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# MARKETING ASSETS: DISCRIPTIVE ANALYSIS

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## ABSTRACT

***The way companies should compete have perplexed managers and academia equally since inception of business strategy. Literature shows different ways to compete but short of identifying one best way of competing. However, one common thread in the literature is that firms should have competitive advantage to have superior performance. Competitive advantage requires a firm to be unique at something, either product features or cost so that customers see value in the offer. However it has been noted that tangible and easily duplicable source are rapidly losing their capability to act as long-term sources of differentiation, therefore marketers and strategists are looking for new and more durable sources of competitive advantage. Marketing assets being mostly intangible and creation of marketing capabilities and activities are emerging as better sources of differential advantage. As such the current paper makes an attempt to educate the marketing strategists, and marketing and startegy scholars about this emerging durable source of differential advantage.***

## KEY WORDS:

***Differentiation, Competitive Advantage, Marketing Assets, Firm Performance***

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# I. INTRODUCTION

Technological innovations happening discontinuously at a very rapid rate and globalization have changed the marketing environment world over. This has changed the marketing and business strategies firms used to compete successfully in the market. Marketing strategies of yore will hardly make a firm to survive and grow. These strategies have to respond rather preempt the changes in the market to be successful in the market. The market has been greatly influenced by globalization, the breakthrough technologies happening at a high speed and highly communicative and connected world made possible by information and communication technology (ICT). These changes have influenced not only the business world but all the other activities of the humans globally. This has made firms to compete globally on one side and have offered customers an option to purchase globally from any supplier at the most competitive price. This has led to a paradigm shift in the business philosophies and contours and has greatly increased the competition among the firms. New technologies are making competing firms almost similar in short period of time thus reducing the time period firms firms used to get before any of its rivals could match them. This has led to the quick erosion in competitive advantages, resulting in competitive parity among the rivals. Thus in such an environment marketers and strategists face a great challenge as to how competitive advantage can be gained and sustained.

In order to gain and sustain a competitive advantage strategists need to identify those sources of competitive advantage which are hard for rivals to copy or duplicate, are not easily available in the market, cannot be acquired easily and quickly, cannot be substituted and above all are valuable to customers. Given this scenario strategists have realized that tangible sources cannot be durable sources of advantage although they can be great sources of competitive parity. It should however be noted that those firms who do not possess them will be having great competitive disadvantage leaving advantage in favour of rivals. Thus strategists are learning that they have to invest in such a manner to develop such sources on which it will be hard for

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competitors to develop parity or superiority. It is increasingly becoming clear that intangibles offer better sources of advantage as they by nature are hard to imitate or replicate. Such intangibles like capability to innovate etc. are used to advantage in the market place to beat the competition and thus act like assets. It has been observed that most of such valuable assets are created by the marketers which customers value and as such lend competitive advantage to the holding firm. These assets, known as marketing assets, are creation of marketing and act as great differentiators of an offer from a firm. Thus they offer competitive advantage through the route of differentiation. These marketing assets have great potential to be the future sources of differential and competitive advantage. As such there is a great need to understand and study these assets in every industry and identify such assets which have the potential to act as sustainable sources of differential advantage. This will facilitate marketers in investing properly to develop future advantages. Keeping this emerging scenario in view the present paper makes an attempt to educate marketers and scholars about this important sustainable source of differential and competitive advantage.

