

STRATEGY VS. TACTICS – MARKETING BUSINESS IN THE LEHIGH VALLEY

Gary Kaskowitz,
Moravian College
Department of Economics and Business
Bethlehem, PA 18018

ABSTRACT

While many small and medium enterprises (SMEs) are very proficient at their particular business activity, it is believed that very few of them have a strategic marketing focus. In today's competitive environment, strategic marketing is often the difference between the success and failure of an organization. This research looks at the marketing habits of SMEs in the Lehigh Valley to determine what type approach they use for marketing. Two Lehigh Valley firms that participated in a marketing analysis are presented as a case study of how these firms approached marketing their business. In addition, preliminary results from a quantitative survey of SMEs in the Lehigh Valley suggest that many of these businesses are tactically, and not strategically, driven in their marketing efforts.

INTRODUCTION

Many small businesses in general, and service providers in particular, are very proficient at their respective specialty (e.g., accounting, physical therapist, counseling, coaching) yet not many are well-versed in business and marketing skills. It has been shown that many small and medium enterprises do not use strategic marketing planning when they conduct their business. This is especially true for small, local businesses that see their competitive advantage in serving a niche market while trying to maintain current customers and don't necessarily have a cohesive strategic plan for attaining new customers (Lancaster and Waddelow 1998; O'Donnell, Gilmore et al. 2002).

Overall business strategy has been extensively studied in the literature. A key area of research has been in the area of marketing orientation and an organization's performance. Previous research has shown that adopting a unique positioning strategy is often more effective than competing on the basis of cost (Kumar, Subramanian et al. 2001; Langerak 2003). Other studies have examined the relationship between management philosophy and how market orientations are created (Harris 1999; Harris and Ogbonna 1999; Homburg and Pflesser 2000). A third stream of research involves studying the impact of a firm's marketing orientation on the development and implementation of a marketing strategy for larger organizations (Cravens 1998; Dobni and Luffman 2000; Hunt and Lambe 2000; Matsuno and Mentzer 2000; Uncles 2000).

A much smaller portion of research has specifically focused on the strategic marketing practices of smaller

businesses. Part of the problem is that small and medium enterprises (SMEs) are not easily defined. The two most common ways these organizations are classified is either by gross revenues or number of employees, and yet these classifications vary greatly by the researcher(s) conducting the research. Of those studies that do look at marketing strategy in smaller businesses, the focus tends to be on either family-owned firms or international businesses and globalization issues that are encountered (Horng and Chen 1998; McGaughey 1998; Knight 2000; Enright 2001; Lee, Lim et al. 2001; Huang, Soutar et al. 2002; O'Donnell, Gilmore et al. 2002; Teal, Upton et al. 2003; Verhees and Muelenberg 2004). These studies tend to suggest that the marketing strategy and implementation is often done by fewer people who are not trained in marketing (often the principals or owners of the business).

PURPOSE OF STUDY

This study seeks to examine the marketing practices of smaller businesses (SMEs) in the Lehigh Valley, Pennsylvania. For the purposes of this study, a SME will be classified as one that employs fewer than 50 people. With smaller organizations such as this, it is believed that the principals or owners of the enterprise would adopt a more hand-on approach towards the marketing function of the enterprise. It is believed that the great majority of these smaller businesses might be very proficient at their particular business activity, but not necessarily at marketing. Many SMEs are managed by the principals of the organization who often do not have formal training in marketing theory and strategy. Because of this, it is believed that the majority of these SMEs would adopt a tactical approach

towards marketing, rather than a strategic approach, resulting in a sub-optimal business model.

The Lehigh Valley, Pennsylvania

The Lehigh Valley is a major transportation crossroads of the East Coast and home to many businesses both large and small. While many of the larger businesses in the valley are extensions of multi-national firms, there are a great number of smaller businesses in the valley serving the needs of the Valley's residents and beyond. The Lehigh Valley is situated on the Eastern side of Pennsylvania and is within a two-hour drive of major markets such as Philadelphia and New York City. Data gathered from the Lehigh Valley Economic Development Corporation (www.lehighvalley.org) reports the Lehigh Valley as a very robust business environment. This area reports a population of 30 million people within a 100 mile radius. The valley has a population of 600,000 with a 310,000 person workforce (2003 data). The Lehigh Valley also boasts an educated workforce with over 80% of the working-age population have a high school degree or higher.

The employment classification of the Lehigh Valley is predominantly professional, service, and sales/office oriented. The Lehigh Valley Economic Development Corporation reported a total of 14,000 employers in the Lehigh Valley for 2003. Of these employers, a full 94% are businesses that employ fewer than 50 people. In fact, 71% of the total number of employers in the Lehigh Valley employ fewer than ten people.

