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

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Abstract

Increasingly, U.S. firms have been threatened by import competition. For example, Chinese imports to the United States 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 that occurred when the United States conferred permanent normal trade relations status on China, which differentially exposed U.S. 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

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Over the last decade, economists and policy makers have increasingly bemoaned the death of U.S. manufacturing (Dai and Tang 2022). For instance, while the United States 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. Policy makers are concerned about this phenomenon and have adopted measures such as the 2022 CHIPS and Science Act, and imposed extensive tariffs, to revitalize domestic manufacturing (White House 2022, 2025). In recent decades, the largest competitive shock to the U.S. manufacturing sector has arisen from import competition, which in turn has led to the absence of powerful, sustainable demand for goods made in the United States (Breznitz and Adler 2021).

While import competition has proven tremendously positive for global welfare, it has created identifiable losers, specifically U.S. firms in trade-impacted industries (Autor 2018). From 2000 to 2019, U.S. firms were struck by the "China shock," a surge of imports that decimated many U.S. industries, such as furniture, toys, and textiles (Davis and Hilsenrath 2016). Chinese imports to the United States increased from USD 18.97 billion in 1991 to USD 536.26 billion in 2022 (U.S. Census Bureau 2025). Between 1999 and 2022, China's share of imports grew from 7.98% to 16.55%. In 2024, experts increasingly feared a second China shock (Krugman 2024), a multi-trillion-dollar sequel to the first China shock, flooding middle-income and high-income countries across the world with imports and 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).

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Estimates suggest that, for the average U.S. publicly listed firm, increasing Chinese import competition following 2000 decreased revenues, profit, book, and market value (Autor et al. 2020; Hombert and Matray 2018). Table W1 in Web Appendix A presents excerpts from U.S. firms' earnings call transcripts from 2002 to 2007, which discuss the threat of import competition.[1] Table W1 indicates that across U.S. industries, import competition, particularly from China and Asia, has negatively affected incumbent firms' pricing, demand volumes, revenue growth, market share, and margins. Table W2 in Web Appendix A provides similar excerpts from U.S. firms' annual and quarterly reports. Together, Tables W1 and W2 indicate that for publicly listed U.S. firms, import competition is a serious threat concerning firms' top management teams (TMTs), investors, and financial analysts, meriting discussion at the highest organizational levels. Panel A in Web Appendix A presents case studies of U.S. 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 in 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 research and development (R&D), patents, and total factor productivity (Bloom, Draca, and Van Reenen 2016; Gilbert 2022; Hombert and Matray 2018) 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 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 its 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 subsequently). Specifically, I exploit the quasi-experiment of conferral of permanent normal trade relations (PNTR) status on China by the United States 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

[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 collected excerpts from firms' earnings calls that discuss import competition.

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 article's theoretical contributions, implications for practice, and limitations and opportunities for future research.

The China Shock and U.S. Conferral of PNTR Status on 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 the U.S. conferral of PNTR status on China in 2000, which I next describe.

Imports to the United States from nonmarket 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) 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 nonmarket economies are referred to as non-NTR rates.

The U.S. Trade Act of 1974 allowed the U.S. president to grant NTR tariff rates to nonmarket economies on a temporary basis subject to congressional approval (Pierce and Schott 2016). From 1980 onward, U.S. 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 U.S. House of Representatives, flashpoints in Chinese–U.S. relations, and incidents such as that in Tiananmen Square in 1989 and the accidental bombing of the Chinese embassy by NATO in May 1999. Every year from 1990 to 2001, the U.S. 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 U.S. Senate failed to act on the House's votes. From 1990 to 2001, the average House vote against NTR renewal was 38%. Finally, in October 2000, the U.S. 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 boom in Chinese exports to the United States 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 invested to enter and (2) incumbent exporters upgraded their technology. The share of U.S. 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 United States by 32 log points (Handley and Limão 2017). Pierce and Schott (2016) also document that U.S. imports from China increased in the period after PNTR status was conferred. A product with an average NTR gap exhibited growth in import value from China that is 14 percentage points higher than growth in import value across all other U.S. trading partners, compared with the period before PNTR. The relative growth rates for the number of U.S. 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 among 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. 2025; Hochstein, Veresiu, and Harmeling 2024), I capture the perspectives of nonacademic 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 conducted interviews with executives[3] and collected excerpts from books written by CEOs and entrepreneurs possessing extensive experience combating import competition. At the meso level, I collected data from discussion threads on the social media platform Reddit. At the macro level, I obtained 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.

