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CAN MARKETING ENABLE FIRMS TO COUNTER IMPORT COMPETITION? EVIDENCE FROM THE CHINA SHOCK

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Abstract

Increasingly, United States (US) firms have been threatened by import competition. For example, Chinese imports to the US increased from USD 18.97 billion in 1991 to USD 536.26 billion in 2022. Yet little research has examined the role of marketing in combating import competition. Addressing this gap, the author combines developments in the upper echelons, dynamic capabilities, and resource-based view perspectives to develop hypotheses of how marketing can help incumbent firms overcome import competition. To achieve identification, the author exploits the exogenous shock of conferral of Permanent Normal Trade Relations (PNTR) status to China that differentially exposed US industries to import competition. The hypotheses are tested using a differences-in-differences estimation on 7,197 firm-year observations. The findings indicate that import competition hurts incumbent firms' revenue growth. However, incumbent firms' marketing department power and market-based assets (strategic differentiation and customer relationship capital) mitigate the adverse effects of import competition on revenue growth. The findings, which highlight the hitherto overlooked role of marketing in countering import competition, extend theory and generate practical implications.

Keywords: Import competition, role of marketing, quasi-experiment, revenue growth, marketing department power, marketing capability, market-based assets.

Over the last decade, economists and policymakers have increasingly bemoaned the death of United States (US) manufacturing (Dai and Tang 2022). For instance, while the US invented the semiconductor, today it only produces about 10% of the world's supply of computer chips and none of the most advanced chips, primarily relying on East Asia for 75% of global production. Policymakers are concerned about this phenomenon and have adopted measures such as the 2022 CHIPS and Science Act to revitalize domestic manufacturing (White House Press Briefing 2022). In recent decades, the largest competitive shock to the US manufacturing sector has arisen from import competition, which in turn has led to the absence of powerful, sustainable demand for goods made in the US (Breznitz and Adler 2021).

While import competition has proven tremendously positive for global welfare, it has created identifiable losers, specifically US firms in trade-impacted industries (Autor 2018). From 2000 to 2019, US firms were struck by the China Shock, a surge of imports that decimated many US industries such as furniture, toys, and textiles (Davis and Hilsenrath 2016). Chinese imports to the US increased from USD 18.97 billion in 1991 to USD 536.26 billion in 2022 (US Census). Between 1999 and 2022, China's share of imports grew from 7.98% to 16.55%. In 2024, experts increasingly fear a China Shock 2.0 (Krugman 2024), a multi-trillion-dollar sequel to the first China Shock, flooding middle-income and high-income countries across the world with imports, intensifying competition in sectors such as electric vehicles and solar panels (Wong 2024). As Aaditya Mattoo, chief economist for East Asia and the Pacific at the World Bank noted, "The world's capacity to absorb a new China shock is less than it was in the past" (Douglas 2024).

Estimates suggest that, for the average US publicly listed firm, increasing Chinese import competition following 2000 decreased revenues, profit, book, and market value (Hombert and Matray 2018; Autor et al. 2020). Table W1 (Web Appendix A) presents excerpts from US firms' earnings call transcripts from 2002 to 2007, which discuss the threat of import competition[1]. Table W1 indicates that across US industries, import competition, particularly from China and Asia, has negatively affected incumbent firms' pricing, demand volumes, revenue growth, market share, and margins. Table W2 (Web Appendix A) provides similar excerpts from US firms' annual and quarterly reports. Together, Tables W1 and W2 indicate that for publicly listed US firms, import competition is a serious threat concerning firms' top management teams, investors, and financial analysts, meriting discussion at the highest organizational levels. Panel A (Web Appendix A) presents case studies of US firms that were forced out of business by Chinese import competition.

Given the magnitude of the threat posed by import competition, I turn to the literature to examine potential insights for managers facing its peril. Table W3 (Web Appendix B) presents a review of the multidisciplinary research in this domain. A key conclusion from the extant finance and economics research is that the effects of import competition on incumbent firms are contingent on firm-level factors (e.g., Hombert and Matray 2018). For example, when import competition increases, incumbent firms with capital intensive plants (Bernard, Jensen, and Schott 2006), higher cash holdings (Fresard 2010), stocks of R&D, patents, and total factor productivity (Hombert and Matray 2018; Bloom, Draca, and Van Reenen 2016; Gilbert 2022) perform significantly better. While the extant finance and economics literature has examined the role of these different firm-level factors in helping incumbent firms overcome import competition, surprisingly, the role of marketing (Moorman and Rust 1999) has been overlooked. This is a glaring omission as a key competitive advantage for incumbent firms relative to their import

[1] Using a natural language processing platform provided by NL technologies (Hassan et al. 2019) designed to aggregate and analyze large volumes of text data from earnings calls and other sources, I collect excerpts from firms' earnings call that discuss import competition.

competitors is knowledge of and relationships with local stakeholders, particularly customers, and thus, the marketing function is likely to play a significant role.

Within marketing, an extensive literature has studied the determinants and consequences of firms' export marketing strategies and performance, taking the perspective of exporting firms (e.g., Morgan, Kaleka, and Katsikeas 2004; Morgan, Katsikeas, and Vorhies 2012; Spyropoulou et al. 2018). In contrast, extant marketing research has not examined import competition from the incumbent firm perspective and thus does not provide clear insights to managers on *whether* marketing plays a role in helping incumbent firms overcome import competition, and if so, *how* incumbent firms' marketing can protect them from import competition.

I begin by examining the ecological validity (Van Heerde et al. 2021) of the role of marketing in countering import competition (evidence presented in Web Appendix C, outlined in detail in a subsequent section). Overall, this evidence suggests that marketing plays a significant role in combating import competition. Despite such qualitative evidence, a theoretical and causal empirical examination of the role of marketing, in its various facets, for incumbent firms facing import competition is missing. To fill this gap in the literature, I study revenue growth as the primary performance metric, as the marketing department is responsible for demand generation and growth (Whitler, Krause, and Lehmann 2018). Accordingly, I examine the following research question - How does incumbent firms' marketing influence their revenue growth in the context of import competition?

To develop the conceptual framework, I draw on the extant marketing literature on foreign competition (Gielens et al. 2008), which suggests that an incumbent retailer's performance depends on its ability to withstand the threat of foreign competition. Further, this literature suggests that a firm's ability to withstand competition in turn depends on its capabilities and resources (e.g., Gielens et al. 2008; Morgan, Kaleka, and Katsikeas 2004). In addition, the extant literature on marketing organization (e.g., Moorman and Day 2016) suggests that a firm's ability to withstand competition depends on not only its capabilities, but also human capital in the form of marketing leadership. Combining developments in these two literature streams, I examine whether incumbent firms' marketing department power (e.g., Feng, Morgan, and Rego 2015), marketing capability (e.g., Dutta, Narasimhan, and Rajiv 1999), and market-based assets (e.g., Srivastava, Shervani, and Fahey 1998) affect their revenue growth in the context of import competition. I examine three market-based assets relevant to import competition – strategic differentiation (the extent to which a firm's strategic position differs from those of other competing firms at a particular point in time), customer relationship capital (number of major customers), and experiential knowledge (knowledge gained from experience of market operations).

The question of whether import competition affects revenue growth is challenging to answer empirically since traditional measures of competition are endogenous with respect to revenue growth (Flammer 2015). Thus, I situate this research in the context of the China Shock (Autor, Dorn, and Hanson 2013) (described in greater detail below). Specifically, I exploit the quasi-experiment of conferral of permanent normal trade relations (PNTR) status to China by the US in 2000 to identify the effects of import competition on incumbent firms' revenue growth, using a differences-in-differences specification estimated on 7,197 firm-year observations across 822 firms. The findings suggest that import competition hurts incumbent firms' revenue growth. However, this adverse consequence of import competition is mitigated by incumbent firms' marketing department power and market-based assets (strategic differentiation and customer relationship capital). I examine the robustness of the findings to two other performance metrics relevant to marketers – Tobin's q (Germann, Ebbes, and Grewal 2015) and profit (Bhattacharya, Morgan, and Rego 2022).

This study makes three theoretical contributions. First, by highlighting a new firm-specific factor that can insulate incumbent firms from import competition, this study contributes to the multidisciplinary literature on import competition (e.g., Hombert and Matray 2018). Second, by bringing an overlooked type of competition, import competition, to the attention of marketing scholars, this study contributes to the marketing literature on competition (e.g., Debruyne and Reibstein 2005). Third, by examining the effects of marketing department power on three different performance metrics in the context of import competition, this study contributes to the discussion on the differential role of marketing in the upper echelons in driving outcomes of interest (Whitler et al. 2021).

I organize the rest of the article as follows. I begin by providing a brief description of the China Shock. Next, I provide evidence of the ecological validity of the role of marketing in countering import competition. Following this, I discuss the unique competitive challenges posed by import competition, and the role of marketing in countering it. I then discuss the data, method, and results. I conclude by discussing the paper's theoretical contributions, implications for practice, and limitations and opportunities for future research.

The China Shock and US Conferral of Permanent Normal Trade Relations (PNTR) Status to China

I situate this research in the context of the closest approximation to a natural experiment in trade economics, the China Shock (Autor, Dorn, and Hanson 2013), which encompasses China's rapid growth in the 1990s, integration into the global market economy and manufacturing surge leading it to become the "global factory." Within the context of the China shock, I exploit the exogenous shock of conferral of permanent normal trade relations (PNTR) status to China by the US in 2000, which I next describe.

Imports to the US from non-market economies (planned economies that are heavily regulated or controlled by their governments), e.g., China, are subject to higher tariff rates defined by the Smoot-Hawley Tariff Act of 1930. In contrast, imports from market economies (fellow members of the World Trade Organization (WTO)) are subject to significantly lower tariffs, known as normal trade relations (NTR) tariff rates (Pierce and Schott 2018). The higher tariff rates imposed on imports from non-market economies are referred to as non-NTR rates.

The US Trade Act of 1974 allowed the US President to grant NTR tariff rates to non-market economies on a temporary basis subject to Congressional approval (Pierce and Schott 2016). From 1980 onwards, US Presidents started granting NTR rates to China. While applied tariffs were low, the need for annual approval created uncertainty about whether they would persist. This uncertainty was heightened by lack of support from the US House of Representatives, flashpoints in Chinese-US relations, and incidents such as Tiananmen Square in 1989 and the accidental bombing of the Chinese embassy by NATO in May 1999. Every year from 1990 to 2001, the US House of Representatives attempted to revoke China's NTR status. While these votes succeeded in 1990, 1991, and 1992, China's status was not overturned because the US Senate failed to act on the House's votes. From 1990 to 2001, the average House vote against NTR renewal was 38 percent. Finally, in October 2000, the US Congress granted permanent NTR (PNTR) status to China. This, in turn, ended the uncertainty associated with annual renewals of China's NTR status.

Extant evidence suggests that PNTR caused the Chinese export boom to the US by decreasing the policy uncertainty faced by Chinese exporters (Handley and Limão 2017).

Specifically, the uncertainty reduction from PNTR generated new exports as 1) new firms invest to enter and 2) incumbent exporters upgrade their technology. The share of US imports from China grew one percentage point per year on average in 2001-2010 after PNTR, twice the rate in the period between 1990 and 2000. Overall, PNTR increased Chinese imports to the US by 32 log points and Chinese varieties imported to the US by 44 log points (Handley and Limão 2017). Pierce and Schott (2016) also document that US imports from China increased in the post PNTR period. A product with an average NTR gap exhibits growth in import value from China that is 14 percentage points higher than growth in import value across all other US trading partners compared to the pre-period. The relative growth rates for the number of US importers, Chinese exporters, and importer-exporter pairs are 12, 11, and 11 percentage points, respectively [2].

The Role of Marketing in Countering Import Competition: Ecological Validity

To ensure that the study has ecological value, i.e., reflects and is relevant to marketing as it exists and evolves amongst marketing stakeholders and ecosystems (Van Heerde et al. 2021), I begin by examining the real world of the marketing context under study. To this end, following extant research in marketing (e.g., Berry et al. 2024; Hochstein, Veresiu, and Harmeling 2024), I capture the perspectives of non-academic experts at multiple levels to understand the unique competitive challenges posed by import competition, and the role of marketing in countering it. At the micro-level, I conduct interviews with executives and collect excerpts from books written by CEOs and entrepreneurs possessing extensive experience combating import competition. At the meso-level, I collect data from discussion threads on the social media platform Reddit. At the macro-level, I obtain data from the business press and industry publications. Table 1 summarizes the data sources, while Panels A-E of Web Appendix C contain the data collected from them.

[2] Additional details on PNTR are presented in the data and methods section.

----Insert Table 1 around here----

I triangulate material from across these five sources to understand 1) the unique competitive challenges posed by import competition (outlined in the next section) and 2) the role of marketing in countering import competition (data excerpts in Table 2). In this analysis, I identify five key themes. The first theme that emerged across these sources is the role of marketing leadership in countering import competition. As emphasized by the President of a footwear firm (interview 1): "*Marketing leadership can ensure that all departments are aligned in their efforts to combat import competition. By leading cross-functional teams, marketing can drive initiatives that enhance product offerings, customer experiences and strengthen the brand…. An influential marketing department can advocate for customer driven innovation, ensuring that product development is closely aligned with consumer needs and preferences. By focusing on unique features and superior quality, the company can differentiate its products from cheaper imports"*

A second theme that emerged dealt with the firm's marketing capability, specifically gathering competitive intelligence on imports' price and quality, and using this intelligence to quickly adapt marketing strategies. As highlighted by the President of a manufacturing firm (interview 4): *"Understanding what the competition is doing, the related data about their past failures and future opportunities, and using these to formulate goals and objectives, these are essential to marketing*".

A third theme was the importance of strategic differentiation, by product customization, Made-in-America positioning, or superior product safety and quality relative to imports. As noted in Macy (2014) (book excerpt): *"Stanley flipped what it made domestically, betting that nervous upper-middle-class parents (and doting grandparents) would be willing to spend more* *on made-in-America baby cribs – eight hundred dollars vs. four hundred dollars for a nearly identical imported crib……American-made cribs are Greenguard certified by an independent public-health nonprofit that monitors air quality and chemical emissions, and they come in more than one hundred finish choices, from surf blue to chili pepper"*.

The fourth theme pertains to the importance of strong customer relationships, including through superior customer service and after-sales support. As noted by the CEO of a textile firm (interview 3): *"Thus, by maintaining the trust factor with their US customers, a US manufacturer can to a certain extent inoculate their company against the price advantage enjoyed by China manufacturers."* This theme is corroborated by posts on Reddit discussion threads on how US manufacturers can combat Chinese imports: *"You have customer service and can do site visits quickly if needed"* and *"Equally, there's enough service side elements of the business where Chinese imports have an inability to fulfill."*

The fifth and final theme pertains to the importance of experiential knowledge, particularly with respect to Chinese markets. As noted in a Reddit post: *"It starts to get easy to compete against China once you realize where your benefits are over them."* Further, as corroborated by the President of a footwear firm (interview 1): "*Companies with international experience have a better understanding of global markets…. allows them to develop products and marketing strategies that resonate more effectively with diverse customer bases….making their offerings more appealing compared to Chinese imports*".

----Insert Table 2 around here----

Next, I combine these perspectives with theoretical insights from the marketing literature to gain a comprehensive understanding of how incumbent firms' marketing leadership, marketing capability, and market-based assets (strategic differentiation, customer relationship capital, and experiential knowledge) can help counter import competition.

Theory

I begin by defining the phenomenon under study – import competition and outlining key differences between import competition and domestic competition. I then describe the rationale behind the choice of performance metric and develop hypotheses of 1) the effects of import competition on incumbent firm revenue growth and 2) how an incumbent firm's marketing leadership, marketing capabilities, and marketing resources, affect the relationship between import competition and revenue growth.

Import Competition

I define import competition as the competition faced by domestic firms from goods and services produced by foreign firms in foreign countries, which are subsequently marketed in the domestic market. Frequently, increases in import competition occur because of the reduction of trade barriers, including import tariff rates (e.g., Flammer 2015). Compared to domestic competition (Debruyne and Reibstein 2005) i.e., which refers to competitors headquartered in the domestic market, I note that import competition creates a different set of competitive challenges for incumbent firms for the following reasons:

1. In contrast to domestic competition, import competition is characterized by country-specific differences that can help import competitors achieve superior competitive advantage in the following five ways (Flammer 2015). First, a firm's import competitors may receive government investment, subsidies, or tax incentives in their country of origin, enabling them to offer lower prices as compared to domestic competitors. Second, currency exchange rates can impact the relative competitiveness of a firm's import competitors. By producing their

goods in a country with a weaker currency, a firm's import competitors can offer lower prices (than possible by domestic competitors) in the domestic market. Third, a firm's import competitors may have access to lower costs of production or superior material inputs in their country of origin, and thus, can offer lower prices or higher quality (or both) as compared to domestic competitors. Fourth, a firm's import competitors produce goods in countries with different regulatory environments. Lower compliance costs with regulation may enable a firm's import competitors to offer lower prices (or better quality at a lower price) as compared to domestic competitors. The regulatory regime can also influence the relative quality of imported products. Fifth, customers may have perceptions (either positive or negative) about the country of origin of a firm's import competitors, in relation to quality, price, and technology.

2. In contrast to domestic competition, import competition is characterized by greater relational and cultural distance from the customer. Incumbent firms have an advantage over import competitors through their existing knowledge of and relationships with stakeholders in the focal market, as well as their cultural proximity to customers.
3. In contrast to domestic competition, import competition is characterized by greater physical distance from the customer. Thus, imported products are subject to longer supply chains and higher shipping costs, which can increase minimum order sizes, delays, and risks. Further, time zone differences can increase the time taken by import competitors to provide customer service and support. Hence, the total cost of ownership of import competitors' offerings may be higher than those of domestic competitors.

4. In contrast to domestic competition, incumbent firms face greater heterogeneity in import competition. A firm's import competitors originate from different countries, while all its domestic competitors originate from the same country.

Import Competition and Revenue Growth

I choose revenue growth, specifically future revenue growth, as the key performance metric (Katsikeas et al. 2016) for the following two reasons. First, substantively, growth is of paramount importance to Wall Street (Bahadir, Bharadwaj, and Parzen 2009). In addition, marketing is the department responsible for growth (Moorman and Rust 1999), marketers are trained throughout their careers to drive growth and evaluated based on the metric of growth (Whitler, Krause, and Lehmann 2018). Second, theoretical perspectives suggest that both environmental factors (e.g., competitive intensity) and firm-level factors (e.g., firm resources) influence revenue growth (Bahadir, Bharadwaj, and Parzen 2009). Thus, given our interest in the effects of import competition and the attendant role of firm-level factors, revenue growth is an appropriate metric.

Effects of Import Competition on Incumbent Firms' Revenue Growth

A priori, the consequences of import competition for incumbent firm performance are unclear. On the one hand, through access to governmental support, favorable currency exchange rates, superior labor and material inputs, a firm's import competitors can offer lower prices and/or better quality as compared to its domestic competitors, increasing competitive intensity, which in turn, can decrease incumbent firm performance (Hombert and Matray 2018; Autor et al. 2020). On the other hand, import competition can improve incumbent firm performance through market expansion (e.g., Bloom, Draca, and Van Reenen 2016) and increased innovation (e.g., Vancauteren, Boutorat, and Lemmers 2024). Decreasing import barriers with low-wage countries could, in theory, present incumbent firms with an opportunity to offshore intermediate tasks, decreasing costs and increasing market value (Schiff 2019).

While the extant literature has examined the effect of import competition on several firm outcomes, in this research, as noted above, I focus on revenue growth. I argue that import competition is likely to have an adverse effect on revenue growth for the following reasons. First, import competition can exert downward pressure on incumbent firm prices (e.g., Amiti, Redding, and Weinstein 2019), decreasing revenue per customer, and in turn, revenue growth. Second, import competition can hurt incumbent firms' customer retention, as customers may defect to import competitors (Autor et al. 2020), which in turn can decrease revenues. Third, import competition may hurt incumbent firms' ability to attract new customers, decreasing prospects for future growth. Fourth, while some incumbent firms may be equipped to innovate in response to import competition (Bloom, Draca, and Van Reenen 2016), this may not necessarily hold true for the average firm (Hombert and Matray 2018). Fifth, not all incumbent firms may be equipped to take advantage of decreasing trade barriers by increasing offshoring (Schiff 2019). Moving to offshoring from local manufacturing may not necessarily be a frictionless process (Woody 2016). For these reasons, I hypothesize,

H_1: An increase in import competition negatively affects incumbent firm revenue growth.

Import Competition, Revenue Growth, and the Role of Marketing

I argue that marketing has a unique, crucial role in helping incumbent firms counter import competition. As Fieler and Harrison (2023) note, "In practice, domestic firms escape foreign (import) competition by catering to domestic tastes, offering greater customization, and bundling products with non-tradable services," all of which are activities often performed by, or at least highly pertinent to, the firm's marketing department. A key strength that incumbent firms possess in comparison to import competitors is deeper insight into the domestic market. As noted by the Founder/ President of a bicycle firm (interview 2), "*Understanding the US consumer in an intimate way is the advantage we have over any of the importing countries*". This deeper understanding can enable incumbent firms to rapidly pivot when faced with import competition, identify unique sources of value, and innovate to achieve differentiation. Thus, an incumbent firm's marketing department can help counter import competition by leveraging strong customer knowledge and relationships, superior value creation, differentiating offerings, greater customization, and delivering superior customer service.

Given that marketing can play a unique role in enabling incumbent firms to counter import competition, I turn to the marketing literature to understand the specific elements by which it can do so. The extant marketing literature on incumbent firms facing foreign competition (e.g., Gielens et al. 2008) suggests that incumbent firms' revenue growth will be determined by their ability to withstand the threat of import competition. Specifically, an incumbent firm's ability to withstand foreign competition depends on its capabilities and resources (e.g., Morgan, Kaleka, and Katsikeas 2004). In addition, the extant literature on marketing organization (e.g., Moorman and Day 2016) suggests that a firm's ability to withstand competition depends on its capabilities and human capital in the form of marketing leadership. Combining developments in these two literature streams, I examine three aspects of an incumbent firm's marketing pertinent to determining its ability to withstand the threat of import competition – marketing leadership (e.g., Feng, Morgan, and Rego 2015; Whitler, Krause, and Lehmann 2018), marketing capabilities (e.g., Dutta, Narasimhan, and Rajiv 1999), and resources (e.g., Morgan, Kaleka, and Katsikeas 2004). Figure 1 presents the conceptual framework.

----Insert Figure 1 around here----

Import Competition, Revenue Growth, and Marketing Department Power

Upper echelons (UE) theory states that the characteristics, beliefs, and actions of a firm's strategic decision-makers significantly influence its choices, behavior, and ultimately, outcomes (Hambrick and Mason 1984). Following prior research, I study the influence of marketing upper echelons manifested in marketing department power (Feng, Morgan, and Rego 2015). The power of a functional department (e.g., marketing department) is its ability to influence other people and departments in the firm (Hickson et al. 1971). As Day (1997, p. 89) notes "Some functions will be relatively more powerful than others, that is, they will control more resources and have more influence in the strategy dialogue."

Accordingly, I argue that a powerful marketing department can set the strategic direction for an incumbent firm to effectively respond to import competition (Table 2; Morgan et al. 2019). As powerful marketing departments can resolve inter-functional conflict in their favor and direct top management team (TMT) attention to issues affecting the department's ability to accomplish its objectives (Feng, Morgan, and Rego 2015), they can convince various departments and individuals within the firm to prioritize and implement marketing tasks relevant to countering import competition faster and more comprehensively (Whitler et al. 2021). Further, higher marketing department power, manifested through a greater breadth of responsibility of marketing executives, can ensure that different departments under the purview of marketing executives prioritize the rapid execution of marketing activities relevant to countering import competition. In addition, the higher compensation and higher status titles awarded to powerful marketing departments (Feng, Morgan, and Rego 2015) suggest superior and faster firm-wide implementation of marketing activities.

Through greater influence, a powerful marketing department can ensure that relative advantages of incumbent firms compared to import competition, including customer-centric innovation, product customization, superior customer service, and better after-sales support, are prioritized firm-wide. In addition, a powerful marketing department can lead efforts to gather and analyze market data pertaining to import competitors' strategies and disseminate such market intelligence throughout the firm (Kohli and Jaworski 1990). Crucially, a powerful marketing department is well placed to orchestrate alignment across functions to respond to the threat of import competition nimbly and rapidly (Whitler et al. 2021; Web Appendix C). Within the firm, a powerful marketing department can effectively advocate for value-based pricing strategies in response to import competition. Outside the firm, a powerful marketing department can effectively educate customers on the unique benefits of the firm's products relative to imports, thus protecting revenue growth (Table 2). Thus, I hypothesize,

H_2: Marketing department power mitigates the negative effect of import competition on incumbent firm revenue growth.

Import Competition, Revenue Growth, and Marketing Capability

The dynamic capabilities literature underscores the importance of capabilities as bundles of organizational routines and skills essential in dealing with external market conditions (e.g., Moorman and Day 2016). Accordingly, I examine the role of an incumbent firm's marketing capability, i.e., its ability to use available resources to perform marketing tasks in ways that achieve desired marketing outcomes (Morgan, Katsikeas, and Vorhies 2012), in countering import competition. I argue that an incumbent firm's marketing capability mitigates the adverse effect of import competition on its revenue growth for the following reasons. First, incumbent firms with strong marketing capability are well positioned to identify customer segments that are not being served by import competition, and articulate and target new value propositions that would effectively meet their needs (Srivastava, Shervani, and Fahey 1998). For example, given import competitors' shipping costs and scale, for their imports to be profitable, they may require customers to make bulk orders of homogenous products (Web Appendix C). An incumbent firm with strong marketing capability can identify customer segments preferring customized products with smaller order sizes, target appropriate value propositions to them, and convince them to pay a premium. Second, in the case of low-cost import competition, a firm with strong marketing capability can identify the least price-sensitive customers and prospects (e.g., Day 1994), which can help focus customer acquisition and retention efforts on the most promising prospects who are least likely to be lured away (Web Appendix C). Third, incumbent firms with strong marketing capability can monitor import competitors' pricing, product development strategies, and marketing tactics, and thus, anticipate their moves and develop counter strategies. For example, through superior monitoring of import competitors, firms with strong marketing capability can articulate lower total cost of ownership vs. imports. Thus, I hypothesize,

H_3: Marketing capability mitigates the negative effect of import competition on incumbent firm revenue growth.

Import Competition, Revenue Growth, and Market-Based Assets

In addition to upper echelons and dynamic capabilities, equally important to understanding firm performance are the firm-specific resources conceptualized by the resource-based view (RBV) (e.g., Penrose 1959). Marketing scholars have applied RBV by identifying resources, termed as market-based assets (e.g., Srivastava, Fahey, and Christensen 2001), that are marketing specific (i.e., generated and leveraged through marketing activities), often intellectual or relational in nature, and generate competitive barriers. A review of the perspectives of non-academic experts (Table 2) suggests that to counter import competition, crucial resources pertain to differentiation, customer relationships, and knowledge of import competitors. Accordingly, I identify three corresponding market-based assets from the extant literature that are likely to affect revenue growth in the context of import competition, strategic differentiation (Deephouse 1999), customer relationship capital (Fang, Palmatier, and Grewal 2011), and experiential knowledge (Morgan et al. 2003).

