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Abstract

The proposed study sought to establish the effect of strategic marketing on performance pharmaceutical companies in Nairobi Metropolitan. The specific objectives of this study were to evaluate the influence of innovation orientation and positioning strategic marketing on performance pharmaceutical companies in Nairobi metropolitan. The study was conducted from May 2021 to July 2021. The target population of this study was sixty-two (62) pharmaceutical firms which have branch or headquarters within Nairobi Metropolitan. The study adopted census technique and used to target all sixty-two (62) firms while purposive sampling techniques was used to sample two (2) respondents in each pharmaceutical firm comprising of strategic and marketing managers making a total of one hundred and twenty-six (124) as sample size. The research used semi-structured questionnaire to collect qualitative and quantitative data. Qualitative and quantitative data was collected where quantitative data was coded in the SPSS (Version 22). Data was presented using frequency tables and figures. Inferential statistics was used to establish relationship between strategic marketing and organizational performance. The study found that effect of innovation orientation and positioning strategic marketing enhances performance of pharmaceutical companies. Marketing mix has been embraced by retail stores in the pharmaceutical sector to assist them enhance their performance and acquire market share. Firms should consider selling pharmaceutical products in a proper manner, as well as offering relevant products to the public, in order to increase sales and market share. Managers should closely monitor the initiatives and address any challenges that arise because of them for pharmaceutical enterprises to remain competitive. Pharmaceutical companies should seek out new partners to form partnerships with in order to achieve long-term success. Pharmaceutical companies should think about expanding into new markets using their core strengths.

Keywords: *strategic marketing, innovation orientation, pharmaceutical companies, Nairobi Metropolitan*

1.1 Introduction

The business today is enormously more dynamic. Henceforth, businesses not only need to increase their profit to thrive in the market but also need to please their customers and continue to expand on it (Li, Kinman, Duan & Edwards, 2017). Flexibility and adaptability have become core management concepts for the creation of competitive strategic marketing, and successful businesses apply them to modern organizational strategies that contradict many traditional organizational principles and their management. These techniques include a decentralized and sensitive work organization focused not only on cooperative relationships within the company but also on consumer, supplier, and competitor relationships (Morgan, Clark & Gooner, 2017).

Globally, the pharmaceutical industry is expanding and becoming highly competitive at a growing pace. As such, certain tactics must be embraced by each company that will allow it to have a competitive advantage over others (Holliman & Rowley, 2017). Many companies continue to explore profitable ways to distinguish themselves from rivals as rivalry intensifies. Strategies are at the ends and these ends apply to the organization's intent and goals (Morgan, Clark & Gooner, 2017). They are the things that companies do the paths they follow and the choices they make to achieve certain points or levels of performance. Pharmaceutical firms have expanded to unparalleled size and intensity throughout the twenty-first century. Large pharmaceutical companies have gained a lot of leveraging power in experiencing such exponential growth and are now leading efforts to secure their future in this industry.

In Africa, African Development Bank Group (2020) report indicated that pharmaceutical industry is the fastest growing industry as compared to other continents. The market, however, is driven by a small number of countries, including Nigeria, South Africa, Ghana and some countries in Eastern Africa and North Africa. Nigeria has one of West Africa's most dynamic pharmaceutical markets, with over 110 pharma formulation manufacturing facilities. Nigeria's pharma industry grows at 12% annually (Business Monitor International, 2019). The market is estimated to be worth USD 717 million in 2015, with Nigeria accounting for roughly 60% of the ECOWAS (Economic Community of West African States) sub-drug region's manufacturing. However, the current state of the Nigerian pharmaceutical industry has hampered its growth potentials. PMG-Man and UNIDO have stated that the local pharmaceutical manufacturing industry in Nigeria can currently meet 25% of local demand. The remaining 25% must come from Asian companies, particularly China.

