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MARKETING PLANNING AND PERFORMANCE: THE CASE OF TRANSITIONAL ECONOMY

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- **Inspiration:** distorted marketing practices of companies that operate in a transitional economy, specifically Republic of Macedonia.
- **Two main objectives:**
 1. Identification of weaknesses in the marketing planning process,
 2. Connection of continuous formal marketing planning with business performance (profitability and market orientation).



INTRODUCTION

Characteristics of a transitional economy (Zurawicki and Becker, 1994)

- low economic development,
- low income,
- first -generation managers (little or no managerial experience),
- developing strategies for the first time,
- oriented toward short-term financial results,
- small capital and scarce financial resources,
- limited number of business operations,
- a tendency for small investments.

Problems faced by Macedonian companies

- low quality of products vs. consumer demands,
- lack of certification for international quality standards and standardization of production processes,
- lack of information about business possibilities on the markets,
- price is the primary driver of competitiveness,
- very slow change from competition based on price to competition based on quality.



LITERATURE REVIEW

1. A formal written plan significantly contributes to higher gross profit and sales growth (Mazzarol, 2001).
2. It is difficult to maintain a high level of knowledge about the industry and business conditions and implement control in case of implementation of informal marketing planning (McDonald, 1982) and (Farhangmehr, 2004).
3. The commercial success of the company/product is influenced by the application of formal marketing planning (McDonald, 2006).
4. Significant relationship between formal planning and business success and survival of the companies has been found (Kraus and Kauranen, 2009).
5. A formal written plan contributes to identification of opportunities and threats and, to higher degree of market orientation of the company (McDonald and Wilson, 2011).



METHODOLOGY

1. Quantitative and qualitative methods.
2. Primary data: structured questionnaires about attitudes and current practices of marketing planning (parametric statistics - nominal and interval scale), and a follow-up, semi-structured interview;
3. Secondary data derived from books, journals and academic articles.
4. Purposeful statistical sample of 38% (19) of the registered companies in the confectionery industry in Macedonia.
5. Data was analyzed with IBM SPSS19.
6. The conclusions are given on the base of descriptive and deductive statistics.
7. Profitability and market orientation were measured on a subjective scale.



RESULTS

• Descriptive statistics

1. The **statistical sample** consist of nearly equal representation of small (31.6%), medium (36.8%) and large (31.6%) companies (by number of employees);
2. The **profitability** of companies is rather poor, with most of the companies reporting profits that are poor (15,8%) to moderately poor (26,3%) (42.1% cumulatively);
3. Companies have on average **medium level of market orientation** (3.8), mostly due to the higher levels shown by large companies (average of 4,2).
4. **Small companies** have reported on average lower level of market orientation (2.6).



5. In terms of the type of marketing planning, the analysis indicates that:

Informal marketing planning		Behavioristic marketing planning		Formal marketing planning	
	Percentage		Percentage		Percentage
never	21.1	never	5.3	never	21.1
rarely	15.8	rarely	5.3	rarely	26.3
sometimes	15.8	sometimes	26.3	sometimes	26.3
often	31.6	often	47.4	often	21.1
always	15.8	always	15.8	always	5.3
total	100.0	total	100.0	total	100.0



6. Apropos the reasons for not using formal marketing planning:

- **Lack of time** is one of the main reasons;
- Lack of **qualified staff**;
- Belief that **planning is possible without a written plan**;
- **Doubt in the effects** of marketing planning on business performance.



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7. Elements included in the preparation of the plan:

- The majority (73.7%) **never** include **philosophy statement**;
- Also, 68.4% **never** include **values statement**;
- Corporate **vision** and **mission statements** are **rarely** defined;
- **Less than half** (47.4%) perform **situational analysis**;
- Only 5.3% **always** define the **target segment** of consumers;
- Only 10.5% **always** create **marketing strategy**;
- Only 5.3% **always** define **tactical activities**;
- Only 10.5% **often** and/or **always** include **marketing control**.



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8. People involved in the process of marketing planning:

- Small companies (100%) - **the owner** is always included;
- Medium-sized companies - **marketing department** or **team of employees** (by 43%).
- Large companies (67%) - **marketing department**;
- Involvement of the **owner** - a significant **negative correlation** with the continuous preparation of the written plan;
- Involvement of the **marketing department** - a significant **positive correlation** with the continuous preparation of the written plan.



- Deductive statistics:**

		Correlations
		Continuous preparation of a written marketing plan
Profitability	Pearson Correlation	.649**
	Sig. (1-tailed)	.001
	N	19
Market orientation	Pearson Correlation	.645**
	Sig. (1-tailed)	.001
	N	19

*. Correlation is significant at the 0.05 level (1-tailed).
 **. Correlation is significant at the 0.01 level (1-tailed).

- Simple linear regression analysis confirmed the **linear dependence of profitability of the continuous preparation of a written marketing plan** (Sig. = $\alpha=0.003$; $R^2 = 0.421$; $t = 3.516$).
- The analysis also confirmed the **linear dependence of market orientation level of the continued preparation of a written marketing plan** (Sig. = $\alpha=0.003$; $R^2 = 0.416$; $t = 3.481$).



CONCLUSION

- In the case of transitional economy and the confectionery industry within, formal marketing planning (continuous preparation of a written plan) directly affects the positive outcome of different measures of business performance (profitability and market orientation).
- **Recommended steps to overcome the identified weaknesses:**
 1. **Corporate culture** based on the **marketing concept principles**.
 2. Application of **marketing research** or situational analysis.
 3. Employment of **knowledgeable workforce** with marketing skills.
 4. Placing **marketing tools** as an element on the beginning of operations.
 5. Determination of the **general direction** through the strategic plan.
 6. **Execution of a short-term written plan** built on the basis of **predetermined content**, but **flexible** enough to fit the specific requirements of the company.



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Thank you!

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