

The marketing orientation of South African industrial companies

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The main objective of this article is to establish whether the top industrial companies in South Africa have become marketing orientated during the last ten years or so. A study was undertaken amongst 44 of the top hundred companies in South Africa during 1983. The study found that South African industrial companies certainly have become more marketing orientated. The 'average' Industrial company has a marketing department. It's marketing executive sits on the board of directors. He/she has a bachelors degree and over ten years experience. He/she has a limited financial role in the organization but has a large production planning role. He/she normally has the sales executive reporting to him. The most important tasks of the marketing function are advertising, public relations, pricing and selling.

S. Afr. J. Bus. Mgmt. 1984, 15: 116 – 120

Die hoofdoelstelling van hierdie artikel is om vas te stel of belangrike industriële maatskappye in Suid-Afrika meer markbewus geword het oor die laaste dekade of meer. Hierdie studie behels 'n opname binne 44 van die top honderd industriële maatskappye in Suid-Afrika gedurende 1983. Die studie het gevind dat Suid-Afrikaanse industriële maatskappye beslis meer markbewus geword het. Die 'gemiddelde' industriële maatskappy het 'n bemarkingsdepartement. Die bestuurder van die departement het sitting in die Raad van Direkteure. Hy of sy beskik gewoonlik oor 'n baccalaureusgraad en tien jaar ondervinding. Hy/sy het 'n beperkte finansiële rol binne die maatskappy, dog 'n belangrike produksie-beplanningsfunksie. Hy/sy het gewoonlik 'n verkoopsbestuurder wat aan hom/haar rapporteer. Die belangrikste take van hierdie bemarkingsfunksie is advertensies, openbare verhoudinge, prys- en verkoopsbestuur.

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Introduction

Industrial Companies in South Africa are still production orientated. It is commonly recognized that the marketing concept was accepted by consumer orientated companies before industrial companies. Almost ten years ago De Coning and others stated that 'in South Africa a fairly general approach still seems to be that industrial goods are sold — not marketed'. As recently as 1982 Brown and Sommer wrote:

'Unlike many consumer goods companies, many industrial firms have not developed the strong marketing skills that form the foundation for effective strategic thinking and planning.'

The main objective of this article is to find out whether the top industrial companies in South Africa have become marketing orientated during the last decade or so.

The industrial marketing concept

There are as many definitions of industrial marketing as there are writers on the subject. For the purposes of this article, the definition by Corey will be used.'

'Industrial Marketing is the marketing of goods and services to commercial enterprises, governments, and other non-profit institutions for resale to other industrial customers or for use in the goods and services that they, in turn, produce'.

The marketing concept simply means that a company should seek to make a profit by serving the needs of customer groups. Marketing managers must focus their attention on serving customer needs (customer orientation), rather than on the company's products (production orientation) or on devising methods to attract customers to current product (selling orientation).

The main task of the marketing function is not to manipulate customers to do what suits the interests of the company, but rather to find and develop strategies that will make the business do what suits the interests of customers.

In fact Drucker goes as far as to say,

'Any organization that fulfills itself through marketing a product or a service, is a business. Any organization in which marketing is either absent or incidental is not a business and should never be run as one'.

This certainly applies to industrial companies as well. Hill and others see industrial marketing as not only the focus of a business, but also advocate that business thinking begins with the needs of the end user.

'This means that the properties with which industrial products and services are endowed, together with their

distribution and promotion, should be derived from the business, government bodies and institutions to be served, rather than conceived for them.'

Many South African companies pay lip-service to the marketing concept. The noted management consultant Charles Ames observed that four key dimensions were necessary in applying the marketing concept to industrial companies. They were:

- (a) Aiming for improved profit performance.
- (b) Identifying customer needs.
- (c) Selecting customer groups for emphasis.
- (d) Designing the product/service package.

