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ESSAYS ON MARKET DRIVING STRATEGIES

by

Goran Vlašić

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The best way to predict the future is to create it. – Peter Drucker

INTRODUCTION

Ever since market orientation was conceptualized and provided managers with a framework for managing sustainable competitive advantage (Kumar, Jones, Vankatesan, & Leone, 2011), firms have increasingly been recognizing customers as kings, and asserted customer centricity as their key value. Since then, firms have been emphasizing their focus on satisfying consumer needs as their key value. This narrow understanding of the marketing concept led firms to struggle in markets with diminishing profitability by satisfying existing consumer expectations (Kim & Mauborgne, 1999). Conceptually, this approach led to Christensen and Bower's (1996) critique that being market oriented leads to customer myopia and therefore to firms' demise in the long run in face of disruptive innovations.

Marketing literature responded to this criticism by providing two key perspectives. First perspective, provided by Narver et al. (2004), differentiated between responsive market orientation, which responds to expressed customer needs, and proactive market orientation, which addresses latent customer needs (operationalized as the willingness of a company to search for unexpressed customer needs). Second perspective introduces the idea of market driving, where firms can be market driven, i.e. make their choices based on either expressed or latent consumer preferences in given contexts, market driving, i.e. actively change the contexts and consumer preferences, or ambidextrous in combining the two approaches (Jaworski, Kohli, & Sahay, 2000).

Market driving and market driven strategies have been clearly distinguished to reflect different conceptualizations of markets by firms: either as exogenous to firm efforts (in case of market driven strategies), which is generally the case in economics and predominantly in business (Carpenter & Nakamoto, 1994a; Schmalensee, 1982), or endogenous (in case of market driving strategies). Relaxing the assumption of environmental exogeneity, in this thesis it is argued that consumer preferences are, at least in part, endogenous to firm efforts. Several literature streams have provided supporting arguments for relaxing this assumption: environmental management (Zeithaml & Zeithaml, 1984), consumer education (McNeal, 1978; Bloom & Ford, 1979), socio-cognitive theories of markets (Rosa & Spanjol, 2005; Humphreys, 2010), behavioral economics (Tversky & Kahneman, 1981), etc. Depending on the assumption taken on consumer preference exogeneity, one can differentiate between two distinct (but interconnected) competitive landscapes.

In the first competitive landscape, firms are competing on being the best in understanding consumer preference structures and catering to them the best. The winner in this landscape is the firm which outperforms competitors at uncovering the structure of consumer's utility function and at enhancing its performance on aspects that are meaningful, relevant and valuable to consumers (Aaker, 1991; Kotler & Armstrong, 2009).

Second competitive landscape is characterized by firms which are competing, not over catering to consumer preferences, but rather on changing the preference structure of consumers. The winner in this landscape is the firm that manages to create asymmetric preference structure

so that consumers highly appreciate the aspects on which it outperforms competitors. In that sense, instead of uncovering the structure of consumer utility function, the winner in this landscape is the one who changes the structure of consumer utility function to enhance the utility perceived from its focal product. As Carpenter and Nakamoto suggest (1994b, p. 172):

“[market driving is] a different view of competition in which brands battle over consumer preferences rather than simply responding to them. Competition in such a world becomes a struggle to define consumer preferences with the winner receiving a tremendously valuable asset – a favorable, asymmetric preference structure – producing a persistent ... advantage.”

As market driving presents a highly promising approach (Jaworski, Kohli, & Sahay, 2000; Carpenter & Nakamoto, 1994a; Kumar, Scheer, & Kotler, 2000), in this thesis I focus on understanding the concept, its antecedents and effects.

MARKET DRIVING STRATEGY AS A CONCEPT

Market driving has generally been discussed in two ways: as an outcome of product innovation (Carpenter & Nakamoto, 1994a) and as the firm’s strategic orientation (Jaworski, Kohli, & Sahay, 2000). Carpenter and Nakamoto (1994a, p. 572) ground their discussion of market driving in the first mover advantage literature, and see it as changes of consumers’ cognitive structures (i.e. as “shaping consumer tastes”) resulting from product innovations. In their perspective, if the product is so radically new that it creates a new category, consumers will adjust their cognitive structures to accept this new product. Also, consumers would see that

product (actually its best characteristics) as being prototypical for the newly created category. As a result, all other products will be compared to the first one and, in order to be chosen by consumers, will need to outperform the first mover. This requires time and effort thus making first mover's competitive advantage more sustainable.

Jaworski et al. (2000) ground their perspective on market driving in market orientation literature. They view market orientation as having two aspects: being market driven, by both existing or latent consumer needs, and being the market driver. The market driving approach implies an active role of the firm in generating market changes and is defined as "influencing the structure of the market and/or the behaviors(s) of market players in a direction that enhances the competitive position of the business" (Jaworski, Kohli, & Sahay, 2000, p. 45). In their discussion, structural changes can occur by: eliminating players (deconstruction approach), building a new/modified set of players (construction approach) or changing the functions performed by players (functional modification approach). On the other hand, market behavior can be modified directly, i.e. by influencing behavior without regard for the players' cognitive structure, or indirectly, i.e. by changing the mind-set of market players.

In this thesis, market driving is defined and analyzed as a strategy, i.e. an investment of resources in changing the market, which can be pursued regardless of product innovation. In the thesis it is formally defined as the extent to which a firm invests resources (time, money, effort) in changing consumer preferences in a way that enhances the benefit consumer perceives from the focal product. Therefore the thesis is primarily focused on market driving strategies aimed at

changing the cognitive structure of consumers in the market. Besides considering market driving as an aggregate concept, this thesis provides an analytical perspective grounded in consumer behavior literature on consumer decision making. Thus, in understanding its effects, it is differentiated between three aspects of market driving: needs driving, defined as *the extent to which a firm invests resources (time, money, effort) in enhancing consumers' motivation to satisfy needs that can be addressed by the firm's products*; category driving, defined as *the extent to which a firm invests resources (time, money, effort) in enhancing consumer's perceived ability to satisfy a particular need by using the focal category as compared to any alternative category*; and attribute driving, defined as *the extent to which a firm invests resources (time, money, effort) in enhancing the relative importance of characteristics on which the firm's product outperforms its competitors*.

METHODOLOGICAL CONSIDERATIONS

The research on market driving strategies is still in its development, with several groundbreaking contributions by Carpenter and Nakamoto (1994a), and Jaworski, Kohli and Sahay (2000). However, there was no existing measure for market driving strategies developed nor were there “standardized” methodological approaches for this research. This thesis presents one of the first attempts to operationalizing and testing the role of market driving as a strategy.

To ensure quality of data collected, the study was developed in three phases. In the first stage, qualitative interviews were conducted with 26 marketing managers, CEOs or firm owners in different industries and in two different contexts: developing country and a developed country.

The goal of these interviews was to arrive at a practitioners' market driving strategy definition and develop possible items for measuring the variable.

Second stage encompassed a pretest in order to the developed scales for several introduced concepts (market driving, needs driving, category driving, attribute driving, CEO audacity, strategic audacity, marketing department's integration with agency, star marketer) and to confirm that there is more to market driving strategies besides being a mere catchphrase. Pretest was done on the sample of 63 managers who were attending executive education programs in a developed and a developing country. Results indicated that, controlling for market focus, growth strategy, competitive intensity and product innovation, both market driving strategy ($\beta=.696$; $SD=.204$) and market driven strategy ($\beta=.728$; $SD=.187$) had significant effects on sales growth ($R^2=.653$). Significant results were also found when the model was ran using analytical market driving strategies (needs, category, and attribute driving) with $R^2=.702$. Thus, based on the pretest the key items to be used in further research were defined and market driving strategies were recognized to have a strong influence on firm sales growth. Moreover, the effects of market driving were robust across the two countries.

The third stage consisted of a large-scale web-based survey among marketing managers or others in charge of marketing activities (e.g. CEOs or owners in smaller firms), as they are considered good respondents regarding the variables of interest in this research (Atuahene-Gima & Murray, 2004). To get a list of eligible firms, AMADEUS database was used for filtering firms in one European country which led to 1.573 companies that were contacted by sending

personalized e-mails explaining the purpose of the study and with a link to the web survey. The total number of responses was 315 (20,03% response rate), which, after excluding low quality data, resulted in the 255 usable questionnaires. These represent a response rate of 16,21%, which is comparable to other research targeting marketing managers as respondents (e.g. Verhoef & Leeflang, 2009).

For all the concepts in the thesis, validity and reliability of measures was assessed to ensure high quality of data, especially since new measures for several concepts have been developed. In addition, controls were included for response quality regarding: respondent competence, concentration, directional biases, effort. Using expert coders, entered responses were cross-checked with available secondary data.

DISSERTATION OBJECTIVES AND STRUCTURE

The purpose of this dissertation is to enhance knowledge of market driving strategies. Three papers encompass different aspects of market driving strategies and each one of them is an independent piece, with its own objectives, literature background, methods, and conclusions but linked to others through a goal of understanding this complex phenomenon.

The first paper is a conceptual paper focusing on conceptualizing market driving strategies as strategies aimed at changing consumer cognitions, rather than responding to their expectations. While consumer is still considered as a king making final choices, it is argued that firms must take an active part as being king's grand viziers, i.e. the most trusted advisors, thus altering his/her preferences to favor the focal product. Following the research in consumer

behavior, the model extends from market driving efforts, over actual cognitive outcomes which lead to behavioral changes. In the first part of the model, it is proposed that the effectiveness of firm efforts on actual cognitive changes depends on consumers motivation to process the information provided, which is determined by their attitude toward knowledge. In the second part of the model, we argue for diminishing effects of cognitive changes on behavioral changes. Based on this it is argued for moderating effects of consumer-, product- and environmental-level variables. All variables, although conceptually at different levels of analysis, have been translated into consumer cognition level based on implications they make on consumer cognitive structure. In the model, market driving outcomes, which are in the focus of the paper and considered manageable, are taken as independent variables influencing purchase likelihood increase, while contextual variables are seen as moderators based on which different market driving strategies are likely to have a greater or a weaker effect. The contribution of the first paper is primarily in the development of a coherent framework for discussing market driving strategies and in defining conditions under which these strategies are likely to perform better or worse.

The second paper develops valid and reliable measures for market driving strategy, both at the aggregate and analytical levels. In addition, it tests the role of market driving strategy, as an exploratory strategy, and market driven strategy, as an exploitative strategy from market perspective, for firm's short-term and long-term performance. Results indicate that market driven strategy is an important strategy, especially for short-term performance, more precisely for: short-term sales growth and short-term market share growth. Market driving strategy significantly

impacts short-term performance (sales growth, profit growth) and long-term performance (long-term sales growth). However, a dynamic perspective indicates that the strength of the impact of these two strategies depends on the product life cycle stage. In that sense, market driven strategy is highly valuable for market share growth in the late PLC stage. Market driving approach shows high importance in all stages for long term performance as it actually implies that by driving markets firm is setting a stage for competition in the next phase. However, it also has strong implications on the short-term performance measures, especially in the intermediate and late PLC stages. An analytical perspective shows that, although all three levels of market driving (needs, category, attribute driving) have a significantly positive impact on long-term performance, their importance changes throughout the PLC stages. Category driving exhibits high importance in early and late PLC stage, while needs and attribute driving are highly important in the intermediate stage.

The third paper focuses on understanding firm-, departmental- and individual-level antecedents of market driving strategies. Thus, in the second paper the conclusion was that market driving strategies are important for firm performance, especially for long-term performance in all PLC stages. Therefore, in this paper the goal is to understand which aspects favor market driving strategies in the firm. At the individual level, the CEO's PhD education and having star marketers on board has a strong positive impact on the extent to which a firm invests in market driving strategies. At marketing department level, both structural characteristics (integration with sales – positive impact, while integration with R&D – negative impact) and

department's capabilities (marketing department communication capability – positive impact) impact the level of investment. Moreover, R&D department's influence on strategy exhibits significant positive impact on market driving strategy, implying that in that case a firm is more likely then to disregard current consumer preferences and aim for technological and product advances. At the firm level, market orientation significantly impacts market driving strategy thus confirming the idea that being market oriented is more than being focused on existing and latent consumer needs – it also encourages investment in market driving strategies. The role of technology orientation follows the same reasoning as R&D's impact on strategy making market driving investments the key for success. Last firm-level variable that exhibits strong impact on market driving strategy is a variable that is introduced as strategic audacity, reflecting the strategic boldness of the firm. Therefore, the third paper points out to how firm should be managed if it wants to compete over consumer preferences in the market driving competitive landscape.

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THE CONSUMER IS KING – BUT WHO IS GRAND VIZIER?: DIMENSIONS OF MARKET DRIVING AND CONTINGENCIES THAT INFLUENCE THEIR EFFECTS

The mantra of consumer as “king” has long been taken for granted – implying that consumers know what they want and that successful companies know how to recognize and respond to their expectations better than others. Literature has generally considered that consumers have a certain utility function whose structure is predetermined and to be discovered by the company (Kotler & Armstrong, 2009). Then the company’s goal is to enhance its performance on the utility components that have the highest impact on utility. Thus, in this view, the competition is over performing the best on the characteristics which are the most valued by consumers, i.e. those with the highest impact on consumer utility level. However, in our framework, it is precisely the impact of different characteristics (i.e. “the betas”) on which the competition develops with each company investing in enhancing the importance of aspects which favor its products/services. Thus, we argue that, rather than standing aside, the firm should become the king’s grand vizier¹ (i.e. the most trusted advisor) and provide compelling evidence to alter the king’s preferences in a way which creates an asymmetric preference structure favoring the firm’s products. Instead of taking consumer preferences as exogenous, market driving argues that they are, at least in part, endogenous to the firm’s efforts. Along these lines, while still seeing the consumer as king, numerous leading firms, such as Durex, IKEA, Ferrero, Body Shop, Tetra Pak, and others, have achieved exceptional success by changing consumer

¹ In ancient Egypt, the grand vizier was king's most trusted advisor. We use this analogy since market driving strategies imply providing consumers with compelling information and/or certain limitations intended to alter his/her preferences. However, the consumer is still the king who chooses whether or not to honor such counsel. Thus, firm is an advisor where consumer can decide how to act upon the newly generated context.

preferences rather than just responding to them (Haig, 2004; Jaworski, Kohli, & Sahay, 2000).

Firms like MTV and Consumer Digest are actually in the business of advising consumers on how to alter their preferences. These firms have taken upon themselves the role of the king's "grand vizier", providing counsel to "the king" and helping him/her to make "better" decisions. Thus, in market driving perspective, we are focusing on "a different view of competition in which brands battle over consumer preferences" rather than over developing products/services which can better satisfy existing preferences (Carpenter & Nakamoto, 1994b, p. 172).

The above examples imply the importance of understanding market driving strategies. In addition, there are several conceptual reasons that necessitate research on this topic. First, market driving is highly important for long-term competitive advantage since the market driven approach implies converging profit maximizing strategies of competing firms. This results in low (or no) profitability and thus is a source of only short-term competitive advantage (Levitt, 1962). Second, market driving enables firms to actively manage market growth by shaping consumer preferences both for existing products, thus extending their life cycle, and for radically new products, thus enhancing their diffusion (Carpenter & Nakamoto, 1994a). Third, this approach calls for marketing to play a highly strategic role, by taking responsibility not only for responding to markets (as only an information processing unit) but also for driving market innovations, i.e. meaningful market changes (Levitt, 1962; Jaworski, Kohli, & Sahay, 2000). Market driving activities represent a form of "new-game strategies" (Buaron, 1981) which recognize that a

strategist's goal is not to respond to existing markets but to create new spaces uniquely suited to firm and product strengths (Hamel & Prahalad, 1989).

Our approach develops ideas on market driving as indirect behavioral changes from the framework proposed by Jaworski et al. (2000). In this framework, market driving is considered a strategic choice in its own right which can lead to sustainable competitive advantage, rather than a mere byproduct of other strategic choices, such as product innovation (Carpenter & Nakamoto, 1994a) or novel targeting strategies (Benner & Tushman, 2003; Zhou, Yim, & Tse, 2005). Thus, the first contribution that our framework makes is that it legitimizes market driving as an important strategy accentuating marketing's active strategic impact.

In addition, we amalgamate marketing strategy and consumer behavior literature to provide a behavioral perspective on strategy. As a result, our contribution places great attention on reconciling the different levels of analysis predominant in the two literature streams.

We also provide a consistent theoretical framework for analyzing market driving strategies grounded on prior consumer behavior research which indicates that cognitive change is a mediating variable between the firm's strategic efforts and consumer's behavioral changes (Crosby & Taylor, 1981; Day, 1976). Thus, in comparison to prior market driving literature, we distinguish between *market driving efforts*, defined as *the extent to which a firm invests resources (time, money, effort) in changing consumer preferences in a way that enhances the benefit consumer perceives from the focal product*, and *market driving outcomes*, defined as *the extent to which a firm has changed consumer's preferences in a way that enhances the benefit the*

consumer perceives from the focal product. This distinction is also important since it stresses the idea that market driving effort is a necessary but not sufficient condition for market driving success. Effectiveness of these efforts in achieving actual cognitive change is contingent on the consumer's attitude toward knowledge which affects his/her motivation, ability and opportunity to accept and process provided information (Jacoby, Chestnut, & Silberman, 1977; Petty & Cacioppo, 1986). We argue that the more positive is the consumer's attitude toward knowledge in general (need for cognition), market knowledge (mavenism) and knowledge originating from marketers (non-skepticism), the more he/she would be affected by market driving efforts.

