

The strategic orientation of marketing planning by franchised motor dealers: A pilot study

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A number of authors have emphasized the necessity for a strategic orientation towards organizational planning and marketing planning, particularly if firms operating under dynamic and ever-changing market conditions want to survive and prosper. Changing market conditions can offer both opportunities and threats to business firms. To achieve its goals a firm thus has to ensure that its 'strategic fit' with its environment is at an optimum to enable it to exploit opportunities and successfully overcome threats. Against this background a pilot study was undertaken to evaluate the strategic orientation of marketing planning by franchised motor dealers. The findings of this study seem to indicate that marketing planning by franchised dealers in the motor industry is not conducted in the manner suggested in the marketing literature. More specifically the findings of this study are that, with a few exceptions, respondents do not strategically plan their marketing effort, do not conduct their marketing planning in a formal, structured manner as suggested in the literature, and depend to a large extent on their manufacturers with regard to important aspects of their marketing planning. It furthermore appears as if the marketing efforts of manufacturers and respondents are not sufficiently co-ordinated and integrated.

Verskeie skrywers het reeds op die noodsaaklikheid van 'n strategiese benadering tot ondernemings- en bemarkingsbeplanning gewys indien ondernemings in 'n dinamiese en snelveranderende omgewing wil oorleef en groei. Veranderende marktoestande kan aan ondernemings beide geleenthede en bedreigings bied. Om sodanige geleenthede te kan benut en bedreigings te oorkom, moet die onderneming egter verseker dat sy strategiese posisie (strategic fit) met betrekking tot die omgewing waarin opgetree word, optimaal is. Teen dié agtergrond is 'n loodsstudie uitgevoer om die strategiese oriëntasie van die bemarkingsbeplanning van motorhandelaars te evalueer. Die bevindinge van die studie dui daarop dat die bemarkingsbeplanning wat deur handelaars uitgevoer word, nie geskied in ooreenspanning met die riglyne wat in die literatuur voorgelê word nie. Meer spesifiek is die bevindinge van die studie dat respondente, met enkele uitsonderinge, nie hul bemarkingspogings strategies beplan nie, hul beplanning nie op 'n formele, gestruktureerde wyse uitvoer nie, en in 'n groot mate op hul vervaardigers steun ten opsigte van belangrike aspekte van hul bemarkingsbeplanning. Dit blyk verder dat die bemarkingspogings van vervaardigers en respondente nie op 'n bevredigende wyse gekoördineer en geïntegreer word nie.

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Introduction

A number of authors (amongst others Van Zyl, 1984: 98; Unni, 1981: 54; Kotler, 1984: 44) have emphasized the necessity for a strategic orientation towards organizational planning and marketing planning, particularly if firms operating under dynamic and ever-changing market conditions want to survive and prosper. Changing market conditions can offer both opportunities and threats to business firms. To achieve its goals a firm thus has to ensure that its 'strategic fit' with its environment is at an optimum to enable it to exploit opportunities and successfully overcome threats.

Van Zyl (1986: 93) is of the opinion that South Africa finds herself, during the 1980s, in a period of change in many areas and surmises that the rate and nature of future changes will result in a more demanding and complicated external environment in which firms will have to operate. The South African motor industry has not escaped the influence of these changes. As one author put it, '... no industry of any kind anywhere in the

world has gone through such traumatic upheavals of boom and slump and boom as have beset the South African automotive industry in the past ten years' (Haynes, 1985: 52). The result, amongst others was, that sales figures for new vehicles in 1986 dropped to their lowest level since 1978 (According to the National Association of Automobile Manufacturers of South Africa sales during 1986 were 41,6% lower than in 1978.) Motor manufacturers alone have lost an estimated R450 million during 1985. This contributed to three overseas manufacturers withdrawing from the South African market while a further two were forced to merge their operations.

Strategic market planning involves both anticipating and responding to changes which affect the marketplace for the firm's products. Anticipation of change and its impact can be substantially improved if an organizing framework can be used to identify sources and directions of change in a systematic fashion (Abell, 1978: 21).

Against the background of a dynamic South African

motor industry and the need for both a systematic analysis of changes occurring in the external environment and proper planning, a pilot study was undertaken to evaluate the strategic orientation of marketing planning by franchised motor dealers.