I define strategic differentiation as a firm-level construct representing the extent to which a firm's strategic position, reflected by the product markets it serves, differs from those of other competing firms at a particular point in time (Deephouse 1999). A firm with strategic differentiation selects a distinct position in what it ex ante perceives to be an unexploited or underexploited niche, in which it faces less competition, which in turn enables it to charge higher prices (Porter 1980). Such differentiation suggests that the firm's products and processes are adapted to the targeted niche market's unique and specific needs, reflecting precise knowledge of customers' buying behaviors and opinions within the niche target market, and thus not easily or quickly imitable by competitors (Calori and Ardisson 1988). For an incumbent firm with greater strategic differentiation, 1) customers are less likely to migrate to the offerings of import competitors, and 2) it can continue to command a price premium to protect its price margins from import competition. As noted by the President of a footwear firm (interview 1) with respect to import competition, "*US Companies should differentiate by emphasizing superior quality, innovation and reliability which can justify higher prices. Leverage "Made in USA" branding by tapping into consumer preferences for home market sourced products"*. Accordingly, I hypothesize,

H_4: Strategic differentiation mitigates the negative effect of import competition on incumbent firm revenue growth.

Customer-based assets increase customer loyalty, switching costs, and price premiums (Srivastava, Shervani, and Fahey 1998), in turn, increasing firm revenues and profits, particularly in business-to-business settings (Palmatier 2008). I define an incumbent firm's customer relationship capital as its number of major customers. Customers are likely to have greater commitment and trust (Morgan and Hunt 1994) toward incumbent firms with shared relationship capital, and thus are unlikely to opportunistically migrate to import competitors' offerings. Further, an incumbent firm with stronger customer relationship capital may have a greater number of connections with the customer across different levels of the organization, allowing greater knowledge transfer and communication efficiency (Tsai 2001), which, in turn can facilitate the establishment of feedback loops to gather and respond to customer feedback quickly to continuously improve offerings in response to import competition (Web Appendix C). For these reasons, customer relationship capital can help protect incumbent firms' revenue growth in the face of import competition.

At the same time, extant research highlights the risks of narrowly focusing on few customer relationships (Christensen and Bower 1996; Saboo, Kumar, and Anand 2017). As building strong customer relationships demands a significant investment of resources, firms build such relationships with only a few customers. This, in turn, can lead to reliance on a limited number of customers for revenues, increasing cash flow volatility and vulnerability. Thus, even if one or a few of a firm's major customers migrate to the offerings of import competition, this can significantly hurt future revenues. In addition, the concentration of revenues amongst few customers leads to power asymmetry, decreasing the supplier firm's bargaining power, and ability to appropriate shared value created (Chakravarty, Kumar, and Grewal 2014). For these reasons, customer relationship capital can hurt incumbent firms' revenue growth in the face of import competition. Given these opposing predictions from the literature, I propose competing hypotheses as follows,

$H_{5(alt)}$: Customer relationship capital mitigates (enhances) the negative effect of import competition on incumbent firm revenue growth.

Firms can acquire knowledge through experience in an overseas market (e.g., China) (Morgan et al. 2003). Such experiential knowledge can include, 1) knowledge of the marketing strategies and production practices of competitor firms originating from that market and 2) knowledge of the regulatory environment in the market (Eriksson et al. 1997). Experiential knowledge can help incumbent firms orchestrate competitive marketing responses to attract and retain customers in the face of import competition originating from the given overseas market (Gielens et al. 2008). Through experiential knowledge of a given market, an incumbent firm can 1) effectively differentiate its offerings compared to imports originating from the market, 2) successfully frame the relative benefits of its offerings, and 3) demonstrate convincing evidence of lower total cost of ownership vs. imports from the market, thus increasing customer retention and price premiums. As noted by the Founder/ President of a bicycle firm in relation to countering import competition (interview 2): "*Understanding how things are made in importing countries, the processes, the cultural nuances, and there a lot of tiny things, if you are only dealing with a 12-hour time difference in electronic communication, it is pretty hard to understand….when you go there, you can see where the holes are, so you can differentiate your marketing information if they try to compete with you*". In addition, based on their experiential knowledge of a given market, incumbent firms are more likely to perceive import competitors originating from the market as serious threats and respond appropriately by leveraging their strengths. Thus, I hypothesize,

H_6: Experiential knowledge mitigates the negative effect of import competition on incumbent firm revenue growth.

Data and Methods

The relationship between import competition and revenue growth is difficult to causally identify as omitted variables or reverse causality may drive a spurious correlation between the two. For example, import competitors may be hesitant to enter industries containing incumbent firms with strong revenue growth. To overcome this, I exploit the quasi-experiment of conferral of permanent normal trade relations (PNTR) to China (described in an earlier section). Following prior research (Pierce and Schott 2016; 2020), the impact of PNTR is measured as the difference between the non-NTR and NTR tariff rates, i.e., the rise in US tariffs that would have occurred if China's NTR status had not been renewed by the passage of PNTR. This measure is referred to as the NTR gap and defined as follows, for firm i in industry j:

$$(1)\text{: } NTR\ Gap_j = Non\ NTR\ Rate_j - NTR\ Rate_j$$

Following Pierce and Schott (2016; 2020), the NTR gap is computed for each standard industrial classification (SIC) j using ad valorem equivalent tariff rates provided by Feenstra, Romalis, and Schott (2002) for 1999, the year before the passage of PNTR. Larger NTR gaps indicate an industry faced a greater reduction in uncertainty and, therefore, greater increases in import competition following PNTR. Within our empirical context, NTR gaps across industries vary widely, with a mean of 27% and a standard deviation of 15%. NTR gaps are only defined for industries whose output is subject to import tariffs[3].

Validity of PNTR as an identification strategy. Table W4 (Web Appendix D) tabulates extant research using PNTR as a quasi-experiment to identify the effects of import competition on firm outcomes, including profitability (Hombert and Matray 2018) and innovation (Chen, Gao, and Wang 2021). A majority of these papers examine the effects of import competition on

[3] Although prior research has demonstrated that PNTR led to an increase in Chinese imports (e.g., Handley and Limão 2017; Pierce and Schott 2016), I empirically verify it in this context as well (Figure W1; Web Appendix D) by collecting data on the volume of Chinese imports to the US across industries (Autor, Dorn, and Hanson 2019).

individual firms, indicating that PNTR represents a valid identification strategy to examine the effects of import competition on firm-level outcomes. In our empirical context, the exogeneity of PNTR is confirmed by plotting trends of firm characteristics (marketing department power, profitability, capital investment, R&D intensity, and SG&A intensity, see figures W2-W6 (Web Appendix D)) in industries that have a high NTR gap vs. industries that have a low NTR gap for the five years prior to the conferral of PNTR. The five graphs show that there are no significant differences between firms in industries with high NTR gaps and firms in industries with low NTR gaps across these five variables, as the point estimate for each year is not significantly different from 0, and the confidence intervals include 0. Thus, the presence of pre-existing differences between firms in industries with high NTR gaps vs. firms in industries with low NTR gaps can be ruled out. These results have face validity as the variation in the NTR gap is primarily driven by tariff rates that were set by the Smoot-Hawley Act in 1930, over 70 years prior, thus overcoming any concerns of reverse causality.

Data and Sample Construction

To test the hypotheses, I collect data from several different sources. First, I collect data on firms' marketing department power from Compustat's Execucomp database, which provides top management team (TMT) information from annual proxy statements (Feng, Morgan, and Rego 2015). Second, I collect data on strategic differentiation from the Hoberg-Phillips data library (Hoberg and Phillips 2016), described in detail in Panel A (Web Appendix E), which uses text-based analysis of firm product descriptions filed with the Securities and Exchange Commission (SEC), to construct measures of product market similarity. Third, I collect data on firms' financial variables from the Compustat database, which I use to compute firms' revenue growth, marketing capability, experiential knowledge, and firm and industry-specific control variables.

Fourth, I collect data on firms' customer relationship capital from the Compustat segments database (Saboo, Kumar, and Anand 2017)[4]. Fifth, I collect data on economic policy uncertainty in the US from the Baker, Bloom, and Davis (2016) database, described in detail in Panel D (Web Appendix E).

I test the hypotheses using data on publicly listed US firms between 1992 and 2007. To prevent any confounding effects from the Great Recession of 2008 (Dubé, Hitsch, and Rossi 2018), I consider 2007 as the last year in the sample. The time frame of 1992 to 2007 is consistent with other studies that measure the impact of import competition on US outcomes (e.g., Autor et al. 2020). I started with a sample of 8,063 firm-year observations across 869 firms for which there is non-missing data on revenue growth and control variables. After including data on marketing department power, marketing capability, strategic differentiation, customer relationship capital, and experiential knowledge, the final sample consists of 7,197 firm-year observations across 822 firms. Table W5 (Web Appendix E) presents the constructs, measures, and references to supporting literature.

Measures

Dependent variable. The dependent variable is annual revenue growth, i.e., the percentage change in annual revenues from year t to year t+1 (Nath and Mahajan 2008; Whitler, Krause, and Lehmann 2018).

Treat. I operationalize the extent of treatment using the NTR gap described above, i.e., the difference between the higher, non-NTR rates to which tariffs could have risen prior to

[4] The Securities and Exchange Commission requires all publicly listed firms to disclose information through prefiling Statement of Financial Accounting Standards (SFAS) 14 disclosures on customers that account for more than 10% of firm revenues, these statements are available in the Compustat segments database.

PNTR and the lower NTR rates that were fixed once China was granted PNTR status. I measure all predictor variables in year t to maintain causal priority (Whitler, Krause, and Lehmann 2018).

Post. I code the Post variable as 1 for firm-year observations after conferral of PNTR status to China in 2000, and 0 for those before the policy change.

Marketing department power. Following Feng, Morgan, and Rego (2015), I operationalize a firm's marketing department power using five items: (1) number of marketing executives on the top management team (TMT) (job title keywords: customer, marketing, sales, brand, and advertising, etc.) divided by the total number of executives, (2) marketing TMT executives' compensation relative to the compensation of all TMT executives, (3) hierarchical level of the highest-level marketing TMT executives' job title, (4) the cumulative hierarchical levels of all marketing executives in the TMT, (5) the number of responsibilities in the marketing TMT executives' job titles. I then combine them using principal component analysis and scale this score between 1 and 100.

Marketing capability. To estimate marketing capability, I use an input-output stochastic frontier estimation (SFE), which calculates an inefficiency score based on how well a firm is able to transform available resource inputs into a desirable performance output. Following prior research (e.g., Dutta, Narasimhan, and Rajiv 1999), I include total sales as an output and the following quantities as marketing resource inputs, 1) stock of Selling, General, and Administrative (SG&A) Expenses, indicating the level of marketing investments; (2) stock of receivables, relating to resources dedicated to maintaining customer relationships, and (3) stock of sales available to the firm, indicating the installed customer base. Panel B (Web Appendix E) provides greater detail on the marketing capability measure.

Strategic differentiation. For a given firm in a year, the Hoberg-Phillips data library provides the total similarity score, which indicates how close the firm's product market descriptions in the business description section of its 10-K are to its closest competitors' product market descriptions. As this data yields a measure of a firm's product market similarity with its competitors, I take the inverse to measure strategic differentiation.

Customer relationship capital. I measure a firm's customer relationship capital using the number of major customers (Saboo, Kumar, and Anand 2017) from the Compustat segments database[5]. To account for firm size, I scale the number of major customers by firm assets. As missing values represent the absence of any major customer (Boyd, Chandy, and Cunha 2010), I set them to zero.

Experiential knowledge. Following Spyropoulou et al. (2018), I measure experiential knowledge in Chinese markets (Johanson and Vahlne 2009) using the proportion of foreign sales in China to overall sales. I measure foreign sales in China using the Compustat segments database, operationalizing it as the sum of sales for nondomestic geographic segments in China (Mithas, Whitaker, and Tafti 2017). To classify business segments in China, I use the following keywords – "China, Chinese, and PRC". Following prior research (Wong 2000), I set missing values of foreign sales to zero.

Control variables. I control for other factors that might influence firm revenue growth, including firm size using the logarithm of assets, industry concentration using the Hirschmann-Herfindahl index (the sum of the squared market shares for all firms in each industry),

[5] As noted in Saboo, Kumar, and Anand (2017), a firm's customer base has two dimensions, its breadth, represented by the number of key customers, and its depth, represented by the ratio of sales from all the major customers to total sales. While I use the breadth of the customer base as the primary measure of customer relationship capital, I demonstrate that the results are robust to an alternate operationalization, depth of the customer base.

advertising using the ratio of advertising spending[6] to assets, intangible asset intensity using one minus the ratio of plant, property, and equipment to assets, and product market diversification using Palepu (1985)'s entropy measure. To control for a firm's finance department power and operations department power, I adapt the marketing department power measure in Feng, Morgan, and Rego (2015). Panel C (Web Appendix E) presents the titles used to measure finance department power and operations department power. I also control for the following economic policy uncertainty indices that may affect incumbent firm revenue growth from the Baker, Bloom, and Davis (2016) database – trade policy uncertainty, regulation policy uncertainty, and national security policy uncertainty. The indices are available at the monthly level, which I average at the annual level for consistency with other variables used in the estimation. To overcome any influence of outliers, I winsorize all continuous variables at the 99% level (Jindal 2020). Table W6 (Web Appendix E) presents the descriptive statistics, including means, standard deviations, minimum, maximum, and median values of all variables. Table W7 (Web Appendix E) presents the correlation matrix.

Model Free Evidence

Figure W7 (Web Appendix E) presents model-free evidence of the relationship between import competition and revenue growth. I classify firms in industries with above (below) mean treat values as high (low) NTR gap. Panel A of Figure W7 compares firms in the low and high NTR gap groups in the pre and post PNTR period. Specifically, Panel A of Figure W7 indicates that firms in the high NTR gap condition observed a decline in revenue growth in the post PNTR period as compared to firms in the low NTR gap condition. Panel B of Figure W7 demonstrates

[6] As the U.S. Securities and Exchange Commission requires firms to disclose material advertising spending, I assume that when a firm does not disclose such spending, its spending is, or close to 0. Thus, following prior literature (Jindal 2020), I set missing values of advertising to 0.

the divergence in revenue growth between firms in the high and low NTR gap groups in each year following PNTR, with lower revenue growth for firms in the high NTR gap group following PNTR, as compared to those in the low NTR gap group.

Estimation Approach: Differences-in-Differences

I examine the effects of import competition on firm revenue growth using the differences-in-differences method, which is well suited to establishing causal claims in a quasi-experiment (Vig 2013). The differences-in-differences method compares the effect of the event (conferral of PNTR status to China) on firms in industries that faced higher NTR gaps with firms in industries that faced lower NTR gaps. To estimate the differences-in-differences model, I regress incumbent firms' revenue growth on the main effects of the treat and post variables and their interactions. I control for unobserved heterogeneity using firm fixed effects (FE) and estimate the following equation for firm i in industry j in time t,

$$(2): Revenue\ growth_{ijt+1} = \alpha_{0i} + \alpha_1 Treat_j + \alpha_2 Post_{ijt} + \alpha_3\left[Treat_j \times Post_{ijt}\right] + \alpha_4$$
$$Controls_{ijt} + \varepsilon_{it}$$

where α_{0i} refers to the firm FE and α_3 refers to the causal effect of import competition on incumbent firms' revenue growth.

Next, I estimate the heterogeneous treatment effects of import competition on firm revenue growth:

$$(3): Revenue\ growth_{ijt+1} = \ \beta_{0i} + \beta_1\left[Treat_j \times Post_{ijt}\right] + \beta_2$$
$$\left[Treat_j \times Post_{ijt} \times Marketing\ department\ power_{ijt}\right] + \beta_3$$
$$\left[Treat_j \times Post_{ijt} \times Marketing\ capability_{ijt}\right] + + \beta_4$$
$$\left[\ Treat_j \times Post_{ijt} \times Strategic\ differentiation_{ijt}\right] + \beta_5$$
$$\left[Treat_j \times Post_{ijt} \times Customer\ relationship\ capital_{ijt}\right] + \beta_6$$
$$\left[Treat_j \times Post_{ijt} \times Experiential\ knowledge_{ijt}\right] + \beta_7$$
$$\left[Treat_j \times Marketing\ department\ power_{ijt}\right] + \beta_8\left[Treat_j \times Marketing\ capability_{ijt}\right] + \beta_9$$

$$[Treat_j \times Strategic\ differentiation_{ijt}] + \beta_{10} [Treat_j \times Customer\ relationship\ capital_{ijt}] + \beta_{11}[Treat_j \times Experiential\ knowledge_{ijt}] + \beta_{12}[Post_{ijt} \times Marketing\ department\ power_{ijt}] + \beta_{13} [Post_{ijt} \times Marketing\ capability_{ijt}] + \beta_{14}[Post_{ijt} \times Strategic\ differentiation_{ijt}] + \beta_{15} [Post_{ijt} \times Customer\ relationship\ capital_{ijt}] + \beta_{16}[Post_{ijt} \times Experiential\ knowledge_{ijt}] + \beta_{17}Treat_j + \beta_{18}Post_{ijt} + \beta_{19}Marketing\ department\ power_{ijt} + \beta_{20} Marketing\ capability_{ijt} + \beta_{21}Strategic\ differentiation_{ijt} + \beta_{22}Customer\ relationship\ capital_{ijt} + \beta_{23}Experiential\ knowledge_{ijt} + \beta_{24}Controls_{ijt} + \varepsilon_{it}$$

where β_{0i} refers to the firm FE, β_2 refers to the heterogeneous treatment effect of import competition on incumbent firms' revenue growth based on marketing department power, β_3 based on marketing capability, and β_{4-6} based on strategic differentiation, customer relationship capital, and experiential knowledge, respectively. Because I include firm FEs, main effects and interaction terms completely collinear with them drop out of the estimation.

Results

Table 3 presents the estimates of the differences-in-differences model in equation (2), which indicate that import competition decreased incumbent firm revenue growth (b = -.180, *p<.05*), thus providing support for H_1.

----Insert Table 3 around here----

Following this, Columns 1-5 of Table 4 present the estimates of the heterogeneous treatment effects model in equation (3). Given space constraints, I only present hypothesized results in Table 4, and present the entire estimation in Table W8 (Web Appendix F). I build the model in steps, including one moderator at a time. I use the final model presented in Column 5 of Table 4 to test the hypotheses. The adverse effect of import competition on incumbent firm revenue growth is mitigated by marketing department power (b = .015, *p<.01*), supporting H_2. In contrast, incumbent firm marketing capability had no effect on the relationship between import competition and revenue growth (b = -1.429, n.s.). Thus, H_3 is not supported. With respect to market-based assets, strategic differentiation mitigates the adverse effect of import competition on incumbent firm revenue growth (b = .795, *p<.01*), supporting H_4. In addition, customer relationship capital mitigates the adverse effect of import competition on incumbent firm revenue growth (b = 37.36, *p<.01*), supporting H_5. Finally, experiential knowledge has no effect on the relationship between import competition and incumbent firm revenue growth (b = -69.23, n.s.). Thus, H_6 is not supported.

----Insert Table 4 around here----

Robustness Checks

I next examine the robustness of the results to alternate specifications, alternate variable operationalizations, alternate performance metrics, and alternate samples.

Alternate specifications. In equation (3), I am unable to include year fixed effects (FEs) as the estimates of the annual policy uncertainty control variables, which are perfectly collinear with the year fixed effects would drop out. I check the robustness of the results to including year FEs (the estimates of policy uncertainty drop out). Column 1 of Table W9 (Web Appendix F) presents these results, which are consistent with those in Table 4. Column 2 of Table W9 (Web Appendix F) presents the results of the model in equation (3) re-estimated using four-digit SIC FEs instead of firm FEs, which are consistent with those in Table 4.

Estimation without controls. Table W10 (Web Appendix F) presents the results of the heterogeneous treatment effects model in equation (3) re-estimated by excluding all control variables, which are consistent with those in Table 4.

Alternative measure of customer relationship capital. Table W11 (Web Appendix F) presents the results of the heterogeneous treatment effects model in equation (3) re-estimated using customer asset depth as a measure of customer relationship capital, which are consistent with those in Table 4. Customer asset depth is measured as the ratio of sales from all major customers to total sales (Saboo, Kumar, and Anand 2017).

Alternate measures of firm performance. I test the robustness of the results to two alternate performance metrics relevant to marketing. First, I examine robustness to estimation using Tobin's q, which 1) captures both immediate and future firm performance, 2) is organizational goal agnostic, and 3) less affected by accounting conventions (Germann, Ebbes, and Grewal 2015). I measure Tobin's q as follows:

$$(4): Tobin's\ q_{ijt} = \frac{Market\ value\ of\ equity_{ijt} + Preferred\ Stock_{ijt} + Debt_{ijt}}{Total\ assets_{ijt}}$$

for firm i in industry j in year t. Following Chung and Pruitt (1994), a firm's market value of equity = share price x number of common shares outstanding; preferred stock = liquidating value of a firm's preferred stock; and debt = long-term debt. As Tobin's q is a forward-looking measure, I use the contemporaneous value in the year t.

Second, I examine robustness to estimation using profit (I control for asset size in the model estimation) as a firm performance metric. I use absolute profit as economic theories indicate that maximizing the amount of profit – not the efficiency with which profit is generated (captured by return on assets and similar return on investment measures), is a firm's major performance objective (Bhattacharya, Morgan, and Rego 2022). I measure profit as follows:

$$(5): Profit_{ijt+1} = \ln\left(Gross\ Profit_{ijt+1}\right)$$

for firm i in industry j in year t. Consistent with revenue growth, I use profit in the year t+1 to maintain causal priority.

I begin by re-estimating equation (2) using Tobin's q and profit as dependent variables, respectively. Columns 1-2 of Table W12 (Web Appendix F) present these results, which indicate that import competition decreased incumbent firms' Tobin's q (b = -1.064, $p<.01$) and profit (b =

-.783, $p<.01$). Next, I re-estimate equation (3) using Tobin's q and profit as dependent variables, respectively. Columns 1-2 of Table W13 (Web Appendix F) present these results. Column 1 of Table W13 indicates that incumbent firm marketing department power had no effect on the relationship between import competition and Tobin's q (b = -.0161, n.s.). In contrast, incumbent firm marketing capability mitigates the adverse effect of import competition on incumbent firm Tobin's q (b = 10.66, $p<.05$). With respect to market-based assets, strategic differentiation (b = 3.975, $p<.01$) and experiential knowledge (b = 1,507, $p<.05$) mitigate the adverse effect of import competition on incumbent firm Tobin's q. In contrast, customer relationship capital had no effect on the relationship between import competition and Tobin's q (b = 31.35, n.s.). Column 2 of Table W13 indicates that the adverse effect of import competition on incumbent firm profit is mitigated by marketing department power (b = .00946, $p<.05$) and marketing capability (b = 3.396, $p<.05$). In addition, strategic differentiation (b = 2.345, $p<.01$) and customer relationship capital (b = 38.16, $p<.01$) mitigate the adverse effect of import competition on incumbent firm profit, while experiential knowledge had no effect on the relationship between import competition and profit (b = 163.8, n.s.). Table 5 presents a summary of the findings across three firm performance metrics – revenue growth, Tobin's q, and profit.

----Insert Table 5 around here----

Sample of business-to-business (B2B) firms. I measure firms' membership in B2B vs. B2C industries according to their primary four-digit SIC codes using the business description that the Occupational Safety and Health Administration provides (Palepu 1985; Srinivasan, Lilien, and Sridhar 2011). As a majority of the firm-year observations in the sample are firms in B2B industries (6,081 observations across 701 firms), I re-estimate equation (3) using this sample for the three dependent variables – revenue growth, Tobin's q, and profit. Table W14

(Web Appendix F) presents these results, which are consistent with those in Table 4 and Table W13.

General Discussion

Increasingly, policymakers are seeking to prevent a China Shock 2.0, i.e., a surge in Chinese import competition in US industries crucial to national interest, by raising trade barriers and increasing government investment (Douglas 2024; Krishnamoorthi 2024). In this research, I examine one overlooked market-based determinant of the competitiveness of US firms.

Theoretical Contributions

By examining the role of marketing in the context of import competition, this study makes three theoretical contributions. First, an extensive literature in economics (e.g., Autor et al. 2020) and management (e.g., Flammer 2015) has examined the consequences of import competition for incumbent firms. I contribute to this literature by adopting a marketing perspective and providing theoretical arguments and empirical evidence on the role of marketing in countering import competition. To this end, I integrate insights from three theoretical streams (Morgan 2012) – upper echelons, dynamic capabilities, and the resource-based view. By studying the effects of three facets of marketing (leadership, capabilities, and resources) on three different performance metrics, I seek to provide a comprehensive and nuanced, account of the role of marketing in helping incumbent firms counter import competition.

Second, the marketing literature thus far has focused on domestic competition (e.g., Debruyne and Reibstein 2005; Ailawadi et al. 2010) and foreign direct investment (FDI) liberalization (e.g., Gielens et al. 2008; Ramani and Srinivasan 2019). Through this study, I bring into the marketing literature an overlooked form of competition, import competition. I demonstrate that import competition adversely affects three performance metrics of relevance to marketing scholars and marketers. While scholars have studied the role of marketing in export venture performance (e.g., Morgan, Kaleka, and Katsikeas 2004), by taking the perspective of incumbent firms facing incoming import competition, I find that marketing department power, marketing capability, and market-based assets can be an effective shield for incumbent firms. Through this research, I highlight the unique competitive challenges posed by import competition and seek to delineate the unique role that marketing can play in helping incumbent firms counter it.

Third, the extant marketing literature has examined the effects of marketing presence in the upper echelons (UE), including the top management team (TMT) and board of directors (BOD), on firm performance, and demonstrated that an individual's marketing knowledge and experience have differential impact across UE levels and market conditions (Whitler et al. 2021). For example, while BOD members with marketing experience increase revenue growth (Whitler, Krause, and Lehmann 2018), powerful marketing departments increase return on assets and total shareholder returns (Feng, Morgan, and Rego 2015), and chief marketing officers in the TMT increase Tobin's q (Germann, Ebbes, and Grewal 2015). Through this examination of the effects of marketing department power on three different performance metrics, I seek to add to this body of evidence. The findings indicate that in the context of import competition, higher marketing department power can protect incumbent firm revenue growth and profit, but does not appear to protect incumbent firm Tobin's q.

Implications for Practice

A review of firms' earnings call transcripts, annual reports, and other sources of ecological validity indicates that Boards and TMTs are concerned by the unique challenges posed by import competition and are uncertain how best to respond. The current research indicates that in the context of import competition, incumbent firms should increase marketing power in the TMT to generate higher revenue growth and profit. Increasingly, there are concerns that marketing leadership is losing its clout in the C-suite, with several Fortune 500 firms eliminating the CMO role when faced with poor performance (Wahba 2024). By identifying a novel context in which marketing increases growth, these findings should encourage decision makers to rethink their position on the effectiveness of marketing leadership.

In particular, the results suggest that when faced with import competition, BODs and CEOs should place marketing at the center of their growth strategy. To this end, boards, CEOs, and TMTs should align on the role of the marketing function in countering import competition, and clearly define realistic marketing key performance indicators (KPIs) relevant to import competition. To ensure that the marketing department has the requisite impact on the strategy dialogue to counter import competition, boards and CEOs can make certain that the marketing function presents often to the board and is involved in firm-wide strategic, board-level discussions. In addition, to ensure that the marketing department has sufficient influence, boards and CEOs can increase the relative compensation and breadth of responsibility awarded to marketing leadership. Further, the board and CEO should identify the key C-level and board partners required for the marketing function to achieve revenue growth in the context of import competition and create alignment mechanisms such as shared goals and KPIs.

In times of economic uncertainty, decision-makers veer toward slashing marketing budgets, driven, in part, by skepticism about marketing ROI (Fisher 2024). The findings of this research, which make a strong business case for 1) developing marketing capabilities, and 2) building market-based assets, suggest that this may not be the right course of action for incumbent firms facing import competition to pursue. Specifically, the findings indicate that boards and TMTs of firms facing import competition should invest more time and attention toward generating and leveraging the resources of differentiation and strong customer relationships. To counter import competition, boards and CEOs can ensure that all departments involved in achieving superior differentiation, such as marketing, R&D, and operations, are in alignment over its importance. To this end, boards and CEOs can create shared goals and KPIs relevant to achieving greater differentiation and ensure that these are tracked and managed firm-wide. In addition, with respect to achieving strong customer relationships, boards and TMTs of firms facing import competition need to ensure that customer-centricity is prioritized throughout the organization. To this end, CEOs and other TMT members can lead by example, often meeting their counterparts in customer firms, and ensuring that connections with customer firms are generated and maintained at several levels within both organizations.

