

## **Resources and Relationships: New Drivers of Marketing Thought**

**Stuart Van Auken\***

**Abstract.** Recent advances in marketing thought have impacted strategic thinking. Today more emphasis is being placed on resources and collaborative relationships as key drivers of financial success. The quest for distinctive capability through resource deployment is a prime means for fostering the marketing and financial ends of the firm. This paper discusses the role of resources in developing a comparative advantage and how collaborative relationship development promotes resource advantage. It also discusses strategically defined relationship marketing as a means to superior value creation at reduced cost

**JEL Classification Codes:** M310.

**Key Words:** Marketing Thought; Resources and Relationship.

### **1. Introduction**

The discipline of marketing, at least in practice, has significantly entered the area of relationship marketing. Sheth (2000) refers to it as a major paradigm shift compared to the marketing concept of the 1960s. Additionally, the most fundamental area of research activity in marketing involves the nature, antecedents, and the consequences of various forms of exchange relationships (Rindfleisch & Moorman, 2000). Closely aligned to this newer focus has been the development of resource-advantage (R-A) theory (Hunt & Morgan 1995, 1996, 1997), which views collaborative relationships as a catalyst for superior market positioning and attendant financial success (Morgan & Hunt, 1994). Given the shift in focus, this work discusses some of the key advances in marketing that are driving marketing thought.

Prior to the “era of globalization,” progressive firms tended to focus on the development of product portfolios that related to the product life cycle and market share. With the development of a global economy, the emphasis shifted to the development of a distinctive capability to help a firm create a sustainable or leverageable competitive advantage. Basically, older thinking that concentrated on Boston Consulting Group 2x2 grids and portfolio

---

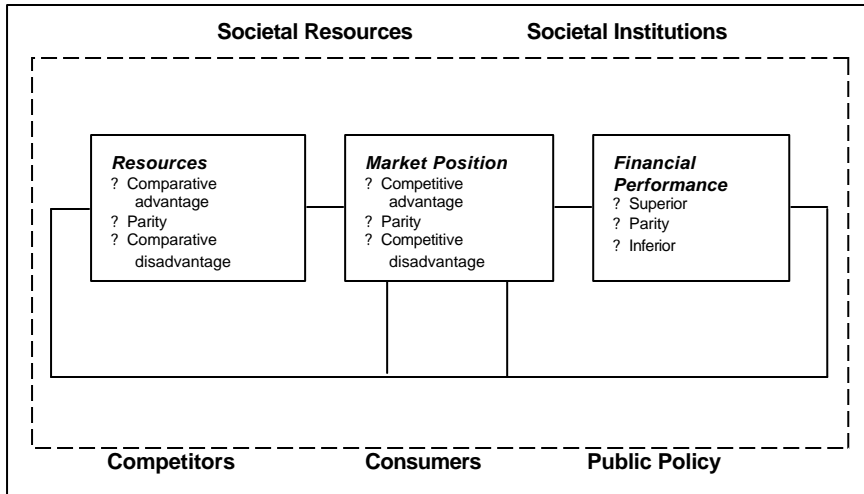
\* Florida Gulf Coast University, College of Business, U.S.A.

balance gave way to a new focus on relative resource costs and relative resource-produced value. In this regard, if a firm exhibited superior costs and value production relative to its competitors, a superior competitive position would result. Specifically, this study discusses the role of resources in developing a competitive advantage and how collaborative relationship development fosters resource advantage. Furthermore, the study will present the logical unfolding of relationship marketing in a “strategic sense” and will conclude with future challenges.

## **2. Resource Advantage**

During the 1980s, the thinking on competitive strategy was industry oriented (Porter, 1980). One can indeed argue that some industries are more attractive than others as they evidence growth (sunrise), while others evidence decline (sunset). Thus, industry selection was an important component of competitive strategy. However, studies now show that firm profitability is influenced more by firm effects than by industry effects (Rumelt, 1991). The variation in profitability explained by the firm ranges from 45 to 55 percent, while the profitability variation explained by the industry ranges from 8 to 10 percent (Hunt, 1996). Clearly, there are standout firms in poorly performing industries and weak firms in good industries. Firms that are strong financially in a market-oriented economy enjoy a competitive advantage in market position, an advantage that can emanate from a competitive advantage in resources (Hunt & Morgan, 1996). This R-A theory sequence is graphically portrayed in Figure 1.

