

TOWARD A TAXONOMY OF MARKETING STRATEGIES:  
ISSUES AND EVIDENCE

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Abstract

This paper highlights differences between business strategy and marketing strategy. Six taxonomies of business and marketing strategies are reviewed. The taxonomies contributions to the field of marketing are weighed in terms of their ability to focus on factors within the purview of marketing. The comparison indicates a need for further work toward the development of generic marketing strategies.

Background

The area of marketing strategy is one that has received much attention of late in both the academic and the popular press. Admittedly, in its early stages of development, this area of study holds a promise of new direction and focus for the field of marketing.

The marketing field would appear to be at a point of discontinuity in its development as a discipline. The focus of this change is the emerging literature on 'marketing strategy' which promises to enrich the discipline and broaden its perspective. (Wind and Robertson, 1983, p. 12.)

Wind and Robertson do not offer a definition of what marketing strategy is, but they do indicate that it focuses on "a quest for long run competitive advantage [and] as such it has a high degree of overlap with business strategy." (1983, p. 12) Webster observed that corporate executives "had trouble separating marketing from corporate strategy and planning." (1981, p. 10). If the field of marketing strategy is to gain stature within the discipline, it must develop a set of precepts which are empirically valid, internally consistent and replicable.

This paper attempts to further legitimize marketing strategy's place within the discipline. This monograph reviews a basic taxonomy of strategic marketing choices. The findings support the need for a more detailed taxonomic structure of marketing strategies. The paper, itself, is divided into four sections. Section one discusses similarities and differences between business strategy and marketing strategy. Section two reviews previous efforts at developing taxonomies for both business and marketing strategy. Section three describes the strengths and weaknesses of the existing marketing taxonomy. Section four presents some conclusions and suggests directions for future research.

Business Strategy Vs. Marketing Strategy

In one of the seminal works in the field of strategic management, Hofer and Schendel (1978, p. 23ff) delineate the differences between business

strategy and functional area strategies (of which marketing is one). They suggest that at the business level, "strategy focuses on how to compete in a particular industry or product/market segment" (1978, p. 27). At the functional area level, "the principal focus of strategy is on the maximization of resource productivity" (1978, p. 29). Within their hierarchy of strategies, Hofer and Schendel indicate that when compared to business strategy, marketing strategy is a lower order strategy; one comprised of more narrow scope, more modest resource deployments, more narrowly defined competitive advantages and less concern for synergistic effects.

Despite these distinctions, the areas of business strategy and marketing strategy are replete with overlapping definitions of what their particular fields entail. Table 1 below juxtaposes several of the more widely recognized definitions of business and marketing strategy that use the strategic business unit (SBU) as the unit of analysis.

TABLE 1  
DEFINITIONS OF BUSINESS STRATEGY  
AND MARKETING STRATEGY

| Business Strategy   | Marketing Strategy   |
|---|--|
| ...is the pattern of major objectives, purposes or goals and essential policies and plans for achieving those goals, stated in such a way as to define what business the company is in or is to be in...Andrews (1971, p. 28) | ...is the marketing logic by which the business unit hopes to achieve its marketing objectives. Marketing strategy consists of specific strategies bearing on target markets, marketing mix and marketing expenditure level. Kotler (1984, p. 527) |
| ...is a set of goals for the firm and a set of functional strategies for achieving those goals. Porter (1976, p. 70)  | ...is a basic statement about the desired impact to be achieved on demand in a given target market. Guiltinan and Paul (1982, p. 135)  |
| ...is the fundamental pattern of present and planned resource deployments and environmental interactions that indicates how the organization will achieve its objectives. Hofer and Schendel (1978, p. 25)                    | ...is the allocation of resources to achieve a sustainable competitive advantage in selected product markets. Weitz and Wensley (1984, p. 5)   |

Despite the similarities in the definitions cited above, a clear distinction between business strategy and marketing strategy does emerge. This distinction suggests that the primary focus of marketing strategy is in the marriage of the firm's product offerings to the needs of the market(s) being served. The focus of business strategy is substantially broader. It takes into consideration a wider spectrum of organizational tasks and goals.

To further clarify this distinction, Hofer (1976, p. 5) identified fifteen functional components of business strategy. Table 2 identifies and provides brief descriptions for each of these functional components of business strategy. Over half of these items (h - o) fall within the purview of marketing strategy.

