

# Introduction

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A wide variety of research activities contribute to the development of knowledge about marketing issues and problems. Marketers use a panoply of methods and draw on and extend theories developed in the social sciences to examine issues ranging from the consumption of high-risk sports such as sky diving, to the development and use of sophisticated econometric modeling on POS scanner data to estimate the consumer response to price promotions.

the members of a new product development team. The objective of research focusing on the conceptual domain is to develop a parsimonious but deeper understanding of the broad range of the relationships observed in the real world.

Finally, research in the *methodological domain* develops techniques for measuring the properties of phenomena, agents, and organizations and assessing the degree to which properties are related to each other. The objective of methodological research is to develop precise, robust measures and assessments.

## SCOPE OF THE HANDBOOK OF MARKETING

### Research Domains

Brinberg and McGrath (1985) offer a scheme for classifying a social science research that can be used to delineate the research reviewed in this book. They suggest that academic research involves three inter-related but distinct domains – substantive, conceptual, and methodological. Research in each of the domains has unique objectives, and thus addresses unique sets of issues.

Research focusing on the *substantive domain* examines relationships between problems, phenomena, and processes that arise in the real world such as the relationship between sales compensation and salesperson performance, or the relationship between the use of cross-functional teams to develop products and the success of the products in the marketplace. The objective of research in the substantive domain is to improve the performance of the agents and organizations and the system in which they interact. In the previously stated marketing illustrations, the objective would be to improve the performance of salespeople and new product development teams.

Research focusing on the *conceptual or theoretical domain* considers relationships between abstract constructs and concepts such as the impact of incentives on salesperson motivation, or the effect of team cohesiveness on the level of conflict between

### What Is in the *Handbook of Marketing*?

Most academic marketing research involves all of these domains. Research typically (1) examines some problem or issue facing a marketer or customer, (2) proposes some abstract constructs and concepts that may offer greater understanding of the issue and generalization of the results, and (3) uses some method for studying the problem and measuring the concepts and relationships. However, the focal contribution of a specific research article or book tends to be in one of the three domains.

The chapters in the *Handbook of Marketing* summarize research in the substantive domain of marketing. Each of the chapters:

1. provides an overview of academic research addressing a particular substantive area of marketing. The overviews are designed to help scholars and sophisticated marketers understand issues involved in the area and the knowledge that has been developed to address those issues. While the authors are experts in substantive areas, they review all of the important research streams on the topic rather than just summarizing their individual research contributions
2. offers a bibliography of important research in the topic area
3. identifies productive areas for future research in the substantive area.

The *Handbook of Marketing* is problem-focused and thus methodological and conceptual issues are not explored in depth. When the understanding of a methodological issue or conceptual debate is needed to appreciate and/or interpret results of substantive research, the authors identify the methodological or conceptual issues, explain their specific impact on the substantive conclusions, and provide references for examining these issues in more detail.

In addition, the *Handbook of Marketing* focuses on just a subset of substantive marketing issues. Marketing is the study of relationships between buyers and sellers, between firms and their markets, marketing managers and their customers. Clearly effective marketing is based on a thorough understanding of the needs and buying behaviors of customers, both consumers and organizational buyers, and both as collectivities and as individuals. However, the chapters in this book focus primarily on the substantive issues facing marketing managers and, to some extent, market regulators and policy makers, not their customers.

We elected to focus on the managerial and policy issues for two reasons. First, the body of research on consumer behavior is so extensive that it merits its own handbook (see Robertson & Kassarian, 1990). Second, the objective of much consumer behavior research is no longer to directly improve the practice of marketing, not even sometimes to develop a better understanding of consumer behavior in substantive terms, but solely for its own sake. To paraphrase Lutz (1991), it is of little interest to anyone else except the researcher. Thus we have not included reviews on the extensive research solely examining consumer behavior or organizational buying. However, behavioral research with managerial implications in specific substantive areas is included in the chapter reviews.

### **Who Should Read the *Handbook of Marketing*?**

The primary audience for the Handbook is students in any introductory doctoral seminar on marketing management issues and problems. The chapters in the Handbook provide the necessary background for reading, understanding, and discussing specific empirical and/or theoretical articles in a substantive area. In addition, the chapters can be used by academics, both within marketing and from other fields, who want to become familiar with research issues in a substantive area outside their primary area of expertise. Finally, analytically oriented practitioners might be interested in reading chapters to learn about research that has been conducted in a problem area they confront.

