

*Full Length Research Paper*

# Implications of marketing strategy for prospectors, analyzers and defenders

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**This study investigated the impact of marketing strategy creativity and marketing strategy implementation effectiveness on the performance of the businesses with diverse strategic orientations. A survey questionnaire was used to collect the data from key sales and marketing personnel of business units in diversified industries of Pakistan. Stepwise regression analysis was used to address the question whether or not marketing strategy creativity had stronger impact on business unit performance than marketing strategy implementation effectiveness for prospectors, analyzers, low cost defenders and differentiated defenders. Stunning results were observed that creativity in marketing strategy and its effective execution had either positive/negative or no role in improving performance of the businesses with diverse strategic orientations. Implications for marketing strategists and researchers are presented.**

**Key words:** Marketing strategy creativity, marketing strategy implementation effectiveness, business unit performance, prospector, analyzers, differentiated defenders, Pakistan.

## INTRODUCTION

Marketing researchers believed that superior business performance is a key indicator to hold competitive advantage over competitors (Day, 1994); and to get this position the organizations should focus on developing unique capabilities in strategic areas (Prahalad and Hamel, 1990). These key competences are difficult to replicate by the competitors and should support the overall business strategy of an organization (Day, 1994). Developing distinctive marketing strategies has been recognized as the primary way to attaining competitive position (Day and Wensley, 1988; Day, 1990). Most organizations found it easier to make marketing strategies which provide guidelines on how to achieve their goals rather than how to implement them (Noble and Mokwa, 1999).

In 1998, Hamel claimed that "strategy innovation is the only way for newcomers to succeed in the face of enormous

resource disadvantages, and the only way for incumbents to renew their lease on success". Markides (1996), consistent with the aforementioned researchers, claimed about "breakthrough strategies" which focused on re-designing business processes and reshaping the markets commensurate to the ideology of making a distinctive place that helps them to make alliance with the organizational environment. Therefore, it seems to be logical that creativity in crafting marketing strategies and proficiency on its effective execution facilitate organizations to maintain this alignment. Taking into consideration the importance of creative marketing strategies, Andrews and Smith (1996) defines it as "the extent to which the actions taken to market a product represent a meaningful difference from marketing practices in the product category". An innovative marketing strategy provides guidelines to the organizations to position it uniquely, which is difficult to replicate (Porter, 1996).

Subsequently, effective implementation of marketing strategies, which enable organizations to achieve superior performance, is defined as "adoption and enactment of marketing strategy or strategic marketing initiative"

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(Noble and Mokwa, 1999).

Miles and Snow (1978) and later Porter (1980) provided leading frameworks to develop overall understanding regarding strategic decisions (Slater et al., 2010). Their typology refers to multiple ways in which organizations consider their product–market domains (the entrepreneurial problem) and build structures and processes (the administrative and technical problems) to successfully execute their marketing strategies. Prospectors constantly seek to trace and develop new product and marketing opportunities whereas defenders try to “seal off” a part of the total market to form a stable set of products and customers. Analyzers have position in-between two extremes of the typology by combining the strength of prospector and defender to vigilantly follow the prospectors while protect its stable set of customers and products. The reactors, a fourth type, do not have constant reactions to the entrepreneurial problem.

In 1980, Porter suggested that the entrepreneurial problem should be looked as how organization provides customer value by their product (differentiation) and how it covers the market scope (focused on market wide). Walker and Ruekert (1987) create entrepreneurial behavior by distinguished between Differentiated Defenders and Low Cost Defenders. Researchers (Slater et al., 2010; Olson, et al., 2005; Slater and Olson, 2000-2001) found that marketing practices were related with higher performance for different strategy types. It was observed by reviewing the strategy literature that numerous studies were conducted in western countries particularly in the United States of America, to determining the relationship between strategy and business performance. However, Naeem et al., (2011) reported that marketing strategy creativity and marketing strategy implementation effectiveness resulted into superior performance of 189 diverse service and product businesses in Pakistan. But the impact of business strategy classification, as proposed by Miles and Snow, for the relationships between marketing strategy creativity/marketing strategy implementation effectiveness and business performance was not explored yet particularly in South Asian country that is Pakistan. Hence, the current research endeavor aimed at ascertaining the relative impact of marketing strategy creativity and marketing strategy implementation effectiveness on performance of prospectors, analyzers, differentiated defenders, and low cost defenders.

