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Marketing Strategy: New Directions for Theory and Research

New directions for marketing strategy are proposed, aimed at overcoming the current limitations of marketing theory. An integrated strategic marketing planning approach is offered, together with a pilot application of the process. The paper concludes with an agenda for research on marketing strategy.

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 to broaden its perspective. Not since the Carnegie and Ford Foundation reports some 20 years ago, which prompted marketing scholars to develop and integrate behavioral and quantitative theories and methods into the discipline, have we witnessed the same potential for intellectual ferment.

Marketing management, which dominates the discipline at present, is most fundamentally concerned with the design of the marketing program or mix. This literature has not focused on the mission of the firm nor on how to gain competitive or consumer advantage, although such issues may be implicit in the marketing management perspective.

By contrast, marketing strategy focuses explicitly on the quest for long run competitive and consumer advantage. As such, it has a high degree of overlap with business strategy and can be viewed as an integral part of and perspective for business strategy. Marketing strategy's difference is that it serves a boundary role function between the firm and its customers, competitors and other stakeholders. Marketing is uniquely able to assess consumer needs and the firm's potential for gaining competitive advantage, which ultimately must guide the corporate mission.

Marketing develops strategy based on analysis of consumers, competitors and other environmental forces which then should be combined with other strategic inputs (such as financial, R&D and human resources) to arrive at an integrated business strategy. Sound business strategy should have a marketing perspective, i.e., marketing should provide inputs to strategy generation and the evolved strategies should be tested against the reaction of consumers, competitors and other stakeholders.

In the quest for competitive advantage, the foremost concern should be the likely market response to the proposed strategy. In order to be successful, the strategy—whether driven by cost, technology, distribution, service or other competitive advantages of the firm—has to be consistent with consumer needs, perceptions and preferences. Most of the business strategy literature deals with marketing variables—whether market share, market growth, market development or product differentiation—but tends to ignore the fun-

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damental marketing perspective that calls for an empirical assessment of consumer responses to the strategic options.

A marketing perspective for the development of business strategy is consistent with the early literature on the marketing concept, which recognized that marketing is not only a set of functions but also a guiding philosophy for the firm. Yet most firms tend to adopt other orientations. Production and sales have traditionally dominated the considerations of many firms. Financial considerations have dominated many decisions of conglomerates and multi-line businesses, and in high technology firms, technology has been paramount. More recently, concern with the increased productivity of Japanese companies has led to a focus on the human factor and a focus on management style (see, for example, Pascale and Athos 1981). Conceptually, it is desirable to have a balanced perspective incorporating multiple disciplinary considerations, guided by the ultimate strategic consideration of what set of customers to serve with which product/service offerings.

The oddity is that the marketing strategy literature has been developed primarily by nonmarketers. Only lately have marketing scholars realized the potential value of a strategy perspective. The strategy focus, however, is finding high receptivity in the marketing community and is disseminating rapidly in textbooks and MBA-level courses, although the research base is yet to develop to any appreciable extent.

Limitations in Marketing's Theoretical Base

The emergence of the marketing strategy perspective stems from a number of limitations that have become obvious recently within the marketing discipline. These limitations have been defined perceptively in some recent *Journal of Marketing* articles. Webster (1981), in particular, reflects top management's concerns with marketing including the failure of marketing creativity, the lack of understanding of the financial implications of decisions, the declining productivity of marketing, and the limitations of the product management system. Myers, Greyser and Massy (1979), in an audit of marketing R&D over the past 25 years, conclude that much research innovation in marketing never reaches line managers. Mauser (1980) laments the marketing field's almost exclusive concern with domestic issues, as well as the irrelevance of much of its research to marketing practitioners: "The quality found in the *Journal* [*of Marketing*] consists largely of useless exercises of limited interest to a few afficionados far removed from real-world needs and issues" (p. 98).

Much of this criticism, in our opinion, is valid. Perhaps the strategy perspective holds the promise of enriching, expanding and increasing the relevance of the field. There is nothing inherently wrong with the marketing management perspective except that its focus on the design of the marketing program is limited. Most of the literature centers on improving decisions within specific marketing mix components at the brand level, for example, advertising weight, message design or distribution channel decisions.

From our vantage point there are seven key limitations within the marketing field that must now be addressed and corrected. This paper delineates these limitations and proposes a conceptualization and research agenda for overcoming them by adopting a more comprehensive marketing strategy perspective.

The limitations are as follows:

- A fixation with the brand as the unit of analysis,
- The interdisciplinary isolation of marketing,
- The failure to examine synergy in the design of the marketing program,
- Marketing's short run orientation,
- The lack of rigorous competitive analysis,
- The lack of an international orientation, and
- The lack of an integrated strategic framework.

Fixation with the Brand as the Unit of Analysis

Research by marketing scholars is seldom conducted at the product category, strategic business unit (SBU) or corporate level. A review of pricing research by Rao (1982), for example, indicates that it is conducted almost exclusively at the brand level. As we move from brand strategy to product category, SBU and corporate level strategies, the marketing literature has less and less to contribute. The role of "corporate marketing" is particularly unclear and many diversified firms focus their marketing activities at the operating division (SBU) level, with only a limited corporate marketing function. This focus reflects the weakness of the marketing literature in dealing with corporate level issues—whether new business decisions, mergers and acquisitions, the allocation of resources among various businesses, or harvesting existing businesses.

Research on corporate level marketing should focus on the logic and value of the marketing function, the relationship to other parts of the organization, and an assessment of the costs and benefits of such a function. The tasks of corporate level marketing would seem to include consultation to senior management on marketing issues, a marketing perspective for corporate level strategic planning, the conduct of marketing audits at the SBU levels, and the provision of staff expertise in marketing (e.g., marketing research) which would be too expensive and redundant to include at each SBU level.

