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# Does marketing success lead to market success?

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**Abstract**

Is the practice of marketing bad for the economy and, therefore, bad for society? This article explores whether *market* success and *marketing* success are compatible. First, we examine the concept of "market success" in the context of the dynamic competition perspective of resource–advantage theory, and we argue that *successful* markets are characterized by competitive processes that lead to five specific outcomes. Second, we examine the nature of marketing, conceptualize it as a kind of firm process, and argue that "market*ing* success" occurs when organizations develop competences in that process. Third, we examine whether marketing success leads to the five specific outcomes of market success. Fourth, we examine the relationship between marketing success and public policy. Fifth, we show how our approach provides a framework for investigating marketing abuses.


*Keywords:* Market success; Marketing success; Dynamic competition; Resource-advantage theory

## 1. Introduction

Many works criticizing marketing's role in society focus on the alleged abuses of specific marketing technologies (e.g., deceptive advertising). Indeed, for Day and Montgomery (1999, p. 5; italics added), "At the societal level, there are serious doubts about the costs of marketing and the values that are espoused and continuing questions about the need for regulation and legislation to counter the perceived *abuses*." Although studies that investigate *abuses* of marketing techniques provide valuable insights, there is a more fundamental question concerning marketing: Is the very practice of marketing itself bad for the economy and, therefore, bad for society? Many critics seem to believe there is a fundamental conflict between "market success" and "marketing success," as Armstrong's conclusion (1978, p. 78) illustrates:

> The organization's definition of the marketing manager conflicts with the definition of the role that best meets the needs of society. As a result, a person who performs well in this role of marketing manager often harms society; a conflict exists between "excellence in marketing" and the "needs of society."

Marketing continues to evolve. As Vargo and Lusch (2004, p. 1) point out, "marketing has shifted much of its dominant logic away from the exchange of tangible goods (manufactured things) and toward the exchange of intangibles, specialized skills and knowledge, and processes (doing things for and with)." They believe that marketing is evolving toward a "dominant logic" that "provides a richer foundation for the development of marketing thought and practice" (p. 2). Therefore, it is appropriate to ask how these changes influence the ongoing debate as to whether excellence in marketing conflicts with the needs of society, whether marketing success leads to market success. These questions, we propose, require a re-examination of the fundamental nature of both "markets" and "marketing."

At the outset, we note that equilibrium economics is the "mother" of the marketing discipline (Bartels, 1988). Although the marketing discipline has evolved differently from equilibrium economics, it has not divorced itself completely from the influence of its roots (Vargo and Lusch, 2004). Specifically, commentators' arguments that marketing success conflicts with market success often rely on concepts from equilibrium-based theories. For example, Fitchett and McDonagh's (2000, p. 219) critique of relationship marketing starts with the premise that

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"From a macromarketing perspective, the purpose of the market, and marketing activities, must surely be to provide an equilibrium mechanism." Likewise, Anderson and Simester's (2001, p. 315) critique of market segmentation strategies adopts the equilibrium economics perspective that "Firms often search enthusiastically for distinguishing traits that they may use to price discriminate between segments." Equilibrium-based theories, we argue, are an inappropriate foundation for evaluating marketing's contribution to society. What is needed is a dynamic competition foundation that matches more closely the dynamic, evolving, "dominant logic" of marketing described by Vargo and Lusch (2004).

This article explores whether *market* success and *marketing* success are compatible by using the dynamic competition perspective of resource–advantage (R–A) theory. First, we examine the concept of "market success" in the context of dynamic competition and argue that *successful* markets are characterized by competitive processes that lead to five specific outcomes. Second, we examine the nature of marketing practice, conceptualize it as a kind of firm *process*, and argue that market*ing* success occurs when organizations develop competences in that process. Third, we examine whether marketing success leads to the five specific outcomes of market success. Fourth, we examine the relationship between marketing success and public policy. Fifth, we show how the approach here provides a framework for investigating the marketing "abuses" mentioned in our first paragraph.

Stated briefly, our argument relating marketing success to market success is that when the process of marketing within a firm constitutes a firm competence, the competence becomes a firm resource, which then contributes to firm efficiency and effectiveness. In turn, firm-level efficiency and effectiveness contribute to competition, which leads to increases in industry-level productivity, which, also in turn, lead to societal-level productivity and economic growth. Our investigation of whether the very *process* of marketing *itself* is bad for the economy and, therefore, bad for society begins with the issue of market success.