## LITERATURE REVIEW

Business strategy is related to the decisions which enable the organization to generate superior performance. The most prevalent frameworks to understand overall strategic decisions were proposed by Miles and Snow (1978) and Porter (1980). Four prototypes provide the viewpoint of organization’s entrepreneurial problem

which relates to how organization defines and approaches their product-market domain and technical/administrative issues which are associated to develop organizational structure and processes in order to build success stories in these areas (Miles and Snow, 1978). Porter (1980) argued that the entrepreneurial problem should examine as how firms create unique customer value than competitors in terms of low cost or differentiation and coverage wide market. This entrepreneurial behavior further was extended by the research of Walker and Ruekert (1987) in which the authors categorized defenders as low cost defenders and differentiated defenders. To build a strong base in today’s evolutionary economies, the evaluation of strategy calls for, as described by Salter et al. (2010), that prospectors introduce creative ideas while analyzers try to understand the rationale behind prospectors success stories and improve its status (Dickson, 1992; Lambkin and Day, 1989) and as far as differentiated and low cost defenders are concerned, they are late followers and risk averse, who grasp the advantages of consumers’ preferences for low cost and superior services (Dickson et al., 2001).

According to Miles and Snow (1978), prospectors strategy is of are entrepreneurial mindset which brings revolution in the industry. The organizations having entrepreneurial mindset are “engages in product-market innovation, undertakes somewhat risky ventures and is first to come up with proactive innovations, beating competitors to the punch” (Miller, 1983). They operate in wide product-market field that observe continuing redefining process (Conant et al., 1990). The buyers operating in this special segments creates unique pricing model to reduce risk. As an aggressive marketers (Slater and Olson, 2001) they should develop multiple distributions to get advantage over their competitors in the market (Moore, 1991). Prospectors compete by finding out the latent customer needs, quickly trans-forming ability in changing environment and by launching new products to satisfy their customer base while taking into consideration other marketing mix (Slater et al. 2010). They had proactive orientation towards market (Narver et al., 2004) with early adopter segments and innovators (Slater et al., 2007) which lead them to devote significant resources in creative marketing strategies, research and other marketing related issues (Walker et al., 2003). Senior marketing managers from organizations in twenty manufacturing and service industries reported that marketing strategy creativity contributed to improving business performance whereas marketing strategy implementation effectiveness had no role in business performance (Slater et al., 2010).

Analyzers have qualities of prospectors and defenders as well. In other words, they are at the mid-point of these two strategic orientations. They are fast followers, trying to maintain stable position, creative imitators, having limited products and/or services and providing new developments in the industry (Conant et al., 1990). For

analyzers, “a substantial amount of growth may occur through product and market development (Miles and Snow, 1978)”. They rarely got first position in developing new products and/or services but update themselves from the actions and reactions of their competitors (Dyer and Song, 1997) and they usually targeted the early majority segments (Slater et al., 2007). Analyzers work in different areas such as one stable and other turbulent (McDaniel and Kolari, 1987) and usually work on “second-but-better” strategy (Robinson et al., 1992). They might start making new products and/or market development but very rare than prospectors did (Hambrick, 1983). In spite of this, everything will be zero if there is no effective execution of marketing strategy. If innovative strategies are made and achieve effective execution, then analyzers are capable of “cross the chasm” between early majority segments and early adopters (Moore, 1991) by providing products and/or services of best quality. As stated by Miles and Snow (1978) “the word that best describes the analyzer's adaptive approach is balance”. In a study conducted on senior marketing managers from organizations in twenty manufacturing and service industries, Slater et al. (2010) found that marketing strategy creativity contributed to improving business performance whereas marketing strategy implementation effectiveness did not prove its role in performance. Low cost defenders are working on developing, distributing and promoting good quality products and/or services at lower prices (Slater et al., 2010). They focus on “efficiency through standardized practices rather than on effectiveness that stems from creativity” and primarily engaging themselves in the process of engineering, distribution, production and finance (Walker and Ruekert, 1987). High performing defenders put less importance on innovative strategies and primarily focused on successful execution of their strategies (Slater et al., 2010). They also argued that low cost defenders focus on creating benchmarks for costs, prices and performance and they put their efforts to bring innovation in process rather than product innovation. Successful low cost defenders engaged less marketing activities because the primary objective is to minimize the cost (Slater and Olson, 2001). Hence, it seems logical that they would get superior business performance by effective implementation of the marketing strategy as confirmed by Slater et al. (2010). Differentiated Defenders are maintaining its position in early and late majority markets (Slater et al., 2007) by constantly giving better products and/or services quality. Walker and Ruekert (1987) argued that the “differentiated defenders can maintain their profitability only if they continue to differentiate themselves from competitors by offering superior products, services, or other advantages.” Some of differentiated defenders are operating in purely service industry in which they use pre-sale and post sales services to the customers for differentiated themselves in customers' mind in term of good quality product and/or services (Slater et al., 2010) but charge higher prices