TABLE 2

FUNCTIONAL AREA COMPONENTS OF BUSINESS STRATEGY

| functional area component            | description   |
|--------------------------------------|---|
| <u>Nonmarketing components</u>       |   |
| a) manufacturing system              | degree of integration/degree of automation/plant size/plant type of equipment   |
| b) production scheduling and control | manufacture for inventory or customer/inventory levels quality control  |
| c) research and development          | technological risk/type of R&D/engineering emphasis   |
| d) product design                    | modular vs nonmodular component/frozen vs many changes  |
| e) labor and staffing                | job specialization/supervision/representation   |
| f) finance                           | source of funds/dividend payout/method of growth  |
| g) organization                      | specialization of grouping of components/methods of coordination/delegation/evaluation/rewarding/training/leadership style/etc. |
| <u>Marketing components</u>          |   |
| h) geographic coverage               | local vs regional vs national vs international  |
| i) markets or market segments        | nature of markets/market development/number of markets/similarity of markets  |
| j) product line                      | breadth/overlap/customization   |
| k) distribution and service          | number of channels/nature of channels/number of steps/selectivity   |
| l) pricing and credit                | price levels and emphasis   |
| m) promotion and advertising         | emphasis/media selection  |
| n) packaging                         | functional vs display   |
| o) branding                          | family line vs separate brand   |

(for additional detail the reader is directed to Hofer (1976))

Given the commonalities between business strategy and marketing strategy it is natural that these two fields of study should have a high degree of overlap. Pearce and Robinson (1982, p. 102) suggest that business strategy's focus is divided between the remote and task environments. Wind and Robertson (1983, p. 12) suggest that marketing strategy's primary difference is in its greater focus on the remote environment. As a result, marketing strategy is preoccupied with analysis of the firm's consumers. In contrast, business strategy is based on analysis of the totality of the firm's stakeholders, and other environmental influences.

Taxonomies of Business Strategies and Marketing Strategies

A taxonomy is a classification scheme. The goal of such classification is to allow observers to readily identify commonalities within taxonomic groupings and differences among taxonomic groupings. Classification has long been identified as a basic step in integrating environmental observation into knowledge. In recent years business strategy literature has developed several taxonomies. These taxonomies are grounded largely on case studies of individual firms. Five of the most popular business strategy taxonomies are summarized in the first part of Table 3. There is limited congruence regarding the domains of strategy identified by each of the strategic types in their respective taxonomies: i.e. Porter's focus strategy is unlike Hambrick's differentiation which is unlike Miles and Snow's prospectors etc..

TABLE 3

TAXONOMIES OF BUSINESS STRATEGIES AND MARKETING STRATEGIES

| Source   | Basis   | Framework   |
|--|---|---|
| <u>Business Strategy Taxonomies</u>              |   |   |
| Hambrick (1983)                                  | 770 businesses with mature industrial products  | The conceptual typology of four strategic variables (asset parsimony, cost efficiency, differentiation, and scale scope) is empirically supported.  |
| Miles and Snow (1978); Snow and Hrebiniak (1980) | Started with 16 textbook publishers and has expanded to include hundreds of firms from various industries | The conceptual typology of defenders, prospectors, analyzers and reactors is empirically validated.   |
| Miller and Friesen (1977)                        | 81 case studies were analyzed;  | A taxonomy based on ten archetypes; adaptive - moderate dynamism, adaptive - extreme dynamism, dominant firm, giant under fire, entrepreneurial firm, lucky innovator, impulsive firm, stagnant bureaucracy, headless giant, swimming upstream. |
| Porter (1980)                                    | Apparently taken from many case studies and personal experience.  | Three generic strategies overall cost leadership, differentiation, focus.   |
| Galbraith (1977)                                 | Apparently drawn from personal observation  | Three generic strategies: independent, cooperative and strategic maneuvering  |
| <u>Marketing Strategy Taxonomy</u>               |   |   |
| Zeithaml and Zeithaml (1984)                     | Adapted from Galbraith's (1977) environmental management strategies                                       | Three generic strategies: independent, cooperative, strategic maneuvering.  |

Table 3 also presents a taxonomy of "environmental management strategies" (Zeithaml and Zeithaml, 1984, p. 50) that fall within the scope of marketing. These environmental strategies all are rooted in those strategy components Schendel (1976) identified as relating to the functional area of marketing. In this light, the Zeithaml and Zeithaml work, which first appeared in the Journal of Marketing, may be considered a marketing strategy taxonomy. Moreover, the authors suggest that the work should be viewed on the basis of its potential "implications...for marketing theory" (1984, p. 46). The Zeithaml and Zeithaml (1984) piece is descriptive in nature and is without rigorous empirical support. Justification for the

taxonomic structure is anecdotal or based on individual examples of the strategic types forwarded. Notwithstanding, little else has been forwarded within the field of marketing strategy in terms of taxonomies.

The seminal nature of the Zeithaml and Zeithaml (1984) work is to be commended. The first step in better understanding marketing strategies is to be able to group those strategies based on similarities or differences among them. Although devoid of rigorous empirical support, the Zeithaml and Zeithaml (1984) piece represents an effort to achieve this end. Their taxonomic structure classifies marketing strategies into three groups: 1) independent strategies, 2) cooperative strategies and 3) strategic maneuvering.

