MARKETING STRATEGY PROCESS: QUANTITATIVE ANALYSIS OF THE CUSTOMERS' SATISFACTION

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Abstract. Several years ago one of the most respected management-consulting firms, McKinsey & Co., defined the key business practices that characterized “well-run organizations”. The results of this study were summarized and the most fundamental conclusion was made that the most successful companies are not more successful because of any superiority in strategic planning (Schoell et al. 1987). It is impossible to determine whether a strategy was correct or not if the implementation of this strategy is unsound. The implementation of the marketing strategy is effective and the strategy is appropriate if the targets of the company met requirements for growth, share and profits (Grundey 2008). The most important factor indicating the success of the marketing strategy is the customers’ value creation by meeting their needs (Alvin J. Silk 2006). The problem exists how to evaluate and calculate in a quantitative manner the customers' satisfaction factor. The additional efforts and resources are necessary (Minnesota Dep. 2008). The aim of this paper is to describe and to make a comparative analysis of the marketing strategy processes proposed by different authors, to make quantitative analysis of the customers' satisfaction, referring to the particular example of the company.

Keywords: marketing, marketing strategy, strategy implementation, quantitative analysis, strategy process, customers’ satisfaction.

MARKETINGO STRATEGIJOS PROCESAS: VARTOTOJŲ PASITENKINIMO KIEKYBINĖ ANALIZĖ

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Reikšminiai žodžiai: marketingas, marketingo strategija, strategijos įgyvendinimas, kiekvieno įvertinimas, marketingo strategijos procesas, vartotojų poreikių tenkinimas.
1. Introduction

“We have a good strong selling organization… yet we are going to change because our needs are going to change”. With these words, the general sales manager of Campbell Soup explained the restructuring of the company’s sales force (Scholl et al. 1987). Company’s sales process had been organised along product lines. As the company’s product line expended, the sales force had made the changes that were impacting on the company’s ability to implement successfully its marketing strategies. The change of the sales process in the organization describes an aspect of marketing, which is very critical to the success of the organization, no matter that is not visible to most people. It represents an attempt to enhance the company’s ability to implement effectively its marketing strategies (Humphrey 2008).

The biggest part of this paper has been devoted to showing how marketing strategy process is designed as well as describing marketing strategy’s effectiveness through the quantitative analysis of the customers’ satisfaction.

2. The review of the marketing strategy process: comparison of different approaches

Many various definitions of marketing strategy exist. In order to get the exact understanding about marketing strategy process it would be useful to compare and summarize the definitions proposed by different authors and to distinguish the main differences and similarities between them:


- Two authors in the “Essentials of Marketing” introduce much wider definition: “A marketing strategy specifies target market and a related marketing mix. It is a “big picture” of what a firm will do in some market. Two inter-related parts are needed: a target market (a fairly homogeneous (similar) group of customers to whom a company addresses its activity) and a marketing mix (the controllable variables the company puts together to satisfy this target group)” (McCarthy and Perreault 1991).

- The third definition given by O. C. Ferrell and Michael D. Hartline in the book “Marketing strategy” shows a few different ways how marketing strategy might be understood: “An organization’s marketing strategy describes how the firm will satisfy the needs of its customers. It can also include activities associated with maintaining relationship with stakeholders, employees or supply chain partners. Stated another way, marketing strategy is a plan for how the organization will use its strengths and capabilities to match the needs and requirements of the market. A marketing strategy can be composed of one or more marketing programs. Each program consists of two elements – a target market and a marketing mix” (Ferrell and Hartline 2005).

The first definition gives general understanding about the marketing strategy, but it leaves free space for the interpretations about what those sustainable ways to compete are, moreover, the phrase “continuously changing world” is not exactly determined.

The second definition is wider and clearer; it identifies and explains two elements of marketing strategy – target market and a related marketing mix. However, this definition describes only one aspect of marketing strategy – homogeneous (similar) group of customers and controllable variables needed to satisfy them; and such factors as the change of external environment, relationship with other participants in the market are not mentioned.