Economic significance of estimates. Table W15 (Web Appendix F) presents the economic significance of the findings (Table 4 and Table W13)[7]. Column 1 of Panel A of Table W15 (Web Appendix F) indicates that a 10% increase in the NTR gap combined with a one standard deviation increase in marketing department power increases revenue growth by 5.20%. Similarly, a 10% increase in the NTR gap combined with a one standard deviation increase in strategic differentiation and customer relationship capital increases revenue growth by 5.57% and 14.60%, respectively. Further, Column 1 of Panel B of Table W15 (Web Appendix F) indicates that a 10% increase in the NTR gap combined with a one standard deviation increase in

[7] To quantify economic significance, I interpret not only the coefficient of the three-way interactions, but also net effects. In Table W15, Column 1 considers only the net effect (coefficient) of the three-way interaction between treat, post, and the moderator and Column 2 considers the net effect of the three-way interaction between treat, post, and moderator, the two-way interaction between treat and moderator, and the main effect of the moderator.

marketing capability, strategic differentiation, and experiential knowledge increases Tobin's q by .83%, 1.95%, and 4.58%, respectively[8].

Limitations and Opportunities for Future Research

This study has some limitations that offer opportunities for further research. First, the findings are based primarily on a sample of firms in business-to-business (B2B) industries. Future research can use novel datasets to examine whether these findings generalize to the context of consumer goods industries. Second, I study the relevance of marketing in a context where high-income country incumbent firms experienced import competition from firms that had comparative advantages through access to a vast working-age population, low wages, government support, cheap currency, and productivity gains (Davis and Hilsenrath 2016). Future research can examine whether these findings generalize to other contexts of import competition, for example, incumbent firms in emerging markets facing import competition from high-income countries. Third, in this study, because of a lack of data availability, I was unable to include marketing elements such as brand equity, price premiums, and targeting strategies. Future research can use novel datasets to examine the effects of these predictors in the context of import competition.

To conclude, the findings of this first study on the role of marketing in the face of import competition provide novel insights into the relevance of marketing for incumbent firm

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[8] To put the effect sizes into perspective, I compare the effectiveness of marketing in countering import competition with those of other strategic investments. While extant research has used different operationalizations of import competition and firm performance, computations suggest that the effectiveness of a one standard deviation (SD) increase in the marketing elements studied is comparable to the effectiveness of a one SD increase in other resources employed to fight import competition, including capital intensity (2.8%, Bernard, Jensen, and Schott 2006), cash stocks (2.9%, Fresard 2010), and R&D stocks (1.4%, Hombert and Matray 2018).

performance. Hopefully, this study stimulates additional work in this area, given the increasing pace of liberalization in markets around the world.

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Figure 1: Conceptual Model - Import Competition and Revenue Growth

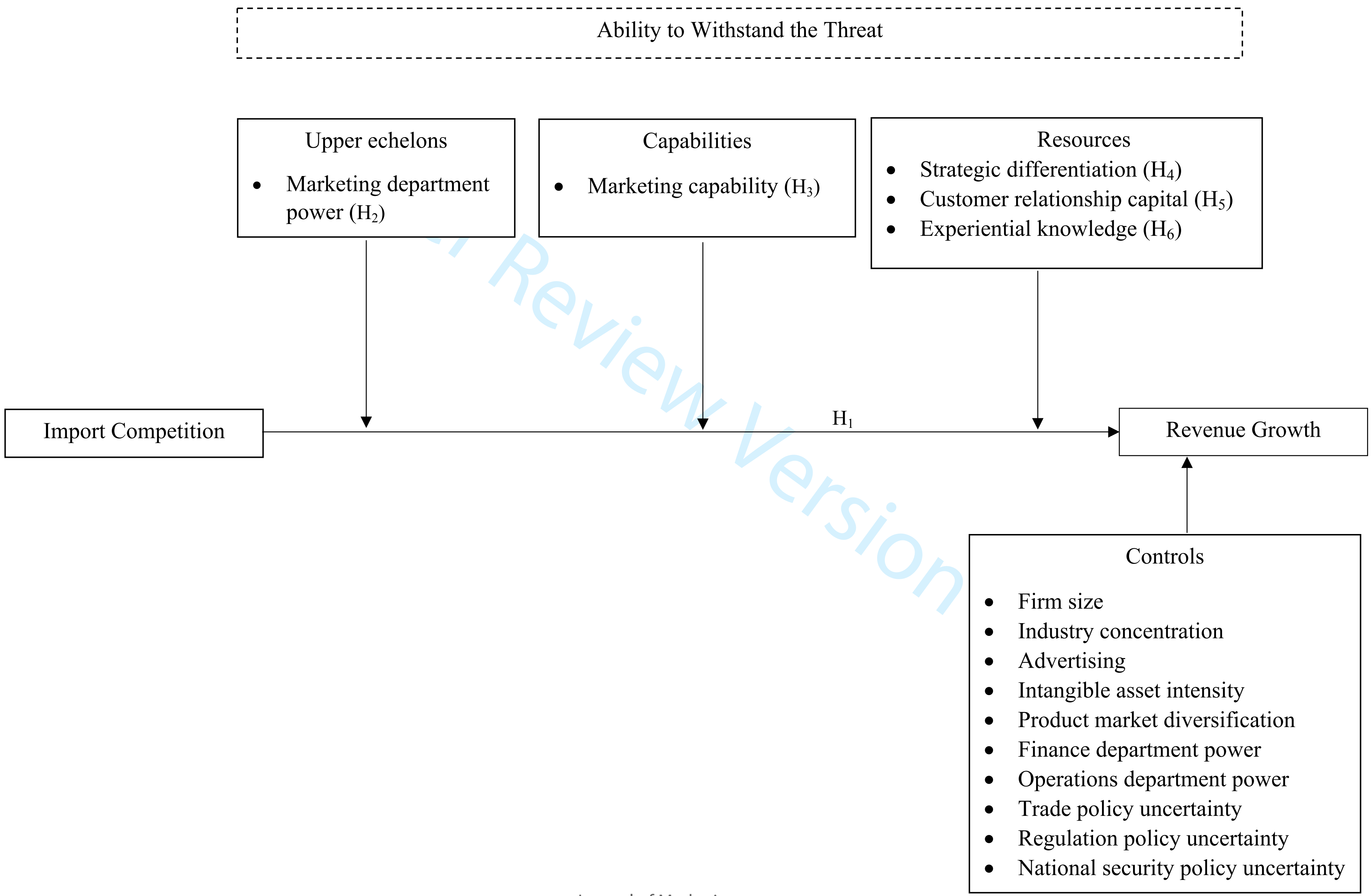

Table 1: Ecological Validity of Role of Marketing in Countering Import Competition - Summary of Data Sources

Description	Dataset	Exemplar industries	Location
Interviews	Four interviews with executives who have extensive experience with import competition spanning two to four decades, including in the time frame of 2000 to 2007	Textiles, Footwear	Web Appendix C, Panel A
Books	Excerpts from four books written by (or profiling) CEOs and entrepreneurs engaged in countering import competition	Furniture, Textiles	Web Appendix C, Panel B
Social media (Reddit) discussion threads	Excerpts from two subreddit discussion threads on countering import competition	Technology, Capital equipment	Web Appendix C, Panel C
Business press	Three case studies on US manufacturing firms	Flatware, Materials processing	Web Appendix C, Panel D
Industry publications	Excerpts from two industry publications on countering import competition	Auto, Smartphones	Web Appendix C, Panel E

Table 2: Ecological Validity of Role of Marketing in Countering Import Competition: Findings Exemplified across Data Sources

Relevant facet of marketing	Data excerpt
Marketing leadership	"To counter import competition, marketing leaders should focus on the following: • Strategy and Direction: Collaborating with functional area teams to set a strategic vision that clearly differentiates the company from competitors… including Chinese imports. Also, marketing execs should lead the effort to gather and analyze market data, including competitor actions, customer preferences and emerging trends. This insight helps the company anticipate and respond to the challenges posed by Chinese imports. • Customer Centric Focus: It's paramount that the marketing leaders ensure the entire organization maintains a customer centric approach that prioritizes the needs and preferences of the target markets. By deeply understanding customers, companies can offer a greater value proposition that resonates with the end customer. • Innovation and Differentiation: Marketing leaders are also obligated to work directly with the R&D and product development teams to innovate on products and services that are difficult for competitors to replicate. Strong branding is also essential in differentiating products from imports by maintaining a brand that stands for quality, reliability and innovation… justifying any price premium. • Pricing Strategies: Marketing leadership should advocate for value-based pricing strategies that reflect the true value of the product rather than competing solely on price. In many cases, it involved educating customers on the benefits of the company's' products, including quality, service and after-sales support. • Internal and External Alignment: Marketing leaders should work across functional areas such as sales, product development and supply chain management to ensure all parts of the organization are working together to combat the threat of imports. Successful marketing executives also forge strategic partnerships with companies or influencers that can enhance the company's market position. • The Long Term: While addressing immediate competitive pressures, marketing leadership should also focus on long-term brand building and positioning strategies that will sustain the company's growth beyond the short term. Additionally, marketing executives should foster a culture of continuous improvement and innovation, ensuring it stays relevant and competitive in the face of ongoing competition." - (President of a footwear firm, interview 1)
Marketing capability	"The key is keeping one's finger on the pulse of pricing, lead time and quality of competing goods coming from China." - (CEO of a textile firm, interview 3) "No one is closer to our consumers, or better understand their tastes, than we are, ourselves. Producing locally allows us to produce what our customers want and get it to them within days, whereas it takes months to ship goods from China, door to door. Keeping manufacturing on our shores also allows for quick alterations or customization, to adjust to rapidly changing customer needs and requirements." - (Book excerpt, Lipscomb 2011) "To combat import competition, managers of US firms should develop the ability to quickly adapt marketing strategies to changing market conditions, trends and competitive threats." - (President of a footwear firm, interview 1)

Strategic differentiation, including through customization in product development, Made in America identity, and product quality and safety relative to imports	"During the last decade, as imports from China decimated furniture manufacturing in North Carolina, those with the best chance of surviving changed their business model to allow retailers to order smaller quantities and to allow customers to order more customized products. Bassett furniture responded to the China onslaught by releasing a line of casual dining furniture in their own stores that was custom assembled and finished, then delivered in ten days. The consumer could use an in-store computer to choose from forty-two colors and a thousand different fabrics." - (Book excerpt, Woody 2016) "One thing we've discovered at Vaughan-Bassett: The more American-made products are highlighted with consumers, the better those products sell. The first step to getting people to buy American is letting them know something is American-made. In February 2015, Brown Squirrel Furniture in Knoxville, Tennessee opened a dynamic made in America gallery. Customers see the furniture and like it. The fact that it is made in America is an added selling point. They like hearing that. Customers buy a lot more of our furniture than they had before, and Brown Squirrel has the sales figures to prove it." - (Book excerpt, Bassett and Henican 2016) "Benchmark your overseas competition and make objectively measurable distinctions between your product quality and theirs, particularly if product safety compliance is involved. Emphasize those distinctions as a key part of your sales and marketing message to those US prospects you are trying to win or win back." - (Book excerpt, Woody 2016)
Building strong customer relationships	"Another way that a finer company builds trust with a US prospect to win them back – or to prevent them from going overseas – is to develop relationships between your company and your customers and prospects at several levels in the respective organizations." - (Book excerpt, Woody 2016) "We're also focusing on customer service, and customization. Also lead time. We reduced our delivery lead times to a week. The real advantage we have is we can get face time with our customers. Their advantage is they can scale easily. So we play to our advantage." - (Reddit discussion thread) "Loyal customers are more likely to resist switching to cheaper imports." - (President of a footwear firm, interview 1)
Experiential knowledge	"Companies that have competed internationally are often more experienced in dealing with a wide range of competitors, including those from China. This experience teaches them how to identify competitive threats, respond to aggressive pricing, and leverage their strengths effectively." - (President of a footwear firm, interview 1)

Table 3: Effect of Import Competition on Incumbent Firm Revenue Growth – Differences-in-Differences Estimation

	Revenue growth
Post × Treat (H_1)	-.180**
	(.0822)
Post	-.0135
	(.0305)
Firm size	-.182***
	(.0114)
Industry concentration	-.0500
	(.0825)
Advertising	-.871**
	(.441)
Intangible asset intensity	.281***
	(.0902)
Product market diversification	.0290**
	(.0132)
Finance department power	-.00157**
	(.000623)
Operations department power	-.00124**
	(.000604)
Trade policy uncertainty	.000169*
	(.0000953)
Regulation policy uncertainty	-.00335***
	(.000429)
National security policy uncertainty	.00124***
	(.000161)
Intercept	1.430***
	(.103)
Firm fixed effects	Yes
Observations	8,036
Number of firms	869
R-squared	.280
Adjusted R-squared	.192

*** *p<.01,* ** *p<.05,* * *p<.1*

Table 4: Effect of Import Competition on Incumbent Firm Revenue Growth – Differences-in-Differences Estimation with Heterogeneous Treatment Effects

	(1)	(2)	(3)	(4)	(5)
Post × Treat (H_1)	-.326***	-.0302	-.690**	-.663**	-.646**
	(.0897)	(.231)	(.268)	(.269)	(.269)
Post × Treat × Marketing department power (H_2)	.0112***	.0118***	.0153***	.0146***	.0150***
	(.00384)	(.00384)	(.00389)	(.00390)	(.00391)
Post × Treat × Marketing capability (H_3)		-1.491	-.886	-1.378	-1.429
		(1.128)	(1.135)	(1.149)	(1.151)
Post × Treat × Strategic differentiation (H_4)			.744***	.799***	.795***
			(.175)	(.175)	(.176)
Post × Treat × Customer relationship capital (H_5)				36.45***	37.36***
				(9.176)	(9.175)
Post × Treat × Experiential knowledge (H_6)					-69.23
					(138.9)
Firm fixed effects	Yes	Yes	Yes	Yes	Yes
Observations	7,197	7,197	7,197	7,197	7,197
Number of firms	822	822	822	822	822
R-squared	.267	.274	.278	.281	.282
Adjusted R-squared	.1701	.1772	.1812	.1843	.1856

*** *p<.01,* ** *p<.05,* * *p<.1*; As a result of space constraints, I only include the hypothesized results in Table 4, and present the full estimation including two-way interactions, main effects, and control variables in Table W8 (Web Appendix F).

Table 5: Effect of Import Competition on Incumbent Firm Performance – Summary

	Revenue growth	Tobin's q	Profit
Import competition (H_1)	Negative	Negative	Negative
Import competition × Marketing department power (H_2)	Positive	n.s.	Positive
Import competition × Marketing capability (H_3)	n.s.	Positive	Positive
Import competition × Strategic differentiation (H_4)	Positive	Positive	Positive
Import competition × Customer relationship capital (H_5)	Positive	n.s.	Positive
Import competition × Experiential knowledge (H_6)	n.s.	Positive	n.s.

Web Appendix

Can Marketing Enable Firms to Counter Import Competition? Evidence from the China Shock

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These materials have been supplied by the authors to aid in the understanding of their paper. The AMA is sharing these materials at the request of the authors.

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Web Appendix A: Evidence of Increases in Import Competition

Table W1: Excerpts from Firms' Earning Calls Citing Import Competition as a Threat

Firm	Industry	Date	Text
La-Z-Boy Inc	Cyclical Consumer Products	2/11/2004	As we noted in our 10-Q discussion, this segment of our business has been negatively impacted by the combination of a weak overall hospitality market and **increased import competition**.
La-Z-Boy Inc	Cyclical Consumer Products	11/14/2007	As a result, we also had more than a dozen quarters of double-digit sales declines without earnings **as we were unable to compete with Asian imports**.
Insteel Industries Inc	Cyclical Consumer Products	10/18/2007	As reported in this morning's earning release, Insteel encountered turbulence during the fourth quarter brought about by the continued weakness in the housing sector, PC strand **import competition**, rising raw material costs and adverse weather conditions in certain regions of the country.
Constellation Brands Inc	Food & Beverages	9/30/2004	A lot of your **import competition** are talking about redoubling their efforts to kind of gain market share in the US.
ACCO Brands Corp	Industrial & Commercial Services	11/7/2007	However, adjusted operating income and margins were still down because of **low cost import competition** which continued to impact pricing and caused an unfavorable sales mix.
Barzel Industries Inc	Mineral Resources	6/29/2007	The tubular market is, I would say, a little off now due to an **influx of imports, primarily from China** actually.
Masco Corp	Cyclical Consumer Products	10/31/2006	The one exception to that I've mentioned in previous calls, we do feel that in faucets **we have lost some market share, particularly to low-end imported product from China**, particularly in the home centers where they brought in their own house brands.
Lancaster Colony Corp	Food & Beverages	11/1/2002	**As we've experienced an on going trend down in demand for pressed glass due to both import competition** and the trend to lower cost, blown glassware, we have not been able to utilize the capacity at the Indiana facility
Lincoln Electric Holdings Inc	Industrial Goods	10/18/2002	In previous calls, you have referred to a **problem with import competition**, particularly in consumer bulls.
TriMas Corp	Applied Resources	8/11/2006	Our **import competition** continues to cause reduced pricing in all markets served for standard products.
Methode Electronics Inc	Technology Equipment	9/4/2003	Also, during the quarter, our nonautomotive electronic businesses saw slower demand and increased **price competition coupled with an ongoing mass infusion of products from China**.

Standard Motor Products Inc	Automobiles & Auto Parts	8/6/2007	And we believe at that point we will be able to compete aggressively and profitably against **imports from China**.
PPG Industries Inc	Chemicals	1/15/2004	The strong U.S. market is an attractive lure to our global competitors, **and we continue to be adversely impacted in our fiberglass and in our automotive replacement glass businesses by imports from competitors**, who produce in low labor cost markets, such as China.
Avient Corp	Chemicals	5/4/2006	You referred to lower volumes and increased **import competition**.
Oldapco Inc	Industrial & Commercial Services	11/13/2007	Prices for Appleton's lightweight thermal papers have been increasingly affected by **imports of low-priced products from China**, Germany and Korea.
Steel Dynamics Inc	Mineral Resources	10/17/2007	I would tell you that it's probably not quite as frenzied as it has been, but good solid order entry, and I think we're really seeing **a slowing and a lack of imports which could be a positive for next year's results** as well.
Nucor Corp	Mineral Resources	10/18/2007	We were very encouraged by this week's MSCI report that September 2007 service center inventories fell to a 22-month low and **we are finally seeing significant drops in imports**.
Nucor Corp	Mineral Resources	7/19/2007	We expect improved bar shipments over the second quarter pace, **the sheet market conditions are likely to remain challenging due to imports from China**, and the continued softness in the automotive and housing sectors.
Standard Motor Products Inc	Automobiles & Auto Parts	8/6/2007	Temp Control net sales were negatively impacted by the following, **lower pricing in 2007 to compete against Asian imports; volume erosion to new Chinese compressors**; and a very cool and wet season impacting many of our customers in the AC replacement business.
Kimball International Inc	Industrial & Commercial Services	8/5/2003	The first question is much is being reported in the press about **the impact of Asian imports on manufacturing**.
HNI Corp	Industrial & Commercial Services	4/19/2007	Is it general weakness rather than you're seeing **increased competition from say imports** for example?
C&D Technologies Inc	Industrial Goods	12/8/2006	Are you seeing any more -- **any increase in Asian imports** into the market?
Quaker Fabric Corp	Cyclical Consumer Products	2/27/2007	Some of the key elements of the plan call for us to ensure that our operating costs are consistent with our revenue expectations; stabilize revenues from

			our U.S.-based residential fabric business **by concentrating our marketing efforts on those market segments least sensitive to imported products**, like the jobber, upper end and specialty retailer categories, and where prompt delivery is critical; generate additional sales by penetrating the outdoor and contract fabric markets; develop commercial relationships with a limited number of carefully chosen non-U.S. fabric mills so that we can strike the right balance between domestic production and offshore sourcing with these complementary offshore sourcing programs **intended to allow us to recapture at least a portion of the domestic residential business that we have lost to imported goods over the past several years**; and consolidate our manufacturing operations into fewer facilities, and sell off real estate and machinery and equipment we no longer need.
Mueller Water Products Inc	Industrial Goods	8/3/2007	Has something changed there on the competitive front where **you're really not seeing the pressure that we might have thought you were going to see from imports**, or are you using China more, or can you just elaborate on that a little bit?
Culp Inc	Cyclical Consumer Products	6/20/2007	Also important, and unlike **the residential furniture industry, which has faced intense competition from imports**, the bedding industry has experienced only limited competition from imports at this point.
CIRCOR International Inc	Unspecified	10/22/2004	But these are for smaller size valves, **where foreign competition is more fierce and pricing is very competitive**.
Accuride Corp	Unspecified	11/1/2007	And we also have some specific programs targeted to recoup **aftermarket share losses, where we've incurred them at the expense of foreign imports**
Lanxess Solutions US Inc	Unspecified	8/3/2006	Volume has been affected by the slowdown and closure of North American tire factories **as well as increased Chinese imports of rubber chemicals**.
Belden Inc	Technology Equipment	11/8/2005	I would say the sluggishness we are seeing there is twofold -- one, not seeing as robust spending in that area and two, **the price competition there I think we're seeing more imports in that part of the market**.
Vectra Co	Unspecified	11/3/2006	Volumes and coatings and inks were down slightly due to lagging demand in Europe and South America and **volumes in the North American tire**

			market were down 7%, due to imports and labor issues.
Duke Energy Corp	Utilities	8/3/2005	Year-to-date there have been 15 plant closings, **largely due to the expiration of tariffs that previously protected this industry from Chinese imports**.
E I Du Pont De Nemours and Co	Consumer Goods Conglomerates	10/23/2002	**Strong Asia price competition** was partially offset by a richer product mix.
Chiquita Brands International Inc	Unspecified	8/2/2007	In addition, we remain focused on our strategy to protect our price premium and not chase market share at the expense of profit, **despite higher industry imports**.
Fossil Group Inc	Cyclical Consumer Products	8/15/2006	And Swatch had made the comment that they're seeing **a lot of low-cost Chinese imports** flood the market in Europe.
Cooper Tire & Rubber Co	Unspecified	5/3/2006	Because, so much of that is really, especially at the opening price point, as you know, is driven by **very, very low-priced Asian imports**.
Conagra Brands Inc	Food & Beverages	6/30/2005	A third area in our portfolio, Gilroy Foods, a leading and trusted garlic, onion and vegetable ingredient brand, experienced weaker margins in the quarter due to intense cost pressures and **continued foreign competition**.
Dover Corp	Industrial Goods	4/25/2007	I think there's also been some **pricing challenges due to some imports**.
JCK Legacy Co	Cyclical Consumer Services	10/17/2006	You mentioned **Chinese imports**.
Tenneco Inc	Automobiles & Auto Parts	10/25/2005	You've mentioned some cross selling opportunities but it seems that that business, not only between steel and a **growing import pressure**, seems to be under even more pressure overall than other aftermarket businesses.
United States Steel Corp	Mineral Resources	10/30/2007	Unprecedented levels of flat-rolled **imports, particularly from China**, have resulted in higher than optimum customer inventory levels and some pressure on spot prices and order rates.
Maverick Tube Corp	Mineral Resources	4/26/2005	And it is one in which we have a little bit more **import competition** than we do on the conduit side.
Columbus McKinnon Corp	Industrial Goods	7/22/2003	With **China and some of the Asian imports**, we have to make sure our pricing is keen and that we're doing a good job.
Gerdau Ameristeel Corp	Mineral Resources	8/8/2007	So is this an issue where you're getting **import competition**?

Lanxess Solutions US Inc	Unspecified	10/23/2003	Needless to say, as a leading supplier to the polymer industry, many of our North American customers are affected by the pressures of **low-cost**, **import competition**
Masco Corp	Cyclical Consumer Products	5/6/2002	And try to focus on areas that we think **import competition** is going to be less of a factor than it would be in other product categories.

Using a natural language processing tool provided by NL technologies (Hassan et al. 2019) designed to aggregate and analyze large volumes of text data from earnings calls and other sources, I collect excerpts from firms' earnings call that describe import competition, mostly from Asia and China, as a significant threat to a firm's prices, demand volumes, market share, revenues, operating income, and margins in the time frame of our analysis, highlighting that this is a matter of serious concern for a firm's top management, investors, and financial analysts covering the firm. For the purposes of this table, I use the industry classification provided by NL technologies. As the NL technologies access to earnings calls begins from 2002, I collect instances in the time frame from 2002 to 2007.

