[Critique Paper 1]

When do firms invest in offensive and/or defensive marketing?

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1 Research Summary

This study examines the effect of technology adoption and competitive intensity on a firm's willingness to invest in offensive and/or defensive marketing activities.

1.1 Theoretical Concepts

- Offensive & Defensive Marketing

  Offensive strategies increase investment in marketing mix to attract new customers. Eg- product line extensions, promotional campaigns and additional delivery options.

  Defensive strategies focus on reinforcing existing relationships to retain and grow the business of current customers. Eg- networking and loyalty rewards.

- Technology Acceptance Model

  TAM proposes that in rapidly changing industries i.e., in high Technology Adoption (TA) markets, frequent new product introductions accelerate product life cycle maturity. Products become less differentiated, and profit margins are squeezed. Firms become more interested in adopting new technologies to find incremental gains in margin and differentiation.

- Competitive Intensity (CI)

Firms in intensely competitive marketplaces face high levels of pressure due to activities of competing firms, who quickly match each other's offerings. Firms try to address high buyer bargaining power by managing relationships with all their constituents (stakeholders).

1.2 Main Results

The Bridges and Freytag framework is a 3X2 grid of different combinations of "Degree of Competitive Intensity" (3) and "Technology Adoption Propensity" (2). Each combination represents a type of marketplace, and the corresponding cell denotes effort levels in offensive and defensive strategies. This is a very good guide for management decisions.

<u>Marketing Mix considerations</u>

- Lower TA markets require lower marketing mix spends as profit margins are lower due to commoditized products. Focus is on economies of scale. As TA goes up, more investment in marketing mix begets higher sales as products are more differentiated and priced at a premium.
- When there are more buyers than sellers in the market, there is no need to overspend in marketing mix as there is enough buyer demand present in market.
- Marketing mix investment starts going up as sellers increase and give away bargaining power to buyers. An equilibrium market requires a medium level of marketing mix spend. A market with more sellers than buyers i.e. more buyer power requires the highest marketing mix spend.

<u>Relationship Management considerations</u>

- When there are equal numbers of buyers and sellers in the market, there is low benefit in managing relationships. As one group outnumbers the other, the importance of relationship management increases. If the number of buyers is high, the few competitors in the market manage relationships with each other to maintain higher profitability. If sellers are higher than buyers, firms rely on loyal customer relationships to gain consistent sales.

- Higher TA markets move the relationship management requirement a degree higher as profitability is higher per customer. Holding CI level constant, high TA markets require more relationship management than low TA.

2 Future Research Ideas

2.1 A study testing the Bridges and Freytag Framework for B2C firms

- This study uses a sample of Danish B2B companies which is more representative of B2B firm behavior than the general behavior of firms, agnostic of its customer type. Future research can test the generalizability of the framework from B2B to B2C firms.

2.2 A larger study with samples from across the world, especially developing nations

- Denmark is an advanced economy with high access to information and low arbitrage opportunities. Looking at developing economies might reveal aberrations to this general guideline and offer slightly different management insights.

2.3 An in-depth analysis on the mediating effect of switching costs on Competitive Intensity

- The authors did not explore the rise in complexity that different levels of switching costs would introduce in gauging competitive intensity of markets. Product-service mixes offerings may have largely different switching costs. These insights would be valuable to managers.

2.4 Research on social media engagement as a relationship management strategy

- The article from 2009 is from an era that was much less affected by social media than today. Considering the competitive edge that excellent social media engagement provides firms in modern markets, the inclusion of this variable could massively affect the framework.

3 Discussion Questions

3.1 How would you apply Bridges and Freytag Framework as a marketing manager?

: I would start by using Porter's Five Forces model to gauge the external environment of my firm. Based on those insights, I would be able to determine if my industry is a low, mid or highly competitive industry. I would also create a customer segmentation based on Diffusion of Innovation categories. By looking at the percentage makeup of customers in earlier adoption categories for my industry, I would determine the technology adoption degree. I would then choose the correct offensive/defensive strategy for my market.

3.2 Can you think of other variables moderating the degree of offensive/defensive strategies?

: Bridges and Freytag use a simplified approach to arrive at a general framework. Their prescriptions are based on industry metrics like competitive intensity and technology adoption. Within the same industry, different firms may have vastly different core competencies. Even while selling the same product, they may have very different brand positioning. So, I would think of using firm-specific internal Strength and Weakness factors (from the SWOT framework) that could affect a firm's ability and willingness to engage in offensive or defensive strategies, like agility of management, brand goodwill, employee motivation, magnitude of customer-centricity, business intelligence and technological superiority. These are all competencies that can disrupt the general understanding of what leads to success in business. Some firms can dominate a market by doing one thing better than their competitors and outsourcing all other functions to third parties.