strategies and operations of companies contribute to their competitiveness in the global economy.

As we are dealing with competitiveness research in case of companies, the need for an integrated understanding of the concept is rather important. The definition that we accepted states as follows: *"Firm competitiveness is offering products to consumers in a way that consumers be willing to pay a price for those products which ensures higher profitability for them than competitors enjoy, while observing social norms"* (Chikán and Czakó, 2009, p. 78.) However, in the literature there are some attempts to integrate the antecedents of this concept into the definition. Because of its complex modes of action, these attempts had been less fortunate. The factors influencing each other and their contribution to competitiveness cannot be commonly defined. On the other hand, because of the dynamic nature of this system, it is difficult to mark on which of the corporate processes we should focus on with our analysis. The investigation of the Competitiveness Research Center therefore concentrates on the wide variety of corporate processes, which enable us to analyse the impact on the performance in separate and parallel ways.

Data collection was carried out between May and November 2009 and a 13% response rate was achieved. In frame of our research, questionnaire-based interviews were conducted with 300 companies and within each company managers responsible for four organizational areas (the CEO, marketing, financial and production executives) answered separate standardized questionnaires. Two thirds of the sample consisted of companies with more than 50 employees since some of the research questions were only relevant for them.

As the data collection in 2009 was the fourth phase of the research series, we had the opportunity to compare the current results to the previous ones. For this comparison we used primarily data from 2004 however it is worth noting that the two samples of companies in frame of the multiple-cross sectional research slightly differ in terms of composition as firms with less than 50 employees were measured only in the last research phase in 2009.

The questionnaire used in the research also included questions regarding general characteristics of companies besides the ones inquiring their marketing practices. In our analysis we concentrated on size, ownership, export orientation, market concentration and ability of reacting to market changes. Table 1 describes the firms investigated and summarizes the distribution of these attributes.

In our investigation we characterize the corporate performance with an artificially created variable which has three levels: laggards, average performers and leaders. We formed this variable based on characterizations given by senior managers of their own company. In this characterization they determined the performance of the company compared to the industry, based on profit, return of investment, market share, technology level, management and aspects of product quality. Using cluster analysis the three groups mentioned above were found in the following distribution: 24%, 41% and 35% (Appendix 2 provides more details). The questionnaires contained mainly 5-point Likert-scales and relationships were explored by applying ANOVA tests comparing means of the evaluations. Our main dependent variable throughout the analysis was the generated performance variable mentioned above.

Table 1

The characteristics of companies in the sample

		n	%
Performance groups (Appendix 2)	Companies lagging behind	65	24%
	Average performers	114	41%
	Leaders	96	35%
	Total	**275**	**100,0%**
Company Size (Appendix 1)	Small	210	70%
	Medium	69	23%
	Large	21	7%
	Total	**300**	**100,0%**
Ownership	Majorly domestic state ownership	27	10%
	Majorly domestic private ownership	199	73%
	Majorly foreign ownership	46	17%
	Total	**272**	**100,0%**
Export orientation	No export activity at all	135	52%
	Low level of export	65	25%
	Medium level of export	36	14%
	High level of export	25	9%
	Total	**261**	**100,0%**
Market concentration	Concentrated market	65	35%
	Moderately concentrated market	72	39%
	Fragmented market	48	26%
	Total	**185**	**100,0%**

3. The perceived role of marketing in corporate success

The role of marketing function has been investigated since the emergence of the concept (Bund et al., 1957). This continuous interest has resulted in several researches that proved the importance of marketing function in company performance (Webster, 1992; Sarkees et al., 2010; Cespedes,1990; Conant et al., 1990; Harrison et al., 2007; Homburg et al., 1999; Menon et al., 1996; Moorman and Rust, 1999). On the basis of these researches, it is rational to assume that the corporate function, which is the most closely related to the market, is also the most important one. Based on this assumption our first research question was whether the perception of the firms' managers was consistent with this view, and whether there is a difference in the perception of the different areas?

3.1. The overall assessment of the role of marketing

According to the surveys conducted by the Competitiveness Research Center, commercial and marketing activity had always been considered one of the most important corporate functions by senior and marketing executives. In a survey performed five years before it was ranked 4^{th} among the factors examined by marketing executives, just as it appeared in the survey conducted in 2009 (Appendix 3.). It was an interesting result that senior executives (general managers, executive managers) considered the marketing function more important than marketing executives because they ranked it 3rd right before cost management. It is also worth mentioning that sales similarly to the results obtained 5 years before, was considered the second most important field after senior management. The sales function is closely related to the marketing activity of the company and in practice often providing the sales function is the most important task of marketing departments. These results are in accordance with the results of Homburg et al. (1999), who found that marketing and sales are relatively influential compared to other roles within the company. In particular marketing is the most influential function in terms of strategic direction.

Compared to the situation five years ago, there also happened some small changes in the evaluation of functions regarding ranking, however the most important ones have not changed. Mostly the importance of the accounting field has risen by six positions. Payroll management and logistics have improved by three, finances and the handling/controlling of stored goods by two positions in the ranking.

