Many commentators believe that both marketing practice and marketing academe need reform. As to marketing practice, for example, J. Walker Smith (2004) of Yankelovich Partners points to studies showing that marketing productivity is declining and consumer activism and expectations are growing. For him, the increasing resistance of consumers to conventional mass marketing communications implies that firms must precisely target their messages, avoid using demographic proxies for targeting, ensure that all messages are relevant to consumer needs, and earn the trust of their customers. As a second practice example, Jagdish Sheth (2004) argues that marketing, headed by a “chief customer officer,” should shift from being a line and business-unit function to a corporate and staff function. This shift would imply that marketing should (1) report directly to the chief executive officer, (2) have responsibilities for branding, key account management, and business development, and (3) manage outside suppliers (e.g., market research firms and advertising agencies).

As to marketing academe, Robert Lusch (2004), drawing on Vargo and Lusch (2004), argues that marketing has suffered from a goods-centered logic that it inherited from equilibrium economics. For him, marketing should shift toward a dynamic, “service-dominant logic” that (1) focuses on specialized skills and knowledge as operant resources, (2) strives to maximize consumers’ involvement in developing customized offerings, (3) aims toward an organizational philosophy that leads in initiating and coordinating a market-driven perspective, (4) stresses service provision in teaching the principles course, and (5) teaches marketing strategy courses based on resource-advantage theory. As a second example, Sheth (2004) believes that marketing academe’s problems stem from its esoteric, nonfunded, and ad hoc research. He argues that it should shift toward newsworthy, funded, and programmatic research. On a different theme, William Wilkie (2004), drawing on Wilkie and Moore (2003), points out that, because academic marketing research has become increasingly fragmented, much marketing knowledge is being lost. For example, Alderson’s (1957, 1965) contributions to understanding marketing systems are unknown to many marketing academics (and underappreciated by most). In terms of the “three dichotomies model” model of marketing (Hunt 1976, 2002), Wilkie argues for more macropositive and macronormative research. Specifically, he recommends that (1) studies of marketing systems and (2) research on the relationship between marketing systems and society be reinstituted as intrinsic parts of mainstream marketing. These topics, he points out, were central to marketing prior to its shift toward marketing management in the 1950s and 1960s.

Consistent with Wilkie (2004), this chapter argues for the importance in marketing academe of
studying marketing systems and society. I do so by using the example of the attacks on marketing’s emphasis on brands and brand equity as components of dynamic marketing systems. Consistent with Vargo and Lusch (2004), I use resource-advantage theory as a foundation for exploring whether society benefits or loses from the use of brand marketing. Specifically, this chapter argues for the study of dynamic marketing systems and for the use of brand equity strategies in such systems.

THE INDICTMENT OF BRANDING

The indictment of brand marketing comes from many quarters. Here, I briefly review the attacks from antiglobalization activists, marketing academics, and equilibrium-oriented economists.

Antiglobalization Activists

Attacks on branding by antiglobalization activists have been greatly influenced by the book, *No Logo*, by Canadian journalist and social activist Naomi Klein (2000). (An Internet search for “No Logo” will yield hundreds of thousands of hits.) Klein’s book attacks global brands (especially *American* global brands), and is divided into four sections: No Space, No Choice, No Jobs, and No Logo. The first section documents the pervasiveness of global brands; the second chastises global brands for replacing local alternatives; the third associates global brands with job losses in developed countries; and the fourth sets out an agenda for antiglobalization activists. For Klein, global brands exploit Third World workers (e.g., sweatshops and child labor), increase domestic unemployment, reduce domestic wages, erode workers’ rights, censor the media, and debase local cultures by making them more homogeneous. She argues for boycotting global brands, disrupting shareholder meetings, filing lawsuits, and picketing trade conferences. Her hope is that, “as more people discover the brand-name secrets of the global logo, their outrage will fuel the next big political movement, a vast wave of opposition squarely targeting transnational corporations, particularly those with high name recognition” (Klein 2000, p. xviii).

