

**An Examination of Marketing Effort and
Differential Advantage as Two models of Market
Share Determination in the Australian New
Passenger Car Market, 1983 to 1993.**

Joseph Brian Jonmundsson.

**Submitted for the Degree of
Master of Business in Marketing.**

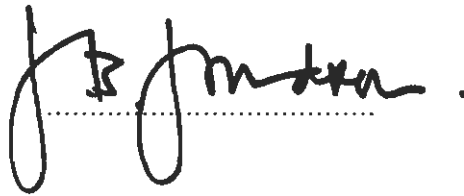
**University of Technology, Sydney.
1996.**

CERTIFICATE

I certify that this thesis has not already been submitted for any degree and is not being submitted as part of candidature for any other degree.

I also certify that the thesis has been written by me, and that any help that I have received in preparing this thesis, and all sources used have been acknowledged in this thesis.

Signature of Candidate



A handwritten signature in black ink, appearing to be 'J. S. M. Khan', written over a horizontal dotted line. The signature is cursive and includes a period at the end.

ACKNOWLEDGMENTS.

The writer is deeply indebted to his wife, Visi, who was patient and encouraging throughout. The writer's thanks go to Professor Ken Miller for his helpful suggestions, and his patience as he saw this thesis go through several transformations. The writer's final thanks go to John Adams and Jeff Stewart (both former employers) who were generous in making available the software by means of which the data was analysed, and this thesis written.

Errata.

An Examination of Marketing Effort and Differential Advantage as Two Models of Market Share Determination in the Australian New Passenger Car Market, 1983 to 1993.

By Joseph Brian Jonmundsson.

Page 3: Equation 1.1 should read: $S_i = M_i / \sum_{j=1}^n M_j$

Page 3: Naert and Weverberg should read Naert and Weverbergh.

Page 3: Gosh should read Ghosh.

Page 4: (ii) The sum of market shares must be unity.

Page 5: Equation 1.2 should read: $DA_i = (M_i / \sum_{J=1}^n M_j) - m1$.

Page 34: Weighted Average Market Share in Figure 3.3 is used to represent share of marketing effort.

Page 43: Equation 4.1 may be more easily read as: $x'^B / (x'^B + (1 - x')^B) - m1$,
where:

x' = the firm's share of marketing investments in particular marketing variables,
and
 $m1$ = concurrent market share.

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Abstract.

This thesis examines the concept of differential advantage and its relevance to the formulation of marketing strategy. It compares the model of market share determination, based on the possession of differential advantages in marketing mix variables, with one based on the concept of marketing effort. The two models are examined using data on new passenger car registrations collected from Idaps and Paxus¹ respectively, media spend from Bruce Tart and Associates, and later AIM Data², car dealerships from the Telecom Yellow Pages, and car models and new passenger car prices from Wheels Magazine, for the period 1983 to 1993. The above data was corroborated, where possible, by means of authoritative sources in the motor car industry in Australia.

The theory of market share determination, based on share of marketing effort is an attractive one. This thesis finds that the relationship between market share³ and share of marketing effort is positive, consistent and statistically significant. It confirms the place of marketing effort as a model of market share determination in the marketing literature.

Differential advantage is an index of competitive activity that is calculated by subtracting concurrent market share from share of marketing effort. The proposition, advanced by Cook and Rothberg (1990), is that increasing amounts of differential advantage are positively related to increasing levels of market share. This thesis does not support this proposition. At an overall level of analysis, the relationship between market share and differential advantage is a negative one. Only when a subset analysis is done, for small car makers, is there a weak but statistically significant and positive relationship between market share and differential advantage.

The overall negative relationship between market share and differential advantage may be explained in part by the economic uncertainty of a boom and economic recession during the period under consideration in this thesis. A further possible explanation is that the data may not have captured fully the relationship between market share and differential advantage. The data examined the relationship between market share and differential advantage with only four independent variables. A larger number of independent variables, or different ones, may have described the relationship more effectively. Such data was not available. A more fundamental conclusion that is supported by this thesis is that successful competitive strategy simply does not require share of marketing investments to be greater than concurrent market share. The place of differential advantage in the formulation of marketing strategy is questioned.

This thesis supports the value of competitive marketing effort in the formulation of marketing strategy.

¹ Idaps and Paxus are organisations that collected data on car registrations in Australia.

² AIM Data stands for Australian Independent Media Data.

³ Market share in this thesis refers to unit market share.