### OVERVIEW OF CHAPTERS

The twenty-one chapters in the book are divided into five sections, together with some concluding thoughts. The sections are: (1) Introduction; (2) Marketing Strategy; (3) Marketing Activities; (4) Marketing Management; and (5) Special Topics. The chapters in the first section review research examining the context in which marketing issues and problems arise. The following two sections then review research examining the strategic and more tactical decisions confronting marketing managers. The fourth section examines research on how managers process information and make decisions and the use of decision aids to improve their decision-making. The final section examines research on some specific contextual environments – global, services, and business-to-business markets – in which marketing management issues arise, and the evolving implications of the Internet for marketing management.

### **Introduction**

The Introductory section consists of three chapters and provides reviews of research about the role of marketing in society and in the firm, and the history of marketing thought. These chapters provide the background for examining the specific substantive areas of marketing research outlined in the subsequent chapters.

In Chapter 1, 'Marketing's Relationship to Society,' Professors William Wilkie and Elizabeth Moore examine the research on how society affects marketing and how marketing affects society. The chapter begins with an overview of the aggregate marketing system, the activities performed by the system, the properties of the system, and an approach for assessing the scope of the system. Then marketing's contributions to the larger system, economic development, and to individual buyers are reviewed. Research critiquing marketing from a societal perspective is discussed, concluding with a discussion on how marketing can be used to increase the level of societal benefits.

Chapter 2, 'History of Marketing Thought' by Professors Brian Jones and Eric Shaw, reviews the history of marketing thought. Rather than reviewing the history of marketing practice, they examined the evolution of research about marketing as discipline over the last 100 years. The review is organized chronologically, beginning with studies of the marketing ideas of ancient scholars and the writings of economists on marketing issues during the late nineteenth century, followed by the emergence of the marketing discipline between 1900 and 1957, and concluding with the more recent era that has seen a proliferation of schools of thought (e.g., marketing management, consumer behavior, macromarketing).

In the final chapter in the section, 'The Role of Marketing and the Firm,' Professor Frederick Webster traces the evolution of marketing's role in the firm from its identification as a distinct management function in the 1920s, through the expansion of its activities beyond selling and sales management, to the developing perspective that marketing should be a pervasive business philosophy. He concludes by suggesting that, paradoxically, the role of marketing is becoming even more important while the importance of the traditional marketing activities might be diminishing.

### Marketing Strategy

The second section of the Handbook reviews the research involving the identification of target markets of customers, the analysis of competitive actions and reactions, and the marketing strategies directed toward realizing a sustainable competitive advantage.

Professors George Day and Robin Wensley, in Chapter 4, 'Market Strategies and Theories of the Firm,' relate research on marketing strategies to three theories of the firm: (1) the resource-based perspective, focusing on the firm as a portfolio of resources; (2) the positioning perspective, based on industry structure and spatial competition; and (3) the configuration, or forms of organization perspective, which incorporates sociological considerations. Then research on marketing strategy issues associated with each perspective is reviewed.

The objective of a marketing strategy is to develop a sustainable competitive advantage – an advantage that cannot be easily duplicated by competitors. To develop a marketing strategy, marketers need to understand the structure of the market in which they are participating – who are their customers and who are their competitors? In Chapter 5, 'Determining the Structure of Product Markets: Practices, Issues and Suggestions,' Professor Allan Shocker reviews the research approaches used to analyze market structures, with emphasis on the relationships between assumptions regarding the definition and structure of competitive relationships (e.g., measuring the degree of competition) and various methods for operationalizing and representing that structure. The chapter focuses on understanding the structure of competitive markets, not on the algorithms used to analyze market structures.

This section concludes with Chapter 6, 'Competitive Response and Market Evolution,' by Professors Hubert Gatignon and David Soberman. This chapter provides a framework for understanding the research that has been conducted on two inextricably linked topics – competitive response and market evolution. The authors first identify the key dimensions of competitive response and market

evolution. Then, they review the research addressing the impact of competitive responses on market evolution, and how the evolution of a market can impact and constrain the competitive responses. The chapter also considers the impact that environmental (exogenous) factors can have on both competitive response and market evolution.

### Marketing Activities

The eight chapters in this third section of the Handbook review research related to the traditional marketing decision variables – the 4Ps of product, price, promotion, and place (distribution). Due to the extensive amount of research on promotion, there are separate chapters for marketing communications (primarily advertising), personal selling and sales management, and sales promotions. Two additional chapters on branding and brand management, and customer service are included because of their strategic importance. Both the development of strong brands and the provision of excellent service result in customer loyalty, a sustainable competitive advantage.