Tanzania has one of the largest pharmaceutical markets in Sub-Saharan Africa. An estimated 496 million dollars was spent on drugs with per capita of USD in 8.7 in 2017. The forecast is \$730 million by 2022 with an 8% compound annual growth rate (cagr). Domestic pharmaceutical production supplied roughly 30% of the domestic pharmaceutical market, with 10% exported (Mziray, Mwamwitwa, Kisoma, Augustine, Fimbo, Hipolite, & Kaale, 2017). Domestic pharmaceutical production has recently declined significantly. In 2014, domestic production only met 12% of total demand, increasing imports and lowering exports to less than US\$1.7 million (GDP). Domestic producers focus on generic medicines. The domestic pharmaceutical market is now almost entirely supplied by imports (Wande, Sangeda, Tibalinda, Mutta, Mkumbwa, Bitegeko & Kaale, 2019). In 2018, Tanzania had over twelve (12) registered pharmaceutical plants, with only five (5) being compliant. One of these five firms has a 70% market share in the local market. The decline in domestic pharmaceutical production is due to a lack of competitive

advantage in the market price compared to imported medicines and difficulties in achieving economies of scale (Mushi, Masewa, Jande, Mirambo & Mshana, 2017).

Kenya is currently the largest producer of pharmaceutical products in the Common Market for East and Southern (COMESA) region, providing about 50 percent of the demand for regions (UNIDO, 2019). Thirty out of fifty recognized pharmaceutical producers are based in Kenya. Therefore, because of demand and insufficient supply, the Kenyan market spreads to the rest of Africa at large. According to Karenye and Murigi (2020) Kenya's pharmaceutical market is very competitive and marked by price wars. This is because returns are more than 20% of the lucrative investment.

Over the recent years, there has been noticeable increase in the number of sellers in the market of pharmaceuticals competing for the same market with the same products. Kenya is the largest producer of pharmaceutical products in the Common Market for East and Southern (COMESA) region, supplying about 50% of the regions market (UNIDO, 2019). Out of the fifty recognized pharmaceutical manufacturers, thirty are based in Kenya. Therefore, the Kenyan market extends to the rest of Africa at large due to the demand and limited supply. More importantly to note is that Kenya is a market hub for pharmaceutical products from India due to the low prices that accompany the generic products in which India is a pioneer of such produce (Mukuria, 2020). The pharmaceutical industry in Kenya is very competitive and is characterized by price wars. This is because returns are more than 20% of investment which is lucrative. Government policies dictate the price structure. The price structure is not sustainable and favors those who produce at reasonable prices (Wanyanga, Vugigi & Keter, 2020). To remain competitive in the market the firms have adopted numerous strategic marketing to survive.

Strategic marketing incorporates product creation, advertising, delivery, pricing, relationship management, and other elements; defines the marketing objectives of the companies and outlines how, preferably within a given timeline, they will be accomplished (Okhiria, 2020). The choice of target market segments, positioning, marketing mix, and resource allocation is decided by marketing strategy. When it is an integral component of the overall company strategy, it is most successful, defining how clients, prospects, and rivals in the business arena can be effectively engaged by the company (Yaeva, 2020).

Innovation orientation, positioned between internal and external perceptions, has also been shown to affect success as a part of a company's marketing orientation (Matsuno, Mentzer & Ozsomer, 2017). Moreover, for businesses, marketing with a strong business orientation seems to be increasingly relevant (Genoveva & Kartawaria, 2020). This is due to the heavy internal emphasis of the company's resource-based view, which is in danger of ignoring competitive market dynamics and the existence of demand. Clearly, companies should therefore begin to conform to strategic marketing concepts. Marketing is one of the essential and important organic roles that enable companies to meet their business challenges and achieve objectives and goals.

1.2 Statement of the Problem

According to World Bank statistics, manufacturing companies, including pharmaceutical companies, have experienced stagnation and declining profits over the last five years because of a volatile operating environment (Banes, 2016). World Bank statistics show that pharmaceutical companies operating in Kenya have suffered inflation and reduced earnings over the last five years due to chaotic operations environment (WB, 2018). In 2016, the pharmaceutical industry contributed barely 13.6 percent to GDP, reflecting a growth of 3.3 percent, suggesting a decrease from the previous year, where it recorded a growth of 5.6 percent (KNBS, 2016). In terms of market share, the international pharmaceutical corporation outperformed the local company with a 60 percent market share, while the local company had a 30 percent market share, leaving 15 percent unused. Furthermore, international pharmaceutical firms use only 80% of their capacity, while local companies can handle only 65% of their marketing capacity. This is even though there is a huge demand in the COMESA region for pharmaceutical products, with Kenya supplying just 50 percent (Kenya Association of Manufacturers, 2017). This suggests that pharmaceutical companies have more chances to do better than what they do.