Marketing Academe

In marketing academe, a major attack on brand marketing comes from Johny Johansson (2004a), who inquires: “Is American marketing morally bankrupt?” For him, “the answer is yes.” His bankruptcy claim is detailed in his book, *In Your Face* (Johansson 2004b), in which he asks, “What are global marketers doing wrong?” He responds, “The answer seems to lie in their emphasis on global branding” (p. 12). Using Klein’s (2000) indictment as a starting point, Johansson links together three movements: (1) antimarketing, (2) antiglobalization, and (3) anti-Americanism. He maintains, “The Americans were the main proponents of war, and they were also the main proponents of globalization. Anti-Americanism and anti-globalization seemed two sides of the same coin, and marketing surely played a common role in both movements” (2004b, p. xviii). Linking anti-Americanism with antiglobalization enables him to explain the fact that 121 of the brands indexed in Klein’s *No Logo* were American, and only nineteen were European.

Johansson (2004b) views with favor Klein’s charges against American brand marketing. He also faults American marketers and what he calls the American government’s “Brand America campaign” for arguing their positions with “arrogant zeal” and an “in-your-face attitude” (p. 17). He accuses American marketers of promoting “materialism and superficiality” (p. 39), and he complains that “the rate of technological innovation is so high that products are obsolete while still perfectly functional” (p. 40). Indeed, “the free market system . . . is out of whack, and our
consumer paradise has turned into a quagmire of commercialism, consumption, and materialism (p. 41). For him, “The problem with these brands is that they encourage an *American lifestyle* based on superficiality and fads, all engineered by profit-seeking marketers. It is this new consumerspace with its in-your-face marketing techniques that threatens engrained ways of life and traditional culture” (p. 119). Although Johansson acknowledges that “there is no gainsaying the statistical fact that the standard of living is higher with free markets” (p. 72), he maintains that American proglobalist writers fail to recognize that “in most other societies, particularly those older than America, . . . economic and social progress is much more of a zero-sum game” (p. 158). That is, for him, in most societies, one group’s economic gain is another’s loss, one group’s progress is another’s regress.

For Johansson, “In the race to the bottom [in America], marketing has, not unwittingly, played a major role” (p. 159). The “race to the bottom” in America results from its diversity: “Considering the multiracial, multi-ethnic, and multicultural mix of people inhabiting the U.S., the popular choice of the majority naturally involves a ‘lowest common denominator’” (p. 159). Why the “lowest common denominator”? Because, he explains, whereas “advanced and sophisticated expressions or products” can be used in racially and ethnically homogeneous societies, in America, “to appeal to a multicultural and multi-ethnic mass market, simple statements about simple things that all can agree on are needed” (p. 159). He concludes his indictment of American brand marketing by, as he puts it, trying to find grounds to “accentuate the positive” (p. 183). Alas, for him, “I would like to say there are some positive signs [in American marketing], but honestly, I don’t see any” (p. 183).

**Equilibrium Economics**

Attacks on branding are also common in neoclassical economics. The hostility of equilibrium economics to branding stems from its reliance on perfect competition theory and the view that brands (i.e., trademarks) are anticompetitive because they promote product differentiation, which, in turn, promotes market power and monopoly. Chamberlin’s (1962) seminal analysis provides the standard view in equilibrium economics. He points out that the legal protection of trademarks fosters product differentiation and, therefore, a situation in which prices are higher (p. 88), quantities produced are lower (p. 88), excess capacity is permanent (p. 109), products are inferior (p. 99), and all factors of production are exploited (p. 183). Because, for him (p. 270), “the protection of trademarks from infringement . . . is the protection of monopoly,” he inquires whether there are arguments by which the “monopolies protected by the law of unfair competition and of trademarks may be justified” (p. 271).

As to the rights of producers in their own names, Chamberlin (1962, p. 272) first defines a trademark as “any sign, mark, symbol, word or words which indicate the origin or ownership of an article as distinguished from its quality,” and he asks: “where does identification leave off and differentiation begin?” His analysis suggests that trademarks in fact stand not just as devices for “mere identification” but also signal levels of quality as well. Therefore, as to whether producers have intellectual property rights in their names:

> There seem to be no grounds upon which he [the producer] may justly claim such protection. Given that the consumer is equally satisfied with the goods of two sellers, the entrance of the second into the field [with the first seller’s name] must be regarded as the natural flow of capital under competition to check the profits of the first and to adjust the supply of the commodity to the demand for it at cost. (p. 272)
As to the interests of consumers, Chamberlin (1962) evaluates three arguments that might seem to imply that consumers actually benefit from the legal protection of trademarks: (1) trademarks stimulate variety, (2) trademarks protect consumers from deception and fraud, and (3) trademarks encourage producers to maintain the quality of their goods. As to the first, given the tradeoff between more variety and the efficiency of more competition, he argues against trademark protection because "less monopoly would be created" and "useless differentiation would be discouraged" (p. 273). As to the second and third arguments, he maintains that "equally effective" as trademark protection "would be a policy of permitting imitation [of a trademark] only if it were perfect, or of defining standards of quality by law" (p. 273). Whereas he believes the former is "condemned by its impracticality," the latter solution "has large possibilities, especially in the case of staples" (p. 273). Chamberlin (1962) concludes his evaluation by recommending that, if trademarks warrant legal protection at all, it should be limited to five years. Such protection, he argues, would sufficiently prompt innovation and:

The wastes of advertising . . . would be reduced, for no one could afford to build up goodwill by this means, only to see it vanish through the unimpeded entrance of competitors. There would be more nearly equal returns to all producers and the elimination of sustained monopoly profits. All in all, there would be a closer approach to those beneficent results ordinarily pictured as working themselves out under "free competition." (p. 274)

Chamberlin's (1962) analysis of trademarks graphically illustrates the power of a research tradition to frame both what phenomena are problems and what factors get considered. The fact that consumers use trademarks as heuristics indicating quality is a problem to be solved because of neoclassical theory's exclusive focus on static-equilibrium efficiency. That is, trademarks are a problem because they contribute to product differentiation, which is itself a problem because of its inconsistency with perfect competition and the welfare implications of static equilibrium. In contrast, because property rights are outside the scope of equilibrium analysis, the moral implications of transgressing the rights that producers have in their names is outside the scope of the analysis and not even considered. Similarly, that "trademarks stimulate variety" can be dismissed with a wave of the hand because the variety so stimulated is probably useless differentiation. Furthermore, the goal of government is not to protect property rights, but to increase static efficiency by encouraging the imitation of successful innovators through the use of the coercive power of the state to enforce common quality standards. Such coercion, Chamberlin assures us, will be "equally effective" as the use of trademarks in consumers' search for information.

All research traditions have foundational premises. And these premises, as the neoclassical approach to branding reminds us (or should remind us), count.

FOR MARKETING SYSTEMS AND BRAND EQUITY STRATEGY

As the preceding shows, the attacks on brand marketing come from numerous and influential sources. Given the great emphasis on brand marketing in both practice and academe, one might expect to find vigorous defenses of branding in texts and journals. Such is not the case. Texts on strategic brand management discuss topics such as how to build brand equity, communicate brand attributes, and manage brand portfolios, but they devote almost no space to the role of brands in the economy or the impact of branding on society. Similarly, the academic literature is largely silent on these issues. For example, the widely cited special issue on branding in the Journal of
Marketing Research in May of 1994 contained twelve expositions of branding issues, but not a single article devoted to the role of brands in the economy or society.  

As Wilkie points out, prior to the shift toward marketing management in the 1950s and 1960s, texts and articles in marketing, influenced by the commodity, institutional, and functional approaches to marketing, would devote significant space to analyses of marketing systems and the impact of such systems on society. I agree with him that marketing’s texts and scholarship have been remiss in not giving more attention to issues such the role of brands in marketing systems. Although this brief chapter cannot address all the issues raised by the many critics of brand marketing, what can be offered is a start that focuses on the “anticompetitive” charge leveled at brand marketing in neoclassical economics.

An Introduction

The fundamental thesis of brand equity strategy is that, to achieve competitive advantage and, thereby, superior financial performance, firms should acquire, develop, nurture, and leverage an effectiveness-enhancing portfolio of brands. Are firms’ brand equity strategies pro-competitive or anticompetitive, good for society or bad? Answering this question requires exploring the role of branding in market-based economies. Because market-based economies are premised on self-directed, privately owned firms competing with each other, understanding the role of brands in the economy requires a theory of how firms compete. Here, I use as a foundation the resource-advantage (R-A) theory of competition, first articulated in Hunt and Morgan (1995), later developed in numerous articles, and summarized in Hunt (2000). Resource-advantage theory is particularly appropriate for the task at hand because it is (1) a dynamic theory of competition, (2) recommended by Vargo and Lusch (2004) as a vehicle for teaching strategy, and (3) argued to be toward a general theory of marketing (Hunt 2002). Indeed, one of the grounds for the “general theory of marketing” claim is that R-A theory incorporates key parts of Alderson’s “lost” work on marketing systems.