The third definition explains the essence of marketing structure in the widest and most exact way. It determines some different aspects of marketing structure: importance of customers’ needs satisfaction, activities associated with maintaining relationship with other participants. Moreover, it describes marketing strategy as a plan for how the organization will use its capabilities to satisfy the needs and requirements of the market and the same as in the second definition emphasizes two elements – a target market and a marketing mix.

To conclude, the main difference regarding the description of the marketing strategy is related to the exactness and content of the definitions. The first definition is abstract and too general. The second one is more oriented just to one aspect – target market and marketing mix. The third one gives the most completed explanation of what marketing strategy is about and what aspects should be analysed and concerned. Satisfaction of the needs of the customers is the most important factor to which the company addresses its marketing mix, and it gives the signals to the company if the marketing strategy was effective or not.

Marketing strategy process consists of three main parts: the start, development and implementation. However, such explanation is too general and does not provide any useful information about features of each stage. Different aspects of marketing strategy process are provided below.

Ian Mortimer in “Enrollment marketing strategy: a step by step process to building an effective enrollment marketing model stages of marketing strategy” (2004) has presented marketing strategy process (Fig. 1) which consists of 3 main steps:

1. Planning and formulation: analysing the internal and external environment, evaluating goals and then developing the plan.

2. Implementation and execution: translating the strategy into specific actions and programs, applying resources and managing change.

3. Control and evaluation: assessing whether the strategy and its implementation was effective and adjust.
Planning and Formulation process

External Environment Analysis
- The goal of external environment is to have the organization think from the market’s perspective. This analysis consists of various factors, which should be described and evaluated: threats and opportunities (SWOT), general information about existing macro-economic indicators as well as micro-economic trends.

Internal Capabilities and resources consist of:
- Strengths and weaknesses (SWOT);
- Developing a checklist for analysis: brand awareness, customer retention, quality, services, budget, staff, effectiveness, communication, alignment of goals, leadership, innovative and others.

Strategy Planning
- Define goals;
- Have a baseline of knowledge regarding the market;
- Understand what you are able to leverage as potential marketing attributes;
- Understand what you need to address so that weaknesses do not get exposed.

Marketing Strategy Implementation and Execution

Identify target markets and segmentation
- Geographic;
- Geo-demographic;
- Academic program;
- Other;
- Measurable goals for each segment;
- Easily traceable.

Identify the unique value proposition for each of the target markets
- Question: what is unique value for what target customer?
- Positioning;
- Product Category – create one if needed;
- Identify the best marketing mix for each of the target markets;
- Hierarchy of Effects – Decision making model;
- Marketing Communications channels must provide useful information;
- Technology – Personalization;
- Decision process should align with marketing process.

Control and evaluation
It is the last step, which includes:
- Marketing Intelligence Model (vendors, short-term goals as well as long-term goals);
- The segments of aforementioned market should be analysed;
- The company has to make a decision if marketers dilemma = requirement to use sales a measurement of success or not;
- To set calendar / schedule for evaluation (Mortimer 2004).

A little bit different example of marketing strategy process was given by Isabel Doole, Robin Lowe and Chris Phillips in their book “International Marketing Strategy: analysis, development and implementation” (1994). The marketing strategy process was divided into three cycles, which perform in different periods: past, present, recent past, near future (Fig. 2). In such case, exact plan of the marketing strategy process is prepared and the company might develop more effectively. The past problems or success factors might be used in future planning.

In the first example (Fig. 1) marketing strategy process consists of 3 main steps: planning and formulation, implementation and execution control and evaluation. The same stages compose marketing strategy process and are described in the second example (Fig. 2), they are as follows: analysis, development and implementation.

To conclude, both marketing strategy processes are described similarly, the main idea is the same, however, the example provided by Ian Mortimer (Fig. 1) is wider and complete, the analysis of existing factors are deeper and even additional stage, such as control and evaluation is included.

3. Customers’ satisfaction analysis: a case study

The research in the wholesale company X was made calculating the level of the retail customers’ satisfaction. The goal of the research was to calculate the general satisfaction level of the customers and to make conclusions about the company’s marketing strategy effectiveness. The steps of the research are as follows:
Find out how the image of company is evaluated by its customers;
- Calculate how present production is evaluated;
- Determine how supportive services are evaluated;
- Find out how general value is realized;
- Assess the loyalty of the customers;
- Measure general satisfaction level of the retail customers.

