EXAMINING THE EFFECTS OF STRATEGIC MARKETING INITIATIVE AND FIRST-MOVER EFFORTS ON MARKET SHARE PERFORMANCE

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This study goes beyond previous research on first-mover advantages by examining the broader concept of strategic marketing initiative (SMI), which recognizes the full extent of a firm's first-mover efforts. Using the SMI measurement scale, the paper presents an empirical examination of the relationship between an organization's degree of strategic marketing initiative and the subsequent performance of the organization. The authors find that increases in a firm's level of strategic marketing initiative result in a positive impact on performance, as measured by several market share related performance indicators. No interaction effects were found between strategic marketing initiative and the environment.

INTRODUCTION

For many years, researchers have studied the relationship between organizational strategy and the resultant effects on performance (e.g., Bharadwaj and Menon 1993; Dess and Robinson 1984; Frazier and Howell 1983; Ginsberg and Venkatraman 1985; Kohli and Jaworski 1990; McDaniel and Kolari 1987; Miles and Snow 1978; Miller 1987; Nwachukwu and Tsalikis 1990; Philips, Chang, and Buzzell 1983). One particularly well-documented strategy involves a given firm taking an aggressive approach and leading its competitors with preemptive entry into product markets. Firms that engage in such proactive maneuvering have been popularly termed, "first-movers" (Lee, Smith, Grimm, and Schomburg 2000; Lieberman and Montgomery 1998; Makadok 1998; Nakata and Sivakumar 1997).

Numerous conceptual and empirical studies appear to suggest that pioneering or first-mover firms are often able to achieve long-term competitive advantages. Specifically, first-mover firms have frequently been shown to have higher market share and long-run sales performance than later entrants (Gielens and Dekimpe 2001; Lambkin 1988; Parry and Bass 1990; Robinson 1988). According to Lieberman and Montgomery (1998), early entrants to markets may gain advantages through the preemption of various resources, such as technology, location and personnel, and through the development of organizational capabilities that are crucial to the success of their products or services.

Order of entry, however, is not always associated with dominant and enduring market share and sustainable competitive advantage. For example, Lilien and Yoon (1990) found that the third through fifth entrants were actually more successful than first and second entrants. As Urban, Carter, Gaskin, and Mucha (1986) point out, followers may have strategic options in the form of product positioning and promotion that may be even stronger determinants of market share than simple order of entry. Because it may be more accurate to examine first-mover firms in light of the totality of proactive strategic marketing decisions they may initiate, the present article uses the concept of strategic marketing initiative to capture the broad variety of first-mover efforts.

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STRATEGIC MARKETING INITIATIVE

Although previous research on first-mover advantages recognizes that order of entry into a product market is an important means with which to achieve a dominant market position, the totality of approaches employed by many market leaders are actually more complex than simply striving to be the pioneering firm in a product market (Gielens and Dekimpe 2001; Kerin, Varadarajan and Peterson 1992). In addition to order of entry, aggressive first-mover firms may also exhibit initiative by leading and implementing other marketing strategy decisions prior to competing firms (Aaker and Day 1986; Gielens and Dekimpe 2001; Karnani 1984; Kerin, Varadarajan and Peterson 1992; Lieberman and Montgomery 1990; Schmalensee 1982).

It has been suggested that a firm may achieve first-mover status in numerous ways. For example, the first firm to (1) produce a new product, (2) use a new process, or (3) enter a new market can claim the distinction of being a first-mover (Lieberman and Montgomery 1990). First-mover firms may also include those organizations that are the first to pursue opportunities deriving from the initiating of pricing changes or the adoption of new distribution ideas (Smith, Guthrie, and Chen 1989; McKee, Varadarajan, and Pride 1989; McDaniel and Kolari 1987). Therefore, firms with an exceptionally aggressive corporate culture may consistently strive to gain first-mover advantages in several ways. With an overall strategic posture favoring first-mover status, such firms exhibit what may be referred to as "strategic marketing initiative" (Pleshko, Heiens, and McGrath 2002).