For R-A theory, competition is an evolutionary, dynamic, disequilibrating process that consists of “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). The theory stresses the importance of (1) market segments, (2) heterogeneous firm resources, (3) comparative advantages/disadvantages 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 market offerings that have 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 or 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 comparative advantages 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 comparative advantages and others comparative disadvantages in efficiently and/or effectively producing particular market offerings that have value for particular market segments.

Specifically, when firms have 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. 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 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 offerings at lower cost than rivals), an effectiveness advantage (i.e., producing market offerings that are perceived as being more valuable than those of rivals), or both an efficiency advantage and an effectiveness advantage. Therefore, competition is both efficiency- and effectiveness-seeking.

Firms learn through competition because of the feedback from their relative financial performance signaling 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 advantaged firm(s) by acquisition and/or innovation. That is, they attempt to acquire the same resource as the advantaged 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 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 those that (1) are causally ambiguous, (2) are socially and technologically complex, and (3) require time to develop.

**Brand Equity Strategy and R-A Theory**

Readers should note that brands (trademarks) can be resources under R-A theory, but only if they contribute to the firm's ability to efficiently and/or effectively produce a market offering of value to some market segment(s). That is, the brand must add value to the market offering in the eyes of the market segment(s). What, then, for R-A theory, is a "high-equity" brand? A high-equity brand is one that, by triggering highly favorable associations among targeted consumers, adds such value to the market offering that the resulting increase in firm effectiveness moves the market offering to the right in the marketplace position matrix (see figure 9.2 in Hunt 2002). Some brands, of course, actually reduce the value of the offering, as when, for example, consumers associate the brand with shoddy merchandise. In such circumstances, a brand would be character-
ized by R-A theory as a “contra-resource” (Hunt and Morgan 1995). Also, as to R-A theory’s resource categories, a brand may be considered to be both a relational and a legal resource. It is a relational resource because brand equity is a manifestation of a firm’s relationship with consumers. It is a legal resource because trademark law prevents competitors from stealing the value of the firm’s investment in developing the brand’s equity.

Theories are derived from their premises. The perfect competition theory on which equilibrium economics draws to analyze trademarks assumes that consumers have perfect and costless information about the availability, characteristics, benefits, and prices of all products in the marketplace. In contrast, R-A theory posits that consumers within market segments have imperfect information about goods and services that might match their tastes and preferences (see table 9.1 in Hunt 2002). Furthermore, the costs to consumers in terms of the effort, time, and money in identifying satisfactory goods and services (i.e., consumers’ search costs) are often considerable. Consequently, one purpose served by the legal protection of trademarks is the reduction of consumer search costs. Specifically, trademarks are societal institutions that reduce search costs by signaling the attributes of market offerings.4

Recall that, for equilibrium economics, trademarks are a problem because they contribute to product differentiation, which is itself a problem because of its inconsistency with perfect competition and the welfare implications of static equilibrium. In contrast, the fact that consumers have imperfect information and often use trademarks as heuristics of quality is not a problem for R-A theory. First, because heterogeneous, intra-industry demand and supply is viewed as natural by R-A theory, it is only natural that, facing imperfect information, consumers will often use trademarks as indicators of quality. Second, because a trademark is viewed as intellectual property and fully worthy of legal protection, R-A theory views firms’ protecting the equity in their trademarks as providing not only (1) a valuable source of information to consumers, but also (2) a powerful incentive for producers to maintain quality market offerings, and (3) a means by which manufacturers of shoddy, defective, or even dangerous products can be held accountable. Third, because R-A theory rejects static-equilibrium efficiency as the appropriate welfare ideal, the heterogeneity of demand and supply does not pose a problem to be solved, but a state of nature—and a desirable one at that. Indeed, R-A theory proposes that the best way to view the role of trademarks in market-based economies is that they are quality-control and quality-enhancing institutions. As evidence in favor of R-A theory’s view of trademarks, consider the case of trademarks in the Soviet Union.

As Goldman (1960) recounts, the Soviet Union in its first few decades treated advertising and trademarks as capitalist institutions that, consistent with equilibrium economics, promoted inefficiency. As one might expect, with Soviet production goals set in quantitative terms, shoddy products proliferated, despite the huge inspection costs brought about by an army of inspectors. By the 1950s, Goldman (1960) points out, not only was the Soviet Union finding that advertising was an efficient means to inform consumers about products, but Soviet planners, in a desperate attempt to improve quality, made it obligatory that every plant in the Soviet Union place a “production mark” (proizvodstvennaia marka) on all output. Goldman (1960) quotes a Soviet planner as justifying making trademarks obligatory for all plants: “This makes it easy to establish the actual producer of the product in case it is necessary to call him to account for the poor quality of his goods. For this reason, it is one of the most effective weapons in the battle for the quality of products” (p. 399; emphasis added).