The nature of strategic marketing planning

A critical analysis of marketing literature seems to indicate that complete agreement on all aspects of the process of strategic marketing planning does not exist as different concepts and conceptual models are being used. However, the fundamental aspects of the strategic marketing planning process are clear. Those that apply to franchised motor dealers are:

- (i) a definition of the firm's 'business' on which its mission should be based;
- (ii) the formulation of strategic objectives for the firm as a whole;
- (iii) continuous environmental scanning in an attempt to identify changes and possible trends that may offer opportunities to be exploited, or threats that must be overcome;
- (iv) an analysis and evaluation of possible opportunities and threats in terms of the firm's own strengths and weaknesses (a gap analysis);
- (v) the formulation of a target market strategy, positioning strategy and marketing mix that will enable the firm to achieve its objectives in the chosen target markets;
- (vi) preparing the total marketing plan in written form; and
- (vii) the periodic evaluation of the total marketing effort.

The practical execution of these steps by franchised motor dealers was empirically tested by means of a pilot study.

Methodology

This study was conducted in two phases. The first phase consisted of a literature study during which the literature on strategic planning and strategic marketing planning was analysed. Sources consulted in this regard included Pearce & Robinson (1985), Cravens (1982), Kotler (1984), Abell & Hammond (1979), Jain (1981) and Van Zyl (1984). Based on this analysis the steps of strategic marketing planning which appear to be applicable to franchised motor dealers were identified. During the second phase the practical application of these steps by franchised motor dealers was empirically tested.

A judgmental sample of 20 dealers was drawn from the Port Elizabeth metropolitan area. Personal interviews with the aid of a structured questionnaire were conducted with the dealership principal in each case. The information supplied was tabulated, and the most important findings are presented below.

The findings

Owing to the close relationship between motor manufacturers and their franchised dealers, which has been described as a '... co-operative business

relationship ...' (Ferreira, 1973: 45), dealers were regarded, for the purpose of this study, as strategic business units of the manufacturer.

If an integrated, structured and formal approach towards strategic planning is followed by dealers as suggested in the literature (amongst others Stanton, 1981: 527; Jain, 1981: 28) each business unit should plan in such a way that overall corporate performance is enhanced (Cravens, 1982: 95). Furthermore, the crucial importance of marketing perspectives in business planning requires that marketing planning and strategy be recognized as a contributor to the corporate-wide planning effort while being guided by corporate planning (Jain, 1981: 28). It therefore appears that all planning, whether at corporate, business or functional level should be integrated to eventually achieve interrelated objectives. Marketing, especially, plays an important role owing to its closeness to the market. Wind & Robertson (1983: 12) are of the opinion that marketing is uniquely able to assess consumer needs and a firm's potential for gaining competitive advantage which, ultimately, must guide the corporate mission.

From the above it appears that to ensure an integrated marketing effort, inputs from dealers (the business level) and their marketing departments (the functional level) towards the strategic planning of manufacturers (the corporate level) are required. However, Table 1 shows that only half of the respondents deliver direct inputs towards the strategic planning process of manufacturers, while 30% deliver no inputs at all. It thus appears as if complete integration of planning between respondents and their manufacturers does not exist.

A further indication of the degree of integration and coordination of strategic planning between manufacturer and dealer could be obtained by determining to what

Table 1 Dealer inputs towards strategic planning of manufacturer

| Nature of inputs | Number of respondents | % of total respondents |
|------------------|-----------------------|------------------------|
| Direct inputs | 10 | 50 |
| Indirect inputs | 4 | 20 |
| No inputs | 6 | 30 |
| Total | 20 | 100 |

Table 2 Dealer knowledge of mission of manufacturer

| Variable | Number of respondents | % of total respondents |
|--------------------------------------|-----------------------|------------------------|
| Know mission | 7 | 35 |
| Manufacturer does not have a mission | 3 | 15 |
| Aware of mission but do not know it | 2 | 10 |
| Not aware of mission | 8 | 40 |
| Total | 20 | 100 |

Table 3 Dealer knowledge of strategic objectives of manufacturer

| Variable | Number of respondents | % of total respondents |
|--|-----------------------|------------------------|
| Know all strategic objectives | 0 | 0 |
| Know all applicable strategic objectives | 5 | 25 |
| Know only certain strategic objectives | 10 | 50 |
| Aware of strategic objectives but do not know them | 5 | 25 |
| Total | 20 | 100 |

extent dealers are aware of the mission and strategic objectives of their manufacturers.

