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# Business Owners' Preferences in Marketing Practices and their Impact on Firm Performance

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## Abstract

This short paper is the extended part of Ghouri, et al. (2011) study. This paper presents the finding about the owners of restaurant and catering businesses marketing practices. This study showed their mindset about the marketing practices. The findings suggest that owners of restaurants and catering businesses practicing advertising and pricing better as compare to overall results of previous study Ghouri et al. (2011). As owner are the whole and soul of the business and can visualize the business and its activities from the top, so he/ she taking right decision regarding advertising and pricing activities of marketing. Overall marketing practices as perspective of owners are very influential on performance which indicated the owners' will and believe about the marketing practices.

## 1. Introduction

This paper is extended version of the Ghouri et al. (2011), in which marketing practices impact tested on the performance of restaurant and catering businesses. As marketing can be called life blood of any business as it support entity to visible and generate revenue, on the other hand, majority of Pakistan's small and medium enterprises owners involve in marketing decisions directly or indirectly. So this study is attempt to test the restaurant and catering owners marketing practices effectiveness as most of the restaurant and catering businesses operated under small and medium enterprises caterogy.

Owner's role is ultimate in small and medium enterprises, as they involve in every aspect or dimension of business. They taking care extensively of the business as they taking the maximum benefits from it. But Robinson & Pearce (1984) exhibited in their study that most small and medium sized enterprises (SMEs) do not engage in strategic planning. Another study of Mazzarol (2004) showed the similar statement that SME owner-managers have been accused of being "strategically myopic" and lacking the "long-term vision as to where their company is headed. The result of neglecting strategic planning, SMEs may not achieve their full performance and growth potentials, and their survival could be placed at risk (Berry, 1998). The main reason of strategic lacking is SMEs tend to orientate towards short-term operational rather than long-term strategic issues, and decision-making tends to be reactive rather than proactive (Stonehouse & Pemberton, 2002).

The De Clercq et al., (2006) elaborated the effective owner help the companies in which they invest formulate strategy, develop the professionalization of the firm and transfer reputational assets, network resources, and other intangible assets. He/ she can add value by participating in a wide range of activities from formulating firm strategy to assisting in the execution of that strategy (Fitza, et al., 2009) and shaping the strategy according to the situation and market (Fried, et al. 1998) e.g marketing strategy. Hellmann &

Puri (2002) illustrated that owner can disciplining and controlling the aspects which can be beneficial for the business by their experiences / knowledge / skill (s).

Top management (owner) is and should be involved in providing the guidance, inspiration, encouragement, and control of the firm's marketing and non marketing efforts (Wind, 1981). Furthermore author added that top management plays a critical role in the design and implementation of the firm's marketing efforts by setting the objectives, rewards, and resources within which the marketing strategies of the firm are being undertaken efforts, and marketing provide essential input in firm's overall strategies. (Wind, 1981). This literature shows that owner input in marketing aspect is critical for its survival and competency.

As marketing is the pivotal part of any business so as per Wind (1981) marketing provides essential inputs to the firm's overall strategies influence on its reputation, retention and attracting the customer and profitability. As Wind further elaborated that top management must coordinate the marketing component with the other functions in preparing the marketing plan, which strongly influence the corporate/ business strategies to achieving financial objectives. Marketing strategy or practices can commonly defined as a strategy or practice employed by a firm to attain its marketing objectives, which in turn is related to the achievement of the firm's business objectives (Haron & Azmi, 2005)? Marketing practices such as, commercial relationship Kotler (1984), segmentation (Lee and Sally, 2010), technology use (Zheng, et al., 2011), supply chain management (Trentin, 2011), advertising (Sheinin, et. al., 2011) , pricing (Yuan and Han, 2011), and public relations (Curri-Memeti, 2011) sway the nature, level, or timing of demand to conform to the firm's production constrain (Wind, 1981).

## **2. Research questions**

The present study prepares to answer the following questions as perspective to the owners of restaurant and catering businesses:

1. Commercial relationship, segmentation, technology, supply chain, advertising, pricing, and public relation practices of firms owners are positively linked to firm performance.
2. Marketing practices of firms owners of restaurants and caterers business associated positively to firm performance.

## **3. The research framework**

After cautious deliberation over literature review, seven factors of marketing practices and five factors of which represent the performance of the firm are selected for assessment, which find significant in literature review for restaurant and catering businesses perspective.