The Interdisciplinary Isolation of Marketing

The interdependency between marketing and the other business functions has received little attention in the literature. Considering the marketing-finance interface as an example, much of what is taught in marketing never goes beyond simple breakeven analysis, and financial objectives are frequently not explicit. Marketers are often unaware of the financial consequences of decisions. This disciplinary isolation is not unique to marketing since, in return, marketing concepts, methods and inputs are frequently ignored in the decision perspectives of other business functions. The emergence of new interdisciplinary journals on business strategy may be a step toward resolving this isolation.

Changing the isolationary focus of marketing requires new linkages between marketing and the other management disciplines. Research and theoretical development in marketing have borrowed from and relied heavily on the behavioral and quantitative sciences. This strong and maturing interdisciplinary orientation has led to a serious oversight—a lack of theory and research on the interrelationship between marketing and other management functions. The interdependency between marketing decisions and their nonmarketing consequences has been overlooked. Consider, for example, the quality control implications of a quality product positioning, or the financial and inventory control implications of expanded promotional activities, or the marketing implications of inventory cutbacks or tighter credit policies.

A comprehensive understanding of the web of interrelationships between marketing and the other business functions requires:

- finding solutions to the inherent conflict between marketing and many of the other business functions,
- developing organizational designs that explicitly incorporate marketing and nonmarketing considerations,
- developing marketing decision models that are based not only on marketing considerations but also on relevant considerations from the other business functions.

Failure to Examine Synergy

The marketing literature has tended to focus on individual components of the marketing mix and to ignore synergy in the design of the marketing program, including product and market segment selection. Most research pursues a single-minded dedication to optimizing a component of the mix (e.g., advertising weight decisions). More recently attention has been given to the interdependency between pairs of marketing mix components and especially advertising and pricing. Yet, there is still a significant research void in our understanding of the synergistic effect—"2 + 2 = 5"—among the various marketing mix components.

Similarly, synergy has been ignored in the selection of products and markets. In fact, most of the standardized portfolio models, including those advocated by Boston Consulting Group, McKinsey and Arthur D. Little, offer frameworks for product/market classifications assuming independence of each unit of analysis and ignoring the likely synergy among the portfolios, including shared resources and interdependency of demand.

Synergy has long been advocated as a key component of any strategy (Ansoff 1965, Hofer and Schendel 1978). The roots of synergy within the marketing literature are contained in the concept of cannibalization (negative synergy) among brands within a product category and the possible positive synergy within a product line. Marketing strategy requires, however, more explicit attention to synergy focusing on its measurement and the generation and evaluation of positive synergy-based strategies, extended to the total marketing program and the portfolio of products and segments.

Short-Term Orientation

The criticism that U.S. business has an unduly short run orientation has come into particular focus recently because of the present fascination and contrast with the Japanese management system. Hayes and Abernathy (1980) and others who have focused on the current problems of U.S. industry have all highlighted the unproductive short-term focus of U.S. firms and the potential dysfunctionality of annual and quarterly profit goals.

The marketing discipline has been criticized in particular and with considerable justification for this short run orientation. Indeed, marketing's focus has been on short run forecasting and optimization procedures, while assuming an essentially stable, continuous environment. The methodological base—including, for example, multidimensional scaling, conjoint analysis, and various new product forecasting methods—assumes an existing set of brands and perceptions. The field has little to offer in terms of gaining long run advantage or the successful marketing of discontinuous innovations that require new consumer behavior patterns. We can tell practitioners whether consumers want a minor product change, such as a new flavor, but we offer little guidance in assessing potential demand for discontinuous innovations, or the demand for existing products under radically different environmental conditions.

The addition of a long-term perspective calls for a reorientation in management philosophy. It might require organizational changes (such as an organizational design that separates the long-term strategic marketing functions from the daily tactical marketing operations). In addition, new methodological developments would be required, focusing on:

- the generation and evaluation of creative long-term strategic marketing-oriented programs,
- the design of early warning systems to identify environmental (e.g., market, competitive or government) turning points in order to direct changes in corporate and marketing strategies, perhaps necessitating better integration of various data bases (secondary sources, primary marketing research data, syndicated environmental monitoring services and corporate data) in order to develop methods for forecasting future consumer needs and competitive activities under a variety of expected environmental and market scenarios, and
- the development of approaches for short-term allocation of marketing efforts consistent with the preservation of future options, thus maximizing the long run expected value for the firm.

Lack of Competitive Analysis

With the exception of the advances made in assessing consumers' perceptions of the competitive environment via product positioning and market structure analysis and the design of positioning strategies, most marketing texts have ignored systematic treatment of competitive analysis. The topic is typically included as one of the components of environmental analysis, but with few notable exceptions (for example, Kotler 1980), little attention has been given in the marketing literature to alternative competitive strategies. This is especially surprising given marketing's early theoretical focus on the search for differential (competitive) advantage (Alderson 1957).

Recently, Porter (1980) has attracted considerable attention to the competitive strategy area. Yet he generally ignores marketing considerations. Consider his three generic strategies—differentiation, cost leadership and focus. They are implicitly based on a two-by-two matrix of strategic advantage (perceived uniqueness vs. low cost) and strategic target (industry-wide vs. a particular niche). These dimensions and strategies ignore the fact that all markets are heterogeneous and thus, a nonsegmented strategy is inevitably suboptimal. In addition a focus on generic strategies can serve as an obstacle to creativity and can obscure the subtlety of most successful strategies.

The marketing strategy literature must develop methods for assessing competitive actions and reactions and for developing offensive and defensive competitive strategies. This work has been left to game theorists, industrial economists and a few business strategy and business policy writers. Yet, as in the case of Porter, these efforts tend to ignore relevant marketing variables. (For an exception, see the insightful work of Henderson (1983), based on an analogy to biological systems.) In particular, competitive analysis should incorporate the market response functions for the marketing programs under consideration (including positioning by segment) under a variety of environmental and competitive conditions.