## 2. What is market success?

As used here, a *market* refers to a group of firms producing market offerings that vie for the patronage of a group of buyers. What characteristics, then, should be used as indicators of market success? Dynamic competition theory maintains that dynamic, market-based economies are deemed successful when competitive processes result in: (1) a greater sensitivity to differences in consumers' needs, wants, tastes, and preferences, (2) higher quality goods and services, (3) greater innovativeness, (4) higher productivity, and (5) greater economic growth (Ellig, 2001). Therefore, we argue that these five outcomes constitute represent market success.

In favor of outcome 1, Vickers (2003, p. 143), in discussing the relationship between competitive markets and consumer welfare, maintains: "Competition is good for consumers for the simple reason that it impels producers to offer better deals, lower prices, better quality, new products, and greater choice." Moreover, he argues, "More effective competition — to deliver what consumers want and need — makes for better served consumers" (p. 146). As to outcome 2, Goldman (1991, p. 277) points out that one reason for the ultimate failure of the Soviet Union was that, though it could increase the quantities of goods manufactured, it could not improve the level of quality, and "With the growth of high technology and miniaturization, it was quality that counted." As to output 3, Clark (1954) emphasizes that innovation is required in a "dynamically progressive system," and research indicates that innovation is the main driver of economic progress (Grossman and Helpman, 1991, 1994). As to output 4, Krugman (1994, p. 18) observes that nothing is as important for economic welfare as the rate of productivity growth: "Compared with the problem of slow productivity growth all our other long-term economics concerns —foreign competition, the industrial base, lagging technology, deteriorating infrastructure and so on—are minor issues." As to output 5, economic growth is highly valued because it leads to increases in standards of living (Barro, 1990).

The preceding discussion implies that "market success" should be identified with five desirable outcomes. Therefore, as to public policy, factors related positively to these outcomes should be encouraged; factors related negatively should be discouraged.

## 3. What is marketing success?

Explaining what is meant by "marketing success" requires examining the meaning of "marketing." Although the nature of marketing has been a perennial topic of discussion, 1969 marked the beginning of a debate that would reshape the marketing discipline. Centered on identifying the appropriate scope of the marketing discipline, some scholars in the debate advocated expanding marketing's scope to include both business and nonbusiness organizations:

> The choice facing those who manage nonbusiness organizations is not whether to market or not to market, for no organization can avoid marketing. The choice is whether to do it well or poorly, and on this necessity the case for organizational marketing is basically founded (Kotler and Levy, 1969, p. 15).

Others sought to expand the concept of marketing to include social issues. For example, Lazer (1969, p. 9) maintained that marketing is a social instrument through which a standard of living is transmitted to society, and "What is required is a broader perception and definition of marketing than hitherto been the case-one that recognizes marketing's societal dimensions and perceives of marketing as more than just a technology of the firm." In contrast, some marketing scholars argued against expanding the concept of marketing. For example, Luck (1969, p. 53) warned, "Attenuate marketing's definition to make it almost universal, and it will wholly lose its identity." He argued that the appropriate focus of marketing is on "market transactions" (i.e., buying-and-selling).

In 1985, the debate culminated in an expanded definition of marketing: "Marketing is the process of planning and executing, the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals" (Bennett, 1988, p. 115). (The definition of marketing approved by the American Marketing Association in 2004 states: "Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders." We use the 1985 definition here because (1) the two definitions are not in conflict and (2) the 1985 definition is more specific as to the components of firm-level marketing processes.) Therefore, marketing is a *process* in organizations and society that works toward creating exchanges that satisfy both individual and organizational goals. Here, our focus is on marketing processes in organizations.

Like other organizational processes, the practice of marketing has the potential, according to R–A theory, for becoming an organizational resource. That is, to the extent that marketing activities contribute to enabling an organization to produce efficiently and/or effectively a market offering for some segment(s), marketing is considered a resource. Also, marketing may constitute a resource that is a competence (Day, 1990). Viewed this way, a marketing competence represents "an ability to sustain the coordinated deployment of assets in a way that helps a firm to achieve its goals" (Sanchez et al., 1996, p. 8). For R–A theory, competences are "higher order" resources because they are socially complex, interconnected, packages of tangible basic resources (e.g., specific machinery) and intangible basic resources (e.g., the skills and knowledge of specific employees and specific organizational policies and procedures) that fit coherently together in a synergistic manner and enable firms to produce valued market offerings efficiently and/or effectively.

