Marketing Strategy: An Assessment of the State of the Field and Outlook

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This article provides an assessment of the state of the field of marketing strategy research and the outlook. Using institutional theory, the authors develop an organizing framework to serve as a road map for assessing research in marketing strategy. Their assessment of the state of the field based on a review of extant literature suggests that significant strides in conceptual development and empirical research have been achieved in a number of areas. Several recent developments in the business world, including deconglomeration and increased organizational focus on managing and leveraging market-based assets such as brand equity and customer equity, suggest that marketing is likely to play a more important role in charting the strategic direction of the firm. However, the theoretical contributions of the field to the academic dialogue on strategy leave much to be desired.

An inherent characteristic of most industries is the variance in the profitability of the competing businesses. The superior performance of some businesses relative to the average industry profitability is attributed to their competitive advantage. Competitive advantage arises from leveraging a firm's unique skills and resources to implement a value-creating strategy that its competitors cannot implement as effectively (Barney 1991). When such advantage is immune to erosion by competitors' actions, it is construed as sustainable competitive advantage (Porter 1980). The fundamental issue in strategy is the manner in which firms achieve and sustain competitive advantage (Teece, Pisano, and Shuen 1997). Strategy encompasses the decisions and activities that enable a business in a firm's business portfolio to achieve and sustain a competitive advantage and to maintain or improve its performance.

Strategy exists at multiple levels in an organization: corporate, business, and functional levels.[1] Corporate strategy specifies the business arenas in which the firm will compete—the choice of businesses to be in. The goal of corporate strategy is to maximize the difference between the market value of a firm and the capital invested by the owners of the firm. Business strategy specifies how a particular business in the firm's portfolio will compete in the marketplace. The goal here is the achievement and maintenance of competitive advantage in specific product-market domains. The principal concerns at this level include the leveraging of the firm's and the focal business's distinctive skills and resources to implement a value-creating strategy, and the coordination and integration of functional area strategies such as marketing strategy and research and development (R&D) strategy under this effort. Day, Weitz, and Wensley (1990) conceive marketing strategy as marketing activities and decisions related to generating and sustaining competitive advantage.[2] Sudharshan (1995) views the focus of marketing strategy as achieving competitive advantage by building *relationships* with important constituencies (customers, partners, and channel members), *offering* appropriate products, identifying the *timing* for changes in relationships and product offerings, and the deployment of sufficient *resources* to realize the choice of relationships and offerings.

In general, there are three aspects to the strategy of firms, regardless of the level of the strategy: content, formulation process, and implementation. *Strategy content* (what the strategy is) refers to the specific relationships, offerings, timing, and pattern of resource deployment planned by a business in its quest for competitive

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advantage (e.g., generic strategy of cost leadership versus differentiation; push versus pull strategy). *Strategy formulation process* (how the strategy is arrived at) refers to the activities that a business engages in for determining the strategy content (e.g., market opportunity analysis, competitor analysis, decision-making styles). *Strategy implementation* (how the strategy is carried out) refers to the actions initiated within the organization and in its relationships with external constituencies to realize the strategy (e.g., organization structure, coordination mechanisms, control systems).

The marketing function in organizations, besides being responsible for the content, process, and implementation of marketing strategy at the product-market level, plays an important role in the strategy formulation process and the determination of strategy content at the business and corporate levels. The strategic role of marketing in organizations arises as a result of the boundary-spanning nature of the function (i.e., its extensive interactions with customers and competitors, and monitoring of the external environment). The body of marketing literature termed as *strategic market planning* primarily focuses on the content of strategy and process of strategy formulation at the business unit level and the corporate level, and the role of marketing in these spheres of organizational activity (see Kerin, Mahajan, and Varadarajan 1990).

The principal objectives of this article are to provide an assessment of the state of the field of marketing strategy and a prospective of the future of the field. Understandably, any attempt to provide an exhaustive review and critical assessment of a vast body of literature within the confines of a journal-length article is a daunting challenge. We do not purport to undertake an exhaustive review of this somewhat eclectic and dynamic field. Rather, our attempt is to provide the reader with a bird's-eye view of the terrain of marketing strategy. However, in attempting to do so, we will strive not to adopt too aggregate a focus lest we fail to provide a proper flavor of the direction of the field. First, we identify some broad research directions in marketing strategy and propose a framework for organizing marketing strategy research. Next, we provide insights into some of the linkages delineated in the organizing framework by synthesizing extant research focusing on selected streams within the marketing strategy literature. We conclude with a prospective on the strategic role of marketing in organizations and directions for research in marketing strategy.

A FRAMEWORK FOR ORGANIZING MARKETING STRATEGY

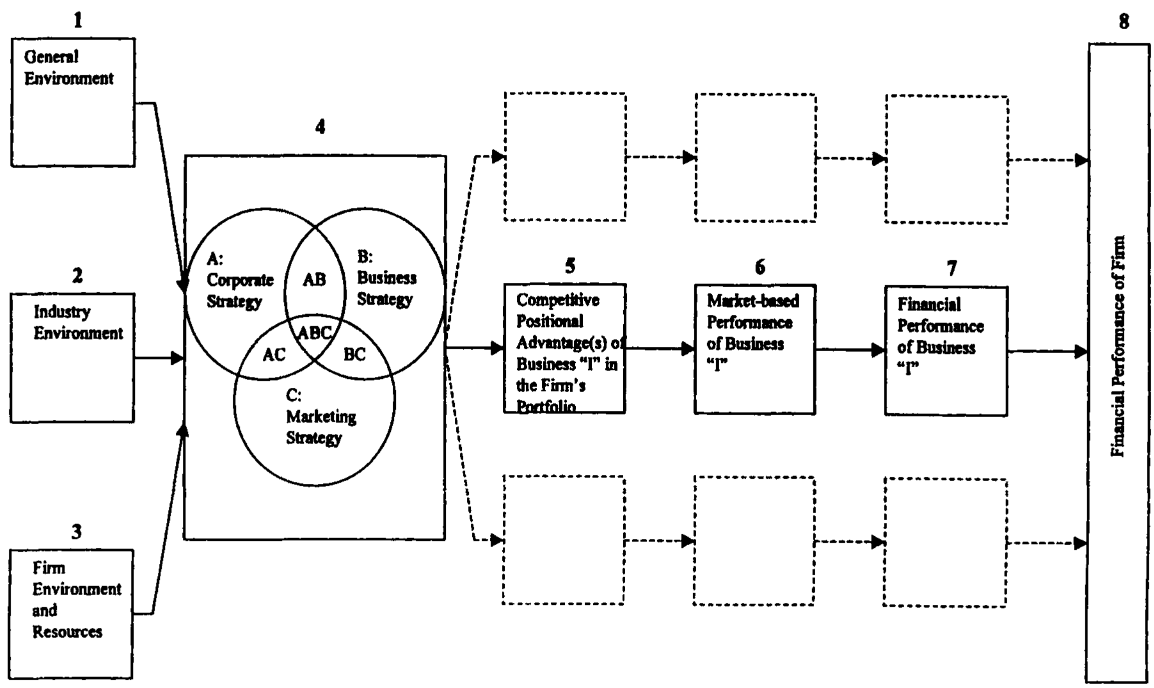
A review of extant research on marketing strategy is indicative of a number of broad research streams, including, but not necessarily limited to the following. Furthermore, each of these broad research streams encompasses a number of more topic-focused research streams (shown in parentheses).

1. Research focusing on organizational issues germane to marketing strategy (e.g., branding, competitive behavior, positioning, and segmentation)
2. Research focusing on organizational issues central to marketing strategy, but whose scope spans multiple organizational functions (e.g., innovation and quality)
3. Research focusing on issues at the interface of corporate and marketing strategy (e.g., synergy and horizontal acquisitions); business and marketing strategy (e.g., generic strategy of differentiation, market pioneering, and strategic alliances); or corporate, business, and marketing strategy (e.g., strategic market planning, global competitive strategy, and multimarket competition)
4. Research focusing on organizational-level phenomena that affect marketing strategy and management in important ways (e.g., corporate culture, market orientation, organizational learning, and strategy formulation processes)
5. Research focusing on the outcomes of marketing and business strategy (e.g., competitive positional advantages, market share, customer satisfaction, and market-based assets)

These streams of research can be viewed in the context of Figure 1 that we propose as an organizing framework for mapping the major areas of research in marketing strategy. A more detailed discussion of the proposed organizing framework that highlights the linkages between environment, strategy, competitive advantage, and performance follows.

Firms initiate strategic actions to achieve competitive advantage. However, these actions are shaped, and their outcomes influenced, by the external environment and internal environment of the firms. Institutional theory (DiMaggio and Powell 1983; Selznick 1957) suggests that the actions of firms and the outcomes of these actions are influenced by the knowledge systems, beliefs, and rules that characterize the context of the organization. This dependence of the actions initiated by firms and the outcomes of such actions on the environment or context of the organization is termed *embeddedness* (Porac and Rosa 1996). First, the firm is embedded in a general environment comprising (a) the institutions that lay the guidelines to shape the behavior of firms and (b) macro-societal factors such as the prevailing culture. The institutions that affect firms include those that determine the monetary policy, competitive policies such as antitrust regulations, and environmental policies. The embeddedness caused by culture is reflected by the role of cultural beliefs and value systems in determining economic transactions (Porac and Rosa 1996). Second, the firm is embedded in an industry

FIGURE 1
Marketing Strategy Research: An Organizing Framework



NOTE: Dotted boxes denote other businesses in a firm's portfolio.

environment that comprises the actors within an industry such as suppliers, customers, competitors, and channel partners. The nature of the relationships among these industry stakeholders influences the actions that a firm can initiate in pursuit of competitive advantage. Third, the firm has an internal environment that comprises its unique sets of skills and resources (Barney 1991); collective beliefs about the market, competition, and industry (e.g., shared mental models; see Day and Nedungadi 1994); and culture (Deshpandè, Farley, and Webster 1993). This internal environment also influences how firms behave in their pursuit of competitive advantage. The strategic actions initiated by firms are designed to overcome the constraints imposed by embeddedness in a complex environment and to exploit the opportunities that arise on account of embeddedness. This applies to strategies at the corporate, business, and functional levels.