Seven independent variables of marketing practices are which are examine are: commercial relationship, segmentation, technology use, supply chain management, advertising, pricing, and public relations. Likewise, the dependent variable is performance in terms of ROI (return on investment), sales, goodwill, employee turnover/ satisfaction, quality shown in figure 1.

Based on research framework & variables following hypotheses are derived and develop for the study.

- H1: Commercial relationship practice is associated positively to firm performance.
- H2: Segmentation practice is associated positively to firm performance.
- H3: Technology use practice is associated positively to firm performance.
- H4: Supply chain management practice is associated positively to firm performance.
- H5: Advertising practice is associated positively to firm performance.
- H6: Pricing practice is associated positively to firm performance.
- H7: Public relation practice is associated positively to firm performance.
- H8: Marketing practices of restaurants and caterers business associated positively to firm performance.

## **4. Methodology**

The random sample technique employed to gather the responses from the seven main areas of businesses which covered in process of collecting the data. Since the survey was self-administered and this study is extended version of Ghouri et al. (2011) in which 124 (98%) questionnaires were completed filled out of

126 and 101 (81%) questionnaires were found appropriate to further analyze in appropriate tools. In 101 valid questionnaires, the 45 (45.55%) responses were from the owners of the restaurant and catering businesses. In initial phase survey questionnaire was developed in English and further it translated into Urdu. The survey questionnaire consists on three sections (1. demographic information, 2. independent variables and 3. dependent variable). The Cronbach's alpha (Sekaran, 2005) of the instrument is 0.68 which is acceptable for a employed tool. For the data analysis, statistical package for social sciences (SPSS) version 14 use with the operating system of Windows XP. Hypothesis one tested by using correlation analysis while hypothesis two tested by regression analysis which used to test the impact of the marketing practices on firm performance by the perspective of owners of the restaurant and catering businesses.

## 5. Results and analysis

Pearson correlation applied to find the relationship between the marketing practices and performance of the restaurant and catering businesses. The Table 5.1 showed the negative relationship between performance and commercial relationship (-.145,  $p=.000$ ), hence the hypothesis 1 is rejected. In the segmentation, it also had negative relationship (-.521  $p=.000$ ) with performance which enforced to reject the hypothesis 2. Technology use (-.386,  $p=.000$ ) also found negatively related to performance, therefore the hypothesis 3 is rejected. In perspective of supply chain management (-.267,  $p=.000$ ) variable, it also originated negatively related to performance, so hypothesis 4 is rejected. Although advertising (.092,  $p=.087$ ) result are positively related to performance and respective hypothesis 5 is accepted. The pricing (.001,  $p=.000$ ) variable also positively related to the performance, thus the hypothesis 6 is accepted. Last variable public relation (-.279,  $p=.000$ ) discovered negatively related and consequently hypothesis 7 is rejected.

Multiple regression applied to examine the hypothesis 8, which explained the seven variables (commercial relationship, segmentation, technology use, supply chain management, advertising, pricing and public relation) effect explained in the firm performance of restaurant and catering businesses. The table 5.2 indicated the coefficients ( $R$ ) of the seven independent variables are .573 firm performance of restaurant and catering businesses. The R square remains .256 and adjusted R square is .212. The value of F stays at 9.56 at ( $p < .05$ ). Result showed that 21.2 percent of the variance in performance of firm has been significantly explained by the seven factors of marketing activities. Therefore the results supported the hypothesis 8 claim that marketing practices of restaurants and caterers business associated positively to firm performance.

## 6. Conclusion

This study finding is almost similar as the previous study of Ghouri et al (2011) which also conducted in perspective of businesses of restaurant and catering. The difference of result ensued in the pricing practice of owners of restaurant and catering businesses. This study showed that owners of restaurant and catering businesses practicing advertising and pricing better as compare to overall results of previous study Ghouri et al. (2011). As owner are the whole and soul of the business and can visualize the business and its activities from the top, so he/ she taking right decision regarding advertising and pricing activities of marketing. Overall marketing practices as perspective of owners are very influential on performance which indicated the owners' will and believe about the marketing practices.