The research in the company X was referred to the questionnaires data of the retail customers. The obtained results are presented in the part 3.2 of this paper. The methodology of data analysis is introduced below.

Data analysis – is a process, which needs accuracy because mathematical and statistical methods are used. Operations are performed in particular constant order (Anderson 2000; Eklof 2006):

- Measurement data from 1–10 scale was transformed into scale 0–100.
- Because of this transformation the problem of inadequacy appears: 1–10 scale is composed of 9 intervals and 0–100 scale is divided into 10 intervals. According to Minnesota Department of Employment, in order not to lose the significance of the results, they have to be re-evaluated according to the formula given below (2008):

\[
K1 = \left(\frac{K1.1 - 1}{9} \times 33.3\right) + \left(\frac{K1.2 - 1}{9} \times 33.3\right) + \left(\frac{K1.3 - 1}{9} \times 33.3\right) \tag{1}
\]

In this case, K1 – field, which impacts on the customer satisfaction, for example, realized value. K1.1, K1.2 and etc. – number of questions, which were asked in order to evaluate a certain factor. Multiplier (which in this case is 33.3) is changing according to the number of questions and the total multiplier should be 100.

- Least square method is applied to determine the connection between dependent and independent variables. Calculations are done by using structural equality and like this the size of different latent variables are calculated and marginal error is applied:

\[
\eta = \beta \eta + \tau \xi + \nu, \tag{2}
\]

\(\xi\) – external latent variable, i.e. image;
\(\beta, \tau\) – dependent particular order matrix parameters;
\(\nu\) – marginal error.

- By applying (2) formula, calculations are done by given equalities:

\[
\chi = \hat{U} \xi + \delta, \tag{3}
\]

\[
\gamma = \hat{U} \eta + \varepsilon, \tag{4}
\]

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![Fig. 2. Three-cycle marketing strategy process (Doole et al. 1994; <http://www.knowthis.com>)](image-url)
Using (3) and (4) formulas, variable values are expressed and calculated as matrices.

The relations between cause and result and their intensity are calculated using software. The loyalty or realized satisfaction importance is determined separately (EPSI Rating 2004; EPSI Rating 2006–2007).

The main calculations were made using Microsoft Office Excel program and it was done by following sequence of the data analysis model.

Data was interpreted according to the Table 1.

### Table 1. The range of customers’ satisfaction (EPSI Rating 2004)

<table>
<thead>
<tr>
<th>Index value</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–55</td>
<td>Unacceptable</td>
</tr>
<tr>
<td>55–60</td>
<td>Very bad</td>
</tr>
<tr>
<td>60–65</td>
<td>Bad</td>
</tr>
<tr>
<td>65–75</td>
<td>Medium</td>
</tr>
<tr>
<td>75–80</td>
<td>Good</td>
</tr>
<tr>
<td>80–85</td>
<td>Very good</td>
</tr>
<tr>
<td>85–100</td>
<td>Perfect</td>
</tr>
</tbody>
</table>

#### 3.1. General characteristics of the company X

The legal type of an individual company X is sole proprietorship. Company belongs to small companies’ group – it has 22 employees. Company X deals with import and wholesale trade of wide-ranging leather haberdashery goods. It operates and sells its products almost in all cities and towns in Lithuania. Moreover, it is trying to penetrate Latvia’s market and about 5% of products are realized in this market.

Company’s X mission is “To satisfy customers’ needs by providing high quality products and offering the wide range of goods at the competitive prices”. The key elements to which company pays attention when formulating its marketing strategy are as follows:

- High quality – every item is checked separately;
- Design development – every season new models are created;
- Customers’ needs – consultations with a salesperson about the specific needs of customers are held;
- Word-of-mouth advertisement.

#### 3.2. Research on the retail customers’ satisfaction

Retail customers are the main channel through which company’s production reaches final customers.

During the research, 44 representatives of various retail companies were questioned. They had to answer 31 questions, of which 27 were directly related to satisfaction and 4 just to obtain general information.