Lastly, unlike prior work, we provide a highly analytical market driving perspective analyzing the effectiveness of different market driving levels depending on consumer's ex-ante preferences. We ground our framework on the consumer decision-making process, recognizing that firms can change the relative weights a consumer puts on focal needs, categories and attributes.² This analytical approach enables firms to optimize their market driving efforts by applying strategies that hold the greatest promise in a given context. Grounding on the ideas of diminishing propensity of behavioral responses to cognitive changes (Rhee & McIntyre, 2008), we provide insights into consumer (brand loyalty, category usage, problem recognition), product (product dominance, product life cycle stage, product essentiality) and competitive environment (within-category competitive intensity, cross-category competitive intensity, within-category cooperation, cross-category cooperation) characteristics that alter the effectiveness of different

² In our discussion we use the term *focal* to refer to all aspects relating to the focal product. Focal product refers to any given product/service/idea that a firm is offering in the market. Regarding consumer decision making process, focal need is defined as any need/want/problem which can be satisfied by the focal product. Focal category is the category to which the focal product belongs, while focal attributes are those attributes on which the focal product outperforms competitors' products belonging to the same focal category.

market driving outcomes by having implications regarding ex-ante weights placed on focal aspects.

Based on this reasoning, we propose that *need importance change* is the most effective in case of consumers who currently do not even recognize the focal need, for products that relate to non-essential needs and that are in the earlier stages of their life cycle, in case of low competitive intensity and high within-category and low cross-category cooperation. *Category importance change* is most effective in case of loyal consumers for dominant products and products in the early life cycle stage that face low within-category and high cross-category competition, and high cross-category cooperation and low within-category cooperation. *Attribute importance change* is most useful for non-loyal consumers who recognize the category, for products that are non-dominant and in later stages of their life cycle, facing low cross-category and high within-category competition with high level of cross-category and within-category cooperation.

[----- Please insert Figure 1 about here -----]

In the remainder of the article we first present theoretical background. Then we discuss market driving efforts. Further, our discussion focuses on market driving outcomes and the relationship between efforts and outcomes. Based on the MOA framework, we analyze the role of the consumer's attitude toward knowledge in translating efforts into outcomes. Then we discuss the role of market driving outcomes in enhancing purchase likelihood. We consider moderating variables at different levels which determine ex-ante preferences of consumers thus altering

effectiveness of market driving outcomes for actual behavioral change. At the end we provide managerial implications and ideas for future research.

MARKET DRIVING

Literature on Market Driving

In general, market driving ideas are grounded on a key assumption that environment, and more precisely consumer preferences, are at least in part endogenous to firm efforts. This assumption underlies several research streams: environmental management (Zeithaml & Zeithaml, 1984), consumer education (McNeal, 1978; Bloom & Ford, 1979), socio-cognitive theories of markets (Rosa & Spanjol, 2005; Humphreys, 2010), behavioral economics (Tversky & Kahneman, 1981), etc.

Based on this assumption, market driving has generally been discussed in two ways: as an outcome of product innovation (Carpenter & Nakamoto, 1994a) and as the firm's strategic orientation (Jaworski, Kohli, & Sahay, 2000). Carpenter and Nakamoto (1994a, p. 572) ground their discussion of market driving in the first mover advantage literature, and see it as changes of consumers' cognitive structures (i.e. as "shaping consumer tastes") resulting from product innovations. They view market driving as a primary source of first mover advantage and recognize that competition "in such a world becomes a struggle to define consumer preferences with the winner receiving a tremendously valuable asset – a favorable, asymmetric preference structure – producing a persistent dominant brand advantage" (Carpenter & Nakamoto, 1994b, p. 172).

The approach of Jaworski et al (2000) to market driving is grounded in the market orientation literature. They view market orientation as having two aspects: being market driven and being the market driver. The market driven approach encompasses both proactive and responsive perspectives from Narver et al (2004), i.e. the firm is market driven regardless of whether it focuses on existing or latent consumer needs. The market driving approach, instead, implies an active role of the firm in generating market changes and is defined as “influencing the structure of the market and/or the behaviors(s) of market players in a direction that enhances the competitive position of the business” (Jaworski, Kohli, & Sahay, 2000, p. 45). In their analysis, these authors recognize that structural changes can occur in one of three ways: by eliminating players (deconstruction approach), by building a new/modified set of players (construction approach) or by changing the functions performed by players (functional modification approach). On the other hand, market behavior can be modified directly, i.e. by influencing behavior without regard for the players’ cognitive structure, or indirectly, i.e. by changing the mind-set of market players (which is our focus).

Market Driving and Consumer Utility

Since market driving efforts are expected to result in cognitive outcomes regarding consumer decision making, we ground our discussion on the generic decision making process which generally starts from need recognition, followed by information search and evaluation of alternatives, which leads to choice (Kotler & Armstrong, 2009). However, taking into account findings in psychology and consumer behavior (Viswanathan & Childers, 1999; Alba &

Hutchinson, 1987; Murphy & Medin, 1985), and also in marketing strategy literature (Howard, 1983), we acknowledge that consumers do not directly search and evaluate different products that address a given need, but rather take a hierarchical approach (Shocker, Bayus, & Kim, 2004; Howard, 1983): recognizing the need, then evaluating alternative product categories, and then assessing different products within a given category depending on attributes and their relative importance.

Grounding on these stages, the overall utility that a consumer perceives from the focal product depends on the extent to which the consumer is motivated to satisfy the focal needs, the extent to which she sees the focal category as providing her with the greatest opportunity to satisfy those needs, and the extent to which she recognizes focal attributes as relatively more important than other attributes within each focal category. So, we assume that the consumer is following her utility maximization, allowing for different utility functions across consumers. Having this in mind, and following the ideas of additive utility function (for an example of additive utility function see Thompson, Hamilton, & Rust, 2005), consumer utility from the focal product can be expressed as:³ $U_{focal} = \sum_{i \in I} \sum_{j \in J} \sum_{k \in K} N_i \cdot C_{ij} \cdot A_{ijk}$.

Market Driving Efforts

³ U_{focal} – is the utility the consumer perceives from the focal product, with $U_{focal} \in [0, 1]$.

N_i – is the motivation to satisfy the i -th need, where $I = \{i: N_i \in N^*\}$, N^* is set of focal needs, and $\sum_{m=1}^M N_m = 1$ with M being the total number of needs (which can even be considered to be infinity with some needs having a weight of 0).

C_{ij} – is the opportunity to satisfy i -th need using j -th category, where $J = \{j: C_j \in C^*\}$, C^* is the set of focal categories, and $\sum_{p=1}^P C_{ip} = 1$ with P being the total number of categories satisfying the focal need i .

A_{ijk} – is the importance of criterion k for choosing products within j -th category used for satisfying i -th need, where $K = \{k: A_k \in A^*\}$, A^* is the set of focal attributes, and $\sum_{q=1}^Q A_{ijq} = 1$ with Q being the total number of attributes characterizing products within the focal category j which addresses the focal need i .

Asymmetric consumer preferences for the focal product arise from driving consumer needs, category driving, and attribute driving which result in greater consumer utility from the focal product. Following prior work (e.g. Slovic, 1975), we can assume that at each level consumers rank alternatives according to their perceived importance, i.e. they rank their needs, the categories which provide the ability to satisfy those needs, and attributes they consider when assessing the products within the chosen category.

Needs driving efforts. Needs driving effort is defined as *the extent to which a firm invests resources (time, money, effort) in enhancing consumers' motivation to satisfy needs that can be addressed by the firm's products.* This definition also encompasses the possibility of getting consumers to satisfy a need which they did not recognize before, i.e. increasing the motivation from zero. For example, Durex invests considerable effort in educating consumers about the importance of their reproductive health, thus increasing their motivation to satisfy that need. The focus is on enhancing consumers' motivation to satisfy focal needs, which can be achieved either by directly getting them to recognize the focal need as more important and/or by getting them to see rival needs as less important. Thus, a firm's market driving efforts influence the relative importance of needs; in other words, a consumer can be more or less motivated to satisfy one particular need compared to others, giving rise to need priorities.

Given that needs driving is the most abstract market driving approach, we would expect it to have the strongest potential impact (given that it is translated through lower levels). At the same time, however, we would expect it to involve the greatest risk (with riskiness being

conceptualized as a coefficient of variation), since at the other stages the consumer can still choose a non-focal category and/or see non-focal attributes as more important (following ideas in Golder & Tellis, 1993). In that sense, when changing the importance of needs, not only the firm itself benefits, but all the products in its category and even numerous product categories addressing the same need.

Category driving efforts. Category driving effort is defined as *the extent to which a firm invests resources (time, money, effort) in enhancing consumers' perceived ability to satisfy a particular need by using the focal category as compared to any alternative category*. Thus, each need can be satisfied by several categories that are competing to be perceived as providing the consumer with the greatest ability to satisfy that need (Shocker, Bayus, & Kim, 2004).

Analogous to the needs level, category driving can focus either on enhancing the weight consumers place on the focal category or on reducing the perceived opportunity for satisfying the need by competing categories. Also, we can assume that consumers can satisfy each need using an infinite number of categories; however, at a certain point some categories provide zero perceived ability to satisfy the need in question.

Again analogous to the needs level, perceived opportunity can be enhanced for an existing category but, in an extreme example, category driving can lead to getting consumers to perceive a focal category as a way to satisfy a need that was not linked to this category before (i.e. the weight of the focal category is increased from zero for that particular need). This can occur in two general ways: introducing a new category as a solution to some existing need (e.g. Hoover's

introduction of vacuum cleaners) or introducing an existing category as a solution to new needs (e.g. Dannon's positioning of their yoghurts as a way to address health needs).

Category driving can also occur by combining different categories thereby enhancing their aggregate importance (e.g. Colgate's merging of several categories satisfying the need for clean breath, such as toothpaste for fresh breath, healthy gums, and white teeth, into one category as an all-in-one solution for oral health) and/or fragmenting a category having numerous competitors into several specific categories addressing specific needs (e.g. Adidas's efforts to fragment the footwear category into categories of shoes for different purposes, such as running, basketball, etc). In general, category driving implies efforts by a firm (e.g. American Express) in educating consumers that a certain category (e.g. credit cards) provides them with the greater opportunity to satisfy their need (e.g. for financial resources). Given that category driving enlarges demand for the category, it can be linked to the ideas of primary demand stimulation which implies increasing the "size of the pie", rather than just taking a greater "share of the pie" (Varadarajan, Clark, & Pride, 1992).

Attribute driving efforts. The third aspect of market driving is attribute driving efforts, defined as *the extent to which a firm invests resources (time, money, effort) in increasing the relative weights that consumers give to characteristics on which the firm's product outperforms its competitors* (i.e. when choosing among the alternatives within the same product category). Attribute driving does not imply changes to the beliefs that consumers have about the extent to which a product is endowed with a particular attribute. Instead it has a more abstract effect by

changing the relative weights consumers give to particular attributes thus enhancing consumers' valuation of the focal product and hence their purchase likelihood. An example is attribute driving done by Intel through "Intel Inside", launched in 1991. This program introduced the processor brand as an important aspect to consider when choosing a computer, although most consumers never see this computer component or understand its role.

We expect to see the effects of attribute driving even if the enhanced attributes are trivial for product performance (Brown & Carpenter, 2000; Carpenter, Glazer, & Nakamoto, 1994). Attribute driving actually challenges the previously dominant idea that firms should enhance the attributes that consumers consider meaningful, relevant and valuable (Aaker, 1991; Kotler & Armstrong, 2009) and claims that firms would be better off getting consumers to place greater weight on attributes they currently consider less important for selection (Carpenter, Glazer, & Nakamoto, 1997b). Thus, the weight consumers give to different attributes is highly important for the competitive landscape (Carpenter & Nakamoto, 1989) together with the information on the extent to which the focal product outperforms others on the focal attributes (Tversky, Shmuel, & Slovic, 1988; Fishbein & Ajzen, 1975). As with the other levels of market driving, attribute weights are also in relative terms, and firms can either enhance the importance of existing attributes or introduce new attributes to the cognitive map.

If the focal attributes that the firm is driving are very different from what is generally considered standard within the category (i.e. what competition generally focuses on), it can result in moving the focal product into a different category (e.g. Dannon transferred its dairy products

from the dairy category to the health food category by getting consumers to recognize the importance of probiotics when choosing) or even in the emergence of a new category (e.g. the importance of size as an attribute for choosing computers resulted in the creation of a new category: laptop computers). When driving attributes, a firm should have in mind the importance of possible attribute complementarities (Carpenter & Lehmann, 1985). In our framework if two attributes exhibit such a high level of complementarity that having one without the other is meaningless (e.g. a product with a good price but non-satisfactory performance), they should be jointly considered as a new attribute (e.g. price-performance ratio).

MARKET DRIVING EFFORT AND OUTCOMES

Comparably with the three levels of market driving efforts, market driving outcomes encompass three possible levels of actual changes in consumer's cognition: needs importance change, defined as *the extent to which a firm changes consumers' motivation to satisfy needs that can be addressed by the firm's products*; category importance change, defined as *the extent to which a firm increases consumer's perceived ability to satisfy a particular need by using the focal category as compared to any alternative category*; and attribute importance change, defined as *the extent to which a firm increases the relative importance of characteristics on which the firm's product outperforms its competitors*.

To enable further discussion, we first need to make a main effect proposition. Literature has generally recognized that strategic investments systematically lead to planned results

(Christensen & Bower, 1996). The more a firm invests in changing consumer decision making processes, the greater is the likelihood that it will achieve the desired change. Thus,

P₁: Attribute / category / need driving efforts have a positive effect on attribute / category / need importance change.

We expect this effect to be dependent on the extent to which consumers are motivated to process the information, and their opportunity and ability to do so (MacInnis, Moorman, & Jaworski, 1991). Given that MOA levels can be altered by both the company and the context (MacInnis, Moorman, & Jaworski, 1991; Alwitt & Mitchell, 1985; Batra & Ray, 1986), in our discussion we analyze the pre-exposure MOA and assume that the company has executed its market driving efforts aiming at maximizing consumers' MOA. Since market driving outcomes present new knowledge on how to make choices, we focus on the consumer's attitude toward knowledge as a moderator having implications on her MOA to process provided information based on which new knowledge is generated. More precisely, we analyze the consumer's: general attitude toward knowledge (need for cognition), attitude toward market knowledge (market mavenism), attitude toward knowledge grounded on the marketer as information source (consumer skepticism), and attitude toward changing her existing knowledge (belief confidence).

Need for cognition is defined as the *consumer's tendency to derive "intrinsic enjoyment [from] engaging in effortful information processing"* (Cacioppo, Petty, Kao, & Rodriguez, 1986, p. 1033). Those individuals who have a high need for cognition generally are more motivated to acquire and process information (MacInnis, Moorman, & Jaworski, 1991; Batra & Stayman, 1990); they tend to generally elaborate more on available information (Priluck & Till, 2004) and

are more likely to evaluate information related to their choices (Drolet, Luce, & Simonson, 2009). Although the need for cognition is primarily a motivational variable (Cacioppo & Petty, 1982), many authors also see it as reflecting one's ability to process information, i.e. her cognitive capability (Kim & Kramer, 2006; Drolet, Luce, & Simonson, 2009). In addition, the need for cognition is found to be highly correlated with an information-oriented cognitive style which is characterized by actively seeking, elaborating and using information to make decisions (Njus & Johnson, 2008; Bailey, 1997). Thus, given that individuals with a high need for cognition purposefully "draw out information from their environment" (Cacioppo, Petty, Feinstein, & Jarvis, 1996, p. 199), we expect them to have greater opportunity to acquire and process information. Thus, since the need for cognition is likely to correlate with high motivation, opportunity and the ability of the consumer to process information, we expect that:

P_{1a}: The higher the consumer's need for cognition, the stronger is the positive relationship between attribute / category / need driving efforts and attribute / category / need importance change.

Market mavenism is defined as *the extent to which a consumer sees herself as an "expert" shopper who has knowledge and influence across a broad range of product categories* (Feick & Price, 1987; Elliott & Warfield, 1993). Market mavens are individuals who have a great deal of consumption-related information (Feick & Price, 1987). They "seek information from a variety of sources" regarding a variety of products and purchase situations (Challagalla, Venkatesh, & Kohli, 2009, p. 78). Market mavens are very open to information coming from companies (Challagalla, Venkatesh, & Kohli, 2009) and are more interested in general market-related knowledge than brand-specific knowledge, i.e. in how to evaluate brands more than how

individual brands perform on certain attributes (Clark & Goldsmith, 2005). Given that market mavens are highly motivated to learn new general purchase-related information and that they have considerable prior knowledge which enhances their ability to process that information, we expect that:

P_{1b}: The higher the consumer's market mavenism, the stronger is the positive relationship between attribute / category / need driving efforts and attribute / category / need importance change.

