REVISITING THE MARKETING STRATEGY: TOWARDS DETECTING THE MAIN FACTORS IN DEVELOPING A MARKETING STRATEGY

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INTRODUCTION

Marketing strategy has a wide variety of meanings. While some definitions of marketing strategy stress on a broader philosophical approach, the others stress on a narrower functional view. In terms of the former, marketing strategy has a broad impact on the business by instilling marketing orientation approach throughout the entire organization, and thus it becomes the business philosophy (Webster 1992). In terms of the latter, marketing strategy is simply the endeavor of marketing function in developing a competitive advantage. Therefore, the firm ought to have the appropriate and unique capabilities, core competencies and resources in order to envision, predict, and respond to the current and changing nature of customer tastes and demand better than its competitors (Wensley 2000). Marketing strategy involves selecting and analyzing target markets and creating and maintaining an appropriate marketing program to satisfy the needs of target markets (Winer 2007) mainly through building long-term successful relational exchanges (Morgan and Hunt 1994). Since marketing strategy decides the goal of the firm and how to get there, endeavors such as deciding which segments to target, understanding of customers' needs as well as the industry environment, and analyzing the competitors are crucial for the firm. However, developing a thorough marketing strategy is challenging in today's dynamic environment. Therefore, the purpose of this conceptual paper is to present the main factors firms need to take into consideration in developing a marketing strategy such as macro-environmental factors, organizational factors, consumer-oriented factors, competition-oriented factors (market and industry), and innovation factors.

Macro-environmental Factors

Macro-environmental factors are vital for firms in developing a marketing strategy therefore they must have a well versed marketing environment analysis. Even though firms do not usually have control over the environmental factors, they must observe and analyze the changes in the environment and the impact of these changes on their target markets. The main macro-environmental factors include social, cultural, demographic, economic, political and legal factors (Lamb et al. 2006; Winer 2007). Social factors include social class, family, reference groups, opinion leaders, life cycle, culture, and subcultures (Lamb et al. 2006). Most of these factors such as social class, culture, subcultures, and life cycle stage play a key role for marketers in defining their target markets. Even though social factors and trends might not always be easy for marketers to anticipate and act accordingly, they have huge impact on shaping firms' marketing strategies. Cultural factors include the language, societal norms and values, myths, rituals, attitudes and beliefs, customs, and traditional practices. These factors have huge impact on shaping behaviors and determining the products and artifacts of that culture. Since culture is learned, behaviors, products, and artifacts are inherently transmitted from one generation to the next. One of the most salient characteristics of culture is that it is dynamic and therefore adapts constantly to changing needs. Therefore, firms need to take the dynamic cultural elements into consideration in developing a marketing strategy in an attempt to understand their target market segments and their changing needs better and thus create more appropriate and meaningful value propositions for them. The other important point that should not be ignored is that marketing practices are not only being affected by culture but they also play role in the construction and amendment process of culture in contemporary societies. Further, since economic factors have an influence on consumer behavior as well as demand, marketers need to take also the economic trends into consideration in developing a marketing strategy. Marketers can forecast what type of product or services will be demanded and how consumers will behave through following the changes in market as well as consumers' economic situation (Winer 2007). Lastly, firms ought to take the political and legal structures into consideration in developing a marketing strategy. These structures include tariffs, quotas, boycotts, exchange controls, trade agreements, and the like. The political regime has an influence on shaping the production and consumption modes, consumers' needs and wants, use value and exchange value perceptions, competition structure, and society at large. For instance, consumerism movement and the laws passed to protect consumers, workers, and the environment are growing issues due to the unethical practices of some corporations (Kotler 1972; Lamb et al. 2006).