Table 2 reveals that only 35% of respondents know the mission of their manufacturer while Table 3 indicates that not one respondent knows all the strategic objectives of his manufacturer. This would seem to indicate that dealers are not completely aware of what their manufacturers wish to achieve in the marketplace and this may hamper efforts to achieve an integrated marketing approach.

According to Cravens (1982: 24) strategic business units should have their own missions and objectives. These should, ideally, be deduced from those formulated at the corporate level, that is, from the manufacturer.

According to Table 4 only 15% of respondents have formal, written mission statements formalizing the purpose of their existence and business, while 70% have no mission of any nature. All those who do have formal missions indicated that they were deduced from that of the manufacturer.

Table 4 The nature of the missions of dealers

| Nature of mission | Number of respondents | % of total respondents |
|-------------------|-----------------------|------------------------|
| Formal, written | 3 | 15 |
| Informal | 3 | 15 |
| No mission | 14 | 70 |
| Total | 20 | 100 |

A firm's [or business unit's] objectives should, according to Van Zyl (1986: 96) be deduced from the mission and serve as a guideline of what must be done to realize the mission. When formulating his own objectives, a dealer should not only keep in mind his own mission, but also the mission and strategic objectives of the manufacturer.

All respondents indicated that they do have objectives. Table 5 reveals that the most important objective which respondents strive to achieve is the profit motive (70%). This finding is in accordance with the findings of Bosch & Du Plessis (1982) who, in a study

Table 5 The nature of the objectives of dealers^a

| Objective | Number of respondents | % of total respondents |
|--|-----------------------|------------------------|
| Profit motive | 14 | 70 |
| Maximum sales volumes | 10 | 50 |
| Optimal consumer satisfaction | 9 | 45 |
| To market high quality product/service | 6 | 30 |
| To be market leader in particular geographic market | 5 | 25 |
| Optimal staff relations | 2 | 10 |
| To maintain presence in particular geographic market | 2 | 10 |
| Contribute optimally to achieving objectives of manufacturer | 2 | 10 |

^a Respondents identified more than one objective. Percentages calculated are based on the number of responses expressed as a percentage of the total sample (20) and will not necessarily add to 100%

of the goal structure of firms listed on the Johannesburg Stock Exchange concluded '... the results of this survey clearly support the major hypothesis underlying this study — the validity of the wealth maximization objective — which appears to be applicable for the majority of firms which participated in this survey'. Only 10% indicated that one of their objectives is to help make a contribution towards the achievement of the objectives of their manufacturer, which could have an adverse effect on efforts to establish an integrated marketing effort.

According to Jain (1981: 67) an organization is a creature of its environment. Its very survival and all of its perspectives/resources, problems, and opportunities are generated and conditioned by the environment. It is thus important for an organization to monitor the relevant changes taking place in the environment surrounding the organization and to plan to adapt to these changes. However, not one of the respondents interviewed had a formal environmental scanning programme, although they all indicated that they analyse the external environment on an informal basis. The most important sources of information used for this purpose are the research reports issued by the manufacturer (30%), published information including business journals (30%) and information provided by the National Association of Automobile Manufacturers of South Africa, NAAMSA, (25%).

The external environment is analysed with the intention of identifying the opportunities and threats that result from the occurrence of changes and trends (Van Zyl, 1986: 97). The firm's strengths and weaknesses must then be matched with these opportunities and threats before future actions are planned (Ansoff, 1984: 38).

The most important opportunities and threats identified by respondents are shown in Tables 6 and 7.

