Marketing Strategy: From The History of a Concept To The Development of a Conceptual Framework

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The history of marketing strategy is described from its roots in early marketing management and later corporate management to its present state. The historical perspective demonstrates how various strategic approaches, such as Borden's "marketing mix," Dean's "Pioneer Pricing Strategies," Smith's "Differentiation and Segmentation Strategies," Forrester's "Product Life Cycle," Andrew's SWOT Analysis, Ansoff's "Growth Strategies," Porter's "Generic Strategies," and BCG's "Growth-Share Matrix," can be integrated into a comprehensive conceptual framework for marketing strategy.

One of the earliest scholars to define marketing strategy was Alfred Oxenfeldt (1958, 267), who says it contains two elements: "(1) definition of target markets and (2) the composition of a marketing mix." Subsequent marketing thinkers have embraced this definition (McCarthy 1960, Kotler 1967, Enis, 1974, Lazer and Culley 1983, Cravens 1987, Czepiel 1992, Kerin and Peterson 1993, Boone and Kurtz 1998, etc.), and there are no apparent challenges to it in the literature.

Despite general agreement over the definition of marketing strategy, there is little agreement about specific strategy terms and concepts, such as penetration, niche, or differentiation, to name a few. Terms used synonymously by some authors have different definitions in the work of others, and occasionally in the same author's own work at a later date. Different terms often express similar concepts. Not infrequently, terms are used with no clearly expressed meanings. Another problem is that the sources of early marketing strategy concepts are seldom referenced in the marketing literature, making it difficult to follow the evolution of concepts from their origin. And yet, because complexity arises over time from simplicity (Simon 1962), it is useful to trace the history of strategy concepts in order to understand how we arrived at the present state of disarray.

Aside from the idiosyncratic usage of terms, and the sketchy origin and development of many strategic concepts, the more fundamental problem is the underlying framework for marketing strategy. Actually there are several alternative approaches to describe marketing strategy and some are borrowed whole and unchanged from corporate strategy. For example, one or the other of two popular corporate strategy approaches are found in almost in almost all marketing management or marketing strategy textbooks, but seldom are both discussed in the same textbook. One of the earliest approaches to corporate strategy was developed by Ansoff (1957, 1965), termed "growth strategies," and these are found in many marketing textbooks (e.g. McCarthy 1978, Kotler 1980, Lazer and Culley 1983, Kerin and Peterson 1993, Boone and Kurtz 1998). The second corporate approach was developed by Porter (1980, 1985, 1990) called "generic strategies," and these are also found in many marketing texts (e.g. Kotler 1984, Cravens 1987, Czepiel 1992, Walker et al. 1992). One of the few marketing writers (Kotler, 2003 100 and 106) to discuss both makes no attempt at reconciling them. Useful in developing corporate strategy for which they were originally developed, both the growth and generic strategic approaches have significant shortcomings for marketing. Moreover, these strategies have not been related to each other nor have they been integrated with early marketing thinking on strategy.

The purpose of this article is to organize the various isolated approaches to marketing strategy into a logically coherent framework. We propose (1) to find the original sources of strategy concepts, (2) sort-out inconsistent strategy terms, (3) salvage the relevant aspects of marketing and corporate management strategies, and (4) conclude by integrating these strategic concepts into a new and improved framework for marketing strategy.

EARLY MARKETING STRATEGY CONCEPTS

Before marketing strategy developed as an off-shoot of marketing management in the 1970s, even before marketing management emerged as a school of thought in the 1960s to challenge the traditional approaches to marketing (Bartels

1988), a few isolated concepts existed in the literature that form the core of modern marketing strategy. These seminal concepts include: Neil Borden's (1964) expression of the "marketing mix" in the early 1950s, Joel Dean's (1951) development of "skimming" and "penetration" as alternative pricing strategies, Wendell Smith's (1956) conception of "product differentiation" and "market segmentation" as alternative marketing strategies, and Jay Forrester's (1959) description of the "product life cycle."