Weru (2018) conducted a study on factors affecting the sustainable growth of local pharmaceutical manufacturing companies in Kenya. Omondi and Adhiambo (2018) did a study on the influence of differentiation strategy on the performance of pharmaceutical companies operating in Kenya while Oyoo and Bett (2017) conducted a case study on Pharma Specialities Limited in Nairobi, on strategic strategies and success of the pharmaceutical industry organizations. This study bridged this gap by investigating the effect of strategic marketing on organizational performance with a focus to pharmaceutical companies in Nairobi Metropolitan.

1.3 Specific Objectives

- i. To determine the effect of innovation orientation on performance of pharmaceutical companies in Nairobi Metropolitan.
- ii. To establish the effect of positioning strategic marketing on performance of pharmaceutical companies in Nairobi Metropolitan.

2.1 Theoretical Literature Review

The study was based on the following theories, that is, resource-based theory and market positioning theory.

2.1.1 Resource-Based Theory

The firm's resource-based view (RBV) argues that competitive advantage – and then efficiency – depends on traditionally established resource endowments (Wernerfelt, 1984). As a result, companies in particular marketing firms (Hooley, Greenley, Fahy & Cadogan, 2001), should draw on resources that contribute to their ability to generate valuable rare, imperfectly imitable, and non-replaceable market offerings in a manner that is either efficient or competitive (Hunt & Morgan, 2005). As Fahy and Smithee (2019) suggest, intangible resources and expertise, such as organizational learning (Santos, Sanzo, Alvarez, & Vazquez, 2005) and consumer awareness (Webster, 1992), are particularly difficult to replicate and thus provide a concrete foundation for marketing strategy and market positioning. As such, intangible tools and skills could become a distinctive competence of the firm (Blois & Ramirez, 2006).

The Resource-Based View (RBV) emphasizes the capital of the firm as the fundamental determinants of competitive advantage and efficiency. It takes two assumptions when examining sources of competitive advantage (Barney, 1991). First this model assumes that companies within the sector or within a strategic community can be heterogeneous concerning the pool of capital they manage. Second, it assumes that resource heterogeneity can continue over time because the resources used to execute corporate strategies are not entirely mobile across companies, as some of the resources cannot be exchanged on factor markets and are difficult to accumulate and imitate.

This theory relates to this study since it advocated that resources that are valuable, rare, difficult to imitate, and non-substitutable best position a firm for long-term success. These strategic resources can provide the foundation to develop firm capabilities that can lead to superior performance over time. Capabilities are needed to bundle, manage, and otherwise exploit resources in a manner that provides value added to customers and creates advantages over competitors. Likewise, the theory contends that the possession of strategic resources provides an organization with a golden opportunity to develop competitive advantages over its rivals. These competitive advantages in turn can help the organization enjoy strong profits, especially over time.

2.1.2 Market Positioning Theory

Market positioning theory was developed by Ries and Trout theorists in 1969. They were both marketing services executives. This theory emphasizes the manipulation of the minds of individuals. The marketing climate is always the most important thing about positioning clients' hearts. They published their first article forecasting the coming era in the communications and marketing field. They argued that the coming period would concentrate more on not only the functionality of the product but also on gaining a role in the minds of prospective customers. They have been able to advise the top management of the various companies to assess their products critically from the point of view of the customer and to appeal to what is already in their minds, that they can take advantage of positions already held. Ries and Trout (1969) stressed that strong positioning programs were cumulative in nature; flexible yet consistent.

The most important phenomenon is not the manipulation of various objects by the human mind. Positioning is based on the hearts and minds, that is, the desire of the customer. Positioning means aspects that include defining current locations, filling the gap strategy, having a single location strategy, having positioning analogies, and classification of brand positioning. Market positioning theory the dissemination of information from several sources can be attributed to a period of information explosion, which has a major effect on business operations.

The theory is relevant to this study since clearly defines the factors that can enhance organization ability to influence consumer perception. Market repositioning is when a company changes its existing brand or product status in the marketplace to enhance its competitive advantage. Competitive advantages allow a company to achieve regarding a brand or product relative to competitors. The objective of market positioning is to establish the image or identity of a brand.