(Slater and Olson, 2001). They achieve superior quality product through strong relationship with suppliers, exploit the experiences of cross-functional teams to overcome quality gaps, regular analyses of work processes, formal training to their human resource and top down implementation which are helped them to fulfill their consumers' needs (Hackman and Wageman, 1995; Olson et al., 2005). As Walker and Ruekert (1987) noted: “therefore, we expect high competence in the areas of sales and financial management and control, as well as on the specific functions central to the unit's differential advantage, is critical to the success of differentiated defenders”. Slater et al. (2010) found that creativity in marketing strategy resulted into improved business performance but effective execution of marketing strategy did not predict the performance.

## RESEARCH METHODS

Data collection and analysis methods were used to address the following research questions:

Research question 1: Whether or not marketing strategy creativity and its effective implementation are related to improving performance of business units for prospectors, analyzers, low cost defenders and differentiated defenders?

Research question 2: Does marketing strategy creativity have a stronger impact on business unit performance than marketing strategy implementation effectiveness for diverse strategy types?

Structured questionnaire was administered to key informants like business units heads, marketing managers, national sales manager and brand managers of the companies listed in Lahore stock exchange pertaining to eleven diverse sectors such as home appliances, telecommunication, insurance, chemical, fertilizers, textile, banking, pharmaceutical and FMCG, etc. Two hundred and seventy five questionnaires were personally distributed during April to July 2010 to the potential respondents. After multiple follow ups, two hundred questionnaires were returned. However, one hundred and eighty nine questionnaires were in statistically usable condition with satisfactory response rate of 69%. Marketing strategy creativity construct was measured by scale developed by Andrews and Smith (1996). Marketing strategy implementation effectiveness, and business unit performance constructs were measured by scales developed by Noble and Mokwa (1999), Olson et al. (2005), and Slater and Olson (2000), respectively. Respondents were asked to respond to the statements of by selecting one of the five response categories where 1= strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree. Stepwise regression procedures were employed to test the research questions.

## RESULTS

In Table 1, it can be observed that inter-item consistency ( $\alpha$ ) was greater than the cut of point 0.80 reflecting the high reliability in the measurement of the constructs and low value of standard deviations (SD) of study variables reflected that their means were representative of the data. Table 2 indicates the frequency of the business units, having diverse strategic orientations, to which the usable respondent sample belonged.

**Table 1.** Descriptive statistics (N = 189).

Variable	Mean	SD	$\alpha$
BUP	3.70	0.53	0.87
MSC	3.83	0.34	0.89
MSIE	3.87	0.36	0.65

\*MSC, Marketing strategy creativity; MSIE, marketing strategy implementation effectiveness; BUP, business unit performance.

**Table 2.** Business units with diverse strategic orientations (N = 189).

Business unit	Frequency	Percentage
Prospectors	54	29
Analyzers	53	28
Low cost defenders	39	21
Differentiated defenders	43	22
N	189	100

**Table 3.** Regression (BUP) for prospectors.

Predictor variable	Dependent variable (BUP)
MSIE	
Adjusted R <sup>2</sup>	0.20
F–statistic	14.22*
$\beta$	0.46
t-value	3.77*

\* Significant at 0.001 level: One-tailed.

**Table 4.** Regression (BUP) for analyzers.

Predictor variable	Dependent variable (BUP)
MSIE	
Adjusted $\Delta R^2$	0.28
$\beta$	2.08*
MSC	
Adjusted $\Delta R^2$	0.31
$\beta$	-1.63*
Model F–statistic	38.09*

\* Significant at 0.001 level: One-tailed.