A marketing competence is a broad concept that refers to the firm executing *well* a strategic *process* that includes, at the minimum, the following activities (or, in R–A terms, "basic" resources): (1) performing market opportunity analyses (e.g., identifying potential market segments through gathering, interpreting, and using market intelligence on present and potential customers and competitors), (2) assessing extant and potentially available resources for producing market offerings, (3) selecting target markets (e.g., by assessing the financial attractiveness of segments and the potential "fit" among resources, market offerings, and segments), (4) developing and choosing marketing strategies (e.g., developing customer relationship strategies and marketing "mixes" for specific target markets), (5) implementing chosen strategies, (6) evaluating current strategies, and (7) initiating, when necessary, both changes to current strategies and the development of new strategies.

A marketing competence, for R–A theory, may be a source of competitive advantage because it may result in marketplace offerings that are highly valued by a market segment. As Nonaka (1994, p. 16) emphasizes, competences are "difficult to accurately describe and are deeply rooted in action, commitment, and involvement in a specific context." Therefore, because many competences cannot be explicitly articulated, they are "learned by doing" (Polanyi, 1966). Furthermore, because competences involve complex interrelationships among the skills of many individuals (Winter, 1987), they "are deeply embedded within the fabric of the organization" (Day, 1994, p. 38). Therefore, competences are key resources that firms use to compete with rivals.

Marketing success, we argue, occurs when a firm's competence in marketing constitutes an *organizational* resource (i.e., it contributes to enabling the organization to produce efficiently and/or effectively market offerings that have value for some market segment(s)). Our concept of marketing competence can be illustrated by providing a concrete example. Consider Black and Decker. Their marketing competence enabled it to go from being the fifth largest seller of professional power tools in North America to one of the most successful producers of power tools in the world (Sternthal and Tybout, 2001). Black and Decker has shown an ability to: (1) perform market opportunity analyses, (2) assess available resources, (3) select target markets, (4) develop marketing "mixes," (5) implement chosen strategies, (6) evaluate current strategies, and (7) initiate, when necessary, changes to its current strategies. As a result, Black and Decker has become the market leader in North America in five of the six industries in which it competes (consumer power tools, professional power tools, outdoor power tools, power tool accessories, and door locks). (The only division of Black and Decker that is not a market leader in sales is their faucet division. Black and Decker's brand of faucets, Price Pfister, is extremely successful. However, it is considered a high-end brand, and, therefore, it is unlikely that it will ever be the market leader in sales.) In addition, in the professional power tools market, for example, its DeWalt brand of products is sought out by consumers, even though they are sold at premium prices. Therefore, Black and Decker illustrates our point that firm-level, marketing success is fostered when a firm's competence in marketing constitutes an organizational resource.

Because, for example, Black and Decker is not a "price taker" in the marketplace, marketing successes such as Black and Decker's are clearly inconsistent with equilibrium economics' use of perfect competition as a goal toward which society should strive. Therefore, we need to examine the nature of dynamic competition and its relationship to both market and marketing success.

## 4. Competition, market success, and marketing success

### 4.1. Competition

Since the passage of the Sherman Act, the Clayton Act, and Federal Trade Commission Act, the official antitrust policy of the U.S. government has been that competition is good because it benefits consumers; therefore, it should be encouraged and protected. Discussions concerning the appropriate characteristics of competition have historically been guided by principles from neoclassical, equilibrium-based theories of competition (Foss, 1991). However, researchers in the areas of evolutionary economics and Austrian economics advocate viewing competition as a dynamic *process*. What, then, is the nature of dynamic competition? Drawing on process-oriented, R–A theory, "Competition is the constant struggle among firms for comparative advantages in resources that will yield marketplace positions of competitive advantage for some market segment(s), and thereby, superior financial performance" (Hunt, 2000, p. 135). R–A theory stresses the importance of (1) market segments, (2) heterogeneous firm resources, (3) a comparative advantage/disadvantage in resources, and (4) marketplace positions of competitive advantage/disadvantage.

In brief, market segments are defined as intraindustry groups of consumers whose tastes and preferences with regard to an industry's output are *relatively* homogeneous. Resources are the tangible and intangible entities available to the firm that enable it to produce efficiently and/or effectively a market offering that has value for some marketing segment(s). Resources can be categorized as financial (e.g., cash resources and access to financial markets), physical (e.g., plants and equipment), legal (e.g., trademarks and licenses), human (e.g., the skills and knowledge of individual employees), organizational (e.g., competences, controls, policies, and culture), informational (e.g., knowledge from consumer and competitive intelligence), and relational (e.g., relationships with suppliers and customers).