2.2 Empirical Literature review

2.2.1 Innovation Orientation and Organization Performance

Innovation is a crucial tool used by advertisers to draw consumers by generating a sustainable competitive advantage (Kanagal, 2017). In a highly competitive global economy, creativity is regarded as a critical success factor (Akman & Yilmaz, 2018). Companies with a strong emphasis on innovation distinguish themselves from other businesses, primarily with the degree of innovation that they build into their offerings (Hooley & Greenley, 2017).

In Canada, in a sample of Canadian organizations, Dobni (2017) did his research on the relationships between creativity and organizational efficiency. The findings indicate that an orientation of creativity is connected to overall organizational efficiency. There was a good relationship between the highly creative companies with top-line performance, customer loyalty, bottom-line growth, and profitability. There was a positive relationship between investment return and orientation towards innovation. The business efficiency and enterprise value of those companies with low innovation orientations were lower. Important negative associations with return on investment, overall firm performance, and the overall value of the company were found.

In Pakistan, research on the interaction of creativity with organizational success was conducted by Karim Suhag, Solangi, Larik, Lakh, and Tagar (2017). As a moderating variable, the independent variables are method innovation, product innovation, and operational innovation as organizational culture. The study is survey research in which a questionnaire is administered to 200 employees present in Islamabad and Rawalpindi who are concerned with innovation in the telecommunications industry to ensure a fair response. The data were analyzed via the program SPSS v.20. Results have shown that product innovation, process innovation, and organizational innovation have a beneficial effect on the efficiency of organizations.

Research on the impact of innovation orientation on the performance of insurance companies in Kenya was conducted by Kiragu (2016). The research followed the use of a cross-sectional descriptive design. With the study population comprising all 49 insurance companies operating in Kenya as of 31 December 2014, a census survey was used. Using standardized questionnaires, primary data was obtained. The study findings showed that product innovation has a positive and significant effect on organizational performance, and process innovation has a positive and significant impact on organizational performance. No evidence is an essential correlation between business progress and success. The results also showed that process innovation in the insurance industry in Kenya was the most prevalent form of innovation. Besides, the survey showed that process innovation reported the greatest correlation to the organizational success of the three forms of innovation studied.

2.2.2 Positioning Strategic Marketing and Organization Performance

Positioning is considered a powerful tool that ensures a good picture is generated by a business for itself. This rising concern stems from the assumption that good marketing practices in the service sector are an important source of competitive advantage. This is illustrated by the company and its consumers having high levels of contact. A good marketing culture contributes to stronger relationships with consumers, contributing to high-profit margins (Ries & Trout, 1969). A good image of an organization is defined by how good the positioning strategy is.

In Brazil, Ceragioli and Graeml (2019) conducted a study on the effect of entry mode on strategic positioning: Review of Two Telephone Operators in Brazil and found that providing the best product based on differentiation was the strategic positioning of both businesses. A research study on TKL's strategic responses in a competitive environment was carried out by Junqueira, Dutra, Zanquette Filho and Gonzaga (2016). His results were that TKL faced financial, technical, overstaffing, bureaucratic processes and procedures, change in attitude and culture, pension liability, planning, strategy challenges, and competition from new market entrants in 2001.

In Nigeria, Farshid (2011) conducted a report on the effect on firm export success between 2003 and 2015 of role marketing strategy determinants. They used the study style of the questionnaire. They noticed that a concept export marketing strategy that was a key determinant of the export success model could exist. As one of the significant factors that subsequently improved export efficiency internationally, this would later concentrate help companies more on aspects relevant to export marketing strategy.

In the case of Kenya Airways, Mokaya, Kanyagia, and M'Nchebere (2017) conducted a study on the impact of market positioning on organizational success in the airline industry in Kenya. 215 respondents from a population of 1230 workers and clients were targeted by the report. To analyze the data, content analysis was used. Pricing strategies have had a major impact on cost strategies, efficiency, quality of service, innovation, and varied benefits. A positive relationship between pricing strategies and perceived quality of service was also suggested in the report. An average relationship between pricing strategies and innovation has been found.

