
1 Introduction

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Since Peter Drucker first articulated it, the marketing concept has become central to marketing, it has been embraced by other fields such as strategic management, and it has become central to the practice of management. Drucker, of course, argued that products, brands or technologies do not produce profits. Customers do, and the purpose of business – not *a business* but *business* – is to create customers. From that process, profits flow. As the marketing concept has become more mainstream, it has become recognized as the engine driving the growth and success of many firms. As the global economic downturn continues, and firms seek growth, even more have embraced the marketing concept, seeking to enjoy the fruits of a sound marketing strategy.

Marketing remains a broad and dynamic field. Developments in the social sciences influence how we think about customers, markets and competition; technological innovations change how organizations reach customers, and organizational changes influence how marketing is practiced within firms. Our goal in this handbook is to provide an authoritative, comprehensive and accessible resource on the current state of marketing strategy. We intend the handbook to be an important resource guide for researchers, doctoral students, practitioners and consultants in the field of marketing strategy. Toward that end, the handbook provides a broad overview of marketing strategy with contributions from leading experts on the different facets of marketing strategy, including its evolution, competitor analysis, customer management, resource allocation, dynamics, branding, advertising, multichannel management, digital marketing and financial aspects.

We have selected seven broad topics for this handbook. Part I focuses on the conceptual and organizational aspects of marketing strategy and contains two chapters. Part II deals with understanding competition and comprises three chapters. Part III focuses on customers and customer-based strategy and includes two chapters. The eight chapters of Part IV deal with different marketing strategy decisions, ranging from the allocation of marketing resources to the management of customer satisfaction. Three chapters constitute Part V, which focuses on branding and brand strategies. Part VI deals with marketing strategy dynamics and consists of four chapters. The final section (Part VII) contains four chapters that discuss the impact of marketing strategy on performance variables such as sales, market share, shareholder value and stakeholder value.

In each part, each chapter is authored by expert(s) on the relevant topic. The authors focus on a number of managerially relevant concerns. These concerns include, What are some marketing strategy issues that keep strategy professionals awake? What decisions related to the focal topic are critical? How do managers currently make these decisions? What insights/tools on this topic will be most helpful to managers? The chapters in the handbook offer an in-depth analysis of research developments, provide frameworks for analyzing key issues, and highlight important unresolved problems in marketing strategy.

CONCEPTS OF MARKETING STRATEGY

What is marketing strategy? Although definitions abound, we view marketing strategy as a broad plan of managerial initiatives and actions relating an organization to its customers and markets. Three key aspects distinguish marketing strategy from marketing tactics. (1) Marketing strategy focuses on the strategic decisions necessary to allocate resources. (2) It concerns managerial actions that have long-term effects. (3) Decisions relating to marketing strategy are made by marketing executives in an organization and implemented by many others through the organization and beyond.

Part I begins with a discussion of the concepts of marketing strategy. Varadarajan (Chapter 2) first differentiates marketing strategy from strategic marketing. He views strategic marketing as a field of study and marketing strategy as an organizational construct. He further opines that the characterization of marketing decisions pertaining to segmentation, target market selection and positioning as “strategic marketing decisions” and decisions that pertain to product, promotion, price and distribution as “tactical marketing decisions” is arbitrary and conceptually flawed. He prefers that we simply refer to issues concerning all these decisions as more strategic or less strategic. He describes marketing strategy as “an organization’s integrated pattern of decisions that specify its crucial choices concerning products, markets, marketing actions and marketing resources in the creation, communication and/or delivery of products that offer value to customers in exchanges with the organization and thereby enable the organization to achieve specific objectives.”

One of the fundamental concepts of marketing is the concept of market orientation. In Chapter 3, Gebhardt discusses what market orientation means and how firms can be market-oriented toward better performance. He focuses on the characteristics of market-oriented firms, explains how and why such firms are able to achieve superior market performance, and outlines what managers can do to create greater levels of market orientation in their organizations.

UNDERSTANDING COMPETITION

An important component of market orientation is understanding competitors and competition. Part II covers competitor analysis. In Chapter 4, Czepiel and Kerin discuss the objectives of competitor analysis and lay out the processes involved in identifying important competitors and information needs, gathering necessary information and interpreting this information for gaining competitive advantage.

To attain competitive advantage, firms also need to understand the structure of the market. In Chapter 5, Sabnis and Grewal address this topic by reviewing the main themes of competition research in marketing and related fields such as economics, industrial organization, management and sociology. They elaborate on competitive market structure and on behavioral and structural approaches to understanding firms’ responsiveness to competition, including the structure–conduct–performance and the new empirical industrial organization (NEIO) approaches. They also propose an agenda for further research, highlighting how Internet and user-generated content are changing the nature of competition among firms.