Each firm in the marketplace has a set of resources that is in some ways unique (e.g., knowledgeable employees, efficient production processes...) that could potentially result in a marketplace position of competitive advantage. Just as international trade theory recognizes that nations have heterogeneous, immobile resources, and it focuses on the importance of a comparative advantage in resources to explain the benefits of trade, R–A theory recognizes that many of the resources of firms within the same industry are significantly heterogeneous and relatively immobile. Therefore, analogous to nations, some firms will have a comparative advantage and others a comparative disadvantage in efficiently and/or effectively producing particular market offerings that have value for particular market segments.

Specifically, when firms have, on balance, a comparative advantage (disadvantage) in resources, they will occupy marketplace positions of competitive advantage (disadvantage). Marketplace positions of competitive advantage (disadvantage) then result in superior (inferior) financial performance. Therefore, firms compete for comparative advantages in resources that will yield marketplace positions of competitive advantage for some market segment(s) and, thereby, superior financial performance. Readers should note that firms can obtain a position of competitive advantage both through low costs (which enable a firm to compete on price) and/or through offering superior value. Competition is influenced by five environmental factors: the societal resources on which firms draw, the societal institutions that structure economic actions, the specific actions of competitors and suppliers, the behavior of consumers, and public policy.

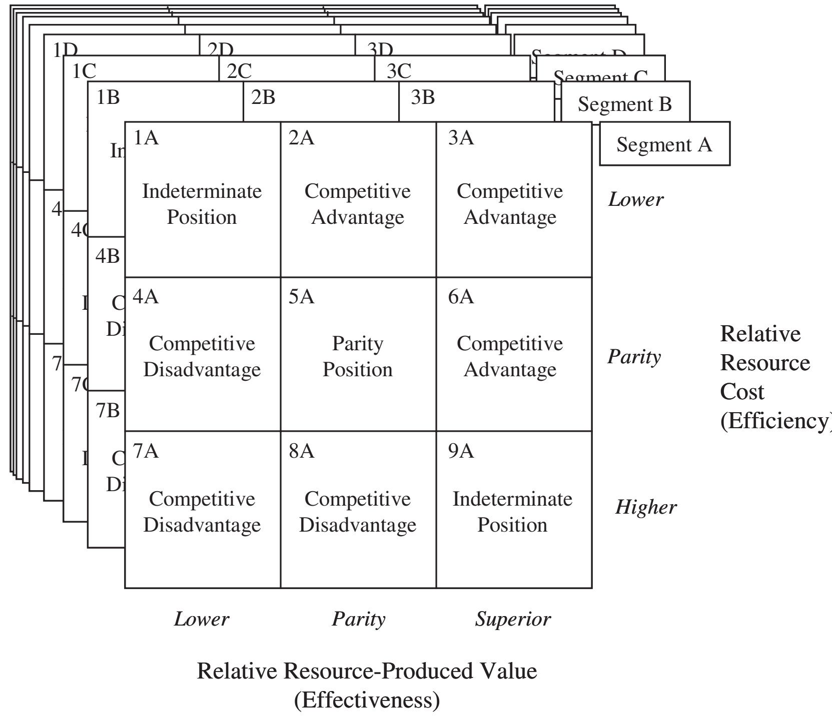
Firms seek marketplace positions of competitive advantage (i.e., cells 2A, 3A, and 6A in Fig. 1) because they lead to superior financial performance. In general, firms occupy marketplace positions of competitive advantage when they have an efficiency advantage (i.e., producing market value at lower cost than rivals), an effectiveness advantage (i.e., producing market offerings that are perceived as being more valuable than rivals' marketing offerings), or both an efficiency advantage and an effective advantage. Therefore, R–A competition is both efficiency-seeking and effectiveness-seeking.

Firms learn through competition because the feedback from their relative financial performance signals relative market position, which, in turn, signals relative resources. When firms competing for a market segment learn from their inferior financial performance that they occupy positions of competitive disadvantage, they attempt to neutralize and/or leapfrog the advantage firm(s) by acquisition and/or innovation. That is, they attempt to acquire the same resource as the advantage firm(s), and/or they attempt to innovate by imitating the resource, finding an equivalent resource, or finding (creating) a superior resource. Here, "superior" implies that the innovating firm's new resource enables it to surpass the previously advantaged competitor in terms of either relative efficiency, or relative value, or both.