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

[2] Additional details on PNTR are presented in the "Data and Methods" section.
[3] The interviews were conducted through phone, Zoom, email, or a combination of email and Zoom.

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 U.S. manufacturing firms	Flatware, materials processing	Web Appendix C, Panel D
Industry publications	Excerpts from two industry publications on countering import competition	Autos, smartphones	Web Appendix C, Panel E

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, p. 376): "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 versus four hundred dollars for a near identical imported crib. The 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 U.S. 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 … [that] 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."

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

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	"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." (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." (Lipscomb 2011, pp. 139–40) "To combat import competition, managers of U.S. 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

(continued)

Table 2. (continued)

Relevant Facet of Marketing	Data Excerpt
	consumer could use an in-store computer to choose from forty-two colors and a thousand different fabrics." (Woody 2016, p. 59)
	"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." (Bassett and Henican 2016, p. 207)
	"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." (Woody 2016, p. 101)
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." (Woody 2016, p. 103)
	"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)

domestic market. Frequently, increases in import competition occur because of the reduction of trade barriers, including import tariff rates (e.g., Flammer 2015). Compared with domestic competition (Debruyne and Reibstein 2005), which refers to competitors headquartered in the domestic market, 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 compared with 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 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) than domestic competitors. Fourth, a firm's import competitors produce goods in countries with different regulatory environments. Lower costs of compliance with regulation may enable a firm's import competitors to offer lower prices (or better quality at a lower price) than 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 the 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, and superior labor and material inputs, a firm's import competitors can offer lower prices and/or better quality than its domestic competitors, increasing competitive intensity, which in turn can decrease incumbent firm performance (Autor et al. 2020; Hombert and Matray 2018). 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, 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, offering superior value creation, differentiating offerings, enabling 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