Borden's "Marketing Mix"

In his classic *Harvard Business Review (HBR)* article of its history, Borden (1964) credits James Culliton in 1948 with describing the marketing executive as a 'decider' and a 'mixer of ingredients.' The notion led Borden, in the early 1950s, to the insight that what this mixer of ingredients decided upon was a 'marketing mix.' McCarthy (1960, p. 52) acknowledges Albert W. Frey, *The Effective Marketing Mix* (1956), with producing the first marketing mix checklist, consisting of more than a dozen items. Subsequently, Borden (1957) produced a marketing mix checklist with 12 sections containing more than two dozen subsections. The concept of the marketing mix took-off when McCarthy (1960) reduced Frey and Borden's laundry-lists to the "4 Ps" pneumonic: product, price, promotion and place (making the notion simple enough for professors to remember).

Since McCarthy's (1960) simplification and popularization of the marketing mix, virtually every marketing management textbook since has been organized around the 4 Ps. Not surprisingly, as the variables most easily controlled by marketing managers, most of the strategies discussed in the following sections involve either adding or subtracting various ingredients of the marketing mix.

Dean's "Skimming and Penetration Pricing Strategies"

In a 1950 article, and then in a section of his classic textbook, *Managerial Economics*, titled "Policies for Pioneer Pricing," Dean (1951, 419) writes: "The strategic decision in pricing is the choice between: (1) a policy of initial high prices that skim the cream of demand; and (2) a policy of low prices from the outset serving as an active agent for market penetration."

With skimming, a firm starts with a high price at introduction and after milking the least price sensitive segment, gradually reduces price, in a stepwise fashion, tapping effective demand at each price level. By capturing consumer surplus (i.e. the excess of what customers are willing to pay above what they actually pay), the firm increases its revenues compared to a single low price (penetration) strategy.

An alternative pricing strategy is to rapidly penetrate the market. With penetration a firm continues its initial low price at introduction to rapidly capture sales and market share. Dean also considered the impact of varying degrees of promotional expenditures on these alternative pricing strategies. He recognized the advantage of combining high promotional expenditures with low price to rapidly penetrate the market; and Dean appreciated that less promotional effort was necessary in skimming, which generated lower volume but higher profit margins. We shall see that a penetration pricing strategy can be extended to the entire marketing mix, while price skimming is often a tactic in a niche segmentation strategy.

Although Dean was an economist, his pioneer pricing strategies were transported into virtually all early marketing management textbooks, including: Howard's (1957) *Marketing Management: Analysis and Decision*, Kelly and Lazer's (1958) *Managerial Marketing: Perspectives and Viewpoints*, McCarthy's (1960), *Basic Marketing: A Managerial Approach,* and Kotler's (1967) *Marketing Management: Analysis, Planning and Control.* Skimming and penetration price strategies are still found in almost all modern marketing management and strategy textbooks, almost always without attribution.

The life cycle of Kotler's development of skimming and penetration pricing strategies in his *Marketing Management* textbooks from 1967 to 2003 provides an interesting digression. In his 1967 1st and 1972 2nd editions Kotler summarizes Dean's version of pioneer pricing strategies in a couple of paragraphs. In his 1976 3rd edition he juxtaposes high and low prices against high and low promotion expenditures to create a two by two matrix named: "Introductory Marketing Strategies" (1976, 235). Although the concepts remain the same, the terminology is refined in his 1980 4th edition. The discussion remains constant through subsequent editions of Kotler's textbooks until the 2000 10th edition where the matrix is eliminated and the discussion again reduced to a few paragraphs. By the 2003 11th edition all references to "rapid and slow" aspects of skimming and penetration pricing are purged. This is perhaps due to a lack of "real world" applications of "fast-skimming" and "slow-penetration," and to terminology that sounds like an oxymoron.

Smith's "Differentiation and Segmentation Strategies"

In one of the earliest uses of the term "marketing strategy," Smith (1956) describes two basic strategies: (1) "product differentiation" and (2) "market segmentation." The first stresses marketing mix and the second focuses on customers. Ultimately, as Oxenfeldt (1978) observed, all strategies in marketing must emphasize one aspect or the other. Smith's bases his use of differentiation on Chamberlain's (1934) "monopolistic competition" and Robinson's (1934) "imperfect competition;" which was also the basis for Alderson's (1957) "competition for differential advantage," Porter's (1985) "sustainable competitive advantage," and Hunt and Morgan's (1995) "Comparative [later Resource] Advantage Theory of Competition."