Firms can maintain marketplace positions of competitive advantage if they continue to have, on balance, comparative advantages in resources over their rivals. Some resources are more crucial than others for developing and maintaining marketplace positions of competitive advantage. Specifically, resources will lead to sustainable competitive advantages when they: (1) cannot be imitated easily, (2) are difficult to substitute for, (3) are not easily traded among firms, and (4) resist efforts by rivals to leapfrog them through major innovation (i.e., through developing superior resources). Resources that meet these criteria include ones that are (1) causally ambiguous, (2) socially and technologically complex, and (3) require time to develop.

### *4.2. Market success*

Recall that successful markets are characterized by competition among privately owned, self-directed, competing firms that results in five desirable outcomes. These outcomes are prompted by certain phenomena that are *inherent* to the process of R–A competition. ("R–A theory" denotes a theory that purports to describe, explain, and predict the major characteristics and outcomes of competition in a market–based economy. "R–A competition" denotes the kind of competition that R–A theory describes.) Consider innovation. R–A theory identifies two different kinds of innovative activities: proactive and reactive. The former occurs, for example, when a firm's (1) market research department identifies a previously unserved market segment and tailors a market offering for it or (2) R and D department develops a market offering and the firm then finds a market segment for it. A firm is also being proactive when it engages in continuous process improvements, as in total quality management (TQM) programs. When proactive, innovative activities successfully produce innovations that contribute significantly to efficiency/effectiveness, firms will be rewarded by marketplace positions of competitive advantage and, thus,




Read: The marketplace position of competitive advantage identified as Cell 3A in each segment results from the firm, relative to its competitors, having a resource assortment that enables it to produce an offering that (a) is perceived to be of superior value by consumers in that segment and (b) is produced at lower costs than rivals.

* Each competitive position matrix constitutes a different market segment (denoted as segment A, segment B, …).

Fig. 1. Competitive position matrix. Adapted from Hunt and Morgan, 1997.

accomplish their goal of superior financial performance. The innovations, it must be stressed, may be major or incremental. Indeed, numerous incremental innovations may cumulatively have a *major* impact on the performance of individual firms, (and then to industries and the overall economy).

Reactive innovation occurs when inferior financial performance signals firms that their comparative disadvantage in resources has resulted in their occupying marketplace positions of competitive disadvantage (see cells 4A, 7A, and 8A in Fig. 1). Upon so learning, firms in an industry react by attempting to acquire their rivals' advantage-producing resources, by imitating them, or by finding equivalent resources, or by finding (creating, developing, assembling) superior resources. Note that, because all firms competing for a market segment cannot have superior performance *simultaneously*, firms having a comparative disadvantage in resources are strongly motivated to innovate. Note also that, for R–A theory, reactive innovation includes developing *superior* resources, not just *imitating* rivals' resources. Therefore, reactive innovation stimulates industry dynamism even in the absence of entrepreneurial, proactive innovation. Furthermore, because of both proactive and reactive innovations, "standing still" is not an option. Necessity is, indeed, the mother of invention.

As to being sensitive to differences in consumers' needs, wants, tastes, and preferences, a foundational premise of R–A theory is that intra-industry demand in most industries is substantially heterogeneous (see $P_1$ Table 1). Therefore, competition is segment-by-segment, which results in firms' developing marketing offerings that meet the varying needs, wants, tastes, and preferences of consumers. Indeed, each firm in a given industry is faced with the problem of how many market offerings, composed of which attributes, at what attribute levels, targeted at which market segments it should produce. In segments where consumers highly value the attribute of low prices, competing firms may focus on acquiring or, through innovation, developing resources that allow them to produce more efficiently market offerings (i.e., moving upward in Fig. 1). Note, therefore, that R–A theory not only recognizes the benefit to some consumer groups of low prices, but also details the strategic process by which such preferences are served. In contrast, consumers making up other segments may highly value attributes other than, or in addition to, low prices (e.g., quality, reliability, and ease-of-use). In these segments, competitors may focus their strategies on acquiring and developing, through innovation, the resources that lead to effectiveness advantages (i.e., moving to the right in Fig. 1). As a consequence, R–A competition, because of its stress on segment-by-segment competition, results in market offerings that are tailored to consumers' wants, needs, and preferences, be they lower prices or other attributes.