## II. MARKETING ASSETS

Today in order to achieve competitive advantage emphasis is placed on capabilities (intangibles) rather than the previous structural bases like market power, economies of scale, or a broad product line (Slater and Narver 2000). The intangible attributes have become `the great differentiators' (Berry et al. 1988) and invisibles (attributes) are often a firm's only real source of competitive edge that can be sustained over time' (Itami 1987). In the process of identifying such resources the marketers are now learning to ground their strategies on intangible features/attributes of the services and/or firm related attributes, relevant from customers' perspective to achieve differential advantage. These attributes/features, developed through marketing practices, represent the marketing assets (Qureshi 2012). Srivastave et al (1998) argue that the marketing assets are necessary to invigorate and unleash the customer value generating potential embedded in tangible assets of a firm. They suggest that a firm's market based assets can create value by exploiting not only the firm's own tangible assets, but also the tangible assets of partner firms. This approach to marketing attempts to match the assets of a firm to the needs and wants of its chosen customers (Hooley; Saunders and Piercy, 1998). In this way this approach is different from product orientation as well as pure market orientation approach. The asset-based approach is similar in concept to the core competences argument (Hooly; Saunders; Piercy 1998).

Marketing assets are essentially properties that can be used to advantage in the market place (Hooley; et al 1998). They have been identified as properties (or groups of properties) relating to a firm or its products and services that provide a basis for competitive differentiation (Walley and Thwaites 1990). Lancaster, (1971) argues that attachment of positive/negative utility values to various product attributes, by customers are analogous to assets/liabilities, which have been referred to as marketing assets/liabilities. These assets arise from commingling of the firm with entities in its external environment and can be conceptualized as market based assets (Srivastava, Shervani and Fahey, 1998). They help firms in crafting and implementing strategies that improve their efficiency and effectiveness in terms of earning customer preference and patronage. As such these assets are used by firms to their advantage in the market place, therefore, they qualify for being labeled as assets. Qureshi (2012) argues that for leveraging marketing assets marketers need to go beyond the traditional inputs to marketing analysis, viz marketplace and organizational knowledge, to include an understanding of the integrative, strategic and financial consequences of marketing decisions. Marketing assets can be external, which operate directly on the buying decision, for example brand name, or internal marketing assets, which influence indirectly, for example information systems (Walley and Thwaites, 1990). These assets have also been summarized as customer based, distribution based and internal (Hooley and Saunders 1993).

Research on marketing activities, that result in the creation of marketing assets, demonstrate that activities like advertising can lead to more differentiated and more monopolistic products characterize by, lower price elasticity (Boulding, Lee, and Staelin 1994), brand equity (efforts) enable firms to charge higher prices (Farquhar 1989), attain greater market shares (Boulding, Lee, and Staelin 1994), develop more efficient communication programs because well differentiated brands are more responsive to advertising and promotions (Keller 1992, Smith and Park 1992),command greater buyer loyalty and distribution clout in the marketplace (Kamakura and Russell 1994), deflect competitive initiatives (Srivastava and Shocker 1991), stimulate earlier trial and referrals of products (Zandan 1992), and develop and extend product lines (Keller 1993;Keller and Aaker 1992). These conclusions match with the findings of the research on customer satisfaction and relationship marketing. The consequences of the customer satisfaction include payoffs such as buyer willingness to pay a price premium, use more of the product, and provide referrals, as well as lower sales and service costs and greater customer retention and loyalty (Reichheld 1996; Reichheld and Sasser 1990). Collectively these research streams exhibit that stronger customer relationships are created when the firm uses knowledge about buyer needs and preferences to build long term relational bonds between external entities and the firm (Srivastava; Shervani; Fahey, 1998). These long term relations are built through marketing activities, which infers that they result in superior performance by generating more customers and firm value by virtue of their differentiating capabilities.

Intangibility is the feature most commonly associated with marketing assets (Hooley and Saunders; 1993: Walley and Thwaites, 1990; Piercy, 1991; Walley and Thwaites, 1992; Itami and Roehl, 1987). Hoffman (2000) argues that intangible resources may indeed be better suited than tangible ones to achieve sustainable competitive advantage, and in particular those intangible assets that have external focus may contribute the most to value generation and sustainable competitive advantage. Hooley; Saunders and Piercy (1998) argue that marketing assets are essentially properties –normally intangible –that can be used to advantage in the market place. Hooley and Saunders (1993) describe marketing assets as the properties that can be used to advantage in the market place. Walley and Thwaites (1990) describe marketing assets as properties (or groups of properties) relating to a firm or its products and services that provide a basis for competitive differentiation. It is argued that if marketing assets are to contribute to customer and financial value, they must satisfy the following four tests put forth by resource based perspective (Srivastava, et al 1998, Amit and Schoemaker 1993, Hunt and Morgan 1995; Itami 1987; petefaf 1993).