Much of the competition discussed in Chapters 4 and 5 relates to competition among manufacturers or service providers. What about retail competition and its implications for marketing strategy? In Chapter 6, Rao provides an overview of the models of retail competition, beginning with models between two or more retailers who compete on the price dimension and one or more of convenience, products, service and format dimensions. He discusses such retail competition topics as retail format, promotions, assortment, trade support, loyalty programs, e-tailing and new retailer entry.

CUSTOMER-BASED MARKETING STRATEGY

From understanding competition, we turn to understanding customers in Part III. Customers can be viewed as strategic assets. Each customer of an organization has a lifetime value for that organization. In Chapter 7, Kumar and Rajan discuss the concept of customer lifetime value (CLV) and its implications for marketing strategy. They highlight the need for measuring and managing CLV by contrasting the accuracy of CLV with the other traditional metrics used in managing customer value. They provide an integrated approach to manage CLV that accounts for the nature (B2B versus B2C) and the type (contractual versus non-contractual) of relationships between customers and firms.

Customer management takes place through multiple channels. In Chapter 8, Verhoef reviews the most recent developments in multichannel customer management (MCM), building on Neslin and Shankar (2009). He discusses a strategic framework for MCM, including its strategic foundations and formulation, implementation and evaluation of MCM strategy.

MARKETING STRATEGY DECISIONS

Armed with a good analysis of company, competition and customers, a firm needs a deep understanding of the different decisions underlying marketing strategy. Part IV focuses on these decisions. First, firms need to effectively allocate their marketing resources. In Chapter 9, Shankar reviews the issues, methods and models for allocating resources among marketing and non-marketing variables, products, markets, channels, customers and stages in the product life cycle.

With organizational resources effectively allocated, firms need to develop a successful strategy for launching and managing new products. In Chapter 10, Roberts reviews and discusses how to develop new products and services in the context of the overall strategic environment of the organization. He reviews the commonly used methods for developing new products, including the stage-gate system.

To be successful, products need to be supported by a strong advertising and communication strategy. In Chapter 11, Rucker reviews advertising strategies, discussing research findings that share the idea that persuasion can be enhanced by aligning consumer mind-sets with the advertising message.

As communication efforts are increasingly reallocated to the new media (e.g. social media, mobile media), organizations can benefit from a thorough understanding of

strategies related to such media. In Chapter 12, Hoffman and Novak discuss social media and their impact on marketing strategy and practice. They define social media as media that enable and facilitate conversations among consumers primarily through Web-based tools, including mobile applications that people use to create and share content. They point out that, in an effective social media strategy, marketers should not control these conversations, but must listen to, participate in, and influence the conversations.

In Chapter 13, Shankar introduces mobile marketing and proposes a framework for understanding mobile marketing strategy. He identifies the key features of mobile devices, outlines how mobile marketing strategy differs from traditional marketing strategy, and discusses its drivers, decision components and consequences.

In addition to developing appropriate strategies for social and mobile media, marketers require a good understanding of managing channel relationships. In Chapter 14, Arnold and Palmatier discuss the important issues relating to channel management strategy. They outline relationship theory, discuss the antecedents to a relational channel exchange, and describe the key drivers and consequences of channel relationships.

Together with channel relationship strategy, marketers need to develop sound pricing strategy. In Chapter 15, Winer lays out the behavioral issues in developing such a strategy. These issues include: price knowledge, digit pricing, price fairness, reference prices, price-quality relationship and context effect on price judgment.

Finally, managing customer satisfaction is a critical decision element of marketing strategy. Chapter 16 by Mittal and Frennea provides an overview of this topic. The authors view customer satisfaction (CS) as customers' post-consumption/purchase evaluation of a good or service based on a single experience (i.e. transactional) or a series of experiences (i.e. cumulative). They examine from three perspectives, each with its own insights: comparing a firm to other firms longitudinally and cross-sectionally (macro); understanding how CS affects the firm's entire customer base (meso) and examining the antecedents of overall CS (micro).

BRANDING AND BRAND STRATEGIES

From marketing strategy decisions, we proceed to strategies relating to brands. As intangible assets, brands have become recognized as increasingly important and valuable. Part V focuses on brands and branding strategies. In Chapter 17, Keller provides an overview of brand architecture strategies. He discusses three key issues underlying brand architecture strategy: (1) the potential of a brand viewed along the breadth of its "market footprint," (2) the types of product and service extensions that allow a brand to achieve that potential, and (3) the brand elements and positioning that are associated with the offerings of a brand as part of that extension strategy.