For example, retail companies were asked how long they are already dealing with leather haberdashery goods. According to the given answers the major part of companies in leather haberdashery field is working for approximately 9 years. This time of period is quite long and such stability might be explained by experience and knowledge, which is essential in leather products field. However, as leather haberdashery goods are not first necessity product and such products are quite expensive, so, the trade of leather goods is more complicated respectively.

One more question in the questionnaire was about occupation of the representative. The questionnaires were filled in by people relating to products purchase: managers, moderators, owners and sales persons. Sale persons have composed even 31 per cent of all respondents and the data collected from them is really important because only these persons contact final customers. The basis of the questionnaire was made of the questions, which were directly related to retail customers’ satisfaction with the production of the wholesale company X. All collected data is shown in Fig. 3.

During the research, various factors having impact on the retail customers’ satisfaction were evaluated. As it could be seen from Fig. 3, the satisfaction of retail customers is 67 points out of 100. According to the certain values of this index, which is given in the Table 1, it is possible to assume that general satisfaction is evaluated moderately (category from 65 to 75). This result just gives general information about the level of retail customers’ satisfaction but does not provide any other additional information such as: what factors determine exactly such result, which of characteristics are evaluated by retail customers better and which of them made them disappointed, what kind of changes would be useful to the company and how they are going to affect general level of customers satisfaction, etc. In order to find out answers to all these questions it is important to analyse how each of indexes is evaluated in different fields.

One of three categories – company’s image has gathered 76 points and according to the customers’ satisfaction range it means that the image is considered as good. When representatives were asked to evaluate an image of company X, they had to answer the following questions related to such subjects as: reliability and importance comparing with other suppliers, total quality and company’s evaluation.

All other fields were evaluated positively too: products and service quality (79 points) or perceived value, which was expressed through price (73 points). The quality evaluation by retail customers was based on their personal experience, they have evaluated such factors as quality of service, functionality and correspondence of products, range of existing production and general value. The perceived value (price)
was evaluated according to such aspects as company’s X production price comparing with other leather haberdashery goods suppliers, customer expectations, price and quality relation, additional services and finally – general price evaluation.

What is more, customers’ expectations are expressed in even 82 points, so it is obvious that customers are thinking about even better performance in the future. Such result is achieved because of several factors that are common to company X: stable price, wide range of products, qualitatively different products and services. The total satisfaction of customers’ expectations compose 76 points and it means customer level of expectations is higher than it is actually obtained (this difference is 6 points).

The loyalty and complaints evaluation are also considered as results. Both, complaints and loyalty are related to other factors, which might influence their attitude image, customers’ expectations, and quality or price evaluation. As it is shown in Fig. 3, the general customer satisfaction is directly related to complaints and their evaluation. Meanwhile, customer’s loyalty, i.e. their intention to purchase products of company X, makes a good response and are influenced by general customers’ complaints, such as product defects, account mistakes, orders problems, etc.

According to the research result the loyalty made up 78 points and complaints - 79. Both of these evaluations are placed in the category “good” and it means that loyalty might be forecasted for the next years and the amount of existing complaints is small. After the examination of the different fields of the company X and understanding how its customers are evaluating the factors impacting on their satisfaction level, it is important to analyse the connection between all these factors and define the importance of that. Because of this purpose, there are related numbers presented in Fig. 3 (numbers are written in italic). These numbers show the dependence degree. During the examination process among factors, the dependence is calculated by various statistical regression methods. And the regression dependence defines quantitative relation between the groups medium value of factors and results characteristics (Martišius, Kėdaitis 2003; Valkauskas 2002). The least square method is used in order to calculate the regression expression of customer satisfaction index. This method is not randomly chosen, its application is mended by European performance satisfaction (EPSI) research methodology: gathered data is analysed just according to this index (Budriene, Morkvenas 2006).

According to the calculations represented in Fig. 4, image has direct impact on customers’ expectations, realized product or and service quality, and customers’ satisfaction index. The numbers near indicators are called coefficients of regression and identify the strength of the relation. The number near indicator, which connects image and customers’ expectations makes up 0.52, so it means that if customers’ level of satisfaction increased by one item, respectively, customers’ expectations would increase by 0.52. As it could be seen, the strongest relation is between customers’ expectations and realized product or and service quality. This relation reveals that if company’s X retails customers’ expectations increased by one item, from 82 to 83 points, so realized quality would increase by 0.68 and would reach almost 80 points.