Corporate strategy, business strategy, and functional strategies such as marketing strategy interact to shape the competitive advantage of individual businesses in a firm's portfolio. It is the confluence of these strategies that determines the extent to which a particular business is able to achieve and sustain a competitive advantage. This competitive advantage, in turn, affects the market-based performance and financial performance of the businesses. The collective performance of individual businesses in the firm's portfolio determines the financial performance of the firm. A number of competing and complementary research streams in industrial organization economics, business policy and strategy, and marketing provide valuable insights into the determinants of performance at different levels. For instance:

- The structure-conduct-performance model (Bain 1956) attempts to explain "why some *industries*, on average, are more profitable than others."
- The efficiency perspective (Demsetz 1973) provides insights into "why some *firms* in an industry are more profitable than others."
- The works of Porter (1980, 1985) provide insights into "how the structural characteristics of an industry and the competitive strategy pursued by a business jointly determine the performance of a *business*."
- The Profit Impact of Market Strategy (PIMS) research program (Buzzell and Gale 1987) attempts to explain variance in performance at the *business unit level* in terms of the direct and interactive effects of the structural characteristics of the market in which a business competes, the competitive strategy pursued by the business, and its relative competitive position.
- The resource-based view of the firm (Barney 1991; Rumelt 1984; Wernerfelt 1984) attempts to explain

superior *firm/business* performance in terms of firm-specific skills and resources that are rare, valuable, nonimitable, and characterized by absence of equivalent substitutes.
- Matrix approaches to portfolio analysis and planning, such as the Boston Consulting Group (BCG) growth-share matrix and the market attractiveness-business competitive position matrix (see Kerin et al. 1990), provide insights into "why some *businesses* in a multibusiness firm's *portfolio* are more profitable than others."
- The work of Peters and Waterman (1982) is representative of research that attempts to shed insights into content, process, and implementation factors that affect long-term performance of firms at a more general level regardless of the industry in which they operate.

Table 1 identifies a number of topic-focused streams of literature that capture the critical dimensions of research in strategy more generally (i.e., corporate, business, and marketing), with a focus on the linkages identified in Figure 1. Table 1 also helps to illuminate the broad road map laid out in Figure 1 to highlight the multifaceted nature of research in strategy, generally, and marketing strategy, specifically.[3] The manner of representation of corporate, business, and marketing strategies in Figure 1 is intended to convey the overlap in the domains of these strategies. Furthermore, it also reflects that strategies at the corporate and business levels influence strategy at the marketing function level and are affected by marketing strategy. The overlap of business level with marketing functional-level strategies is seen in decisions such as (a) product positioning strategies and repositioning strategies, (b) relative emphasis on pull versus push strategy, (c) target market selection and market segmentation strategy, (d) branding strategy (single brand versus multibrand strategy), and (e) pattern of product market coverage (full market coverage, product specialization, market specialization, selective product-market coverage, and product-market focus [Abell 1980]), that characterize both business and marketing strategy.

Clearly, in terms of principal concerns, constructs used, and the nature of decisions involved, there is considerable overlap between marketing strategy and business strategy. There are numerous product, pricing, promotion, and place decisions arising ostensibly in the marketing domain that will probably not be decided exclusively at the functional level. In addition, often business and/or corporate-level management may be extensively involved in the formulation of marketing function-level strategy, with marketing decision makers playing either a lead role or a participatory role. This overlap is likely to increase, (1) given the currently emerging perspective of the role of the marketing function as one of developing market-based assets such as customer, channel, and partner relationships that enhance shareholder value (Srivastava, Shervani, and Fahey 1998; Sudharshan 1995), and (2) the increasing importance of marketing in the newly focused firms that are emerging in an era of deconglomeration (Varadarajan, Jayachandran, and White 1998). Numerous factors interact when determining whether the locus of decision remains in the functional area or is transferred to the business or corporate levels.[4]

MARKETING STRATEGY RESEARCH: EXAMINING THE LINKAGES

In the next six sections, we examine the contributions and limitations of research in selected topics in marketing strategy and provide guideposts for future research. As noted earlier, we do not purport to conduct an exhaustive review of all streams of research in marketing strategy. Any such attempt would be too ambitious for a journal-length article. As evidenced by Figure 1 and Table 1, faced with a vast expanse of literature streams within marketing strategy, our choice of the following topics for further elaboration was influenced by (1) our intention to review at least one stream of literature from each of the five broad research streams in marketing strategy literature detailed earlier, (2) our preference to assess progress in a few fields in some detail rather than providing a cursory treatment of all identifiable topics, and (3) our objective to primarily focus on the strategy and competitive advantage/performance linkage. The topics we examine are the following:

Topic-Focused Research Stream	*Broad Research Stream*[a]
• Competitive behavior	Germane to marketing strategy (1)
• Innovation	Central to marketing strategy, but spanning multiple organizational functions (2)
• Quality	"
• Market pioneering	Interface of marketing and business strategy (3)
• Strategic alliances	"
• Market orientation	Organizational-level phenomena that affect marketing strategy (4)
• Market share	Outcomes of business and marketing strategy (5)

a. See page 121 for details of broad research streams 1 through 5.

In an attempt to circumscribe the thrust of the discussion in the sections of the article that follow, we will be primarily focusing on strategy content issues with a much more limited focus on implementation and process issues. However, we do not mean to imply that strategy formulation process and implementation-related issues are any less critical in their importance to marketing strategy. Our focus on strategy content more than on process and implementation is a reflection of the fact that much of the research in marketing strategy has been in the domain of strategy content. The process and implementation issues that we discuss will be in contexts where they have been

TABLE 1
Research on Corporate, Business, and Marketing Strategy: Insights Into Linkages

Literature Stream	*Linkage Focus*	*Remarks*
Strategic alliances	1, 2, 3→4→5 (mode of entry)	At one level, the extent to which strategic alliances are prevalent in an industry constitutes a structural characteristic of the industry (Box 2). At a more fundamental level, however, a business's decision to compete by forming an alliance rather than pursue other alternatives (acquisition, merger, or internal development) implies a strategic choice (Box 4). Broader environmental characteristics, industry characteristics, and firm characteristics impact the propensity of firms to compete in the marketplace by pooling their skills and resources in a strategic alliance for competitive advantage (Varadarajan and Cunningham 1995).
Matrix approaches to product portfolio analysis	2, 3, 5→4A	*Corporate strategy focus.* Which businesses in the firm's present portfolio should be retained and which ones should be deleted?
	2, 3, 5→4B	*Business strategy focus.* What mission should be assigned to a particular business—build, maintain, or harvest the market share?
Five-forces model	2→4B	Competitive strategy of a business is affected by five major forces—bargaining power of suppliers, bargaining power of buyers, threat of new entrants, threat from substitutes, and rivalry among entrenched competitors (Porter 1976).
Structure-Conduct-Performance (SCP) Paradigm	2→4B→7	Industry structure determines the behavior (conduct/strategy) of businesses in an industry whose joint conduct determines their collective performance. Conduct/strategy merely reflects the industry environment in which a business operates. For example, concentrated market structures facilitate oligopolistic coordination among competitors, resulting in lower output, higher prices, and higher rates of return.
	2, 3, 4B→7	Partitioning the total variance in rate of return at the business level into industry factors, time factors, factors associated with the corporate parent, and business-specific factors, however, reveals negligible corporate effects, small stable industry effects, and very large stable business unit effects (Rumelt 1991).
The efficiency paradigm	3, 4B→	Superior innovations and/or managerial skills enable some firms to achieve superior performance.
	7→2	The superior performance of some firms forcing the exit of marginal firms leads to industries becoming concentrated (Demsetz 1973).
Market orientation	3→6	Higher levels of market orientation will lead to higher levels of customer satisfaction and repeat business from customers (Kohli and Jaworski 1990).
Organizational culture	3→8	Companies with corporate cultures stressing competitiveness and entrepeneurship can be expected to outperform those dominated by internal cohesiveness or rules (Deshpandè, Farley, and Webster 1993).
Corporate strategy and competitive advantage	4A→5	In a multibusiness firm, competition occurs at the business unit level and not the firm level. Corporate strategy must therefore grow out of, and reinforce, competitive strategy. Diversification into a new business is desirable only if the new business can gain a competitive advantage as a result of its link with the corporation, or contribute to enhancing the competitive advantage of one or more businesses in the corporation's portfolio (Porter 1987).
Business strategy and competitive advantage	4B→5→6 (generic competitive strategy)	The fundamental basis of above-average performance in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a business can possess: cost leadership or differentiation. Cost leadership and differentiation, two broad generic competitive strategies available to a business, involve a choice about the type of competitive advantage sought (Porter 1980).
	4B→5 (value chain)	Competitive positional advantages result from a business performing primary and support value chain activities more efficiently than its competitors or in ways that differentiate the business's product offerings from competitors' product offerings (Porter 1985).
	4B→5→6 (order of entry)	Certain competitive cost and differentiation advantages *accrue* to a business by virtue of being a market pioneer. The market pioneer also *achieves* certain competitive cost and differentiation advantages by exploiting the opportunities available to it. These pioneering advantages explain the relationship between order of entry and market share (i.e., market share of pioneer > early follower > late entrant).
Marketing strategy and competitive advantage	4C→5	Business strategy entails coordination and integration of functional area strategy. Marketing strategy focuses on strategic decisions in the domain of marketing (e.g., positioning, branding) related to generating and sustaining competitive advantage.