Compared to the situation from five years ago marketing executives now give less importance to research & development, which was rated fourth in the ranking. This function occupies the last position in the present ranking. Strategic planning, controlling and quality assurance have also dropped by three positions.

In total we can summarize that the decreased importance of these areas is due to the appearance of the crisis because for at least some of the companies the survival is the main goal, therefore corporate functions with a long term impact gain relatively less priority.

3.2. The relationship of commercial and marketing functions with other corporate areas

According to the marketing concept in the coordination of corporate functions, market orientation has to prevail therefore marketing must have a greater impact on other corporate activities (Kotler and Keller, 2011). We examined how marketing executives see this to prevail within their own companies.

Among the results the most conspicuous one is that marketing function practically has the same impact on other corporate functions as these on the marketing function (Table 2). In practice this interdependence is reciprocal.

Marketing is connected mostly with production and least with research & development (R&D). We might conclude that it is probably a Hungarian peculiarity that research & development activities of multinational companies are not carried out in Hungary therefore it is not development but production by which Hungarian marketing activity is affected the most.

Table 2

The reciprocal impact of marketing and other corporate functions according to marketing executives

	Impact of marketing function on other functions (mean)	**Other functions impact on the marketing function** (mean)	**Differen ce**
Production	3.84	3.84	0.00
Finance	3.40	3.66	-0.26
Logistics	3.29	3.38	-0.09
Information-management	3.27	3.32	-0.05
Human resources	3.13	3.10	0.03
R & D	2.98	2.93	0.05

Scale: 1 – the effect is negligible; 5 – the effect has a determining nature

Although the relationship between marketing and R&D seems to be poor in case of Hungarian companies, it is evident that leading companies' marketing efforts have higher impact on R&D. This can imply that in the case of leading companies the commercial/marketing function influences the trend of R&D on a greater than average scale. This result confirms the commonly accepted principle that cooperation between commercial/marketing and R&D functions allows a higher level customer demand satisfaction thereby it can increase the market performance of the company (Table 3).

Table 3

The effect of the commercial and marketing function on the company's R&D activity based on corporate performance

Performance	**Impact of the marketing function on the company's R&D activity (**Mean)
Laggards	2.85
Average performers	2.69
Leaders	3.39
Total	2.98

$p < 0.05$; Scale: 1 – the effect is negligible; 5 – the effect has a determining nature

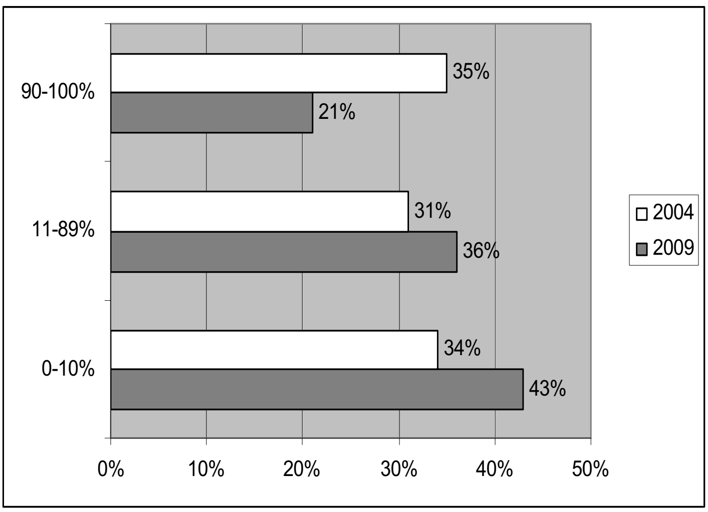
4. The effect of marketing tools on competitiveness

Having discussed the perceived role of marketing function within the organisation, we now go on to reveal the extent to which marketing tools influence their market success. The effects of the marketing mix elements on brand equity were explored by Yoo et al. (2000). The research investigated five marketing mix activities and proved that frequent price promotions have a negative effect on brand equity, while high advertising expenditure, high price and high distribution density are examples of brand building activities.

From the items of the marketing mix we will highlight branding, pricing principles, the type of distribution channels used and advertising activity. These tools make an essential contribution to the efficiency of marketing work and based on our prior assumptions also to the corporate competitiveness.

4.1. The branding practice of companies

Brand management is a determining area of product policy, which also helps to make products distinctive. The extent to which the company uses the toolset of branding strongly influences its efficiency in competition (Simon and Sullivan, 1993). This is even more accurate in case of consumer markets however its effects can be detected also in case of business customers (Kotler and Pfoertsch, 2006). Contrary to our expectations, the situation which was found five years ago has not changed by the growing spread of branded products but exactly the opposite way. The proportion of companies which produce dominantly branded products (which distribute branded products in a proportion of 90-100%) has dropped from 35% to 21%, while the proportion of companies which distribute predominantly non-branded products (which distribute no-branded products in a proportion of 0-10%) has risen from 34% to 43% (Figure 1). There can be more factors behind this drop, *inter alia* the tendency that companies produce private label products as suppliers, instead of producing their own branded products



n $_{(2004)}$ = 185 ; n $_{(2009)}$ = 204

Figure 1. Share of branded products on the most important market of the company