In Chapter 7, 'Branding and Brand Equity,' Professor Kevin Lane Keller begins by reviewing the conceptual foundations of branding including the research on brand personality, experiences, relationships, and communities, as well as corporate images. This research examines how the brand provides meaning beyond the attributes and benefits of the product or service. He then presents the research on some brand management implementation issues, such as factors affecting the choice and design of brand elements such as brand names and logos, legal issues, involving branding, factors affecting the success of brand extensions, and means by which brands leverage their brand equity through brand alliances.

Professors Ely Dahan and John Hauser review the research on developing new products in a highly competitive, dynamic environment in Chapter 8, 'Product Development – Managing a Dispersed Process.' The chapter begins with an overview of the integrated end-to-end product development process. The remainder of the chapter addresses specific research challenges relating to the new product development process organized around the development stages. Specifically the authors review research on the front end of customer opportunity identification and idea generation, the process of concept selection and detailed design and engineering of products and processes, the testing phase where concepts and products are prototyped and tested, and the enterprise and organizational strategy necessary for success.

Chapter 9, 'Channel Management – Structure, Governance and Relationship Management' by

Professors Erin Anderson and Anne Coughlan, reviews research on a subset of managerial decisions that are crucial to the functioning of a marketing channel. The three issues examined are: (1) channel structure – the number of separate firms and levels that constitute the distribution channel; (2) channel governance – the frameworks used to coordinate and control the activities of the channel members so that the channel operates efficiently and the channel members realize their goals; and (3) relationship management – the management of the daily activities undertaken by channel members. Managerial decisions regarding these three issues determine how firms in the channel coordinate their activities to successfully compete against other sets of channel members promoting different solutions to a market's needs.

Professor Sönke Albers in Chapter 10, 'Salesforce Management – Compensation, Motivation, Selection and Training,' provides an overview of the research examining the management of salespeople – the most costly and effective element in a firm's communication mix. The chapter begins with a discussion of the problems encountered in measuring the performance of salespeople, and then examines the research directed toward improving salesperson performance through selection and hiring, training, motivation and compensation, and the dismissal of poor performers.

Chapter 11, 'Pricing – Economic and Behavioral Models,' by Professors Chezy Ofir and Russell Winer, reviews the research on the pricing element in the marketing mix. The review is organized into the following five sections:

1. the measurement of the customer response to price changes emphasizing the importance of price threshold
2. research on how customers actively process price information and use this information to evaluate alternatives and make choices
3. approaches for incorporating price and price promotions into brand choice models
4. theoretical models considering competitive activity in making pricing decisions
5. the potential impact on pricing by the lowering of search costs and dynamic pricing opportunities arising with the sales of products and services over the Internet.

Professors David Stewart and Michael Kamins in Chapter 12, 'Marketing Communications,' review the extensive research on marketing communication focusing on impersonal communication through mass media. The chapter examines research investigating the effects of marketing communications on primary and secondary demand, the mediating role of awareness and attitudes, the impact of these communications over time, and the factors moderating

these effects such as the stage in the advertised product's life cycle, the competitive position of the advertised product and the intensity of competitive activity within the market, customer familiarity with the product, the customer's level of involvement in the purchase decision, and the nature and execution of the communication message.

Sales promotions include price discounts, feature advertising, special displays, trade deals, reward programs, coupons, rebates, contests, and sweepstakes have become the dominant expense in the communication program of many firms. In Chapter 13, 'Sales Promotion,' Professor Scott Neslin organizes his review of the research on sales promotion into three sections: (1) the behavioral and economic bases for the existence of sales promotion; (2) the various customer behaviors or responses that are influenced by sales promotion; and (3) the impact of different forms of promotion on customer behavior.

In the final chapter in the section, 'Understanding and Improving Service Quality: A Literature Review and Research Agenda,' Professors Parsu Parasuraman and Valarie Zeithaml review research on customer service. The chapter begins with a review of the literature on the conceptualization and definition of the service quality construct, including how it relates to the concept of product quality. Following the review, the chapter examines research relating service quality to profitability and customer loyalty, and then describes studies that offer conceptual frameworks and approaches for improving service quality. The chapter then discusses research on the quantitative assessment of customer perceptions of service quality. Finally, the chapter provides a synthesis of recent work on the role, meaning and measurement of service quality in the context of market offerings delivered through technology.

## Marketing Management

The 11 chapters following the introductory section review research examining the factors that influence the effectiveness of strategic and tactical marketing activities. The three chapters in this section review research related to how managers make decisions, the relative importance of different types of decisions, and the use of decision support systems in making these decisions.