TABLE 1 Continued

Literature Stream	*Linkage Focus*	*Remarks*
	2, 3, 4C→6 (brand strategy)	Two broad branding strategy choices available to a firm for introducing a new product are *brand extension* (using an existing brand name in the firm's arsenal) and *individual branding* (coining a new brand name). Brand extensions result in greater market share when the extension competes in markets comprising few competitors, where consumers have limited knowledge of the product class, and the parent brand name is strong (Smith and Park 1992).
Competitive market signals	4B→2 2→4B	Competitive market signals are announcements or previews of potential actions intended to convey information or to gain information from competitors (Heil and Robertson 1991:403). Competitive reaction to a market signal conceptualized in terms of *magnitude* of reaction (retaliatory, matching, or passive), *domain* of reaction (same versus different product-market domain), and *speed* of reaction is influenced by the reacting firm's characteristics (size, channel power), market characteristics (heterogeneity of consumer preference), and industry characteristics (industry concentration, market growth rate).
Resource-based view	3→4B	The resources needed to conceive, to choose, and to implement strategies tend to be heterogeneously distributed among competitors and these differences tend to be stable over time.
	3→4B→5	Sustainable competitive advantage (a business's competitive advantage that is immune to erosion by competitors' actions) arises from leveraging a firm's unique skills and resources to implement a value-crating strategy that other competitors are unable to implement or cannot implement as effectively (Barney 1991). Distinctiveness in the product offering or low costs are tied directly to the distinctiveness in the input—resources—used to produce the product (Conner 1991).
	3→4B, 5→6, 7	A business's ability to hold on to profitable market positions depends on its ability to gain and defend advantageous positions in the underlying resources important to production and distribution (Conner 1991). Market share per se has no intrinsic value. It is in the products, management, and exogenous factors that allowed market share to be gained that value resides. Businesses earn higher profits and generally have higher market shares if they have better resources and make better use of these resources. Better resources are those that convey to a business a competitive advantage and are impossible for competitors to replicate at equal cost.
Profit Impact of Market Strategy (PIMS): Analysis of pooled business experience	3, 4B, 5, 6→7	The performance of a business is a function of the direct and interactive effects of three sets of factors that represent (1) the structure of the market in which the business competes, (2) the competitive position of the business, and (3) the competitive strategy of the business. (Note: Competitive position variables in the PIMS paradigm include both indicators of competitive positional advantage [relative perceived quality and relative cost] and market-based performance [relative market share] [see Buzzell and Gale 1987].)

examined in specific literature streams (e.g., process issues in competitive behavior literature and implementation issues in market orientation literature). We will also not attempt to deal with the large volume of work in segmentation and positioning strategies, which are explored at length in most marketing management and strategy texts. Furthermore, we will not discuss the vast stream of literature in specific marketing-mix areas such as channels, pricing, sales promotion, and advertising because other articles in this special issue focus on these topics in much greater detail. Instead, the contributions of actions in these areas to achieving a sustainable competitive advantage are captured in appropriate contexts while discussing the strategies that are explored in detail.

The discussion of the literature streams reviewed is organized as follows. First, we provide an overview of the conceptual underpinnings of the area. We then examine some representative research in each specific area. In examining representative research, we try to focus on meta-analyses or empirical generalizations where they exist in a particular stream of research.[5] Finally, we identify specific gaps and suggest future research directions.

COMPETITIVE BEHAVIOR

Competitive behavior, the actions and reactions of competitors, is central to marketing strategy research and practice. Actions are moves initiated by firms in an attempt to gain or wrest competitive advantage from their rivals. This could involve a wide variety of moves ranging from simple ones such as a price promotion to more complex moves such as new product launches and strategic alliances. The underlying notion in research on competitive behavior is that the interdependence of firms necessitates them to consider as well as attempt to account for the potential reactions of their rivals while planning and initiating actions. Interdependence implies that the outcome of an action initiated by a firm is contingent on whether and how its rivals react to its action (Moorthy 1985). Interdependence leads to rivalry among firms when the firms have divergent interests (as is typically the case in marketing strategy, since each firm strives to achieve a competitive advantage that its rival cannot neutralize) and do not have the ability to collude explicitly (also largely true in a marketing strategy context, since explicit collusion among competitors would be illegal) (Moorthy 1985). Because of interdependence, the ability of a firm to gain and sustain a competitive advantage from any such action would be contingent on whether and how its rivals react to the action (Dickson 1992; Porter 1980). For example, if a firm were to introduce a new product that is potentially valuable to its customers, its ability to achieve sustained competitive advantage from this action would be dependent on whether and how fast its rivals can imitate this action or counter it with a superior product.

The competitive behavior literature in marketing has examined from multiple perspectives the conditions that determine why and how organizations or managers react to actions taken by other organizations, the consequences of the rivalry characterized by such actions and reactions, and the human and organizational limitations and biases that lead to satisficing responses as compared with optimal responses. One perspective uses a strategic-planning framework to examine the impact of market-level and firm-level variables on competitive response. A second one uses game-theoretic principles to examine how organizations behave in the marketplace. A third perspective uses insights from signaling literature to understand competitive behavior. A fourth approach examines managerial perceptions and cognitive biases to gain fresh insights into competitive behavior. These streams of literature are summarized next.

The Strategic Planning Perspective

The strategic planning perspective views market and organization characteristics as determinants of the underlying interdependence of firms and therefore as factors that influence their competitive behavior. Studies based on this perspective analyze competitive behavior as a function of the structural characteristics of the market and the competitive position of a business in that market. Structural characteristics of the market include factors such as market growth rate, entry barriers, market concentration, and product standardization. Competitive position of the business in the market refers to factors such as market share position, relative cost position, and relative quality.

Representative research. Robinson (1988) investigated the reaction propensity of incumbents to new entrants as a function of the new entrants' market entry strategy, the characteristics of the incumbent such as size and importance of the market, and industry characteristics such as concentration and growth. It was seen that reactions are less common than no reactions. Reactions were positively related to the new entrants' scale of entry, the strategic importance of the market to the incumbent, and the market growth rate. Gatignon, Anderson, and Helsen (1989) examined the reaction of firms to market entry in the airlines and pharmaceuticals industries. They found significant differences in the reaction patterns where firms responded using their strengths (high positive elasticity marketing-mix elements) and retreated along their weaknesses (low or negative elasticity marketing-mix elements). Ramaswamy, Gatignon, and Reibstein (1994) analyzed the likelihood of reactions and the type of reaction (price vs. nonprice) as a function of market growth, concentration, product standardization, cost differential, and positioning differential. They found that the characteristics of the served market such as growth, concentration, and product standardization influence the type and likelihood of retaliation. In addition, cost and positioning differentials were also found to influence competitive behavior.

Game Theory

Game theory has emerged as a dominant conceptual framework in marketing to analyze the behavior of competing firms in oligopolistic markets characterized by the interdependence of firms (Weitz 1985). Game-theoretic models assume that firms are (hyper)rational utility maximizers, where rationality implies that they strive to achieve the most preferred of outcomes subject to the constraint that their rivals also behave in a similar fashion (Zagare 1984). While there may be uncertainty regarding the expectations and actions of its rivals, a rational firm is expected to overcome uncertainty by forming competitive conjectures, subjective probability estimates of rivals' expectations and behavior. In effect, game-theoretic models assume intelligent firms that can put themselves into the "shoes" of their rivals and reason from their perspective. Under assumptions of rationality and intelligence, game theory argues that firms would use Nash equilibrium strategies where each firm pursues a strategy that it would not unilaterally change. However, as Axelrod (1984) points out, with tacit collusion, firms can often arrive at a more beneficial equilibrium solution than the Nash solution. While originally conceived of as a normative theory (how firms should behave based on assumptions about competitive behavior and equilibria), game theory, subject to relaxed assumptions (e.g., less-than-perfect information), is capable of being a descriptive theory that describes the nature of the equilibrium. The potential applications of game-theoretic models, particularly dynamic or long-term games (which is typically the case in interfirm rivalry), are many and include marketing strategy issues such as promotions, pricing, entry, entry deterrence, and product quality decisions (see Moorthy 1985).

Representative research. Rao, Arjunji, and Murthi (1995) use game theory to examine empirical generalizations in the area of promotions. They observe that competitive promotions are mixed strategies (where, unlike in Prisoner's Dilemma, the choice for a firm is not certain because it is not sure what strategy a competitor would choose and, therefore, the firm chooses from a basket of strategies where the choice of each option has a different probability). Lal and Padmanabhan (1995) use a game-theoretic approach to investigate the relationship between market share and promotional expenditures. They found that in the long run, market shares are more or less stationary for a majority of products. Promotional activities were found to have a greater impact on market share in the short run. They conclude that competitive promotions are offsetting. Krider and Weinberg (1998) use a game-theoretic model to analyze the release timing of motion pictures that compete for the same target audience. They develop a two-parameter model characterized by the marketability (the ability of the movie to generate audience interest before release) and the playability (the ability of the movie to keep audiences after release) to explain how studios avoid competition.

Signaling

Competitive signals are "announcements or previews of potential actions intended to convey information or to gain information from competitors" (Heil and Robertson 1991:403). Competitive behavior is often influenced by signals sent by competitors. The potential benefits of signaling are preemption and establishing norms of conduct in the market (Heil and Robertson 1991). Oligopolistic competition is characterized by rivalry among firms that have imperfect information regarding their competitors. In such situations, firms may attempt to simplify competitive dynamics in the market by developing "rules" or "competitive recipes" (Heil and Robertson 1991). The possibility of preemption and development of desired norms would depend on competitors' belief that the signaling firm is potentially capable of, and has a high degree of commitment to, implementing the signaled action.

Signaling could also place the firm that sends the signal at a disadvantage. For example, signals that provide competitors with advance information about the firm's intentions could hurt the competitive position of the firm, and signals that are not followed through (cheap talk) could hurt the competitive reputation of the firm. Furthermore, signaling that is interpreted as predatory behavior may trigger antitrust review into the behavior of the firm (Heil and Langvardt 1994). In addition, the effectiveness of signals in shaping competitive behavior would depend on the clarity of the signal (i.e., the effectiveness with which the signal recipient can decipher the signal).

Representative research. Eliashberg and Robertson (1988), in their study of new product preannouncing behavior, examined the likelihood of a firm preannouncing a new product introduction in order to signal its rivals. They proposed that preannouncing is predicated on whether firms perceive such behavior as advantageous or risky. Preannouncing was found to be inversely related to market dominance, company size, and competitive activity in the industry, and positively related to consumer-switching costs. Robertson, Eliashberg, and Rymon (1995) investigated incumbents' reactions to new product announcements. They found that reaction propensity increased with signal hostility and fixed commitment of the incumbent and was higher in industries characterized by higher levels of patent protection. Aggressiveness of reactions increased under conditions of high signal credibility and in industries with a high degree of patent protection.