Lack of an International Orientation

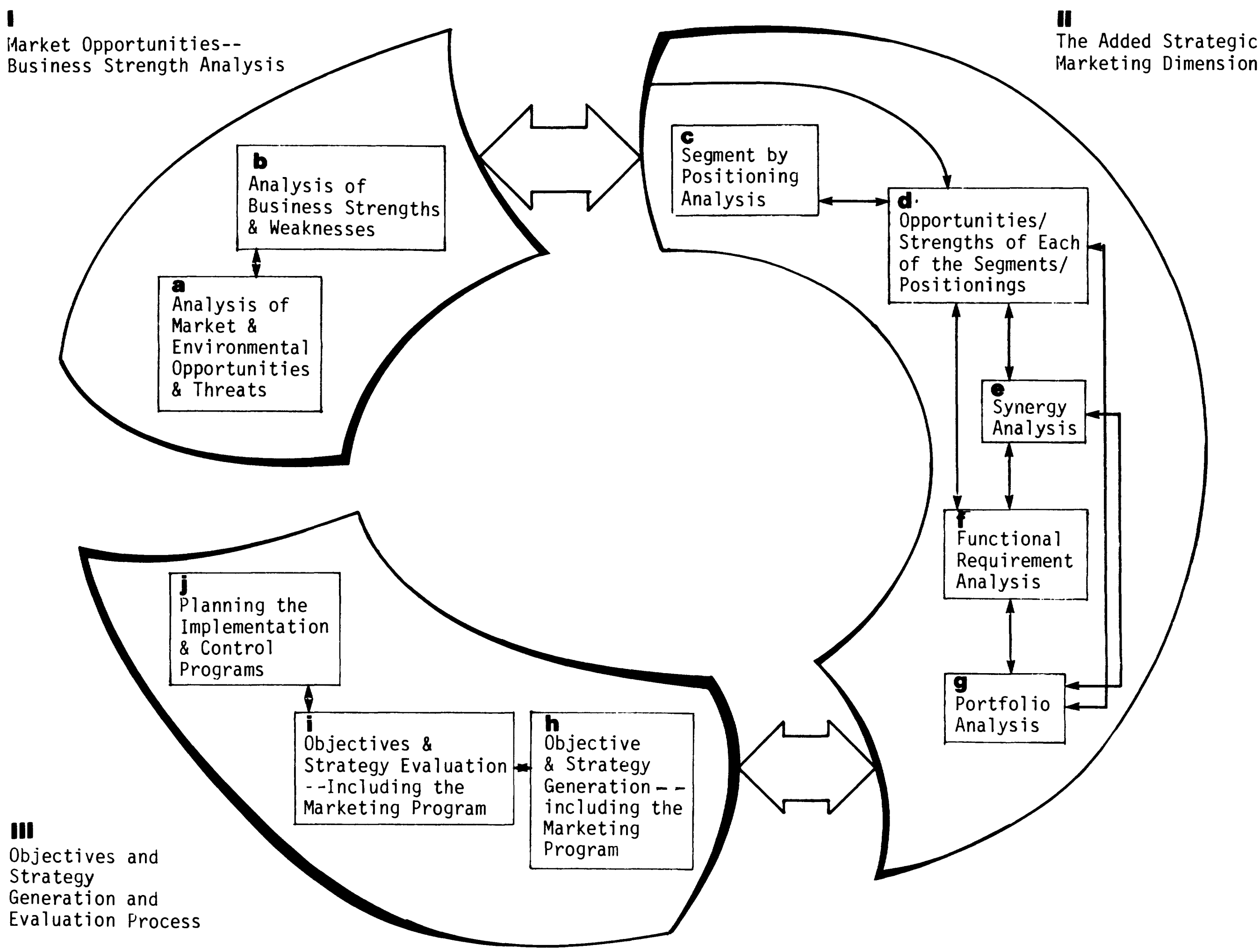
The marketing literature is almost exclusively domestic and most marketing texts simply add on an international marketing chapter. The sheer size and growth rate of the U.S. market may have encouraged such ethnocentrism, but conditions have changed. Given unfavorable balance of payments, higher market growth rates in a number of other regions, equivalent standards of living in much of Western Europe and Japan, greater foreign competition in the domestic market, and the increased importance of multinational operations for most international firms, we can no longer ignore the multinational dimensions of marketing thought and research.

In particular marketing strategy should provide direction not only for marketing decisions in other countries but also for the set of multi-country international decisions. These decisions center on the development of the most desired portfolio of countries by mode of entry, by market segments, by products and by marketing programs. Such portfolio decisions involve the allocation of resources among the components of the international portfolio, the scheduling of entry to the various markets, and the design of an organization for worldwide marketing activities. The scope, diversity and complexity of these decisions calls for the development of new concepts and methods or, at best, the modification of existing concepts. It is essential, therefore, that current marketing concepts and methods be evaluated for their applicability to international operations, modified as necessary, or supplemented with new concepts and methods more appropriate to multinational decisions.

Lack of an Integrated Strategic Framework

The final limitation is the lack of an integrated strategic framework offering an operational approach to the generation and evaluation of marketing strategy alternatives, while overcoming the limitations mentioned above. It is the objective of this paper to propose such an integrated framework for strategic marketing and to offer an agenda for marketing strategy research which, if implemented, could increase the

FIGURE 1
A Marketing Oriented Approach to Strategy Formulation and Evaluation



relevance of marketing to its users and enhance the intellectual value of the field.