More recently, Webster has stated that effective industrial marketing strategy has been seen to require:

- (a) Complete understanding of the customer and his needs, including the requirements of the customer and competitive conditions in the customer's industry.
- (b) Customer orientation at least as strong as the organization's technical orientation.
- (c) An appreciation of the sources of uniqueness in industrial marketing.
- (d) An honest assessment of the organization's strengths and weaknesses and a matching of these to customer needs.
- (e) An integration of the components of marketing strategy to yield unique competitive advantage through significant differentiation. In South African industrial companies, to achieve the abovementioned tasks, the author believes that companies should have the following:

- a marketing department,
- a marketing executive on the board of directors,
- a marketing executive with marketing qualifications and experience,
- a marketing executive who has some influence with other function heads in the organization,
- a comprehensive sales and marketing training programme,
- a marketing research and information system.

According to Pride and Ferrell there are two requirements that must be met before the marketing concept will work. Firstly

'management must establish an information system that enables them to discover customers' real needs and to use that information internally to create satisfying products . . . Management's second major task may well be restructuring the organization.'

(Pride and Ferrell, 1983:17)

Scope of the study and methodology

The main objective of this study was to test the following hypothesis: During the last ten years industrial companies in South Africa have been applying the marketing concept. A questionnaire was developed and respondents were questioned by means of personal interview. All interviews took place between August and September 1983. The person interviewed was the marketing executive of the chief executive of the company.

Judgemental sampling was used. Forty-four companies were chosen from the South African Financial Mail top 100 companies because it was interesting to see if the top industrial companies in South Africa were marketing orientated. The questionnaires were then analysed and the data tabulated. The results of the survey are presented below.

Results of the survey

Thirty (68%) of the companies in the sample had a marketing department. This is very encouraging. The people responsible for marketing in the 14 (32%) that did not have a marketing department included the chief executive, managing director, general manager and the sales manager (Table 1).

This leads us to conclude that marketing could be a general management function in industrial companies.

Table 1 Companies with/without a marketing department

	No	%
With	30	68
Without	14	32
Total	44	100

The executive responsible for marketing in 24 (55%) of the companies sat on the board of directors (Table 2). It is of some concern to see that 22 (45%) do not sit on the highest policy making committee of the company. This means that, in these companies, the technical and financial functions and perhaps sales are relatively more important than the marketing function.

Table 2 Does the head of marketing sit on the board of directors

	No.	%
Yes	24	55
No	22	45
Total	44	100

The majority of marketing executives 40 (91%) report to the president or chief executive of the company. Only 4 (9%) report to other people in the organization like the regional or general manager (Table 3).

Table 3 Does the marketing executive report to the President/Chief executive

	No.	%
Yes	40	91
No	4	9
Total	44	100

From Table 4 it is clear that the average marketing executive is well qualified. However it is interesting to note that the majority with degrees obtained those degrees in the engineering or natural sciences.

Table 4 Qualifications of marketing executives

	No.	%
Std 9 and under	—	
Matriculation	6	14
Technical diploma	2	5
Marketing/sales diploma	16	36
B – degree	10	23
M – degree	14	32
D – degree	2	5
CA(SA) or CPA	1	2

Note: Many executives had more than one qualification.

The average marketing executive in an industrial company has over ten years experience. Thirty-two (73%) of the sample were in this category (Table 5). It appears that those people are generally speaking technical people who move into sales and marketing later in their careers.

Table 5 The marketing executives experience in sales and/or marketing

	No.	%
Less than one year	2	4
2 to 5 years	6	14
6 to 10 years	4	9
More than 10 years	32	73
Total	44	100

The vast majority 36 (82%) of the marketing executives were members of the top senior management (or strategy formulating committee.) (Table 6). This is encouraging because it is essential to have the marketing people formulating strategy in a marketing orientated company.

Table 6 Is your marketing executive a member of the most senior management committee of your company

	No.	%
Yes	36	82
No	8	18
Total	44	100

The majority of marketing executives 30 (68%) are greatly involved in the production planning as well as research and design of new products. Obviously this co-operation with pro-

duction and research and development is in keeping with the marketing concept (Table 7).

Table 7 The role marketing executives play in some other functional areas of the company

	Financial policy		Production plans		Research/design of new products	
	No.	%	No.	%	No.	%
Is greatly involved	16	36	30	68	30	68
Has some involvement	18	41	8	18	10	23
Is not involved	10	23	6	14	4	9
Total	44	100	44	100	44	100

It is encouraging to note that all 44 (100%) of the companies in the sample had the correct marketing organization under the marketing concept whereby no marketing executive reports to the sales executive (Table 8). However there was some indication that the sales executive has changed his title to marketing executive without changing his role. Thus this figure could be slightly misleading.