The idea of a differentiation strategy is to separate one firm's brand from its competitors in the minds of its customers. Differences can be "real," i.e. based on physical product characteristics or lower price, or "perceived" i.e. based on a prestige image, a familiar jingle or a recognizable logo. Because any one or combination of marketing mix elements can be used to differentiate a brand, it is probably more useful to change the terminology from "product" to "marketing mix differentiation," or simply "differentiation."

One of the earliest uses of the term "market segmentation," is credited to Alderson (Alexander et al. 1953). Segmentation may be defined as subdividing a heterogeneous market into more homogeneous subgroups based on some common customer characteristics, such as age, location or purchase frequency. For example, price skimming is effective because different customer segments have differing social status needs, incomes and price sensitivities. A segmentation strategy has been expanded to several forms, for example niche, multi-segment, and across the board strategies (Kotler 1980, McCarthy 1978).

Forrester's "Product Life Cycle (PLC)"

The PLC does not offer marketing strategies, per se, but provides the framework in which to choose among various strategic alternatives. One of the earliest discussions of the PLC in marketing is found in Alderson and Session's consulting newsletter: *Cost and Profit Outlook*. Alderson (1951, 2) emphasizes growth and thus only discusses three stages of his "S" shaped sales curve: establishment, expansion and stabilization. At about the same time, Dean (1951, 422) mentions products going through a five stage life cycle analogous to human development: "before birth, at birth, childhood, adulthood, or senescence." Different terms but the same PLC concepts.

One of the earliest versions of the PLC curve, using terminology recognizable today, appears in a *Harvard Business Review (HBR)* article by Forrester (1959, 108), who creates the familiar elongated "S" shaped sales (and profit) curve with four stages: "introduction, growth, maturity and decline." He uses the PLC to model advertising in his computer simulation "Industrial Dynamics." Subsequently Wasson (1960, 1974) discussed a five stage PLC model, which includes a "competitive turbulence" stage between growth and maturity, common with high technology products. With Levitt's (1965) *HBR* article: "EXPLOIT the Product Life Cycle," the PLC entered the rapid growth stage of its own life cycle. Subsequently, numerous literature reviews and meta-analyses have appeared summarizing the extant PLC literature and analyzing its strengths and weaknesses (e.g. Buzzell 1966, Polli and Cook 1969, Smallwood 1973, Dhalla and Yuspeh 1976, Lazer and Shaw 1986, with the most comprehensive discussion in a book by Wasson 1974).

The basic idea of the PLC is that sales follow an elongated "S" shaped curve that is a function of a number of customer variables (e.g. size of market, rate of growth, rate of replacement) and competitor variables (e.g. number of competitors, barriers to entry, marketing mix effort) captured by time. In the introduction stage of the life cycle, a new product is introduced into the market. Sales start out slowly as customers first become aware of the new product and then develop a desire for it. If a sufficient number of customers adopt the new product, the pioneer's success attracts competition.

New competitors entering the market create the rapid growth stage of the PLC because increased competition creates greater product variation and lower prices, along with heavier advertising and more extensive distribution. The combined industry's marketing mix efforts fuel positive word of mouth as customers feel compelled to keep up with the Jones'es. During the rapid growth stage, sales sooner or later reach an inflection point where demand shifts from increasing at an accelerating rate to increasing at a de-accelerating pace due to a shift in the ratio of new purchases to replacement buying plus new household formation.

The excess capacity caused by a slowing growth rate accounts for Wasson's (1974) competitive turbulence stage. As sales approach the market potential (i.e., most customers who want the product already own it), sales growth slows to acquisitions for replenishing stock and for newly formed households. In reaction, competitive marketing mixes and market shares often stabilize as well and the product enters the maturity stage of the life cycle. Eventually the product starts losing its customer base, usually to another new product, and sales go into the decline stage, as only laggards (who eventually die out) remain in the market buying the old product.

The notion that products go through a sequenced life cycle over time is supported by the PLC's theoretical complement—the diffusion of innovation. Sales, the dependent variable in the PLC is mirrored by consumer acceptance, the dependent variable in the diffusion of innovation literature (Rogers 1962). Forrester was an economist, but his concept of the PLC was reproduced in almost all early marketing management textbooks, including: Howard (1958), Kelly and Lazer (1958) McCarthy (1960), and Kotler (1967). The PLC is still found in almost all modern marketing management and strategy textbooks, but hardly any give a citation. In contrast to the lack of referencing marketing strategy concepts, surprising, almost all corporate management strategies, other than SWOT, are well referenced in the marketing literature.