Independent strategies are actions taken by the firm aimed at enhancing the firm's position in the eyes of the consumer vis-a-vis the competition. Cooperative strategies include actions taken by the firm, generally in conjunction with other businesses in the broad industry category designed to increase efficiency or reduce external (extra-industry) threats. Strategic maneuvering is designed to reposition the firm within or among its product/market areas of expertise. More complete definitions and examples of each of these three strategies are presented in the Appendix.

#### A Comparison of Business and Marketing Strategy Taxonomies

As the definitions in Table 1 indicated, business strategy is formulated to establish a fundamental pattern of resource deployments for the entire business organization. By way of contrast, marketing strategy is formulated to match the needs and wants of a targeted market of customers with the firm's product offerings. The latter is necessarily a subset of the former. When analyzing the components of business strategy, Table 2 bears out this distinction by identifying the elements of business strategy which belong within the subset of marketing strategy.

The taxonomy of environmental management strategies first forwarded by Galbraith (1977) was developed as taxonomy of business strategies, designed to employ all of the components of business strategy identified in Table 2. The taxonomy of "marketing" strategies forwarded by Zeithaml and Zeithaml (1984) draws its categorizations directly from the earlier work of Galbraith (see Table III). Consequently, the scope of actions defined by Zeithaml and Zeithaml is too broad to be accurately delimited within the scope of marketing. Strategic decision-making in the three broad taxonomic groups defined by Galbraith (1977) and operationalized by Zeithaml and Zeithaml (for purposes of marketing strategy) must necessarily include dimensions of the business organization not directly controlled by the marketing function. For example, strategic maneuvering strategies such as domain selection (see Appendix) which represent diversification into new product lines are as much dependent on the technological capability of the firm as the marketing capabilities of the firm. Therefore, such decisions need to be made at the business strategy

level of the firm's hierarchy and not at the functional level of marketing.

#### Conclusions and Implications for Future Research

The major contribution of the Zeithaml and Zeithaml piece is not its application of Galbraith's taxonomic schema to the arena of marketing strategy, but rather the highlighting of the role of marketing strategy as the leading edge of business strategy. As the functional area of the business enterprise most closely associated with both the task and remote environments, it is only logical that marketing strategy should play the most prominent role in the development of business strategy. However, marketing scholars should not confuse the distinct roles that business strategy and marketing strategy play in the coordination and planning of business activities.

Marketing strategy should endeavor to focus on the integrative manipulation of variables legitimately within the province of the discipline. The field is most immediately in need of a set of generic marketing strategies which encompass issues traditionally of concern to marketers (see Table 2). Marketing's several contributions to the field of business strategy have been chronicled in historic dimensions (Biggadike, 1981). Recent years have seen the field of marketing broaden its perspective sufficiently. The most compelling challenge the discipline of marketing now faces with regard to the field of marketing strategy is to focus its efforts on clearly delimiting the dimensions of marketing strategy and building a body of theory in that area. Should this need for focus not be realized, then indeed the field of marketing will fall into the discontinuity to which Wind and Robertson alluded (1983, p. 12).

#### APPENDIX

##### A Framework of Environmental Management Strategies (Zeithaml and Zeithaml, 1984, p. 50)

| Environmental Management Strategy | Examples  |
|-----------------------------------|---|
| <u>Independent Strategies</u>     |   |
| Competitive aggression            | Product differentiation.<br>Aggressive pricing.<br>Comparative advertising.                                   |
| Competitive pacification          | Helping competitors find raw materials. Advertising campaigns which promote entire industry. Price Umbrellas. |
| Public Relations                  | Corporate Advertising Campaigns   |
| Voluntary Action                  | McGraw-Hill's efforts to prevent sexist stereotypes. 3M's energy conservation program.                        |

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- Dependence Development Raising switching costs for suppliers. Production of critical defense-related commodities. Providing vital information to regulators.
- Legal Action Private antitrust suits brought against competitors.
- Political Action Corporate constituency programs. Issue advertising. Direct Lobbying.
- Smoothing Telephone company's lower weekend rates. Inexpensive airline fares on off-peak times.
- Demarketing Shorter hours of operation by gasoline service stations.
- Cooperative Strategies
- Implicit cooperation Price leadership.
- Contracting Contractual vertical and horizontal marketing systems.
- Co-optation Consumer representatives, women, and bankers on boards of directors.
- Coalition Industry Association. Political initiatives of the Business Roundtable and the U.S. Chamber of Commerce.
- Strategic Maneuvering
- Domain Selection IBM's entry into the personal computer market. Miller Brewing Company's entry into the light market.
- Diversification Mariott's investment in different forms of restaurants. General Electric's wide product mix.
- Merger and Acquisition Merger between Pan American and National Airlines. Phillip Morris's acquisition of Miller Beer.
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