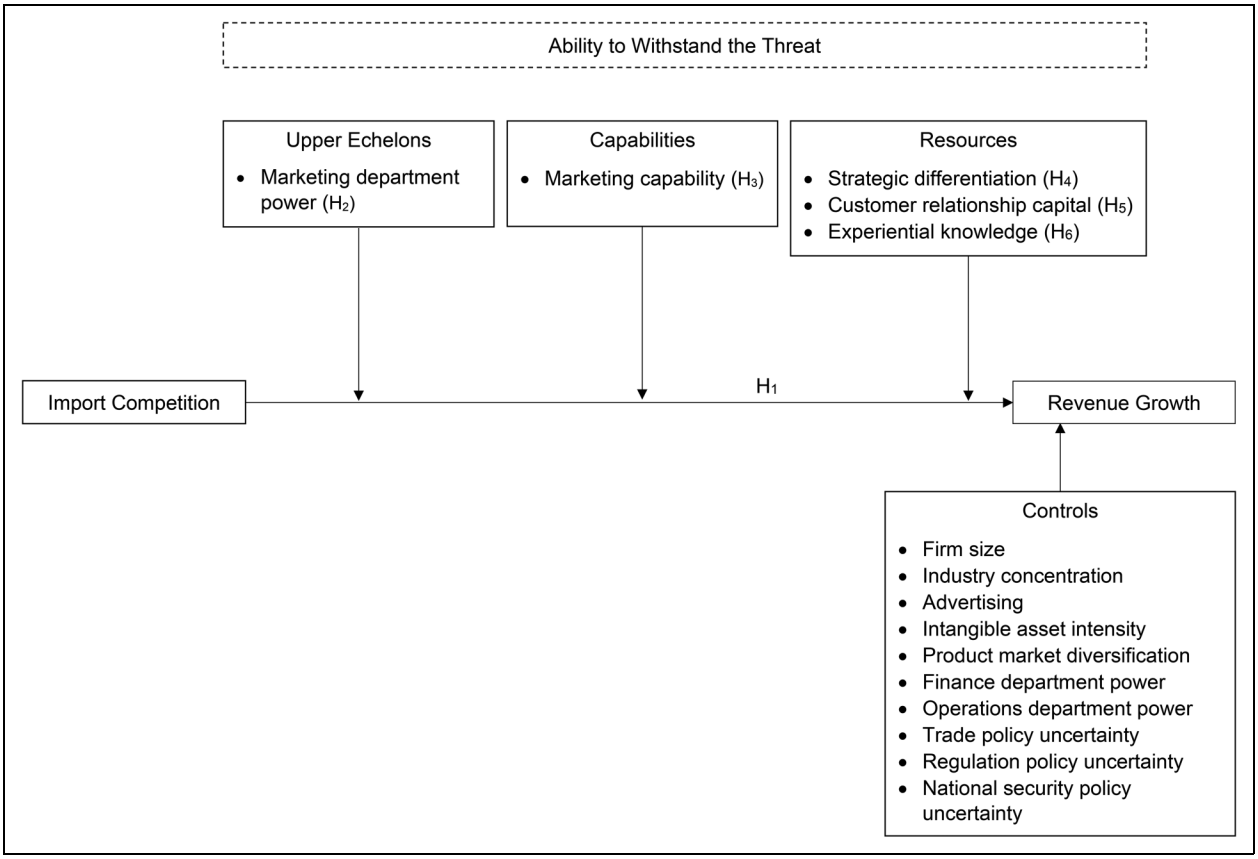

Figure 1. Conceptual Model: Import Competition and Revenue Growth.

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.

Import competition, revenue growth, and marketing department power. Upper echelons 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 interfunctional conflict in their favor and direct 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 firmwide implementation of marketing activities.

Through greater influence, a powerful marketing department can ensure that the relative advantages of incumbent firms compared with import competition, including customer-centric innovation, product customization, superior customer service, and better after-sales support, are prioritized firmwide. 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, that is, 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 to 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 homogeneous 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 counterstrategies. For example, through superior monitoring of import competitors, firms with strong marketing capability can articulate lower total cost of ownership versus 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 for understanding firm performance are the firm-specific resources conceptualized by the resource-based view (e.g., Penrose 1959). Marketing scholars have applied the resource-based view by identifying resources, termed 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 nonacademic 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) the firm 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, enabling 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 among 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 in comparison with 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 compared with 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 [are] 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 PNTR status on China (described in an previous 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, that is, the rise in U.S. 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:

$$\text{NTR Gap}_j = \text{Non-NTR Rate}_j - \text{NTR Rate}_j. \quad (1)$$

Following Pierce and Schott (2016, 2020), the NTR gap is computed for each standard industrial classification (SIC) code 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 that 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.[4]

Demonstrating the validity of PNTR as an identification strategy, Table W4 in 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 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 selling, general, and administrative intensity; see Figures W2–W6 in Web Appendix D) in industries that have a high NTR gap versus industries that have a low NTR gap for the five years prior to the conferral of PNTR status. 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 preexisting differences between firms in industries with high NTR gaps versus 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.

[4] 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 in Web Appendix D) by collecting data on the volume of Chinese imports to the United States across industries (Autor, Dorn, and Hanson 2019).

Data and Sample Construction

To test the hypotheses, I collect data from several sources. First, I collect data on firms' marketing department power from Compustat's Execucomp database, which provides 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 Web Appendix E, which uses text-based analysis of firm product descriptions filed with the U.S. 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).[5] Fifth, I collect data on economic policy uncertainty in the United States from the Baker, Bloom, and Davis (2016) database, described in detail in Web Appendix E.

I test the hypotheses using data on publicly listed U.S. firms between 1992 and 2007. I use 2007 as the last year in the sample to prevent any confounding effects from the Great Recession of 2008 (Dubé, Hitsch, and Rossi 2018). The time frame of 1992 to 2007 is consistent with other studies that measure the impact of import competition on U.S. outcomes (e.g., Autor et al. 2020). I started with a sample of 8,063 firm-year observations across 869 firms with nonmissing 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 in Web Appendix E presents the constructs, measures, and references to supporting literature.

Measures

Dependent variable. The dependent variable is annual revenue growth, that is, 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 previously, that is, the difference between the higher, non-NTR rates to which tariffs could have risen prior to 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 on 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 TMT (job title keywords: e.g., "customer," "marketing," "sales," "brand," and "advertising") 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, and (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, 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 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. 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 report 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.[6] 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

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

[6] 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.