While Keller's chapter covers brand architecture and extension, Holt (Chapter 18) focuses on the cultural perspective of branding strategy. Holt views cultural brand strategy as a distinctive approach to strategy that is guided by theories of culture, society and politics. According to him, such a strategy helps develop new businesses and revive defunct enterprises. He illustrates cultural brand strategy through a case study involving the Jack Daniel's brand.

Finally, in the retail environment, private label brands have been growing substan-

tially. In Chapter 19, Sethuraman and Raju offer an in-depth view of private label strategy. Starting with the view that store brand management is part of category management for retailers, they discuss five components of private label strategy, including decisions relating to the introduction, targeting, positioning, pricing and promotion of private label brands.

MARKETING STRATEGY DYNAMICS

From brand strategies we move to the dynamics of marketing strategy in Part VI. In Chapter 20, Lieberman and Montgomery discuss the ambiguities, misperceptions and myths concerning the advantages of being a first mover or pioneer. They present the fundamental mechanisms that may create or inhibit first-mover advantage and provide an overview of the empirical evidence relating to such an advantage.

There are some advantages of being a late mover as well. In Chapter 21, Shankar and Carpenter present these advantages, their sources and associated late-mover strategies. The authors show that although there are several arguments in favor of pioneering advantage, by adopting the right strategies later entrants can successfully overtake the pioneer and turn the conventional wisdom of pioneering advantage on its head.

As brands diffuse in the market over time, marketers need to develop appropriate marketing strategies during different periods in the life cycle. In Chapter 22, Tellis and Chandrasekaran discuss the diffusion of innovations and its implications for marketing strategy. They summarize the key research and findings relating to the diffusion of innovations, including the Bass model, its estimations and extensions, turning points in the product life cycle and diffusion patterns across countries.

Finally, researchers and managers need a good understanding of the dynamics of entering overseas markets. In Chapter 23, Gielens, Helsen and Dekimpe provide a detailed review of international market entry strategies. They review the antecedents and consequences of international entry decision components, including country selection, entry timing, entry mode and entry scale, and product adaptation. They also discuss the interrelationships among these components and their dynamics.

IMPACT OF MARKETING STRATEGY

From the dynamics of marketing strategy, we move in Part VII to focus on the impact of marketing strategy. We begin this section with Shankar's chapter (Chapter 24) on the relationship between marketing strategy and firm or shareholder value. It reviews what is known about the effects of marketing strategy components such as business-model changes, new product introductions, and communication strategy changes on firm value. It proposes a framework of how marketing strategy affects firm value, documents empirical evidence and highlights unexplored issues.

In assessing the effect of marketing strategy on the organization, a common concern for many marketers is the financial return on marketing strategy. In Chapter 25, Ratchford examines the productivity of marketing investments and returns to marketing efforts. He views productivity as a ratio of inputs to outputs and, in this context, as the ability

of resources expended on implementing marketing strategies to affect some measure of output, such as sales, market share and profit. He reviews conceptual approaches to productivity measurement, discusses measurement techniques and reviews applications of the conceptual approaches to productivity and the resulting findings.

Marketing expenditures also need to be managed for long-term and profitable growth. In Chapter 26, Hanssens and Dekimpe discuss the long-term effects of marketing strategy on sales and market share. They define short- and long-term horizons and summarize the learning on marketing's impact on both short-term and long-term business performance, including on brand equity and customer equity. They conclude with some empirical generalizations on the long-term effects of the major elements of marketing strategy.

We close with Chapter 27, in which Quelch and Jocz discuss marketing, its relationship with and role in democracy. They propose a conceptual framework in which good marketing strategies create social capital, which, in turn, leads to a vibrant democracy. According to them, marketing is also connected to democracy through economic development and growth of social institutions. By highlighting six core benefits – exchange, consumption, choice, information, engagement and inclusion – that marketing and democracy share, they examine the effects of marketing strategy on consumer empowerment and corporate social responsibility.

Collectively, these chapters provide a deep understanding and a number of key insights into the foundations, antecedents and consequences of marketing strategy. As the domain of marketing strategy evolves, we anticipate that more research on this domain will continue to produce new insights and identify new challenges. We hope this handbook will serve as a catalyst in that process.

REFERENCE

Neslin, Scott and Venkatesh Shankar (2009), "Key issues in multichannel management: current knowledge and future directions," Tenth Anniversary Special Issue, *Journal of Interactive Marketing*, **23** (1), 70–81.