CORPORATE STRATEGY CONCEPTS

The strategic concepts discussed so far (the marketing mix, skimming and penetration, along with differentiation and segmentation, and the PLC), were created by economic and marketing scholars writing about elements of marketing strategy, whose ideas gained popularity in early marketing management textbooks. The following strategic concepts (SWOT, growth strategies, generic strategies, and portfolio models) were developed for corporate management not marketing. Because marketing is a major component of corporate management, there is overlap, but these two areas are not isomorphic. Nevertheless, corporate strategy concepts have been shoehorned intact into subsequent generations of marketing textbooks from the 1970s and 1980s to the present. It is largely shoehorning borrowed concepts that have created the present state of isolated bits and pieces of marketing strategy rather than an overarching conceptual framework.

Andrew's "SWOT Analysis"

Although widely used in marketing strategy, SWOT (also known as TOWS) Analysis originated in corporate strategy. The SWOT concept, if not the acronym, is the work of Kenneth R. Andrews who is credited with writing the text part in the classic: *Business Policy: Text and Cases* (Learned et al. 1965). For Andrews, strategy emerges from aligning "environmental opportunity" with "corporate capability;" he writes:

> In deciding what strategy should be...its principal subactivities include (1) identifying opportunities and threats in the company's environment...and (2) appraising the company's strengths and weaknesses. The strategic alternative which results (is) a matching of opportunity and corporate capability (p. 20).

Although Andrews does not identify any actual "strategic alternative(s) which result," SWOT analysis, like the PLC, provides critical factor(s) in determining the most effective strategic choice. The key internal factors, from the marketing perspective, involve the availability of marketing mix resources; and some of the crucial external factors include market potential, rate of growth, and competition (as also described in the PLC). SWOT analysis, as we shall see, also provides the main foundational concepts for growth—share type product portfolio matrices.

Since marketing strategy, by definition (Oxenfeldt 1958), involves segments and the marketing mix, the following approaches to corporate strategy also emphasize one or the other of these strategic concepts. Next we examine the genesis of approaches to corporate strategy that dominate the marketing textbook literature, and then reorient them to marketing by breaking-down and modifying the concepts where necessary, then modernizing the terminology and rebuilding the concepts into a framework for marketing strategy.

Ansoff's "Growth Strategies"

The most well known aspect of Ansoff's Growth Strategies in the marketing literature is the term "product-market, because Ansoff juxtaposes new and existing products and markets in a two by two matrix, as shown in Exhibit 1.

EXHIBIT 1
GROWTH STRATEGIES

		Products: Existing	Products: New
Markets	**Existing**	**Penetration**	**Product Development**
	New	**Market Development**	**Diversification**

(Source: Exhibit 1 combines terms and concepts from H. Igor Ansoff "Strategies for Diversification," *Harvard Business Review*, Sep.-Oct. 1957, p. 114, Exhibit 1; and H. Igor Ansoff, *Corporate Strategy*, McGraw Hill, 1965, p. 109 Table 6.1).

Viewed from a marketing perspective, there are two problematical and two useful cells in Ansoff's matrix. In the case of an existing product and an existing market, Ansoff suggests a penetration strategy. However, there is no meaningful information provided about how to actually use this strategy to penetrate the market. For example, Ansoff (1957, 114) writes: "Market penetration is an effort to increase company sales without departing from an original product-market strategy." In a similar vein he (1965, 109-10) states: "Marketing penetration denotes a growth direction through the increase of market share for the present product-market." Ansoff is silent, as are many subsequent marketing writers, about the question: What the strategist should do, "without departing from an original product-market strategy," to generate growth in sales or market share?

It will be recalled that Dean (1951) regarded a penetration strategy as introducing a new product into a new market (with a low price and high promotion). This presents a contradiction in the use of the term penetration, because Ansoff's version involves an existing product in an existing market. As we will show, a penetration strategy may be used with either new or existing products in either new or existing markets, and as Dean suggested it involves the aggressive use of a combination of marketing mix elements.