Toward An Integrated Approach

The increased interest in marketing strategy has led to a number of recent developments: the acceptance by marketers of corporate strategy models such as the BCG portfolio matrix, the development of strategy checklists, and symbolic conversion of marketing management concepts and approaches to the strategy area. In the latter sense, there are a number of marketing strategy texts which, aside from a marketing strategy title, do not differ much from the more conventional marketing management texts.

These efforts lack the development of conceptual frameworks that incorporate marketing concepts and methods with a strategic orientation and overcome the limitations just highlighted. Our purpose in this section is to propose such a framework—presented in an overview form in Figure 1.

The model[1] incorporates three main interrelated sections. Section I is a fairly traditional assessment of market opportunities and business strengths. It includes: (a) the analysis of current and projected environmental opportunities and threats facing the firm in total and in each of its business areas (Cell A), and (b) the analysis of the firm's strengths and weaknesses in total and in each of its business areas (Cell B). This analysis is quite similar to the one advocated by the McKinsey/GE strategy paradigms. Its major point of departure is the advocated unit of analysis, which is identified in Section II.

[1]The model is an extension of an integrated portfolio modeling approach which is fully described in Wind and Mahajan (1982a).

Section II contains the heart of the framework and its unique marketing strategy contribution. Cell C is an analysis of segment by positioning replacing the product/market matrix which is often too heterogeneous to offer useful strategic guidelines. The output of this cell is the identification of the relevant segment/positioning units that constitute the units of analysis in the opportunity/strength matrix (Cell D). The basis for segmentation and positioning is illustrative. Management should carefully select the most desirable bases for segmentation and positioning to encompass all of the firm's current and potential offerings. In addition, the size and characteristics of each unit are identified as input to the portfolio analysis (Cell G) and strategy generation and evaluation (Cells H and I) phases. Figure 2 illustrates this part of the analysis with a specific example of a positioning/segmentation scheme and the link between Cells C and D and the opportunity and strength analysis (Cells A and B).

The model then focuses on an explicit analysis of synergy. This analysis (Cell E) can follow the approach outlined in Wind and Mahajan (1982b) or any other approach that identifies the magnitude and sources of synergy and incorporates synergy considerations in the generation and evaluation of strategic options. Given limited resources and an inability to appeal to all segment/positioning categories, it is important to find commonalities that result in positive synergy among the products, market segments and components of the marketing mix.

Shown below is an illustration of a synergy analysis based on a small portion of a subjective synergy assessment. The responding executives were asked to assess the nature of interdependencies among the current and proposed new segments/positionings. Using a scale from −3 (negative synergy) to +3 (positive synergy), synergy among the segments/positionings was evaluated with respect to advertising, distribution, manufacturing, etc., as well as overall synergy.

Illustrative Synergy Analysis

Overall synergy	S_1P_1	S_2P_2	S_2P_3	...
S_1P_1	X	+1	0	
S_2P_2	−3	X	+2	
S_2P_3	0	+2	X	

The partial results suggest that based on the information available (including inputs on cross-elasticity and shared resources among some of the segments/positionings on selected variables), there is no synergy between S_2P_3 and S_1P_1, a strong positive synergy between S_2P_3 and S_2P_2, and an asymmetric synergy between S_1P_1 and S_2P_2. (In this latter case S_1P_1 helps introduce the new product S_2P_2 which in turn is expected to cannibalize S_1P_1.)

Returning to Figure 1, Cell F evaluates each segment/positioning in terms of the functional requirements for success and the company's strengths in particular functional areas. It may well be, for example, that the "heavy user satisfied/price segment" requires manufacturing expertise as the key to success, whereas the "heavy user satisfied/performance segment" requires technology (R&D) as the key to success. Depending on the company's strengths in manufacturing vs. R&D, there may be implications for segment/positioning selection. Figure 3 illustrates an outline for such a functional analysis.

The final cell in Section II is a portfolio analysis. The portfolio is viewed as the core of the process and allows both the evaluation of the current portfolio of the firm and generation and evaluation of new portfolios leading to the selection of a target portfolio. This analysis can be done at any level—whether at the corporate (with SBUs as the units of analysis within the portfolio) or at the SBU or product group level (with segments/positionings as the units of analysis).

The portfolio analysis can involve any number of portfolio models. Given, however, the limitations of some of the more common standardized portfolio models (Day 1977; Wensley 1981; Wind, Mahajan and Swire 1983) and the advantages of customized portfolio models (Mahajan and Wind 1982), it is recommended that management employ a customized approach. Figure 4 illustrates a portfolio analysis system centered around the Analytic Hierarchy Process (Wind and Saaty 1980). This system incorporates a number of the previous analytical stages (Cells A, B, C, E, F, H and I) and a financial risk return (or modified stochastic dominance) approach using the AHP as a framework and methodology for the generation and evaluation of alternative portfolio strategies.

Section III is common to most strategic planning models. Its central focus is the generation (Cell H) and evaluation (Cell I) of objectives and strategies. Objectives are not viewed as fixed but are determined by management. The higher level objectives are given as guidelines only for lower level management. This approach is consistent with a marketing perspective for management decisions and allows managers to identify the set of objectives most relevant for their particular corporate needs and to assess their relative importance under a variety of environmental conditions. (A number of empirical studies suggest that share, profit and other objectives vary in their perceived importance, depending on the expected environmental conditions; see, for example, Wind and Saaty 1980, Woo and Cooper 1982.)

The generation and evaluation stages together with the last stage of this section, the planning of an implementation and monitoring plan (Cell J), are illustrated in Figure 5.

