The Impact of Marketing on Competitiveness: The Manufacturing Industry in Guadalajara, Mexico

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EXECUTIVE SUMMARY

Marketing is a social and managerial process in which a group or individuals get what they need by generating offerings and exchanging products and services of similar value. Marketing involves strategies of purchasing techniques, market research and market positioning. Therefore, marketing is the approach in which market and commerce are managed in an organization. The perspective of this research is to get a better understanding of SMEs' marketing techniques used by manufacturers in Guadalajara and how the impact of competitiveness is more effective in the market.

Keywords: Marketing, Competitiveness, SMEs.

INTRODUCTION

Arriaga, Avalos and De la Torre (2012) state that the concept of putting together a marketing mix was developed by Neil Borden in 1964 and that it is based on Culliton's work in 1948, who developed a list of elements from which 4 of them are taken: product, price, place and promotion. This concept was attributed to McCarthy in 1960.

A unique combination of product, price, place and promotions in a determined manner allows industries to compete in a more effective way and this guarantees more profitability and sustainability, Barney (1991) comments that the elements of marketing mix provide a unique value to the customer or give an accurate reason for purchase by buyers. The simplicity and concept of the marketing mix has gotten the attention from SME executives who have started to use marketing mix as a fundamental strategy in their organizations.

Therefore, this study examines how the marketing function affects or influences the competitiveness of enterprises.

LITERATURE REVIEW

Marketing involves products and, according Lamb, Hair and McDaniel (2011), products consist of all that is favorable or adverse that a person receives in an exchange and can be tangible or intangible. On the other hand, Muniz (2012) states that products are a group of tangible characteristics and attributes with physical attributes, shape, size or color, or intangible with ethereal attributes, brand, services, corporate image. The marketing mix is directly related to the enterprise performance,

according to Vorhies and Bush (2011), where the efforts of entrepreneurial people pursue the use of marketing mix to obtain a sustainable competitive advantage.

Figure 1. Theoretical model to analyze the effects of Social Responsibility on competitiveness
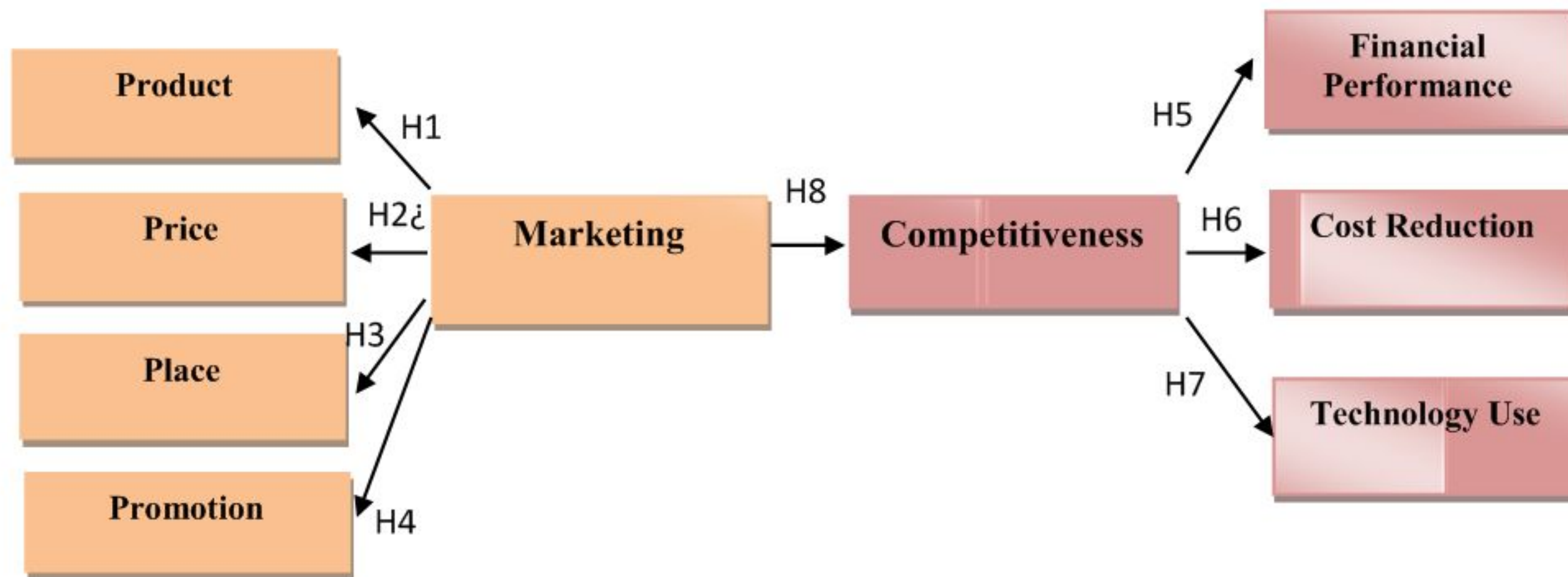
Source: own material