The R-A model has several unique tenets. For example, it views industry demand as significantly heterogeneous and dynamic (Dickson, 1992). This means that no industry markets exist, as there are only segments within an industry. This provides a key reason as to why a firm can have excellent financial performance in an otherwise down industry. Additionally, resources are viewed as being significantly heterogeneous across firms and this heterogeneity can give rise to a distinctive advantage for a firm. Hunt and Morgan (1995) note that competitors are thus encouraged to neutralize or leapfrog the advantaged through acquisition, imitation, substitution, or major innovation. The keys to this are collaborations and resources. Advocates of the R-A theory of competition thus recognize the need to be superiorly positioned with regard to relative resources.

**Figure 1: A Schematic of The Resource-Advantage Theory of Competition**

Read: Competition is the disequilibrating, ongoing process that consists of the constant struggle among firms for a comparative advantage in resources that will yield a marketplace position of competitive advantage and, thereby, superior financial performance. Firms learn through competition as a result of feedback from relative financial performance "signaling" relative market position, which in turn signals relative resources (p. 108).

Source: Hunt and Morgan (1996).

Figure 2 shows a nine-cell grid that is useful in conceptualizing competitive placements. Three of these cells (2, 3, and 6) denote competitive advantage, especially Cell 3, whereas Cell 5 represents average returns. Cells 1 and 9 evidence a comparative advantage in either value or costs, yet may or may not have superior returns. In Cell 1, the advantage of lower relative costs is associated with a sacrifice in relative consumer value, thus a firm in Cell 1 would basically be competing on price. Of course, Cells 4, 7, and 8 are to be avoided.

**Figure 2: Competitive Position Matrix<sup>a</sup>**

		<b>Relative Resource-Produced Value</b>		
		<b>Lower</b>	<b>Parity</b>	<b>Superior</b>
<b>Relative Resource Costs</b>	<b>Lower</b>	1 Indeterminate Position	2 Competitive Advantage	3 Competitive Advantage
	<b>Parity</b>	4 Competitive Disadvantage	5 Parity Position	6 Competitive Advantage
	<b>Higher</b>	7 Competitive Disadvantage	8 Competitive Disadvantage	9 Indeterminate Position

<sup>a</sup> Read: The marketplace position of competitive advantage identified as cell 3 results from the firm, relative to its competitors, having a resource assortment that enables it to produce an offering for some market segment(s) that (1) is perceived to be of superior value and (2) is produced at lower costs.

Source: Adapted from Hunt and Morgan (1997).

In an effort to operationalize the nine-cell grid, Figure 3 portrays Hunt and Morgan's (1996) use of the automobile industry from the 1970s through the 1990s. From this grid, the superior positioning of Japanese car companies is much in evidence. According to Hunt and Morgan (1996), their superior efficiency and effectiveness was due to corporate cultures, the promotion of teamwork, just-in-time inventory systems, the treatment of suppliers as partners, and total quality management (TQM). This of course led to reactive innovations on the part of American automobile producers. Basically, the feedback from relative financial performance inherent in the model in Figure 1 is a catalyst for resource improvement. Thus, a significant enhancement would lead to a relative advantage over competition with respect to cost and value production.

**Figure 3: Competitive Position Matrix: Automobile Industry**

Relative Resource-Produced Value				
		Lower	Parity	Superior
<b>Relative Resource Costs</b>  GM (1970s-80s) Ford (1970s-80s) Chrysler (1970s-80s)	<b>Lower</b>	1	2 Ford (1990s)	3 Japan (1970s-80s)
	<b>Parity</b>	4 GM (1990s)	5	6
	<b>Higher</b>	7	8	9 Japan (1990s) BMW (1990s) Mercedes (1990s)

Regarding the types of resources that facilitate a competitive advantage, Hunt and Morgan (1995) view resources as the tangible and intangible entities that enable a firm to produce efficiently and/or effectively a product that has value for some market segment or segments. A list of resource examples by type of resources appears in Table 1.