3.0 Research Methodology

A descriptive survey research design was used in this report. The descriptive design allows the researcher to collect qualitative data, which was subsequently analyzed quantitatively using descriptive and inferential statistics. The target population of this study included 62 pharmaceutical firms (Kenya Medical Services Directory, 2020). There are 62 pharmaceutical companies with headquarters and branches in Nairobi Metropolitan, according to the Kenya Medical Services Directory (2020). Since the study sought to gather precise data, the study adopts purposeful sampling techniques to select two respondents in each company contributing to 124 respondents, that is strategic manager and marketing manager in each firm.

The research used semi-structured questionnaire to collect qualitative and quantitative data. To code and enter quantitative data, the Statistical Packages for Social Scientists (SPSS Version 24.0) was used, and descriptive statistics was used to interpret the data. The quality of the answers was used in the study of qualitative results. To group the common themes or patterns of responses, coherent categories was used. Descriptive statistics include the use of (percentage) frequencies that are measures of absolute and relative and central inclination and dispersion (mean and standard deviation respectively).

The regression equation is:

$$Y = \beta_0 + \beta_1 Mf_1 + \beta_2 Mc_2 + \varepsilon$$

Where: Y is the dependent variable (performance pharmaceutical companies),

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β_0 is the regression coefficient
 $\beta_1, \beta_2, \beta_3$ and β_4 are the slopes of the regression equations,
 X_1 is innovation orientation
 X_2 is positioning strategic marketing,
 ε is an error term normally assumed to be 0.

4.0 Data Analysis and Interpretation of Findings

4.1 Response Rate

The study targeted a total of 124 employees at strategic and marketing departments from pharmaceutical companies. However, out of the 124 respondents targeted, the researcher was only able to obtain complete data for 107 staff representing a response rate of 86%. The response rate of 86% was deemed sufficient for the purpose of data analysis as Mugenda and Mugenda (2003) notes that a response rate of 50% is adequate for analysis and reporting, 60% is good and a response rate of 70% and over is excellent. The research sought to establish the department in which respondents worked in.

According to the study results obtained, it was found out that 33% of respondents worked in administration department, 29% in distribution department, 24% in marketing department, while 14% worked in ICT department as indicated by Table 1.

Table 1: Department working

Department	Frequency	Percentage
Marketing	26	24
Distribution	31	29
Administration	35	33
ICT	15	14
Total	107	100

4.2 Descriptive statics

4.2.1 Innovation Orientation and Sales performance

The study further sought to establish the extent to which respondents agreed with the following statements regarding how innovation orientation enhances sales performance. the results are shown in Table 2.

Table 2: Innovation Orientation and Sales performance

Statement	Mean	STDev
Process innovation	3.153	0.956
Product innovation	3.377	0.725
Organizational innovation	3.409	0.231
Market innovation	3.426	0.142

According to the study findings obtained, it was found out that respondents agreed to a very great extent that market innovation enhance sales performance as depicted by the mean score of 3.426. In addition, respondents to a very great extent agreed that organizational innovation enhance organizational performance as shown by the mean score of 3.409. Respondents also agreed to a very great extent that product innovation enhance as indicated by the mean score of 3.377. More so, respondents to a large extent agreed that process innovation enhance organizational performance as indicated by the mean scores of 3.153. The findings agree to Kafchehi, Hasani, and Gholami (2016) that there is a substantial relationship between innovation orientation and competitive strategy of the company; the more innovation orientation of the company, the more prospector strategy is used by the companies, and their strategies have a more aggressive state.

4.2.2 Positioning Strategic Marketing and Organizational performance

The study sought to establish the effect of positioning strategic marketing on the organizational performance of pharmaceutical firms.

Table 3: Positioning Strategic Marketing and Organizational performance

Statement	Mean	STDev
Product attractiveness strategy	4.054	0.182
Reliability strategy	3.929	0.828
Branding strategy	3.542	0.016
Pricing strategy	3.911	0.112

The study results that were obtained indicated that respondents to a very great extent agreed that product attractiveness strategy enhance organizational performance as shown by the mean score of 4.054. In addition, respondents to a very great extent agreed that reliability strategy and that

pricing strategy enhance organizational performance as shown by the mean score of 3.929 and 3.911 respectively. Further, respondents to a large extent also agreed that branding strategy influenced organizational performance as shown by the mean score of 3.542. The findings agree with Mokaya, Kanyagia and M'Nchebere (2017) that there is a positive relationship between pricing strategies and perceived quality of service was also suggested in the report. An average relationship between pricing strategies and innovation has been found which are constructs of positioning strategic marketing.