Managerial Perceptions

Strategic planning and game-theoretic approaches to competitive behavior, either implicitly or explicitly, invoke the notion that firms and their managers objectively and accurately derive competitive conjectures and base their actions on these conjectures. However, there is considerable chance for competitive conjectures to be biased (Rao and Steckel 1998). The perceptions that managers or firms have of their rivals and the market, competitive history in the market, and their ability to read signals and respond to them are influenced by inherent cognitive biases and limitations (Clark and Montgomery 1996). As Day and Nedungadi (1994) suggest, perceived reality is likely to drive conjectures more than objective reality, insofar as competitive behavior and decision making are concerned. Therefore, managers' or firms' perceptions of market and firm characteristics, competitive history, and signals, and its inherent differences from objective reality become interesting from a strategy formulation perspective. Among the common mistakes in this conjecture of competitors' behavior that distort perceived reality from objective reality are the following:

1. Lack of emphasis on rivals (Deshpandè and Gatignon 1994), a condition in which decision makers wear "blinders" (Moore and Urbany 1994).
2. Overemphasis on competitors (Deshpandè and Gatignon 1994), a condition that Clark and Montgomery (1996) call "paranoia."
3. Misunderstanding competitors due to overconfidence and attribution errors (Moore and Urbany 1994).
4. Predicting rivals' behavior incorrectly because of a false consensus effect where the decision makers assume that their rivals are behaviorally more like them than is actually the case (Moore and Urbany 1994).

Representative research. Day and Nedungadi (1994) examined how managers use mental models to simplify complex competitive environments. The pattern of managerial representation of competitive advantage was found to be associated with the restricted search for and use of information. They also found that accuracy and completeness of managerial mental maps were positively related to organizational performance. Clark and Montgomery (1996) studied the impact of competitive reactions on performance in a simulated setting. They found that in general, firms (teams) underestimated the total number of competitive reactions. Therefore, firms did not seem to accurately know the nature of their interaction with competitors. They also found that not perceiving a competitor's reaction hurts performance, while overestimating competitors' reactions or "paranoia" helps performance.

Comments

More than a decade ago, Weitz (1985) noted that research into competitive behavior is underdeveloped in marketing, perhaps because of its traditional focus on customers. While some progress in competitive behavior research has been made in the intervening years, there is nevertheless a need for much more research in this area, particularly focusing on how actions and reactions in the marketplace enable firms to sustain their competitive advantage and performance. For example, researchers need to focus more attention on issues such as the impact of paranoia about competitors on firm performance. That is, when does excessive competitor orientation help or hurt a firm's performance? Furthermore, research focusing on how firms define their competitors and the impact of managerial perceptions on firm behavior is called for. In addition, research on the processes underlying the competitive activities that are observed in the marketplace would enable testing the theories that explain competitive actions and reactions between firms. For example, research into the processes that drive the formulation of managerial conjectures regarding rivals can enhance our understanding of the nature of the biases that help shape such conjectures. As Weitz (1985) noted, behavioral researchers using psychological theories can make significant contributions to further our understanding of the competitive behavior of firms.

INNOVATION

Schumpeter (1934) highlighted the importance of innovation and R&D for the long-term profitability of the firm by viewing competition as a process of "creative destruction" (through innovation that changes the very nature of competitive advantage in the market) rather than as a condition leading to equilibrium. This argument is supported by the "Austrian" school of strategy (Jacobson 1992), which suggests that the business environment is inherently dynamic and therefore characterized by uncertainty and disequilibrium. The Austrian school views profits in such an environment as a consequence of discovery and innovation. Such discovery and innovation do not necessarily mean drastic changes of a discontinuous (Schumpeterian) nature alone. Rather, they span a continuum encompassing innovations with the potential to provide the firm with a differential advantage over its competitors (Jacobson 1992) such as reformulation of a product, developing new processes for manufacturing a present product, and developing new channels of distribution. However, a distinction can be drawn between *radical (Schumpeterian) innovation*, a new concept that constitutes a significant departure from existing practice, and *incremental innovation*, refining and improving an existing design (Henderson and Clark 1990). Also, while the processes underlying some innovations may be informal, to an increasing degree, innovation is the result of formal research and development (Scherer and Ross 1990). Informal innovative activities can be facilitated by building capabilities to "learn by doing," and formal innovative activity through R&D can be facilitated by instituting the right incentive systems to motivate managers to take risks. A strategy of innovation has been posited as providing a firm with an indirect approach to avoid competition and thereby achieve and sustain competitive advantage.

Innovations are rarely chance occurrences that can be attributed purely to luck. They require significant labor and investment in invention, development, testing, and introduction. Innovations are risky propositions that call for investment of capital *ex ante*, which in some cases can be extremely high. Such risks include the possibility that the research may fail, that the firm's innovation may be matched (unless patent protected) or improved on by competition, or that consumers may not consider the firm's innovation valuable (Scherer and Ross 1990). In addition, even informal innovation is often possible only by providing sufficient slack within the organization for employees to experiment and learn (Cyert and March 1963), a less-than-efficient short-term use of resources. In effect, any investment in innovative activities such as R&D is likely to run against the demands of short-term efficient use of resources because of the longer term, uncertain nature of the outcome of the investment (between 35% and 45% of new products fail [Boulding, Morgan, and Staelin 1997]). Therefore, investment in innovation can be justified only if such investments lead to sustainable long-term competitive advantage for the firm. Alternatively, such investments are justifiable when firms need to innovate to keep up with competition, that is, to guard against being at a competitive disadvantage.

The impact of innovation, formal and informal, on firm performance is a function of complex interaction of the innovating firm's capabilities, the capabilities of its competitors, and the demand characteristics of the market. In effect, the innovation-performance link would be a function of the ability of the innovating firm to appropriate the returns from the innovation (sustain the advantage from the innovation in the face of the efforts of rivals to offset the advantage).[6] Furthermore, the ability of the innovation to create an advantage for the firm would be contingent on the rather obvious fact of whether consumers find the innovation valuable (demand characteristics of the market). In addition, it is also likely that the innovation-performance link would be a function of the technological opportunity (Dosi 1988) in the industry. Technological opportunity is the extent to which market-relevant technological innovation is possible within an industry. For example, the returns to R&D of new technology seem to be much higher in the computer software industry than in the automobile industry, thus allowing the former to be characterized as an industry that offers much higher technological opportunities.

Representative Research

A large body of innovation-related research in marketing focuses on how firm and product characteristics, and the timing of product introduction, explain the success of new products (see *Journal of Marketing Research* special issue on Innovation and New Products [February 1997] for recent research in these areas). Here, researchers have examined a wide variety of factors such as the strategic orientation of the firm (Gatignon and Xuereb 1997), product development cycle time (Ittner and Larcker 1997), organizational memory (Moorman and Miner 1997), organizational structural characteristics (Ayers, Dahlstrom, and Skinner 1997), and introduction timing (Bayus, Jain, and Rao 1997) on new product or organizational performance. With regard to the relationship between innovation and sustainable firm performance, the evidence that emerges seems to support a contingency relationship between innovation and firm performance. Capon, Farley, and Hoenig (1990) reviewed 30 studies that investigated this relationship and reported that about two-thirds of the cases support a positive relationship between R&D expenditure (a proxy for innovation) and performance, while about one-third of the cases support a negative relationship. Boulding and Staelin (1995) examined the generalizable impact of R&D expenditure on price, holding fixed the effects of quantity (to control for scale effects). They show that businesses achieve sustainable performance gains from R&D spending when they have the ability and motivation to do so. They model ability and motivation as the noncompensatory combination of the firm's market position and competitive intensity in the market. In effect, while investment in innovation through R&D has the potential to provide firms with higher returns, the sustained realization of this is contingent on organizational and market characteristics.

Comments

A review of research on innovation reveals the widespread use of surrogate measures such as R&D investment as a proxy for innovation. There exists a need, therefore, to examine the impact of innovation on performance using more fine-grained measures of innovation such as number of new products introduced. Furthermore, the impact of innovations in realms other than product innovation, such as new channel structures and marketing process innovations such as service delivery mechanisms, on sustainable competitive advantage and business performance has not received adequate attention in marketing literature. Neither has the impact of a strategy of rapid new product introduction on business performance received adequate attention in the marketing literature. The impact of differences in technological opportunities across industries on the innovation-performance relationship also merits empirical inquiry.

PRODUCT QUALITY

Quality can be broadly defined as overall superiority or excellence of a product (Zeithaml 1988). The economic view of quality is "any aspect other than price that influences the demand curve of a product" (Fornell 1995). Combining these two notions, quality can be construed as any nonprice aspect of a product that signifies its superiority and causes a shift in its demand curve. Product differentiation refers to a firm's actions intended to differentiate its product offerings and is a generic strategy for achieving competitive advantage. Product quality (comprising goods and service quality) is one of the most important parameters available to firms to differentiate their products from competitors' offerings (Phillips, Chang, and Buzzell 1983). When a business undertakes a strategic action such as offering higher quality for achieving competitive advantage, it is interested in sustaining the returns from the action (Boulding and Staelin 1995). In this sense, when a business offers a higher quality product, it could have either or both of the following objectives in mind: (1) sustain a higher price or (2) sustain a larger market share.

Ideally, a business would want to sustain a higher price as well as a higher market share but these two objectives may not always be compatible. That is, if the business were to follow a niching strategy by offering a high-quality product at a high price targeted at a small market niche, it effectively excludes itself from the contest for market share dominance in the broader market. However, if a business were to follow a value strategy by offering a high-quality product at prices comparable with those of its competitors, it may be able to gain a higher market share. Therefore, the relationship between quality and price may be contingent on other dimensions of competitive strategy (e.g., choice of a target market, positioning). In addition, the ability of a business to charge higher prices for higher quality is contingent on the ease with which consumers can determine the quality of the product (Tellis 1987). When quality is uncertain, consumers tend to use price as an indicator of quality. This suggests a bidirectional relationship between quality and price, in which perceived quality positively influences price under conditions of greater information availability, and price positively influences perceived quality under conditions of lower information availability.

Finally, strategic actions taken by a business are subject to competitive reactions. If a business were to offer a high-quality product (an action) in a market dominated by lower quality competitors, the success of such an action will depend not just on the focal business' strategy and consumers' information characteristics but also on whether and how its competitors respond to the action. For instance, competitors may choose to offer products comparable in quality with the product offered by the focal business. Alternatively, they may undertake actions such as lowering prices but making no changes in the (lower) quality of their product offerings, which might result in consumers perceiving competitors' offering as a better value. A measure of this rivalry through interactions in the market, the intensity of competition, will therefore influence the outcome of a business's decision to offer higher quality products. In summary, the market performance outcome of a business's decision to offer products of a higher quality is contingent on other dimensions of competitive strategy, consumers' characteristics, and competitors' reactions.