Organizational Factors

Organizational factors are vital for firms in developing a marketing strategy. Assessment of the firm's objectives and performance, how well the current marketing strategy is working, a review of the current and anticipated levels of organizational resources, and cultural and structural issues that could affect marketing activities are crucial organizational factors that firms need to take into consideration in developing a marketing strategy. Marketing strategy is responsible for directing the firm's resources toward satisfying customer needs and building long-term relationships with their customers. Firms ought to know that relationship marketing, which refers to all marketing activities directed towards establishing, developing, and maintaining successful relational exchanges (Morgan and Hunt 1994), is a marketing strategy aimed at increasing customer loyalty, customer satisfaction, and customer retention. Relationship marketing is also a competence and a higher-order resource that assist firms to establish stronger relationships than their competitors (Hunt 2002). Therefore, this competence enables firms to compete more effectively and produce more efficiently a market offering that has value for their market segments. Market orientation is another competence or higher-order resource for firms that contribute to sustainable competitive advantage by allowing firms to provide a more effective market offering that has value for their market segments. Market orientation is also defined as the organization culture that creates the necessary behaviors in the organizations for the creation of superior value for their customers, and thus continuous superior business performance (Narver and Slater 1990). There are three behavioral components of market orientation such as customer orientation, competitor orientation, and interfunctional coordination along with two decision criteria such as long-term focus and profitability. Customer orientation and competitor orientation represent a relative emphasis on collecting and processing information pertaining to customer preferences and competitor capabilities, respectively. Interfunctional coordination encompasses the coordinated application of organizational resources to synthesize and disseminate market intelligence (Narver and Slater 1990). Market orientation provides also the cultural foundation for organizational learning (information acquisition, dissemination, and shared interpretation) that can be used to provide superior value to customers and contributes to competitive advantage (Slater and Narver 1994). Day (1994) contends that firms have unique capabilities (core competencies) that can be linked to market orientation. The capabilities that a firm can identify and develop ought to include market sensing, customer-linking, and spanning capability. Further, relationship marketing and market orientation can be considered to be the two most important higher-order resources of a firm. According to R-A Theory, when firms have a comparative advantage in resources, they will occupy marketplace positions of competitive advantage, which in turn will result in superior financial performance (Hunt 2002). Therefore, if a firm can create superior customer value and generate relational exchanges by adopting and embracing the philosophies of market orientation and relationship marketing for the entire organization, this firm will have a comparative advantage that will yield the firm to occupy the market positions of competitive advantage, which in turn will result in a superior financial performance.

Consumer-oriented Factors

Consumer-oriented factors are crucial for firms in developing a marketing strategy. An understanding of consumers is essential to marketers who strive to satisfy the needs and wants of their customers and target markets (Levitt 1963). It is essential not only for relationship marketing where all marketing activities are directed towards establishing, developing, and maintaining successful relational exchanges (Morgan and Hunt 1994), but also for service-dominant logic where consumers are always co-creators of value (Vargo and Lusch 2004). Since no strategy can be developed without a well versed understanding of consumer behavior, firms ought to to collect thorough information about consumers, their consumption behaviors and patterns. Besides, there is no product or service or brand that appeals to all consumers. Since successful market segmentation may increase the positive responses to the firm's offerings, enable the firm to increase its market share, and reduce the cost of reaching their customers and chances of new product or service failure (Winer 2007), many firms apply segmentation as the basis of their marketing strategy. However, market segmentation can be considered to be problematic due to the fact that segments are not totally homogeneous groups, that is, consumers in the same segment may have exhibit significant differences in their consumption behaviors. In addition, market segments are increasingly fragmenting into micro communities, unique lifestyle, and/or subcultures of consumption in contemporary society (Firat and Venkatesh 1995; Ozanne and Murray 1995). Along these lines, segmentation has become trivial to some extent especially as a consequence of globalization and the rapid cultural transformations in contemporary society because recent advances in information technology and the trend towards globalization are introducing a discontinuous change to the segmentation area. Along these lines, consumer tastes are changing more rapidly, their subcultures are getting more fluid and heterogeneous, and they are becoming less predictable in contemporary society. Therefore, mass customization and personalization phenomena have gained a central role in strategy domain. In sum, understanding contemporary consumers is not an easy task to carry out for firms. However, if firms want to satisfy consumer's needs, build and maintain relationships, and co-create value with them, they need to have a profound and rich understanding about them. In contemporary society, most prominent instances indicate that consumers use or consume products/services or brands not only for their functional utilities but also for constructing their self-concepts and identities (Aaker 1999; Belk 1988; Belk et al. 1989; Levy 1959; McCracken 1986). Furthermore, they use or consume some products or brands to establish relationships not only with the product or brand itself and thus add meaning to their lives (Fournier 1998), but also with other consumers who share similar interests through products or brands' linking value (Cova 1997; Cova and Cova 2002), and involve in the same brand communities (Muniz and O'Guinn 2001).

Consumption includes also an experiential aspect where consumption experience is directed toward the pursuit of feelings, fantasies and fun (Holbrook and Hirschman 1982). Therefore, firms need to take these factors and amendments shaping consumption patterns into consideration in developing a marketing strategy in order to be able to survive in today's dynamic and symbolic world.

Competition-oriented Factors (Market and Industry)