4.3 Inferential Analysis

4.3.1 Correlation Analysis

To show the correlation between the study variables, the study used the Karl Pearson's coefficient of correlation (r). From the findings, it was clear that there existed a positive correlation between innovation orientation and organization performance as depicted by the correlation value of 0.740. Lastly, it was found out that a positive correlation between positioning strategic and organizational performance pharmaceutical firms existed as indicated by the correlation value of 0.520. Therefore, based on the correlation results obtained above, it is very clear that a positive correlation existed between all the independent and dependent variables. Strategic marketing is a mechanism that helps a company to focus its limited resources on the greatest opportunities to raise revenue and gain a sustainable competitive advantage (Khan, Freeman & Lee, 2020).

Table 4: Correlation Results

		Organizational Performance	Innovation Orientation	Positioning Strategic Marketing
Organizational Performance	Pearson Correlation	1		
	Sig. (2-tailed)	0.001		
Innovation Orientation	Pearson Correlation	0.740	1	
	Sig. (2-tailed)	0.003		
Positioning Strategic	Pearson Correlation	0.520	0.160	1
	Sig. (2-tailed)	0.012	0.001	

4.3.2 Regression Analysis

Further the researcher conducted a multiple regression analysis to establish the relationship between effect of strategic marketing on performance of pharmaceutical companies in Nairobi Metropolitan. The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study.

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Model	Unstandardized Coefficients		Standardized Coefficients		
	B	std. Error	Beta	t	Sig.
(Constant)	1.308	0.342		1.623	3.57-02
Innovation Orientation	0.785	0.322	0.067	3.542	2.02-02
Positioning Strategic	0.620	0.245	0.148	3.458	2.49-02

As per the SPSS results in the table above, the following multiple regression equation was generated:

$$(Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon)$$

$$Y = 1.308 + 0.620X_1 + 0.731X_2$$

The regression equation above established that taking all factors into account (innovation orientation and positioning strategic) constant at zero, organizational performance of pharmaceutical firms in Nairobi Metropolitans will be 1.308. The findings presented also shows that taking all other independent; a unit increase in innovation orientation will lead to a 0.785 increase in organizational performance of pharmaceutical firms. The findings presented also shows that taking all other independent and a unit increase in positioning strategic will lead to a 0.620 increase in organizational performance of pharmaceutical firms. This notwithstanding, all the variables were significant as their P-values were less than 0.05. According to Kachen and Krishen (2020) Strategic marketing, therefore, is a long-term response to the changing environment and involves fundamental decisions about how to match resources to that changing environment.

5.0 Conclusions on the effect of innovation orientation on organizational performance, the study established that respondents indicated that market innovation, organizational innovation, product innovation enhance organizational performance. The study findings indicate that there existed a positive correlation between innovation orientation and organization performance. To the effect of positioning strategic marketing and organizational performance, the study established that respondents indicated that product attractiveness, reliability strategy and pricing strategy enhance organizational performance. The study also found out that a positive correlation between positioning strategic and organizational performance pharmaceutical firms.

6.0 Recommendations

Pharmaceutical firms should understand that the suitability of a marketing strategy, whether tailored, standardized, or somewhere in between, is determined by how well it fits with the external environmental actors in which the company operates. This only happens when the marketing function begins from top level inclusion all the way to point of dispensing. As a result, pharmaceutical firms should focus their full attention and resources on determining the best marketing mix to boost the firm's performance. Furthermore, marketing managers must recognize that, while some factors (such as product, price, promotion, physical environment, and distribution) continue to have a positive and significant impact on firm's performance in the pharmaceutical industry, firms should also investigate the potential value creation of marketing.

To undertake this critical boundary-spanning position, marketing managers must integrate all aspects of strategy and have strong analytical ability. These skills enable them to effectively detect setbacks and opportunities in their corporate settings, monitor and access environmental change, and adjust marketing strategy as needed. Such characteristics enable the strategic marketing concept to be promoted to the company's senior management. This is critical, as failure in this area leads to poor strategy execution and even a negative image of marketing within the company.

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