According to Pleshko, Heiens, and McGrath (2002), strategic marketing initiative refers to the degree to which firms may consistently attempt to gain first-mover advantages in six important areas. These areas include (1) the introduction of new products, (2) the introduction of new advertising campaigns, (3) the initiating of pricing changes, (4) the adoption of new distribution ideas, (5) the adoption of new technology, and (6) the seeking out of new markets.

RESEARCH OBJECTIVES

The current study involves an examination of strategic marketing initiative by testing for the presence of a combination of first-mover advantages on market share performance. In addition, the study accounts for external environmental and market influences by measuring the extent of environmental dynamism in the industry.

It is proposed that a firm's ability to generate high performance levels is based on the firm's leadership role in the six critical areas comprising strategic marketing initiative. Specifically, as stated in Hypothesis 1, firms exhibiting high levels of strategic marketing initiative will also be the higher performing firms in terms of market share performance. In addition, Nehrt (1998) asserts that even under varying regulatory and competitive scenarios, first-mover advantages may still be enjoyed. Consequently, as stated in Hypothesis 2, due to the significant impact of first-mover status on performance, the positive relationship between strategic marketing initiative and market share performance is expected to exist regardless of the level of perceived environmental dynamism, which includes such factors as changing technologies, fluctuating employment levels, changing customer perceptions, and evolving competitive offerings.

H_1: Increases in strategic marketing initiative lead to increases in market share performance.

H_2: Regardless of the perceived level of environmental dynamism, increases in strategic marketing initiative lead to increases in market share performance.

SAMPLE DESCRIPTION

In order to empirically test the hypotheses previously presented, a sample of chief executive officers was taken from four randomly selected North American Industrial Classification System (NAICS) code groups across the United States. A systematic sample of twelve hundred, three hundred in each NAICS group, was drawn from the four groups: food and kindred products, textile mill products, primary metal industries, and miscellaneous manufacturing industries. A single

mailing was directed to the chief executive in each of the selected firms. The mailing included a personalized cover letter, a two-page questionnaire, and a self-addressed stamped return envelope. Of those responding, 81 percent were either chief executive officers or owners, with the remainder being functional managers and/or other high level staff.

This procedure yielded 141 useable surveys, a 12.2 percent response rate, about par for a "cold" mail survey of this type (Dillon, Madden, and Firtle 1987). The breakdown of the respondents by NAICS groups is shown in Table 1 along with the selected sample. A X^2 test of responses versus the sample indicates that the responding firms are evenly distributed across the four groups ($X^2 = 0.84$, $p < 0.80$). Additionally, an analysis of variance was performed to determine if the respondents of the various NAICS groups differ by firm size. Neither annual sales ($p<.15$) nor number of employees ($p<.20$) were significant. Thus, the respondents appear to represent a cross-section of industrial and consumer products firms in their respective industries.

TABLE 1
Sample and Responding Firms by Naics Category

NAICS Category	Sample Freq	Respon-dents Percent	Freq	Per-cent
Food and Kindred Products	300	25	33	23.4
Textile Mills	300	25	28	19.9
Primary Metals	300	25	34	24.1
Miscellaneous Manufacturing	300	25	29	20.6
Uncategorized	0	0	17	12

METHODOLOGY AND MEASURES

Regression analysis was used to test the hypotheses. All variables, including market share performance, strategic marketing initiative, and environmental dynamism were assessed through the use of 5-point semantic differential scales. Respondents were asked to indicate the position that most closely matches their view of the firm. In the case of the dependent variable, market share performance, the scale was anchored from 1 (poor) to 5 (excellent). The questionnaire items used in the semantic differential scale for strategic market initiative were anchored from 1 (not true) to 5 (true). Finally, the environmental dynamism variable was measured by asking respondents to assess the influence of the individual questionnaire items on the firm from 1 (not very influential) to 5 (very influential). The specific questionnaire items related to each variable are listed below in Table 2.

According to Pleshko, Heiens, and McGrath (2002), an overall indicator of strategic marketing initiative (SMI) may be constructed by summing the six items in Table 2. With a coefficient alpha of 0.848, the SMI scale appears to exhibit good reliability, and was therefore used as the instrument to measure the totality of our sample's first-mover efforts.