Uniquely, some of these resources are more valued than others. To illustrate, organizational, relational, and information resources are the most sought-after as they are more difficult to initiate, duplicate, or purchase and they are less vulnerable to substitutes (Morgan, 2000).

### 3. Collaborations

To help position a firm in the more advantageous locations in the competitive position matrix, marketers are recognizing the need for both a competitor and customer focus (Narver & Slater, 1990). These manifestations of a market orientation are also being surrounded by the triad of business collaborations: internal, external, and horizontal (Sheth, 1996). The intent of these collaborations is to develop a distinctive capability or a

leverageable competitive advantage that would be impossible to duplicate at equal cost by competitors. Wal-Mart, for example, created an *internal* inventory control system that is viewed as being so sophisticated and characterized by such in-depth learning that K-Mart would never be able to replicate their system. L. L. Bean's mail-order products offer value to customers, but its *internal* order fulfillment capabilities give it a decided edge (Cravens, 1997). Midwest Express Airlines is known for its extraordinary *internal* commitment to customer service (Berry, 1999). All of these involve internal collaborations. In the final analysis, internal collaborations lead to seamless organization, interfunctional coordination, and an alignment of the inside of a firm with market realities.

**Table 1: Resources that Feed the Resource-Advantage Theory of Competition**

<b>Resource</b>	<b>Specific Resource Examples</b>
Financial	venture capital, cash and securities, and borrowing capacity
Legal	patents, contracts, and licenses
Physical	geographic coverage of markets, plants and equipment, access to raw materials
Human	selling skills and breadth of sales personnel, research scientists, visionary leadership, management skills
Technological	computer-aided design, unique manufacturing processes, information systems
Organizational	corporate culture and climate, valued brands, processes for organizational monitoring and quality control systems
Relational	loyal patrons, committed partners (including employees, suppliers, and intermediate customers), global alliances
Informational	knowledge of the unique needs and requirements of segments of customers and the strengths and weaknesses of competitors

Adapted from Morgan (2000).

Firms are also turning to *horizontal* collaborations known as alliances and *vertical* collaborations known as partnerships. The alliance boom is most prevalent in industries with rapid change. Oracle, for example, has

between 15,000 and 16,000 business alliances. Now the average large company that had no alliances a decade ago has in excess of 30 (*Business Week*, 1999).

Vertical partnerships play into a firm's core competency. In essence, firms specialize in what they do best and outsource through partnerships. Horizontal alliances in turn provide cost savings through economies of scale and access to proprietary technology, as well as markets. Additionally, the involved parties share risks and expenses, among other benefits. Partnerships are also widely evident. Cisco Systems designs their own products, but outsources its manufacturing. Alternatively, a firm may obtain all its supplies and resources from a single firm that totally understands its needs and works in a quality and cost-efficient way. Firms that possess the more attractive resources that appear in Table 1 are also the most attractive candidates for partnering in either a horizontal or vertical sense. Of course, not all alliances, partnerships, and internal collaborations are successful; yet when they work, they work rather well.<sup>1</sup>