Representative Research

The relationship between quality and performance has been a subject of considerable research in marketing. Buzzell and Gale (1987) found that firms that offer superior quality achieve above-normal market share growth. Gale (1992) observed that businesses among the top 20 percent in service quality obtain, on average, an 8 percent higher price than their competitors. Tellis and Wernerfelt (1987), in their meta-analysis study, found the price-quality correlation to be moderate (.27) and an increasing function of the level of consumer information. That is, the easier it is for the consumer to detect variation in quality, the stronger the correlation between price and quality in the market. In recent years, researchers have focused on the relationship between service quality and performance, with performance construed as return on quality (Rust, Zahorik, and Keiningham 1995). Researchers have also examined service quality and its impact on customer behavior and performance (e.g., Zeithaml, Berry, and Parasuraman 1996).

Comments

Product quality is considered a viable approach to differentiating a firm's product offering from its competitors' offerings and achieving a competitive advantage. Much of the research in marketing has examined the relationship between quality and price from the perspective of consumer information characteristics and found the relationship to be moderate. A more detailed examination of this relationship can help clarify the potential nonrecursive nature of the relationship between price and quality. The impact that a business's strategy and the cost of providing higher quality may have on the relationship between quality and price has not received adequate attention. The influence of competitive rivalry on the ability of firms to sustain the competitive advantage derived from higher quality has received only cursory treatment in the literature. In addition, the relationship between a strategy of providing higher quality and other dimensions of business performance such as profitability has not received as much attention in the marketing literature as the quality-price relationship. Another avenue for future research, given the significant advances in the conceptualization and measurement of service quality (e.g., Parasuraman, Zeithaml, and Berry 1988), would be the relative competitive advantage and performance implications of investments in tangible versus intangible components of product quality.

MARKET PIONEERING

Broadly construed, a market pioneer or first-mover refers to a business being either the first to introduce a new product, to employ a new process, or to enter a new market (Lieberman and Montgomery 1988). Market pioneering advantage refers to the competitive advantage associated with being the first to enter a market. It has been advanced as an explanation for the inverse relationship between order of entry of businesses into a market and their respective market shares observed in certain product markets. That is, on average, a market pioneer has a higher market share than early followers, and early followers have higher market shares than late entrants. Kerin, Varadarajan, and Peterson (1992) summarize the theoretical arguments advanced in support of pioneering advantage into two broad categories: the economic-analytical perspective and the behavioral perspective.

The economic-analytical perspective. According to this perspective, a market pioneer is able to achieve sustainable competitive advantage as a result of entry barriers. An entry barrier is a cost that must be borne by a firm that attempts to enter an industry, but not by firms already in the industry (Von Weizsacker 1980). In the context of pioneering, entry barriers refer to the additional resources that a later entrant would need to deploy in order to compete effectively with the first-mover. Entry barriers are posited to provide a pioneer with a head start that enables it to achieve higher market shares and profits than later entrants.

The behavioral perspective. Behavioral theories typically explain pioneering advantage at the product or brand level in terms of the role of learning in consumer preference formation. This perspective suggests that a pioneer can shape the beliefs of consumers about ideal brand attributes and preferences in its favor. That is, the pioneer brand, through its marketing efforts, may be able to influence the perceptual structure of the market to its advantage. In the limit, a pioneer may be able to establish itself as the "prototypical brand" against which all later brands are judged (Carpenter and Nakamoto 1989, 1990). Furthermore, a pioneer may benefit from a high degree of consumer awareness and trial, which, if followed by a favorable consumption experience, may lead to loyal purchase behavior because of consumers' desire to minimize search costs and risk (Schmalensee 1982). Kerin et al. (1992) present a broadened perspective of the market pioneering phenomenon by delineating a number of product-market contingencies (e.g., demand uncertainty, minimum efficient scale, advertising intensity, nature of good) that moderate the relationship between order of entry and competitive advantage. In support of a contingency perspective, they note that most arguments advanced in support of pioneering advantage implicitly assume that pioneers are hyperrational (e.g., pioneers offer a product of the right quality, position it appropriately) and ignore the possibility that a later entrant may have the resources and skills to outwit the pioneer in a battle for competitive advantage and market share. Other research supportive of a contingency perspective include Carpenter and Nakamoto's (1990) exposition that unless the pioneer has an asymmetric competitive advantage, later entrants may challenge the pioneer effectively, and Mitchell's (1991) finding that while being a pioneer helps a firm that is not an industry incumbent, an industry incumbent performs better as a late entrant. Also, as noted by Kalyanaram, Robinson, and Urban (1995), a pioneer could be at a disadvantage when later entrants are able to successfully free ride on a pioneer's investments or exploit a change in technology or potential consumer need. Case histories of late entrants with the requisite skills and resources being successful in establishing their product offering as the industry standard or the dominant design (e.g., Sony Betamax versus Matsushita VHS VCRs) also provide insights into the moderating effects of product-market contingencies.

Representative Research

Kalyanaram et al. (1995) enumerate the following as generalizable findings corroborated by multiple studies:

1. For mature consumer and industrial goods, there is a negative relationship between order of market entry and market share.
2. In mature consumer and industrial goods markets, the early entrant's market share advantages decline slowly over time.
3. For consumer-packaged goods, order of market entry has a stronger negative relationship with trial penetration than with repeat purchase.
4. For mature consumer and industrial goods, market pioneers tend to have broader product lines than late entrants.

On the basis of a meta-analysis of research on market pioneering, Szymanski, Troy, and Bharadwaj (1995) report that on average, the impact of pioneering on market share is positive. However, the magnitude of the estimated pioneering advantage is moderated by (1) two model specification errors—omission of product line breadth (+) and marketing expenditures (–), (2) one sample characteristic—the unit of analysis being strategic business units (SBUs) versus brands (greater for SBUs), and (3) one measurement factor—measuring order of entry as actual order rather than as a dichotomous (pioneer/nonpioneer) measure (higher for dichotomous measure).

Comments

The limitations of empirical research on the topic highlighted in various sources raise certain concerns regarding the generalizability of research findings. For instance, Kerin et al. (1992) note the following:

1. A large body of research on market pioneering is based on PIMS data. The definition of market pioneer is problematic in PIMS data-based studies of pioneering advantage. These findings are not based on a strict order of entry data but self-reported measures of whether a business perceives itself as one of the pioneers, an early follower, or a late entrant in the market.
2. Although PIMS data-based and other empirical studies based on sample survey and archival data lend empirical support for pioneering advantage, many of these studies (e.g., Urban, Carter, Gaskin, and Mocha 1986) report other factors,

such as market positioning and advertising, that appear to be more influential than order of entry in explaining market share differentials.
3. But for a few exceptions (e.g., Mitchell 1991), most studies in the area suffer from a common deficiency, in that they consider only surviving entrants. Mitchell reports that this biases empirical results in favor of the order of entry-market share relationship.

Also, it should be noted that a market pioneer has only an *opportunity* to achieve certain competitive cost and differentiation advantages by taking appropriate actions such as spatial preemption, exploiting scale effects and experience effects, and locking in buyers. These are not competitive advantages that automatically *accrue* by virtue of being a market pioneer. However, certain other competitive advantages that are attributable to the role of learning in consumer preference formation and consumers' propensity to minimize search costs and risk can be construed as competitive advantages that are *bestowed* on the market pioneer by the marketplace.

In a dynamic competitive environment, the skills and resources of early followers and late entrants are likely to be major factors in determining whether the competitive advantages accrued by the market pioneer and/or bestowed on the market pioneer by the marketplace are enduring or neutralized. Another factor that must be borne in mind is that a product market is typically composed of a market pioneer, a number of early followers and late entrants, and potential entrants. More than likely, a firm that is a pioneer in some product market arenas will be an early follower or late entrant in other product market arenas. This implies that a multibusiness firm should nurture and develop the requisite skills and resources to achieve and sustain competitive advantage in product market arenas in which it is a market pioneer, as well as the requisite skills and resources to circumvent the competitive advantages of a market pioneer, in those product market arenas in which it is an early follower or a late entrant.

STRATEGIC ALLIANCES[7]

Strategic alliances, a manifestation of interorganizational cooperative strategies, have been the focus of numerous studies in the business literature at large (e.g., Badaracco 1991; Ohmae 1989), the marketing literature in particular (Achrol 1991; Varadarajan and Cunningham 1995), and the business press. Strategic alliances are a form of interorganizational cooperation entailing the pooling of skills and resources by the alliance partners, to achieve one or more common goals. The pursuit of common goals by alliance partners does not, however, preclude them from seeking specific goals either as part of the alliance or outside of the alliance. A variety of forms of interorganizational cooperation structured as equity or nonequity ventures fall within the domain of strategic alliances.

Interorganizational cooperative relationships can exist either between two firms whose primary economic commitment is to the same value chain activities (e.g., between Ford and Mazda) or between two firms whose primary economic commitments are to adjacent stages of the value chain (e.g., between General Motors and its auto parts suppliers). The former is illustrative of a horizontal interorganizational cooperative relationship, and the latter demonstrates a vertical interorganizational cooperative relationship.

While interorganizational cooperation is the key facet distinguishing strategic alliances from other forms of cooperation, this is only a necessary, not a sufficient, condition to classify an organizational relationship as a "strategic alliance." Since the purpose of strategy is to achieve a sustainable competitive advantage, an interorganizational partnership can be viewed as a strategic alliance, only if the partnership would enable the cooperating firms to achieve a competitive advantage in the marketplace. Alliances can be designed to be adaptable regardless of whether the partnership is intended to be relatively long-term in nature (e.g., a joint venture) or for a specified finite period of time (e.g., a joint product development team).

Theoretical Perspectives on Strategic Alliances

The motives underlying entry of firms into strategic alliances can be varied and diverse. In addition, either a single important objective or a multiplicity of interrelated objectives may underlie a firm's decision to enter into strategic alliances. The objectives underlying the entry of firms into strategic alliances can be grouped as motives related to

1. market entry and market position,
2. product,
3. product market,
4. market structure modification,
5. market entry timing,
6. resource utilization efficiency,
7. resource extension and risk reduction, and
8. skills enhancement.