Convertibility: if the firm can use the asset to exploit an opportunity and/or neutralize a threat in the external environment, then the potential to create and sustain value is enhanced.

Rarity: If the asset is possessed by multiple rivals, its potential to be a source of sustained value is diminished.

Imperfectly imitable: If it is difficult for rivals to imitate the asset, the potential to sustain value is enhanced.

Imperfectly substitutable: If rivals do not possess strategically equivalent convertible assets and it is difficult to develop them, then the potential to sustain value is enhanced.

Srivastava, et al (1998) argue that marketing assets are primarily external to the firm, and generally do not appear on the balance sheet and are largely intangible. They opine that stocks of these assets can be developed, augmented, leveraged and valued and are suited to meet the resource value tests. They further state that like tangible assets, market based assets can also be leveraged by the firms to: lower costs; attain price premiums; generate competitive barriers; provide a competitive edge; and provide managers with options. Hooley, Saunders and Piercy (1998) have summarized marketing assets as under:

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Customer Based Marketing Assets: Those assets of the company either tangible or intangible, valued by the customer or potential customer. Often they exist in the mind of the customer and they are essentially intangible in nature. They may, however, be one of the most critical issues in building a defensible competitive position in the marketplace. These may include company name and reputation, brands, market domination, superior products and services.

Distribution –Based Marketing Assets: These are concerned with the manner in which the product or service is conveyed to the customer. They include the distribution network, its control and its uniqueness and pockets of strength.

Internal Marketing Assets: Internal resources such as cost advantage, information systems, existing customer base, technological skills, production expertise, copyrights and patents, franchises and licenses, partnerships become assets when they are actively used to improve the organizations performance in the market place.

Alliance Based Marketing Assets: These include market access, management skills, shared technology, exclusively. Strategic alliances can be seen as one way of increasing a company's pool of assets and capabilities without incurring the expense and loss of time in developing them in house.

Marketing assets have been classified as external and internal marketing assets (Walley and Thwaites 1990). By external marketing assets they mean properties that operate directly on the buying decision, for example brand names, whereas the internal marketing assets influence indirect, for example, information systems. Srivastava, Shervani and Fahey (1998) have categorized market-based assets into two related types: relational and intellectual. As put forth by them relational market-based assets (e.g brand equity and channel equity), are the outcome of the relationships between a firm and its key stakeholders including customers, channel members, strategic partners, community groups and even governmental agencies and the bond and source

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of these relationships vary from one stake holder to another. Intellectual market base assets are the types of knowledge a firm possesses about the environment, such as the emerging and potential state of market conditions and the entities in it, including competitors, customers, channels, suppliers, and social and political interest groups (Nonaka and Takevchi, 1995). Both types are intangible and employ an outward focus on firm customers and/or channel members. Additionally they are rare, unique, valuable, and difficult to imitate, thus they offer an excellent potential source of sustainable differential advantage. Thus conceiving differential advantage as being comprised of marketing assets allows the nature of differential advantage to be examined in more detail (Thwaites; Walley; Foots, 1996).