Another problem with the matrix involves strategic level. If Ansoff's diversification strategy means a major departure from a firm's current operations, and involves mergers and acquisitions, then it is largely irrelevant for marketing strategists. In this sense, corporate diversification is a top-level business strategy that is seldom made at the level of a marketing manager. On the other hand, if diversification means introducing a new product to a new customer segment, then it is simply a form of segmentation strategy, discussed next.

There are two particularly useful components in Ansoff's growth strategies. "Market Development," according to Ansoff's (1957, 114), "is a strategy in which the company attempts to adapt its present product line to new (market segments)." Essentially, the firm expands its sales by adding new customer segments, irrespective of whether the product is old or new. The market development concept will be retained in its expanded form, but following Smith (1956) renamed a "segment expansion strategy." Segment expansion may take several forms (Kotler 1980, McCarthy 1981), such as a multi segment strategy (targeting several segments each with their own marketing mix), or an across-the-board segment strategy (aiming a different marketing mix at virtually all customer segments in a market).

A second useful development strategy, is Ansoff's "product development strategy," in which new models, styles, or colors are added to the product line. Kerin and Peterson (1978, 123-4) propose replacing "product development" with their more relevant term "offering development;" arguing that the former is limited to products and the latter includes both products and services. Both development terms could stand improvement. The product development term is limited and the offering development term is awkward. A less limited, less awkward and more modern term without baggage, and paralleling a segment expansion strategy, is a "brand expansion strategy."

One should also realize that both growth strategies (segment expansion and brand expansion), build upon Smith's (1956) two original marketing strategies: "segmentation" and "differentiation." As we will next observe, Smith's strategic alternatives also provide the conceptual underpinning for Porter's Generic Strategies.

Porter's "Generic Strategies"

Starting with a two by one matrix, Porter's (1980, 1985, 1990) work has undergone a series of modifications to arrive at a two by two matrix that juxtaposes low cost and uniqueness with industry-wide and narrow target segment, see Exhibit 2.

This matrix also contains strengths and weaknesses for marketing strategy. One of the main weaknesses of Porter's generic strategies from the marketing perspective is the concept of low cost leadership. Having a lower cost has two implications. One is that lower costs could result in higher profit margins. And this is what Porter (1985, 13) apparently has in mind: "If a firm can achieve and sustain overall cost leadership, then it will be an above-average performer in its industry *provided it can command prices at or near the industry average*" (italics added). Significant for corporate strategy because it produces greater profits, Porter's advantage of a lower cost provides no value for the marketing strategist. An average price is not a marketing strength. It is only when a low cost advantage is translated into a lower price that it becomes a strength marketing strategists' find valuable.

EXHIBIT 2
GENERIC STRATEGIES

Competitive Advantage

Scope		Lower Cost	Uniqueness
	Industry-Wide	Low Cost Leadership Strategy	Broad Differentiation Strategy
	Narrow Segment	Focused Low Cost Strategy	Focused Differentiation Strategy

(Source: Exhibit 2 above combines terms and concepts from Michael E. Porter, *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, NY: Free Press, 1980, p. 39, Figure 2-1; and Michael E. Porter, *Competitive Advantage: Creating and Sustaining Competitive Advantage*, NY: Free Press, 1985, p 12, Figure 1-3; and Michael E. Porter, *The Competitive Advantage of Nations*, NY: Free Press, 1990, p. 39, Figure 2-2.)

A lower price than competition is a strength because below market pricing is a form of differentiating one brand offering from another, as surely as a prestige product, unique service, trademark, logo, promotional jingle, distribution outlet, or any other marketing mix element(s) that make one brand stand out from the pack in the minds of potential or actual customer segments. Thus, juxtaposing low price (almost always used synonymously, but mistakenly with Porter's low cost) versus differentiation (with non-price marketing mix ingredients) carries more baggage than benefit, since price is one element of the marketing mix, and any element can serve as the basis for a differential advantage (Alderson 1965). As Porter (1985, 14), himself, notes: "In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers." Low price is obviously a dimension highly valued by many buyers. Therefore, to complete the syllogism, low price is an element of a differentiation strategy.

An "industry wide strategy," better known in the marketing literature as a mass market strategy (i.e. a single marketing mix for all customers in the market) is most relevant for large firms with strong financial resources (SWOT).