Consumer skepticism is defined as *consumers' negatively valenced attitudes toward the marketer's actions* (Forehand & Grier, 2003; Obermiller, Spangenberg, & MacLachlan, 2005). It reflects the inverse of consumer's intrinsic openness to the communicated information. Here, we focus on dispositional skepticism which is an individual's "ongoing tendency to be suspicious of other people's motives" rather than situational skepticism which reflects a momentary state of distrust (Forehand & Grier, 2003, p. 349). Thus, we see skepticism as a relatively stable category characterizing different consumers, their trust in the information source and their general persuasibility (Hardesty, Carlson, & Bearden, 2002; Obermiller, Spangenberg, & MacLachlan, 2005). Several studies have shown that consumers tend to be "routinely skeptical" toward marketing activities (Koslow & Beltramini, 2002), but skeptical consumers distrust marketers' messages more, rely on them less, and tend to react more negatively to information provided as compared to non-skeptical consumers (Obermiller, Spangenberg, & MacLachlan, 2005).

Regardless of whether skepticism is directed toward information or the firm (Darley & Smith, 1993) and whether it arises from disbelief in marketer's claims and mistrust in marketer's motives (Boush, Friestad, & Rose, 1994), more skeptical consumers approach messages with a

predisposition to reject information. Thus less skeptical consumers are more motivated to process information as they approach it with an informed discerning mind (Boush, Friestad, & Rose, 1994). Also, since skeptical individuals generally do not trust information coming from marketers, they would be much more easily distracted and thus the opportunity to process information is also likely to be reduced. As a result, we expect that the more skeptical consumers are, the lower is their MOA for processing information originating from marketers, and so we expect the impact of market driving efforts on cognition change to be weaker. Thus,

P_{1c}: The higher the consumer skepticism, the weaker is the positive relationship between attribute / category / need driving efforts and attribute / category / need importance change.

Knowledge confidence is defined as *one's conviction regarding the validity of one's cognitive framework regarding the focal product* (Smith & Swinyard, 1988). Confidence in validity of one's cognitive framework is not related to the cognitive structure itself (Fishbein & Ajzen, 1975). It implies consumer's confidence that what he/she knows is correct. However, if the consumer is not confident about her knowledge, he/she will be interested in obtaining novel information that will allow her to confirm or disconfirm her prior convictions. Lack of confidence will result in one's curiosity leading the person to gather and honestly process new information regarding the concepts he/she is uncertain of (Wright, 1975). Therefore it will increase that person's motivation to acquire and process information provided via market driving efforts.

P_{1d}: The higher the consumer knowledge confidence, the weaker is the positive relationship between attribute / category / need driving efforts and attribute / category / need importance change.

MARKET DRIVING OUTCOMES AND PURCHASE LIKELIHOOD INCREASE

We further analyze the relationship between market driving outcomes and *purchase likelihood increase*, defined as the extent to which consumer is more likely to choose a product at time t than she was at time $t-1$. We focus on purchase likelihood increase as the dependent variable since it enables us to maintain the level of analysis for discussion at the consumer level (Batsell, 1980), while at the same time having clear implications for firm performance and thus managers (Carpenter & Lehmann, 1985; DeKinder & Kohli, 2008).

If change is defined to be any small change δ , the resulting consumer utility from attribute importance change can be expressed as: $U_{focal\Delta A} = \sum_{i \in I} \sum_{j \in J} \sum_{k \in K} N_i \cdot C_{ij} \cdot (A_{ijk} + \delta_{ijk})$ with utility change being $\Delta U_{focal\Delta A} = \frac{\partial U_{focal}}{\partial A_{ijk^*}}$; consumer utility in case of category importance change becomes: $U_{focal\Delta C} = \sum_{i \in I} \sum_{j \in J} \sum_{k \in K} N_i \cdot (C_{ij} + \delta_{ij}) \cdot A_{ijk}$ with utility change being $\Delta U_{focal\Delta C} = \frac{\partial U_{focal}}{\partial C_{ij^*}}$; and utility resulting from needs importance change becomes $U_{focal\Delta N} = \sum_{i \in I} \sum_{j \in J} \sum_{k \in K} (N_i + \delta_i) \cdot C_{ij} \cdot A_{ijk}$ with resulting utility change being $\Delta U_{focal\Delta N} = \frac{\partial U_{focal}}{\partial N_{i^*}}$.

Although changes in consumer cognition (i.e. market driving outcomes) generally translate into behavioral change (i.e. purchase likelihood increase) we take into account the consumer's different behavioral responsiveness (i.e. sensitivity) to changes of his/her cognition, (i.e. perceived utility from the focal product). Following the literature that recognizes diminishing propensity to respond to cognitive changes (Rhee & McIntyre, 2008), we assume a concave relationship between the change in cognition (market driving outcomes) and the change in behavior (purchase likelihood), i.e. $PL = f(U_{focal})$ such that $f' > 0$; $f'' < 0$.

This implies that if a change is considered to be any small change δ , then the consumer's sensitivity to need importance change (i.e. the extent to which change in need importance is expected to result in the consumer's actual change in behavior) can be expressed as δ_i / N_i (where $\delta_i=0$ for every i except i^* which is being changed), sensitivity to category importance change δ_{ij} / C_{ij} (where $\delta_{ij}=0$ for every j except j^* , given the need i), and sensitivity to attribute importance change as δ_{ijk} / A_{ijk} (where $\delta_{ijk}=0$ for every k except k^* , given the need i and category j). Taking the consumer's sensitivity to cognitive change into account, purchase likelihood increase can be expressed ⁴ as $\Delta PL_{focal\Delta A} = f'_{A_{ijk^*}}(U_{focal})$, $\Delta PL_{focal\Delta C} = f'_{C_{ij^*}}(U_{focal})$, and $\Delta PL_{focal\Delta N} = f'_{N_{i^*}}(U_{focal})$ for attribute, category and need importance change respectively or, by separately indicating absolute change and consumer responsiveness to utility change, as $\Delta PL_{focal\Delta A} = \frac{\partial U_{focal}}{\partial A_{ijk^*}} \cdot \frac{\delta_{ijk}}{A_{ijk^*}}$; $\Delta PL_{focal\Delta C} = \frac{\partial U_{focal}}{\partial C_{ij^*}} \cdot \frac{\delta_{ij}}{C_{ij^*}}$; $\Delta PL_{focal\Delta N} = \frac{\partial U_{focal}}{\partial N_{i^*}} \cdot \frac{\delta_i}{N_{i^*}}$.

This implies that the higher the ex-ante weight that a consumer places on focal attributes, for example, the lower is consumer's sensitivity to cognitive change and the lower the effect on her purchase likelihood increase, i.e. behavioral change. For example, if a consumer uses only Internet services to make travel arrangements, convincing her that such services are providing her

⁴ Here we are assuming that the consumer is equally sensitive to a small change in the weight of focal need, category and focal attribute. With no change to our discussion, it is possible to relax this assumption. If w_k is the general behavioral responsiveness of a consumer (i.e. her purchase likelihood) to a utility change resulting from focal attribute weight change, w_j presents general responsiveness to utility change resulting from focal category importance change, and w_i refers to consumer responsiveness to utility change resulting from focal need importance change, the expected purchase likelihood increase equations can be expressed as:

$$\Delta PL_{focal\Delta A} = \frac{\partial U_{focal}}{\partial A_{ijk^*}} \cdot \frac{\delta_{ijk}}{A_{ijk^*}} \cdot w_k; \Delta PL_{focal\Delta C} = \frac{\partial U_{focal}}{\partial C_{ij^*}} \cdot \frac{\delta_{ij}}{C_{ij^*}} \cdot w_j; \Delta PL_{focal\Delta N} = \frac{\partial U_{focal}}{\partial N_{i^*}} \cdot \frac{\delta_i}{N_{i^*}} \cdot w_i$$

For example, it can be argued that consumers are generally much more responsive to changes in their utility resulting from attribute importance change than the other two since consumers can more easily relate changes at that level to the concrete product (i.e. behavior). However, for simplicity's sake, we assume that $w_i = w_j = w_k = 1$.

with even greater opportunity to satisfy the focal need than she believed before would result in greater perceived utility from these services, but this would not be reflected in the behavioral change (i.e. likelihood to purchase travel arrangements on line). On the other hand, if a consumer has never used Internet for such activities, getting her to recognize the possibility of satisfying her travelling needs by using such a service is expected to have a strong effect on increasing her likelihood to purchase travel services on line (i.e. behavior).

It is clear by definition that needs importance change, category importance change and attribute importance change will positively impact purchase likelihood increase but with diminishing returns. Moreover, firms stand to benefit the most by jointly driving different levels due to expected multiplicative effects resulting from the complementary nature of different market driving aspects. However, unlike previous research, we argue that market driving is not always beneficial but depends on the context in which it is applied. Moreover, different components of market driving are effective to differing degrees depending on consumer, product and environmental characteristics. These variables, having implications for the ex-ante weights the consumer places on focal aspects (see Appendix A), determine the consumer's latitude for behavioral change. In each category of moderators we select variables in a way that each variable primarily influences one level of consumer decision making at a time (e.g. consumer loyalty primarily influences ex-ante weights that a consumer places on the focal attributes, while having no implications for systematic expectations regarding ex-ante importance of focal categories or needs).

Moderating Role of Consumer Characteristics

Regarding the moderating effect of consumer characteristics, we consider (De Pelsmacker, Geuens, & Van den Bergh, 2007): product brand loyalty which implies latitude for change at the attribute level, category usage which describes a consumer's capacity for behavioral change at the category level, and need recognition which characterizes a consumer's propensity to change behavior at the needs level.

Product brand loyalty is defined as a consumer's "deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future" (Oliver, 1999, p. 34).

Translated into the market driving perspective, loyalty actually represents the extent to which a consumer believes that focal attributes are relatively more important, i.e. their aggregate weight is greater than the aggregate weight of any alternative combination existing in competitors' products. As long as the consumer places greater weight on attributes on which the focal product outperforms others (i.e. focal attributes), as compared to the other attributes, we expect that she will buy the focal product since it maximizes her utility within a given category of solutions to her need. Thus, regarding attributes we can assume that a given focal attribute is likely to be valued more by consumers who are loyal to the focal product within focal category j^* satisfying the focal need i^* , i.e. $A_{i^*j^*k \text{ loyal}} > A_{i^*j^*k \text{ non-loyal}}$. Since loyalty refers only to the weights consumers place on the attributes when choosing within a given category, one cannot expect any systematic differences at the needs or category level. Thus, we can assume that weights placed on focal need

and focal category are the same in case of loyal and non-loyal consumers, i.e. $N_{i \text{ loyal}} = N_{i \text{ non-loyal}}$

and $C_{i*j \text{ loyal}} = C_{i*j \text{ non-loyal}}$.

In this situation, we expect attribute importance change to have a much weaker impact on loyal consumers' purchase likelihood increase, since they already buy the focal product within that category, as compared to non-loyal consumers whose behavior can be altered to buy the focal product if their perceived utility from that product is increased. More formally, $\Delta PL_{\text{focal}\Delta A}$

$$\text{loyal} < \Delta PL_{\text{focal}\Delta A \text{ non-loyal}}, \text{ which can also be expressed as } \frac{\partial U_{\text{focal loyal}}}{\partial A_{ijk^* \text{ loyal}}} \cdot \frac{\delta_{ijk}}{A_{ijk^* \text{ loyal}}} < \frac{\partial U_{\text{focal non-loyal}}}{\partial A_{ijk^* \text{ non-loyal}}} \cdot \frac{\delta_{ijk}}{A_{ijk^* \text{ non-loyal}}} \text{ or } f'_{A_{ijk^*}}(U_{\text{focal loyal}}) < f'_{A_{ijk^*}}(U_{\text{focal non-loyal}}).$$

Since all loyal consumers are likely to choose the focal product within the focal category, we expect that increasing the weight consumers put on the focal category by some δ_{ij} will have greater effect on loyal than non-loyal consumers. Thus, if a firm manages to influence its loyal consumers to recognize the focal category as more important (e.g. as a way to satisfy a new need), all of them are likely to choose the focal product in order to satisfy that need. On the other hand, increasing the focal category importance for non-loyal consumers is much less likely to result in the choice of the focal product. Thus, $\Delta PL_{\text{focal}\Delta C \text{ loyal}} > \Delta PL_{\text{focal}\Delta C \text{ non-loyal}}$.

For similar reasons, increasing the need importance for loyal consumers is more likely to lead them to purchase the focal product in the end, as compared to non-loyal consumers. Getting loyal consumers (who recognize that within the focal category the key attributes to consider are the focal ones) to see the focal need as more important will lead them more directly to the choice

of the focal product, thus having greater impact on their purchase likelihood increase than in case of non-loyal consumers. More formally, we expect that $\Delta PL_{\text{focal}\Delta N \text{ loyal}} > \Delta PL_{\text{focal}\Delta N \text{ non-loyal}}$. Thus,

P_{2a}: The positive effect of [need / category / attribute] importance change on purchase likelihood increase is [greater / greater / weaker] in case of loyal consumers than in case of non-loyal consumers.

Category usage is defined as *the extent to which a consumer uses the products from the focal category in order to satisfy a particular focal need*. Taking a market driving perspective, category usage actually has implications on the extent to which consumers perceive a focal category as providing them with a greater opportunity to satisfy the focal need than any other category. We can assume that weights that category users place on a focal category are higher than those of non-users. However, there is no reason to expect any systematic differences in the weights users and non-users place on focal attributes or on satisfying the focal need. Non-users can recognize the need as being highly important, but they simply use another category to satisfy it, or they buy a non-focal product within the focal category since they appreciate the non-focal attributes. For these reasons, we can assume that $C_{i*j \text{ user}} > C_{i*j \text{ non-user}}$, and that $N_{i \text{ user}} = N_{i \text{ non-user}}$ and $A_{i*j*k \text{ user}} = A_{i*j*k \text{ non-user}}$.

Given this information, we can argue that attribute importance change is more important in the case of category users since they already recognize the focal product category as providing them with the opportunity to satisfy the focal need. A change of focal attribute weight would result in a greater increase of purchase likelihood in case of users than non-users, i.e. we expect that $\Delta PL_{\text{focal}\Delta A \text{ user}} > \Delta PL_{\text{focal}\Delta A \text{ non-user}}$. Regarding the focal category, increasing its importance by one unit has greater relative impact in case of non-users. First, users already place enough weight

on the focal category to actually use it, so getting them to put a bit more emphasis is not expected to result in a strong increase of their purchase likelihood. Moreover, since C_{i*j} is lower in case of non-users than in case of users, a unit increase presents a greater relative change which then translates into a greater purchase likelihood increase, assuming that focal attribute and need weights are equal. Thus, $\Delta PL_{focal\Delta C \text{ user}} < \Delta PL_{focal\Delta C \text{ non-user}}$. We expect needs importance change to have greater impact in case of users since, if they are motivated enough to satisfy the focal need, users would be more likely to choose the focal category and thus more likely to choose the focal product, i.e. $\Delta PL_{focal\Delta N \text{ user}} > \Delta PL_{focal\Delta N \text{ non-user}}$.

P_{2b}: The positive effect of [need / category / attribute] importance change on purchase likelihood increase is [greater / weaker / greater] in case of category users than in case of non-users.

Need recognition is defined as *the extent to which the consumer recognizes the focal need and is motivated to satisfy it*. Following general ideas in business practice, we use the term prospects for consumers who recognize the focal need, and non-prospects for those who do not. Regarding the focal need weights we can assume that $N_{i \text{ prospect}} > N_{i \text{ non-prospect}}$, but given that we cannot expect systematic differences across the two groups at attribute or category levels, we assume that $C_{i*j \text{ prospect}} = C_{i*j \text{ non-prospect}}$ and $A_{i*j*k \text{ prospect}} = A_{i*j*k \text{ non-prospect}}$.

Under these assumptions, we expect that attribute importance change and category importance change would have greater impact on prospects, who already recognize the focal need and are willing to satisfy it. Getting non-prospects to put more weight on the focal category or attributes would have a limited effect since they are ex-ante not motivated to satisfy the focal need. More formally, we expect that unit change in the weight consumers place on focal

attributes and category would have much greater impact on their behavior, i.e. purchase likelihood increase, in case of prospects than in case of non-prospects, i.e. $\Delta PL_{\text{focal}\Delta A \text{ prospect}} > \Delta PL_{\text{focal}\Delta A \text{ non-prospect}}$ and $\Delta PL_{\text{focal}\Delta C \text{ prospect}} > \Delta PL_{\text{focal}\Delta C \text{ non-prospect}}$.