Marketing assets themselves are symbiotic as the properties that form their bases are often linked and because of this their management is influenced by the other characteristics displayed by marketing assets (Walley and Thwaites, 1992). Marketing assets are context specific, that is, their importance can change depending on the strategic environment (Thwaites, Walley and Foots, 1996). While noting the other characteristics of marketing assets they argue that they are perceptual phenomena whose value depends on who is judging them and in what context, which has particular relevance where marketing assets act directly or indirectly on the buying process that is internal and external marketing assets. They opine that while customers will be in a position to identify external assets, they may not appreciate the important supporting role of internal assets and the reverse of this situation may be applicable to managers who are more likely to appreciate internal properties than those that influence purchases. However, there is a possibility that properties (which are at the base of marketing assets) will be overlooked as they cannot be seen, touched or felt, but attempts have been made to overcome this problem by focusing on a property's tangible handle, thereby offering a source of monitoring or measurement (Shostack, 1977).

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## III. MARKETING ASSETS AND DIFFERENTIAL ADVANATGE

Competing in today's environment requires companies and marketers to connect closely with their customers and provide customized solutions better than the rivals. This way most of the companies today are using, in one way or the other, the route of differentiation to achieve competitive advantage as propounded by Porter in 1985. Thus, cost leadership the other route to competitive advantage (Porter, 1985) can be considered as differentiation based on low price, and as such one can conclude that differentiation is the only strategy available to firms to compete successfully in today's markets (Mintzberg H 1988, Qureshi 2012). Differentiation is an attractive competitive strategy particularly when buyer requirements are too diverse to be fully satisfied by one seller or a standardized product. Differentiation allows a firm to charge a premium price for its offer, and/or increase unit sales, and/or gain buyer loyalty to its brand. Differential advantage results once a sufficient number of buyers become strongly attached to the differentiated attributes, features or capabilities and stronger the differentiated attributes buyer appeal, the stronger will be the customer firm bond. Porter (1985) opines that differentiation grows out of the value chain of a firm and stems from the specific activities performed by the firm. Differentiation is about understanding what the customers' value, about where along the value chain to create the differentiating attributes and about what resources and capabilities are needed to produce brand uniqueness (Qureshi2012).

Differentiation entails a firm to offer products and/or services uniquely related to particular attribute/s that are valuable to customers. Differentiation strategy aims at offering unique and overall superior value to target customers'. It necessitates being different, from customers' perspective, on important features/attributes to influence consumer-buying behavior. It refers to any feature of an organization or brand perceived by customers to be desirable and different from that of the competition (Ohmae, 1989). Thus being linked to product attributes/features, the differential advantage can be better explained by considering the product/service as a bundle of attributes, (Des et al 1996). These attributes, tangible or intangible, by positively influencing the consumer buying behavior distinguish one product/service from another and thus form the bases of differential advantage. Since these attributes augmented by marketing activities have been referred to as marketing assets in the literature therefore they form a strong durable source of differential advantage.

Marketing assets have the features of uniqueness and defensibility, therefore, they form the building blocks of sustainable differential advantage (Dess Thwaites et al 1996). The intangible nature of marketing assets renders them to be extremely difficult for imitation by competitors (Hall 1992, 1993). Furthermore, efforts at replicating them often necessitate extensive investment in marketing, sales, service and human resource development with little, if any, guarantee of success (Srivastava 1998). There are intense difficulties for competitors in developing direct substitutes for marketing assets (e.g customer knowledge), that enable them to pursue similar strategies. Marketing assets thus denote durable and preemptive corporate resources that can be used to deliver consistently superior value to its customers. They thus represent the potential sources of sustainable competitive advantage. Marketing assets, being perceptions of the consumers, mostly lend competitive advantage through the route of differentiation.

## IV. CONCLUSION

Sustainability of Competitive advantage is the focus of strategy literature. It has been receiving increasing attention as the competition becomes more and more fierce. Strategists have been looking for its durable sources and currently marketing assets have emerged as the most promising source of sustainable competitive advantage. They lend competitive advantage through the route of differentiation. In order to contribute to this field the current paper has provided a descriptive background of marketing assets and its link with differential advantage to educate the strategists and scholars. It has also attempted provide different classification of these valuable resources, which represent the future sources of competitive advantage.

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