Porter's "narrow target segment," commonly known in marketing as a "niche strategy" (targeting a narrowly defined segment with a specific marketing mix), is often a necessity for a smaller firm with strong marketing skills but limited financial capability. In between a mass market and niche strategy, there are a variety of segment expansion strategies (e.g. multi-segment or across-the-board). Thus, all variations of Porter's generic strategies, except cost leadership, may also be derived from Smith's (1956) core marketing strategies: differentiation and segmentation.

BCG's "Growth-Share Portfolio Matrix"

Based on his work with experience curves (that also provides the rationale for Porter's low cost leadership strategy), the Growth-Share Matrix was originally created by Bruce D. Henderson, CEO of the Boston Consulting Group (BCG) in 1968, according to BCG history. Throughout the 1970s, Henderson expanded upon the concept in a series of short (one to three page) articles in the BCG newsletter titled *Perspectives* (1970, 1972, 1973, 1976a, 1976b). Tremendously popular among large multi-product firms, the BCG portfolio matrix appears to have been introduced into the marketing literature by George Day (1977).

By the early 1980s, there were more than a dozen portfolio models, relating environmental opportunities to organizational strengths (e.g. General Electric's 3 x 3 Market Attractiveness—Business Strength Matrix, Shell Chemical's 3 x 3 Business Prospects—Company Capabilities Directional Policy Matrix, Arthur D. Little's 4 x 5 Industry Maturity—Competitive Position Table). All portfolio models focus on some variation, mostly in terminology, of a firm's competitive strengths and market growth opportunities (see Andrew's SWOT). Either because it is the first mover, it is the most simple, or it offers the most colorful terminology (e.g. cash cows and dogs), the BCG 2 x 2 Market Growth—Market Share Matrix dominates the product portfolio literature, see Exhibit 3.

Products in various cells of the growth-share matrix are directly related to stages in the product life cycle. Question marks are introduced into the market with the potential for growth. If their sales growth actualizes their potential, question marks become stars. With a slowing growth rate stars mature into cash cows; and as growth declines, cows turn into dogs. For question marks and stars, a number of introductory and growth strategies have previously been mentioned and are further discussed below.

EXHIBIT 3
GROWTH—SHARE MATRIX

Market Share Dominance
(Cash Generation)

Market Growth Rate **(Cash Use)**	**High**	**Low**
High	**Stars**	**Question Marks**
New	**Cash Cows**	**Dogs**

(Source: combines Bruce D. Henderson "The Product Portfolio," *Perspectives*, January 1, 1970; and "The Experience Curve Reviewed IV. The Growth Share Matrix or Product Portfolio," *Perspectives*, January 1, 1973)

Three additional marketing mix strategies—maintenance, harvesting, and divesting—emerge from portfolio models. These strategies occur in the later stages of the life cycle. Although the concepts were being used by firms long before the terms developed (Kotler 1965), portfolio models make these strategies more explicit. In early to mid maturity, the BCG suggests a "maintenance strategy" and in mid to late maturity a "harvesting strategy" (see Kotler's 1978 discussion). In a maintenance strategy a firm holds or maintains its marketing mix effort at current expenditure levels. In a harvesting strategy the firm reduces its marketing mix expenditures. As the market continues declining, at some point a "divesting strategy" becomes necessary. In divesting, the marketing mix is reduced to zero and the brand removed.

FRAMEWORK FOR MARKETING STRATEGY

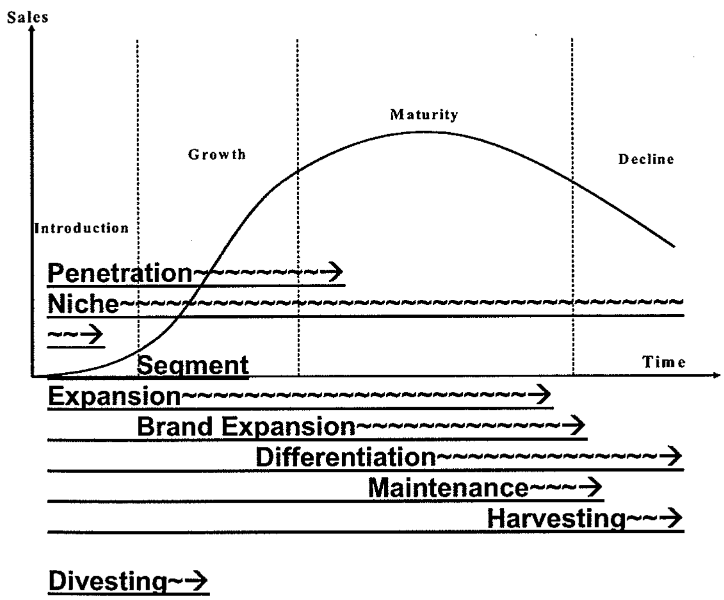
Having followed the literature and dissected marketing strategy terms, this section integrates the concepts into a framework that identifies alternative marketing strategies under various SWOT circumstances and at different stages of the PLC. The framework is shown in Exhibit 4.