"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 Herfindahl–Hirschman index (the sum of the squared market shares for all firms in each industry); advertising using the ratio of advertising spending[7] to assets; intangible asset intensity using one minus the ratio of plant, property, and equipment to assets; and product market diversification using Palepu's (1985) entropy measure. To control for a firm's finance department power and operations department power, I adapt the marketing department power measure used in Feng, Morgan, and Rego (2015). 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 in Web Appendix E presents the descriptive statistics, including means, standard deviations, and minimum, maximum, and median values of all variables. Table W7 in Web Appendix E presents the correlation matrix.

Model-Free Evidence

Figure W7 in 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 values of Treat as having a high (low) NTR gap. Panel A of Figure W7 compares firms in the low and high NTR gap groups in the periods before and after the conferral of PNTR. Specifically, Panel A of Figure W7 indicates that firms in the high NTR gap condition observed a decline in revenue growth in the period after PNTR conferral, compared with firms in the low NTR gap condition. Panel B of Figure W7 demonstrates the divergence in revenue growth between firms in the high and low NTR gap groups in each year following PNTR conferral, with lower revenue growth for firms in the high NTR gap group following PNTR conferral, compared with 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 on China) on firms in industries that faced higher NTR gaps with the effect on 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 and estimate the following equation for firm i in industry j in time t:

$$\text{Revenue growth}_{ijt+1} = \alpha_{0i} + \alpha_1 \text{Treat}_j + \alpha_2 \text{Post}_{ijt} + \alpha_3[\text{Treat}_j \times \text{Post}_{ijt}] + \alpha_4 \text{Controls}_{ijt} + \varepsilon_{it}, \quad (2)$$

where α_{0i} refers to the firm fixed effects 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:

$$\begin{aligned}\text{Revenue growth}_{ijt+1} = {} & \beta_{0i} + \beta_1[\text{Treat}_j \times \text{Post}_{ijt}] \\ & + \beta_2[\text{Treat}_j \times \text{Post}_{ijt} \times \text{Marketing department power}_{ijt}] \\ & + \beta_3[\text{Treat}_j \times \text{Post}_{ijt} \times \text{Marketing capability}_{ijt}] \\ & + \beta_4[\text{Treat}_j \times \text{Post}_{ijt} \times \text{Strategic differentiation}_{ijt}] \\ & + \beta_5[\text{Treat}_j \times \text{Post}_{ijt} \times \text{Customer relationship capital}_{ijt}] \\ & + \beta_6[\text{Treat}_j \times \text{Post}_{ijt} \times \text{Experiential knowledge}_{ijt}] \\ & + \beta_7[\text{Treat}_j \times \text{Marketing department power}_{ijt}] \\ & + \beta_8[\text{Treat}_j \times \text{Marketing capability}_{ijt}] \\ & + \beta_9[\text{Treat}_j \times \text{Strategic differentiation}_{ijt}] \\ & + \beta_{10}[\text{Treat}_j \times \text{Customer relationship capital}_{ijt}] \\ & + \beta_{11}[\text{Treat}_j \times \text{Experiential knowledge}_{ijt}] \\ & + \beta_{12}[\text{Post}_{ijt} \times \text{Marketing department power}_{ijt}] \\ & + \beta_{13}[\text{Post}_{ijt} \times \text{Marketing capability}_{ijt}] \\ & + \beta_{14}[\text{Post}_{ijt} \times \text{Strategic differentiation}_{ijt}] \\ & + \beta_{15}[\text{Post}_{ijt} \times \text{Customer relationship capital}_{ijt}] \\ & + \beta_{16}[\text{Post}_{ijt} \times \text{Experiential knowledge}_{ijt}] \\ & + \beta_{17}\text{Treat}_j + \beta_{18}\text{Post}_{ijt} \\ & + \beta_{19}\text{Marketing department power}_{ijt} \\ & + \beta_{20}\text{Marketing capability}_{ijt} \\ & + \beta_{21}\text{Strategic differentiation}_{ijt} \\ & + \beta_{22}\text{Customer relationship capital}_{ijt} \\ & + \beta_{23}\text{Experiential knowledge}_{ijt} \\ & + \beta_{24}\text{Controls}_{ijt} + \varepsilon_{it}, \end{aligned} \quad (3)$$

where β_{0i} refers to the firm fixed effects, β_2 refers to the heterogeneous treatment effect of import competition on incumbent firms' revenue growth based on marketing department power,

[7] As the SEC requires firms to disclose material advertising spending, I assume that when a firm does not disclose such spending, its spending is zero, or close to zero. Thus, following prior literature (Jindal 2020), I set missing values of advertising to zero.