One element of a marketing mix, Price, has both values for the producer and the consumer, for the consumer it is an expense and for the producer it is an income and this makes Price the most complex item in marketing tasks, (González, Gaytán, Sánchez, & Pérez, 2011). Berger, Dragnaska and Simons (2007) claim that effectiveness is achieved by increasing the probability of buying and building equity through activities of the product, which relate to innovations, changes and improvements in form and quality.

According to Gonzalez et al. (2011), Place is a complex exchange and can be defined as the group of interdependent organizations involved in placing a product or service in disposition to users or consumers. Furthermore, Stern and El-Ansary (1992) and Gonzalez (2011) state that the exchange can be in three ways: restricted, generalized and complex. Peñaloza (2005) explains that the Place management element has acquired enormous importance providing substantial and measurable benefits to the buyer in the transaction value.

Finally, Promotion integrates the strategies to keep target clients from the goods or services offered, thus getting a competitive advantage. The objectives of Promotion are very simple; informing, persuading and reminding customers about a good or product, Sales promotion can be defined as: techniques and devices commonly used temporarily so that goods and services attract more distributors or customers by providing any additional benefit induction or expectations of a benefit, in kind (nature) and/or services, either immediately or at a later time, either freely or conditionally (Zebra & Batul,2012).

In conclusion, after reviewing the definitions given by experts, we can say that marketing is the group of activities that create, communicate, offer and deliver value to clients and society in general and its result is beneficial for both clients and businesses. Marketing mix helps enterprises or organizations achieve their established objectives and satisfy the needs of their clients or markets by developing their own and customized marketing strategies.

COMPETITIVENESS

Competitiveness is not a well-defined concept because it has not set limits. The operative definition of competitiveness depends on the analysis point of reference (nation, sector or enterprise,) also the analyzed product (chain f production, stages of production, basic needs) and the objective of investigation (short-long term, market operation) (Pineiro, 1993).

Kay (1993) describes business competitiveness as a function of four different factors. The first is the capability for innovation. Second are the external and internal relationships. The third one is reputation. And the last one is strategy. In this context, competitiveness has widened to take into count the principal tangible and intangible resources that provide a competitive edge (Hamel & Prahalad, 1989). Furthermore, competitiveness has to have those factors to obtain more capabilities from their own companies (dynamics such as flexibility, adaptability quality and commercialization [Barney, 1991]) given that competitiveness is the capability of businesses to design, generate and commercialize products of superior quality in comparison to competitors always having the price as a main factor (D'Cruz & Rugman, 1992).

METHODOLOGY

The surveys were applied in 450 SMEs manufacturers in Guadalajara, Mexico, from March to July 2013. There were 450 surveys taken and the number of employees was from 11 to 250. Simple random sampling was used and the universe was 2847 SMEs.

There are eight hypotheses that contribute to this research:

H1: Better product development, better market effect.
H2: Better price, better market effect.
H3: Better place strategy, better the effect on the market.
H4: Better promotion strategy, the better impact on the market.
H5: Higher financial performance level, better business competitiveness level.
H6: Higher cost reduction level, better business competitiveness level.
H7: Higher technology use level, better business competitiveness level.
H8: Better marketing strategy, better business competitiveness level.