Regarding their motivation to satisfy the need, prospects already recognize the focal need and are motivated to fulfill it. Thus, increasing their motivation to satisfy that need by one unit would have lower (if any) impact on their behavior than in case of non-prospects. More formally, $\Delta PL_{\text{focal}\Delta N \text{ prospect}} < \Delta PL_{\text{focal}\Delta N \text{ non-prospect}}$. Thus,

P_{2c}: The positive effect of [need / category / attribute] importance change on purchase likelihood increase is [weaker / greater / greater] in case of prospects than in case of non-prospects.

Moderating Role of Product Characteristics

The second set of characteristics that we consider, which we expect to alter the consumer's ex-ante latitude for change, are product characteristics. Product characteristics translate into greater ex-ante evaluations of focal characteristics depending on plausible expectations that an average consumer is likely to perceive focal characteristic as more/less important as a result of a product's competitive position. Thus, we imply consumer cognitive ex-ante valuations from the likely behavior of an average consumer. For example, if several products are competing we can assume that they differentiate on numerous attributes. In this case, consumers place less weight on the focal attributes than in the case when the product is a monopolist, i.e. when there are no other attributes except the focal ones. In this analysis we focus on three product characteristics, each influencing a different level of decision making: focal product dominance impacting the attribute level (Carpenter & Nakamoto, 1994b), product life-

cycle stage with primary effect on the category level (Challagalla, Venkatesh, & Kohli, 2009), and product essentiality which impacts consumers at the needs level.

Product dominance is defined as *the extent to which, within a given category, the focal product has a greater market share than its competitors* (Carpenter & Nakamoto, 1994b). If the focal product is dominant, a majority of consumers choose it; therefore we expect that the average consumer is more likely to choose the focal product, i.e. to appreciate its focal attributes (Batsell & Polking, 1985). More formally, we can assume that, for a focal category j^* addressing a particular need i^* , the average consumer is likely to appreciate those attributes more on which the dominant focal product outperforms competitors, i.e. $A_{i^*j^*k \text{ dominant}} > A_{i^*j^*k \text{ non-dominant}}$. Since dominance is defined within a given category, there are no systematic differences expected regarding the weights an average consumer is likely to give to focal need and focal category. Thus, we expect that $N_{i \text{ dominant}} = N_{i \text{ non-dominant}}$ and $C_{i^*j \text{ dominant}} = C_{i^*j \text{ non-dominant}}$.

Following these assumptions, we expect that in case of dominant products not much can be achieved by an attribute importance change since an average consumer is expected to appreciate the dominant product's attributes the most, and in all probability to choose the focal product. On the other hand, getting consumers to recognize a non-dominant product's attributes as more important can completely shift the competitive landscape. Thus we can assume that $\Delta PL_{\text{focal}\Delta A \text{ dominant}} < \Delta PL_{\text{focal}\Delta A \text{ non-dominant}}$. Conversely, category importance change and needs importance change are expected to have much greater effect in case of a dominant focal product. In this case, in fact, there is greater likelihood that a unit increase in motivation to satisfy the need

in question, or an enhancement of perceived opportunity to satisfy it using focal category would lead the average consumer to choose the focal product, i.e. $\Delta PL_{focal\Delta C \text{ dominant}} > \Delta PL_{focal\Delta C \text{ non-dominant}}$ and $\Delta PL_{focal\Delta N \text{ dominant}} > \Delta PL_{focal\Delta N \text{ non-dominant}}$.

Following the above discussion, we expect that the dominant focal product would not gain much by changing the weights a consumer places on focal attributes. Such dominant products can benefit the most by enlarging the market for the focal category through needs driving and category driving. On the other hand, if the focal product is not dominant, we expect the firm to gain more if it manages to win over some of the market from the dominant product by convincing consumers that attributes on which non-dominant product outperforms the dominant one are more important. Thus, we expect that:

P_{3a}: The positive effect of [need / category / attribute] importance change on purchase likelihood increase is [greater / greater / weaker] in case of dominant than in case of non-dominant focal product.

Product life-cycle stage refers to the *stage in which focal category currently is in its evolution starting from its launch and ending with its withdrawal* (Challagalla, Venkatesh, & Kohli, 2009). Although one could question whether a product actually goes through stages, we follow the literature which nevertheless sees three broad stages through which a product category passes (Challagalla, Venkatesh, & Kohli, 2009; Tellis & Crawford, 1981): a category is created in the early stage, developed in the intermediate stage, and loses its importance for consumers in the decline stage.

In the early stage, the product is first introduced to the market and consumers are still unable to incorporate the new product in their existing cognitive schemas (Moreau, Markman, &

Lehmann, 2001). In this stage, consumers associate the whole category to the early entrant product which is pioneering the product category, and the weight they place on focal attributes within that category is one or close to one (e.g. Carpenter & Nakamoto, 1989; 1994). When the product enters the intermediate stage, existing products are perfected and competitors introduce diversified products to the market thus increasing the number of attributes considered (Goldenberg, Horowitz, Levav, & Mazursky, 2003; Mukherjee & Hoyer, 2001). At the attribute level, the literature does not provide any consistent idea on how the number of attributes changes through these two stages thus implying assumption of no systematic differences (Tellis & Crawford, 1981; Nielsen, 1993; Levitt, 1965). Thus, we assume that $(A_{i*j*k \text{ early}} \approx 1) > (A_{i*j*k \text{ intermediate}} = A_{i*j*k \text{ late}})$.

Regarding the category level, a focal category's weight in the early stage would be close to zero as the product is new and consumers are not knowledgeable as to the purposes (i.e. needs) they can use the category to fulfill. In the intermediate stage new entrants diversify, thus introducing new applications of the focal category (Agarwal & Bayus, 2002), and innovate the focal category making it outperform other categories for satisfying different needs. Thus, in this stage the focal category's importance for the average consumer grows as it becomes the best solution for an increasing number of needs. In the late stage, innovation lessens and other categories are innovated to better satisfy the focal need thus pushing the relative importance of the focal category for the average consumer down (Levitt, 1965). More formally, we can assume that the importance of the focal category for the average consumer peaks at the intermediate

stage and diminishes in the late stage, i.e. $C_{i*j \text{ intermediate}} > C_{i*j \text{ late}} > (C_{i*j \text{ early}} \approx 0)$. At the needs level, there are no systematic differences that can be assumed, i.e. $N_{i \text{ early}} = N_{i \text{ intermediate}} = N_{i \text{ late}}$, since there is no reason to expect that depending on the category development some needs would be more/less important. In case of no market driving efforts, throughout the life cycle consumers have the same focal needs; only the categories used to satisfy them differ depending on their comparative advantages.

Following the above discussion, attribute importance change is highly relevant in the intermediate stage of product life cycle when, due to an increasing number of alternatives, the focal product is no longer the consumer's automatic choice within the focal category. In the late stage we expect that attribute importance increase would still have significant impact on the consumer's likelihood to choose the focal product (thus taking the greater "share of the pie"). However, this effect is expected to be smaller than in the intermediate stage since in the late stage the multiplicative effect of focal category weight is reduced. Attribute driving in the early stage is expected to have almost no effect since in that stage there are no attributes except the focal ones (Carpenter & Nakamoto, 1994a). Thus, we expect that $\Delta PL_{\text{focal}\Delta A \text{ intermediate}} > \Delta PL_{\text{focal}\Delta A \text{ late}} > \Delta PL_{\text{focal}\Delta A \text{ early}}$.

Category importance change is expected to have the greatest impact in the early stage of the product lifecycle when consumers do not know which needs can be addressed using the focal category. At the same time, given that consumers choose the focal category, their automatic choice is the focal product. Thus, we expect that educating them on how to incorporate the focal

category in their everyday functioning would strongly enhance their purchase likelihood (i.e. primary demand stimulation is important). As a product enters the intermediate stage, the usefulness of enhancing category importance lessens since numerous competitors have already innovated and introduced the focal category as a superior solution to diverse needs. In the late stage of a product's life cycle the market is shrinking and there is less to gain by taking over competitors' consumers. In addition, new categories address relevant needs better than the focal one. Thus, a firm can gain significantly by getting the consumer to recognize how the focal category can address new needs (e.g. Snow, 2008). In this case, a firm is expected to gain more by maintaining the same market share and growing the market rather than by taking over greater market share within the shrinking existing market. More formally, we expect that $\Delta PL_{focal\Delta C\ early} > \Delta PL_{focal\Delta C\ late} > \Delta PL_{focal\Delta C\ intermediate}$.

Needs importance change is expected to have very limited impact in an early stage since consumers are not familiar with the focal category. So, even if they are motivated to address the focal need, it would be highly unlikely for them to choose the focal category which is just being introduced. In the intermediate stage, we expect enhancing needs importance to be highly beneficial since getting consumers motivated to address the focal need is likely to lead them to choose the focal category. In this stage, the focal category is very important for the average consumer as it outperforms competing categories. However, in the late stage new categories are valued more by the average consumer as they provide greater opportunity to satisfy focal needs than the focal category. Thus, it becomes imperative to get consumers to recognize those needs

for which the focal category is still a comparatively better solution as more important. More formally, $\Delta PL_{\text{focal}\Delta N \text{ intermediate}} > \Delta PL_{\text{focal}\Delta N \text{ late}} > \Delta PL_{\text{focal}\Delta N \text{ early}}$. Thus, in general regarding product life cycle, we expect that:

P_{3b}: The positive effect of [need / category / attribute] importance change on purchase likelihood increase is expected to be the greatest in the [intermediate / early / intermediate] stage, followed by late stage, and the smallest in the [early / intermediate / early] stage of product life-cycle.

Product essentiality refers to the extent to which not satisfying the need that the focal product addresses impedes the consumer's daily functioning (Galbraith & Stiles, 1983). Thus, it can be assumed that consumers order their needs and satisfy them in a declining order, starting from those that ensure their daily functioning (Maslow, 1987). It is important to note that we do not assume a fixed hierarchy of needs across all consumers, but allow for each consumer to have different ordering. However, given that there is some hierarchy of needs, for a highly essential product, by definition $N_{i \text{ high-essentiality}} > N_{i \text{ low-essentiality}}$. On the other hand, it is not possible to expect any systematic differences across categories or attributes since product essentiality refers only to the needs level of consumer decision-making, i.e. $A_{i*j*k \text{ high-essentiality}} = A_{i*j*k \text{ low-essentiality}}$ and $C_{i*j \text{ high-essentiality}} = C_{i*j \text{ low-essentiality}}$. So, if the product refers to a need on which consumers place ex-ante high weight, we would expect a unit increase of this weight to have relatively insignificant impact on their behavior. The reason is that highly essential needs are hard to overlook and there is no benefit from driving consumers to recognize these needs as even more important. As a result, we expect that $\Delta PL_{\text{focal}\Delta N \text{ high-essentiality}} < \Delta PL_{\text{focal}\Delta N \text{ low-essentiality}}$. On the other hand, a firm producing a highly essential product can benefit significantly from getting consumers to put

greater weight on a focal category or focal attributes, and thus take its share of the pie from both close and more distant substitutes. More formally, $\Delta PL_{\text{focal}\Delta C \text{ high-essentiality}} > \Delta PL_{\text{focal}\Delta C \text{ low-essentiality}}$ and $\Delta PL_{\text{focal}\Delta A \text{ high-essentiality}} > \Delta PL_{\text{focal}\Delta A \text{ low-essentiality}}$. Thus,

P_{3c}: The higher the product essentiality the [weaker / stronger / stronger] is the positive effect of [need / category / attribute] importance change on purchase likelihood increase.

Moderating Role of Competitive Environment

The impact of the competitive environment arises from the changed competitive situation of the focal product which has implications for the likely behaviors of the average consumer that are then translated into assumptions about his/her cognition, i.e. ex-ante weights given to focal aspects. If there are no competitors, then the focal aspects have an aggregate weight of one since no competing elements can be considered (e.g. in case of a monopolist there are no other attributes but the focal ones.) As competition intensifies, likelihood that a random (an average) consumer prefers a focal aspect reduces since more alternatives are available. Thus, we can assume that, regardless of the ex-ante weight put on different aspects, as competition intensifies the weight of each element diminishes (Brown & Carpenter, 2000). Further, we focus on two diverging facets of competitive action: within-category/cross-category competition and cooperation.

Within-category competitive intensity is defined as *the degree of competition that a product faces within its category* (Zhou, Yim, & Tse, 2005). In such a situation the average consumer is likely to appreciate the focal attributes less than in case of low within-category competitive intensity, since high competition implies the existence of numerous attributes

competing for consumer appreciation, i.e. $A_{i*j*k \text{ high-wcci}} < A_{i*j*k \text{ low-wcci}}$. Since within-category competitive intensity, by definition, exists between competitors within a given category, no systematic differences can be assumed at other levels, i.e. $C_{i*j \text{ high-wcci}} = C_{i*j \text{ low-wcci}}$ and $N_{i \text{ high-wcci}} = N_{i \text{ low-wcci}}$.

Based on these assumptions, we expect that in such competitive environments where competition is raging on existing key attributes, attribute importance increase is likely to be more beneficial than in case of low competitive intensity, even if attributes that are being driven are currently considered relatively “meaningless” (Carpenter & Nakamoto, 1989; Carpenter & Nakamoto, 1994a). Thus, regarding attribute importance change we expect that $\Delta PL_{\text{focal}\Delta A \text{ high-wcci}} > \Delta PL_{\text{focal}\Delta A \text{ low-wcci}}$. Needs importance change and category importance change are expected to have limited benefits for the focal product in highly competitive markets since they are likely to generate numerous perceptual externalities from which competitors would benefit. In such a highly competitive environment, it is improbable that a consumer would end up choosing the focal product even if she is driven to recognize the focal need as highly important and the focal category as the best way to satisfy it. Thus, it is expected that $\Delta PL_{\text{focal}\Delta C \text{ high-wcci}} < \Delta PL_{\text{focal}\Delta C \text{ low-wcci}}$ and $\Delta PL_{\text{focal}\Delta N \text{ high-wcci}} < \Delta PL_{\text{focal}\Delta N \text{ low-wcci}}$. As a result, we propose:

P_{4a}: The higher the within-category competitive intensity the [weaker / weaker / stronger] is the positive effect of [need / category / attribute] importance change on purchase likelihood increase.

Cross-category competitive intensity is defined as *the extent to which different categories compete to become the best one for satisfying a particular need* (following Zhou, Yim, & Tse,

2005). It reflects the number of categories competing to be perceived as the one providing the consumer with the greatest ability to satisfy some focal need. Literature shows that categories within a given focal need can be substitutes, i.e. several categories can address the same need (Shocker, Bayus, & Kim, 2004; Russell, et al., 1999) and compete with one another for consumers (Roberts & Lattin, 1991). Similar to our prior discussion, in case of high cross-category competitive intensity the average consumer is less likely to value a highly focal category than in the case when the focal category is the only category addressing the need, i.e. $C_{i*j}^{\text{high-ccci}} < C_{i*j}^{\text{low-ccci}}$. Given that this variable affects only the category level, no systematic differences can be assumed about needs or attributes, i.e. $A_{i*j*k}^{\text{high-ccci}} = A_{i*j*k}^{\text{low-ccci}}$ and $N_i^{\text{high-ccci}} = N_i^{\text{low-ccci}}$.

Category importance increase is expected to benefit the focal product the most in case of high cross-category competitive intensity since in such a situation it is paramount to grow the market for the category by getting consumers to see it as the best solution to numerous needs. If there is limited cross-category competition (e.g. only the focal category addresses a need) then there is very little benefit, in terms of greater purchase likelihood, from category importance change. Thus, following the above assumptions, we expect that $\Delta PL_{\text{focal}\Delta C}^{\text{high-ccci}} > \Delta PL_{\text{focal}\Delta C}^{\text{low-ccci}}$. On the other hand, in case of low cross-category competition, needs importance increase and increasing attribute importance play an important role. Getting consumers motivated to satisfy the focal need more would more likely translate into choosing the focal category and subsequently the focal product. Similarly, getting consumers to recognize focal attributes as more

important would lead them to choose the focal product more likely within the category. More formally, $\Delta PL_{focal\Delta A \text{ high-ccci}} < \Delta PL_{focal\Delta A \text{ low-ccci}}$ and $\Delta PL_{focal\Delta N \text{ high-ccci}} < \Delta PL_{focal\Delta N \text{ low-ccci}}$. Thus,

P_{4b}: The higher the cross-category competition the [weaker / stronger / weaker] is the positive effect of [need / category / attribute] importance change on purchase likelihood increase.