Table 1
Foundational premises of resource–advantage theory

| |
|---|
| $P_1$: Demand is heterogeneous across industries, heterogeneous within industries, and dynamic. |
| $P_2$: Consumer information is imperfect and costly. |
| $P_3$: Human motivation is constrained self-interest seeking. |
| $P_4$: The firm's objective is superior financial performance. |
| $P_5$: The firm's information is imperfect and costly. |
| $P_6$: The firm's resources are financial, physical, legal, human, organizational, informational, and relational. |
| $P_7$: Resource characteristics are heterogeneous and imperfectly mobile. |
| $P_8$: The role of management is to recognize, understand, create, select, implement, and modify strategies. |
| $P_9$: Competitive dynamics are disequilibrium-provoking, with innovation endogenous. |

Source: Adapted from Hunt and Morgan (1995).

As to productivity and economic growth, recall that firms seek marketplace positions of competitive advantage (i.e., cells 2A, 3A, and 6A in Fig. 1) because they result in superior financial performance. Firms that occupy cell 2A have an efficiency advantage over rivals (i.e., they produce value equal to that of rivals using resources that cost less). Firms that occupy cell 6A have an effectiveness advantage (i.e., they produce value that is superior to that of rivals using resources that cost the same). Firms that occupy cell 3A have both an efficiency advantage and an effectiveness advantage over rivals (i.e., they produce value superior to that of rivals using resources that cost less). Therefore, because the innovation that is endogenous to R–A competition promotes increases in firm-level and industry-level efficiency and effectiveness, R–A competition results in increases in industry and societal-level productivity. It is these increases that, in turn, drive economic growth. Indeed, R–A theory is the only extant theory of competition that provides a theoretical foundation for endogenous growth models (Hunt, 1997).

In summary, R–A competition results in: (1) a greater sensitivity to differences in consumers' needs, wants, tastes, and preferences, (2) higher quality goods and services, (3) greater innovativeness, (4) higher productivity, and (5) greater economic growth. In other words, R–A competition promotes *market success*. Therefore, factors related positively (negatively) to R–A competition should be encouraged (discouraged).

#### 4.2.1. Marketing success and market success

Recall that marketing success occurs when a firm's competence in marketing constitutes an organizational resource (i.e., it contributes to enabling the organization to produce efficiently and/or effectively market offerings that have value for some market segment(s)). Specifically, firms that possess a marketing competence are more adept at (1) performing market opportunity analyses, (2) assessing available resources, (3) selecting target markets, (4) developing strategies, including marketing "mixes," (5) implementing chosen strategies, (6) evaluating current strategies, and (7) initiating, when necessary, changes to current strategies. Furthermore, marketing competences may provide firms not with just sources of competitive advantages, but they may be sources of sustainable competitive advantages because competences are (1) causally ambiguous, (2) socially and technologically complex, and (3) require time to develop. In short, a marketing competence allows a firm to be more competitive.

Marketing success at the firm level, in turn, encourages innovation by industry rivals. That is, when a firm's comparative advantage in resources enables it to achieve superior financial performance through a position of competitive advantage in some market segments, industry competitors attempt to neutralize and/or leapfrog the advantaged firm through acquisition, imitation, substitution, or major innovation. Therefore, when the process of marketing within a firm constitutes a firm competence, the competence becomes a firm resource, which contributes to firm efficiency and effectiveness. In turn, the firm-level efficiency and effectiveness contribute to R–A competition and subsequent increases in industry-level productivity. The increases in industry-level productivity foster the overall process of R–A competition, which, in turn, results in, for society, the five specific outcomes discussed earlier. That is, marketing success leads to market success.

## 5. Marketing success and public policy

Competition mediates the relationship between marketing success and market success. That is, marketing success increases competition, which, in turn, results in markets that are more successful. Therefore, when a firm's marketing efforts increase (decrease) R–A competition, they should be encouraged (discouraged). For example, based on equilibrium-based theories of competition, high market shares (e.g., 90%) are presumptively anticompetitive and, therefore, require corrective actions. However, high market shares may be the result of firms having comparative advantages in resources (e.g., a marketing competence) over rivals, rather than indicating the presence of market "imperfections." In these instances, corrective actions are not warranted.