A number of theories have been advanced to explain the motives underlying the entry of firms into strategic alliances and the conditions under which strategic alliances are likely to be formed. These include theories of market attractiveness and organizational power (Kogut 1988), interorganizational exchange behavior and resource dependency theory (Pfeffer and Salancik 1978), institutional economics (Oliver 1990), and the resource-based view of strategic alliances (Varadarajan and Cunningham 1995).

Collectively, these theoretical perspectives suggest that (1) market uncertainty, (2) the drive for increased efficiency, resource dependency, skill, and resource heterogeneity, and (3) imperfect factor markets drive firms to form alliances in their quest for competitive advantage. For instance, Oliver (1990) notes that partnerships may be founded on two sets of distinctly different motives: (1) to exert power and control over critical resources and (2) to achieve mutually beneficial outcomes through cooperation and coordination. Oliver identifies five contingencies that lead firms to form voluntary interorganizational relationships: asymmetry, reciprocity, efficiency, stability, and legitimacy.

Transaction cost analysis, which has been a rich source of theoretical insights into cooperative behavior, suggests that firms will internalize only those activities they can perform at a lower cost than they can obtain on the open market. While the ultimate form of internalization is encompassed in vertical integration, there are a number of organizational forms lying between the extremes of arms-length exchange and vertical integration. A strategic alliance is one of these organizational forms (see Heide and John 1990).

A closer examination of various theoretical explanations of the rationale underlying the entry of firms into strategic alliances and/or the conditions under which firms are likely to enter into strategic alliances suggests that no single theoretical framework provides an adequate explanation of the phenomenon. In fact, given the overlapping nature of some of these theoretical perspectives, it seems to be more appropriate to view them as complementing explanations rather than as competing explanations of the strategic alliance phenomenon. For instance, transaction cost and resource dependency concepts are the foundation of a theory of structure and governance, and not one of strategy (Heide 1994; Tallman 1991). The focus of these theories is on the best responses to a predetermined static environment, and not one of proactively seeking to change conditions through strategic thrusts. Characterizing the formation of strategic partnerships as a strategic adaptation to market uncertainty and dependence (see Heide 1994) exemplifies this viewpoint. Strategy, on the other hand, is a mechanism of change that reflects the power of idiosyncratic management intention and ability (Tallman 1991).

Representative Research

Bucklin and Sengupta (1993) examined the antecedents to organizing effective comarketing alliances, lateral relationships between firms at the same level in the value chain. They found that alliances can be made more effective by reducing power and managerial imbalances. Furthermore, careful selection of projects and of partners who are more compatible with the focal firm was also found to enhance the effectiveness of alliances. Heide and John (1990) found that the determinants of joint action in alliances for industrial purchasing are specific investments and uncertainty. Strategic alliances have also received considerable attention from researchers in strategic management (e.g., Khanna, Gulati, and Nohria 1998; Kogut 1988; Parkhe 1993; Zaheer and Venkatraman 1995).

Comments

In recent years, alliances of various types including those with a marketing thrust have become increasingly widespread (e.g., joint product development, joint marketing, and reciprocal marketing alliances). Given the traditional competencies of the marketing discipline in examining relationships among organizations at different levels in the distribution channel, marketing researchers are well equipped to make significant contributions to further theoretical and empirical knowledge in strategic alliances. In addition, the relationship between alliances and competitive advantage needs to be examined.

MARKET ORIENTATION

The marketing concept, the normative philosophy that underlies modern marketing thought, suggests that to be successful, firms should determine customers' needs and wants, and satisfy them more effectively than their competitors do (Kotler 1997). The market orientation of a firm reflects the extent to which its actions are consistent with the marketing concept (Kohli and Jaworski 1990). Narver and Slater (1990) define market orientation from a *cultural perspective* as "the organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business" (p. 21). They conceptualize market orientation in terms of three dimensions—customer orientation, competitor orientation, and interfunctional coordination. Kohli and Jaworski (1990) define market orientation from a *behavioral perspective* as "the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization wide responsiveness to it" (p. 6).

The rivalry between firms in many industries is increasingly characterized by hypercompetition (D'Aveni 1995). In a hypercompetitive market environment, interfirm rivalry is dynamic, rapidly escalating, and reflects strategic maneuvering among firms on many fronts. Competition in such markets could be based on efforts to differentiate along the dimensions of price and quality, attempts to innovate and achieve first-mover advantage, attempts to protect or invade product or geographic markets, or actions based on deep pockets and alliances. The result is a market where disequilibrium is the norm (D'Aveni 1995). In such markets, stability is often challenged by new products, new technologies, new entrants, strategic initiatives by incumbents, and constantly evolving market boundaries. In this environment of increasing uncertainty, a characteristic of a growing number of markets since the 1980s, supply and demand rates, and the response rate of sellers and buyers to them vary. The differences in the response rates of sellers and buyers to changes in supply and demand rate create opportunities that a fast-moving firm can exploit. To benefit from such opportunities, firms need to be more market oriented to perceive market developments and respond to such changes. Therefore, the customer orientation advocated by the marketing concept and implemented through market orientation is a strategic imperative in highly competitive markets where firms should not only try to perceive and meet customers' needs but should do so faster than their rivals (Dickson 1992).

Market orientation is a set of tangible actions that a firm initiates as well as the underlying culture that enables a firm to keep track of demand and supply variations in the marketplace and orchestrate appropriate responses to such changes. Market orientation can be seen as a prerequisite to the formulation of effective competitive response and innovation. This follows from the fact that effective competitive response necessarily assumes the generation and dissemination of the pertinent information, and superior innovations require a substantial degree of consumer insight and knowledge of developments in other related fields. Such knowledge and consumer insights are likely to flow from a culture of market orientation within a firm. Yet another aspect of a market orientation-based understanding of the pursuit of sustained competitive advantage is that it provides a dynamic picture of the need for firms to constantly strive to sustain competitive advantage. This is an insight that is often ignored (or implicit) when strategies such as market share building and pioneering are advocated as conducive to competitive advantage and superior performance.

Representative Research

Extant research has focused on many different issues relating to both the antecedents and consequences of market orientation (see Jaworski and Kohli [1996] for a review of research on market orientation). Jaworski and Kohli (1993) examined the organizational and environmental antecedents to market orientation. In examining the consequences of market orientation, Narver and Slater (1990) and Jaworski and Kohli (1993) observed that market orientation was positively related to firm performance. Jaworski and Kohli (1993) also found market orientation to be positively related to employee behavioral characteristics such as organizational commitment and esprit de corps. Siguaw, Brown, and Widing (1994) report that market orientation affects salespeople's customer orientation, role stress, job satisfaction, and organizational commitment.

Comments

The limited empirical evidence suggests that market orientation is likely to be positively related to performance. Important future research directions include the customer consequences of market orientation and innovation consequences of market orientation. This area could benefit from a longitudinal examination of the consequences of a culture of market orientation. The role of market orientation as a source of sustainable competitive advantage (see Hunt and Morgan 1995) needs to be empirically verified.

MARKET SHARE[8]

A large body of research in marketing, strategic management, and industrial organization economics has focused on the relationship between market share and profitability. The *structure-conduct-performance model* (Bain 1956) posits a positive relationship between industry concentration and profitability. Industry concentration (a structural characteristic) by facilitating collusion among firms (conduct) is expected to result in superior performance. The *efficiency perspective* (Demsetz 1973), however, suggests that profitability is a function of efficiency differences among competitors. The relationship between industry concentration and performance is viewed as spurious and caused by efficiency differences among competing firms. According to this view, efficient firms achieving high market shares and profits create a noncausal relationship between concentration and profitability (Jacobson 1988). The works of Gale and Branch (1982) and Ravenscraft (1983) are representative of empirical evidence that lends support to the notion that it is the market share that results from efficiency, and not concentration, that is related to profitability. Empirical evidence also suggests that the relationship between market share and profitability is robust across different definitions of market share, different sampling frames, and controls for accounting method variation (Jacobson 1988).

A consequence of the robust positive association between market share and profitability uncovered in a number of studies was the initial elevation of pursuit of market share to the level of a normative strategy conducive to superior performance. However, subsequent critical examination of the underlying logic has resulted in a more balanced perspective. The theoretical arguments advanced in support of the relationship between market share and profitability and their limitations are briefly reviewed next.

The quality explanation. In markets beset by uncertainty and imperfect information about product performance, the high market share of a brand acts as a signal of superior quality to consumers. In such markets, consumers are likely to have greater confidence in high market share brands. This enables high market share brands to command a price premium over lower market share brands (Smallwood and Conslik 1979) and thereby enhance their profitability. However, in product market contexts where a prerequisite for a product to enjoy a high quality image is exclusivity (e.g., Rolls-Royce™ cars), the quality explanation of the market share-profitability relationship would be tenuous.

The market power explanation. Businesses with a high market share, by exercising their market power—the ability to command a price premium, lower costs by negotiating for more favorable terms (than their competitors are able to) with vendors and marketing intermediaries, and obtaining favorable shelf placements from retailers—enhance their profitability. However, the question of whether market share in itself can lead to market power is debatable. Jacobson (1988) notes that it may be difficult for businesses with a high market share to hold on to their position unless they sustain their efficiency advantages by providing superior value to customers. In addition, to the extent that businesses with a high market share opt not to exercise their potential market power out of concern that exercising market power may degenerate into an aggressive battle for share, the market power effect on profitability would be lower.

The efficiency explanation. The scale and experience effects associated with market share lead to lower costs and thereby enable a business with a high market share to earn higher profits than its competitors with a low market share (Jacobson 1988). In addition to the investments in manufacturing and marketing of a business with a high market share being amortized over a much larger customer base, the greater cumulative experience in activities associated with producing and marketing the product is manifested in proprietary learning (better and more efficient ways of manufacturing and marketing the product). Here, a contingency view would suggest that the efficiency effect on business profitability would be lower in product markets in which scale and experience effects are either of minimal importance or can be easily overcome by competitors (see Jacobson 1988), scale and experience effects are mostly exhausted at small volumes (see Schmalensee 1987), or innovation is more important to long-term profitability than efficiency effects (see Scherer and Ross 1990).