Table W2: Excerpts from Firms' Annual and Quarterly Reports Citing Import Competition as a Threat

Firm	Year	Relevant Material
Texas Industries Inc	2001	Steel sales for the quarter were down from the prior year period with realized prices higher on lower shipments. There continues to be solid demand for structural products in North America. Structural steel sales for the quarter were down somewhat from the prior year period with sales up 37.0 million for the six-month period. **Realized prices in the current quarter were up from the prior year but down from the August 2000 quarter due to import competition.** Bar mill sales in the current quarter were below the prior year period due to 18 lower shipments.
Insteel Industries	2001	**Although the demand for PC strand remained strong, pricing pressure continued as a result of increased import competition** together with the announcement of a new competitor's plans to enter the business. Sales of bulk nails decreased from a year ago due to price deterioration and lower shipments, while collated nail sales rose as a result of higher operating volumes. **Selling prices for bulk and collated nails were negatively impacted by import competition** together with the substantial consolidation that has occurred in the Company's customer base. Sales of tire bead wire increased, but fell short of expected levels due to equipment-related constraints that resulted in production inefficiencies as well as lower than planned orders and operating volumes. During the third quarter, sales of tire bead wire decreased primarily due to mechanical and electrical malfunctions on a process line. The Company completed an extensive equipment upgrade and expansion program in the fourth quarter that is expected to resolve these issues.
Renco Steel Holdings Inc	2001	The relative strength of the U.S. dollar and economy versus the strength of foreign currencies and economies can significantly affect the import/export trade balance for flat rolled steel. **In addition to competition from domestic and foreign steel producers**, materials such as aluminum, cement, composites, glass and plastics compete as substitutes for steel in many markets.
Lancaster Colony Corp	2001	As reflected above, consolidated net sales of 313,713,000 and 577,658,000 for the respective three and six-month periods ended December 31, 2000 declined, respectively, from the corresponding fiscal 2000 totals of 324,407,000 and 584,851,000. This decline was primarily attributable to lower sales levels achieved within the Glassware and Candles segment. This segment incurred sales declines of for the respective three and six-month periods. **Consistent with a trend that began at the beginning of calendar 2000, sales of this segment's candle**

		products have been adversely affected by several factors including a general market softness, **increased import competition** and the effects of a significant customer of this segment restructuring its approach toward marketing candles. Net sales of the Automotive segment also declined for both the three and six-month periods respectively. Generally less favorable economic conditions and lower new vehicle sales adversely affected demand for this segment's products from both original equipment manufacturers and aftermarket customers.
Walker BB Co	2001	Revenues for 2000 decreased 3,740,000 (or 14.4 from 1999. Work branded shipments were down 1,607,000 (or 18.3), and western branded sales decreased 1,667,000 (or 12.1). **This deterioration in revenues was due primarily to a continuation of the current import penetration of over 95 of the U.S. footwear market, which has made it easier for other companies to enter the footwear market. This has resulted in a proliferation of brands full of low-priced imports adversely affecting business.** Due to this increased competition, the Company has taken the following actions to preserve its position in the industry. First, the Company has decreased its workforce in fiscal 2000 by another 13 compared to a 11 cutback during the prior year. Second, following the limited success in selling footwear manufactured in Mexico during fiscal 2000, the Company will be introducing work shoes and western footwear manufactured in Spain and China, respectively, in early calendar 2001 to be more price competitive. The combined sales of the Company's two retail outlets declined 295,000 (or 13.5 due to increased competition from major discount retailers surrounding the retail outlets. Sales to institutional customers fell by 377,000, or 21.8 , from 1998 to 1999. Much of this business is solicited through a formal bidding process with governmental entities and the results of this division are impacted by the Company's success in bidding on new business. **Sales were negatively impacted by one of the Company's largest institutional customers awarding its 1999 contract to an import footwear supplier.** Retail sales for the year were 197,000, or 8.3 , lower than the results for 1998. Two retail outlets, one in Asheboro, NC and one in Lancaster, PA, experienced increased competition from major discount retailers surrounding the retail outlets. These locations' sales were also hurt by 1999's unusually dry, extremely hot summer season. **The decrease in net sales can be attributed to import penetration of approximately 95 into the U.S. footwear market which has made it easier for competitors to enter the**

		work shoe market. This increase in low-priced imports has caused a dramatic adverse effect on the Company's work/outdoor shipments.
Sunoco Inc	2001	The refining and marketing business is very competitive. Sunoco **competes** with other domestic refiners and marketers in the northeastern United States and U.S. Gulf Coast, **with foreign refiners who import products into the United States** and with producers and marketers in other industries supplying other forms of energy and fuels to consumers.
Chromcraft Revington Inc	2001	**Chromcraft Revington encounters domestic and import competition in the sale of all its products.** Many of Chromcraft Revington's competitors, some of which are larger and have greater financial resources, produce a number of products which are not competitive with Chromcraft Revington's products. In many cases, such companies do not disclose the portion of their sales attributable to products similar to those manufactured by Chromcraft Revington. It is, therefore, impractical to state with any certainty Chromcraft Revington's relative position in a particular product line. Competition in Chromcraft Revington's products is in the form of the quality of its products, service and selling prices.
Dial Corp	2001	**Imports of foreign-made textile and apparel products are significant source of competition for us as well as other domestic textile manufacturers. Many foreign textile manufacturers have lower cost structures than domestic textile manufacturers, due primarily to significantly lower labor costs.**
Ampco Pittsburgh Corp	2001	The increase in sales is attributable to a full year of sales of Davy offset by a reduction in sales for the forged steel roll operations in the U.S. and Belgium. Domestic sales decreased due to lower prices and a decline in demand from the weakened steel industry. Also, the continued strength of the U.S. dollar and the U.K. pound against foreign currencies **negatively impacted not only prices and the level of export sales but increased the import of overseas competitors' rolls into our markets.**
Grant Prideco Inc	2001	In many cases, foreign producers of tubular goods have been found to have sold their products, which may include premium tubular connections, for export to the United States at prices that are lower than their cost of production or their prices in their home market or a major third-country market, a practice commonly referred to as "dumping." Antidumping duty orders currently cover imports of tubular goods, including drill pipe, from Argentina, Italy, Japan, Korea and Mexico, and a countervailing duty order currently covers imports from Italy. If the orders covering imports from these countries are revoked in

		full or in part or the duty rates lowered, **we could be exposed to increased competition from imports that could reduce our sales and market share or force us to lower prices.**
Northwest Pipe Co	2001	Tubular Products. The market for tubular products is highly fragmented and diversified with over 100 manufacturers in the United States and a number of foreign-based manufacturers that export such pipe into the United States. **During the year, the Company experienced pricing pressures in the tubular products market, which it believes was the result of increased foreign price competition.** See Management's Discussion and Analysis of Financial Condition and Results of Operations
Cluett American Corp	2002	**The Company has historically benefited from import restrictions imposed on foreign competitors in the apparel industry. The extent of import protection afforded to domestic manufacturers such as the Company, however, has been, and is likely to remain, subject to considerable political deliberation.** General Agreements on Trade and Tariffs ("GATT") will eliminate, over a number of years, restrictions on imports of apparel. In addition, on January 1, 1994, the North American Free Trade Agreement ("NAFTA") became effective. **Each of these agreements will reduce import constraints previously imposed on some of the Company's competitors and will increase the likelihood of competition on the basis of price.**
Delta Apparel Inc	2002	**Delta Apparel's products are subject to foreign competition, which in the past has been faced with significant U.S. government import restrictions. Foreign producers of apparel often have significant labor cost advantages. Given the number of these foreign producers, the substantial elimination of import protections that protect domestic apparel producers could materially adversely affect Delta Apparel s business. The extent of import protection afforded to domestic apparel producers has been, and is likely to remain, subject to considerable political considerations.**
Unifi Inc	2002	Additionally, there are **numerous foreign competitors** that not only sell polyester and nylon yarns in the United States but also **import foreign sourced fabric and apparel into the United States** and other countries in which the Company does business **which adversely impacts the sale of Company polyester and nylon yarns**. General economic conditions, such as interest rates, currency exchange rates and inflation rates that exist in different countries have a significant impact on the Company s competitiveness, as do various country-to-country trade agreements and restrictions.

Hampshire Group Ltd	2003	**The Company's foreign competitors benefit from production cost advantages, which are offset in part by United States import quota and tariff protection**. The Company is continuing to develop international sourcing relationships in areas which have lower manufacturing costs.
Universal Stainless & Steel Alloy Products Inc	2004	**High import penetration of specialty steel products, especially stainless and tool steels, also impact the competitive nature within the United States. Unfair pricing practices by foreign producers have resulted in high import penetration into the U.S. markets that the Company now participates in.** According to SSINA, import penetration for the year ended December 31, 2002 was 42 for stainless bar and 65 for stainless rod. **On October 22, 2001, the U.S. International Trade Commission determined that import of certain stainless steel and alloy tool steel products are seriously injuring the domestic specialty steel industry.** On March 5, 2002, President Bush imposed tariffs on certain imported stainless steel rod, bar and wire products ranging from 6 to 15 over the next three years under Section 201 of the 1974 Trade Act. During the 2002 second quarter, the Company experienced a significant increase in demand for commodity reroller products. This trend did not continue beyond the 2002 second quarter.
Chromcraft Revington Inc	2004	**In recent years, low-cost foreign competitors, primarily from China, have significantly increased shipments into the United States.**
National Dentex Corp	2004	**The industry itself faces growing competition as the domestic industry begins to confront globalization. Competition for business is expected to intensify from the developing manufacturing capabilities of countries such as China, the Phillipines and Mexico. We continue to evaluate both the threats and opportunities arising from foreign competition and their inherent labor cost advantages.**
Chicago Rivet & Machine Co	2004	Domestic competition remains intense and **foreign competition, which affects us directly through the increase of imported fasteners and indirectly through the import of products that were previously assembled domestically, is a growing concern. These conditions increase the risk that our markets will not only become even more price competitive due to imports, but will shrink in size as domestic assembly operations are supplanted by imports of products that were traditionally assembled domestically, utilizing domestic fasteners and domestic assembly equipment.**

Maverick Tube Corporation	2005	**The amount of imports from foreign competitors also significantly affects the North American OCTG market. High levels of imports reduce the volume sold by North American producers and tend to suppress selling prices.** We believe import levels of OCTG are affected by North American and overall world demand for OCTG and the relative value of the U.S. and Canadian dollars.
Lee Sara Corp	2005	**The phase out of import quotas also could potentially allow new competitors to enter the apparel business, including both new domestic as well as foreign competitors who could establish manufacturing sites in these foreign locations. It is unclear what the long-term implications will be from the elimination of these quotas**

I collect excerpts from firms' annual and quarterly reports that describe import competition as a significant threat to a firm's prices, market share, and revenues in the time frame of the analysis, highlighting that this is a matter of serious concern for a firm's top management and investors.

Panel A: Case Studies of Firms Adversely Affected by Chinese Import Competition

Case Study of Quill Corporation, a US-based manufacturer of pens and writing instruments targeted at the promotional products market

"At Quill,…. we began to feel the effects of this seismic shift in the landscape. Instead of competing against established retail pen brands such as A.T. Cross, Parker, and Sheaffer, we noticed that we were increasingly competing against …any one of a number of low-cost Asian manufacturers. These generic pens were half the price of Quill products. Although not the same quality, the designs were innovative, sporting large imprint areas to maximize the capacity for advertising copy. One manufacturer in China made a much cheaper, identical copy of the slant-top Quill pen and began selling it into the United States, and we were forced to spend tens of thousands of dollars to protect our design patent.

…we at Quill were able to sell against these low-priced imports by stressing the significant difference in quality and that our product was US-made. However, year by year, the quality difference narrowed, while the pricing difference remained. Even more alarmingly, advertisers who bought the products were becoming less influenced by the Made in the U.S.A. label and Quill's lifetime guarantee. They might express a bias toward product that was domestically manufactured, but if the pricing gap was wide – and the order large enough- the advertiser's budget took precedence.

….Those US-based manufacturers unable to react to this shift…were increasingly marginalized. Quill was one of them. By the turn of the millennium, the company was gamely struggling to compete….**Lacking a highly recognized retail brand name, it was difficult in the promotional products marketplace to command the higher price points driven by domestic manufacturing…**On the product development side, they could not keep pace with the explosive, but brief, product life cycles that had become typical in the industry.

…Simply put, traditional US promotional products supplier/ manufacturers could not compete with the lower product development and manufacturing costs in China.….Today, over 95 percent of promotional products distributed in the United States are manufactured overseas.

….As the new millennium dawned, it was clear that larger orders would continue to be shopped directly overseas by both distributors and advertisers. China manufacturers were learning to decorate and market directly to advertisers here in the United States, skimming off the larger orders from Fortune 500 advertisers…Given the continuing loss of larger orders to China, US suppliers have now been forced to cut margins to maintain the midsize order business at the same time that their internal costs for processing each order are increasing.

…Some China manufacturers are now selling through US-based agents who act as importers of imprinted goods, supplanting the role of the traditional US supplier company….Asian sourcing companies have opened offices in the United States and are now selling directly to both distributors and advertisers, bypassing even the US importer/ decorator…Thus, although the US promotional products manufacturers were the first to succumb to the changes in the marketplace, even importing suppliers and distributors are now under increasing margin pressure due to direct sales into the United States from China. It is a precarious scenario for these companies – lower average order size, decreasing margins, and increasing sales volume bypassing them and going directly from China manufacturer/ decorators to advertisers.

Meanwhile, after 2000, sales at Quill, one of the success stories of Rhode Island manufacturing in the last quarter of the twentieth century, had begun to slowly drift downward; it was death by a thousand cuts…."

- American Dragon, Michael McKeldon Woody

Case Study of Just-A-Stretch, a US-based textile manufacturer

"Just-A-Stretch, like so many others, died a slow death…..Throughout the company's dramatic growth [1975 to 1995], Just-A-Stretch never had a late shipment and never had a return. Yet in 2000, Laferriere was contacted by Fruit of the Loom and abruptly informed that the elastic program would be put out for bid and that the lowest bidder would get the business. He put together an aggressive price and believed that years of providing excellent service and quality would give him an additional edge. But….Fruit of the Loom pulled the program….struggled to keep the company going….

But the death spiral of Just-A-Stretch accelerated with China's entry into the World Trade Organization in December 2001. Tariffs on competing products from China dropped virtually overnight, and China manufacturers could now sell at significantly lower prices. This led to loss of Delta Galil as a customer….Sales at Just-A-Stretch plunged from $10 million in 2003 to $3 million in 2005, as China competition picked off most of their midsize customers.

..By the turn of the century only a handful of narrow webbing manufacturers were still hanging on in Rhode Island, but they had downsized and were serving mostly niche markets, including Department of Defense contracts requiring US sourcing due to the Barry Amendment and regulated markets such as the auto industry (e.g. seat belts)."

- American Dragon, Michael McKeldon Woody

Web Appendix B: Literature Review

Table W3: Representative Research on Foreign Competition

Paper	Foreign competition	Import competition	Incumbent perspective	Dependent variable	Marketing	Key findings
This study	***Yes***	***Yes***	***Yes***	***Revenue growth, Tobin's q, and profit***	***Yes***	***Import competition decreases incumbent firms' revenue growth, and this adverse effect is weaker for firms with powerful marketing departments, and strong market-based assets. Import competition also decreases incumbent firms' Tobin's q and profits, and these adverse effects are weaker for firms with powerful marketing departments, higher marketing capability, and strong market-based assets.***
Marketing Literature						
Morgan, Kaleka, and Katsikeas (2004)	Yes	Yes (Exporter perspective)	No	Export venture performance	Yes	Resources and capabilities affect export venture competitive strategy choices and the positional advantages achieved in the export market and export venture performance outcomes.
Gielens and Dekimpe (2007)	Yes	No	No	Entry decisions	Yes	Retailers consider competitors' prior decisions in deciding to enter a transition economy.
Gielens et al. (2008)	Yes	No	Yes	Shareholder value	Yes	On average, foreign competition in the form of Walmart's entry had a negative effect on incumbent retailers' shareholder value. This effect was contingent on the seriousness of the threat to incumbent retailers as well as the ability of retailers to withstand the threat.
Morgan, Katsikeas, and Vorhies (2012)	Yes	Yes (Exporter perspective)	No	Export market and financial performance	Yes	Effective implementation of planned export marketing strategy contributes to export market and financial performance. Marketing capabilities play an important role in enabling effective marketing strategy implementation in export markets.

Spyropoulou et al. (2018)	Yes	Yes (Exporter perspective)	No	Performance	Yes	Strategic goal-realized strategic position gaps negatively impact performance. Internal capabilities and knowledge, and external market factors play important roles in minimizing such strategic goal-realized strategic position gaps.
Finance Literature						
Fresard (2010)	Yes	Yes	Yes	Market share growth	No	Large cash reserves increase market share gains in the face of increased competition.
Valta (2012)	Yes	Yes	Yes	Cost of bank debt	No	Competition increases the cost of debt, more so for firms in industries with intense strategic reactions between firms, and in illiquid industries.
Xu (2012)	Yes	Yes	Yes	Leverage ratios	No	Import competition decreases firms' leverage ratios.
Hombert and Matray (2018)	Yes	Yes	Yes	Sales growth and profitability	No	Rising imports from China decrease sales growth and lower profitability for incumbent firms, less so for firms with higher R&D
Chen, Lin, and Shao (2022)	Yes	Yes	Yes	Corporate tax policies	No	Import competition increases incumbent firms' tax reduction activities, more so for firms with greater managerial slack, less diversified product markets, and in faster changing industries.
Lie and Yang (2023)	Yes	Yes	Yes	Executive compensation	No	Chinese import penetration reduces executives' stock grants and wealth performance sensitivity, also decreasing incumbent firms' sales.
Economics literature						
Zietz and Fayissa (1992)	Yes	Yes	Yes	R&D expenditures	No	Import competition increases R&D expenditures only for high-tech industries, not low-tech ones.
Bernard, Jensen, and Schott (2006)	Yes	Yes	Yes	Plant survival and growth	No	Import competition negatively affects plant survival and growth. However, capital intensive plants are more likely to survive and grow.
Pierce and Schott (2016)	Yes	Yes	No	Employment	No	Industries with greater import competition experience more severe employment losses.

Pierce and Schott (2018)	Yes	Yes	Yes	Investment	No	Plants in industries experiencing greater import competition exhibit relative declines in investment.
Bloom, Draca, and Van Reenen (2016)	Yes	Yes	Yes	Firm innovation	No	Chinese import competition increases firm innovation, technical change within firms, and reallocated employment toward more technologically advanced firms.
Autor et al. (2020)	Yes	Yes	Yes	Firm innovation	No	Import competition decreases firms’ sales, book and stock values, R&D investment, and patent grants.
Liu et al. (2021)	Yes	Yes	Yes	Firm innovation	No	Import competition decreases innovation, and this effect is contingent on firm productivity and patent types.
Vancauteren, Boutorat, and Lemmers (2024)	Yes	Yes	Yes	Patent activities	No	Import competition fosters innovation by increasing patent applications, forward citations, and entry of new patents.
Management Literature						
Bowen and Wiersema (2005)	Yes	Yes	Yes	Firm diversification	No	Import competition decreases firm diversity and increases the strategic focus of US firms.
Flammer (2015)	Yes	Yes	Yes	Corporate social responsibility	No	Incumbent firms respond to increased import competition by increasing CSR.
Becerra, Markarian, and Santalo (2020)	Yes	Yes	Yes	Firm diversification	No	Increased import competition causes incumbent firms to increase their diversification.

Web Appendix C: The Role of Marketing in Countering Import Competition – Ecological Validity

Panel A: Interviews

Interview 1: President of a footwear firm

Question 1: What are the unique set of competitive challenges for US manufacturing firms created by the growth of Chinese imports?

Response: There are several competitive factors driving challenges for US manufacturing firms:

- **Price Competition:** Lower production costs in China driven predominantly by lower labor costs and less stringent regulatory issues resulting in pressure on profit margins
- **Innovation and IP Concerns:** IP Theft and Counterfeiting makes it difficult for US companies to protect innovations and maintain a competitive point of difference. Chinese companies are also investing in research and development which results in greater product innovation and technology that can challenge a US company's leadership.
- **Shifts in Consumer Preferences:** The perception of quality has improved dramatically over the last 20 years which has altered how come consumers view Chinese products and therefore leads consumers to believe the products are a viable alternative to US manufactured goods. In some cases, the price value is better than the US counterpart. As inflation factors persist in the US Market, there is an increased demand for lower cost product even if it means opting for imported goods resulting in pressure on costs and potential losses in market share.
- **Labor Market Pressures:** Competition from Chinese imports has contributed to job losses in some US manufacturing sectors leading to the need for reskilling and/or redeployment of displaced workers.

Question 2: What specific marketing capabilities should managers of US firms focus on building to combat the effects of Chinese import competition on revenue growth?

Response: US managers should focus on focus on building the following marketing capabilities:

- **Brand Differentiation and Positioning:** US Companies should differentiate by emphasizing superior quality, innovation and reliability which can justify higher prices. Leverage "Made in USA" branding by tapping into consumer preferences for home market sourced products. Highlight the benefits of local production such as the local economic impact and/or environmental considerations. Tailor value propositions that resonate with specific customer needs and preferences such as sustainability or premium features that Chinese imports may not offer.
- **Customer Relationship Management (CRM):** Deepen customer engagement by investment in CRM systems and strategies that create long lasting relationships with customers. Also establish a feedback loop to gather and respond to customer feedback quickly to continuously improve both products and services.
- **Nimble Marketing and Rapid Response:** Develop the ability to quickly adapt marketing strategies to changing market conditions, trends and competitive threats. This could include "fast tracked" product development and marketing approaches that allow for quick deployment.

- **Product Development Innovation:** Consumer centric innovation that develops product based on insights into consumer needs and preferences that offer features/benefits that are difficult for lower cost competitors to replicate
- **Channel and Distribution Management:** Enhance distribution channels by strengthening relationships with retailers ensuring your products have visibility and are featured in all the retailer's distribution ecosystems (B&M/On-Line/Catalog) Expand direct-to-consumer sales channels which provide better margins and closer relationships with customers. Allows your brand to bypass retailer bias and presentation and more directly control the customer experience.
- **Strategic Partnerships:** Collaborate with complementary brands to offer co-branded solutions that create differentiation.

Question 3: What is the role of marketing leadership (marketing executives in the company's' top management team) in helping firms combat Chinese import competition?

Response: The role of marketing leadership in combating import competition is:

- **Strategy and Direction:** Collaborating with functional area teams to set a strategic vision that clearly differentiates the company from competitors… including Chinese imports. Also, marketing execs should lead the effort to gather and analyze market data, including competitor actions, customer preferences and emerging trends. This insight helps the company anticipate and respond to the challenges posed by Chinese imports.
- **Customer Centric Focus:** It's paramount that the marketing leaders ensure the entire organization maintains a customer centric approach that prioritizes the needs and preferences of the target markets. By deeply understanding customers, companies can offer a greater value proposition that resonates with the end customer.
- **Innovation and Differentiation:** Marketing leaders are also obligated to work directly with the R&D and product development teams to innovate on products and services that are difficult for competitors to replicate. Strong branding is also essential in differentiating products from imports by maintaining a brand that stands for quality, reliability and innovation… justifying any price premium.
- **Pricing Strategies:** Marketing leadership should advocate for value-based pricing strategies that reflect the true value of the product rather than competing solely on price. In many cases, it involved educating customers on the benefits of the company's' products, including quality, service and after-sales support.
- **Internal and External Alignment:** Marketing leaders should work across functional areas such as sales, product development and supply chain management to ensure all parts of the organization are working together to combat the threat of imports. Successful marketing executives also forge strategic partnerships with companies or influencers that can enhance the company's market position.
- **The Long Term:** While addressing immediate competitive pressures, marketing leadership should also focus on long-term brand building and positioning strategies that will sustain the company's growth beyond the short term. Additionally, marketing executives should foster a culture of continuous improvement and innovation, ensuring it stays relevant and competitive in the face of ongoing competition.

Question 4: How can a powerful (influential) marketing department and leadership within a US firm help it overcome Chinese import competition?

Response: A powerful marketing department and leadership can help overcome Chinese import competition in the following ways:

- **Strategic Alignment:** A strong marketing department can influence the overall strategy by ensuring customer insights, market trends and competitive dynamics are used when making critical near and long-term decisions. Marketing leadership can ensure that all departments are aligned in their efforts to combat import competition. By leading cross-functional teams, marketing can drive initiatives that enhance product offerings, customer experiences and strengthen the brand.
- **Customer Centered Innovation**: An influential marketing department can advocate for customer driven innovation, ensuring that product development is closely aligned with consumer needs and preferences. By focusing on unique features and superior quality, the company can differentiate its' products from cheaper imports.
- **Brand Strength:** A strong marketing department can elevate the brand's perception through effective branding strategies that emphasize the company's unique value propositions, such as quality, heritage, innovation, or sustainability. A strong brand can command customer loyalty and justify a price premium over lower-cost imports.
- **Pricing and Value Management:** A powerful marketing department can advocate for pricing strategies that reflect the true value delivered to customers, rather than simply competing on price. This approach emphasizes quality, service, and brand prestige, which can help the company maintain margins despite lower-cost competition. Marketing can also develop targeted promotions, loyalty programs, and strategies that enhance customer retention and repeat business, making it harder for cheaper imports to lure customers away.
- **Channel and Distribution Control:** Marketing leadership can optimize distribution channels to ensure that the company's products are widely available in key markets, both online and offline. By controlling distribution, the company can enhance or limit product visibility and accessibility, outmaneuvering imports that may have limited distribution capability. Marketing can also lead initiatives to expand direct to consumer sales channels that enhance customer relationships but also provide great control over pricing, branding and customer experience. This reduces reliance on traditional retail channels where imports have a stronger presence in some cases.
- **Customer Experience:** Marketing can drive initiatives that ensure the company offers superior customer service and support creating a competitive advantage that is difficult for low cost imports to match. Also integrating the digital and physical channels to provide a seamless and consistent customer experience across all areas that engages the customer drives loyalty over imports.
- **Technology and Data:** A powerful marketing department can utilize data analytics to gain deep insights into customer behavior, market trends, and competitive actions. This data-driven approach allows the company to make informed decisions that enhance its competitive positioning against imports. By adopting marketing automation and AI tools, marketing can enhance the efficiency and effectiveness of campaigns, personalize customer interactions at scale, and improve ROI, making it more challenging for imports to compete on the same level.

- **Brand Building:** Marketing leadership can implement long-term brand-building strategies that focus on creating emotional connections with customers, thereby fostering loyalty that transcends price competition. Loyal customers are more likely to resist switching to cheaper imports.

Question 5: What are the specific mechanisms by which a strong marketing department can decrease the negative effects of Chinese import competition on revenue growth?

Response: A strong marketing department can decrease the negative effects of import competition on revenue growth by:

- **Brand Strengthening and Differentiation:** By clearly positioning the brand as offering unique value (e.g., superior quality, innovation, heritage), the marketing department can reduce the appeal of lower-cost Chinese imports. This positioning can be reinforced through consistent messaging across all customer touchpoints.
- **Customer Loyalty Programs:** Implementing loyalty programs that reward repeat customers can help build long-term relationships, making it less likely that customers will switch to cheaper imported alternatives.
- **Value-Based Pricing Strategies:** Marketing can focus on communicating the total value proposition of the company's products, including quality, durability, and customer support, which helps customers understand why the products are worth more than cheaper imports. Also, utilizing data driven insights, marketing can implement dynamic pricing strategies that adjust based on market demand, competition, and customer segments, allowing the company to remain competitive without significantly eroding margins.
- **Product Innovation:** Marketing can work closely with product development teams to ensure that the company's products offer features, quality, or design elements that are distinct from those of Chinese imports, making them more attractive to certain market segments.
- **Market Segmentation:** Marketing can identify and target customer segments that are less price-sensitive and more interested in quality, brand, or specific features that Chinese imports may not provide. Marketing can also focus on regions or demographics where the brand is particularly strong or where imports have less marketing penetration.
- **Integrated Marketing:** Leveraging integrated marketing communications (IMC), the department can ensure consistent, impactful messaging across all channels—online, offline, and in-store—to reinforce brand loyalty and value perceptions. Content marketing can also play a key role in educating customers about the benefits of its products share customer success stores and create a narrative that aligns with customer values reducing the attraction of cheaper alternatives.
- **Distribution Management/Control:** Marketing can influence distribution strategies to ensure that the company's products are prominently displayed in preferred channels, both online and offline, making it easier for customers to choose the brand over imports.

Question 6: What is the role of customer relationship, pricing, and branding capabilities in helping US firms combat Chinese import competition?

Response:

- **<u>Customer Relationship Capabilities:</u>** Strong CRM systems allow companies to track customer preferences, purchase history and interactions, enabling personalized communication and targeted offers…thus increasing customer loyalty. Additionally, by understanding customer needs and delivering consistent high-quality service, companies can create a positive experience and build trust and loyalty. Feedback is also critical and when used properly, to enhance the company's offerings and service, will engender brand loyalty.
- **<u>Pricing Capabilities:</u>** Value based pricing strategies based on perceived value through quality, durability and service, rather than cost plus pricing… justify premium pricing over imports. However, dynamic pricing strategies will help companies respond to market conditions in real time by allowing them to adjust prices based on demand, competition and inventory levels, therefore protecting profit margins from further downside.
- **<u>Branding Capabilities:</u>** A strong brand creates loyalty by resonating with consumers on an emotional level. Brands that stand for quality, reliability, innovation or ethical values can attract customers who are willing to pay a premium over cheaper imports. Emphasizing quality, reliability and heritage can create a perception that the company's products are superior to imports…even if the pricing is higher. Sometimes, brands that align with consumers cultural values, ethical beliefs and/or lifestyle aspirations can build deeper connections. For example, "Made in the USA" or sustainable practices, can appeal to customers who prioritize these values.

Question 7: Is there a differential role that marketing in its different facets (marketing leadership, marketing capabilities) plays in helping US firms combat Chinese imports in B2B vs. B2C industries?

Response:

- **<u>B2B Marketing Leadership:</u>** In B2B markets, marketing leadership often focuses on building and maintaining strong relationships with key customers, suppliers, and partners. These relationships are typically long-term and based on trust, reliability, and mutual benefit. B2B purchases are usually made by buying committees rather than individual consumers, and the decision-making process is more complex and rational. Marketing leadership in B2B needs to ensure that the marketing strategy addresses the specific needs and concerns of multiple stakeholders, emphasizing ROI, product quality and service levels. B2B marketing often requires a high degree of customization to meet the specific needs of clients. Marketing leaders in B2B companies must prioritize flexibility and the ability to tailor programs.
- **<u>B2C Marketing Leadership:</u>** In B2C markets, marketing leadership focuses more on brand building and creating emotional connections with individual consumers. B2C marketing leaders work on crafting brand narratives, lifestyle associations, and campaigns that resonate with consumer values and preferences. B2C marketing leaders must differentiate the brand in a crowded marketplace, often competing on factors like brand image, customer experience, and emotional appeal. This contrasts with B2B, where differentiation is more about product capabilities and service levels. B2C markets are often more influenced by trends and consumer behavior changes. Marketing leadership in B2C companies must be agile and responsive to shifts in consumer preferences, using

digital marketing, social media, and influencer partnerships to maintain relevance and combat the appeal of cheaper imports.