In addition, the current study employed perceptual measures to evaluate organizational performance (e.g., Ruekert, Walker, and Roering 1985). This is because perceptual measures avoid the variable accounting methods associated with objective measures (e.g., Varadarajan 1986; Keats and Hitt 1988; Miller 1987; Frazier and Howell 1983; Sharma and Mahajan 1980) and also have been shown to strongly correlate with objective measures of the same firm (e.g., Dess and Robinson 1984). Measures of performance generally address one of three domains: effectiveness (i.e. goal attainment such as market share), efficiency (i.e., productivity such as profits), and adaptiveness (i.e., ability to change) (Ruekert, Walker, and Roering 1985).

The present study used effectiveness as the conceptual definition of performance. In particular, respondents were asked about their market share performance relative to five baselines: (1) versus competitors, (2) versus goals/expectations, (3) versus previous years, (4) versus firm potential, and (5) growth. Factor analysis of the five items indicated that all the items loaded highly on a single factor, which explained approximately 70 percent of the original variance in the items. Consequently, an overall indicator of performance

TABLE 2
Questionnaire Items

Market Share Performance	
PERF 1	Market share versus your competitors
PERF 2	Market share versus your goals/expectations
PERF 3	Market share versus previous years
PERF 4	Market share versus your potential
PERF 5	Growth of market share
Strategic Marketing Initiative	
SMI 1	Always the first to introduce new services or variations
SMI 2	Always the first to introduce a new advertising campaign
SMI 3	Always the first to initiate pricing changes
SMI 4	Always the first to introduce new distribution ideas
SMI 5	Always the first to adopt new technology
SMI 6	Always the first to seek out new markets for our products
Environment - Dynamism	
DYNAMISM 1	Relevant technologies are quickly changing
DYNAMISM 2	Employment levels are fluctuating
DYNAMISM 3	Customer perceptions are changing
DYNAMISM 4	Competitive offerings are evolving

effectiveness (PERF) was constructed by summing the five items. A reliability of 0.908 was found for this performance measure using coefficient alpha.

In order to measure the level of environmental dynamism, the current study included questionnaire items related to the amount of change occurring in the industry environment. In particular, respondents were asked to evaluate their perceptions of the industry environment on each of four dimensions: (1) the degree to which relevant technologies are quickly changing, (2) the degree to which employment levels are fluctuating, (3) the degree to which customer perceptions are changing, and (4) the degree to which competitive offerings are evolving (e.g., Dwyer and Welsch 1985). Factor analysis on the four items indicated that all items loaded on a single factor, explaining approximately 50 percent of the original variance in returns. Consequently, an overall measure of environmental dynamism (DYNAMISM) was constructed by summing the four items. A reliability of .6961 was found for this variable using coefficient alpha.

Because past research indicates that important structural variables may also affect performance (e.g., James and Jones 1976; Hall, Haas, and Johnson 1967), the study considered the possible influence of the internal organizational environment by including the number of full-time employees currently employed by the firm (NUMBER) as a control variable.

RESULTS

Regression analysis was used to test the hypotheses presented above concerning the influence of strategic marketing initiative on market share performance. As stated previously, the first hypothesis suggests that a positive relationship exists between strategic marketing initiative and performance. The second hypothesis suggests that the environment does not moderate the relationship of strategic marketing

initiative and performance. The model employed is stated in the following linear regression:

PERF=NUMBER+DYNAMISM+SMI+(SMI*DYNAMISM). (1)

Table 3 summarizes the results of the regression analysis for the present study.

As noted in the table, the model exhibits statistical probability at the .001 level and explains more than 11.5 percent of the variance in perceived market share performance. Strategic marketing initiative exhibits a significant and positive main effect (β=.641, p=.026) on performance as hypothesized. No interaction effects are evident between strategic marketing initiative and environmental dynamism (p=.272). The analysis suggests that increases in strategic marketing initiative lead to a positive effect on market share performance, regardless of the environment. Additionally, no main effects were evident for either dynamism (p=.375) or number of employees (p=.162).