Marketing Practices

For the purposes of this study, the current marketing practices of an organization needs to be assessed. The marketing practices that are being utilized by any business can generally be classified as being either strategically-directed or tactically-directed. In order to be classified as a strategically-oriented firm, a business should have a cohesive marketing theme for all of their marketing endeavors. This overriding theme provides the organization with direction for coordinated business decisions in marketing. Successful strategic marketing decisions require a thorough understanding of the environment in which a business operates, as well as a complete understanding of all competitors to the organization and the capabilities and weaknesses of the organization itself. In essence, an organization that has a strategic-marketing focus addresses the "what to do" questions. The answers to these questions drive all of the tactics and steps an organization conducts in fulfilling this marketing strategy. Examples of a strategic-marketing focus would be whether all members of the organization can articulate and

understand the positioning of the organization (e.g., unique selling proposition), does the organization make effective use of databases and tracking to identify customers and effective promotions and does the organization make use of education, joint-venturing, or other strategies in a coordinated manner? In addition, an effective marketing strategy would make use of testing and tracking all marketing campaigns and carefully manage its brand and perception of brand among its customers/clients.

By contrast, an organization that is primarily tactically-directed in its marketing efforts tends to have a shorter-term focus to its marketing efforts. The decisions for product, promotional, or branding campaigns tend to be made with a shorter-term focus and often in a reactive manner. These organizations often apply little forethought as to whether or not a particular marketing endeavor fits with the overall business strategy and very little, if any, testing or follow-up is initiated when a marketing campaign is conducted. Organizations with a tactically-driven marketing strategy tend to focus on individual marketing elements (e.g., a single brochure, mail-out campaign, website, etc.) and not an overall theme where the elements are all parts of the same structure. In essence, organizations that have a strategic-marketing focus tend to be proactive and coordinated in their marketing efforts and tactically-driven organizations tend to be reactive and disjoint in their marketing efforts.

RESEARCH STUDY

Case study 1: Physical therapy firm

The first phase of this study was exploratory in nature. During the summer of 2004, two SMEs from the Lehigh Valley agreed to participate in a marketing audit and analysis being conducted by an MBA class in strategic marketing. The first business was a physical therapy firm. This business had been in practice for over 25 years and had three full-time employees (including the owner). The owner of this business admitted that he had not had any training in business and would be considered marketing "naive" without a real notion of how to market effectively in today's economy. This business owner had relied heavily on referrals from doctors to attract new clients. Once a referral became a client, the owner reported that the client was very satisfied with their treatment, and even looked forward to coming to sessions (a pretty rare feat in physical therapy). This practice was known to have unique specialties within the physical therapy arena, such as working with hand pain.

The owner of this business reported that over the past several years, business had become very difficult for him. This was primarily due to the fact that many more local hospitals were opening their own physical therapy centers. When a doctor affiliated with a local hospital referred a patient for physical therapy, he/she would often recommend that the patient seek treatment at the hospital's program rather than the private practice (by law, doctors cannot refer physical therapy patients directly to a provider; i.e., the patient is free to seek therapy at any licensed provider they would like). Up until this point, the owner of the firm had relied on doctor referrals for new clients and did not know how work with this change in the business environment. The owner tried several different tactics, such as creating a brochure and talking to dentists, but there was no overriding theme to his efforts and they were being met with little success.

A complete marketing audit was conducted for the physical therapy firm. During the course of the audit it was discovered, not surprisingly, that the owner's approach towards marketing could be classified as reactive and tactical. He was still trying to generate business by talking to doctors, but they were becoming less willing to talk with him. His brochure appeared dated and did not speak to any type of positioning or benefits statements to the consumer and he did not have any plan for distributing the brochure in a meaningful manner. Aside from the attempts at generating referrals and the brochure, the business had made no marketing efforts.

Based on the results of the audit, it was suggested to the owner of the physical therapy firm that he not try to obtain clients through doctor referral, but instead develop a thorough positioning statement and unique selling proposition in order to coordinate his marketing efforts. The owner of the firm had mentioned that clients enjoyed their visits and thought of his practice as "family." It was suggested to him that he use this family philosophy in his efforts to help set his practice apart from his competition (which was not perceived in this light). In conjunction with this family approach, it was recommended that his practice position itself as the education and advice resource for people with problems that require physical therapy (e.g., side-sleeper syndrome). By adopting an education-based approach the physical therapy practice could appear to be the business that offers friendly advice, like you would receive from a favorite uncle. This helps build trust and awareness among the consumers and would result in a pull marketing program instead of the push marketing program he had unsuccessfully been trying to use. Given this overriding education orientation, it was recommended that he overhaul his current marketing

collateral to conform to it. In addition, it was suggested that he develop white papers on these topics of interest to his clients and make them available to the public via a web-site. The web-site itself could then be used as a prospecting tool for more clients. Lastly, it was suggested that he implement a more formal referral strategy and use this throughout his marketing endeavors as well.