Firms also need to take the competition-oriented factors (market and industry) into consideration in developing a marketing strategy. Market structure is the network of interrelationships among manufacturers, suppliers, retailers, and the other intermediaries (Winer 2007). Therefore, understanding the nature of competition in the market in which a firm competes and the long-term relationships and networking within this market structure are crucial. A market structure analysis attempts to identify the competitors of firm's product or service as well as assess the current and future potential competition (Winer 2007). Identifying and analyzing competitors is vital for firms in determining their main objectives and capabilities, assessing their strengths and weaknesses and current marketing strategies, and therefore making an internal analysis. It is also vital in understanding how to develop a value proposition and create an appropriate blend of pricing, advertising, channel, and similar tactical decisions. However, firms should not merely react to their competitor's actions, instead they need to anticipate and predict the future acts and moves of their competitors in a proactive fashion, and thus develope the most appropriate marketing strategies (Montgomerty et al. 2005). According to the dominant view in marketing strategy, competitive advantage can be created and maintained through having higher quality products, more consistent prices with the level of quality and value, and a more efficient and appropriate distribution and communication methods than competitors' offerings. Further, there is a direct link among market-based advantages, technology, and cost based advantages because unique technology advantages can yield to cost, quality control, and flexibility advantages for the firms and low production costs can yield to advantages in terms of low prices and high value delivery to customers. In line with the market structure notion, Porter (1979, 1980, 1985) claims that it is the competitive forces shaping the firms' strategies. He identifies these forces as threat of new entry, powerful suppliers, powerful buyers, substitute products, and jockeying for position. According to him, firms need to analyze and become aware of these forces in order to build a stronger position and competitive advantage in their markets as well as to choose a diversification strategy such as cost leadership (being the low cost competitor in an industry), differentiation (providing something unique that is valuable to buyers), and/or focus (effectively serving a single segment of the market). However, this industry based view is criticized by many as being spurious due to its external-only focus and being no longer profitable relative to counterparts (Hunt and Morgan 1995; Jacobson 1987; Ravenscraft 1983). In line with this criticism, internal focus has gained importance along with the claims that resources play an important role in competitive advantage as well as superior position could be assessed through improvements in skills and resources (Day and Wensley 1988).

Innovation and Adoption Process Factors

Innovation factors are vital factors firms need to take into consideration in developing a marketing strategy, especially in today's dynamic environment. Innovation has gained great importance in contemporary life due to rapidly changing consumer tastes and environment, advancing technology, globalization, and cultural transformations. Since rapid and flexible innovation is considered to be the key for a firm to be the winner in the global marketplace (Teece et al. 1997), the role of innovation is enhanced in today's dynamic markets (Day 1984). Firms ought to follow the new trends emerging in contemporary world and culture and develop their marketing strategies accordingly. Innovation is defined as a process of bringing new products and services to the market (Hauser et al. 2006). A new product process technology, a new structure or administrative style, or a new plan or program pertaining to organizational members can also be considered as innovation (Demanpour 1991). Firms need to know that innovation can happen as a result of formal or informal processes where informal innovative activities can be facilitated through building capabilities to learn by doing and formal innovative activities can be facilitated through R&D (Varadarajan and Jayachandran 1999). Hunt (2000) claims that innovation is a natural outcome of the process of R-A competition. Understanding innovation and related factors such as diffusion of innovation, adoption process, and product life cycle are crucial for firms in developing their marketing strategies because innovation often increases profitability of the firm, helps them to grow through constantly improving the existing products and developing new products (Mowen and Minor 2006), and accommodates the uncertainties such as market and technological turbulence in their environment (Han et al. 1998) by integrating technical and administrative changes in their organizational structure (Demanpour and Evans 1984). Firms also need to decide what type of innovation they will pursue; be it process or product innovation (Garcia and Clantone 2002), technical or administrative innovation (Han et al. 1998), radical or incremental innovation (Tellis et al. 2009), proactive or reactive innovation (Hunt 2000) in order to focus their efforts, resources, capabilities and strategies at large. For instance, Hirschman (1982) classifies innovation into two sources such as symbolism (intangible attributes) and technology (tangible attributes). Symbolic innovation refers to a different social meanings for those which result from the reassignment of social meaning to an existing product, thus, it will diffuse primarily due to their association with a given reference group. Therefore, there is no need to expand the research and development resources for the generation of symbolic innovation, instead only promotional campaign is required because consumers, rather than marketers, control symbolic innovation by being the source of creativity in assigning social meanings to objects. On the other hand, technological innovation is an addition or alteration of tangible features in a product, thus, it will diffuse primarily as a result of consumer perceptions of and need for their superior performance. Therefore, technological innovation's dependence upon physical alteration and addition makes them more likely to be controlled by formal production systems. There are numbers of factors that firms need to take into consideration in order to have a successful innovation process such as market knowledge, cross-functional collaborations, knowledge integration (DeLuca and Atuahene-Gima 2007), corporate culture (Tellis et al. 2009), core competencies (Prahalad and Hamel 1990), strong marketing orientation (Han et al. 1998), organizational memory (Moorman and Miner 1997), and the like. Furthermore, it is crucial for firms and marketers to understand the adoption process of new products. Consumer innovation is consumer propensity to adopt the new. Therefore, understanding consumer innovativeness or dynamics of innovative buying in the marketplace will help firms to plan for new product development and manage the innovative process over time by anticipating and responding to consumer's changing requirements (Hauser et al. 2006).

REFERENCES

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