The third-factor explanation. Jacobson (1988) advanced a third factor explanation of the observed relationship between market share and performance. In addition to the structural characteristics of the markets that managers choose to compete in, and the marketing strategies that they develop to compete in these markets, a third set of factors (unobservables such as luck, uncertainty, or managerial insight) may play a crucial role in helping a business achieve a high market share as well as superior performance (see, e.g., model specification in Szymanski, Bharadwaj, and Varadarajan 1993; Figure 1, p. 4).

Representative Research

Szymanski et al. (1993), in their meta-analysis of 276 market share-profitability findings from 48 studies, report that (1) on average, market share has a positive effect on performance, and (2) the relationship is moderated by model-specification errors, sample characteristics, and measurement characteristics. The omission of firm-specific intangibles (unobservables) has a significant biasing effect (market share elasticity is higher when firm-specific intangibles are not modeled). The omission of sales force expenditures, product/service quality, product line breadth, and market growth rate also has an upward biasing effect on the relationship between market share and profitability. PIMS data-based studies show a stronger relationship between market share and profitability than studies using other sources of data. Furthermore, measuring profitability as return on sales (ROS) rather than return on investment (ROI) has a downward biasing effect on the relationship between market share and profitability. Boulding and Staelin (1993) note that the relationship between market share and costs is moderated by intensity of competition. Due to the relatively higher costs of competing in markets characterized by intense competition, the ability of businesses with a high market share to achieve cost reduction will be lower than in markets that are not intensely competitive. Boulding and Staelin (1990) also observed that for a majority of the businesses in their sample, market share is not always associated with increasing profits.

Comments

This stream of literature is indicative of the progression of research beginning with the observation of a seeming empirical regularity (positive association between market share and profitability), to competitive positional advantages as an explanation of market share dominance (the efficiency explanation of competitive cost advantage and the quality explanation of competitive differentiation advantage), to explorations of strategies that enabled businesses to achieve defensible advantages (innovation, quality), and explorations of firm-specific skills and resources leveraged by businesses to implement value-creating strategies (link 3→4→5→6→7 in our organizing framework). The cumulative body of evidence suggests that the observed relationship between market share and performance may be upwardly biased, due to the omission of intangibles/unobservables in the models tested. Research in this topic is also beset by problems arising on account of lack of clarity in market definition (see Prahalad 1995).

AN ASSESSMENT OF THE STATE OF THE FIELD

As evidenced by our review of selected streams of literature in marketing strategy, the last quarter of a century has witnessed the emergence of a rich body of research that has furthered scholarly and managerial understanding of marketing strategy. Nevertheless, the field has often been beset by a sense of unease regarding its theoretical and methodological rigor, and academic and practical relevance. Disillusionment, discontent, and/or concerns regarding the state of the field have been repeatedly voiced since the 1970s (e.g., Day 1992; Wind 1979; Wind and Robertson 1983). Chief among the concerns that have been voiced are the following:

- Lack of a solid theoretical base and empirical literature
- Fixation with brand as the unit of analysis
- Lack of rigorous competitive analysis
- Lack of an international orientation
- Tendency to stay with outmoded frameworks
- Lack of an integrated strategic framework
- Marginalization within academic circles

In this section, we summarize our assessment of the *current* state of the field, principally evaluated from the standpoint of the above critical observations made regarding the state of the field.

Theoretical base and empirical research. A large body of published research in marketing strategy is indicative of significant progress in the realm of empirical research grounded in theory, negating for the most part the earlier criticism to the effect that marketing strategy as a field of study lacks a theoretical base and a tradition of empirical research. As a matter of fact, the richness of the empirical literature in some areas has allowed for meta-analysis and other approaches to arrive at empirical generalizations (e.g., the relationship between market share and performance, and order of entry and performance). In the aggregate, there have also been significant advances in the realm of construct definition, operationalization, and measurement. This is evidenced in the much greater attention devoted in recent research to issues relating to conceptualization and definition of the focal construct, delineation from related constructs, and development and validation of multi-item measures of constructs (e.g., market orientation, service quality). The various literature streams in marketing strategy are also indicative of a progression beyond examining simple bivariate relationships to more fully specified networks of relationships delineating the antecedents, outcomes, mediators, and moderators. As a result of the greater focus on the antecedents of strategy, for instance, there is a better understanding of the embeddedness of the strategic actions within the context of a firm's external and internal environments.

Unit of analysis. Extant literature is also indicative of the field having moved beyond its principal focus on the brand as a unit of analysis. This is evidenced by a significant body of literature examining a wide range of strategy content, process, and implementation-related issues at the level of the firm, strategic business unit, product-market unit, organization teams, and other units of analysis (e.g., corporate culture, market orientation, strategic alliances).

Rigor of competitive analysis. The literature on competitive behavior illustrates that considerably more attention is paid to the impact of competitive effects on the strategies of firms. The substantial progress made on this front negates past criticism concerning lack of rigor in competitive analysis to an extent. However, as we noted earlier, there is considerable scope for theoretical and empirical research in this area.

International orientation. An examination of major journals shows that there is evidence of more research in international contexts. However, the extent to which strategy-performance relationships observed in the context of U.S. businesses are generalizable in the larger international context and/or in other market contexts remains underresearched. Also, the cultural embeddedness of structures and strategy formulation processes in international contexts remains underresearched. These issues are critical in an era of increasing globalization of markets.

Currency of strategy frameworks. While on one hand, the field shows evidence of incorporating current thinking in research and education, on the other hand, some of the contents of marketing principles, marketing management, and marketing strategy textbooks are indicative of the persistence of outdated marketing strategy concepts, analytical tools, and techniques. The focus in marketing strategy research on issues that may be of diminishing relevance to today's corporations, and the persistence of outdated strategy frameworks in marketing strategy education (e.g., the growth-share matrix approach to product portfolio analysis and planning; see Varadarajan 1999), takes away from time and effort that could otherwise have been devoted to researching and teaching more current and important issues.

Toward an integrated strategic framework. A major impediment to the advancement of the field has been the absence of a shared mental model among researchers concerning the domain of marketing strategy, a clear explication of the domain in terms of its principles and theories, and the basis for delineation of *competitive business strategy* from *competitive marketing strategy.* Researchers choosing to address these issues must guard against making simplistic distinctions between competitive marketing strategy and competitive business strategy in terms of the level of decision making in the firm (i.e., business versus marketing function level). This would be problematic, particularly in the wake of a shift toward more focused firms, greater organizational emphasis on developing and nurturing market-based assets, and greater top-management involvement in marketing strategy decisions. Against this backdrop, in this article, we delineated a number of broad research streams within the field of marketing strategy and organized them by using an institutional theory-based framework. However, we view the proposed framework as *preliminary* and in need of further refinements.

Contributions to academic discourse on strategy. The many concerns voiced by Day (1992) concerning the contributions of marketing to the academic discourse on strategy and to strategy research at large persist. In the absence of a shared set of premises guiding research in marketing strategy, the field continues to run the risk of remaining a nebulous area of research that borrows ideas and theories from other disciplines, but whose value additions to these theories remain unrecognized. By building on its traditional strengths in areas such as cognitive and behavioral theories of consumer behavior, the marketing discipline has the potential to make significant contributions to the strategy literature. Illustrative of missed opportunities for making significant contributions building on the discipline's competencies include cognitive aspects of competition such as cognitive strategic groups (e.g., Reger and Huff 1993).

THE OUTLOOK

The outlook for the marketing function to play an important role in shaping the broader landscape of firm strategy looks promising. For instance, recent trends in the business world such as deconglomeration of firms suggest that marketing may play an increasingly important role in determining the strategic direction of the firm. Deconglomeration refers to a firm divesting businesses unrelated to its core businesses from its portfolio and reducing the scope of its activities to concentrate on its core businesses (Markides 1995). A significant portion of the resources freed up as a result of divestiture of unrelated businesses by firms tend to be channeled toward further enhancing the competitive position of the firm's core businesses in the markets in which it currently operates: (1) market penetration—acquisition of direct and peripheral competitors, increasing market share by attracting new customers, and so forth; (2) market development—setting up operations in new international geographic markets and accelerating the pace of entry into new international markets; and (3) innovation—development of new products for the presently served markets. The increased flow of resources toward marketing-related activities in firms in the aftermath of deconglomeration is likely to enhance the role of marketing in the firm (Varadarajan et al. 1998). In addition, the increasing focus on the role of marketing as that of developing market-based assets such as brand equity and customer equity that affect the market value of the firm (Srivastava et al. 1998; Sudharshan 1995) may also lead to an increasingly important role for marketing in the charting of strategy for the firm. Against this backdrop, in this section, we identify some strategy content, formulation process, and implementation-related issues at a more aggregate level to complement the directions for future research in specific areas of marketing strategy identified in earlier sections.

Strategy Content

Empirical generalizations and sustainability of competitive advantage. Given that the ultimate objective of most strategy research can be considered to be one of identifying generalizable relationships between specific strategies, competitive advantage, and performance, research with a focus on empirical generalizations is called for in areas where a cumulative body of research currently exists. As noted earlier, the evolution of the field is indicative of an increasing research focus on the contextual nature of relationships, such as between order of entry and market share, and market share and ROI. However, there is a dearth of research that maps how a particular strategy is related to sustainable competitive advantage. Also, there are very few attempts to empirically verify such relationships in the manner of Boulding and Staelin (1995), who examine how R&D expenditure leads to sustained advantage.

Finer grained analysis of firm behavior. While much research on the strategy-performance relationship is conducted at an aggregate level, strategies are implemented as discrete actions. As Mintzberg (1978) notes, strategy can be conceived as a stream of actions rather than as a static position. A finer grained approach to examining the strategic behavior of firms and its impact on performance can be aided by examining the specific actions that firms initiate in the marketplace in the constant tussle for positional advantage among competitors (e.g., Chen and MacMillan 1992; Chen, Smith, and Grimm 1992). Such microanalysis of firm behavior can enhance our understanding of the evolution of competition in a market, as well as enable researchers to trace how firms come to occupy the positions that they eventually do.

Cooperative strategies. We expect a greater focus on research issues pertaining to cooperation between firms. Cooperation between firms takes many different forms such as alliances and tacit collusive behavior.