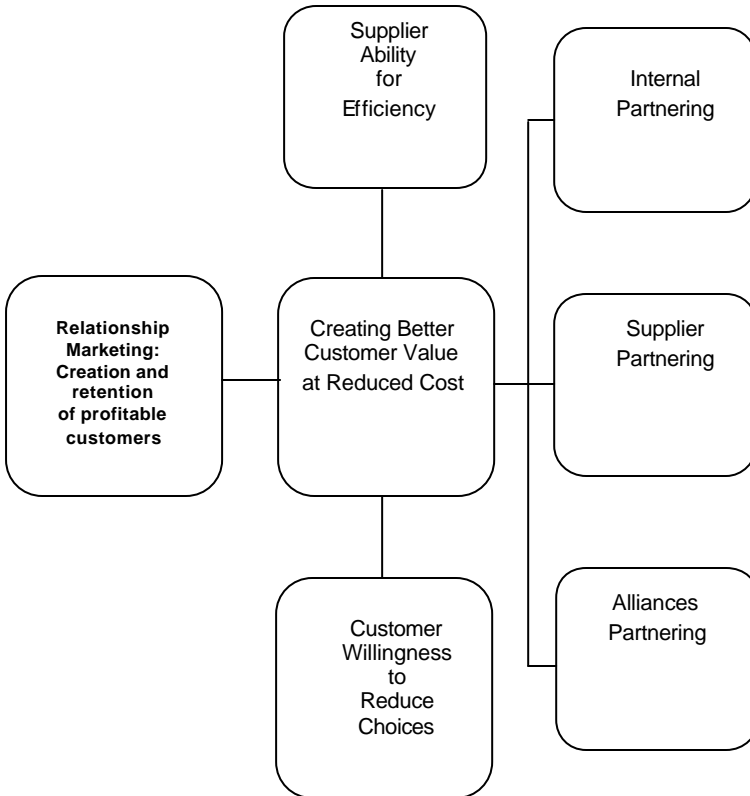
#### **4. Relationship Marketing in a Strategic Sense**

With the ensuing development of the R-A theory of competition and its attendant concentration on resources through collaborations, Morgan and Hunt (1994) defined relationship marketing as all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges. This recognizes that there are relationships that involve only partners exchanging resources; thus, the definition was expanded beyond buyers and sellers to be more inclusive. Such a definitional expansion, of course, creates problems of relevant research domain and research specificity for the area of relationship marketing. To help remedy this, relationship marketing can be viewed in two ways. One is traditional and the other is strategic. To develop the latter, a paradigm used by Sheth (1996) in expressing the relationship imperative is recommended. See Figure 4. This paradigm, which includes the triad of collaborations (i.e., internal, horizontal, and vertical), is unique in that it manifests the goals of R-A theory (i.e., create better customer value at reduced cost). If successful, it leads to the creation and retention of profitable customers? the key goal of relationship marketing.

---

<sup>1</sup> For additional insights into how organizations in collaborative relationships divide the pie of benefits between them, see Jap (2001).

**Figure 4: The Practice of Relationship Marketing in a Strategic Context**



Adapted from Sheth (1996). The caption denoting “in a strategic context” emanated from the author.

Relationship marketing in the traditional sense is defined more tightly. In this regard, Parvatiyar and Sheth (2000) define relationship marketing as the “ongoing process of engaging in cooperative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic value at reduced cost” (p. 9). This definition concentrates on immediate and end-user customers and implicitly reflects a movement

away from traditional transaction marketing. This movement has been developed by Grönroos (1991) and is presented in Figure 5. As can be seen, transaction marketing and relationship marketing are at opposite ends of a continuum and key differences are noted. If relationship marketing is carried to a successful conclusion, “markets of one” can result which have been fed by ongoing exchanges, personal communications, and ongoing dialogues. Clearly, when successful, the customer and the firm are linked in a relationship as partners.

**Figure 5: Transaction Marketing Versus Relationship Marketing**

Transaction Marketing	←————→	Relationship Marketing
One-Off Exchanges, Brand Management	Focus	Ongoing Exchanges, Customer Management
Short -Term Focus	Time Perspective	Long-Term Focus
Mass Communications	Primary Communication	Personal Communications
Isolated Market Research	Customer Feedback Mechanism	Ongoing Dialogue
Mass Mkts or Mkt Segments	Market Size	Markets-of-One
Market Share	Criterion for Success	“Mind Share” (i.e., Share of Customer)

To illustrate, Levi Strauss recognized that with the ageing of the population the fit of their women’s jeans would be affected. Therefore, they electronically linked retailers, cutters, stitchers, and workers together to produce custom jeans, or what amounts to mass customization. The goal is not to sell a pair of jeans, but to build a relationship (Moon, 1999).