FIGURE 2
Illustrative Market Opportunities and Business Strength Analysis by Segment Positioning

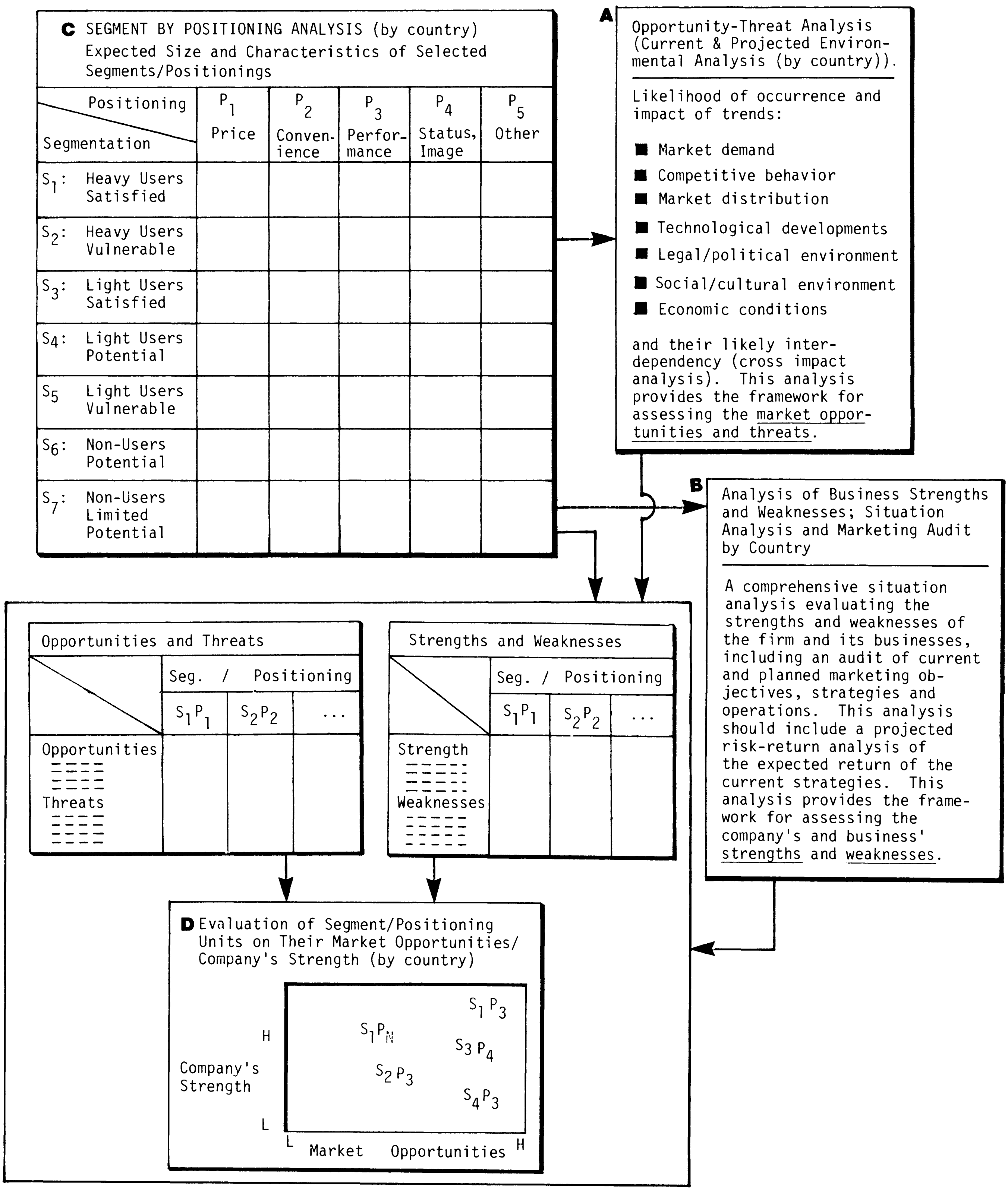


FIGURE 3
Illustrative Analysis of Functional Requirements

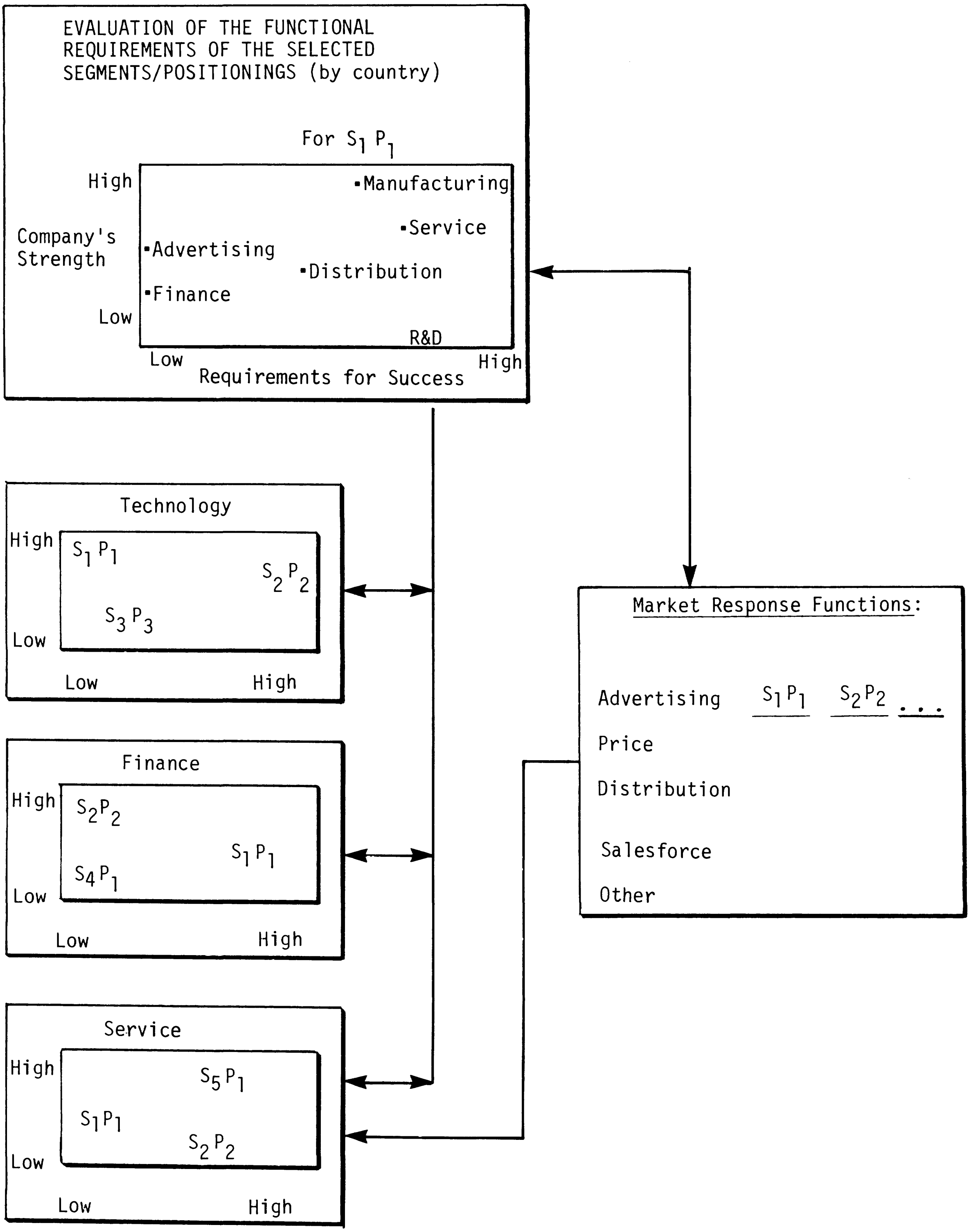
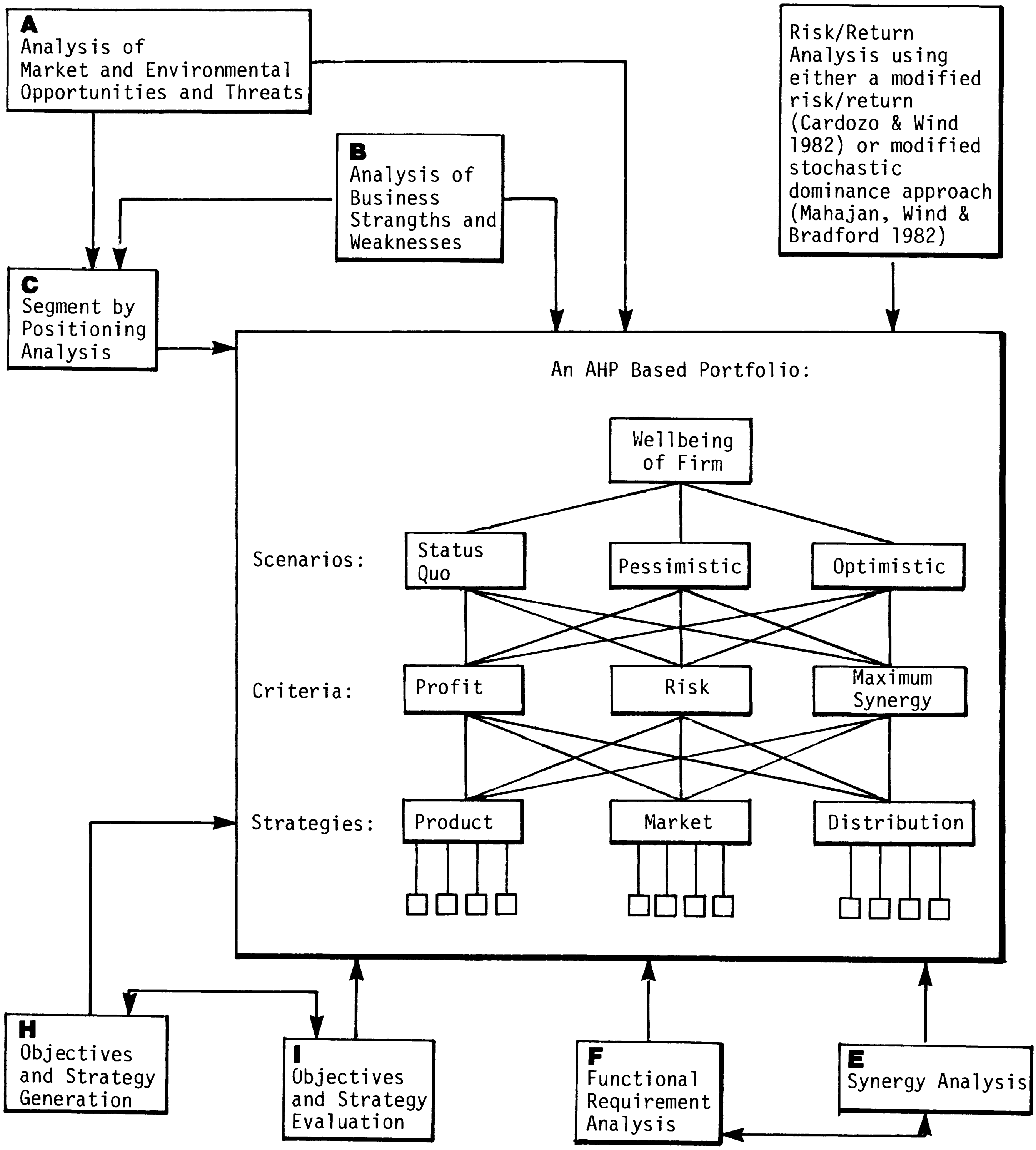


FIGURE 4
Illustrative Portfolio Analysis



Source: Based on Wind and Mahajan (1982a)

FIGURE 5
Illustrative Objective and Strategy Generation and Evaluation

H. Objectives and Strategy Generation:

Generation of:
A. Corporate SBU and marketing objectives
B. Strategy regarding:
- New product and market development or acquisition.
- Selected positioning/segmentation.
- Competitive strategies.
- Marketing program (product, price, promotion, advertising, distribution, etc.).
- Required financial, human and material resources.