Within-category cooperation is defined as *the extent to which firms offering products within the focal category (i.e. those offering close substitutes of the focal product) engage in (coordinated or uncoordinated) activities to develop primary demand*. An example of such cooperation is California Milk Processor Board's "Got milk?" campaign aimed at getting consumers to consume more milk products. In case of high within-category cooperation, firms in the category are already working on making the category more important for consumers, resulting in greater probability that an average consumer would choose the focal category. Thus, we expect that in such a case the average consumer is more likely ex-ante to prefer the focal category $C_{i*j \text{ high-wcc}} > C_{i*j \text{ low-wcc}}$. Since this variable implies changes at category level, we cannot expect any systematic differences at needs and attribute levels, i.e. we assume that $N_{i \text{ high-wcc}} = N_{i \text{ low-wcc}}$ and $A_{i*j*k \text{ high-wcc}} = A_{i*j*k \text{ low-wcc}}$. Based on these assumptions and following the purchase likelihood function, we propose that $\Delta PL_{focal\Delta A \text{ high-wcc}} > \Delta PL_{focal\Delta A \text{ low-wcc}}$, $\Delta PL_{focal\Delta C \text{ high-wcc}} < \Delta PL_{focal\Delta C \text{ low-wcc}}$ and $\Delta PL_{focal\Delta N \text{ high-wcc}} > \Delta PL_{focal\Delta N \text{ low-wcc}}$. Thus, enhancing category importance further would likely yield lower results if everyone has already been intensively working on stimulating primary demand. Much more can be achieved by focusing on attribute level to get a greater share of the pie that is being enlarged by joint efforts, or even by enhancing the need

importance thus enlarging the pie with a great multiplicative effect resulting from joint efforts at category level. Thus,

P_{5a}: The higher the within-category market driving cooperation the [stronger / weaker / stronger] is the positive effect of [need / category / attribute] importance change on purchase likelihood increase.

Cross-category cooperation is defined as *the extent to which different firms producing products that address the same need (i.e. those offering distant substitutes of the focal product) engage in (coordinated or uncoordinated) activities to enhance consumers' motivation to address that need.* An example of such cooperation can be found in the numerous activities of Confederation of the Food and Drink Industries of the EU, which focuses on educating consumers on the importance of the need for a healthy lifestyle. In case of high cross-category cooperation, the average consumer is likely to appreciate the focal need more than if such cooperation is lacking, i.e. $N_i^{\text{high-ccc}} > N_i^{\text{low-ccc}}$. Since these activities imply outcomes only at the abstract needs level, we cannot expect any systematic differences at category or attribute levels, i.e. $C_{i*j}^{\text{high-ccc}} = C_{i*j}^{\text{low-ccc}}$ and $A_{i*j*k}^{\text{high-ccc}} = A_{i*j*k}^{\text{low-ccc}}$. Based on these assumptions, we expect that $\Delta PL_{\text{focal}\Delta A}^{\text{high-ccc}} > \Delta PL_{\text{focal}\Delta A}^{\text{low-ccc}}$, $\Delta PL_{\text{focal}\Delta C}^{\text{high-ccc}} > \Delta PL_{\text{focal}\Delta C}^{\text{low-ccc}}$ and $\Delta PL_{\text{focal}\Delta N}^{\text{high-ccc}} < \Delta PL_{\text{focal}\Delta N}^{\text{low-ccc}}$. In other words, we expect that if everyone is driving the focal need, a firm can achieve little by driving it individually. Much more can be achieved by making the category a “perfect solution” for that need and/or by making the focal product a “perfect product” within that category. Thus, we propose that:

P_{5b}: The higher the cross-category market driving cooperation the [weaker / stronger / stronger] is the positive effect of [need / category / attribute] importance change on purchase likelihood increase.

DISCUSSION

In this contribution we argue that the mantra of “consumer as king” should be maintained, but marketing should take an active role as the king’s advisor through market driving strategies that subsequently lead to greater purchase likelihood. Market driving presents an audacious strategy for obtaining competitive advantage and growth by managing consumer decision-making processes, thereby creating asymmetric preference structures. This strategy complements the market driven approach by addressing some of its limitations, primarily regarding consumer myopia (Christensen & Bower, 1996), exogeneity of consumer preferences, and the diminishing returns from competing on existing metrics of competition (Kim & Mauborgne, 2005).

Market driving provides firms with an opportunity to create their own competitive landscapes, thus enhancing marketing’s strategic importance. Marketing managers are becoming active makers of the firm’s environment, rather than just passive observers with the goal of catering to consumers’ wishes (Levitt, 1962). Unlike prior work that has analyzed market driving strategy as a practitioner umbrella buzz word for being proactive, we provide a theoretical foundation grounded in consumer decision making process and propose an analytical perspective on market driving. Moreover, unlike the general perspective that market driving is highly beneficial (since the literature provides mostly circumstantial evidence disregarding possible survivor bias given the audacity of this strategy), we consider different consumer, product and environmental characteristics under which market driving is likely to have greater/lesser effect.

How can market driving be implemented? Market driving efforts primarily considered in this contribution are direct cognitive changes which imply providing consumers with compelling information that leads them to reconsider their preferences. Firms can directly drive markets to a great degree through rhetorical activities (Humphreys, 2010; Benford & Snow, 2000). These “market stories”, regardless of their source (firms, suppliers and distributors, journalists, consumers, etc.), can strongly impact consumers’ cognitive schemas (Rosa, Porac, Runser-Spanjol, & Saxon, 1999).

Along these lines, needs driving efforts imply providing different motives to a consumer for satisfying the focal need in question. A plethora of motives can be stressed, and these can be organized depending on motive type (functional, symbolic, hedonic) (Homburg, Koschate, & Hoyer, 2006) and motivational orientation (approach vs. avoidance) (Zhou & Pham, 2004; Kahneman & Tversky, 1979). Category driving efforts can be directed toward convincing consumers that a given category can satisfy a particular need better (either in terms of mean, i.e. that it will achieve greater results than other categories, or in terms of variance explanation, i.e. that it is less likely to fail in satisfying a need) or getting them to perceive that they can implement the category by addressing social limitations (the extent to which a category is socially acceptable) and individual limitations (perceived endowment with key resources to implement the focal category for satisfying their need: knowledge, financial resources, stamina and time). Attribute driving efforts imply educating consumers as to which criteria should be considered in order to make better choices within the focal category. These criteria can be

ambiguous or unambiguous and pertain to the product itself, which is usually the considered aspect, the company producing the focal product and to the typical product users. Unambiguous criteria are objectively measurable and observable by consumers (e.g. product size, firm age, typical user gender), while ambiguous criteria are more subjective in nature and also incorporate emotions (e.g. love for the product, the firm's "coolness", typical user happiness).

Besides these direct efforts in changing consumers' decision making processes, market driving encompasses indirect efforts which generally have similar implications. However, the mechanism is somewhat different in the sense that behavioral manifestations trigger alterations in their decision making processes. Such efforts encompass changes to consumer cognition as a result of physical limitations, which take the form of limiting available information to consumers (e.g. in case of limiting competitors' communication, or in an extreme example in case of dictatorships) and limiting consumer behavior (e.g. limiting availability of alternatives thus eliminating non-focal aspects), or legal limitations (e.g. inducing mandatory consumption which enhances motivation to address a particular need).

Managerial Implications

Varying effectiveness of market driving efforts. Even though *market driving provides great promise to firms, it should be cautiously pursued* since market driving efforts are highly conditioned by consumer MOA to process information, which depends to a great extent on their positive attitude toward new knowledge. MOA is in part determined ex-ante, but firms can manage it (e.g. to avoid skeptical consumers' low MOA to process information, firms can drive

markets in cooperation with partners, such as NGOs, who are perceived as more trustworthy). Moreover, *market driving can be done at three different levels with varying degrees of effectiveness* depending on consumer, product and environmental characteristics. Thus, we expect *needs diving* to be *the most effective in case* of consumers who do not recognize the focal need, for products that relate to non-essential needs and that are in the earlier stages of their life cycle, and in environments which are not too competitive. *Category driving* would have *the best results in case* of loyal consumers for dominant products in the early life cycle stage that face low within-category and high cross-category competition. *Attribute driving* would be *the most useful* for non-loyal category users, for non-dominant products in later stages of their life cycle, facing high within-category competition.

Possibilities of cooperative market driving. Given that at more abstract levels of market driving there are numerous externalities, firms can (and should) cooperate in their market driving efforts. We would expect *cooperation between close substitutes* to be especially beneficial when driving a given category at earlier stages of product life cycle for essential products, especially for category non-users. Producers of *distant substitutes should cooperate* in their market driving efforts when turning non-prospects into prospects, for products which are addressing some non-essential needs and are in later stages of product lifecycles, and in case of low cross- and within-category competition.

Market driving implementation. *Market driving is an audacious strategy.*

Implementation is aggravated by the fact that the effectiveness of market driving cannot be

assessed ex-ante, since consumers are not able to provide good guidance regarding potential outcomes, and it takes a longer time to show results. Thus, *market driving requires daring management*, willing to disregard existing experiences in favor of this long term strategy. Market driving strategies require ingenious marketing experts rather than mere market information processors. Such strategies necessitate similar corporate culture as in the case of radical technological innovations, which is reasonable since *market driving actually presents a form of radical market innovation*, i.e. radical meaningful market changes (Chandy & Tellis, 1998).

Implementation of market driving strategies requires consideration of *ethical issues*. Given the promise that market driving offers, firms can be tempted to engineer consumer preferences in a way that in reality significantly reduces consumer welfare (e.g. motivating consumers to use cigarettes as an expression of their identity) or to use unethical methods of enhancing the importance of focal aspects (e.g. spreading panic regarding the outbreak of some disease). Such deceptive market driving presents an important aspect for regulatory agencies to resolve. However, another source of corrective action are consumers themselves, empowered by interactive technologies. Consumers are more likely to trust information coming from other consumers than firm-originated information. Thus, although deceitful market driving might seem alluring, this practice exposes firms to severe consumer, public and regulatory consequences.

Research Directions

Operationalization of market driving. Market driving opens several opportunities for future research. The first important research direction is to operationalize needs, category and

attribute driving both as effort and as outcome. *Market driving efforts* can be measured through surveys evaluating the extent to which the firm has invested in certain activities. However, these efforts can also be assessed using secondary sources (e.g. the firm's communication activities), or through consumers' perceptions, i.e. the extent to which consumers feel that the firm invested in educating them about focal aspects. *Market driving outcomes* can also be measured using different approaches. The first approach is using surveys on managers, based on the assumption that marketing managers actively collect market information and thus are knowledgeable of the outcomes of their activities. The second approach is to assess the extent to which consumers feel their decision making was changed as a result of the firm's efforts. The most direct way is by observing (e.g. through experiments) how consumers alter their choices depending on the manipulation of different market driving efforts.

Organizational considerations. Future research should also focus on understanding *conditions under which market driving strategies are more effective than market driven strategies* and understanding the possible complementarities and tradeoffs, as well as role of ambidexterity, in these two approaches. Moreover, given that the market driving strategy is a demanding one, future research should analyze the locus of related decisions, examining whether market driving is a routinely executed activity of the marketing department, or if it is precisely the role of the marketing manager to decide which strategy (driving vs. driven) to pursue. Moreover, given that firms are often defined by the needs their products satisfy (Levitt, 1962), the role of top management comes into focus. Are they the ones to decide whether the firm is focusing on

shorter-term returns from the market driven strategy? or if the firm is allowing for longer-term but higher-potential-gain market driving approach?

Market driving implementation. Given that market driving, based on this framework, can focus on three complementary levels, further research should analyze which sequence is likely to obtain the best results. Also, if the firm wants to drive all three levels, should it separate out its efforts so as not to confuse the consumer? or would efforts benefit from joint intensive market driving? Thus, further research should consider possible *complementarities between market driving aspects (across types and time)*, In addition, further research should also address the extent to which firms can cooperate in their market driving efforts, in an attempt to understand different types of firms and situations in which *cooperative market driving* outperforms *competitive market driving* efforts, as well as different *modes of cooperative market driving*. Besides cooperating with other companies, future analysis can aim at uncovering possible modes of cooperation with consumers (in particular lead users) in achieving market driving goals.

Prevention of deceitful market driving. Given that market driving implies an interactive relationship between consumers and the firm, further research could analyze the role of consumers in influencing each other's cognitive structures and in controlling the market driving actions of companies. Moreover, the public policy perspective could provide insights into how consumers can be legally protected against possible deceitful market driving activities.

Role of market driving in evolution of industries. Potentially fruitful research could be carried out to provide a historical perspective on the development of industries from the market

driving perspective, showing how a firm's past activities can be linked to today's consumer's cognitive representations regarding the focal products.

APPENDIX A: MODEL ASSUMPTIONS

Assumptions regarding consumer characteristics

Consumer characteristics	Need importance	Category importance (given focal need)	Attribute importance (given focal category)
Loyal	$N_{i \text{ loyal}} =$	$C_{i*j \text{ loyal}} =$	$A_{i*j*k \text{ loyal}} >$
Non-loyal	$N_{i \text{ non-loyal}}$	$C_{i*j \text{ non-loyal}}$	$A_{i*j*k \text{ non-loyal}}$
Category user	$N_{i \text{ user}} =$	$C_{i*j \text{ user}} >$	$A_{i*j*k \text{ user}} =$
Category non-user	$N_{i \text{ non-user}}$	$C_{i*j \text{ non-user}}$	$A_{i*j*k \text{ non-user}}$
Prospect	$N_{i \text{ prospect}} >$	$C_{i*j \text{ prospect}} =$	$A_{i*j*k \text{ prospect}} =$
Non-prospect	$N_{i \text{ non-prospect}}$	$C_{i*j \text{ non-prospect}}$	$A_{i*j*k \text{ non-prospect}}$

Assumptions regarding focal product characteristics

Focal product characteristics	Need importance	Category importance (given focal need)	Attribute importance (given focal category)
Dominant	$N_{i \text{ dominant}} =$	$C_{i*j \text{ dominant}} =$	$A_{i*j*k \text{ dominant}} >$
Non-dominant	$N_{i \text{ non-dominant}}$	$C_{i*j \text{ non-dominant}}$	$A_{i*j*k \text{ non-dominant}}$
Early PLC stage	$N_{i \text{ early}} =$	$C_{i*j \text{ intermediate}} >$	$A_{i*j*k \text{ early}} >$
Intermediate PLC stage	$N_{i \text{ intermediate}} =$	$C_{i*j \text{ late}} >$	$A_{i*j*k \text{ intermediate}} =$
Late PLC stage	$N_{i \text{ late}}$	$C_{i*j \text{ early}}$	$A_{i*j*k \text{ late}}$
High product essentiality	$N_{i \text{ high-essentiality}} >$	$C_{i*j \text{ high-essentiality}} =$	$A_{i*j*k \text{ high-essentiality}} =$
Low product essentiality	$N_{i \text{ low-essentiality}}$	$C_{i*j \text{ low-essentiality}}$	$A_{i*j*k \text{ low-essentiality}}$

Assumptions regarding the competitive environment

Competitive environment characteristics	Need importance	Category importance (given focal need)	Attribute importance (given focal category)
High within-category competitive intensity	$N_{i \text{ high-wcci}} =$	$C_{i*j \text{ high-wcci}} =$	$A_{i*j*k \text{ high-wcci}} <$
Low within-category competitive intensity	$N_{i \text{ low-wcci}}$	$C_{i*j \text{ low-wcci}}$	$A_{i*j*k \text{ low-wcci}}$
High cross-category competitive intensity	$N_{i \text{ high-ccci}}$	$C_{i*j \text{ high-ccci}}$	$A_{i*j*k \text{ high-ccci}}$
Low cross-category competitive intensity	$= N_{i \text{ low-ccci}}$	$< C_{i*j \text{ low-ccci}}$	$= A_{i*j*k \text{ low-ccci}}$
High within-category mkt driving cooperation	$N_{i \text{ high-wcc}}$	$C_{i*j \text{ high-wcc}}$	$A_{i*j*k \text{ high-wcc}}$
Low within-category mkt driving cooperation	$= N_{i \text{ low-wcc}}$	$> C_{i*j \text{ low-wcc}}$	$= A_{i*j*k \text{ low-wcc}}$
High within-category mkt driving cooperation	$N_{i \text{ high-ccc}}$	$C_{i*j \text{ high-ccc}}$	$A_{i*j*k \text{ high-ccc}}$
Low cross-category mkt driving cooperation	$> N_{i \text{ low-ccc}}$	$= C_{i*j \text{ low-ccc}}$	$= A_{i*j*k \text{ low-ccc}}$

APPENDIX B: PROPOSITIONS

	Independent variable	Dependent variable	Moderator	Proposition
P ₁	Needs driving effort	Needs importance change		+
P _{1a}			Need for cognition	+
P _{1b}			Market mavenism	+
P _{1c}			Consumer skepticism	-
P ₁	Category driving effort	Category importance change		+
P _{1a}			Need for cognition	+
P _{1b}			Market mavenism	+
P _{1c}			Consumer skepticism	-
P ₁	Attribute driving effort	Attribute importance change		+
P _{1a}			Need for cognition	+
P _{1b}			Market mavenism	+
P _{1c}			Consumer skepticism	-
P ₂	Needs importance change	Purchase likelihood increase		+
P _{2a}			Brand loyalty	+
P _{2b}			Category usage	+
P _{2c}			Problem recognition	-
P ₂	Category importance change	Purchase likelihood increase		+
P _{2a}			Brand loyalty	+
P _{2b}			Category usage	-
P _{2c}			Problem recognition	+
P ₂	Attribute importance change	Purchase likelihood increase		+
P _{2a}			Brand loyalty	-
P _{2b}			Category usage	+
P _{2c}			Problem recognition	+
P _{3a}	Needs importance change	Purchase likelihood increase	Product dominance	+
P _{3b}			Product life cycle stage	∧
P _{3c}			Product essentiality	-
P _{3a}	Category importance change	Purchase likelihood increase	Product dominance	+
P _{3b}			Product life cycle stage	∨
P _{3c}			Product essentiality	+
P _{3a}	Attribute importance change	Purchase likelihood increase	Product dominance	-
P _{3b}			Product life cycle stage	∧
P _{3c}			Product essentiality	+
P _{4a}	Needs importance change	Purchase likelihood increase	Within-category competitive intensity	-
P _{4b}			Cross-category competitive intensity	-
P _{5a}			Within-category cooperation	+
P _{5b}			Cross-category cooperation	-
P _{4a}	Category importance change	Purchase likelihood increase	Within-category competitive intensity	-
P _{4b}			Cross-category competitive intensity	+
P _{5a}			Within-category cooperation	-
P _{5b}			Cross-category cooperation	+
P _{4a}	Attribute importance change	Purchase likelihood increase	Within-category competitive intensity	+
P _{4b}			Cross-category competitive intensity	-
P _{5a}			Within-category cooperation	+
P _{5b}			Cross-category cooperation	+

APPENDIX C

How does market driving differ from other related concepts?