The exhibit shows the stage in the industry life cycle that a marketing strategy becomes viable for a pioneer or followers, and ends when the strategy is no longer a realistic alternative. The various marketing strategies in each stage of the PLC are described below.

Introduction

At introduction, there are two principle strategies for the marketing strategist to choose from: penetration (Borden, Dean, Andrews, Ansoff) and niche (Kotler 1980 Porter 1980, McCarthy 1981). As the term is used here, a penetration strategy involves more than a current product in a current market (Ansoff) or just a low introductory price (Dean). A penetration strategy involves using the marketing mix aggressively (Borden). Although every mix element need not be aggressive, a penetration strategy should include some combination of a no-frills product and minimal service, low price, high promotional expenditures and intensive distribution effort.

EXHIBIT 4
FRAMEWORK FOR MARKETING STRATEGY



A penetration strategy, following Andrew's SWOT, is ideal for large firms with strong financial resources facing a large and growing market, price sensitive customers with minimal awareness or preference, many competitors and few barriers to entry. A penetration strategy will work from the introduction into the growth stage and perhaps as late as the early maturity stage of the PLC. As an offering approaches maturity, however, high marketing mix expenditures cannot be sustained as sales growth slows and marginal costs rise more rapidly than marginal revenue.

Alternatively, for smaller firms with limited resources there is a niche strategy which expands Porter's "focus" (1980) or "narrow target segment" (1990) strategy and views Dean's (1951) price skimming from a different angle. A niche strategy is not a marketing mix strategy, but a segmentation strategy. Although a customer-oriented strategy, the marketing mix aimed at a niche is largely dictated by company and market considerations. With the niche strategy (originally termed concentrated segmentation by Kotler, 1976) a firm targets a narrowly focused customer segment, using a relatively custom tailored offering with a high price, and given the small-sized customer base, promotional expenditures are focused and thereby relatively low, with limited or exclusive distribution coverage. This strategy works well in smaller segments requiring higher profit margins to compensate for lack of volume, when customers are insensitive to prices, buyers can easily be made aware of the brand with minimal promotional effort, and the firm can create some barriers to entry resulting in few direct competitors. The niche strategy can be highly profitable, even in very small segments, because it combines high price with low marketing mix expenditures (Kotler 1980). This strategy has the added virtue of allowing pin-point timing. A niche strategy does not require a lot of set-up and break-down time, effort or money, allowing a firm to move in and out of the market quickly. Taking advantage of "windows of opportunity," a niche is therefore potentially profitable at virtually any stage of the life cycle from introduction to decline.

Growth

In the early growth stage, the marketing strategist may choose from two additional strategic alternatives: segment expansion (Smith, Ansoff) or brand expansion (Borden, Ansoff, Kerin and Peterson 1978). In segment expansion, the strategist expands the market segments served. A classic expansion strategy was Toyota entering the U.S. market in 1956 with a niche strategy—a single marketing mix targeted at a single segment—the economy conscious sub-compact auto buyer. After gaining a toehold in the market, it used segment expansion to go beyond its niche, offering brands for multiple segments, including the sub-compact, compact, mid-size, large size and sports-car segments. Ultimately targeting across-the-board, it aimed a marketing mix at virtually all auto and small truck market segments, and even developed the separate Lexus brand to target the luxury auto segment. Although also a form of segment expansion, it is useful to separate geographics from other forms of segmentation, such as demographics, psycho-graphics, sociographics, and behavioral characteristics. In geographic expansion, firms shift their sights from local, to regional, to national, to international, to global customer targets. This strategy is increasingly used as growth slows down in local (or domestic) markets approaching maturity.