Table 8 Does the marketing executive report to the sales executive

	No.	%
Yes	—	—
No	44	100
Total	44	100

Thirty-two (73%) of sales executives reported to the marketing executive (Table 9). Of the 12 (23%) that did not, their superior was the chief executive or the general manager. This indicates that the marketing and sales departments are separated in these organizations.

Table 9 Does the sales executive report to the marketing executive

	No.	%
Yes	32	73
No	12	27
Total	44	100

A company operating under the marketing concept should realize that the quality of the sales and marketing staff is of

utmost importance. Thirty-eight (86%) of the firms in the sample train these staff (Table 10). However 6 (14%) of the companies stated that they do no training at all and prefer to hire trained people.

Table 10 Does the company make use of training programmes for the sales and/or marketing staff

	No.	%
Yes	38	86
No	6	14
Total	44	100

The majority of companies use a number of different types of training programmes (Table 11). Company run meetings and on the job training appear to be the most popular.

Table 11 The types of training programmes provided for marketing staff

	No.	%
Company run meetings	32	73
On the job training	26	59
Special lectures by outsiders	26	59
Special marketing/sales diplomas	20	45
Short courses at universities/colleges	20	45

From Table 12 it is clear that the most important functions of the marketing executive in an industrial company includes advertising, public relations, pricing/tendering, marketing research and sales. Most industrial companies believe that warehousing and transportation are not marketing functions. This view is incorrect because physical distribution can influence customer satisfaction or dissatisfaction.

Table 12 Functions performed by marketing staff.

	No.	%
Advertising	40	91
Public relations	38	86
Promotions and shows	30	68
Sales	32	73
Recruitment of staff	28	64
Pricing/Tendering	36	82
Warehousing	10	23
Transportation	16	36
Market Research	38	86

An encouraging sign is the use of market research by the companies in the sample. The vast majority 40 (91%) made use of market research (Table 13).

Table 13 Has your company made use of any market research and/or market survey programmes

	No.	%
Yes	40	91
No	4	9
Total	44	100

Only 4 (9%) of the companies in the sample had not undertaken any market research during the last year (Table 14). This must be a sign that the majority of companies believe market research can lead to better decisions.

Table 14 How recently have you undertaken marketing research studies

	No.	%
During last year/ongoing	40	91
1 - 2 years ago	2	4
3 - 5 years ago	2	5
Total	44	100

General observations and recommendations

The role of the marketing executive and marketing department has been greatly underestimated until recently. One possible reason for this is that most of the companies have a good financial backing and some are protected industries.

Many of the companies interviewed had very efficient informal marketing intelligence systems. With a few competitors and relatively few customers, it was easy for salespersons to find out how competition was performing. The companies sales force still play a major role in the marketing function.

The 'average' industrial marketing executive:

- sits on the board of directors,
- reports to the president or chief executive,
- has a bachelors degree,
- has a limited financial role,
- has a great production planning role,
- is senior to the sales function.

Marketing thinking is not easy to introduce in an industrial environment. There is a need for a formal marketing plan which must be monitored and updated periodically. While it appears that South African industrial companies have become more marketing orientated in the last decade, what is needed is more formal marketing systems. What they need is regular marketing audits, which in turn will lead to better planning of the marketing function and better co-ordination with other functions in the business.

As a brief guideline, for the marketing concept to work in a South African industrial company, the following situation must prevail.

- (a) The chief executive must believe in the marketing concept and support it.

- (b) Not only the marketing and sales departments must understand and practice marketing, but every person in the organization should understand the concept and make it work.
- (c) Effective marketing training must be given to the staff.
- (d) A marketing information system must be established and used regularly by all members of the organization.
- (e) The formal organization should include a marketing manager with a sales manager reporting to him.
- (f) Marketing plans should be developed on an annual basis whereby set standards are monitored on a regular basis by the marketing executive.

This guideline should be a first step. It takes time to convert production and sales orientated companies into marketing orientated companies.

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