I. Objectives and Strategy Evaluation:
- Expected performance on key objectives.
- Impact on other functions of the firm.
- Likely market response and performance (conditional forecast given various changes in our strategy, competitive strategies and environmental conditions).
- Integrated evaluation (using computer planning simulation).

J. Planning for Implementation and Control:

Design of adaptive experimentation program, planning continuous monitoring system, design of contingency plans and planning of an implementation program including a time and cost CPM.

Feedback

Some of the unique features of the generation, evaluation and implementation stages are:

- The use of a variety of approaches for the generation of creative strategies. This is not unlike the procedures used for the generation of new product ideas.
- The evaluation stage involves explicit examination of the likely outcome (on all the selected performance dimensions) given a variety of assumptions on the nature of the market, competitive actions and reactions to our strategies and diverse environmental conditions. These evaluations typically involve computer simulations involving extensive sensitivity analyses.

The competitive analysis part of this model can greatly benefit from review of previous actions and reactions of competitors and a detailed examination of competitors as to their objectives, strengths, weaknesses and strategic thrusts. The framework outlined in Figures 1–5 has the potential to overcome the strategic limitations identified earlier:

(a) The approach is applicable at *all* levels of management: it can be applied at the corporate, SBU, product group or brand levels. The lower the level of management, the fewer the decisions and analyses to be conducted since many of the decisions will be given as inputs (e.g., information about the environment) or constraints (e.g., the corporate objectives). The approach is also designed as an interactive system and not as a "top down" or "bottom up" approach (for the advantages of this approach, see Day 1981).

Consistent with the marketing concept, the major unit of analysis for all level decisions is product positioning by market segment (aggregated if necessary, based on the similarity of strategic thrusts required in each to achieve the desired objectives). The model thus avoids the pitfall of the standardized business and product portfolio models that focus on total product or business performance (which frequently has little to do with actual marketplace strategies).

(b) The approach recognizes the major interdependencies between marketing and the other business functions and their related disciplines. The portfolio analysis, for example, includes a modified stochastic dominance analysis that links a financial risk-return analysis with the other typically nonfinancial evaluations of the market (see, for example, Mahajan and Wind 1982). In addition, a major component of the planning framework is an explicit focus on the functional requirements, both within marketing and the other functional areas, for the selected segmentation positioning options.

(c) The approach recognizes the importance of synergy and includes this as an explicit step in the process. Synergy is examined across segment positioning categories and within the total marketing mix. It is also included as an explicit criterion in the AHP-based approach to the generation and evaluation of alternative product/market and distribution portfolios (Figure 4).

(d) The focus of the analysis is on projected data (not just historical performance). Ideally, these projections would be both for the short- and long-term. Similarly, the generation and evaluation of strategy should focus on both time horizons and take into account alternative environmental sceneries. In the same spirit, one should view the generation and evaluation of contingency plans (for changing markets, and changing competitive and environmental conditions). Furthermore, adaptive experimentation which occupies a major role in the monitoring phase is recognized as a key safeguard toward the achievement of the firm's long-term objectives.

(e) Competitive and market analysis are explicitly included throughout the analysis stages. Competitive strategies are linked to the overall portfolio and constitute a major component of the strategy generation and evaluation phases. In addition, the portfolio analysis can be conducted on competitive products.

(f) The model recognizes the importance of the international dimension. For multinational firms most of the analysis and decision steps should be conducted by country and a number of cross-country analyses and decisions are made, especially at the strategy generation and evaluation stages. Furthermore, the generation and evaluation of worldwide portfolio strategies is a key component of the portfolio objectives, strategy generation and evaluation stages.

(g) The model offers a framework that is potentially not only capable of overcoming the seven specific limitations listed earlier but also integrates the solutions in a cohesive operational mechanism. To date it has been applied in one case. A brief discussion of this implementation case follows.

Implementation

The process proposed was implemented by a large division of a Fortune 500 firm. The impetus for the application was management's desire to allocate resources better among the division's current products and to decide on the division's directions for growth (via both internal development and acquisitions). Given these objectives the portfolio part of the process served as the focal point of analysis. Yet, all 10 phases of the process were used and a number of phases were repeated as new information was introduced. The process was carried out by the eight top managers of the division (including the president and the senior author, who served as an outside consultant). This group met a number of times over a period of six months and at the sessions, reviewed, evaluated and synthesized the various inputs required by the process. Marketing research data were introduced as presentations to the group who, in turn, used such data as input to the generation of options and their evaluation. The AHP served as the key framework for option generation and evaluation.

The participating managers found the process itself to be very valuable. It allowed them to devote uninterrupted time to strategic thinking and facilitated a better understanding of the positions of the various participants—their assumptions, objectives and concerns. One of the major benefits of the process was the identification of required information and the establishment of procedures for continued collection of such information and its reporting in user-oriented forms. At the conclusion of the process a portfolio strategy was decided that provided guidelines to the division's new product and market activities and allocation of resources among various strategies for the current product-market segments. In addition, a number of other decisions were reached during the various discussions relating to the current operations of the division and its long run mission and relation with other divisions of the firm.

Steps have been taken since then to implement the new product (addition) and market segment (consolidation and deletion) recommendations. It is too early to judge whether the decisions were the correct ones. Yet, management does feel that the process has been beneficial and initiated a series of quarterly meetings to examine whether the portfolio should be changed and to explore the impact of various events, such as the entry of a new competitor and the change in a competitor's strategy on the division's own strategy.