Both approaches to relationship marketing (strategic versus traditional) manifest the goal of value creation<sup>2</sup> and their differentiating properties foster relationship types of behaviors. They differ in breadth, strategies, and

---

<sup>2</sup> According to Sheth (2000), the objective of relationship marketing in its traditional sense is to increase customers’ commitment to the organization through the process of offering better value on a continuous basis at reduced cost.

tactics. This study has concentrated on the strategic side of relationship marketing.

## 5. Discussion

As firms strive for idiosyncratic combinations of resources that are impossible to replicate, relationship marketing in a “strategic sense” should be fostered. This is because resource advantage and distinctive capability development lead to the creation of superior customer value at a lower cost. The quest for resource advantage is also aided by a globalized economy that fosters disaggregated networks in which firms look for the best quality at reduced cost wherever it can be found. In essence, there is an infrastructure now available that fosters unique resource combinations.

Strategic thinking is also now centered on resource superiority as the catalyst for superior market positioning. Truly, the marketing end now carries a prescription or a formula for implementation like that found in TQM. Under the older marketing concept, no prescription was available as to implementation. Today, firms need to adopt or consider a market orientation.<sup>3</sup> This basically means that the inside of the firm is aligned with outside market realities, as marketing is a key driver of the enterprise. It also means the development of viable alliances and partnerships that further the market-positioning end. Overall, collaborative relationships in all their varied forms facilitate resource advantage and they lead to marketing relationships; that is, they lead to the creation and retention of profitable customers. Clearly, the strategic orientations of the individual firm are becoming more important than the industry. Still, a caveat exists. Focusing on a direct competitor can cause a firm to take its eye off the consumer. Thus, a not-so-obvious indirect competitor or even a latent competitor may be able to satisfy the same customer need in a superior way. Firms must therefore be alert to external threats through appropriate strategic planning and never lose sight of the fact that their fundamental role is need

---

<sup>3</sup> An interesting side note is whether a marketing orientation is a resource. It is only if it can produce a comparative advantage (Barney 1991). This is because if all competitors adopt a market orientation and implement it equally well, then a comparative advantage accrues to none (Hunt and Morgan 1995). Still, the evidence suggests that true market orientations are rare among competitors (Jaworski and Kohli 1993; Narver and Slater 1990).

satisfaction. A market orientation fosters this as it carries both a consumer and a competitor focus.

## **6. Conclusions**

While R-A theory has produced much debate (Dickson, 1996; Deligönül & Cavusgil, 1997), the theory itself has fostered more thinking on resources and collaborative relationships. One may even argue that relationship marketing in a “strategic sense” is an outgrowth of business practices in a global economy since relationship marketing possesses strong roots in resource advantage and collaborations.

Additionally, there is the question of whether relationship marketing in a “strategic sense” as presented in Figure 4 is a resource in itself or a paradigm of business. Obviously, if competitors have not adopted it, it would be a resource for producing comparative advantage. Regardless, it is unique because much of its value comes from a logic for implementation.

As to the future, both approaches to relationship marketing (strategic and traditional) will need additional methodological rigor. It would seem that the “strategic approach” has the advantage due to the presence of theory and extensive studies on collaborations as well as studies that deal with the extent of market orientations among firms and their profitability assessments. However, both approaches are well grounded, as the study of relationships and relational behaviors is universal.

Finally, the objective of R-A theory is basically the same as the objective of relationship marketing in a “strategic sense”: produce lower relative resource costs and superior relative resource-produced value. A marriage between the two would give a new twist to relationship marketing and would eliminate a lot of misunderstanding. Further, relationship marketing in a “strategic sense” would emphasize the means, formula, or approach to be utilized. Hopefully, this work has clarified issues and stimulated thinking with regard to resources, collaborations, and framing relationship marketing in a new way.