But, Goldman (1960) observed, holding Soviet producers accountable for shoddy quality was not the only benefit of obligatory trademarks. He also noted that a more elaborate and attractive form of mark, tovarnyi znak, while sometimes optional, is obligatory for 170 groups of goods and
for all exports. Again, Goldman (1960) quotes a Soviet planner as to the quality-enhancing benefits of the “competition” resulting from mandating the use of trademarks: “Due to its originality, the trademark makes it possible for the consumer to select the good which he likes ... this forces other firms to undertake measures to improve the quality of their own product in harmony with the demands of the consumer. Thus the trademark promotes the drive for raising the quality of production” (p. 351).

Therefore, the experience of the Soviet Union supports R-A theory’s view that consumers’ use of trademarks as indicators of quality is not a problem to be solved. Instead, trademarks are institutions that serve as important quality control and quality-enhancing devices in real economies. How important? So important that command economies mandated that firms use trademarks, even in those situations where all plants were supposed to produce homogenous commodities. In short, trademarks and product differentiation are not problems for society to solve; they are institutions that solve societal problems.

CONCLUSION

The preceding analysis supports the reforms suggested by Wilkie (2004) and Vargo and Lusch (2004). Marketing should supplement its emphasis on the micronormative (i.e., marketing management) aspects of marketing with more research on macropositive and macronormative issues, with the former focusing on marketing systems as they are and the latter focusing on marketing systems as they ought to be, respectively. Using resource-advantage theory as a foundation for understanding dynamic marketing systems, this chapter has explored the benefits that redound to marketing systems and society when firms implement brand equity strategies. I have argued that the best way to view the role of brands in market-based economies is that they are highly important quality control and quality-enhancing, institutions. Therefore, the implementation of brand equity strategies provides substantial benefits to market-based economies (as well as major benefits to socialist economies, a counterintuitive finding, to be sure).

With respect to the role of brands in society, this essay provides a beginning, not an ending. As one example of a starting point for other aspects of the controversy over brand marketing, recall the fact that brands allow consumers and others to identify the firms to be held responsible for the products they produce. Now recall that Klein (2000) argued that global firms exploit Third World workers. Without the global brand as a means for identifying the global firm, antiglobalization activists would have great difficulty knowing which products to boycott. As a second example, recall Johansson’s (2004b) belief that antiglobalization is actually anti-Americanism at its roots. Again, without global brands, the antiglobalization activists would have difficulty knowing which products are American (and, thus, to be boycotted) and which are European or Japanese (and, thus, to be favored).

As an assistant professor in the early 1970s at the University of Wisconsin, Madison, I recall expressing the view to a senior professor that marketing academe has an important role to play in conducting research on marketing systems and society. His response was that such research was the province of economics. Business professors, he stated emphatically, should focus exclusively on the needs of business managers for better decision-making models. I countered by arguing that business practitioners have needs that extend well beyond the area of decision-making models. He “replied” by walking away. Marketing has paid a steep price for “walking away” from such subjects as marketing systems and society. The best interests of marketing practice, marketing academe, and society are not served by continuing to pay that price.
NOTES

The author thanks Robert E. McDonald and James B. Wilcox for their helpful suggestions on a draft of this chapter.

1. A reviewer of a draft of this chapter found Johansson's argument here to be offensive, if not insulting. He commented that many readers might be outraged, and he wondered if I perhaps had quoted Johansson inaccurately or out of context. As a check, I showed the quoted material to colleagues familiar with the source. They reread the section in the book in question and affirmed that the quotes are accurate and in context. That is, the quoted material accurately describes Johansson's argument.

2. The excellent article by Low and Fullerton (1994) on the history of brands, brand management, and the brand manager system comes closest. However, the article does not position these topics within the overall marketing system or evaluate the impact of brands on the economy or society.

3. "Effectiveness-enhancing," as used here, has a very specific meaning, which is increasing the value of the market offering, as perceived by consumers in the target market, and, therefore, potentially moving to the right in the marketplace position matrix. See figure 9.2 in Hunt (2002).


5. I am not arguing here that critics' calls for boycotts are justified. Rather, I point out that critics' calls for boycotts are uninformed by reason.

REFERENCES