Table 6 reveals that despite the negative influence of

Table 6 The most important opportunities identified by dealers^a

| Opportunity | Number of respondents | % of total respondents |
|--------------------------------------|-----------------------|------------------------|
| Increased demand for used vehicles | 9 | 45 |
| Increased demand for repair services | 6 | 30 |
| Increased demand for spare parts | 2 | 10 |

^a Only the opportunities identified by more than one respondent are indicated. Percentages calculated are based on the number of responses expressed as a percentage of the total sample (20) and will not necessarily add to 100%

Table 7 The most important threats identified by dealers^a

| Threat | Number of respondents | % of total respondents |
|-----------------------------------|-----------------------|------------------------|
| Competition | 18 | 90 |
| Consumer boycotts | 7 | 35 |
| Inflation | 6 | 30 |
| Disinvestment/sanctions | 6 | 30 |
| Poor economic conditions | 6 | 30 |
| Political instability | 5 | 25 |
| Social threats, e.g. unemployment | 4 | 20 |

^a Only the threats identified by more than one respondent are indicated. Percentages calculated are based on the number of responses expressed as a percentage of the total sample (20) and will not necessarily add to 100%

poor economic conditions on the sales of new vehicles, dealers can recoup some of their losses from the increased demand for the other products/services they offer. The increased demand for used vehicles was identified by 45% of respondents as an opportunity which could be utilized.

Table 7 shows that the most important threat respondents face is competition. However, not one of the respondents indicated that they analyse the opportunities and threats presented by the external

Table 8 The most important strengths identified by dealers^a

| Strengths | Number of respondents | % of total respondents |
|-------------------------------------|-----------------------|------------------------|
| Able, loyal personnel | 8 | 40 |
| Marketing high quality product | 7 | 35 |
| Favourable reputation | 6 | 30 |
| High level of consumer satisfaction | 5 | 25 |

^a Only the strengths identified by more than one respondent are indicated. Percentages calculated are based on the number of responses expressed as a percentage of the total sample (20) and will not necessarily add to 100%

environment on a formal, structured or systematic basis.

Table 8 reveals that the strength identified by most respondents (40%) was the ability and loyalty of their personnel. It is disturbing to note that only 25% of respondents regarded the degree to which they satisfied consumer requirements as a strength, despite the fact that 45% of them identified optimal consumer satisfaction as an objective they attempt to realize (see Table 5).

Strategic marketing is a dynamic process which requires that a firm's strengths and weaknesses are matched with opportunities and threats in the external environment, on a continuous basis, and the failure to do so could have a detrimental influence on any firm's future survival and growth prospects.

Table 9 reveals that three of the four most serious weaknesses identified by respondents involve their repair service department. This appears to be an acknowledgement and confirmation of the findings of a number of studies that found that franchised dealers do not fully satisfy market requirements with regard to repair services, a function performed significantly better by so-called independent workshops (see amongst others Richardson & Fogg, 1970; and Boshoff, 1986).

Table 9 The most important weaknesses identified by dealers^a

| Weaknesses | Number of respondents | % of total respondents |
|--|-----------------------|------------------------|
| Insufficient parking facilities | 5 | 25 |
| Poor coordination between sales and repair service departments | 5 | 25 |
| Poor communication between customers and repair service department | 5 | 25 |
| Poor repair service performance | 4 | 20 |

^a Only the weaknesses identified by more than one respondent are indicated. Percentages calculated are based on the number of responses expressed as a percentage of the total sample (20) and will not necessarily add to 100%

Normally no firm can, according to Kotler (1984: 250), serve all the customers in a market. It should therefore identify the most attractive parts of the market that it could serve effectively, instead of competing everywhere, often against superior odds. All respondents indicated that they did segment the market for vehicles. Seventy per cent of respondents, however, attempt to satisfy the requirements of all market segments — a strategy Kotler (1984: 65–66) describes as full coverage. This gives an indication of the degree to which manufacturers offer full product ranges. With regard to repair services, 55% of respondents indicated that they segment the market and that the most important target market consist of those customers who initially bought their vehicle from them.

The choice of a target market should, according to

Kotler (1984: 66) be followed up by a decision as to how the firm should be positioned in such a market, especially in relation to its competitors.

Only 25% of respondents could satisfactorily describe the concept positioning. However, it transpired that 65% of respondents carried out positioning activities in an informal manner. The approaches used to facilitate positioning are shown in Table 10. The majority of those who actively attempt to position their firms in the marketplace, employ marketing communication for this purpose. More than a third of the respondents (35%) do not attempt positioning of any nature.