Case study 2: Metal storage and shelving installation

The second case study was centered on a relatively new business (4 years in existence) that designed and installed metal storage and shelving for businesses. This firm consisted of 17 full and part-time employees. The president of this firm did have formal business training (an MBA), but no specialization in marketing. She had started this business as a woman-owned business when several customers of her husband (a general contractor) had suggested that she become involved in this line of work. This business found itself in the unique position of selling what was perceived to be a commodity product. However, this business was on the smaller side and was finding that it could not compete successfully on price, as it would constantly be underbid by some of its larger competitors. This business was finding itself in constant bidding wars with these larger competitors and was having a great deal of difficulty in attracting new customers because of this.

The president of this company had been trying a series of one-shot marketing and promotional efforts to generate new business. She had recently returned from a trade show where she believed she had generated interest in her business. In addition, she had sent out a single mailing to the contact list from this trade show that resulted in two new customers.

During the marketing audit phase of this study, it was discovered that the president did not have a follow-through campaign for any of her mailings. In addition, she did not have a coordinated marketing approach to the new prospects she met. Her marketing collateral was almost entirely company-focused with very few, if any, customer benefits. Further, the president of this firm had difficulty in describing her ideal client or why they should choose to do business with her company. She spoke of working with different customer types, but seemed to have trouble articulating the differences or what they might be seeking. The president also mentioned that when she first started the company, other businesses had sought her out and indeed had suggested that she start this business.

Based on this audit, several recommendations were made to the president of this company. First, it was suggested that she revisit the reason why her initial customers chose her business, and in fact had requested that she start this business. It turned out that her initial customers felt they were not receiving adequate care from the current vendors. They had felt that they needed a little more hand-holding and were not solely price-driven. Based on this, it was suggested to the president that she try to move her product from a convenience product to a shopping product, where price was not the overriding factor. However, it was also suggested that this strategy would work most effectively for a particular segment of the market. It was recommended to the president that she implement a segmentation strategy in her business and focus on the niche that would be the most profitable for her business (i.e., smaller businesses that would be willing to pay a higher price in exchange for better education and service). The recommendations included creating an education-based marketing strategy whereby her marketing collateral and other marketing endeavors would focus on providing education about her industry and its products to a smaller niche. Based on this strategy, it was further suggested that she ensure all marketing materials conform to the same theme. Lastly, it was suggested that she implement a program to track and measure the results from her marketing campaign and to follow-up with the successful mailing that she had already conducted. Once she had accumulated and analyzed the necessary data, she could then more easily identify and approach businesses that would be a better match for her services.

Strategy Survey

Based upon these case studies, a quantitative strategy survey was pilot-tested among the persons responsible for marketing in their organization. This survey asks questions about the current marketing philosophy and approaches of an organization. The survey is focused on SMEs in the Lehigh Valley identified through their Chamber of Commerce listing. A total of 20 companies participated in this pilot study. While the results are not statistically significant, they do appear to be indicative of a lack of integrated marketing strategy throughout most of these organizations.

Four general categories of questions were asked in the survey. These categories were 1) Use of databases and tracking, 2) Understanding of internal organization and marketing efforts, 3) Understanding of competition and external environment, and 4) Marketing strategies currently or expected to be employed. Within each general category, specific questions were asked about how the organization approaches their marketing.

These questions were rated on a ten-point scale where a ten meant the respondent strongly agrees with the statement and a 1 meant the respondent strongly disagrees.

The results from this pilot study suggest that the main areas of weakness among these firms are in their articulation of a cohesive marketing strategy and in their tracking and measurement of their activities and customer actions. The statements: "We constantly test our marketing collateral for its effectiveness," "We have a coherent e-mail marketing strategy," "We track the marginal net worth of our customers," "We use our database to actively target our customers," "We track and measure our customer's lifetime value," "We use sequential marketing campaigns in working with prospective and current customers," and "We have a unified marketing strategy that controls and integrates all the tactics we deploy" all received average scores less than 5. In addition, when asked about the type of marketing strategy the organization employed, 36% of the respondents in the pilot study could not identify any strategy.

DISCUSSION

Based upon the two case studies and results from the pilot test of the quantitative survey, it would appear that a large portion of SMEs in the Lehigh Valley do not use strategic marketing in their businesses. It is seen that a lack of strategic marketing results in a reactive business model and not one which is better able to chart its own course. Anecdotal evidence supplied by the business owners who were contacted suggests that they are frustrated by this lack of strategy in that they believe they have a much more difficult time in finding and keeping business.

The preliminary results of the quantitative survey suggest that true marketing strategy is not used by a large percentage of small businesses in the Lehigh Valley. Further research will expand the sample for this survey and look at the patterns and relationships among the businesses and the marketing approaches they employ. It is further hoped that this research can be the springboard to an annual "status check" of marketing practices of SMEs in the Lehigh Valley.

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