To differentiate between the two situations, Hunt (1999) suggests three tests for competitiveness. (1) If there is superior financial performance of one or more rivals competing for the patronage of a market segment(s), is such performance a result of the firms' market offerings occupying marketplace positions of competitive advantage (e.g., cells 2A, 3A, and/or 6A in Fig. 1)? (2) If superior financial performance results from the firms' market offerings occupying marketplace positions of competitive advantage, do the marketplace positions result from a comparative advantage in resources, that is, from resource heterogeneity among rivals? (3) If there is *sustained*, superior financial performance that results from the continuing existence of resource heterogeneity among rival firms, does the continuing resource heterogeneity result from inherent characteristics of the heterogeneous resources (e.g., the resources are causally ambiguous, are socially and technologically complex, and/or require time to develop)? If the answer to all of these questions is yes, then the high market share does not constitute a market "imperfection." Rather, it is a natural consequence of the very process of competition that leads to the positive outcomes associated with market-based economies.

To illustrate, let us return to the Black and Decker example. If Black and Decker were to increase its market share to 90% in the professional power tool market segment, should corrective action be taken? An examination of Black and Decker's DeWalt line of professional power tools reveals that professional users prefer them because of their durability and performance (i.e., they perceive them as more valuable than rivals' market offerings) (Black and Decker, 2001). However, some of Black and Decker's resource costs are high (e.g., the DeWalt line is manufactured in the United States, where labor costs are high, relative to some competitors). Therefore, evidence suggests the DeWalt line probably occupies cell 6A in Fig. 1 (i.e., DeWalt has an effectiveness advantage over rivals, but probably not an efficiency advantage). Therefore, given these facts, Black and Decker would pass the first test for competitiveness. However, a firm's market offerings could occupy marketplace positions of competitive advantage because it has engaged in anti-competitive actions (e.g., a conspiracy to fix prices). Therefore, one must examine what has enabled the firm's market offerings to occupy advantaged marketplace positions.

The second test of competitiveness entails examining why the DeWalt line occupies a marketplace position of competitive advantage. Does the position result from a comparative advantage in resources, for example, a competence in production or marketing? As to marketing, suppose an analysis of Black and Decker revealed that, compared to rivals, it was more adept at (1) performing market opportunity analyses, (2) assessing available resources, (3) selecting target markets, (4) developing marketing "mixes," (5) implementing chosen strategies, (6) evaluating current strategies, and (7) initiating, when necessary, changes to its current strategies. Suppose further that analysis suggested that Black and Decker's successful marketplace position was a result of this marketing competence. In these circumstances, the firm would pass the second test of competitiveness.

However, *continued* superior performance could result from anti-competitive activities (e.g., buying up raw materials solely to prevent rivals from using them). Therefore, one must examine whether the firm's sustained advantage is the result of (1) continued resource heterogeneity between it and its rivals or (2) the firm engaging in anticompetitive behavior. That is, the third test of competitiveness entails evaluating Black and Decker's source of long-term advantage. If analyses reveal that the advantage is due to rivals' inability to imitate, to substitute for, and/or to find other sources to leapfrog the advantaged-producing resource(s) (e.g., through major innovation or contracts with other firms), then the firm would pass the third test for competitiveness.

The preceding shows that, though R–A theory conceptualizes competitive advantage in a specific way, it is not synonymous with *laissez faire*. Therefore, public policy has an important role to play in ensuring that R–A competition is promoted, for it is through R–A competition that market success (as defined previously) can be fostered.

## 6. On marketing abuses

The preceding analysis links firm-level technical competences in marketing (i.e., marketing success) with societal-level desirable outcomes (i.e., market success) through the mediation of R–A competition. Yet, critics may argue that marketing does not *always* lead to positive outcomes for society. An often cited example is that of the marketing of tobacco products. Although technical competences in marketing tobacco have led tobacco companies to be successful, the negative health effects and the large healthcare costs of tobacco products on society are well documented. These dark realities lie in stark contrast to the five positive outcomes of marketing competences discussed in this article. However, we first point out that examples such as the marketing of tobacco products are the exceptions, not the rule. That is, because technical competences in marketing can be abused (e.g., used to market harmful products) does not imply that marketing and its processes are inherently inimical to society, which is the inference that many marketing critics wish to make. Also, the position here is *not* that all technically competent marketing programs are socially beneficial—nor does R–A theory so maintain. Indeed, R–A theory can be used as a vehicle for understanding and exploring what many marketing critics would describe as "marketing abuses."