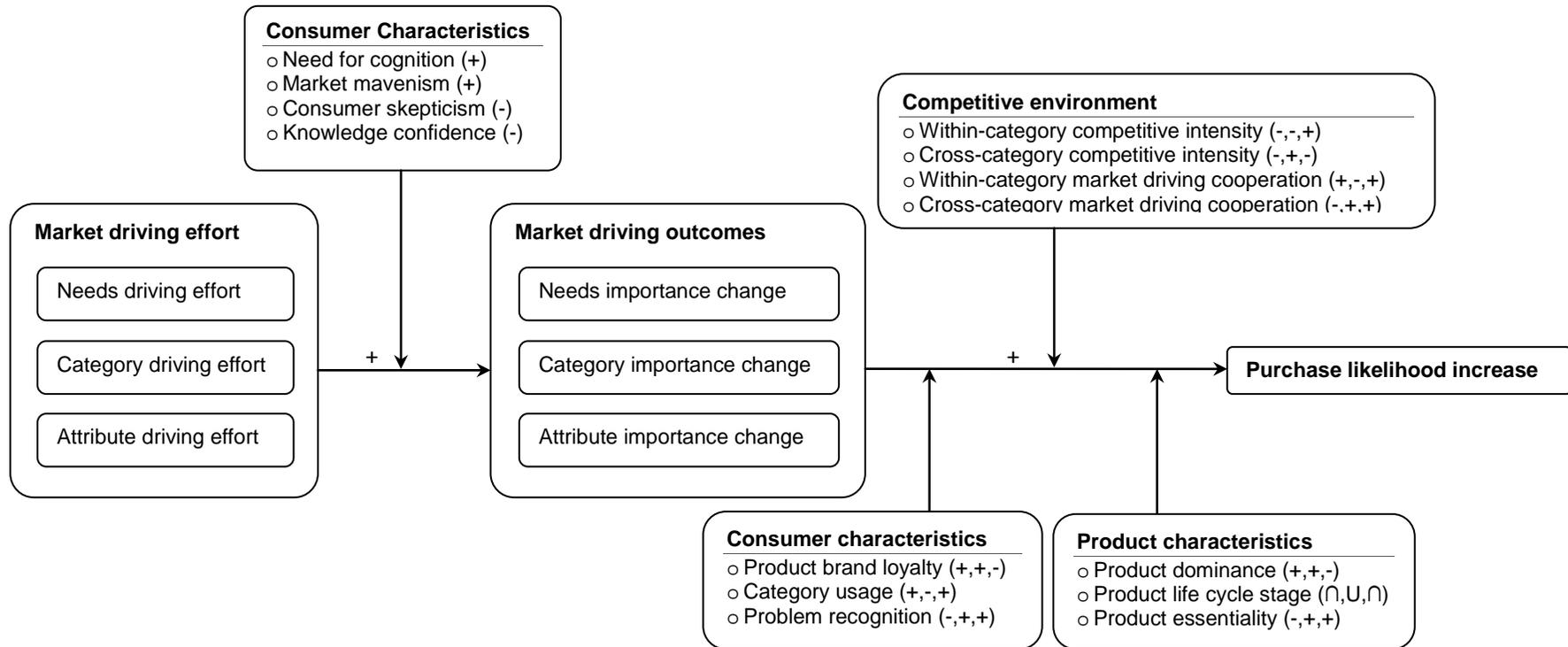
If we focus on the smart phone market we can recognize that BlackBerry has achieved great success by responding to consumer needs and expectations. Dynamic managers wanted a smart phone to satisfy consumers' need for information and communication. They needed small size, but at the same time a sophisticated keyboard for their e-mail communication and web browsing. The responsive approach to markets (Narver, Slater, & MacLachlan, 2004) recognized these preferences and focused the firm on delivering an amazing product that meets and exceeds consumer expectations. If one considers teenagers, the responsive approach would conclude that they are not in the market for a smart phone. However, a more proactive approach (Narver, Slater, & MacLachlan, 2004) would recognize that these teenagers have a latent need for smart phones as they will soon grow up to become successful managers who need information and communication "on the go". Both of these approaches are considered market driven, since they respond to either existing or latent needs and preferences. A market driving approach (Jaworski, Kohli, & Sahay, 2000) would provide compelling evidence to such teenagers and let them know why they need smart phones now. Besides needs for efficiency and information, iPhone focused on the ease of networking and entertainment as important smart phone applications, which were needs highly salient to the teenagers. Moreover, this focus made it easy to broaden the range of needs that can be addressed by smart phones by opening up the market for applications. At a more tangible level, when choosing a product within a smart phone category, Apple educated

consumers to choose based on product's "coolness" and user friendliness which were attributes not previously considered important by consumers for making a good choice in this category. Thus, the best way to predict the future is to shape it rather than just try to envision latent consumer needs.

Does this approach address only rational approach to decision making?

One could argue that this model works only in case of a rational approach to decision making, or in case of high consumer involvement and use of central rather than peripheral processing (Petty & Cacioppo, 1986). However, different approaches to decision making are incorporated in the model through the different weights attributed to alternatives at each level. Thus, if a consumer chooses a particular product as soon as he/she recognizes the focal need, it implies that the focal category has a weight of 1, and that aggregate focal attributes also have a weight of 1. Moreover, our approach implies that firms can use market driving to change the decision making approach that consumer utilizes, so that at each level consumers can use elaborate processing or some heuristics to simplify choices (or have their choices simplified by the firm) (Bettman, Luce, & Payne, 1998). For example, a consumer can use elaborate processing to choose the focal category, but then automatically choose the product within it.

FIGURE 1: MODEL



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THE IMPACT OF MARKET DRIVING AND MARKET DRIVEN STRATEGIES ON PERFORMANCE

Ever since market orientation was conceptualized and provided managers with a framework for managing sustainable competitive advantage (Kumar, Jones, Vankatesan, & Leone, 2011), firms have increasingly been recognizing customers as kings, and asserted their customer centricity as their key value. This narrow understanding of the marketing concept led firms to struggle in markets with diminishing profitability by satisfying existing consumer expectations (Kim & Mauborgne, 1999), and ideally trying to avoid becoming customer myopic (Christensen & Bower, 1996).

Market driving and market driven strategies have been clearly distinguished to reflect different conceptualizations of markets by firms: either as exogenous to firm efforts (in case of market driven strategies) or endogenous (in case of market driving strategies). Although there was some discussion of their importance in the literature (Jaworski, Kohli, & Sahay, 2000; Carpenter & Nakamoto, 1994a; Kumar, Scheer, & Kotler, 2000), no empirical work has analyzed the market driving strategy's impact on performance.

In this contribution we focus on understanding how market driving and market driven strategies impact firm performance. Generally we ground our discussion on the idea that market driven strategy presents exploitation of existing market competencies, as it implies responding to existing consumer preferences, while market driving strategy implies exploration of new market competencies, as it requires competencies in managing consumer preferences and competing on a different competitive landscape. We define competences as the knowledge, skills, and related routines that constitute a firm's ability to create and deliver superior customer value (Day, 1994). *Competence exploitation* refers to the tendency of a firm to invest resources to refine and extend its existing market knowledge, skills, and processes,

while *competence exploration* refers to the tendency of a firm to invest resources to acquire entirely new market knowledge, skills, and processes (Atuahene-Gima, 2005).

As prior literature indicates, although competence exploitation is generally good for short-term success, in general it is not a guarantee of a long-term success as it tends to limit innovative approaches (Levinthal & March, 1993; Atuahene-Gima, 2005). Moreover, it tends to lead the firm to disregard competence exploration (Leonard-Barton, 1992) whose objective is to attain flexibility and novelty in market approach through increased variation and experimentation (Atuahene-Gima, 2005). Thus, market driven strategy, i.e. exploiting existing competencies, increases efficiency in existing market context searching for customer preferences and value delivery in the neighborhood of existing firm's practices (Atuahene-Gima, 2005). Market driving strategy, i.e. exploration of new competencies, involves experimentation in developing and implementing radically different market approaches (Atuahene-Gima, 2005) thus implying greater risk but also greater potential benefits, especially in the longer term (March, 1991).

Therefore, in this research we aim at understanding how short-term vs. long-term performance is affected differently for firms pursuing market driven strategy and those pursuing market driving strategy. In order to test these ideas we have developed reliable and valid scales of market driven strategy, market driving strategy and its analytical components. Results indicate that, while market driven strategy leads to greater market share and greater sales in the short run, market driving strategy is the key for greater profitability and greater sales in the long run. We also take a dynamic perspective, analyzing the impact of market driving and market driven strategies on performance depending on the lifecycle stage in which the product currently is. While market driven strategies yield short-term results for products in their later stages, market driving strategies are important for short-term performance in the intermediate stage with a strong influence on the long-term sales growth in

all life cycle stages. Taking the analytical perspective, category driving is important for long-term sales growth in the early and late PLC stage, while needs and attribute driving are important for the long-term sales growth in the intermediate stage.

This research contributes to the literature on market driving in several ways. First, it develops measures for market driving strategy and for its different components: needs, category, attribute driving. Second, it compares the impact of market driving vs. market driven strategies, i.e. an explorative vs. exploitative strategy, on different measures of short-term and long-term performance thus providing insights into their effectiveness. Moreover, it takes a dynamic perspective by analyzing the impact of market driving strategies on performance depending on the different life cycle stages. Finally, this research separately analyzes the different components of market driving strategies and their influence on short-term and long-term performance in both static and dynamic context thus providing managers with guidance on which market driving strategies work the best in given contexts, depending on defined goals.

CONCEPTUAL MODEL

In economics and predominantly in business, consumer preferences are generally taken as fixed and exogenous (Carpenter & Nakamoto, 1994a; Schmalensee, 1982). To facilitate our discussion of market driving strategies, it is important to relax this assumption and allow that consumer preferences are, at least in part, endogenous to firm efforts. Several literature streams have provided supporting arguments for relaxing this assumption: environmental management (Zeithaml & Zeithaml, 1984), consumer education (McNeal, 1978; Bloom & Ford, 1979), socio-cognitive theories of markets (Rosa & Spanjol, 2005; Humphreys, 2010), behavioral economics (Tversky & Kahneman, 1981), etc. Depending on whether consumer preference exogeneity assumption is taken, or relaxed, we argue that there are two distinct (but interconnected) competitive landscapes.

First competitive landscape is characterized by firms which are competing over detecting consumer preference structure and providing outputs that will resemble their preferences as close as possible. In this competitive landscape, fortune is bestowed upon the firm that is the best able to cater to consumer wishes. The winner outperforms competitors in uncovering consumer's utility function structure (i.e. understand which elements have the highest "betas") and managing its activities (e.g. innovate products) to enhance its performance on the key aspects, i.e. the aspects that are meaningful, relevant and valuable to consumers (Aaker, 1991; Kotler & Armstrong, 2009).

Second competitive landscape is characterized by firms which are competing, not over catering to consumer preferences, but rather on changing the preference structure of consumers. In this context the fortune is bestowed upon the firm that manages to create asymmetric preference structure that favors aspects on which it outperforms competitors. Thus, rather than catering to consumer wishes, firm is focusing on altering the wishes to fit with firm's and product's qualities. The winner is the one who is able to change the structure of consumer utility function to enhance the utility perceived from the focal product (i.e. change the betas for utility function components on which the focal product outperforms competitors⁵). As Carpenter and Nakamoto suggest (1994b, p. 172):

"[market driving is] a different view of competition in which brands battle over consumer preferences rather than simply responding to them. Competition in such a world becomes a struggle to define consumer preferences with the winner receiving a tremendously valuable asset – a favorable, asymmetric preference structure – producing a persistent ... advantage."

⁵ Utility function for the focal product, being managed through market driving strategies can be represented as:

$$U_{focal} = \sum_{i \in I} \sum_{j \in J} \sum_{k \in K} N_i \cdot C_{ij} \cdot A_{ijk}$$

Where U_{focal} – is the utility customer perceives from the focal product, with $U_{focal} \in [0, 1]$; N_i – is the motivation to satisfy the i -th need, where $I = \{i: N_i \in N^*\}$, N^* is set of focal needs, and $0 \leq \sum_{m=1}^M N_m \leq 1$ with M being the total number of needs (which can even be considered to be infinity with some needs having weight of 0); C_{ij} – is the opportunity to satisfy i -th need using j -th category, where $J = \{j: C_j \in C^*\}$, C^* is set of focal categories, and $0 \leq \sum_{p=1}^P C_{ip} \leq 1$ with P being the total number of categories satisfying the focal need i ; A_{ijk} – is the importance of attribute k for choosing products within j -th category used for satisfying i -th need, where $K = \{k: A_k \in A^*\}$, A^* is set of focal attributes, and $0 \leq \sum_{q=1}^Q A_{ijq} \leq 1$ with Q being the total number of attributes characterizing products within the focal category j which addresses the focal need i . To understand expected impact of market driving strategies on change in firm performance (through changes in purchase likelihood (Carpenter & Lehmann, 1985; DeKinder & Kohli, 2008).), one must consider the derivative of purchase likelihood function which is a concave function of the above utility function, i.e. $PL = f(U_{focal})$ such that $f' > 0$; $f'' < 0$.

Market Driving vs. Market Driven Strategies

Depending on the considered competitive landscape we argue that one of the two generic strategies can be pursued: *market driven strategy*, defined as the extent to which a firm invests resources (time, money, effort) *in adapting to consumer preferences* in a way that enhances the benefit consumer perceives from the focal product; and *market driving strategy*, defined as the extent to which a firm invests resources (time, money, effort) *in changing consumer preferences* in a way that enhances the benefit consumer perceives from the focal product. Changing consumer preferences encompasses changing the weights they put at different levels of their decision making process. Thus, we differentiate between (Dissertation-paper-1): needs driving, defined as *the extent to which a firm invests resources (time, money, effort) in enhancing consumers' motivation to satisfy needs that can be addressed by the firm's products* (e.g. investing in increasing consumer motivation to satisfy their transportation needs); category driving, defined as *the extent to which a firm invests resources (time, money, effort) in enhancing consumer's perceived ability to satisfy a particular need by using the focal category as compared to any alternative category* (e.g. investing in enhancing the extent to which consumer perceives that a public transport presents the best way to address the transportation need); and attribute driving, defined as *the extent to which a firm invests resources (time, money, effort) in enhancing the relative importance of characteristics on which the firm's product outperforms its competitors* (e.g. investing in enhancing the extent to which consumer believes that she should favor public transport which uses recycled energy source such as used cooking oil rather than focus on attributes such as price, punctuality, etc.).

Our definitions are complementary to Jaworski et al. (2000, p. 45), who see market driving as a facet of market orientation and define it as an orientation focused on “influencing the structure of the market and/or the behaviors(s) of market players in a direction that

enhances the competitive position of the business”, as they see market driving as a strategy – arguing that market orientation can lead to either one of the two strategies. As compared to Carpenter and Nakamoto (1994a, p. 572), who see market driving as an outcome of product innovation which results in “shaping consumer tastes”, our definition allows for a certain level of market driving to occur as a result of product innovativeness, but also calls for active marketer’s efforts in managing consumer preference changes. Several other contributions have used the term market driving strategies generally implying an active role of the firm in the market rather than a passive, i.e. responsive, role (Kumar, Scheer, & Kotler, 2000; Kumar N. , 1997). As it is often confused with proactive market orientation, it is important to note that both responsive and proactive market orientations imply market driven strategy (i.e. investments in adapting to both existing and/or latent consumer preferences), while market driving strategy refers to taking an active part in changing consumer preferences (Jaworski, Kohli, & Sahay, 2000).