β_3 is based on marketing capability, and β_4 through β_6 are based on strategic differentiation, customer relationship capital, and experiential knowledge, respectively. Because I include firm fixed effects, 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.

Following this, Columns 1–5 of Table 4 present the estimates of the heterogeneous treatment effects model in Equation 3. Given space constraints, I present only 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.

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^2	.280
Adjusted R^2	.192

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

Robustness Checks

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

Alternate specifications. I am unable to include year fixed effects in Equation 3 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 fixed effects (the estimates of policy uncertainty drop out). Column 1 of Table W9 in Web Appendix F presents these results, which are consistent with those in Table 4. Column 2 of Table W9 in Web Appendix F presents the results of the model in Equation 3 reestimated using four-digit SIC code fixed effects instead of firm fixed effects, which are consistent with those in Table 4.

Estimation without controls. Table W10 in Web Appendix F presents the results of the heterogeneous treatment effects model in Equation 3 reestimated by excluding all control variables, which are consistent with those in Table 4.

Alternative measure of customer relationship capital. Table W11 in Web Appendix F presents the results of the heterogeneous treatment effects model in Equation 3 reestimated 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

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^2	.267	.274	.278	.281	.282
Adjusted R^2	.1701	.1772	.1812	.1843	.1856

*$p < .1$.
**$p < .05$.
***$p < .01$.
Notes: As a result of space constraints, I include only 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).

(3) is less affected by accounting conventions (Germann, Ebbes, and Grewal 2015). I measure Tobin's q as follows:

$$\text{Tobin's } q_{ijt} = \frac{\text{Market value of equity}_{ijt} + \text{Preferred stock}_{ijt} + \text{Debt}_{ijt}}{\text{Total assets}_{ijt}}, \quad (4)$$

for firm i in industry j in year t. Following Chung and Pruitt (1994), a firm's market value of equity equals the share price multiplied by the number of common shares outstanding, preferred stock equals the liquidating value of a firm's preferred stock, and debt equals 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:

$$\text{Profit}_{ijt+1} = \ln(\text{Gross Profit}_{ijt+1}), \quad (5)$$

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 reestimating Equation 2 using Tobin's q and profit as dependent variables, respectively. Columns 1–2 of Table W12 in 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 reestimate Equation 3 using Tobin's q and profit as dependent variables, respectively. Columns 1–2 of Table W13 in 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.

Sample of B2B firms. I measure firms' membership in B2B versus B2C industries according to their primary four-digit SIC codes using the business description that the Occupational Safety and Health Administration provides

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.

(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 reestimate Equation 3 using this sample for the three dependent variables: revenue growth, Tobin's q, and profit. Table W14 in Web Appendix F presents these results, which are consistent with those in Table 4 and Table W13.

General Discussion

Increasingly, policy makers are seeking to prevent a second China shock, that is, a surge in Chinese import competition in U.S. 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 U.S. 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., Ailawadi et al. 2010; Debruyne and Reibstein 2005) and foreign direct investment 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 of a firm, including the TMT and board of directors, on firm performance, and demonstrated that an individual's marketing knowledge and experience have differential impact across upper echelon levels and market conditions (Whitler et al. 2021). For example, while board 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 chief marketing officer 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, boards 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 representatives of the marketing function present often to the board and are involved in firmwide 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 firmwide. 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.

Table W15 in Web Appendix F presents the economic significance of the findings (Table 4 and Table W13).[8] Column 1 of Panel A of Table W15 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 indicates that a 10% increase in the NTR gap combined with a one standard deviation increase in marketing capability, strategic differentiation, and experiential knowledge increases Tobin's q by .83%, 1.95%, and 4.58%, respectively.

[8] To quantify economic significance, I interpret not only the coefficient of the three-way interactions, but also net effects. In Table W15 (Web Appendix F), 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 the moderator, the two-way interaction between Treat and the moderator, and the main effect of the moderator.

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 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 performance. Hopefully, this study stimulates additional work in this area.

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