Note that R–A theory specifically emphasizes that certain factors (e.g., individual codes of ethics; the actions of consumers, competitors, and suppliers; societal institutions; and public policy) directly impact the process of R–A competition and influence whether (1) firms make decisions that have a negative impact on society and (2) whether firms benefit from such negative-impact decisions. First, as R–A theory posits (see $P_3$ in Table 1), though decision-makers are self-interest seekers, they are constrained by their personal moral codes (Hunt, 2000). These personal moral codes include the deontological norms held by people, the relative importance of particular norms, the rules for resolving conflicts among norms, among other things (Hunt and Vitell, 2005). These personal moral codes are influenced by cultural, professional, industry, and organizational codes, as well as by personal characteristics such as value systems, belief systems, ethical sensitivity, and past experiences. Important for our argument here, differences in personal moral codes contribute to explaining why some firms use their technical competence in marketing in an abusive manner and others do not. Also important for our argument, personal moral codes, their antecedents, and consequences are open to investigation. We encourage researchers to explore the role of personal moral codes in R–A competition.

Second, the actions of key players in the marketplace such as consumers, suppliers, and competitors influence competitive dynamics and firm-level, marketing decisions. For example, consumers may boycott a firm and its products because they disagree with its business decisions. Similarly, organizations may refuse to do business with firms whose marketing efforts are not perceived to be in what they regard to be the best interests of society. In addition, competitors may develop strategies that position themselves to take advantage of other firms' perceived marketing abuses. Third, R–A competition takes place within (is embedded in) societal institutions. These institutions (e.g., cultural values and beliefs) form "the rules of the game" (North, 1990). As a result, certain marketing activities may be viewed by society as inherently wrong and, as a result, they are customarily avoided by firms. Again, we encourage researchers to explore the role of institutions in R–A competition.

Finally, as was discussed in the context of antitrust legislation in the preceding section, R–A competition takes place within the context of public policy, as exemplified by laws and regulations. In general, we argue that public policy should promote R–A competition because it leads to the five favorable outcomes previously discussed. This means that policy should promote economic freedom and allow rewards to flow to firms (and, in turn, to individuals) that develop comparative advantages in resources through pro-competitive behavior (e.g., by developing marketing competences). Also, because innovation fosters the development of the tangible, intangible, and higher order resources that result in productivity and economic growth, public policy should protect intangible, intellectual property rights, not just tangible, physical property rights. Laws and regulations can also be addressed at alleged abuses of firms' technical marketing competences. On two grounds, however, we argue that there should be a strong burden of proof that laws and regulations that restrict economic freedom are necessary. First, economic freedom plays such an important role in promoting R–A competition and its five positive outcomes for society that restrictions—even well-intended restrictions—in economic freedom will customarily depress valuable societal outcomes. Second, and consistent with Austrian economics, economic freedom, like political freedom, is a "good" in and of itself. Therefore, laws and regulations that restrict *economic* freedom, just like laws and regulations that restrict *political* freedom, should be rare, minimally invasive, and enacted only after careful deliberation.

## 7. Conclusion

Using R–A theory as a foundation, we argue that the successful practice of marketing, as such practice is constituted by competences, leads to desirable consequences for the economy and society.

Firms that have a marketing competence possess an ability to (1) perform market opportunity analyses, (2) assess available resources, (3) select target markets, (4) develop strategies, including marketing "mixes," (5) implement chosen strategies, (6) evaluate current strategies, and (7) initiate, when necessary, changes to current strategies. Marketing competences at the firm level promote vigorous R–A competition among firms at the industry level for the patronage of consumers, which leads to increases in innovation, efficiency, and effectiveness. As a consequence of the marketing competences at the firm level, the resulting process of R–A competition promotes (1) a greater sensitivity to differences in consumers' needs, wants, tastes, and preferences; (2) higher quality goods and services; (3) greater innovativeness; (4) higher productivity; and (5) greater economic growth. Therefore, marketing success at the firm level promotes R–A competition at the industry level, which, in turn, promotes overall R–A competition and market success. Therefore, marketing success and market success, we argue, are not just compatible, but, in general, competences in marketing lead to *both* marketing and market success. As marketing evolves, the foundation provided by R–A theory helps ensure that the changes in marketing are theoretically, managerially, and societally progressive.

## Appendix A. Supplementary data

Supplementary data associated with this article can be found, in the online version, at doi:10.1016/j.jbusres.2006.01.019.

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