1. *Business networks.* Strategic alliances between firms have become widespread for a variety of reasons (see Varadarajan and Cunningham 1995), take a variety of forms, and manifest across horizontal and vertical boundaries (Gulati 1998). Prior research in this area has mostly focused on the firm or alliance as the unit of analysis. The assumption here is that alliances are formed by individual firms that evaluate alternative courses of action. Gulati notes that such an approach ignores the actions of other firms as well as the impact of existing relationships on the motives, formation, and performance of alliances. It also ignores the learning that occurs through the process of competition in a market and the impact of this learning on alliances. There is an increasing awareness that understanding of alliances can be enhanced by studying them from a network perspective that views the actions of firms as embedded in the social context (Anderson, Hakansson, and Johanson 1994). The network approach explicitly recognizes that the identity and position of members in a network (their status) as well as the pattern of relationships among them affects the availability of information, and therefore, the behavior of firms. Gulati notes that a sociological network-based approach to studying alliances will provide richer insights into how alliances are formed, the governance structure of alliances, the evolution of alliances, and the performance of alliances. Given that a sizeable proportion of alliances tend to have a marketing thrust, marketing strategy literature can benefit from research into this aspect of cooperative strategy.
2. *Tacit collusion.* Another major avenue for research in this area is an inquiry into processes that lead to tacit collusive behavior among firms. A case in point is multimarket competition among firms and its impact on interfirm rivalry. Multimarket competition is "a situation when firms compete against each other simultaneously in more than one market" (Karnani and Wernerfelt 1985). Multimarket competition provides firms with increased opportunities to compete with each other. However, the increased opportunity to compete that arises out of greater market overlap may not translate into greater intensity of competition. To the contrary, the theory of multimarket competition suggests that the intensity of competition among firms with overlapping market domains may be dampened by a phenomenon known as *mutual forbearance* (Edwards 1955; Gimeno and Woo 1996; Jayachandran, Gimeno, and Varadarajan forthcoming). Mutual forbearance is *tacit collusion* as a consequence of firms competing in many markets and the resulting increase in their interdependence. Research into such market behavior of firms has been sparse in marketing.

Multiple dimensions of performance. Much of marketing strategy research has focused on market-based performance (e.g., market share) and financial performance (e.g., return on investment). However, the risk aspects of performance and the impact of different marketing strategies on risk (as measured by variance of returns) and the market value of the firm have not received much attention in marketing strategy research. An exception here is Sudharshan's (1995) discussion and Srivastava, Shervani, and Fahey's (1998) examination of how market-based assets such as customer relationships and partner relationships affect shareholder value by influencing the value and volatility of cash flows. Examination of such relationships is desirable for a number of reasons. First, a broader focus on performance would enable marketers to more fully understand the performance consequences of strategies compared with the understanding that would emerge from a more limited focus on market share and ROI. Second, research along these lines can shed insights into how marketing activities contribute to market valuation.

Impact of information technology. Advances in information technology (IT) have provided firms with access to more interactive media that serve as a platform for communication as well as a channel for selling. Computer-based media enable consumers to search for information at very low costs. This may put firms competing on price under increasing competitive pressure while enabling firms competing on nonprice criteria to communicate a greater amount of product-related information to potential customers at much lower costs. The development of interactive media may lead to the elimination of intermediaries in some product markets while bringing to the fore new types of intermediaries in other product markets. These changes are likely to affect theory and practice in the area of channel management and constitute a promising avenue for future research.

From a different viewpoint, the impact of the rapid developments in IT may even redefine industry structure in many industries. Sampler (1998) addresses this issue and notes that industry structure (market boundaries) in information-intensive industries where large volumes of customer information can be captured and processed cheaply (e.g., banking) may be defined by the information possessed by firms on customers' needs. That is, firms that have the relevant information for addressing a particular customer need may be (potentially) relevant competitors in that market. In this scenario, the competitive advantage of firms, innovation undertaken by firms, and their diversification patterns may all be determined by the information they possess. Such changes would significantly affect strategies at all levels.

Strategy Implementation and Formulation Process

Structures and skills. As we noted earlier, much of the research in marketing strategy has focused on strategy content issues with a much more limited amount of research attention devoted to implementation and formulation process issues. For instance, there is a need for research on types of structures and skills that an organization should build to implement a strategy of rapid product innovation, new organizational forms that may be required to operate in business networks, and requisite organizational capabilities and processes for successful implementation of various strategies.

Strategy as improvisation. Recent research in marketing strategy views strategy formulation and implementation not as two distinct and discrete actions but as intertwined in an incremental fashion with the formulation and implementation happening, at the limit, simultaneously in a system with continuous feedback. This approach, referred to as "improvisation" (Moorman and Miner 1998) constitutes a departure from the traditional notion that views the strategy formulation process, content, and implementation as distinct. This perspective is consistent with a behavioral view of strategy where actions occur without a preponderance of advance planning. Analysis of improvisation requires an examination of the temporal sequence in which actions occur in firms. In the continuous feedback system envisaged here, the strategy formulation process, the strategy content, and its implementation occur, in the limit, simultaneously. Investigation of such theories can benefit from a process-driven approach that looks at "how actions are initiated in firms" rather than "what actions are initiated" and enable marketing strategy researchers to understand better how strategies emerge in organizations.

Cognitive aspects of competition. Of critical importance to marketing strategy researchers is how firms (and managers) define the boundaries of their market. A number of criteria based on both supply-side and demand-side perspectives have been proposed to define the boundaries of a market. The demand-side perspective includes cross-elasticities of demand (Friedman 1983) and customer choice sets (Day, Shocker, and Srivastava 1979). An example of a supply-side perspective to determining market boundaries is the strategic groups approach (Porter 1980). These perspectives use external environmental criteria and customer needs to determine market boundaries. As Porac and Rosa (1996) note, in these perspectives, competitors are seen as "similar firms that seek similar resources on the demand side of the market, and consider 'similarity' to be an objective property of the market space" (p. 367). In other words, the implicit assumption in much of marketing strategy literature is that market environments are clearly defined tangible entities. There is increasing awareness that the determination of market boundaries are often not based on objective criteria such as supply-side technology and clearly defined customer needs (Day and Nedungadi 1994) but a result of the background knowledge that firms (and managers) acquire by interacting with other firms. This view of market definition suggests that boundaries of a market exist within the minds of competitors (Porac and Rosa 1996) and is analogous to the position advanced by Day and Nedungadi (1994). This suggests that it is the managerial and collective firm-level cognitive representation of the marketplace that shapes rivalries and strategies. This view of markets and market boundaries can benefit from research building on cognitive theories such as information-processing theories, attribution theory, and categorization theory and enable marketing strategy researchers to describe the competitive behavior of firms in greater depth.

Strategy-making process. Research into strategy-making processes remains limited in marketing (e.g., Hutt, Reingen, and Ronchetto 1988). Consequently, as noted earlier, there is also a need for researchers to examine the managerial biases and mental maps that guide strategy formulation processes. With the view of managers as boundedly rational satisficers, it becomes important to study how managers make decisions and what biases their decisions.

CONCLUSION

In this article, we delineated a number of broad research streams within the field of marketing strategy, proposed an organizing framework for mapping research in marketing strategy, reviewed selected streams of literature within the broad research streams in marketing strategy, presented our assessment of the state of the field, and provided a perspective of future directions in the field. Our review of research in extant literature in marketing strategy leads us to believe that a vast terrain has been covered, but the cumulative body of knowledge is disjointed and not easily amenable to being systematically organized. While the field has made significant progress in the past two decades as evidenced by a rich theoretical and empirical literature base, the advancement of the field has possibly been impeded by the absence of a shared mental model among the community of marketing strategy researchers concerning the domain of marketing strategy. Therefore, we wish to conclude by attempting to initiate a debate among marketing strategy researchers regarding the fundamental issues that concern the domain of marketing strategy research. *We propose that the fundamental issues that concern marketing strategy are understanding and explaining firm behavior in the realm of deployment of marketing resources for competitive advantage and its contextual underpinnings.* This conceptualization provides marketing strategy researchers with a broad canvas to examine issues relating to the strategy formulation process (how firms arrive at specific strategies), strategy content (the type of strategy), strategy implementation (the structures and controls required for implementing a specific strategy), and how these influence performance by providing firms with a sustainable competitive advantage. These issues may be addressed from a *supply-side perspective* (how the competitive, environmental, and institutional contexts embed the strategic marketing behavior of firms) as well as from a *demand-side perspective* (how the behavior of consumers embeds the strategic marketing behavior of firms). While further exploration of this issue is beyond the scope of this article, we believe that an attempt to do so would benefit research in the domain of marketing strategy.

NOTES

1. Functional strategy refers to the strategy driving any function such as marketing, production, or research and development.
2. It should be noted that competitive advantage is fundamentally a business-level construct. While in the context of a single business firm it is appropriate to use the term *competitive advantage of the firm*, in the context of a multibusiness firm, the appropriate frame of reference is the *competitive advantage of a particular business* in the firm's portfolio of businesses. Heretofore, our reference to actions initiated by a multibusiness firm in pursuit of competitive advantage should be interpreted to mean in pursuit of competitive advantage of a business in the firm's portfolio of businesses.
3. In the interests of simplicity, the complex linkages and nonrecursive linkages alluded to in Table 1 are not shown in Figure 1.
4. Varadarajan and Clark (1994) provide a detailed treatment of the domains of corporate, business, and marketing strategies and the intersection of these different domains.
5. In those areas where meta-analyses have been conducted and/or empirical generalizations are available, in the section on representative research, for the most part, we do not refer to specific research studies other than the meta-analysis or the article reporting the empirical generalization.
6. Among other factors, such appropriability would be a function of patent protection availability, tacitness of the knowledge, costs and time required for duplication, learning curve effects, and other factors that protect an innovator's advantage (see Kerin, Varadarajan, and Peterson 1992).
7. Portions of this section are adapted from Varadarajan and Cunningham (1995).
8. In our organizing framework we have shown market share as the market outcome of competitive strategy. However, in matrix approaches to business portfolio analysis and elsewhere, the term *market share strategy* is commonly used to specify the mission assigned to individual businesses in the firm's portfolio (i.e., build market share, maintain/hold market share, and harvest market share) to enable the firm to achieve its overall performance objectives. The construal of market share as objective versus strategy reflects the hierarchical nature of objectives.

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