About development standards, marketing was measured taking into account the four basic elements that compose it, based on Vorhies and Bush (2011), Berger, Dragnaska and Simons (2007), González, Gaytán, Sánchez, and Pérez (2011) and Zebra and Batul (2012). Competitiveness was measured on three items and was adapted from Barney (1991), John Kay (1993), Pineiro (1993), D'Cruz and Rugman (1992) and Hamel and Prahalad (1989). All items used were based on a Likert scale of 5 positions with 1= absolutely disagree and 5= absolutely agree as limits

Confirmatory Factor Analysis (CFA) with maximum likelihood method, was used to measure the reliability and validation of the level of intellectual capital and business competitiveness through software EQS 6.2, Bentler, (2005), Brown (2006) and Byrne (2006).

ANALYSIS AND DISCUSSION

Chart 1 shows Cronbach's alpha and the CRI exceed the value 0.70 recommended by Nunally and Bernstein (1994), and the variance extracted index (VEI) was calculated for the variables of the model, resulting in a higher value of 0.50 (Fornell & Larcker, 1981). For evidence of convergent validity, the results with the CFA, indicated that all items related factors are significant (p <0.001) and the size of all standardized factor loadings are greater than 0.60 (Bagozzi & Yi, 1988).

Chart 1. Internal consistency and convergent validity of the theoretical model

Variable	Indicator	Load factor	Robust Value t	Cronbach Alpha	CRI	VEI
Product	MPP7	0.611 *	1,000 *	0.752	**0.776**	**0.505**
	MPP8	0.610 *	12.378			
	MPP9	0.642 *	13.235			
	MPP10	0.681 *	11.901			
	MPP13	0.652 *	10.118			
Price	MPR1	0.682 *	1,000 *	0.706	**0.706**	**0.535**
	MPR3	0.637 *	10.866			
Place	MPL1	0.608 *	1,000 *	0.868	**0.872**	**0.507**
	MPL2	0.639 *	15.741			
	MPL3	0.644 *	14.901			
	MPL4	0.625 *	13.786			
	MPL5	0.637 *	14.306			
	MPL6	0.600 *	15.099			
	MPL7	0.641 *	13.242			
	MPL9	0.647 *	15.342			
	MPL10	0.684 *	15.36			
	MPL11	0.650 *	12.705			
Promotion	MPO1	0.691 *	1,000 *	0.889	**0.890**	**0.502**
	MPO2	0.688 *	19.866			
	MPO3	0.709 *	16.455			
	MPO4	0.751 *	19.036			
	MPO5	0,738 *	19.421			
	MPO6	0.670 *	16.95			
	MPO7	0.740 *	19.524			
	MPO8	0.678 *	18.37			
Performance	FP1	0.672 *	1,000 *	0.815	**0.844**	**0.521**
	FP2	0.762 *	16.874			
	FP3	0.749 *	15.746			
	FP4	0.707 *	14.083			
	FP5	0.714 *	11.109			
Costs	PC2	0.603 *	1,000 *	0.732	**0.733**	**0.507**
	PC3	0.625 *	10.128			
	PC4	0.688 *	10.652			
	PC5	0.634 *	10.003			
Technology	ST1	0.754 *	1,000 *	0.885	**0.885**	**0.539**
	ST2	0.764 *	21.569			
	TE3	0.760 *	22.081			
	TE4	0.751 *	21.255			
	TE5	0.695 *	17.699			
	RE6	0.768 *	21.255			

S BX^2 (df = 1321) = 1907.8820 (p < 0.0000); NFI =.838; NNFI =.938 CFI =.943; RMSEA =.031

* = Parameters in the identification process

Chart 2 shows the measurement provided in two ways. The first presents the estimate of the correlation factors with a confidence interval of 90% (Anderson & Gerbing, 1988). Second, the extracted variance between the pair of constructs must be greater than the variance extracted index (VEI) (Fornell & Larcker, 1981).