- **B2B Marketing Capabilities:** B2B marketing often emphasizes thought leadership and educational content that demonstrates the company's expertise and deep understanding of industry challenges. This type of content builds credibility and positions the company as a preferred partner, rather than focusing on price competition with imports. B2B companies rely heavily on customer relationships and the ability to manage complex relationships. This includes account-based marketing where marketing strategies are developed for individual key accounts reinforcing the company's superior service and value over imports. B2B marketing requires deep product knowledge and the ability to communicate technical information and product capabilities. This expertise helps companies combat Chinese imports by emphasizing quality, customization and after sale support.
- **B2C Marketing Capabilities:** B2C marketing capabilities focus on managing brand perceptions, building consumer loyalty, and creating engaging content that resonates with target audiences. This often includes all aspects of omnichannel marketing to include on-line, offline, mobile, instore – which provides a seamless and consistent experience. Additionally, pricing strategies are often more dynamic with promotions, discounts and special offers designed to attract consumers. It's challenging as this capability must be able to design and execute promotional campaigns that drive sales while maintaining brand integrity while competing with lower cost imports.

Question 8: What is the role of competitive intelligence, environmental scanning, and market sensing in helping US firms overcome Chinese import competition?

Response:

- **Competitive Intelligence:** Understanding Chinese competitors by monitoring pricing, product development strategies, distribution channels and marketing tactics will allow companies to anticipate competitors moves and develop counter strategies. Additionally, competitive intelligence allows US companies to identify areas where they have distinct advantages over Chinese imports such as quality, brand loyalty, service, etc. Proactive strategy development is also paramount and with up-to-date competitive intelligence, companies can be proactive rather than reactive to the competitive threat. Going on offense… Lastly, risk mitigation by understanding every aspect of the competition to include supply chains, cost structures and market dependencies helps US companies assess the risks and develop strategies to minimize potential disruptions. Know one's adversary.
- **Environmental Scanning:** Monitoring regulatory and policy changes such as trade policies, tariffs and other regulatory changes can impact the competitive landscape, both good and bad. Companies, depending on their size, may have a challenge anticipating and keeping up with robust regulatory changes. Belonging to or being affiliated with advocacy groups can help small, medium and larger companies stay abreast of the changing regulatory environment. Additionally, identifying technological advancements as well as social and cultural shifts allow companies to align their product and marketing strategies with what matters most to their target audience and provide differentiation from imports that may not be as aligned or in-tune with their customer.

- **Market Sensing:** Customer Insights development that helps companies understand what drives customer decisions, what they value and how they perceive products is crucial to tailoring the product offering and marketing message to meet the customer needs making them less likely to switch to cheaper imports. Also, demand forecasting can help companies adjust production and inventory strategies to meet market conditions, avoiding over production or "out of stocks" that can lead to lost business. Lastly, competitor response or how consumers are responding to competitors' products can be used to adjust positioning, pricing and/or promotional strategies to counteract the influence of imports.

Question 9: What types of foreign market knowledge (specific to China) should firms focus on acquiring to combat Chinese import competition?

Response: Competitive Landscape Knowledge:

- **Regulatory and Policy Knowledge:** Detailed understanding of Chinese trade policies, tariffs, and import/export regulations that could impact competition. This includes knowledge of any recent changes in regulations that could affect market access or competitive dynamics. Knowledge of the IP landscape in China, including common challenges and strategies for protecting patents, trademarks, and other intellectual property. This is especially important in industries where innovation and brand identity are key competitive factors.
- **Industry Insights:** In-depth insights into specific industries in China, including major players, industry regulations, and technological advancements. This knowledge is essential for companies operating in highly competitive or rapidly evolving sectors.
- **Distribution and Channel Knowledge:** Knowledge of how products are distributed and sold in China, including key retail partners, online marketplaces, and logistics providers. Understanding these networks helps U.S. companies compete more effectively by optimizing their own distribution strategies
- **Innovation Trends:** Understanding China's innovation landscape, including emerging technologies, R&D capabilities, and government support for technology sectors. This knowledge can help U.S. companies anticipate competitive innovations and align their own R&D efforts.
- **Cultural Context:** Familiarity with Chinese business culture, negotiation styles, and relationship-building practices. Knowledge of Chinese cultural norms, values, and preferences that influence behavior.

Question 10: What is the role of firms' international experience (through exporting, foreign direct investment etc.) in helping them combat Chinese import competition?

Response:

- **Enhanced Market Knowledge:** Companies with international experience have a better understanding of global markets, including consumer preferences, competitive dynamics, and cultural nuances. This knowledge allows them to develop products and marketing strategies that resonate more effectively with diverse customer bases, both domestically and internationally, making their offerings more appealing compared to Chinese imports.

- **Increased Innovation:** Operating in multiple international markets exposes companies to a wide range of consumer needs, technological advancements, and business practices. This exposure can spur innovation, leading to the development of new products, services, or business models that differentiate them from Chinese imports.
- **Improved Operational Capabilities:** International experience often involves managing complex supply chains across multiple countries. This helps companies optimize their operations, reduce costs, and improve efficiency, making them more competitive on price and quality compared to Chinese imports. Companies with international experience can source materials and components from a variety of global suppliers, potentially finding cost advantages or higher-quality inputs. They may also have established production facilities in different regions, which can provide flexibility and cost savings that help them compete with Chinese manufacturers.
- **Stronger Branding and Customer Relationships:** Companies with a presence in multiple international markets can build strong global brands that are recognized and trusted by consumers. This brand equity can be a significant advantage when competing against Chinese imports, which may lack the same level of brand recognition or trust. International experience often involves building relationships with a diverse range of customers. Companies that excel in managing these relationships can leverage their expertise to strengthen customer loyalty at home, reducing the likelihood that customers will switch to cheaper Chinese alternatives.
- **Diversification of Revenue Streams:** Companies engaged in international markets have diversified revenue streams, reducing their reliance on any single market. This diversification can provide financial stability and allow companies to invest in strategies that counteract the impact of Chinese import competition.
- **Learning from Global Competition:** Companies that have competed internationally are often more experienced in dealing with a wide range of competitors, including those from China. This experience teaches them how to identify competitive threats, respond to aggressive pricing, and leverage their strengths effectively.
- **Access to International Networks:** Through international activities, companies often develop valuable partnerships with foreign companies, governments, and other stakeholders. These networks can provide insights, resources, and support that enhance their ability to compete against Chinese imports.

Question 11: What is the role of marketing analytics in helping US firms overcome Chinese import competition?

Response:

- **Consumer Preferences:** Marketing analytics allows companies to segment their customer bases effectively, based on demographics, purchase behavior and other key categories. It allows companies to more effectively tailor their product and marketing strategies to specific consumer groups. Also, companies can gain insights into other behaviors beyond just purchase behavior to include product usage, brand loyalty along with purchase motivations.
- **Optimizing Pricing Strategies:** Marketing analytics can support dynamic pricing strategies by analyzing demand, competitor pricing, consumer preferences that drive purchasing behavior such as their willingness to pay for enhanced features and/or

benefits. Also, dynamic pricing can help companies adjust their prices in real time while maximizing revenue (e.g. geographically) while maintaining profitability…even in the face of lower priced Chinese imports. One key to optimizing pricing is to conduct a price sensitivity analysis for the target consumer to determine what features consumers are willing to pay for beyond the price of cheaper Chinese imports.

- **Competitive Intelligence:** Marketing analytics can track and analyze competitor activities to include pricing strategies, marketing campaigns, market share movement, etc. Using analytics to benchmark against Chinese competitors is also an excellent way of comparing strengths and weaknesses (SWOT) to guide strategic adjustments to more effectively compete against lower priced imports.
- **Improving Marketing Campaign Effectiveness:** Analytics (especially for on-line/digital sales) provides insights into the effectiveness of marketing campaigns to include metrics such as conversion rates, click through rates and more broadly, ROI on spending. One way to enhance effectiveness of marketing campaigns is to conduct consumer feedback research through analytics that can be used to make improvements to products and services, address customer concerns and more generally, enhance the overall value proposition to the consumer.
- **Enhancing Product Development and Innovation:** A critical part of marketing analytics is to assist in improving the product proposition by identifying emerging trends and consumer preferences. This will guide both product development and innovation teams in the creation of new products or enhancing existing products and/or services to enhance the company's perceived value and leadership.
- **Optimizing Channels:** Not all channels are created equal… Analytics can evaluate the performance of various sales channels to help determine the best way to reach the target consumer and position the company and/or brand in a way that is consistent with the company's positioning. For example, traditional wholesale sales channels limit the brand presentation and often subject the company to the bias of 3rd party buyers on a B2B basis. Whereas the company's own website allows for a complete brand experience. There are tradeoffs when optimizing channels. For example, B2B channels will allow for a greater concentration of a particular product/s and exposure to that 3rd party's customer base. While this doesn't allow for a complete company or brand presentation, it does leverage the B2B's customer base, reputation and market share. Marketing analytics helps companies identify channels where they have distinct advantages over Chinese competitors and can determine how to more effectively deploy both products and marketing campaigns to increase market share and achieve a more robust ROI.

Interview 2: Founder/President of a bicycle firm

Question 1: What are the unique set of competitive challenges for US manufacturing firms created by the growth of Chinese imports?

Response: I have been in this 40 years and have seen imported products coming from different countries overseas. Initially, it was Japanese bikes, then Taiwanese, then Chinese and now, Indonesia, Malaysia and Mongolia. The quality of manufacturing of imported products is equal to the quality of manufacturing in the US, and the cost of labor is considerably lower. However, bikes are unique in that we are not trying to build alternators, airplanes, security, high tolerance of quality control, does not make a huge change in our market where the product was manufactured.

Environment comes into play, as there are things that we can't do here in the United States due to regulatory restrictions that happen overseas without any regulatory concerns. Like there is a product, it is called black chrome, like if its plain silver you can make it look like its frosted or smoky, and in the US, you can't black chrome anywhere in the US, it is against the law, because the residual of that is toxic and there is no place to get rid of it here in the US, and so if there is a black chrome product environmentally there is no way you can make it here you need to go overseas to get it made. Their regulatory requirements have not become as specific as the US regulatory requirements.

Often, importing firms manufacture for US firms and compete with them at the same time. For example, Giant (a Taiwanese firm) manufactured for Trek and then competed with Trek, Giant manufactured for Schwinn and then competed with Schwinn under their own brand.

Question 2: What specific marketing capabilities should managers of US firms focus on building to combat the effects of Chinese import competition on revenue growth?

Response: I think the sizzle or the marketing behind the product is what drives consumer interest in the product. If the importing firms go to good retail outlets where there is a lot of traffic and credibility from the supplier, like we are the go to bike shop in our market, we can sell anything in our market, because we are going to stand behind it with our warranties, our assurances to the customers that the product is quality. It really comes down to it takes time for the imported product to be sistered to the better products in the market. US firms that are marketing the product need to continue to turn the dials on their marketing and their product offerings, because if they don't then the importing firms will catch up and then eclipse them. They have to have good branding messages, they need to engage the customer in a way that is different or consistent with what they are trying to do, to keep the interest level higher in their product than the competitor import product, that eventually will be the same quality, at a lower price.

For example, aesthetics and fashion that fit best in our market. Giant China produces bikes for China, Giant Europe for Europe, and from Giant China maybe the colors and graphics are a bit of less quality. Maybe Hyundai or Kia is a good example, where their cars were a little bit ugly when they first entered the US market, but now they have caught up. It does not have the quality of a German engineered car, but they can certainly compete with the US quality product. It was not the case when they first started. When Giant was introduced to the US market, it was a little funky looking, their blue was more green than blue and their red was more orange than red, it was less appealing to the US market, all they had was price as their differentiator. All the US manufacturers, you knew their product looked slick, it was priced to be higher end and the quality of the retailers they were working with were a bit higher, they had a cleaner store and things like that. But Giant has now since eclipsed that, the US Giant division now turned the dials that whatever is coming in to the US is competitive in the US market.

I think it's a little bit cultural, that it takes time for the Asian manufacturers to catch up with what the US markets want, where the tolerance level or the quality level is, it takes time to catch up with 3-4-5 years behind the "A brand", sought after brand. Takes few years to catch up.

Question 3: What are the specific mechanisms by which a strong marketing department can decrease the negative effects of Chinese import competition on revenue growth? What is the role of customer relationship, pricing, and branding capabilities in helping US firms combat Chinese import competition?

Response: I am a lifetime value of customer guy, so I always think in a marketing or branding position, there should be once you make a relationship with a customer, you hook to them whatever it takes, so they continue to buy from you or do business with you, because you are providing them full service or full scope of opportunity, and not just working with specific product.

At the bike shop, we are not selling bicycles, we are selling fun, fitness, camaraderie, freedom, transportation. A bike is a bike is a bike. We are actually having conversations on the sales floor about how much fun you are going to have with the product, instead of whether it shifts with this hand or this hand. It does not matter how it shifts, what matters is that you are going to have a good time on it, or your kid is going to ride on it to the baseball diamond for practice, and you are not going to have to worry about him because its only down the street, but he is going to have freedom to do it. In order to compete with an imported product, you are going to have to have a story and a relationship with the customer that transcends across just the product.

Apple is a rocket star, the ability to charge a phone with a ring, the things that are done, the American marketing behind Apple has made it so that you want to have blue texts instead of green texts and Facetime instead of not having it, those switching costs change from what you know and like to something else, again are the most important thing in competing with new product that is coming into the market. If you are making an umbrella, and your umbrella does not have a lifetime warranty, why would not someone buy the cheapest umbrella. But if you are going to buy an umbrella, a golf umbrella, and you can go the Pro shop when it breaks and they hand you a new one, then you are going to buy only one umbrella but you are going to buy that umbrella and not whatever the cheapest umbrella you find on Amazon is because of the message that this umbrella is going to be a lifetime purchase. And you may buy a second umbrella, if you lose the first one, or if your wife has clubs, you will consume more product but having a relationship with the umbrella as a consumer is not based on price.

Snap-on tools is a good example of that, you buy a tool from Snap-on and it breaks they give you another one. Having a hook or having a switching cost, those are differentiators that will enable the customer to stay loyal to the brand.

There is a price-quality tradeoff. There was a survey of American consumers – that 30% of people will always purchase the product that has the lowest price, and the top 30% of people do not care about price, they care about service, they are the ones who want Apple, but there is a 40% in the middle that will sway between price and quality depending on which message is louder. For example, if Walmart is messaging about its low prices consistently and intensely, but Neiman Marcus is not messaging about its quality then the 40% in the middle go to Walmart. You are really only marketing to 40%, either as low price or high quality, not that other 30% that is already decided.

Both BMW and Chevy have $50K cars but BMW does a hell of a job promoting that their $50k car is better than any other $50k car. BMW says ours is the ultimate driving experience, and the guy gets in the car and it is a piece of junk, the guy is never going to get in the car again. You have to back that up. Our lifetime free service at our store is one of our switching cost hooks for consumers. They come to our store and ask if they can pay a lower price, and I say no I'm sorry, the price that we sell it at is the price we sell it at, every day, but you get lifetime free service. And if they come in the store and the lifetime free service component is lacking, then they rethink their initial purchase. They think "I could not even get a discount and the service is lacking." But if they come in and the lifetime free service is great, then they are like I'm embarrassed I even asked for a discount. All the other transactions continue to follow, and there is never any buyers remorse. And it is almost impossible for my competitors to get mind share from my customers because we have earned it, we have done it with service, and we have backed up our promise.

I don't know that the direct to consumer importing firms have that even in their vocabulary of how they want to go to market. There are so few that understand how American switching costs, lifetime value of a customer, branding works. They are just trying to build it and sell it. There are not trying to build it and build a relationship to get them to buy it, and it's a bit of a disconnect in the relationship. When they go out to US market, and they try to sell it on Amazon, you can see there are these disconnects on the product and maybe why it does not have the understanding of the customer first attitude. The customer is not even on the radar. They think "if we can build this for X, we want to sell it for Y". But nobody wants this. Don't build this. When we are selling it is all about the brand, but when you are importing, it is all about the product so there is this little bit of a disconnect there.

Question 4: What is the role of marketing leadership (marketing executives in the firms' top management team) in helping firms combat Chinese import competition? How can a powerful (influential) marketing department and leadership within a US firm help it overcome Chinese import competition?

Response: The messaging and the positioning that the product has in the mind of the consumer is the only thing really that a marketing manager brings to the table. If they don't understand who they are marketing to, and they don't understand why they are buying, if they are shotgun marketing instead of sniper marketing then there is probably a big opportunity to lose market share and to diminish their ability to be successful. Where if you have a strong understanding of the person you are trying to sell to, what it takes for them to commit to the relationship, maintain the relationship, and you are able to keep that messaging on track, then that is really the value of the marketing department. Gillette is a great example, they sell you the handle, and you have to buy the razors to replace. Their marketing managers are all about switching costs. They make no money on the handle, but you have to keep buying the shavers. And they either give you the handle or give it a new feature like it has got a battery in it or it vibrates, all that is doing is giving the initial hook to make sure the blades work well, that the price is competitive in the market. Because to switch to another brand, you have to get a new handle, and use up the leftover blades in inventory. So if you are thinking long relationship, then you are not just talking about the handle you are talking about the relationship, and how to set up subscription models and how to get people to promote it on social media, that you get new people into the brand, you have to consistently differentiate your product in the mind of the consumer to get them to not switch off, even though it is hard to switch off. Switching costs, I love them, we build them into everything we can. Switching cost for B2B is that the guy is buying from us, he is worried that if he goes with someone else service is going to lack, and he is going to lose his job. That's a huge switching cost. B2C, if they buy a bike from us and we trade in the first bike and the second bike is the only difference is the kids trade in program, there is a huge switching cost. By the time I get them three transactions they are not going anywhere else, because we lived up to our promise, we took care of them. Those switching costs are built in and thought about consistently so that we can have a new competitor not slide in and just grab all of our people, they can't because the switching costs are too high for the consumer to even justify a couple of dollars, it is not worth it.

Question 5: Is there a differential role that marketing in its different facets (marketing leadership, marketing capabilities) plays in helping US firms combat Chinese imports in B2B vs. B2C industries?

Response: B2B is no different than B2C except that you have to tweak your message to what the B2B customer wants. When I sell a bike to a consumer at the store, the message is its fun, its fitness, camaraderie, freedom. When I sell a bike to a B2B customer, the message is its delivered on time, we are available on the phone if the recipient has a question, we will send you the shipping information, we will send you the invoicing in a way that is consistent with what your systems are, we won't make it hard for you to do business with us, and if there's a place where something happens and there is a little bit of a disconnect, we will take the burden on ourselves, so the person who bought it can go and say, "It was nothing to do with me, it was them, and they are fixing it and they are making me look good." I'm selling the same $350 bike, over here (in B2C) the message is how much fun are you going to have and here (in B2B) its if something goes wrong, I am going to make sure you don't look bad. It's a different branding message but it is still a branding message. If a guy who is sitting in an office has an opportunity to buy from a 100 different suppliers, and one supplier is saying "I got a bike, a bike, a bike," and another is saying "If something goes wrong, we will take care of it for you," where is he going to spend his money?

And the nice thing about B2B is that price is less of a determining factor once you have a relationship. You have to get in, and to get in you have to be competitive, but once you have proven your value to the customer then price becomes secondary. Like I can buy it for $5 less from this guy, but if things get difficult, is he going to cover me the way this other guy is going to cover me. For $5, I get an assurance that this guy is going to cover me, he is going to ship another bike to the customer, he is going to call the customer and say it was totally his fault even though we sent them the wrong invoice, he is going to let us know when the product shipped, and that we picked up the old product, and he is going to make sure with the recipient on the phone is everything ok, that's a $5 bill. On the 1000s of bikes that I ship, that may only happen 10 times, but the 10 times it needs to happen it happens, and we got the extra $5 on every one of those orders because we did it 10 times. The buyer is thinking "Holy Cow, I'm not going to go anywhere else I only want to do business with these guys, because they care that I'm doing the right thing". And so, the B2C model and the B2B model are absolutely identical because there is someone on the other side who is making the buying decision, but knowing why they are making that buying decision, and catering your services to be able to provide for that person is what will give you the longevity in that relationship. Because even in a bid situation, send it out to bid who is the lowest price, I'm $5 more than the other guy, the buyer still looks at the name (of us and our competitor), and is like "Yeah I am going to go with this guy," Picking the wrong bid could lose you your job. If you pick them up and they completely crash and burn then it is on you. We have been in this long enough that the bosses know us and started the relationship with us, the bosses are going to say to them, "Why did you pick them instead of Zane's? We know Zane's is good. If there is a problem they will fix it, what were you thinking? That they were $5 less?" It is going to cost you your job.

We have had longevity in the marketplace and watching these people advance with us, that we have seen the buyer become the manager, who becomes the VP (Sales), and then President. We are locked and loaded, because our message was, "We will take care of anything that needs to be taken care of so that you look good, and your client/ customer can come back to you and say "What happened?" and you can say "Zane dropped the ball" and then Zane's will say, "We dropped the ball" and then everybody is fine because somebody apologized and took the heat for it, instead of saying it is not my fault. I have had more conversations and apologized for things that had nothing to do with us, so the guy in the middle does not look like a donkey. And so I'm not really selling bikes, I am making that guy in the middle look good, and that is all that really matters. He is completely loyal to us, because if he gets to go home that day, and everyone is like "Zane dropped the ball" and he is like "It was not them but they sure covered me," then that adds to future opportunities big time. Same thing with a customer, customer comes to pick up the bike and it is not ready, then we will be like, "We will bring the bike over to your house, like we will just deliver it, we don't do deliveries, but because we have screwed up." Our relationship, doing something little above and beyond, with the retail customer, with the corporate customer, that is the brand that we are about that we are trying to promote. And again, if you are importing, and your relationship is 12 hour time difference, only email or fax, how do you have that relationship and how does that work. Understanding the culture, and marketing to the culture, a place where service is the differentiating factor, and not the product is the differentiating factor, it takes pretty long for someone across the ocean to figure out there really is a difference between how they do it and how we do it. Culturally, if you ask an importer if they can do something and they say maybe then that is a no. If they say yes it's a yes, if they say maybe it's a maybe or a no. So they don't say they can't do it or won't do it. You tell them I need this product within 30 days, its typically 45 days to ship across the water, can you ship them early? They say "Maybe", that's a no. So if you don't know that as someone who is doing a forecasting, well you learn it pretty quick once you are in it, but you also don't realize why they can't just say they can't do that, because they never say we can't do that, they say maybe and maybe is absolutely not happening.

Understanding the US consumer in an intimate way is the advantage we have over any of the importing countries. Like even something like maybe vs. no, here in the US, if I can't do something I say I can't do it, let us find an alternative. But if they say maybe then they can't do it, everyone is disappointed and the brand erodes because they are not a trusted brand because you can't get a straight answer out of them and so having an understanding of the cultural difference that they can't overcome, well is a hinderance to them being more successful in the market and we know you can say no, you just have to find an alternative.

Question 6: What types of foreign market knowledge (specific to China) should firms focus on acquiring to combat Chinese import competition? What is the role of firms' international experience (through exporting, foreign direct investment etc) in helping them combat Chinese import competition?

Response: Boots on the ground is pretty important. Understanding how things are made in importing countries, the processes, the cultural nuances, and there a lot of tiny things, if you are only dealing with a 12-hour time difference in electronic communication, it is pretty hard to understand.

Understanding that they are selling product, and that we are selling service, when you go there, you can see where the holes are, so you can differentiate your marketing information if they try to compete with you. I can compete with someone who is doing what we are doing all day long, after we get over the price. So if your price can be in line, we can go toe to toe. If they can go 30% lower than we are, that is a big delta.

Interview 3: CEO of a textile firm and author of American Dragon: Winning the Global Manufacturing War Using the Universal Principles of Fewer, Faster, and Finer (2016)

Question 1: What are the unique set of competitive challenges for US manufacturing firms created by the growth of Chinese imports?

Response: The primary competitive challenge is price. US manufacturers are on a skewed playing field when competing with China manufacturers. They pay far lower wages, receive government subsidies, and skirt product safety guidelines, when possible, all of which provide them with an overwhelming pricing advantage. In the B2C marketplace, the pricing advantage has created a symbiotic relationship between big box retailers and China manufacturers.

The US government is also turning a blind eye to the de minimis issue, allowing China manufacturers to use Amazon and other online marketplaces to sell consumer products directly to US consumers without paying any duties or tariffs on their shipments into the US. This only exacerbates the pricing disadvantage for US manufacturers.

Question 2: What are the specific mechanisms by which a strong marketing department can decrease the negative effects of Chinese import competition on revenue growth?

Response: By highlighting the concept of "total cost of ownership." The price of an import is rarely the cost. The total cost includes freight, higher inventory costs due to much higher minimum purchases, time lost waiting for goods in transit, and returned goods caused by poor quality.

Question 3: What is the role of customer relationship, pricing, and branding capabilities in helping US firms combat Chinese import competition?

Response: Customer relationships, in the B2B space, is topmost because China manufacturers have a history of selling around their U.S customer directly to their customer's customer. Thus, by maintaining the trust factor with their US customers, a US manufacturer can to a certain extent inoculate their company against the price advantage enjoyed by China manufacturers. As to pricing, a US manufacturer must remain as competitive as possible. It's unlikely that they will be able to compete on price alone, but staying within shouting distance on price is important. The key component to a branding strategy can be built around the concepts of Fewer, Faster, and Finer.

Question 4: What is the role of competitive intelligence, environmental scanning, and market sensing in helping US firms overcome Chinese import competition?

Response: The key is keeping one's finger on the pulse of pricing, lead time and quality of competing goods coming from China. With that information, a US manufacturer must build an operational model that gives them the capability to deliver smaller orders of high quality goods more quickly (Fewer, Faster, and Finer). The marketing storyline can be built around that reality.

Question 5: What specific marketing capabilities should managers of US firms focus on building to combat the effects of Chinese import competition on revenue growth?

Response: That depends on the target market. In the B2C space, the most effective channel strategy is direct-to-consumer, for two reasons. The first reason is that it is not in a big box retailers best interest to sell US made goods. Their entire business model is built on sourcing cheap goods overseas and pushing them to the consumer. The most egregious example is fast fashion, a business model that is not only bad for US manufacturers, but toxic for the environment. Thus, most US manufacturers of consumer goods are banging their head against a wall trying to even get in the door of big box retailers.

The second reason that the direct-to consumer approach is the most effective channel strategy for US manufacturers in the B2C space is related to the first reason. By selling direct-to-consumer a US manufacturer can cut out an extra one or two layers of added costs by selling around the established wholesaler/retailer network. Of course, this creates a marketing challenge. How does a US manufacturer of consumer products effectively and cost efficiently reach the consumer?

In the B2B space, the key is to attack the weaknesses of China manufacturers. Their strength is long production runs of mediocre quality products shipped in bulk from China to US ports. US manufacturers can attack those weaknesses by employing what I call the principles of Fewer, Faster, and Finer. That is, concentrating on shorter, more customized production runs, shipping them in a matter of days - if not hours – and making a high-quality product.

Question 6: Is there a differential role that marketing in its different facets (marketing leadership, marketing capabilities) plays in helping US firms combat Chinese imports in B2B vs. B2C industries?

Response: In the B2C space, the most effective channel strategy is direct-to-consumer, while in the B2B space the marketing strategy is more relationship-focused with the trust factor being critical.

Interview 4: President of a manufacturing firm, ex-Walmart

Question 1: What are the unique set of competitive challenges for US manufacturing firms created by the growth of Chinese imports?