Another strategic alternative in the growth stage involves brand expansion. This strategy adds new products or variations to the line, offering customers more choice, or it provides additional services, such as delivery or gift wrapping, to offer customers greater value.

During the late growth stage, sales are still growing rapidly, but hit an inflection point where they shift from increasing at an accelerating rate to increasing at a deaccelerating rate. In markets growing very rapidly, this shift in the rate of growth often produces a competitive turbulence (Watson 1974), where an industry shake-out occurs. During this turbulence another strategy is often called for—a differentiation strategy. If not used in late growth, as firms jockey for advantage, then differentiation it is often employed in the maturity stage.

Maturity

In maturity, sales growth slows, stabilizes and starts to decline. In early maturity, it is common to employ a maintenance strategy (BCG), where the firm maintains or holds a stable marketing mix. This is common in oligopoly industries, where a small number of firms hold a large percentage of market share. Satisfied with maintaining their market share and milking profits, these firms prefer not to rock the boat. If firms can preserve a rough equilibrium, a maintenance strategy could work until sales decline to meet costs. But maintenance is a rather passive strategy subject to a shake-up by an aggressive competitor.

If a firm wants to shuffle the deck, differentiation offers an aggressive but affordable strategy in maturity (Smith, Porter). It involves a firm using one or more elements of the marketing mix to enhance purchase value for its customers. For example, product quality could be improved, price lowered to offer greater economy, upscale advertising media employed to create more brand prestige or distribution outlets added to provide greater customer convenience. Although aggressive, differentiation is far less forceful and far less expensive than a penetration strategy. Because it involves more marketing mix finesse and need not be expensive, a differentiation strategy could work at virtually any stage of the life cycle, from growth into decline.

As a firm moves further along the maturity curve, a harvesting strategy (BCG, Kotler 1978) becomes an option if not a necessity. Typically, as a market shifts from early to late maturity, a maintenance strategy evolves into a harvesting strategy. In harvesting, marketing mix effort is reduced along with declining sales, and the brand remains a cash cow as long as the cost reductions are more than (or at least) proportional to the declining sales.

Decline

At some point the decline in sales approaches and then begins to exceed costs. And there are hidden costs as well; as Kotler (1965, 109) observes: "No financial accounting can adequately convey all the hidden costs." At some point, with declining sales and rising costs, a harvesting strategy becomes unprofitable and a divesting strategy becomes necessary. Although a firm may remain a "sole survivor" (Kotler 1997), when most of the competition has dropped out, there are a sufficient number of laggards with purchasing power and a desire to buy lingering in the market, and the costs of serving remaining customers stay low. This is essentially an extreme harvesting strategy. Non-filter cigarettes or double edge razor blades provide examples of how a few competitors have survived in slowly declining markets. Eventually, as customers die out, the marketing mix goes to zero and the brand is removed from the market.

CONCLUSION

This research has shown that history can be a powerful guide to understanding how simplicity evolves over time into complexity, in general, and how marketing strategy terms and concepts could arrive at their current state of confusion, in particular. The literature was searched to find the original sources of strategic concepts, to sort-out inconsistent terminology, to integrate isolated strategic approaches, and to create a framework for marketing strategy.

In the framework presented here, two structural concepts offer guidance in choosing among alternative strategies: the PLC (Forrester 1959, Wasson 1974) and SWOT (Andrews 1965). Fundamentally, there are two main sources of marketing strategy: customers and marketing mixes (Oxenfeldt 1958). Customer strategies involve either mass marketing or segmentation (Alexander et al. 1953, Smith 1958). Segmentation strategies usually start with targeting a single segment, often a niche (Kotler 1980, Porter 1980, McCarthy 1981), then expand into targeting multiple-segments and could ultimately involve targeting all segments across-the-board (Kotler 1980, McCarthy 1981). Marketing mix strategies include penetration (Dean 1951, Ansoff 1965), brand expansion (Ansoff 1965, Kerin and Peterson, 1978), differentiation (Smith 1958, Porter 1980, Kotler 1980), maintenance (Henderson 1976b), harvesting (Henderson 1976b, Kotler 1978) and divesting (Kotler 1965, Henderson 1970). Future research should focus on honing these strategic concepts and developing additional strategies to incorporate into the framework.

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