CONCLUSION

The authors present an empirical examination of product firms in order to examine the relationship between strategic marketing initiative (SMI) and market share performance while also considering the additional effects of the perceived environment (dynamism) and the organization's size in terms of numbers of employees. The study finds that increases in strategic marketing initiative lead to increases in market share performance due to a positive main effect. The study found no interaction between initiative and the environment. Consequently, the findings suggest that, regardless of external environmental pressures, one way for managers to achieve performance objectives is to conduct proactive strategic initiatives.

Nevertheless, one should be careful generalizing the results to all manufacturing firms based solely on the findings derived from only four NAICS groups. It is therefore suggested that future studies investigate this relationship in other sectors of the economy. Future studies might also apply this framework to services in both the business-to-business and consumer-products areas to further test the findings. Any future studies might also look at other control variables, such as organizational structure or even different measures of the perceived environment. Finally, different measures and types of performance, rather than the perceived market share variable employed in the current study, would be useful as well.

MANAGERIAL IMPLICATIONS

In today's highly dynamic environment, the impact of the traditional pioneering first-mover advantage may be shrinking as general strategic time lines are shrinking (Rink 1999). Consequently, managers and marketers must recognize that preemptive competitive moves may still be achievable by expanding their views concerning the kinds of activities that may constitute first-mover efforts.

As the present study indicates, even follower brands may be able to seize the window of strategic opportunity and consequently gain first-mover competitive advantages, which may result in above average performance for a firm. By utilizing new technologies, firms may be able to perfect innovations originally pioneered by competitors. Nevertheless, manufacturing firms with inferior research and development capabilities may still achieve competitive advantage by introducing new services or variations. Because products frequently contain both tangible and intangible attributes, intangible service dimensions alone may even be a sufficient basis for differentiation.

The concept of strategic marketing initiative suggests that firms may also achieve competitive advantage by being the first to introduce a new advertising campaign. Examples of this could be the identification of new positioning strategies or new media outlets. According to Schultz and Schultz (1998), advances in technology have allowed marketers to achieve a greater level of consumer insight. This insight may allow marketers to create highly relevant and customized messages, which may, increasingly, be delivered through specialized media

TABLE 3
Regression Analysis

Model	S squares	df	M square	F	"p"
Regression	534.792	4	133.698	5.258	.001
Residual	3229.425	127	25.429		
Total	3764.217	131			
R	0.377				
Rsquare	0.142				
AdjRsquare	0.115				
Dependent Variable: PERF					
Parameter	Coef.	StdErr.	Beta	T	"p"
Constant	14.819	4.755			
NUM	-0.054	.000	-0.116	-1.405	.162
SMI	0.443	.196	0.641	2.258	.026
DYN.	0.248	.278	0.216	0.890	.375
SMI * DYN.	-0.012	.011	-0.444	-1.104	.272

or technologically advanced methods (Schultz and Schultz 1998).

Marketers may also seek to establish competitive advantage by being the first to initiate price changes. In fact, many marketers have begun to use complex pricing systems. For example, service providers often use sophisticated mathematical programs to solve dynamic pricing problems and increase profits (Desiraju and Shugan 1999). Yet complex and costly pricing systems are most profitable when a marketer faces different market segments with different degrees of price sensitivity and costs of making a purchase (Desiraju and Shugan 1999).

In an attempt to introduce new distribution ideas, large manufacturing firms have been increasingly delegating a portion of their activities to specialized subcontractors (Halley and Nollet 2002). However, in these instances, the resulting sophistication of a firm's logistics system and the development of distinctive competencies depends on the subcontractor's ability to understand the firm's business and the logistics issues at stake.

Finally, marketers may seek to establish competitive advantage by being the first to seek out new markets for their products. According to Porter (2001), the Internet has reduced the importance of location, allowing some firms to widen the geographic market from local to regional or even national. Nevertheless, the Internet is not a panacea for all firms, and first-movers employing this technology are not guaranteed competitive advantages. In part, this is due to the fact that switching costs for these new markets are likely to be lower on the Internet because buyers can often switch suppliers with just a few mouse clicks (Porter 2001).

Regardless of the actual strategic initiative a first-mover firm may implement, managers must recognize marketing areas where first-mover opportunities are most likely to be found and capitalized upon. Only by integrating the variety of first-mover efforts into overall strategy can a firm hope to turn such initiatives into a powerful force for competitive advantage.

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