Response: A lot of people think of Chinese import competition as primarily being low-cost in nature, because of access to low-cost labor, however, that is not necessarily the entire story. It is really important to dig deeper, understand your product/ service, and how competition is going to affect the business. It is important to understand the client mindset. A lot of people also think of Chinese imports as being of low cost and low quality, but that need not be true either. There is a lot more to it than just the cost of goods sold. Chinese imports are also characterized by supply chain issues, geopolitical risks. There is a difference between Chinese-owned and Chinese manufactured goods. It is really important to understand the Chinese production model.

Question 2: What specific marketing capabilities should managers of US firms focus on building to combat the effects of Chinese import competition on revenue growth?

Response: I would ask the client do they understand who or what they are dealing with and play up the fear of the unknown. I would ask the client - For example, are these imports manufactured following Good Manufacturing Practices? If tomorrow, there is a report in the Wall Street Journal that these imports are being manufactured using questionable labor practices, is that really good for the stock price? Do you know if these products are really manufactured in China? Do you know where the inputs are sourced from? Was this factory FDA inspected? A large retailer like Walmart has 1000s of people overseas to validate its suppliers and can hold its suppliers more accountable. In contrast, a smaller firm like HEB has fewer than 1% of these resources, to validate the suppliers' manufacturing practices, and so can be caught off-guard.

I would emphasize the cost of goods sold. With imports, there are likely to be supply chain issues, which can lead to unexpected costs. In 2021, container prices went up from $2000 to $21,000. There are geopolitical issues which can also increase costs, the US government may increase tariffs, like in the case of solar panels. There are likely to be costs from a lack of supplier transparency. The Chinese manufacturers may also move manufacturing to Vietnam or Cambodia. You need to be aware of the risks that stem from imports in calculating the cost of goods sold.

Imagine you are a university wanting to purchase football T-shirts. If you are trying to import T-shirts for football season, there could be problems with the supply chain, which in turn, can slow down your reaction times. There could be issues arising from quality assurance, and it is difficult to manage the production process in China remotely.

Question 3: What is the role of marketing leadership (marketing executives in the firms' top management team) in helping firms combat Chinese import competition? How can a powerful (influential) marketing department and leadership within a US firm help it overcome Chinese import competition?

Response: As the CMO, my team consists of the COO, CFO, and the CEO. I would ask the CFO, have you vetted your true costs? There are costs of inspection, costs of quality. From my experience at Walmart and in manufacturing, if when you purchase an import its price is $10, including the costs of shipping, risks from quality, supply chain issues etc by the time the product reaches you, its actual cost is $18. I would ask the CFO if they fully understand the gap between the costs of goods manufactured in China vs. in America.

Question 4: What is the role of customer relationship, pricing, and branding capabilities in helping US firms combat Chinese import competition?

Response: In the 70s and 80s most US consumers were concerned about goods made in China, particularly with respect to quality. Now they don't care anymore. People shopping at the dollar store do not care if products are made in China. As a marketer, I would play up quality and price, not just price.

Question 5: Is there a differential role that marketing in its different facets (marketing leadership, marketing capabilities) plays in helping US firms combat Chinese imports in B2B vs. B2C industries?

Response: Not in its truest sense. Across the two contexts, marketers need to understand the end customer or client, ask questions, deeply understand their requirements. The process is the same.

Question 6: What is the role of competitive intelligence, environmental scanning, and market sensing in helping US firms overcome Chinese import competition?

Response: Huge. It is like asking how valuable are spies in a war. The marketing dollars really need to hammer the message home. Understanding what the competition is doing, the related data about their past failures and future opportunities, and using these to formulate goals and objectives, these are essential to marketing.

Question 7: What types of foreign market knowledge (specific to China) should firms focus on acquiring to combat Chinese import competition? What is the role of firms' international experience (through exporting, foreign direct investment etc) in helping them combat Chinese import competition?

Response: It is important to have a person who has experience trading in China, who speaks Cantonese, to bring down language barriers. The person should have lived there, worked there for at least 3-10 years, know how things work in China. It would be helpful to have a person who looks and acts like the people you are trading with, helps build comfort and trust.

Question 8: What is the role of marketing analytics in helping US firms overcome Chinese import competition?

Response: Very important. Data is very important to fine tune the marketing objectives and define the goals, objectives and results. Marketing and finance need to work together to set the goals and objectives. As a marketer, if I say my goal is 20% market share, but the finance team does not think that that is profitable, then there is no point.

Panel B: Book Excerpts

American Dragon: Winning the Global Manufacturing War Using the Universal Principles of Fewer, Faster, and Finer (2016) by Michael McKeldon Woody

The author is the Chief Executive Officer (CEO) at Trans-Tex, a US textile firm. During his time at the helm of the firm, it successfully battled Chinese imports, achieving double-digit revenue growth at a time when its American counterparts were shutting down. In this book, the author captures the business principles that helped Trans-Tex counter import competition. I reproduce the excerpts from the book that focus on marketing leadership, capabilities, and market-based assets, dividing them into six categories.

1. ***Building strong customer relationships and trust***

"Another way that a finer company builds trust with a US prospect to win them back – or to prevent them from going overseas – is to develop relationships between your company and your customers and prospects at several levels in the respective organizations. At Trans-Tex, a total of seven employees from different departments visited Dayton Products to get a better sense of this customer's operation and to develop multiple relationships at different levels within the two companies. You should encourage these types of intercompany visits from people in various departments of your operation, particularly those who communicate regularly by phone or e-mail with your customer. Your sales team should not be the only people hitting the road to visit key accounts. The relationship between members of your customer service team and the order processing department of your customer is critical to the smooth and timely processing of orders. Bring as many of your customer service team members as possible to visit the customer and encourage their order processing team to visit you. These relationships at different levels throughout the two organizations strengthen the bonds between your two companies and increase the level of trust. It is also something that your China competition is unlikely to do.

Thus, your customer service team must be highly proactive to ensure that you have all of the information you need to put an order into production. The customer service team must return to those unprocessed orders once or twice a day, touching base with the customer to solicit the necessary information.

At Trans-Tex, our customer service team is so experienced and knows the marketplace, their customers, and their order habits so well that they service as a secondary order entry proofing department for larger customers, often catching errors that a foreign source would simply pass into production.

This proactive approach will often get your customer out of a jam. By contacting the customer on a regular basis for information on pending orders and double checking when the information on an order seems out of the ordinary, you will not annoy them; rather you will prove to them your commitment to quickly, efficiently, and correctly processing their orders. Meanwhile, their Asian source is often dealing with a roughly nine-to-twelve hour lag time in communication due to difference in time zones. Since accurate order processing is so critical to great customer service, the language barrier is another weakness you can exploit. If your team is in constant contact with your customer over issues such as order clarification, projected ship dates, and problem resolution, you will save your customer time and money in ways that your Asian competitor cannot.

On the subject of dispute resolution, the crowning attribute of a finer company is post-sale commitment to customer satisfaction. Many US importers have been blindsided by overseas manufacturers who do not stand behind their product if there are defects. Most Asian sources require a substantial portion of the value of the order paid up front. If your US customer or prospect has a quality problem with the delivered product, it can be difficult to resolve the issue in their favor. To exploit this weakness, a finer company must always give the US customer the benefit of the doubt. If responsibility for a defect or other error is in a gray area between you and your customer, accept responsibility, fix or replace the product quickly, and move on. Your overseas competitor will rarely provide that type of post-sale commitment. Tell your US prospects currently buying from overseas that they can trust you – and then prove it.

If you are a CEO, president, or owner of the company, jump on a plane – often- to visit US customers and prospects currently buying imports."

2. ***Avoiding commoditization through greater customer focus and customization in product development***

"But the consumer, particularly the US consumer, is changing in radical ways. The concept of having exactly what one wants – as opposed to a "one size fits all" mentality- is becoming hardwired into today's consumers, particularly those in the United States. This sea change in consumer preferences exposes a key weakness in the manufacturing business model of juggernauts like Foxconn. Given their distance from the United States and the costs for transportation, they must produce long runs in order to keep prices low. And they need to ship a lot of products at the same time in order to keep shipping costs low. China manufacturers are slow to adapt to the demands of the new consumer. Liu Jun, vice president and chief creative office of Eego Cultural Industry Investment Company and once named one of the "50 most creative individuals in China", characterizes this weakness as a lack of a global vision. He believes that Chinese companies, in general, do not have what he calls the "user-centeredness" that is central to Western design thought.

Product development efforts should tend away from low-cost commodity items and tend toward products that can be manufactured in shorter runs or that are customizable.

During the last decade, as imports from China decimated furniture manufacturing in North Carolina, those with the best chance of surviving changed their business model to allow retailers to order smaller quantities and to allow customers to order more customized products. Bassett furniture responded to the China onslaught by releasing a line of casual dining furniture in their own stores that was custom assembled and finished, then delivered in ten days. The consumer could use an in-store computer to choose from forty-two colors and a thousand different fabrics.

Davis industries, a manufacturer of canvas bags, …lowered setup charges to remove a significant hurdle to new orders, calculating they would recoup those costs in repeat orders. Their CFO fretted about the operational costs of those smaller orders, but I urged him to consider them marketing costs for customer acquisition and retention, not production expenses. Since implementing the change, their order count has quadrupled…

The secret to the success of Liberty Bottleworks, a Portland-based manufacturer of aluminium drinking bottles is the customization factor. Liberty allows their online customers to choose the shape, size, color and graphics for their bottle. "We stopped counting custom designs after about 20,000" said COO Ryan Clark in an Industry Week interview."

3. *Emphasizing product quality and safety in marketing communication*

"Benchmark your overseas competition and make objectively measurable distinctions between your product quality and theirs, particularly if product safety compliance is involved. Emphasize those distinctions as a key part of your sales and marketing message to those US prospects you are trying to win or win back.

As imports from low-wage countries flooded the US market during the last twenty five years, dramatic changes in US product safety regulations, largely driven by high-profile of lead-tainted toys imported from China, have exposed weakness in the overseas manufacturing business model. Exploit this weakness in the overseas manufacturing model by investing in regular product safety testing, if required for the types of products you manufacture. If product safety testing is not required for your products, consider testing for other voluntary quality standards to use as part of your sales and marketing message to US customers currently buying overseas. This commitment sets benchmarks against which you can be objectively measured by your customer, strengthens the relationship with that customer by illustrating your commitment to quality and safety, and raises the bar for both your foreign and domestic competition.

When it is time to talk about product safety issues with your US customer or prospect currently buying overseas, do not hesitate to plant doubt actively in their mind, not only about whether the quality of the product they are ordering is adequate, but also whether the product is CPSIA compliant. Collect and use copies of newspaper articles about product recalls that highlight this shortcoming. There is nothing wrong with selling fear, especially if that fear is well-founded and well-documented."

4. *Emphasizing total cost of ownership in customer communication*

"To sell the fewer, faster, and finer model, show how your overseas competitors compare with your company for minimum order size, production lead times (including the shipping time) and product quality and safety. These comparisons should be based on clearly measurable criteria.

B2B buyers are also under constant pressure to maintain lower part inventories in order to improve their cash cycle and their company's bottom lines. While touring the Vibco (a manufacturer of industrial vibrators) plant, I learned how they began sourcing certain parts and packaging locally in order to reduce both the cost of carrying inventory and the amount of space required to store that inventory. As the price of goods from the Pacific Rim continues to rise, purchasing managers are beginning to realize that the price of a widget is not the total cost of a widget. There are a number of factors in addition to the price that add to the cost of purchasing any good, but even more so for imports. One of those factors is the additional cost of buying large quantities. Most overseas manufacturers, in order to keep costs low, set high minimum order requirements. These high minimum order requirements force an importing company to lay out higher amounts of cash to get the best price. The opportunity cost of spending that cash, among other factors, must be added to the total cost of the product to arrive at its true price.

For B2B buyers, this comparison (total cost of ownership) can be particularly critical. In determining the total cost of ownership, B2B buyers must weigh not only the price of a widget, but also such factors as:

- the minimum order size
- length of time until delivery
- ease of communication with the source
- poor quality
- supply chain disruption risk"

5. *Marketing leaders*

"Pat Fontana had a clear understanding of the distribution network and the experience to handle the administrative pressure of a ramp up in sales and order count. She joined Trans-Tex in 2007 and immediately stabilized our customer service and order entry functions.

One of the key attributes shared by Pat and Jayne (Head of Customer Service) is that both had worked for many years with supplier companies like those we were targeting, so they completely understood the mind-set and motivations of our new customer base. There was no need to instruct them on the idiosyncrasies of the marketplace because they had both lived in it for over twenty years.

Pat and Jayne were instrumental in our success at Trans-Tex."

6. *Keeping the order pipeline full*

"And finally, another element that allowed Trans-Tex to cope with the proliferation of smaller orders was the ability to keep the order pipeline full. Multiple shifts can only be cost-effective if there is consistently enough work to keep each shift sufficiently busy."

Making it in America: A 12-Point Plan for Growing your Business and Keeping Jobs at Home (2016) by John Bassett and Ellis Henican

John D. Bassett III runs the largest wood bedroom furniture manufacturing plant in the United States. The furniture industry was particularly hard hit by Chinese import competition. Bassett furniture was one of the few firms that continued to survive in the face of import competition. In his book, John Bassett outlines the business principles that helped Bassett furniture fight import competition. I reproduce the excerpts from the book that focus on marketing leadership, capabilities, and market-based assets, dividing them into five categories.

1. ***Emphasizing Made in America in marketing strategy***

"One thing we've discovered at Vaughan-Bassett: The more American-made products are highlighted with consumers, the better those products sell. The first step to getting people to buy American is letting them know something is American-made. In February 2015, Brown Squirrel Furniture in Knoxville, Tennessee opened a dynamic made in America gallery. Customers see the furniture and like it. The fact that it is made in America is an added selling point. They like hearing that. Customers buy a lot more of our furniture than they had before, and Brown Squirrel has the sales figures to prove it.

Brown Squirrel wasn't the first retailer to do this. Grand Home Furnishings in Roanoke, Virginia has had a made-in-America wood-furniture gallery since July 2012. Others have been opening them as well. Almost without exception, it's an approach that's connected well with customers. It's a selling strategy I hope is becoming a national trend.

Americans want to buy American. Every poll shows this is true. In survey after survey, upwards of 80 percent of American readily say they believe in buying American products – and for some of the same reasons I do. Trusted brand names. High-quality products. Helping the economy.

One other thing pollsters have found: A tie usually goes to the domestic manufacturer – even a near-tie. If the American product and the imported product are both being sold for $11.99, most people will buy American. They'll probably do the same if the domestic product is $12.09.

In a recent survey by the Boston Consulting Group, more than 60 percent said they would buy American clothes and appliances even if those items cost 10 percent more than the imported brands. More than 25 percent said they would pay at least an extra 20 percent."

2. ***Finding new market segments to serve***

"We find new segments of the market to explore.

Expand the kinds of products you produce and/or the services you deliver."

3. ***Building strong customer relationships***

"We knew how to hire designers and develop a line. We had the industry relationships. We knew the customer base. We had the marketing experience.

Engage with customers in unexpected ways.

We have to take advantage of our proximity to the customer. Our products don't take as long to arrive. For many of our retailers and customers, that's a very big deal. Its an advantage we can use in our fight to win."

4. Avoiding commoditization through greater customer focus and customization in product development

"Furniture is not a commodity. When a customer chooses a bed or a dresser, certainly price is one consideration, an important one. But it is not the only thing. But fashion, design, service, quality, how quickly the product can be delivered – all those factors go into someone's decision about what to buy and where to buy it."

5. Emphasizing product quality and safety in marketing communication

"We've worked with the American Society of Testing and Materials, to devise what's known as the "fifty-pound test." Our furniture is tested, making sure no piece will tip over even with fifty pounds of weight in the drawer."

Re-Made in the USA: How We Can Restore Jobs, Retool Manufacturing, and Compete with the World (2011) by Todd Lipscomb

Todd Lipscomb, is a tech executive with extensive experience working in Asia. Following his tech career, he has set up an ecommerce platform for selling goods manufactured in America, called Made in the USA Forever. In this book, Todd Lipscomb outlines business principles to effectively counter import competition. I reproduce the excerpts from the book that focus on marketing leadership, capabilities, and market-based assets, dividing them into four categories.

1. ***Superior Customer Service***

"Case study: Beating the Chinese at Their Own Game – Battle Lake Outdoors

Producing our goods gives us the ability to provide a level of service to our customers that we would not be able to accommodate if we produced items abroad. We are able to work with our customers in designing new products; monitor the quality of the products and the conditions under which they are made, firsthand; and respond quickly to the needs of our customers."

2. ***Emphasizing Made in America in marketing strategy***

"You may have seen advertisements recently in which sellers make a point of letting you know that their goods are made in the USA. The advertising campaign built around the 2011 Jeep Grand Cherokee, for example, focuses heavily on the fact that the vehicle was "imagined, drawn, carved, stamped, hewn, and forged here in America."

Jeep's marketing strategy is a clear indication that companies are hearing the voices of those who are demanding American-made goods, and that major corporations doing business in this country realize that buying American is important to many of us.

There is a growing movement of Americans from every walk of life who care about American manufacturing and are making it a higher priority when making purchases."

3. ***Ability to Respond Quickly to the Domestic Market***

"No one is closer to our consumers, or better understand their tastes, than we are, ourselves. Producing locally allows us to produce what our customers want and get it to them within days, whereas it takes months to ship goods from China, door to door.

Not only can local manufacturers get customers what they want when they want it, but the amount of energy used to put it in their hands amounts to just a tiny fraction of the total burned by shipping imports.

Keeping manufacturing on our shores also allows for quick alterations or customization, to adjust to rapidly changing customer needs and requirements."

4. ***Emphasizing product quality and safety in marketing communication***

"Case study: America's Oldest Supplier: Holgate

Holgate has a tradition, starting back in 1789, of making wood products. The key difference is safety and quality. A couple of years ago, the US was again concerned with lead in children's toys. We know the people and companies we are dealing with; this is so critical for keeping our products safe and meeting US toy safety standards. Quality is another factor. By refusing to outsource, we are able to better control the quality of our toys. Holgate toy makers are dedicated to and concerned about making a safe and quality toy. All its employees know that we must perform every day, to earn the respect and trust of consumers."

Factory Man (2014) by Beth Macy

The book chronicles the story of John Bassett III, focusing on the effects of Chinese import competition on the furniture industry in the 2000s, and how John Bassett III effectively battled import competition. I reproduce the excerpts from the book that focus on marketing leadership, capabilities, and market-based assets, which re-iterate the following three concepts.

1. ***Avoiding commoditization through greater customer focus and customization in product development***
2. ***Emphasizing Made in America in marketing strategy***
3. ***Emphasizing product quality and safety in marketing communication***

"Stanley flipped what it made domestically, betting that nervous upper-middle-class parents (and doting grandparents) would be willing to spend more on made-in-America baby cribs – eight hundred dollars vs. four hundred dollars for a nearly identical imported crib.

American-made cribs are Greenguard certified by an independent public-health nonprofit that monitors air quality and chemical emissions, and they come in more than one hundred finish choices, from surf blue to chili pepper."

References:

Bassett, John and Ellis Henican (2016), "*Making it in America: A 12-Point Plan for Growing your Business and Keeping Jobs at Home,*" United States.

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McKeldon Woody, Michael (2016), "*American Dragon: Winning the Global Manufacturing War Using the Universal Principles of Fewer, Faster, and Finer*," United States.

Panel C: Reddit Excerpts

I present excerpts from two subreddit discussions on how firms can deal with Chinese import competition. In the interest of brevity, I only reproduce responses from the threads that highlight the role of marketing.

Excerpts from Reddit thread in the Mechanical Engineering Subreddit (2024): Chinese competition: how is your company dealing with it?

Responses:

- “We're also focusing on **customer service, and customization**. Also lead time. We reduced our delivery lead times to a week. **The real advantage we have is we can get face time with our customers.** Their advantage is they can scale easily. So we play to our advantage.”

- **“Equally, there's enough service side elements of the business where Chinese imports have an inability to fulfill.** We've even won business away from a Chinese manufacturer because their service side was so bad, aka basically non-existent and the customer despised the Chinese company because they offered no support for their products. **It starts to get easy to compete against China once you realize where your benefits are over them.** There are many things Chinese companies are unable or unwilling to do. **Sales, service, technical support, replacement parts, warranty, etc.** are all shortcomings of the Chinese market.”

- “Check state and federal utility regulations to see if the meters don't meet certain requirements, or if there's a security bulletin on the product. Does it have all required certifications or ratings, does it have all the required functions, does it steal your data, etc... **If their product clears those bars. then you have to offer a service or feature the your customers can't get from China that is of enough value to keep them on your product.”**

- “Having a **superior product** will usually win out. If your stuff is better, lasts longer, and has **great quality control**, you’ll win out.”

Excerpts from Reddit thread in the Sales Subreddit (2024): Anyone suddenly facing Chinese competition that is severely undercutting?

I'm in tech/automation/robotics/capital equipment sales and can't believe how cheap some of the Chinese companies are coming on price. There's no way they can stay solvent doing this.

Responses

- “If you buy Chinese now, you are paying a price to an offshore broker but material won't deliver for 90 days. If price goes down you lose, and if price goes up they might cancel and rebid the material on route. **You have to show benefits of local production (lead times vs coming from China), local company they deal with (you), quality of product, better service, payment terms, etc.. Not always about price!"**

- "You have 2 plays against them. 1. Your IP is safe with your company. Data laws won't protect you from China, and there's a chance that they will steal your product and make their own (Cheating is expected in China). 2. **You have customer service and can do site visits quickly if needed."**

- "It's very common in my industry (Contract Research) they do kill us on price of course, but I find **clients still prefer domestic options for critical work as the communication always ends up being a challenge**."

References:

https://www.reddit.com/r/MechanicalEngineering/comments/1buutvs/chinese_competition_how_is_your_company_dealing/

https://www.reddit.com/r/sales/comments/18nt4o6/anyone_suddenly_facing_chinese_competition_that/

Panel D: Case Studies

CEO Magazine - American manufacturers that push the industry forward, effectively countering import competition

I highlight the specific manufacturer profiles that focus on marketing leadership, capabilities, and market-based assets.

1. ***Innovating in the distribution model***

GREGORY OWENS / SHERRILL MANUFACTURING, SHERRILL, NY

"In 2005, Owens and partner Matt Roberts assumed the industrial carcass of the iconic Oneida flatware brand, which once employed 2,800 people in upstate New York, and used a new business model based on high-quality manufacturing and cost-saving e-tailing instead of traditional department store distribution. Making Liberty Tabletop brand utensils, the factory now employs more than 40 people and mixes advanced automation with a human touch.

Oneida had spent years investing in automation but still couldn't compete with bargain-basement Chinese pricing. "We took this very fundamental business—metal forming and polishing—and mashed it up to web marketing in a direct, modern, simple B2C model," Owens says. "We can't compete by selling it to Macy's with its mark-ups, but we can certainly sell a box of flatware for 100 bucks, and that's what we're doing."

The revolutionary retail model gives Sherrill financial room to do things right, such as adding skilled artisans to ensure adequate buffing in the area between a spoon bowl and handle. "We're adding costs and driving quality back into it, which at the end of the day is good business because everyone else is doing the opposite," Owens says."

2. ***Avoiding commoditization through greater customer focus and customization in product development***

ANDREW PHILIPP / CLARUS GLASSBOARDS, FORT WORTH, TX

"The simultaneous U.S. commercial construction boom, along with a rethinking of office space for the millennial workforce, means fast-rising demand for the company that dominates the business of making and installing dry-erase boards. **The secret: "With Nike, you can customize your shoe in a week or two," Philipp explains. "We wanted to bring that level of customization and customer intimacy to the office furniture world."**

That concept is less prevalent among competitors in Europe, so Philipp has been pushing exports to European countries and to both U.S. and home-grown companies there. He's also targeting Australia and Southeast Asia."

DON ROMINE / WEB INDUSTRIES, MARLBOROUGH, MA

"The mid-market expert in flexible materials processing serves trusted brand names and end products in aerospace, including carbon fibers for next-generation jetliners; consumer products, such as adult incontinence diapers; medical diagnostics, ranging from blood analyzer ampules to diabetes test strips; and insulated wire and cable. **Web puts together team-building workshops with leading customers that gather as many as 30 people from all over the world. "This drives our innovation efforts," Romine says.** Web also encourages tenure and loyalty by being 100 percent owned by its 575 employees at six U.S. plants and one in Europe. "Without the hearts and minds of your people being unleashed, you're going to hobble your potential for innovation," Romine says. "And if you don't address the future, you'll get left behind.""

References:

Buss, Dale, "Who's Pushing U.S. Manufacturing Forward," *Chief Executive*, available at https://chiefexecutive.net/whos-pushing-u-s-manufacturing-forward/

Panel E: Industry Publication Excerpts

Clean Technica: "Domestic US Automakers Still Need to Prepare for Chinese Competition" by Jennifer Sensiba (2024)

1. ***Emphasizing Made in America in marketing strategy***
2. ***Superior branding***

"At the same time, price isn't everything. Just as many people don't want a stripped-down Tesla, many more don't want a cheaper than cheap Chinese EV. If price was the only factor in people's decision-making, we'd all be riding bikes everywhere. So, domestic manufacturers need to consider what other advantages they have over imports and apply those to the upcoming fight against Chinese imports that will come sooner or later.

Going back to price, domestic manufacturers can potentially mix these two strategies to compete. Offering affordable electric pickups and SUVs that are a $5,000–10,000 over the price of a Chinese sedan can both help the companies stay relevant and compete without cutting profits to the bone.

This can't be the only advantage they can press, though. Brand loyalty is a big one, as is the desire to pick up a domestic car for social or political reasons, even if the car isn't made from American parts. Playing up relationships with unions while pointing out that Chinese labor (in China or Mexico) isn't as well paid or well treated can give domestics an edge, too (assuming they pay Mexican plant laborers better than average).

Infrastructure is another way to get an edge, as Tesla has shown. New stations can be open to all vehicles (including Chinese imports in the future) while still giving the brand some prestige and giving the brand an opportunity to give their drivers perks. Lower pricing, premium amenities, reservations, and advertising opportunities can all help move cars without being seen as stingy."

Information Technology and Innovation Foundation, "Competing with China: A Strategic Framework" by David Moschella and Robert Atkinson (2020)

Steps for Rebalancing Supply Chains:

1. **Leverage the power of consumers.**

"If the labels "Made in China" or "Made in Xinjiang, China" (or made anywhere else) were more prominent, consumers could make a more-conscious choice about how much these issues matter to them. Similarly, labels such as those used today for "fair trade" or "environmentally friendly" could be used to pressure China in various ways. This approach has low costs, and potentially high value. It also taps into the power of the consumer, which will be increasingly important as Chinese brands such as Huawei, Xiaomi, Haier, and TikTok go global. The Chinese government routinely uses its influence to shape how Chinese consumers feel about individual American brands."