Other quite important factors, which affect customers’ satisfaction, are realized quality (0.59 points) and image (0.55 points). Quite a strong relation could be seen between complaints and loyalty factors, according to it if complaints evaluation increased (i.e. reasons which encourage customers to complain would decrease), so the loyalty would go up to 0.59 points.
The smallest impact on customers’ satisfaction index is made by loyalty (0.14 points) and complaints (0.16 points). According to these results, in order to increase loyalty from 78 to 79 points it is needed that customer satisfaction index would raise to a little bit more than seven points; similarly, customer satisfaction index would have to be increased by more than 6 points in order to improve the current situation concerning complaints. The reason why the connection between these factors is a few times smaller could be that the customer satisfaction index is a multiple and reacts to other evaluated fields. Moreover, during the loyalty evaluation process respondents are identifying their future plans about which they are far less sure than about the present experience (price, quality, etc.).

A few more relationships, which could be explained in the same way, are shown in Fig. 3. Relation between image and realized quality makes up 0.48 points and the strength of the impact of realized value on the customer satisfaction index amounted to 0.25 points.

As it is shown in Fig. 4, company’s X customers’ satisfaction is directly influenced by five factors: company’s image, retail customers’ expectations and their satisfaction, realized products and services quality and price of the products. The name of each factor is placed in different table window. Each of these windows has numbers located in the left or right bottom corners, numbers in the left corners indicate how the current factor is evaluated by the respondents and numbers in the right corners identify the reliability coefficient when marginal error is equal to 95 per cent. In the second column, the impact of each factor is presented. This impact describes how customer satisfaction index value would change if one of the factors increased by one point. Table located on the right side provides the scale of smallest and biggest values by which each factor’s impact on customer satisfaction index might change. The confidence interval values are identified by these errors.

The smallest value identifies the most critical field, which should be developed in order to increase the general level of customer satisfaction (Cassel 2006). As it could be seen from Fig. 4, the smallest value falls to the realized value (price) factor, however realized value’s impact on general satisfaction is only 0.3 points. It does not mean that this field should not be developed, but the greater attention should be focused on the image and realized quality, which are evaluated by 76 points and have 0.6 points of impact on the customer satisfaction index. The image of company X for retail customers might be improved by: becoming one of the main wholesale suppliers for business partners, increasing the quality of production or making sure that companies’ activities are reliable. The biggest evaluation is given to customers’ expectations (82 points). It does not mean that this field should not be developed, however, comparing it with other factors the customer expectation evaluation is bigger and it might be developed later when improvements on other factors are made.

4. Conclusions

1. The aim of this paper is to make a comparative analysis of the marketing strategy processes proposed by different authors. Referring to a particular company as an example, to assess the satisfaction level of the customers.

2. The main idea of the marketing strategy models described by different authors is the same - to reach a high customers’ satisfaction level. The differences of the approaches to the marketing strategy process are related to the fact how widely, deeply and completely the authors analyse the stages of the process and what additional functions they include in this one.
The case analysis showed that general level of the customers’ satisfaction of the company X was evaluated moderately (category from 65 to 75) and it made up 67 points out of 100. It means medium satisfaction level.

Company’s image gathered 76 points out of 100. According to the customers’ satisfaction range it can be considered as a good one. However, the case study revealed that image factor is not formed enough in the company. In order to improve the level of the customers’ satisfaction, it is necessary to implement specific image formation strategy.

Two factors such as product/services quality, as well as perceived value expressed through price, were evaluated positively and they gathered 79 points and 73 points respectively.

According to the case study, customers’ expectations compose even 82 points. It means that the customers are thinking about even better performance of the company in the future.

Customers’ loyalty and complaints are considered as the study’s results. These two factors compose 78 points and 79 points respectively and are treated as good.

The case study revealed that the strongest relationship exists between customers’ expectations and product/services quality. If customers’ expectations increased by one item from 82 to 83 points, perceived quality would increase by 0.68 and would reach almost 80 points.

The research showed the smallest relationship between customer satisfaction index and loyalty (0.14 points) as well as complaints (0.16 points).

References


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