In Chapter 15, 'Individual Decision Making,' Professors Jay Russo and Kurt Carlson summarize the research on how individuals make decisions – how they identify and commit to a course of action. While the primary focus of the chapter is on managers and decisions that confront them, the theories and empirical findings reviewed typically extend to consumers and other individual decision-makers.

The phases of decision-making are used to organize the chapter. The discussion on each phase is divided into sections. The first section deals with decisions, called errors of untutored performance, that can be corrected or improved. The second section deals with challenges to effective decision-making that make decisions difficult even for skilled decision-makers. These two decision categories, errors and challenges, correspond roughly to the controllable (or internal) and uncontrollable (or external) obstacles to a satisfactory decision. Novice decision-makers must deal with both errors and challenges. Skilled decision-makers, no matter how great their expertise, must still confront the uncontrollable obstacles to a successful decision.

Dr. Murali Mantrala in Chapter 16, 'Allocating Marketing Resources,' reviews the research concerning a specific type of decision – that of the allocation of scarce marketing resources such as salesperson time, advertising expenditures, and retail shelfspace across products, customers, and markets. While these allocation decisions are complicated, managers often rely on fairly arbitrary and simplifying heuristics and decision rules. The chapter provides a survey of normative-theoretical decision models and provides insights for allocating marketing resources. Then the research on the implications of using decision rules versus normative models is presented. Specific areas covered in the chapter are the budgeting and allocation of resources related to advertising, salesforce, manufacturer promotions, retailing and the marketing mix as a whole.

Corporations spend billions of dollars each year on decision support systems designed to improve the decision-making of their managers. In the final chapter in this section, Chapter 17, 'Are Marketing Decision Support and Intelligent Systems "Worth It"? Precisely Worthwhile or Vaguely Worthless,' Professors Eric Eisenstein and Leonard Lodish review research that examines approaches for improving marketing decision-making using decision support systems. The chapter provides a taxonomy of decision support systems, offers an integrative framework showing the factors affecting implementation of these decision systems, and reviews the research on the effectiveness of decision support systems.

### Special Topics

The four chapters in the last section of the Handbook examine the unique considerations affecting global marketing, the marketing of services, marketing in business-to-business environments, and the impact of the Internet on marketing activities.

Global marketing involves the coordination of marketing activities across national boundaries and

thus is affected by potential institutional and cultural difference between nations. In Chapter 18, 'Global Marketing: Research on Foreign Entry, Local Marketing, Global Management,' Professor Johnny Johansson reviews the research on the set of issues facing firms involved in global markets including foreign entry (research on mode of entry issues, the internationalization process, and exporting); local marketing (cultural factors, country-of-origin effects, and environmental issues which facilitate or impede foreign market acceptance); and global management (product standardization, global branding, global marketing communications, and global services).

A unique property of services is that they cannot be inventoried. Thus management of capacity and the matching of supply and demand are crucial issues in services marketing. Professor Steven Shugan, in Chapter 19, 'Services Marketing and Management: Capacity as a Strategic Marketing Variable,' begins his review with the classic discussion of whether service marketing is different from the marketing of manufactured and extractive products. Next he demonstrates that the key problem facing service providers is the coordination of marketing and operations. He then reviews the literature on capacity constrained strategies when demand is predictable and unpredictable, and examines specific strategies for coordinating supply and demand in these situations such as demand shifting through peak pricing strategies and rationing.

The dominant characteristic of business markets is that the exchange relationships exist between organizations rather than individuals. In Chapter 20, 'Marketing in Business Markets,' Professors Håkan Håkansson and Ivan Snehota organize their review of the research on business marketing into five sections: (1) the distinctive characteristics of business markets, including the continuous interaction and interdependency of firms; (2) the different theoretical perspectives for examining buyer – seller relationships; (3) the variety of business relationships found in business markets; (4) the task of marketing management in business markets; and (5) strategy development in business markets.

The Internet will potentially impact the topic of every chapter in this book, especially marketing strategy, channel management, pricing, marketing communications, customer service, decision support systems, global marketing and business marketing. The final chapter, Chapter 21, 'Marketing and the Internet,' by Professor Patrick Barwise and Drs Anita Elberse and Kathy Hammond, explores the emerging research on how the Internet is or can be used by both firms and consumers to support the marketing process. The review concentrates on research in consumer behavior, advertising, pricing, channels, and

marketing strategy, because empirical research is most advanced in these areas.

*References*

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