Results of stepwise regression analysis (Table 3) show that when marketing strategy creativity (MSC) and marketing strategy implementation effectiveness (MSIE) were regressed on business unit performance (BUP) for the prospectors, only 20% (adjusted R<sup>2</sup> = 0.20) variability was explained by BUP alone whereas no significant variance was accounted for by MSC. The analysis also reflects that MSIE ( $\beta$  = 0.46, t = 3.77, p < 0.001) had significant impact in boosting the business performance of prospectors.

**Table 5.** Regression (BUP) for Low Cost Defenders.

Predictor variable	Dependent variable (BUP)
MSIE	
Adjusted $\Delta R^2$	0.09
$\beta$	1.26*
MSC	
Adjusted $\Delta R^2$	0.11
$\beta$	-0.98*
F–statistic	5.83*

\*\* Significant at 0.01 level: One-tailed.

**Table 6.** Regression (BUP) for differentiated defenders.

Predictor variable	Dependent variable (BUP)
MSC	
Adjusted R <sup>2</sup>	0.21
F–statistic	12.36*
$\beta$	0.48*

\* Significant at 0.001 level: One-tailed.

Table 4 indicates 59% variance (adjusted R<sup>2</sup> change = 0.59, F–statistic=38.06\*) explained by the model where MSIE and MSC accounted for 28 and 31%, respective variability in BUP for analyzers. Interesting to note that MSIE ( $\beta$  = 2.08, t = 7.94, p < 0.001) had stronger positive impact than negative influence of MSC ( $\beta$  = -1.63, t = -6.23, p < 0.001) on BUP for analyzers.

Table 5 shows that 20% variance (adjusted R<sup>2</sup> change = 0.20, F–statistic = 5.83\*) was accounted for by regression model where MSIE and MSC explained for 9 and 11% respective variability in BUP for low cost defenders. Stunning results were observed that MSIE ( $\beta$  = 1.26, t = 3.15, p < 0.01) had stronger positive impact than negative influence of MSC ( $\beta$  = -0.98, t = -2.46, p < 0.01) on BUP for low cost defenders.

Results of regression analysis (Table 6) reflect that when marketing strategy creativity (MSC) and marketing strategy implementation effectiveness (MSIE) were regressed on business unit performance (BUP) for the differentiated defenders then only 21% (adjusted R<sup>2</sup> = 0.21) variance was explained by MSC alone whereas MSIE did not account for any variance. It was observed that MSC ( $\beta$  = 0.48, t = 3.52, p < 0.001) had significant impact in boosting the business performance of differentiated defenders.

## CONCLUSION AND RECOMMENDATIONS

Stunning inferences can be drawn from the study findings that marketing strategy creativity has weaker but negative impact on business performance than positive influence of marketing strategy implementation effectiveness for

analyzers and low cost defenders which is in sharp contrast to all the previous findings to date. For prospectors, creativity in marketing strategy does not have any role to improving business performance; whereas, marketing strategy implementation effectiveness proves to be real business contributor. As far as differentiated defenders are concerned, marketing strategy creativity proved to be the performance enhancer but surprisingly effective execution of marketing strategy did not have any role in superior business performance.

Finally, it may be concluded that creativity in marketing strategy and its effective execution have either positive/negative or no role in improving performance of the businesses with diverse strategic orientations.

Marketing management of the prospectors, analyzers and low cost defenders are suggested to focus on effectiveness in implementing the well thought marketing strategy to enjoy the superior business performance that could result in sustaining competitive edge. However, analyzers and low cost defenders need to avoid creativity in their marketing strategies as it could reduce their business performance.

It is recommended for differentiated defenders to nurture creative and innovative marketing strategies to fostering their business performance rather than focusing on effective execution of these strategies.

Researchers are suggested to interpret findings of the study in accordance with parameters of research design comprising of numerous limitations. As this study used cross-sectional approach, therefore, it is advised to researchers interested in the marketing strategy domain to undertake longitudinal research design to have greater confidence in cause-effect relationship among study variables for diverse strategy classifications. Since sampling frame was not comprehensive so it is advised to prospective investigators to develop consolidated list by consulting multiple other potential frames. It would be better to administer the survey to multiple respondents from a single business unit which could reduce measurement error leading to improved reliability of the findings.

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