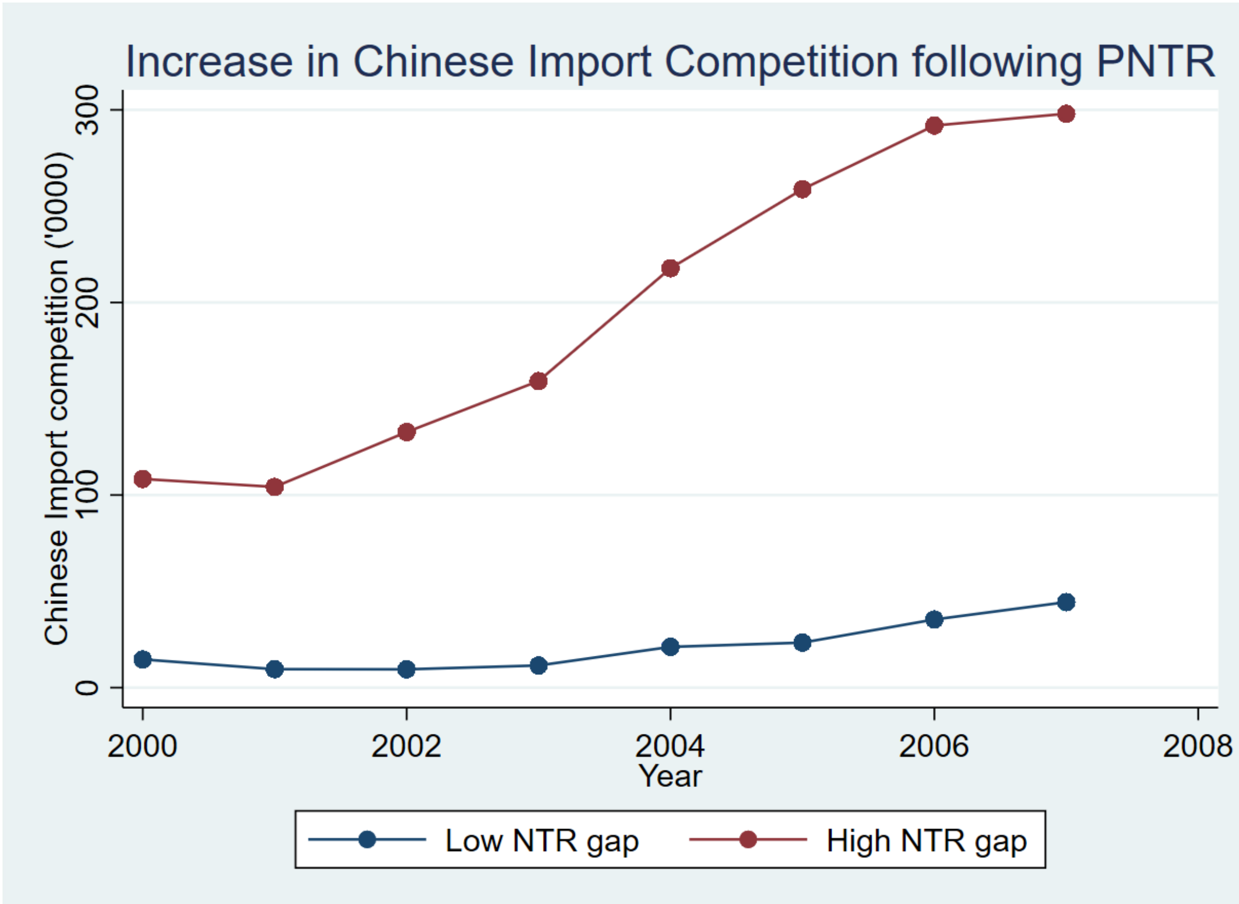
References:

Moschella, David, and Robert D. Atkinson (2020), "Competing with China: A Strategic Framework," *Information Technology and Innovation Foundation*, available at https://itif.org/publications/2020/08/31/competing-china-strategic-framework/

Sensiba, Jennifer (2024), "Domestic US Automakers Still Need to Prepare for Chinese Competition," *CleanTechnica*, available at https://cleantechnica.com/2024/05/12/domestic-automakers-still-need-to-prepare-for-chinese-competition/

Web Appendix D: Institutional Details of PNTR

Figure W1: Increase in Chinese Import Competition following PNTR



I divide firms into two groups, Low NTR gap and High NTR gap, to provide evidence of rising Chinese import competition following PNTR. I classify firms in industries with above (below) mean treat values as high NTR gap (low NTR gap) firms. The line graph in Panel B demonstrates the divergence in Chinese import competition between firms in the high and low NTR gap groups following the PNTR, while Chinese import competition increased rapidly for firms in the high NTR gap group, it remained steady (or increased at a lower rate) for firms in the low NTR gap group.

Parallel Trends in High and Low NTR Gap Industries

Figure W2 – Marketing department power

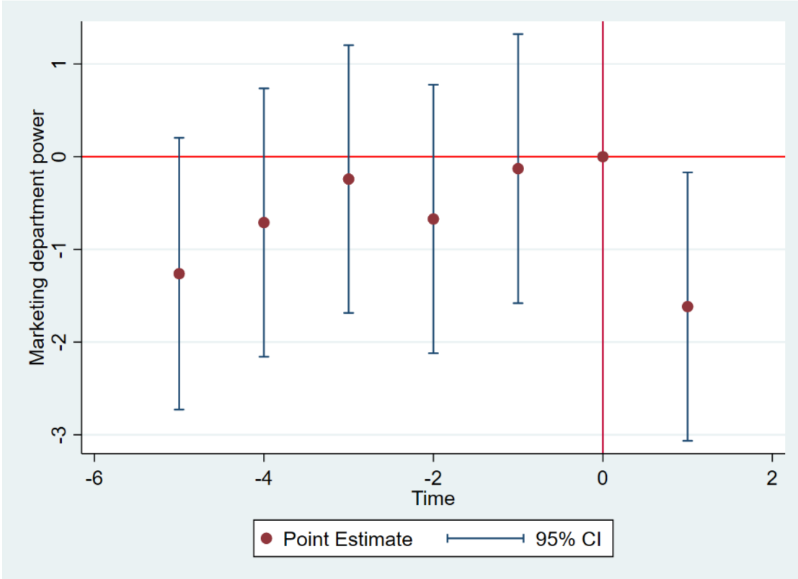


Figure W3 – Profitability

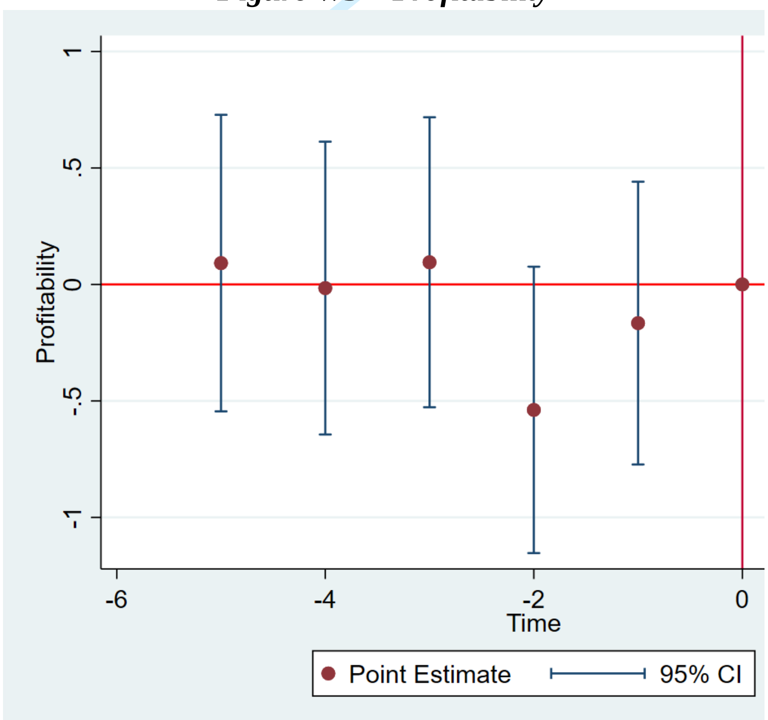


Figure W4 – Capital investment

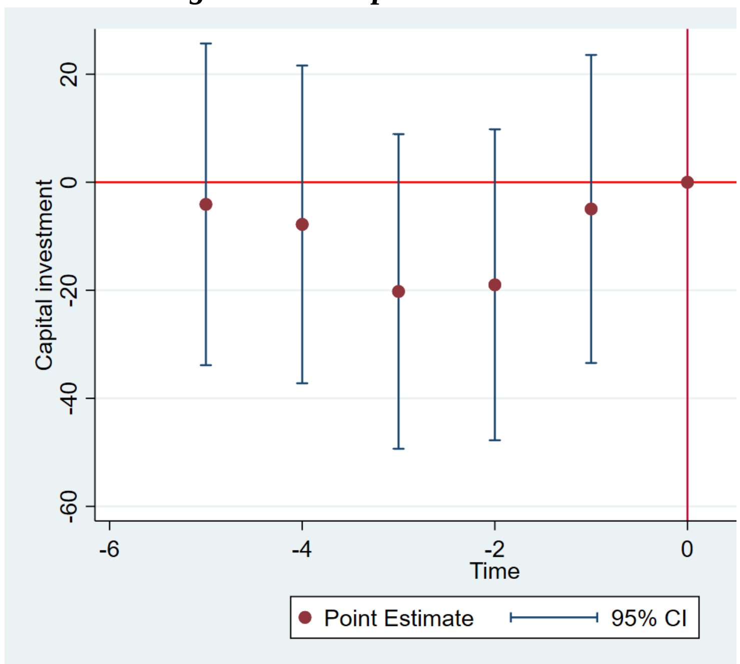


Figure W5 – R&D intensity

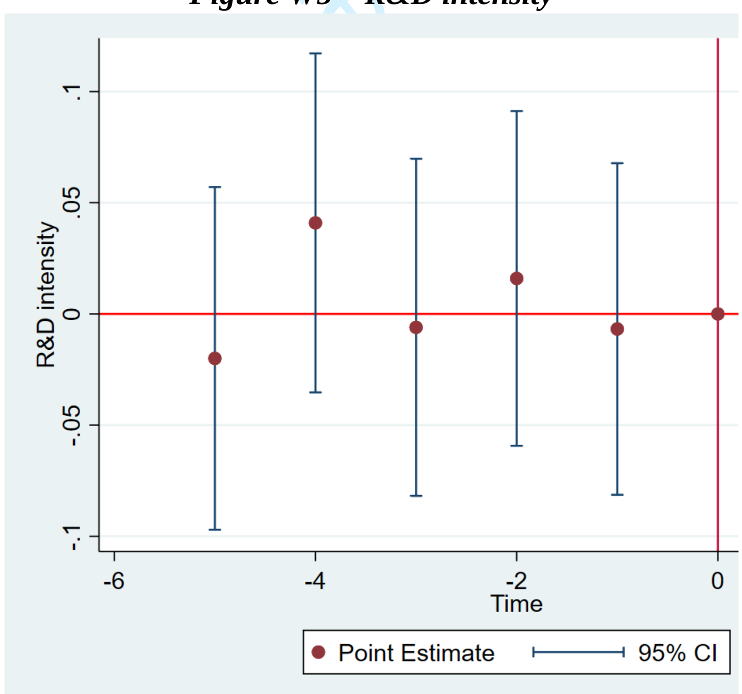
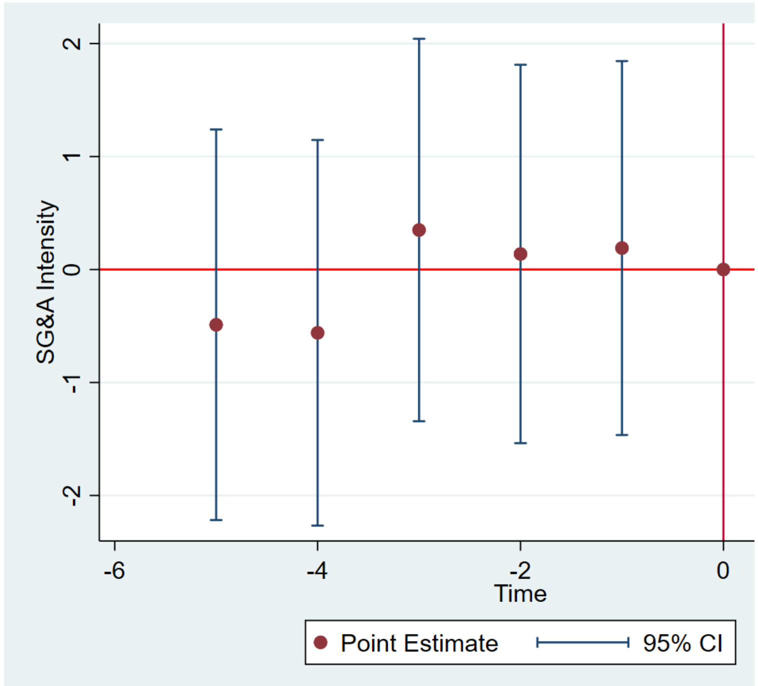


Figure W6 – SG&A Intensity



The figures above test for the presence of pre-trends between firms in industries with high NTR gaps and those with low NTR gaps across five key variables – marketing department power, profitability, capital investment, R&D intensity, and SG&A intensity. I classify industries as those with high NTR gaps if they have NTR gaps greater than the average NTR gap across all industries. I plot the differences between the two groups for five years prior to the shock. The five graphs show that there are no significant differences between firms in industries with high NTR gaps and firms in industries with low NTR gaps across these four variables, as the point estimate for each year is not significantly different from 0, and the confidence intervals include 0. Thus, the presence of pre-existing differences between firms in industries with high NTR gaps vs. firms in industries with low NTR gaps can be ruled out.

Table W4: Studies Using PNTR as a Quasi-Experiment

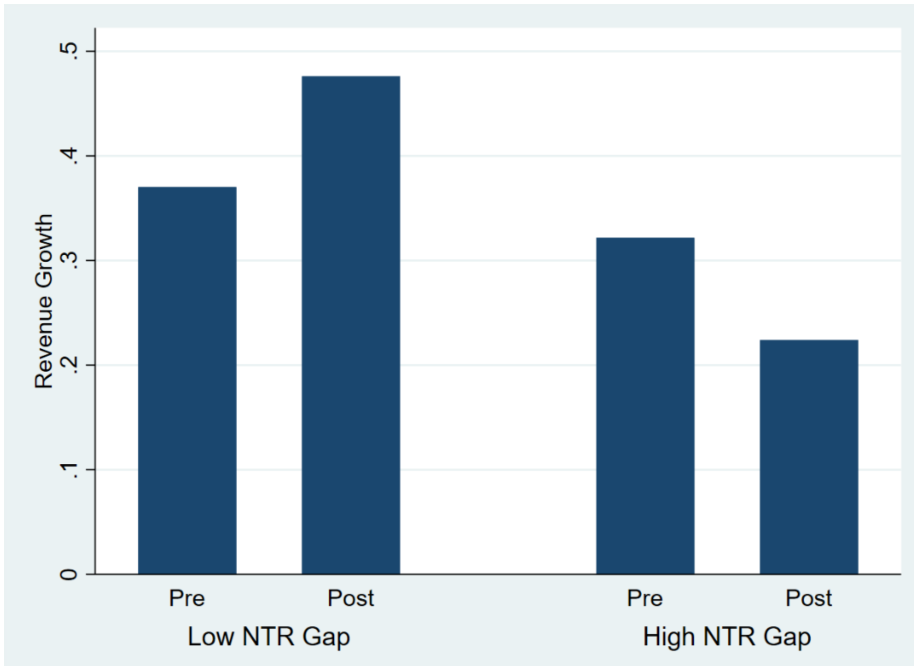
Paper	Journal	Dependent variable	Level of analysis	Effect on individual firms	Key findings
Autor et al. (2020)	*American Economic Review*	U.S. firms' performance and patent production	Firm	Yes	Increased imports from China ramped up competitive pressures on publicly listed US firms, reducing US and global sales, diminishing book and stock values, curtailing purchasing of labor and capital inputs, and proportionally decreasing R&D investment. Increased competitive pressure led US firms to decrease their output of innovations as measured by patent grants.
Barrot et al. (2022)	*Journal of Finance*	Household debt	Household	No	Household debt increases significantly in regions where manufacturing industries are more exposed to import competition. The effects are driven by home equity extraction and are concentrated in areas with strong house price growth.
Chen et al. (2020)	*Journal of Financial Economics*	U.S. firms' board structure and board advisory role	Firm	Yes	Firms facing greater exposure to Chinese import competition following PNTR increase the proportion of directors with China experience.
Chen, Gao, and Wang (2021)	*Journal of Empirical Finance*	US firms' innovation	Firm	Yes	Reduction in tariff uncertainty following PNTR leads to a significant increase in innovation outputs. These treatment effects are stronger for firms that have greater irreversible investment.
Chen, Lin, and Shao (2022)	*Management Science*	U.S. corporate tax policies	Firm	Yes	Firms facing greater exposure to Chinese import competition have significant increases in tax reduction activities. This effect is stronger for firms with greater managerial slack, firms in less diversified product markets, and firms in faster changing industries.

Greenland, Lopresti, and McHenry (2019)	*Review of Economics and Statistics*	U.S. internal migration	Commuting -zone	No	Local labor markets most exposed to import competition following PNTR experienced a relative reduction in population growth over the following decade.
Gutiérrez and Philippon (2017)	*NBER Working Paper*	U.S. firms' investment	Firm	Yes	Chinese import competition leads to a decrease in the number of US firms, as the weaker ones exit. However, industry leaders increase investment and employment.
Hombert and Matray (2018)	*Journal of Finance*	U.S. firms' performance	Firm	Yes	Rising imports from China lead to slower sales growth and lower profitability for incumbent firms, and these effects are significantly smaller for firms with larger stocks of R&D.
Lu, Shao, and Tao (2018)	*Journal of International Economics*	Newspaper media slant	Newspaper	No	Newspapers whose circulation counties face greater exposure to Chinese imports report more negative news about China, and are more likely to endorse Democrats.
Pierce and Schott (2016)	*American Economic Review*	Employment	Industry	No	Industries with greater import competition experience more severe employment losses.
Pierce and Schott (2018)	*Journal of International Economics*	Investment	Plant	Yes	Chinese import competition following PNTR decreases plant-level investment, and this decrease is smaller for plants with higher levels of labor productivity, capital intensity, and skill intensity.
Pierce and Schott (2020)	*American Economic Review*	U.S. mortality	County	No	Counties more exposed to Chinese import competition following PNTR exhibit relative increases in fatal drug overdoses.

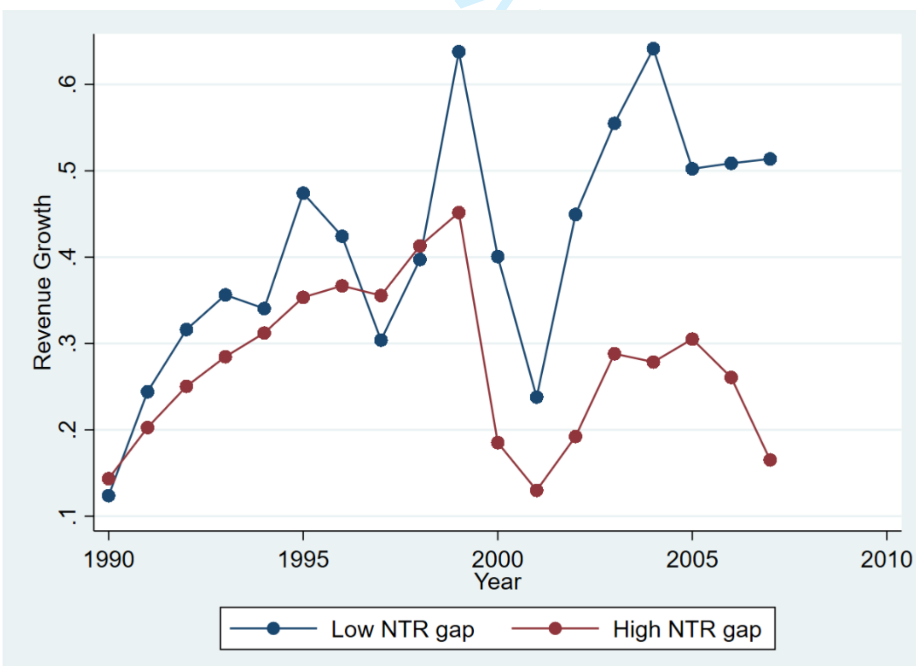
Web Appendix E: Description of Data Sources and Model Free Evidence

Figure W7: Import Competition and Revenue Growth – Model Free Evidence

Panel A - Revenue Growth of Treated and Control Groups – Pre and Post



Panel B - Revenue Growth of Treated and Control Groups – Annual



I divide firms into two groups, Low NTR gap and High NTR gap, to provide model free evidence. I classify firms in industries with above (below) mean treat values as high NTR gap (low NTR gap) firms. The bar graph in Panel A demonstrates that firms in the high NTR gap condition observed a decline in revenue growth in the post PNTR period as compared to firms in the low NTR gap. The line graph in Panel B demonstrates the divergence in revenue growth between firms in the high and low NTR gap groups following the PNTR, with lower revenue growth for firms in the high NTR gap group, as compared to those in the low NTR gap group.

Table W5: Key Variables, Measures, and Literature Support

Revenue growth$_{t+1}$	Year over year percentage change in annual firm revenues	Nath and Mahajan (2008); Whitler, Krause, and Lehmann (2018)
Treat$_t$	NTR gap, difference between higher, non-NTR rates to which tariffs could have risen prior to PNTR and the lower NTR rates that were locked in by the changes in policy	Pierce and Schott (2020)
Post$_t$	1 after PNTR status granted to China in 2000, 0 before PNTR	Pierce and Schott (2020)
Marketing department power$_t$	Using the (1) proportion of marketing executives in the TMT, (2) marketing executives' compensation relative to the total TMT executives' compensation, (3) hierarchical level of the highest-level marketing TMT executive's job title, (4) the cumulative hierarchical level of all the marketing executives in the TMT, and (5) the number of responsibilities reflected in the marketing TMT executives' job titles	Feng, Morgan, and Rego (2015)
Marketing capability$_t$	The firm's efficiency at transforming marketing inputs into outputs based on stochastic frontier analysis	Dutta, Narasimhan, and Rajiv (1999)
Strategic differentiation$_t$	1/Hoberg and Phillips (2016) measure of similarity of a firm's competitive position relative to its peers based on text analysis of 10-Ks	Hoberg and Phillips (2016)
Customer relationship capital$_t$	Number of major customers scaled by assets	Saboo, Kumar, and Anand (2017)
Experiential knowledge$_t$	Ratio of foreign sales in China to total sales	Spyropoulou et al. (2018)
Firm size$_t$	Logarithm of assets	Jindal (2020)
Industry concentration$_t$	Hirschmann-Herfindahl index measure (sum of square of market shares for all firms in each industry)	Feng, Morgan, and Rego (2015)
Advertising$_t$	Advertising expenses scaled by assets	Jindal (2020)
Intangible asset intensity$_t$	1 - (Plant, Property, and Equipment/assets)	Tuli, Bharadwaj, and Kohli (2010)
Product market diversification$_t$	Palepu (1985) entropy measure of total diversification	Kashmiri and Mahajan (2017)
Finance department power$_t$	Using the (1) proportion of finance executives in the TMT, (2) finance executives' compensation relative to the total TMT executives' compensation, (3) hierarchical level of the highest-level finance TMT executive's job title, (4) the cumulative hierarchical level of all the	Feng, Morgan, and Rego (2015)

	finance executives in the TMT, and (5) the number of responsibilities reflected in the finance TMT executives' job titles	
Operations department power$_t$	Using the (1) proportion of operations executives in the TMT, (2) operations executives' compensation relative to the total TMT executives' compensation, (3) hierarchical level of the highest-level operations TMT executive's job title, (4) the cumulative hierarchical level of all the operations executives in the TMT, and (5) the number of responsibilities reflected in the operations TMT executives' job titles	Feng, Morgan, and Rego (2015)
Trade policy uncertainty$_t$	Trade policy uncertainty index as measured by Baker et al. (2016); monthly index scores averaged for each year	Baker, Bloom, and Davis (2016)
Regulatory policy uncertainty$_t$	Regulatory policy uncertainty index as measured by Baker et al. (2016); monthly index scores averaged for each year	Baker, Bloom, and Davis (2016)
National security policy uncertainty$_t$	National security policy uncertainty index as measured by Baker et al. (2016); monthly index scores averaged for each year	Baker, Bloom, and Davis (2016)
Tobin's q$_t$	(Market value of equity + Preferred Stock + Debt) / Assets; Market value of equity = share price x number of common shares outstanding	McAlister et al. (2016)
Profit$_{t+1}$	Logarithm of gross profit	Bhattacharya, Morgan, and Rego (2022); McKenzie and Woodruff (2017)

Table W6: Descriptive Statistics

	Mean	Standard Deviation	Minimum	Median	Maximum
Revenue growth	.135	.325	-.997	.089	7.110
Treat	.293	.146	.000	.343	.745
Post	.498	.500	.000	.000	1.000
Marketing department power	18.384	15.971	3.434	8.301	64.315
Marketing capability	.195	.051	.094	.195	.433
Strategic differentiation	.579	.323	.015	.620	1.000
Customer relationship capital	.004	.018	.000	.000	.783
Experiential knowledge ($*10^{-1}$)	.004	.020	.000	.000	.098
Firm size	3484.968	7828.304	5.078	825.754	69554.1
Industry concentration	.219	.184	.047	.153	.999
Advertising	.010	.030	.000	.000	.204
Intangible asset intensity	.712	.209	.064	.769	.997
Product market diversification	1.036	.756	.000	1.099	2.451
Finance department power	23.214	12.675	3.262	26.407	52.004
Operations department power	15.538	13.495	3.682	7.704	57.001
Trade policy uncertainty	104.627	89.101	29.893	69.886	359.539
Regulatory policy uncertainty	82.933	23.942	51.765	83.010	132.675
National security uncertainty	89.993	52.967	42.475	61.190	228.009
Tobin's q	1.929	1.836	.076	1.403	37.941
Profit	1029.373	1948.397	-22.919	278.666	9607

I report raw values of firm size and profit (i.e., before calculating the logarithm) for ease of interpretation.

Table W7: Correlation Matrix

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1. Revenue growth																			
2. Treat	-.051																		
3. Post	-.095	.048																	
4. Marketing department power	-.023	.042	.171																
5. Marketing capability	.136	.084	-.327	-.023															
6. Strategic differentiation	-.135	.167	-.093	-.183	-.124														
7. Customer relationship capital	.029	.059	.192	.067	-.001	-.086													
8. Experiential knowledge	-.033	.074	.196	.106	-.111	-.117	.068												
9. Firm size	-.132	-.135	.129	-.083	-.378	.037	-.28	.038											
10. Industry concentration	-.053	.189	.007	-.054	-.038	.29	-.002	-.091	-.035										
11. Advertising	-.033	.117	-.068	.06	.062	.152	-.011	-.047	.051	.101									
12. Intangible asset intensity	-.038	.518	.193	.078	.067	.071	.145	.088	-.203	.189	.111								
13. Product market diversification	-.09	.039	.628	.043	-.413	.108	.065	.137	.316	.037	-.066	.111							
14. Finance department power	-.046	-.014	.225	.032	-.122	-.068	.023	-.001	.036	.033	-.041	.055	.188						
15. Operations department power	-.033	-.004	-.081	.116	.031	-.074	.005	-.021	-.058	.005	.058	-.008	-.14	-.027					
16. Trade policy uncertainty	.038	-.036	-.56	-.152	.191	.106	-.129	-.135	-.105	.029	.072	-.147	-.494	-.185	.075				
17. Regulatory policy uncertainty	-.036	-.019	-.126	-.077	.508	.063	-.06	-.095	-.067	.015	.043	-.102	-.251	-.101	.029	.601			
18. National security uncertainty	.01	.008	.314	.039	.185	-.006	.051	.008	.001	.004	-.011	.013	.151	.041	-.023	.086	.656		
19. Tobin's q	.234	.111	-.008	.064	.229	-.212	.048	.027	-.127	-.064	.05	.198	-.087	-.059	-.002	-.051	-.077	-.058	
20. Profit	-.023	-.041	.062	-.097	-.302	.07	-.259	.002	.92	.003	.161	-.102	.241	-.003	-.048	-.062	-.066	-.017	.022

Correlations greater than .023 in magnitude are significant at the p<.05 level

Panel A: Hoberg-Phillips Data Library

The Hoberg-Phillips data library uses the set of unique words that firms use to describe their product markets in their business description sections from 10-K annual filings. These descriptions are found in a separate section of each 10-K filed by each firm. The 10-K business descriptions are legally required to be accurate, updated, and representative of the current fiscal year of the 10-K, as item 101 of Regulation S-K requires that firms describe the significant products they offer to the market.