Chart 2. Discriminant Validity of the Theoretical Model Measurement

Variables	Product	Price	Place	Promotion	Financial performance	Costs	Technology
Product	**0.505**	0.507	0.443	0.370	0.322	0.128	0.400
Price	0.379, 0.635	**0.535**	0.274	0.274	0.328	0.132	0.179
Place	0.323, 0.563	0.166, 0.382	**0.507**	0.605	0.356	0.142	0.568
Promotion	0.258, 0,482	0.160, 0.388	0.457, 0.753	**0.502**	0.400	0.160	0.564
Financial performance	0.224, 0.420	0.222, 0.434	0.250, 0.462	0.286, 0.514	**0.521**	0.226	0.756
Costs	0.150, 0.206	0.040, 0.224	0.056, 0.228	0.066, 0.254	0.126, 0.326	**0.507**	0.701
Technology	0.278, 0.522	0.059, 0.299	0.422, 0.714	0.416, 0.712	0.590, 0.922	0.539, 0.863	**0.539**

*These values present the estimation between correlation factors with a confidence interval of 90%.

The hypotheses were tested in the theoretical model of competitiveness and business social responsibility using the Structural Equations Model (SEM) software EQS 6.1 (Bentler, 2005; Byrne, 2006; Brown, 2006).

Chart 3. Results from the Theoretical Model Marketing and Competitiveness

Hypothesis	Structural Relationship	Standardized Coefficient	Robust T Value
H1: Better product development, better market effect.	Product → marketing strategy	0.260***	9.398
H2: Better price, better market effect.	Price → marketing strategy	0.274***	10.866
H3: Better place strategy better the effect on the market.	Place→ marketing strategy	0.297***	11.514
H4: Better promotion strategy, better impact on the market.	Promotion → marketing strategy	0.334***	16.202
H5: Higher financial performance level, better business competitiveness.	Financial performance → Competitiveness	0.115***	14.453
H6: Higher cost reduction level, better business competitiveness.	Cost → Competitiveness	0.105***	10.261
H7: Higher technology use, better business competitiveness.	Technology → Competitiveness	0.153***	20.771
H8: Better marketing mix strategy, better business competitiveness level.	Marketing strategy → Competitiveness	0.417***	15.172
S BX2 (df = 1305) = 1884.773; p < 0.000; NFI = 0.840; NNFI = 0.938; CFI = 0.944; RMSEA = 0.031			

*** = p < 0.001

Chart 3 shows the results obtained from the Structural Equations Model. In regards to **H1,** the results obtained, $\beta = 0.260$, $p < 0.001$, indicates that the Product has significant effect on the marketing strategy. For hypothesis **H2**, the results obtained, $\beta = 0.274$, $p < 0.001$, suggest that Price also has significant effect on marketing strategy. In hypothesis **H3,** the results obtained, $\beta = 0.297$, $p < 0.001$, suggest that Place has significant effect on the market strategy in manufacturing firms. In hypothesis **H4,** the results obtained, $\beta = 0.334$, $p < 0.001$, suggest that Promotion has significant impact on the marketing strategy in SMEs.

Also, with respect to hypothesis **H5, H6 and H7,** it is indicated that financial performance, cost reduction and technology use also have significant effect on business competitiveness. Finally, the results obtained on hypothesis **H8**, $\beta = 0.417$, $p < 0.001$, present that marketing strategy has very significant impact on SME competitiveness.

LIMITATIONS

A major limitation is that the questionnaire was applied to managers or the CEO and therefore the results might be different if considered at other levels in the organization. Therefore, it is recommended for future studies that the study include the opinions of customers and suppliers, in order to obtain results with a larger objective.

Finally, according to the results, for manufacturing SMEs, considering implementing appropriate marketing strategies to improve competitiveness, such as Place, Product, Price and Promotion in order to increase their market share.

CONCLUSIONS

This research shows that in the context of SME manufacturing in Guadalajara, there is a broad correlation between marketing variables from competitiveness levels, as the results show a consistency between the Product, Price, Place and Promotion with financial performance, costs and technology.

However it is important to mention that within these variables, there are elements that are not considered, such as the identity or brand of their products, development of new product lines or services and new product introduction, which directly affects competitiveness.

Regarding Price, SMEs believe that prices should be lower with respect to competition and therefore a discount policy is applied for early payment.

Finally, in terms of Place, there is ongoing communication with distributors, so this activity affects their performance.

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