Dependent variables

Dependent variables in our analysis focus on different aspects of product performance (Im & Worman Jr., 2004). First set of performance variables are short-term in nature. They reflect: (a) short-term market share growth, i.e. the extent to which market share has increased in the last year; (b) short-term sales growth, i.e. the extent to which the sales have grown in the previous year as compared to competitors’ sales growth in the same period; and (c) short-term profit growth, i.e. the extent to which firm profits have increased in the last year as compared to competitors’ profit increase. Long-term performance is analyzed as long-term sales growth, i.e. the extent to which focal product’s sales are expected to grow in the next three years more than competitors products’ expected growth in the same period. Thus, all dependent variables are in relative terms (Im & Worman Jr., 2004).

Control Variables

Beyond market driving and market driven strategies that are in the focus of this research, we include product (product innovation), firm (market focus, offer focus) and environmental (competitive intensity) characteristics that can be argued to underlie market driving strategy's effects on performance. As these control variables are not in our focus, we do not formulate explicit hypotheses on their influence. We discuss each included variable and the rationale for including it briefly.

Product innovation is defined as *the extent to which the core of the focal product was advanced in a meaningful way, i.e. in a way that enhances consumer benefit, during the last year*. In this definition we follow Chandy and Tellis (1998) and, in defining product innovation we consider the product change dimension, more precisely the change of product's core characteristic (Gatignon, Tushman, Smith, & Anderson, 2002), together with the meaningfulness dimension of this change analyzed through consumer benefit enhancement. This variable is included as a control to accommodate for previous literature that has discussed market driving as a byproduct of product innovation (Carpenter & Nakamoto, 1989). Thus, we argue that market driving strategy influences performance above and beyond the automatic market driving effects that occur as a result of product innovation (as these products become prototypical for the category). In addition, this control variable led us to consider also a dynamic perspective, analyzing how the influence of market driving strategy on performance changes depending on the product's life cycle stage: from category creation in the early stage, through category maturity in the intermediate stage to its decline in the late stage.

Firm characteristics. To control for firm-level effects, we consider the market on which the firm is operating (i.e. market focus: B2B vs. B2C) and the characteristics of the firm's outputs, i.e. product vs. service offer focus. *Market focus* is defined as *the extent to which firm focuses on end consumer markets as compared to industrial markets*. One could

argue that market driving is a byproduct of the relationship that is present in firms doing business in B2B markets as compared to those in B2C markets. In that sense, firms in B2B markets develop close relationships which results in joint learning and joint preference formation. In this context, it could be argued that market driving is not a strategy that influences performance but rather is a part of the relationship in B2B markets where partners learn together. However, we argue that market driving strategy can lead to favorable outcomes regardless of whether the firm has intense relationships with its consumers (as in the B2B markets) or less intense ones (as in the B2C markets).

Offer focus is defined as *the extent to which firm focuses on products as compared to services*. Similarly to the argument for market focus, one could argue that market driving is a byproduct of intensive relationships that exist in services where producers and consumers are jointly creating service experiences. However, we argue that market driving is a strategy that has implications on performance regardless of whether the firm is product or service focused.

Competitive intensity is defined as *the degree of competition that a product faces within its category* (Zhou, Yim, & Tse, 2005; Jaworski & Kohli, 1993). One could argue that market driving (i.e. the cognitive change) is actually the effect of competitive situation within the category. In highly competitive categories, there would be price wars, numerous products which face less space for differentiation, and reduced possibility to grow (Kim & Mauborgne, 1999). In such environment industry perceptions and competitive actions tend to converge, discouraging market driving strategies (Levitt, 1962). However, we argue that market driving strategy can be successfully pursued regardless of competitive intensity. We argue that firms can benefit by changing consumer perceptions both in case of high competition, thus creating perceptual monopoly on the other competitive landscape, and in the case of low competition, ensuring long-term entry barriers which benefit long-term performance. Therefore, controlling

for the possibility that performance is driven by the very characteristics of its environment, we expect that market driving strategy will still have a significant impact on performance.

RESEARCH HYPOTHESES

Impact of market driven strategy on product performance

As previously discussed, market driven strategy implies competition on outperforming competitors on the attributes that consumers find meaningful, relevant and valuable (Aaker, 1991; Kotler & Armstrong, 2009). Market driven firms have superior capabilities for gathering, interpreting and using market information even in an anticipatory manner (Day, 1994). Such firms sense trends ahead of their competitors (Day, 1994) and are better in learning, understanding and responding to existing consumer preferences (Jaworski, Kohli, & Sahay, 2000). Thus, they need exploitative competences in order to exploit the existing market structure and consumer cognitive structures to optimize outcomes (e.g. profits).

For example, if consumers highly value laptop speed (they have the greatest coefficient for the importance of speed in their utility function), firms implementing market driven strategies would invest in innovation to enhance the speed of their product. Increasing laptop speed would result in a greater consumer utility from that product and therefore greater sales. As a result, such market driven strategy is expected to enhance product's both long- and short- term performance.

Although Christensen and Bower (1996) argue that too much focus on consumers can be detrimental for firm performance, we note that market driven firm is driven by both existing and latent consumer needs (Slater & Narver, 1998; Jaworski, Kohli, & Sahay, 2000) and as such are expected to have a positive impact on performance (Narver, Slater, & MacLachlan, 2004). There is substantial evidence in the literature to support the notion that firms that are market driven, i.e. better in discovering, identifying and responding consumer preferences, enjoy competitive advantage and superior performance in terms of sales, profits

and market share (Day & Montgomery, 1999; Carpenter & Nakamoto, 1994a; Deshpandé, Farley, & Webster Jr., 1993).

Catering to consumer needs is likely to get more consumers to buy such product that best fits their expectations thus enhancing product's short-term market share and sales.

Regarding profits, although one can argue that a greater number of consumers would not lead directly to profits, literature generally states that catering to consumer wishes would result in consumer satisfaction which leads to consumer loyalty and profitability (Rust, Ambler, Carpenter, Kumar, & Srivastava, 2004). Moreover, resulting loyalty is found to have positive impact on several performance measures among which on future sales, leading to long-term sales growth (Aksoy, Cooil, Groening, Keiningham, & Yalçın, 2008; Anderson, Fornell, & Lehmann, 1994). For the above reasons, we hypothesize:

H₁: Market driven strategy has a positive impact on [(a) short-term / (b) long-term] product performance.

H₂: Market driven strategy has a positive impact on short-term [(a) market share / (b) sales / (c) profit] growth.

H₃: Market driven strategy has a positive impact on long-term sales growth.

The impact of market driving strategy on performance

As previously discussed, market driving strategy implies competing on a different competitive landscape where competition rages over altering consumer preferences to create asymmetric preference structure favoring the focal product. Managing consumer preferences has been found in the literature to be a source of first mover advantages as it creates perceptual monopoly thus enhancing both short- and long-term product performance (Carpenter & Nakamoto, 1989). However, besides these benefits for the first movers, also late movers can gain by moving consumers away from their current preference structures rather than trying to outperform the first mover on its prototypical qualities (Carpenter & Nakamoto, 1994a). For market driving strategy literature also finds that it tends to result in loyalty (Carpenter & Nakamoto, 1994a) which in turn has strong implications for different long-term

and short-term performance measures. As cognitive changes are demanding to accomplish, once they are made they tend to be relatively enduring thus having implications on the firm's long-term performance.

For example, given that Volvo car is the best on safety, convincing consumers that it is important to consider safety when choosing a car is expected to result in both short-term changes of their behavior, but even more the long-term change in behaviors as this change in cognition is reflected in consumers' behaviors in their future decisions. A result of such activity would be that more people find safety to be highly important when choosing cars, and since Volvo is the one with the highest rating on safety, they would more likely chose Volvo. This implies increased sales and a greater market share. Moreover, these changes are expected to have implications on short-term profits as the firm is enhancing product's sales without needing to alter the product itself. For the above reasons, we hypothesize:

H₄: Market driving strategy has a positive impact on [(a) short-term / (b) long-term] product performance.

H₅: Market driving strategy has a positive impact on short-term [(a) market share / (b) sales / (c) profit] growth.

H₆: Market driving strategy has a positive impact on long-term sales growth.

Product Life Cycle (PLC) Stage

Product life cycle stage refers to the *stage in which focal category currently is in its evolution starting from its launch and ending with its withdrawal* (Challagalla, Venkatesh, & Kohli, 2009). In this evolution a product category goes through three general stages (Challagalla, Venkatesh, & Kohli, 2009; Tellis & Crawford, 1981): a category is created in the early stage, developed in the intermediate stage, and loses its importance for consumers in the decline stage.

In order to understand how the impact of market driving and market driven strategies changes throughout these life cycle stages, we focus on focal product's performance compared to the industry average, and rely on three key considerations. First is the

aforementioned notion that more explorative market driving strategy is expected to have more long-term effects, while more exploitative market driven strategy will have stronger effects on short-term performance (Atuahene-Gima, 2005). Second, we focus on how competition (both within-category, characterized by increasing number of products competing, and across-category, characterized by new categories outperforming existing categories in satisfying needs) changes throughout these stages and the implications this makes on average consumer's preference structure (Disertation-paper-1). Third, we consider implications of competing on the two competitive landscapes on relative purchase likelihood change.

In the early stage, the product is just being introduced to the market creating a new category which consumers are at first unable to incorporate in their existing cognitive schemas (Moreau, Markman, & Lehmann, 2001). Thus, in this stage some level of market driving occurs automatically as consumers see the pioneer as the prototypical product of the category thus determining the relative weights consumers place on different attributes, with focal attributes having the aggregate weight close to one (e.g. Carpenter & Nakamoto, 1989; 1994).

In the intermediate stage, existing products are perfected and efficiency of production processes is advanced. Competitors are diversifying in the growing market thus increasing the number of attributes considered (Goldenberg, Horowitz, Levav, & Mazursky, 2003; Mukherjee & Hoyer, 2001). In addition, diversifications and innovation is enhancing this category's ability to satisfy diverse needs, thus leading to further market growth (Agarwal & Bayus, 2002). In this stage, the weight of the focal category for different needs grows ⁶ and the weight of the focal attributes generally reduces as increasing number of attributes is present through differentiation.

⁶ For some needs the weight of the focal category can grow from zero as the category is just being introduced as a solution to this particular need.

In the late stage category faces a decline. Firms are cutting back on investments in innovations of products in the declining category. Simultaneously, new categories are developed to address the same need thus pushing the relative importance of the focal category for the average consumer down (Levitt, 1965). At attributes level, as the market is shrinking, some products (and thus their attributes) are dropping out of the market and product's price becomes increasingly important choice criterion.

Throughout this life cycle, market driven strategy changes its role and importance for performance. In the early PLC stage, market driven strategy is expected to have a limited effect on performance since consumer preferences are not yet formed in this stage and not much can be gained by researching consumer preferences. In the intermediate stage, the whole category is intensively growing. As the market is growing in this stage, competitors have numerous options for product positioning thus, in general, their success is not that much dependent on catering to consumer needs. In this stage, all firms are analyzing consumer preferences in order to compete in this market space, i.e. being market driven becomes the cost of competing (Kumar, Jones, Vankatesan, & Leone, 2011). Although being market driven enables firms to stay in this market and grow with the market (both in the short- and the long- run), it is not expected to enable them to outperform the growing market. In the late lifecycle stage competition intensifies as market shrinks and firms can no longer grow with the market but need to take over each other consumers. In such a competitive market, firms that are better catering to consumer preferences (which are generally well formed preferences by this stage) are expected to enhance their market share in this market as well as increase their sales (relative to the market average). They will more likely discover and satisfy niche consumers' preferences thus ensuring growth (Kim & Mauborgne, 1999). However, catering to consumer preferences implies increasing costs. Thus, although at this PLC stage market driven strategy is expected to enhance market share and sales, we cannot expect it to have a

significant impact on profits. Regarding its impact on long-term performance, as the market is declining, even if the firm manages to outperform competitors' sales growth in the short run, it is not a guarantee for long-term growth. Therefore, a product, for which market driven strategy is implemented in the late stage, is expected to follow the market decline and not to have a long-term existence.

H₇: In the late PLC stage, market driven strategy has a positive impact on [(a) short-term market share growth / (b) short-term sales growth].

Market driving strategy presents firm's efforts in competing in a different competitive landscape where, instead of trying to outperform others on what is valued by consumers, firms compete on managing consumer preferences. As indicated, in early PLC stage, some aspects of market driving occur automatically since consumers need to accommodate their cognitive structure and the product becomes prototypical of its category (Carpenter & Nakamoto, 1994a). Besides these automatic market driving effects, market driving strategy can achieve positive impact on product's short-term performance by getting them to more quickly adjust their cognitive structures and to understand different purposes they can use the product for. At this stage, market driving strategy is expected to have very strong influence for long-term sales growth, since creating asymmetric consumer preferences favoring the focal product in the early stage will ensure preferential cognitive structure in the intermediate and late stage (Carpenter & Nakamoto, 1994a). Therefore, market driving at this stage ensures a good starting position for the focal product which is then more likely to outperform the industry in the long run.

H₈: In the early PLC stage, market driving strategy has a positive impact on [(a) short-term market share growth / (b) short-term sales growth / (c) short-term profit growth / (d) long-term sales growth].

Importance of market driving strategies is expected to remain in the intermediate stage, both for short-term and long-term performance. As innovation in this stage enhances the applicability of the focal category, changing consumer preferences pushes consumers to

accept this category as a solution to new needs. Although such activities benefit both the focal product and the category, greater benefits are expected to accrue to the focal product, as it is the first mover in a new segment (Carpenter & Nakamoto, 1994a). Changing consumer preferences in a growing market enables the market driving firm to take over competitors' consumers. Thus, the firm achieves growth both by acquiring new consumers and by overtaking competitors. These cognitive changes tend to endure and competitors' adjustments to the new competitive situation cannot be made in the short run. In addition, market driving will lead to greater short-term profits as product is more widely sold and thus the fixed production costs are divided across a larger set of consumers. As for the long-term performance, driving consumer preferences at this stage prolongs the intermediate, growth, phase for the whole industry (as the category is being introduced as a solution to new needs), but also "sets the stage" that firms will face in the declining late life cycle stage thus enhancing long-term performance of the focal product.

H₉: In the intermediate PLC stage, market driving strategy has a positive impact on [(a) short-term market share growth / (b) short-term sales growth / (c) short-term profit growth / (d) long-term sales growth].

In the late stage, new categories are created and advanced thus outperforming the focal category as solution to some focal needs. In such a context, market driving strategy grows the category by changing the consumer preferences for the category and introducing the focal category as a solution to a new need that was previously considered unattractive to focus on from the potential earnings perspective (Snow, 2008). Similarly, within the category, market driving strategy changes consumer preferences thus enabling the product to outperform the competitors in the shrinking market, both in terms of market share and sales. Market driving strategy is expected to have a positive impact also on profits as it enables the investments in product (which are decreasing) to spread over the increased number of consumers (as compared to the average competitor). As for the long-term performance, these changes, not

only are expected to enhance the long-term sales growth, but without market driving the whole category (and the focal product) is expected to decline and disappear from the market. For example, getting consumers to appreciate the product (or category) “traditionalism” would help fight off the more advanced products and categories with which the focal product cannot compete on performance, and consequently enable focal products existence in the long run.

H₁₀: In the late PLC stage, market driving strategy has a positive impact on [(a) short-term market share growth / (b) short-term sales growth / (c) short-term profit growth / (d) long-term sales growth].

Analytical perspective

As market driving strategies present an explorative strategy, our analytical perspective focuses on the impact of market driving components on long-term sales growth in different PLC stages. Taking the analytical perspective, we can order market driving components based on the level of abstraction. Thus, needs driving is the most abstract strategy which changes preferences for the focal product but also for the close and distant substitutes, category driving is less abstract, while attribute driving is occurring at the least abstract level (influencing primarily the focal products and its close substitutes). However, regardless of their level of abstraction, all three approaches lead to greater utility consumer perceives from the focal product and present exploratory activities which are likely to exhibit longer-term returns. Thus we expect that:

H₁₁: [(a) Needs driving / (b) Category driving / (c) Attribute driving] has a positive impact on long-term sales growth.

In the early PLC stage, as there are no competitors within the category, attribute driving is generally a result of product novelty since product attributes become the only attributes in the category and thus their aggregate weight is one (Carpenter & Nakamoto, 1994a). Thus, at this stage there is no need for strategic attribute driving. Needs driving is too

abstract at this stage as the product category is just being introduced and existing categories are seen as better solutions to needs. Thus, driving needs would benefit more the product in competing categories than the focal product. The key for the product at this stage is to drive category, i.e. to introduce it as a solution to some salient needs and convince consumers that the focal category has merit in addressing their needs. This will grow the demand for the category, and since the focal product is the only (or the dominant product) in this category, it stands to benefit the most from this demand increase. Thus, we hypothesize:

H₁₂: Category driving has a positive impact on long-term sales growth in the early PLC stage.