Hoberg-Phillips (2016) use the 10-K business descriptions to compute pairwise similarity scores for each pair of firms in a given year, using a cosine similarity score that is higher when two firms use more of the same words to describe their products. Following this, they construct a total similarity score for each firm, which is a global measure and is the sum of pairwise similarities between a firm and all its closest competitors, i.e., total similarity summed over the set of firm pairs with pairwise similarities above the 98th percentile in the given year.

This measure of product market similarity has face validity as managers of firms with higher total similarity scores are more likely to discuss competitive pressures in the Management's Discussion and Analysis section of the 10-K. Further, firms with higher advertising and R&D experience future decreases in their product market similarity scores, signaling greater strategic differentiation.

Panel B: Marketing Capability

Formally, I write the panel SFE model to compute marketing capability as:

$$ln(Sale_{it}) = \beta_{0i} + \beta_1\, ln(SG\&A\ stock_{it}) + \beta_2 ln(Receivables\ stock_{it}) \\ + \beta_3 ln(Installed\ customer\ base_{it}) + \varepsilon_{it} - \pi_{it}$$

where $Sale_{it}$ refers to total sales, ε_{it} is the idiosyncratic error, and π_{it} is a marketing inefficiency component. SG&A, receivables stock, and installed customer base are measured as a Koyck-type (i.e., geometric) distributed lag function with a decay parameter of .6 (Jindal 2020).

I use a time-varying fixed effects model to obtain estimates of marketing capability. This approach enables the estimation of time-varying levels of capability for individual firms without invoking strong distributional assumptions for technical inefficiency or random noise. I carry out the estimation using the sfpanel command in Stata.

Panel C: Finance Department Power and Operations Department Power – Titles

Finance Department Power Titles
Chief Finance Officer; CFO; Chief Finance Officer & Treasurer
Executive VP & Chief Finance Officer; Exec. VP & CFO; Executive VP, Chief Finance Officer & Treasurer
Senior VP & Chief Finance Officer; Sr. VP-Finance & CFO; Senior VP, Chief Finance Officer & Treasurer; Senior VP-Finance & Chief Finance Officer; Sr. V-P & CFO
V-P & CFO; V-P-Finance & CFO; VP & Chief Finance Officer; VP-Finance & Chief Finance Officer

The table presents the titles used in computing the finance department power measure

Operations Department Power Titles
Pres. & COO; COO
Exec. VP & COO; Executive VP - Operations, Exec. VP - Operations
Senior VP – Operations, Sr. VP - Operations
VP - Operations

The table presents the titles used in computing the operations department power measure

Panel D: Economic Policy Uncertainty Variables

Baker, Bloom, and Davis (2016) construct an index of economic policy uncertainty (EPU) based on newspaper coverage frequency in ten leading newspapers - USA Today, Miami Herald, Chicago Tribune, Washington Post, Los Angeles Times, Boston Globe, San Francisco Chronicle, Dallas Morning News, New York Times, and Wall Street Journal. To arrive at the EPU index, they obtain the monthly count of articles that contain the following trio of terms, "uncertainty" or "uncertain"; "economic" or "economy"; and one of the following policy terms: "Congress," "deficit," "Federal Reserve," "legislation," "regulation," or "White House" (including variants like "uncertainties," "regulatory," or "the Fed"). These raw counts are then scaled by the total number of newspaper articles in that newspaper in the month, standardized and normalized.

To create indexes for policy categories, Baker, Bloom, and Davis (2016) apply the additional criteria of the presence of category specific terms to those articles that contain the trio of terms about the economy, policy, and uncertainty. The category specific terms are:

Trade policy uncertainty: import tariffs, import duty, import barrier, government subsidies, government subsidy, wto, world trade organization, trade treaty, trade agreement, trade policy, trade act, doha round, uruguay round, gatt, dumping

Regulation policy uncertainty: banking (or bank) supervision, glass-steagall, tarp, thrift supervision, dodd-frank, financial reform, commodity futures trading commission, cftc, house financial services committee, basel, capital requirement, Volcker rule, bank stress test, securities and exchange commission, sec, deposit insurance, fdic, fslic, ots, occ, firrea, union rights, card check, collective bargaining law, national labor relations board, nlrb, minimum wage, living wage, right to work, closed shop, wages and hours, workers compensation, advance notice requirement, affirmative action, at-will employment, overtime requirements, trade adjustment assistance, davis-bacon, equal employment opportunity, eeo, osha, antitrust, competition policy, merger policy, monopoly, patent, copyright, federal trade commission, ftc, unfair business practice, cartel, competition law, price fixing, class action, healthcare lawsuit, tort reform, tort policy, punitive damages, medical malpractice, energy policy, energy tax, carbon tax, cap and trade, cap and tax, drilling restrictions, offshore drilling, pollution controls, environmental restrictions, clean air act, clean water act, environmental protection agency, epa, immigration policy

National security policy uncertainty: national security, war, military conflict, terrorism, terror, 9/11, defense spending, military spending, police action, armed forces, base closure, military procurement, saber rattling, naval blockade, military embargo, no-fly zone, military invasion

Web Appendix F: Robustness Checks and Additional Analysis

Table W8: Effect of Import Competition on Incumbent Firm Revenue Growth – Differences-in-Differences Estimation with Heterogeneous Treatment Effects (Table 4)

	(1)	(2)	(3)	(4)	(5)
Post × Treat (H_1)	-.326***	-.0302	-.690**	-.663**	-.646**
	(.0897)	(.231)	(.268)	(.269)	(.269)
Post × Treat × Marketing department power (H_2)	.0112***	.0118***	.0153***	.0146***	.0150***
	(.00384)	(.00384)	(.00389)	(.00390)	(.00391)
Post × Treat × Marketing capability (H_3)		-1.491	-.886	-1.378	-1.429
		(1.128)	(1.135)	(1.149)	(1.151)
Post × Treat × Strategic differentiation (H_4)			.744***	.799***	.795***
			(.175)	(.175)	(.176)
Post × Treat × Customer relationship capital (H_5)				36.45***	37.36***
				(9.176)	(9.175)
Post × Treat × Experiential knowledge (H_6)					-69.23
					(138.9)
Treat × Marketing department power	-.0161***	-.0168***	-.0194***	-.0181***	-.0183***
	(.00363)	(.00363)	(.00367)	(.00369)	(.00371)
Treat × Marketing capability		.108	-.110	-.0111	.00887
		(.695)	(.695)	(.694)	(.693)
Treat × Strategic differentiation			-.0892	-.0772	-.0732
			(.209)	(.209)	(.209)
Treat × Customer relationship capital				-38.12***	-39.25***
				(8.115)	(8.116)
Treat × Experiential knowledge					57.59
					(138.5)
Post × Marketing department power	-.00538***	-.00550***	-.00581***	-.00560***	-.00571***
	(.00129)	(.00129)	(.00129)	(.00129)	(.00129)
Post × Marketing capability		-.872**	-.941**	-.734*	-.728*
		(.382)	(.385)	(.392)	(.392)
Post × Strategic differentiation			-.100*	-.122**	-.123**
			(.0570)	(.0571)	(.0571)
Post × Customer relationship capital				-13.52***	-13.36***
				(3.117)	(3.116)
Post × Experiential knowledge					-5.061
					(50.30)

Post	.0602*	.212***	.293***	.281***	.282***
	(.0323)	(.0777)	(.0878)	(.0881)	(.0883)
Marketing department power	.00574***	.00595***	.00628***	.00581***	.00588***
	(.00122)	(.00121)	(.00122)	(.00123)	(.00123)
Marketing capability	.767***	1.251***	1.234***	1.161***	1.140***
	(.138)	(.256)	(.255)	(.256)	(.255)
Strategic differentiation	.000336	.00627	-.0276	-.0309	-.0315
	(.0285)	(.0285)	(.0667)	(.0666)	(.0665)
Customer relationship capital	.721	.866*	1.033**	14.72***	14.69***
	(.459)	(.458)	(.457)	(2.713)	(2.712)
Experiential knowledge	-3.765	-5.585**	-4.069*	-3.963	3.570
	(2.409)	(2.412)	(2.426)	(2.422)	(50.10)
Firm size	-.108***	-.104***	-.0979***	-.0995***	-.0992***
	(.00896)	(.00897)	(.00921)	(.00920)	(.00920)
Industry concentration	-.0420	-.118**	-.136**	-.130**	-.130**
	(.0550)	(.0557)	(.0558)	(.0558)	(.0558)
Advertising	-.657**	-.768**	-.725**	-.744**	-.731**
	(.311)	(.310)	(.310)	(.309)	(.309)
Intangible asset intensity	.367***	.291***	.295***	.308***	.311***
	(.0648)	(.0654)	(.0653)	(.0652)	(.0653)
Product market diversification	.0303***	.0440***	.0427***	.0401***	.0385***
	(.00893)	(.00907)	(.00910)	(.00919)	(.00919)
Finance department power	-.000572	-.000488	-.000492	-.000428	-.000460
	(.000425)	(.000424)	(.000423)	(.000422)	(.000422)
Operations department power	-.000988**	-.000982**	-.000939**	-.000944**	-.000960**
	(.000418)	(.000416)	(.000416)	(.000415)	(.000415)
Trade policy uncertainty	.000545***	.000656***	.000655***	.000640***	.000635***
	(.0000849)	(.0000858)	(.0000856)	(.0000856)	(.0000856)
Regulation policy uncertainty	-.00442***	-.00461***	-.00449***	-.00440***	-.00435***
	(.000422)	(.000421)	(.000421)	(.000421)	(.000421)
National security policy uncertainty	.00137***	.00160***	.00157***	.00155***	.00154***
	(.000115)	(.000119)	(.000119)	(.000119)	(.000119)
Intercept	.689***	.591***	.606***	.611***	.608***
	(.0846)	(.0854)	(.0856)	(.0855)	(.0855)
Firm fixed effects	Yes	Yes	Yes	Yes	Yes
Observations	7,197	7,197	7,197	7,197	7,197
Number of firms	822	822	822	822	822
R-squared	.267	.274	.278	.281	.282
Adjusted R-squared	.1701	.1772	.1812	.1843	.1856

*** *p<.01*, ** *p<.05*, * *p<.1*; Full Model of estimation contained in Table 4 with two-way interactions, main effects, and controls

Table W9: Effect of Import Competition on Incumbent Firm Revenue Growth – Differences-in-Differences Estimation with Year Fixed Effects and Industry Fixed Effects

	(1) Revenue growth	(2) Revenue growth
Post × Treat	-.524**	-.691***
	(.265)	(.239)
Post × Treat × Marketing department power	.0117***	.0112***
	(.00384)	(.00343)
Post × Treat × Marketing capability	-1.619	-.225
	(1.128)	(1.070)
Post × Treat × Strategic differentiation	.670***	.627***
	(.174)	(.149)
Post × Treat × Customer relationship capital	41.57***	23.00***
	(9.017)	(8.124)
Post × Treat × Experiential knowledge	-75.07	-125.2
	(136.0)	(138.4)
Treat × Marketing department power	-.0163***	-.0129***
	(.00363)	(.00276)
Treat × Marketing capability	-.380	-.150
	(.680)	(.680)
Treat × Strategic differentiation	-.0558	-.147
	(.206)	(.151)
Treat × Customer relationship capital	-38.59***	-28.03***
	(7.957)	(7.613)
Treat × Experiential knowledge	79.78	134.9
	(135.7)	(137.0)
Post × Marketing department power	-.00436***	-.00403***
	(.00127)	(.00113)
Post × Marketing capability	.509	-.972***
	(.510)	(.359)
Post × Strategic differentiation	-.0944*	-.106**
	(.0561)	(.0475)
Post × Customer relationship capital	-14.10***	-8.583***
	(3.082)	(2.720)
Post × Experiential knowledge	.861	20.77
	(49.27)	(49.36)
Post		.347***
		(.0760)
Marketing department power	.00489***	.00371***
	(.00121)	(.000897)
Marketing capability	4.540***	2.161***
	(0.386)	(.243)
Strategic differentiation	-.0136	-.0650
	(.0653)	(.0490)

Customer relationship capital	13.89***	11.30***
	(2.668)	(2.545)
Experiential knowledge	-8.132	-26.69
	(49.08)	(48.87)
Firm size	-.0803***	-.0108***
	(.00961)	(.00322)
Industry concentration	-.137**	-.0722
	(.0547)	(.0504)
Advertising	-.537*	-.226
	(.304)	(.161)
Intangible asset intensity	.183***	.0806**
	(.0645)	(.0348)
Product market diversification	.00300	.0175**
	(.0108)	(.00747)
Finance department power	-.000599	-.000532*
	(.000416)	(.000305)
Operations department power	-.000965**	-.000961***
	(.000407)	(.000278)
Trade policy uncertainty		.00108***
		(.0000836)
Regulation policy uncertainty		-.00694***
		(.000402)
National security policy uncertainty		.00187***
		(.000120)
Intercept	-.177	.129**
	(.118)	(.0508)
Firm fixed effects	Yes	No
Year fixed effects	Yes	No
Industry fixed effects	No	Yes
Observations	7,197	7,320
R-squared	.313	.141
Adjusted R-squared	.2187	.1242

*** $p<.01$, ** $p<.05$, * $p<.1$

Table W10: Effect of Import Competition on Incumbent Firm Revenue Growth – Estimation Excluding Controls

	Revenue growth
Post × Treat	-.490**
	(.250)
Post × Treat × Marketing department power	.0151***
	(.00353)
Post × Treat × Marketing capability	-1.618
	(1.067)
Post × Treat × Strategic differentiation	.606***
	(.163)
Post × Treat × Customer relationship capital	36.59***
	(9.081)
Post × Treat × Experiential knowledge	-92.12
	(141.1)
Treat × Marketing department power	-.0181***
	(.00342)
Treat × Marketing capability	.428
	(.689)
Treat × Strategic differentiation	-.104
	(.202)
Treat × Customer relationship capital	-38.00***
	(8.168)
Treat × Experiential knowledge	78.78
	(140.7)
Post × Marketing department power	-.00524***
	(.00117)
Post × Marketing capability	.0408
	(.355)
Post × Strategic differentiation	.0227
	(.0520)
Post × Customer relationship capital	-13.96***
	(3.089)
Post × Experiential knowledge	-.279
	(51.12)
Post	.00346
	(.0789)
Marketing department power	.00556***
	(.00113)
Marketing capability	.213
	(.225)
Strategic differentiation	-.0305
	(.0644)
Customer relationship capital	15.78***

	(2.733)
Experiential knowledge	-.299
	(50.90)
Intercept	.156***
	(.0321)
Firm fixed effects	Yes
Observations	7,789
Number of firms	836
R-squared	.233
Adjusted R-squared	.1376

*** *p*<.01, ** *p*<.05, * *p*<.1

Table W11: Effect of Import Competition on Incumbent Firm Revenue Growth – Alternate Measure of Customer Relationship Capital

	Revenue growth
Post × Treat	-.692**
	(.276)
Post × Treat × Marketing department power	.0144***
	(.00392)
Post × Treat × Marketing capability	-.951
	(1.148)
Post × Treat × Strategic differentiation	.765***
	(.176)
Post × Treat × Customer relationship capital	.894***
	(.243)
Post × Treat × Experiential knowledge	-95.83
	(139.4)
Treat × Marketing department power	-.0183***
	(.00371)
Treat × Marketing capability	-.232
	(.695)
Treat × Strategic differentiation	-.0569
	(.209)
Treat × Customer relationship capital	-.972***
	(.236)
Treat × Experiential knowledge	83.00
	(139.0)
Post × Marketing department power	-.00554***
	(.00130)
Post × Marketing capability	-.842**
	(.387)
Post × Strategic differentiation	-.111*
	(.0570)
Post × Customer relationship capital	-.347***
	(.0881)
Post × Experiential knowledge	5.137
	(50.40)
Post	.284***
	(.0893)
Marketing department power	.00595***
	(.00123)
Marketing capability	1.201***
	(.255)
Strategic differentiation	-.0365
	(.0666)
Customer relationship capital	.398***

	(.0854)
Experiential knowledge	-6.561
	(50.18)
Firm size	-.103***
	(.00901)
Industry concentration	-.130**
	(.0558)
Advertising	-.713**
	(.309)
Intangible asset intensity	.306***
	(.0652)
Product market diversification	.0384***
	(.00922)
Finance department power	-.000507
	(.000422)
Operations department power	-.000940**
	(.000415)
Trade policy uncertainty	.000620***
	(.0000856)
Regulation policy uncertainty	-.00428***
	(.000423)
National security policy uncertainty	.00154***
	(.000119)
Intercept	.634***
	(.0844)
Firm fixed effects	Yes
Observations	7,197
Number of firms	822
R-squared	.281
Adjusted R-squared	.185

*** p<.01, ** p<.05, * p<.1

Table W12: Effect of Import Competition on Incumbent Firms – Alternate Performance Measures

	(1) Tobin's q	(2) Profit
Post × Treat	-1.064***	-.783***
	(.276)	(.0731)
Post	.0154	.187***
	(.100)	(.0274)
Firm size	-.605***	.651***
	(.0378)	(.0104)
Industry concentration	-.324	-.0194
	(.276)	(.0740)
Advertising	-2.625*	1.583***
	(1.511)	(.389)
Intangible asset intensity	1.760***	.0449
	(.301)	(.0812)
Product market diversification	.289***	.0173
	(.0424)	(.0115)
Finance department power	-.00873***	-.00131**
	(.00210)	(.000560)
Operations department power	.000538	-.00173***
	(.00201)	(.000549)
Trade policy uncertainty	-.00106***	.000178**
	(.000319)	(.0000818)
Regulation policy uncertainty	.000547	-.00375***
	(.00143)	(.000370)
National security policy uncertainty	-.00223***	.000566***
	(.000537)	(.000141)
Intercept	5.284***	1.629***
	(.343)	(.0965)
Firm fixed effects	Yes	Yes
Observations	8,259	7,315
Number of firms	875	808
R-squared	.506	.948
Adjusted R-squared	.447	.941

**** p<.01, ** p<.05, * p<.1*

Table W13: Heterogeneous Treatment Effects of Import Competition on Incumbent Firms – Alternate Performance Measures

	(1) Tobin's q	(2) Profit
Post × Treat	-5.341***	-2.904***
	(1.228)	(.360)
Post × Treat × Marketing department power	-.0161	.00946**
	(.0180)	(.00482)
Post × Treat × Marketing capability	10.66**	3.396**
	(5.260)	(1.568)
Post × Treat × Strategic differentiation	3.975***	2.345***
	(.803)	(.219)
Post × Treat × Customer relationship capital	31.35	38.16***
	(41.97)	(11.46)
Post × Treat × Experiential knowledge	1,507**	163.8
	(650.1)	(168.4)
Treat × Marketing department power	.00464	-.0112**
	(.0171)	(.00458)
Treat × Marketing capability	.310	-.498
	(3.171)	(.841)
Treat × Strategic differentiation	-1.496	-.626**
	(.959)	(.263)
Treat × Customer relationship capital	49.40	-16.11
	(36.92)	(9.985)
Treat × Experiential knowledge	-1,472**	-161.8
	(648.4)	(167.9)
Post × Marketing department power	-.00287	-.00556***
	(.00594)	(.00159)
Post × Marketing capability	.207	-1.772***
	(1.789)	(.531)
Post × Strategic differentiation	-.267	-.774***
	(.261)	(.0713)
Post × Customer relationship capital	-11.24	-15.46***
	(14.31)	(3.900)
Post × Experiential knowledge	-941.0***	-109.7*
	(235.4)	(61.04)
Post	.565	1.061***
	(.402)	(.118)
Marketing department power	.00192	.00413***
	(.00568)	(.00152)
Marketing capability	5.619***	.837***
	(1.161)	(.315)
Strategic differentiation	.00391	.328***
	(.308)	(.0836)

Customer relationship capital	-17.91	9.617***
	(12.42)	(3.340)
Experiential knowledge	927.0***	102.0*
	(234.5)	(60.75)
Firm size	-.319***	.666***
	(.0419)	(.0118)
Industry concentration	-.0858	-.0791
	(.257)	(.0716)
Advertising	-1.618	1.169***
	(1.422)	(.382)
Intangible asset intensity	1.241***	-.0447
	(.298)	(.0828)
Product market diversification	.189***	.0197*
	(.0406)	(.0114)
Finance department power	-.00781***	-.00145***
	(.00195)	(.000536)
Operations department power	.00117	-.00171***
	(.00190)	(.000530)
Trade policy uncertainty	.00191***	.000499***
	(.000390)	(.000108)
Regulation policy uncertainty	-.0145***	-.00462***
	(.00192)	(.000553)
National security policy uncertainty	-.0000868	.000764***
	(.000546)	(.000152)
Intercept	3.366***	1.417***
	(.390)	(.108)
Firm fixed effects	Yes	Yes
Observations	7,432	6,693
Number of observations	831	772
R-squared	.535	.956
Adjusted R-squared	.474	.949

*** p<.01, ** p<.05, * p<.1

Table W14: Effect of Import Competition on Incumbent Firm Revenue Growth – Sample of B2B Industries

	(1) Revenue growth	(2) Tobin's q	(3) Profit
Post × Treat	-.609*	-6.509***	-3.420***
	(.328)	(1.509)	(.429)
Post × Treat × Marketing department power	.0210***	-.0109	.0156***
	(.00474)	(.0221)	(.00573)
Post × Treat × Marketing capability	-1.946	17.71***	5.661***
	(1.444)	(6.654)	(1.912)
Post × Treat × Strategic differentiation	.805***	4.074***	2.289***
	(.225)	(1.045)	(.275)
Post × Treat × Customer relationship capital	35.03***	-65.88	36.32***
	(10.94)	(50.53)	(13.30)
Post × Treat × Experiential knowledge	-91.59	1,631**	155.6
	(147.0)	(695.6)	(174.9)
Treat × Marketing department power	-.0250***	.00119	-.0180***
	(.00465)	(.0218)	(.00564)
Treat × Marketing capability	.264	-.576	-1.253
	(.893)	(4.119)	(1.062)
Treat × Strategic differentiation	.0448	-1.410	-.712**
	(.254)	(1.179)	(.313)
Treat × Customer relationship capital	-42.24***	9.112	-14.44
	(8.922)	(41.50)	(10.76)
Treat × Experiential knowledge	51.36	-1,626**	-151.3
	(146.6)	(693.4)	(174.2)
Post × Marketing department power	-.00798***	-.00487	-.00809***
	(.00158)	(.00735)	(.00191)
Post × Marketing capability	-.674	-1.677	-2.675***
	(.486)	(2.239)	(.642)
Post × Strategic differentiation	-.140*	-.260	-.780***
	(.0730)	(.339)	(.0892)
Post × Customer relationship capital	-12.33***	25.53	-14.63***
	(3.766)	(17.44)	(4.576)
Post × Experiential knowledge	2.488	-984.6***	-107.6*
	(53.24)	(251.7)	(63.34)
Post	.302***	.864*	1.299***
	(.108)	(.495)	(.141)
Marketing department power	.00829***	.00204	.00668***
	(.00154)	(.00723)	(.00187)

Marketing capability	1.089***	6.553***	1.142***
	(.319)	(1.459)	(.385)
Strategic differentiation	-.0577	-.0309	.404***
	(.0826)	(.385)	(.102)
Customer relationship capital	15.60***	-4.886	9.008**
	(2.980)	(13.98)	(3.599)
Experiential knowledge	4.642	980.3***	97.31
	(52.99)	(250.6)	(63.00)
Firm size	-.102***	-.326***	.667***
	(.0104)	(.0481)	(.0132)
Industry concentration	-.113*	.0725	-.103
	(.0672)	(.313)	(.0842)
Advertising	-.751	.646	2.364***
	(.471)	(2.156)	(.567)
Intangible asset intensity	.295***	1.292***	-.0876
	(.0730)	(.337)	(.0910)
Product market diversification	.0470***	.231***	.0151
	(.0108)	(.0479)	(.0131)
Finance department power	-.000503	-.00851***	-.00171***
	(.000481)	(.00226)	(.000600)
Operations department power	-.00100**	.00261	-.00213***
	(.000471)	(.00218)	(.000590)
Trade policy uncertainty	.000676***	.00201***	.000542***
	(.0000992)	(.000456)	(.000122)
Regulation policy uncertainty	-.00468***	-.0167***	-.00532***
	(.000483)	(.00223)	(.000622)
National security policy uncertainty	.00164***	-.0000247	.000860***
	(.000135)	(.000629)	(.000170)
Intercept	.630***	3.391***	1.424***
	(.0972)	(.448)	(.121)
Firm fixed effects	Yes	Yes	Yes
Observations	6,081	6,280	5,629
Number of firms	701	709	653
R-squared	.280	.519	.954
Adjusted R-squared	.181	.455	.947

**** p<.01, ** p<.05, * p<.1*

Table W15: Managerial Implications

Panel A: Net Effect Sizes and Percent Changes in Revenue Growth

	(1)		(2)	
	Only three-way interaction		Three-way interaction + Two-way interaction with Treat + Main effect	
	Net effect	Percentage change	Net effect	Percentage change
Marketing department power	.015	5.20%	.00258	.89%
Strategic differentiation	.795	5.57%	.795	5.57%
Customer relationship capital	37.36	14.60%	12.8	5.00%

Panel A presents net effects from the estimated model in Table 4 and corresponding predicted percentage changes in revenue growth calculated for a 10% increase in the NTR gap and one standard deviation increase in each of the moderators for the average firm. Column 1 considers only the net effect (coefficient) of the three-way interaction between treat, post, and the moderator. Column 2 considers the net effect of the coefficient of the three-way interaction between treat, post, and moderator, the coefficient of the two-way interaction between treat and moderator, and the main effect of the moderator. I calculate percentage changes based on the average value of revenue growth across the entire sample.

Panel B: Net Effect Sizes and Percent Changes in Tobin's q

	(1)		(2)	
	Only three-way interaction		Three-way interaction + Two-way interaction with Treat + Main effect	
	Net effect	Percentage change	Net effect	Percentage change
Marketing capability	10.66	.83%	16.279	1.26%
Strategic differentiation	3.975	1.95%	3.975	1.95%
Experiential knowledge	1507	4.58%	962	2.92%

Panel B presents net effects from the estimated model in Table W13 and corresponding predicted percentage changes in Tobin's q calculated for a 10% increase in the NTR gap and one standard deviation increase in each of the moderators for the average firm. Column 1 considers only the net effect (coefficient) of the three-way interaction between treat, post, and the moderator. Column 2 considers the net effect of the coefficient of the three-way interaction between treat, post, and moderator, the coefficient of the two-way interaction between treat and moderator, and the main effect of the moderator. I calculate percentage changes based on the average value of Tobin's q across the entire sample.

Panel C: Net Effect Sizes and Percent Changes in Profit

	(1)		(2)	
	Only three-way interaction		Three-way interaction + Two-way interaction with Treat + Main effect	
	Net effect	Percentage change	Net effect	Percentage change
Marketing department power	.00946	.15%	.00239	.04%
Marketing capability	3.396	.17%	4.233	.21%
Strategic differentiation	2.345	.74%	2.047	.64%
Customer relationship capital	38.16	.67%	47.777	.84%

Panel C presents net effects from the estimated model in Table W13 and corresponding predicted percentage changes in profit calculated for a 10% increase in the NTR gap and one standard deviation increase in each of the moderators for the average firm. Column 1 considers only the net effect (coefficient) of the three-way interaction between treat, post, and the moderator. Column 2 considers the net effect of the coefficient of the three-way interaction between treat, post, and moderator, the coefficient of the two-way interaction between treat and moderator, and the main effect of the moderator. I calculate percentage changes based on the average value of profit across the entire sample.

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