## References

- Barney, J. (1991) "Firm Resources and Sustained Competitive Advantage." *Journal of Management*, 17: 99-120.
- Berry, L. L. (1999) *Discovering the Soul of Service*. New York: The Free Press.
- Cravens, D. W. (2000) *Strategic Marketing*. Boston: Irwin/McGraw Hill.
- Deligönül, Z. S. & Cavusgil, S. T. (1997) "Does the Comparative Advantage Theory of Competition Really Replace the Neoclassical Theory of Perfect Competition?" *Journal of Marketing*, 61: 65-73.
- Dickson, P. R. (1992) "Toward a General Theory of Competitive Rationality." *Journal of Marketing*, 56: 69-83.
- Grönroos, C. (1991, January) "The Marketing Strategy Continuum." *Management Decision*, pp. 7-13.
- Hunt, S. D. & Morgan, R. M. (1995) "The Comparative Advantage Theory of Competition." *Journal of Marketing*, 59: 1-15.
- Hunt, S. D. (1996, June 9-12) "Theoretical Foundations of Strategic Marketing: The Resource Advantage Theory of Competition." Paper presented at the American Marketing Association Strategic Marketing Faculty Consortium, Scottsdale, AZ.
- Hunt, S. D. & Morgan, R. M. (1996) "The Resource-Advantage Theory of Competition: Dynamics, Path Dependencies, and Evolutionary Dimensions." *Journal of Marketing*, 60: 107-114.
- Hunt, S. D. & Morgan, R. M. (1997) "Resource-Advantage Theory: A Snake Swallowing Its Tail or a General Theory of Competition?" *Journal of Marketing*, 61: 74-82.
- Jap, S. D. (2001) "Pie Sharing in Complex Collaboration Contexts." *Journal of Marketing Research*, 38: 86-99.
- Jaworski, B. J. & Kohli, A. K. (1993) "Market Orientation: Antecedents and Consequences." *Journal of Marketing*, 57: 53-70.
- Moon, Y. (2000) "Interactive Technologies and Relationship Marketing Strategies." *Harvard Business School*, (9-599-101).

- Morgan, R. M. (2000) "Relationship Marketing and Marketing Strategy: The Evolution of Relationship Marketing Strategy within the Organization." In J. N. Sheth and A. Parvatiyar (Eds.), *Handbook of Relationship Marketing*, pp. 481-504 Thousand Oaks, CA: Sage Publications.
- Morgan, R. M. & Hunt, S. D. (1994) "The Commitment-Trust Theory of Relationship Marketing." *Journal of Marketing*, 58: 20-38.
- Narver, J. C. & Slater, S. F. (1990) "The Effect of Market Orientation on Business Profitability." *Journal of Marketing*, 54: 20-35.
- Parvatiyar, A. & Sheth, J. N. (2000) "The Domain and Conceptual Foundations of Relationship Marketing." In J. N. Sheth and A. Parvatiyar (Eds.), *Handbook of Relationship Marketing*, pp. 3-38 Thousand Oaks, CA: Sage Publications.
- Porter, M. E. (1980) *Competitive Advantage: Techniques for Analyzing Industries and Competitors*. New York: The Free Press.
- Rindfleisch, A. & Moorman, C. (2001) "The Acquisition and Utilization of Information in New Product Alliances: A Strength-of-Ties Perspective." *Journal of Marketing*, 65: 1-18.
- Rumelt, R. P. (1991) "How Much Does Industry Matter?" *Strategic Management Journal*, 12: 167-185.
- Sheth, J. N. (1996, June 9-12) "The Evolution of Global Marketing and the Relationship Imperative." Paper presented at the American Marketing Association Strategic Marketing Faculty Consortium, Scottsdale, AZ.
- Sheth, J. N. (2000) "Relationship Marketing: Paradigm Shift or Shaft." In J. N. Sheth and A. Parvatiyar (Eds.), *Handbook of Relationship Marketing*, pp. 609-620 Thousand Oaks, CA: Sage Publications.
- "Special Report: Partners" (1999, October 25) *Business Week*, pp. 106-134.,