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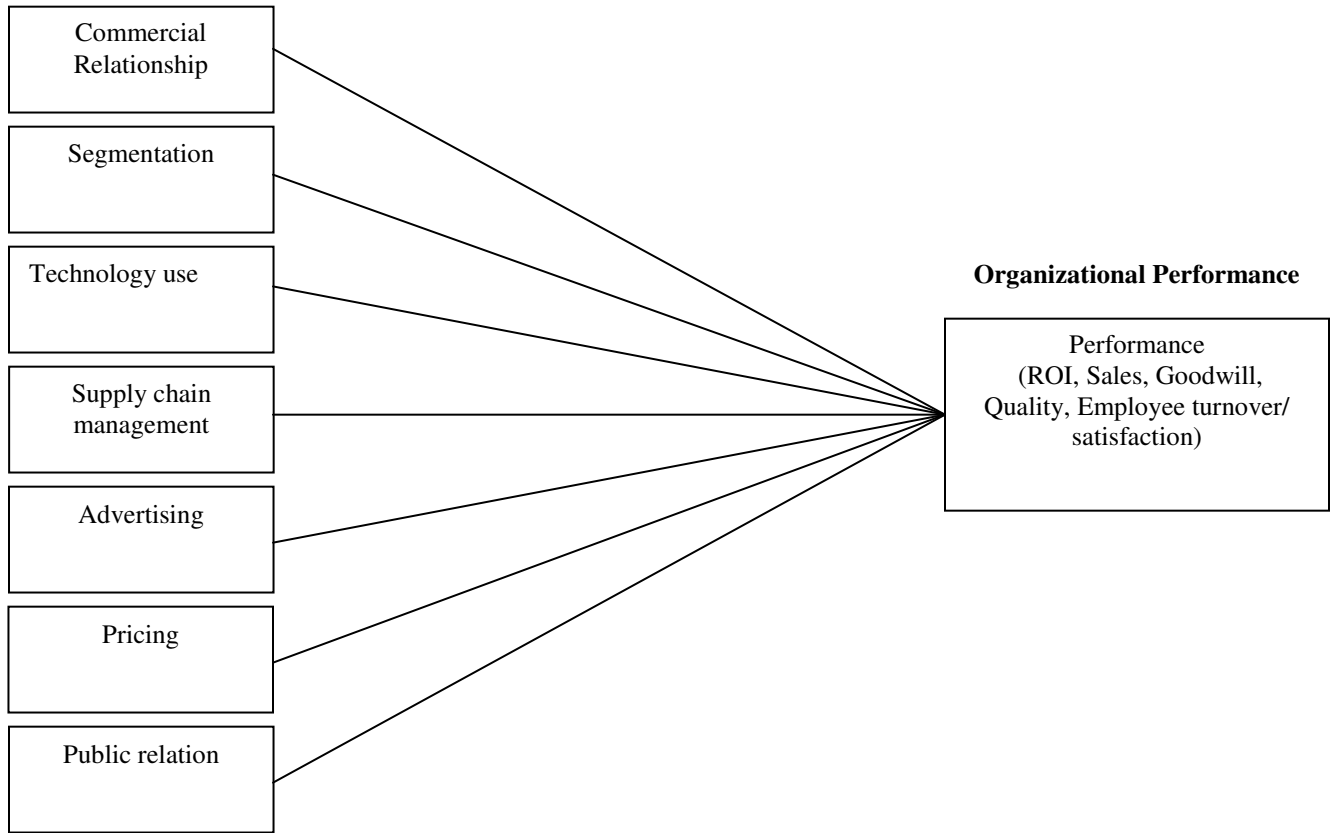
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Figure: 1

**Marketing Practices**



Source: Ghouri et al. (2011)

Table 5.1 - Correlations Matrix (n = 45)

Activities.....	1	2	3	4	5	6	7	
Commercial relationship	1							
Segmentation	.356*** p=.000	1						
Technology use	.511*** p=.000	.567*** p=.000	1					
Supply chain management	.289*** p=.000	-.299*** p=.000	.389*** p=.000	1				
Advertising	-.290*** p=.000	.291*** p=.043	.725*** p=.000	-.572*** p=.008	1			
Pricing	.476*** p=.000	.409*** p=.000	.367*** p=.000	.425*** p=.000	.631*** p=.000	1		
Public relation	.173*** p=.000	-.187*** p=.000	-.345*** p=.000	.541*** p=.000	.243*** p=.000	.189*** p=.000	1	
Performance	-.145*** p=.000	-.521*** p=.000	-.386*** p=.000	-.267*** p=.000	.092*** p=.087	.001*** p=.000	-.279*** p=.000	1

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

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

Table 5.2 - *Multiplly regression analysis:*

<i>Overall Influences of marketing practices on firm performance</i>	<i>R square</i>	<i>Adjusted R square</i>	<i>Std. error of the estimates</i>	<i>F</i>	<i>Sig.</i>
.573	.256	.212	1.0613	9.56	.000