Management viewed the process as successful, and other divisions of the same firm are now in the process of going through a similar process. In terms of the process itself, the application has highlighted at least four important items:

- The process has to be viewed as a flexible framework, not a rigid step-by-step planning process. During the implementation there were numerous iterations moving back and forth among the stages and updating and changing earlier assumptions and conclusions.

- The implementers of this process should be willing to change procedures. A straightforward application of the stochastic dominance approach was found to be unsatisfactory, for example, and it was modified to include forecast data and to add constraints on the magnitude of allowed changes from current level.
- Data availability is a major obstacle. Yet management's subjective judgments can be used effectively, both as substitute for data and as a way to determine the areas that require additional information (those areas that are important and on which management cannot agree).
- Top management involvement is critical for the success of the process. Yet, since all the judgments are made in a group setting, care should be given to the issue of group composition and group dynamics.

Despite the successful implementation of the process, it still requires the solution of a number of methodological issues and hence could provide a useful guideline for future research directions on marketing strategy.

Toward a Research Agenda

Overcoming the identified limitations of the current marketing literature is essential if marketing is to increase its strategic relevance. Research on marketing strategy should incorporate, at the minimum, three focal points:

- Development of sound, consistent conceptual and operational definitions of such key terms as strategy, synergy, etc.
- Examination of the impact of the marketing strategy perspective on new concepts and methods within the field.
- Generation and evaluation of hypotheses on the impact of the marketing strategy perspective on the performance of the brand, product line, SBU and corporation (as well as on the economy as a whole).

Each research focus can lead to a large and diverse set of projects. Altogether, however, it suggests the boundaries of a marketing driven strategy research program. To illustrate some of the types of research that can be undertaken, let us briefly consider a few examples.

Development of Conceptual and Operational Definitions

Even the most basic concepts such as marketing strategy, marketing perspective, synergy, etc. have not been rigorously and consistently defined in the marketing literature. In order to advance our understanding of marketing strategy and the role that marketing plays in corporate and SBU strategy, it is essential to agree on a set of conceptual and operational definitions of the concepts involved. These would include definitions of synergistic effects, the dimensions of competitive analysis and strategy, the international dimensions, and all the components of an integrated strategic marketing framework.

Development of New Concepts and Methods

Incorporating strategic concerns in the current marketing operations of a firm often requires either modification of current concepts and methods or development of new concepts and methods. Introducing the marketing strategy perspective at the product line, SBU and corporate level requires, for example, the development of portfolio based approaches for the allocation of resources among the products and markets.

The portfolio models of business strategy should be modified or new ones designed to develop a marketing perspective, including analysis by market segments, recognition of the synergy among the portfolio components, and allocation of resources in accordance with the market response elasticities to marketing strategy variables. Similarly, the acceptance of the marketing strategy perspective would lead to modification or development of new marketing research methods. More attention should be given to the analysis of secondary data and its integration with primary and internal data, the analysis of cross-business data (such as the PIMS data), and the development of longitudinal and experimental designs.

Not unlike the required developments in marketing research methods are the applications of the marketing strategy perspective to organizational design. Both the organization of the marketing function (at the corporate and SBU level) and organization of the entire organization should take into consideration the role of marketing and the likely organizational obstacles for creative and effective implementation of marketing strategies and marketing driven corporate and SBU strategies. Modification and development of concepts and method is required, and these, in turn, have to be validated and implemented.

Generation and Evaluation of Hypotheses

The incorporation of the marketing strategy perspective involves not only the resolution of major measurement issues (relating to the conceptual and operational definitions of the various terms) and the modification of current or development of new concepts and methods, but also the development of a research program aimed at assessing the impact of these areas on the performance of all relevant corporate entities—the brand, product line, SBU and the corporation—as well as of the industry and society at large. Such a research program should focus on the generation and evaluation of various hypotheses assessing the likely impact of the components of the marketing strategy framework.

The range of these hypotheses is limited only by the creativity of the researchers. Such research offers an opportunity to increase the relevance of research in marketing and to start the accumulation of a substantive marketing knowledge base. Some of the most basic research questions are as follows:

- What is the value of the advocated dimension (e.g., synergy or international orientation)?
- Are companies that subscribe to this dimension more successful than those that don't? How is success to be measured?
- What are the implications of the addition of this dimension (e.g., long-term orientation or international orientation) to the structure and function of marketing? In particular, how does it affect the organization of marketing activities (including the structure, task, personnel and technology employed) as well as the planning and implementation of marketing strategies?

Similarly, at the aggregate industry or societal level, research can be coordinated to establish to what extent industries or societies that subscribe to the proposed dimensions perform better (on whatever criteria one selects) than those that don't. This could provide, for example, a useful framework for comparative studies between the U.S., Japan and other countries.

Conclusions

Seven strategy related limitations of the current marketing literature were identified as areas requiring additional theory and research efforts. A marketing guided model for strategy formulation and evaluation was proposed that is believed to overcome most of these limitations. The model has been applied in a large SBU of a Fortune 500 firm. Most of the recommendations developed by the use of this approach are now being implemented. Yet this is not a true validation of the model, and further development and testing is required.

In essence the model is a marketing oriented approach to strategic planning. It provides a marketing perspective utilizing relevant marketing concepts and methods for any strategic decision of the firm. At the same time it offers a strategic perspective for marketing decisions. The marketing mix decisions are based on the analysis in the other parts of the model, which reflects necessary strategic considerations currently lacking in the marketing literature. It is hoped that research from a marketing strategy perspective will increase the relevance of marketing, offer new conceptual and methodological challenges to its scholars and practitioners, and enhance the revitalization of the discipline and the broadening of its scope to include not only the functional marketing program decision mix, but also a core perspective for all strategic management decisions.

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