Table 10 Methods employed for positioning purposes by dealers^a

| Positioning methods | Number of respondents | % of total respondents |
|-------------------------|-----------------------|------------------------|
| Marketing communication | 8 | 40 |
| Product characteristics | 5 | 25 |
| Consumer satisfaction | 2 | 10 |
| Reputation | 1 | 5 |
| No positioning | 7 | 35 |

^a Some respondents use more than one approach to position their firms in the marketplace. Percentages calculated are based on the number of responses expressed as a percentage of the total sample (20) and will not necessarily add to 100%

The required consumer perception and market position can be achieved by, amongst others, the formulation and implementation of an effective marketing programme or marketing mix (Jain, 1981: 257; Cravens, 1982: 209). The marketing programme should be aimed at meeting the needs of customers in the target market and achieving the firm's marketing objectives (Cravens, 1982: 197).

The nature of the four marketing mix strategies as employed by respondents are shown in Table 11, which reveals that with the exception of price strategies, the majority of respondents do not have formal, written marketing mix strategies. The high incidence of formal pricing strategies is an indication of the degree to which the manufacturer regulates this aspect and is also the explanation for the total lack of distribution strategies.

Table 11 The nature of the marketing mix strategies of dealers

| Strategy | Nature of strategy | | | Total |
|--------------|--------------------|----------|-------------|-------|
| | Formal | Informal | No Strategy | |
| Product | 3 | 7 | 10 | 20 |
| Distribution | 0 | 0 | 20 | 20 |
| Price | 12 | 4 | 4 | 20 |
| Promotion | 7 | 8 | 5 | 20 |

Table 12 Periodic marketing audits by dealers

| Time period | Number of respondents | % of total respondents |
|--------------------|-----------------------|------------------------|
| 1 month | 8 | 40 |
| 3 months | 8 | 40 |
| 6 months | 1 | 5 |
| 1 year | 2 | 10 |
| No marketing audit | 1 | 5 |
| Total | 20 | 100 |

The latter is strictly controlled by the franchise agreement and leaves very little scope for the dealer.

The different components of the marketing mix must be co-ordinated and integrated as each component on its own is of little use separately (Lucas, de Coning, Marx & Oosthuizen, 1979: 292). The instrument used to co-ordinate and integrate the different components is the marketing plan (van Zyl, 1986: 99). It is essential that all marketing mix strategies are combined in a formal, written document as the formulation of these strategies in a dynamic environment cannot be conducted on a trial-and-error basis. All relevant factors and influences must be taken into account to ensure that resource allocation is executed in the most effective way (van Zyl, 1986: 98). However, 55% of respondents indicated that they do not have written marketing plans.

In the last instance the marketing effort should be evaluated. All but one of the respondents indicated that they do conduct periodic marketing audits. The periods that lapse between their occurrence are indicated in Table 12.

Table 12 reveals that 40% of respondents conduct a marketing audit every month, while a further 40% do so every three months.

Conclusions

This pilot study has shown that with a few exceptions the respondents

- do not strategically plan their marketing effort;
- do not conduct their marketing planning in a formal, structured manner as suggested in the literature; and
- depend to a large extent on their manufacturers with regard to important aspects of their marketing planning.

It furthermore appears as if the marketing efforts of manufacturers and respondents are not sufficiently co-ordinated and integrated.

Limitations of this pilot study

The objective of this study was to test a possible approach of analysing strategic marketing planning at retail level in the motor industry. As a pilot study it is however subject to a number of limitations — it is a pilot study and not an exhaustive one. More specifically the limitations of this study are:

- not all aspects of strategic planning and strategic marketing planning could be addressed;

- no sophisticated statistical analysis to enhance deductions and conclusions was attempted;
- the sample size was limited to 20 respondents;
- no motor manufacturers were involved; and
- the size and geographical location of dealerships could have influenced responses.

Managerial implications and recommendations

Although this study is not an exhaustive one the results obtained can serve as guidelines for strategic marketing planning by franchised motor dealers. It also points to a need for further research work in the motor industry, particularly at the retail level.

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