In the intermediate stage, as competitors diversify and the focal product is no longer the consumer's automatic choice, attribute driving ensures that consumers favor the focal attributes. Attribute driving will increase the share of the category that the focal product takes, which will ensure great sales growth in the future since, in this stage, the whole market for the category is growing. Therefore, the focal product will grow with the market but at a higher rate as it takes over a greater share. Moreover, attribute driving sets the competitive landscape that firms will face in the late stage. At this stage, firms can strongly drive certain attributes (e.g. size in a personal computer category) thus getting consumers to highly appreciate that attribute and, by doing so, create a new category which starts a new category's life cycle (e.g. laptop computers). Besides attribute driving, at this stage, firms are expected to also benefit from category driving, which grows the demand for the whole category. Firm which introduces the focal category as a solution to new need tends to benefit from the resulting growth more than competitors, as it is usually awarded with a perceptual monopoly, thus having impact on the long-term sales. Similarly, needs driving at this stage is expected to result in greater demand for the focal category (especially as in this stage it tends to outperform competing categories), and again the focal product is expected to enjoy the

benefits from being a prototypical solution to that need (Carpenter & Nakamoto, 1994a).

Thus, we hypothesize:

H₁₃: [(a) Needs driving / (b) Category driving / (c) Attribute driving] has a positive impact on long-term sales growth in the intermediate PLC stage.

In the late stage the focal category loses its superior position to new product categories that are being introduced and advanced. Thus, the focal product will not benefit from increasing the importance of needs where its category is already losing a battle to superior alternatives. Also, in this stage price is increasingly important attribute and the mere existence of focal attributes is hard to maintain. Thus, attribute driving in this stage is expected not to have a significant impact on long-term sales growth. However, in the late PLC stage the focal product can benefit from category driving by finding a new need that the category can address since existing needs are increasingly better satisfied by products from newly developed categories (Snow, 2008). Therefore, in the late stage the key is to find new application of the product which again builds perceptual monopoly and generally launches a new cycle. Without category driving in this stage, the focal product is expected to die out together with its category.

H₁₄: Category driving has a positive impact on long-term sales growth in the late PLC stage.

Summary

In summary, we hypothesize that market driven strategies are expected to be highly important for taking over the business from competitors and thus growing market share and sales in the short run. This is especially important in the late lifecycle stage when firm has to take over competitors' consumers if it is to survive in a shrinking market. Thus, catering to consumer needs is expected to yield primarily these short-term benefits. However, for long-term performance, the key is market driving strategy which alters consumer preferences and thus carves the traditional competitive landscape for the future. Moreover, market driving

strategy is expected to have a strong impact on short-term results, primarily in intermediate and late PLC stages. Discussion at the analytical perspective of market driving strategy leads us to hypothesize that, although all levels are expected to have a positive impact on long-term sales growth, at an early and late stages the key is category driving, while in the intermediate stage (characterized by market growth) all three market driving approaches are expected to impact long-term sales growth.

RESEARCH METHODOLOGY

Data collection

The study consists of three phases. In the first stage, we conducted qualitative interviews with 26 marketing managers, CEOs or firm owners in different industries and in two different contexts: developing country and a developed country. The goal of these interviews was to arrive at a practitioners' market driving strategy definition and develop possible items for measuring the variable.

Second stage of our study consists of a pretest in order to test scales and to see if there is more to market driving strategies besides being a managerial catchphrase. Pretest was done on the sample of 63 managers who were attending executive education programs in a developed and a developing country. Results indicated that, controlling for market focus, growth strategy, competitive intensity and product innovation, both market driving strategy ($\beta=.696$; $SD=.204$) and market driven strategy ($\beta=.728$; $SD=.187$) had significant effects on sales growth ($R^2=.653$). Similar results were found when we ran the model using analytical market driving strategies (needs, category, and attribute driving) with $R^2=.702$. Thus, based on the pretest we defined the key items to be used in further research and recognized that market driving strategies are important to understand and research as they strongly influence firm sales growth.

The third stage of our study consists of a large-scale web-based survey among marketing managers or others in charge of marketing activities (e.g. CEOs or owners in smaller firms), as they are considered good respondents regarding marketing strategies and firm performance (Atuahene-Gima & Murray, 2004). Web survey enabled us to customize the questions based on respondent's prior responses (to include specific products, company, industry,...) which enhanced clarity, realism and reduced abstraction of questions and allowed us to prevent respondents from going back at their previous responses (Gatignon, Tushman, Smith, & Anderson, 2002). We used the AMADEUS database to get a list of eligible firms in one European country. From that list we contacted 1.573 companies by sending personalized e-mails explaining the purpose of the study and with a link to the web survey.

We used several methods to stimulate responses. Stimuli were targeted both at the individual and at the firm. Firm-level stimuli encompassed: (1) conceptual manuscript on the research topic, (2) an invitation to seminar where research results are presented, (3) customized report benchmarking firm results against the average scores. It was clearly communicated to respondents that, in order for the customized report to have value for them, they need to provide reliable data. At individual-level, respondents were stimulated by offering reward executive seminar at the University for the respondents who successfully completed the survey before a certain date. When a reminder was sent (at the end of the period for which the individual stimuli was active) first 50 respondents were promised the same executive seminar. In two weeks the final reminder was sent. Respondents were informed that, in order to qualify for this executive seminar, they need to provide valid responses which will be checked by comparing their responses on randomly selected questions to the publicly available data.

To control for directional biases, we included control questions for two aspects: (1) to ensure similar responses are given to highly similar questions at the beginning, middle and the

end of the questionnaire (these three questions were randomly circulated in the beginning, middle and end of the questionnaire), and (2) to measure respondent's tendency to give high vs. low marks on the Likert scales (Haladyna, 1997). In addition, we collected the data on: (1) how respondents accessed the survey, (2) date/time of accessing it, (3) time spent on the survey, and (4) time spent on different question sets. The same survey was administered to three test respondents (marketing managers) whose goal was to concentrate on filling out the questionnaire in order to measure the time they spent on each question set and on the whole survey.

We had a total of 315 responses (20,03% response rate), i.e. those that have reached the end of the survey. From this set, we excluded: (1) incomplete responses, (2) responses that were completed in a significantly shorter time than it took the test respondents (showing that respondents did not devote enough attention to the task), (3) responses that did not provide comparable answers to control questions (implying that respondents did not have adequate concentration throughout the task), (4) responses by individuals who are not marketing managers (or other function in charge of marketing), and (5) responses by incompetent respondents (Homburg & Jensen, 2007). As a result we arrived to the 255 usable questionnaires which is a response rate of 16,21%, which is comparable to other research targeting marketing managers as respondents (e.g. Verhoef & Leeflang, 2009).

Measures

For measuring concepts of our interest we use self-assessment measures which are the most commonly used for assessment of variables of our interest (Gatignon, Tushman, Smith, & Anderson, 2002). Although they can imply some bias, we do not expect it to be an important issues as our interest is on comparing market driving and market driven strategies. Also, prior research has stressed that use of self-assessment measures is desirable as: (a) more objective measures are also prone to bias, (b) data tend not to be available at the desired unit

of analysis, and (c) perceptual measures have repeatedly been shown to be reliable (Gatignon, Tushman, Smith, & Anderson, 2002).

Where possible, we measured constructs using existing scales from the literature refining them to fit the purpose. Thus, product innovation measure was based on Gatignon and Xuereb (1997) and Gatignon et al. (2002), measures for market focus and offer focus were based on Verhoef and Leeflang (2009), and the measure for competitive intensity was based on Zhou et al. (2005). Dependent variables (i.e. firm and product performance) were measured following Jaworski and Kohli (1993) and Im and Workman (2004), and were assessed both as an aggregate measure of performance, but also as single item measures of different facets of performance (Bergkvist & Rossiter, 2007).

Scales for market driving strategy, needs driving, category driving, attribute driving and market driven strategy scale were developed through several steps. First, based on the interviews we identified possible items. Then we complemented these items with the items we believed that reflect the definition of the construct well. Further, items were refined based on the inputs from two marketing scholars and two marketing practitioners who assessed the extent to which each item corresponds to the provided definitions. Remaining sets of items were included in the pretest together with questions closely reflecting the definition of the construct. In assessing validity and reliability we analyzed both the single- and multiple- item measures as we believe, based on the interviews, that these concepts are concrete and clear to practitioners when question reflects the definition. Thus, for our purpose we can expect that single-item measures would work comparably well to multi-item measures (Bergkvist & Rossiter, 2007). Given the market driving strategy definition (a summary variable having three different facets) we use a formative measure that assesses the extent to which a firm has altered consumer needs, category and attribute importance with respect to the focal product

(Bagozzi & Baumgartner, 1994; Homburg & Jensen, 2007), and this measure exhibits Cronbach alpha of .797.

The other variables (market driven strategy, needs driving, category driving, attribute driving) are measured using reflective measures (since measures are manifestations of the underlying construct) and exhibit alphas greater than .6 (Verhoef & Leeflang, 2009) with all standardized factor loadings being greater than .5 (Hair, Black, Babin, & Anderson, 2010).

Furthermore, we assessed the measurement properties of the constructs using confirmatory factor analysis (CFA). Results indicate that the measurement model fits well with data ($\chi^2=138.81$, $df=56$; $p<.000$; $CFI=.956$; $RMSEA=.076$). Average variance extracted (AVE) and composite reliabilities (CR) for all the concepts were above the recommended levels of .5 and .7 respectively (Hair, Black, Babin, & Anderson, 2010). Factor loadings above .5, AVE above .5 and CR above .7 for all our variables, imply convergent validity of these measures (Hair, Black, Babin, & Anderson, 2010).

To assess discriminant validity, besides confirming it using pair-wise comparisons of unconstrained model to the model with constrained correlations between variables (Gatignon, Tushman, Smith, & Anderson, 2002), we used a more rigorous method and compared the average variance extracted for any two constructs with the square of the correlation estimate between these two constructs (Fornell & Larcker, 1981; Hair, Black, Babin, & Anderson, 2010). Discriminant validity exists if the variance extracted estimates are greater than the squared correlations (Hair, Black, Babin, & Anderson, 2010), which was true for all of the variables of our interest. Thus, we can conclude that the measures we have developed for market driving strategy, market driven strategy, needs driving, category driving and attribute driving are valid and reliable measures.

We assessed the common method bias following the procedure outlined in Verhoef and Leeflang (2009). In addition, for randomly selected 25 products from our sample we

collected additional respondent (brand manager) and found no significant inconsistencies. In addition we checked the financial performance data responses by comparing them to the secondary data (i.e. comparing financial reports to the average) and found no significant inconsistencies. Moreover, for all the provided data for which we could access the data (e.g. market focus, PLC stage, etc.) four expert raters cross-checked responses using publicly available data (web sites, reports to shareholders, newspaper archives) (Gielens & Steenkamp, 2007). All three sources, as well as authors' decisions, were highly congruent (e.g. minor change was made as one product's PLC stage was changed from early to intermediate) thus implying that the provided responses strongly reflect reality.

Sample

The firms in our sample operate equally on B2B and B2C markets (MD=-.027; SD=2.277; t=-.193, p=.847) with mean 3.97 on a 7-point scale (1 = "turnover totally from B2B", and 7 = "turnover totally from B2C"). Firms in our sample are somewhat more product-focused (MD=-.323; SD=2.581; t=-1.993; p=.047) with mean 3.68 on a 7-point scale (1 = "turnover totally from goods", and 7 = "turnover totally from services"). Most of the firms in our sample are "small", i.e. up to 50 employees (49.4%), 19.2% are medium sized (from 51 to 250 employees), 15.3% are large (251 to 1000 employees) and 16.1% are very large (above 1000 employees).

Econometric model

Following the theoretical discussion, we test the following econometric models:

$$\begin{pmatrix} StPG \\ StRG \\ StMSG \\ StPerf \\ LtPerf \\ LtRG \end{pmatrix} = \beta_0 + \beta_1 \times MDnS + \beta_2 \times MDgS + \beta_3 \times EC + \sum_{k=1}^2 \beta_{3+k} \times FC_k + \beta_6 \times PC + \varepsilon$$

$$\begin{pmatrix} StPG_i \\ StRG_i \\ StMSG_i \\ StPerf_i \\ LtPerf_i \\ LtRG_i \end{pmatrix} = \beta_{i,0} + \beta_{i,1} \times MDnS_i + \beta_{i,2} \times MDgS_i + \beta_{i,3} \times EC_i + \sum_{k=1}^2 \beta_{i,3+k} \times FC_{i,k} + \beta_{i,6} \times PC_i + \varepsilon_i$$

$$\begin{cases} StPG \\ StRG \\ StMSG \\ StPerf \\ LtPerf \\ LtRG \end{cases} = \beta_0 + \beta_1 \times MDnS + \beta_2 \times ND + \beta_3 \times CD + \beta_4 \times AD + \beta_5 \times EC + \sum_{k=1}^2 \beta_{5+k} \times FC_k + \beta_8 \times PC + \varepsilon$$

$$\begin{cases} StPG_i \\ StRG_i \\ StMSG_i \\ StPerf_i \\ LtPerf_i \\ LtRG_i \end{cases} = \beta_{i,0} + \beta_{i,1} \times MDnS_i + \beta_{i,2} \times ND_i + \beta_{i,3} \times CD_i + \beta_{i,4} \times AD_i + \beta_{i,5} \times EC_i + \sum_{k=1}^2 \beta_{i,5+k} \times FC_{i,k} + \beta_{i,8} \times PC_i + \varepsilon_i$$

where StPG is short-term profit growth, StRG is short-term revenue growth, StMSG is short-term market share growth, STPerf is short-term overall performance (the reflective measure of overall performance), LtPerf is long-term overall performance, LtRG is long-term revenue growth, MDnS is market driven strategy, MDgS is market driving strategy, EC is the environmental control (competitive intensity), FC are firm-level controls and PC is the product control (product innovativeness). Subscript i ranges from 1 to 3 where 1 indicates early lifecycle stage, 2 intermediate and 3 late lifecycle stage.

Multicollinearity seems not to be an issue as all variance inflation factor scores are less than 4 (Verhoef & Leeflang, 2009; Hair, Black, Babin, & Anderson, 2010). Moreover, all of the correlation coefficients between variables which are simultaneously considered in different models are less than .4 (see Table 10) which also indicates that there is no severe multicollinearity problem (Verhoef & Leeflang, 2009). Thus, we can assume that multicollinearity does not significantly affect our estimation results.

EMPIRICAL RESULTS

In Table 1, we report the estimation results analyzing the role of market driven vs. market driving strategy on the aggregate short-term and long-term product performance.

[Insert Table 1 about here]

The results show that, when market driving strategy is not considered, market driven strategy significantly impacts both short-term (Model 2; $\beta=.177$, $SD=.064$) and long-term

(Model 5; $\beta=.169$, $SD=.065$) product performance. However, once market driving strategy enters the model, market driven strategy remains significant for the short-term performance (Model 3; $\beta=.117$, $SD=.064$), while completely losing significance for long-term product performance (6; $\beta=.093$, $SD=.064$). At the same time market driving strategy exhibits strong significant impact on both short-term ($\beta=.240$, $SD=.062$) and long-term ($\beta=.305$, $SD=.067$) product performance.

Taking into consideration control variables, we see that while product innovation has strong positive influence on short-term product performance ($\beta=.154$, $SD=.062$), as market driven strategy enters the model product innovation loses its significance ($\beta=.088$, $SD=.066$). On the other hand, product innovation has a strong positive influence on long-term product performance ($\beta=.255$, $SD=.066$) and maintains this significance when market driven strategy ($\beta=.193$, $SD=.069$) and market driving strategy ($\beta=.144$, $SD=.067$) enter the model. Besides product innovation, competitive intensity has a significant negative impact on both, short- and long-term performance, but with its significance reduced for long-term product performance if market driving strategies are pursued (see Table 1, Model 6).

[Insert Table 2 about here]

[Insert Table 3 about here]

In order to provide a more detailed perspective of market driving and market driven strategies, Tables 2 and 3 show how these strategies impact different facets of the performance of the focal product. Results indicate that, while market driven strategy is highly important for short-term market share growth (Table 2, Model 3⁷; $\beta=.245$, $SD=.103$) and short-term sales growth (Table 2, Model 7; $\beta=.163$, $SD=.094$), its impact on short-term profit growth (Table 3, Model 4; $\beta=-.019$, $SD=.103$) and long-term sales growth (Table 3, Model 7; $\beta=.060$, $SD=.094$) is insignificant. On the other hand, market driving strategy has significant

⁷ We are considering models which show significant improvements in their explanatory power. If adding a variable does not change significantly the model quality we do not consider results.

positive impact on all the performance metrics: short-term market share growth (Table 2, Model 3; $\beta=.217$, $SD=.101$), short-term sales growth (Table 2, Model 7; $\beta=.398$, $SD=.092$), short-term profit growth (Table 3, Model 4; $\beta=.310$, $SD=.094$), long-term sales growth (Table 3, Model 6; $\beta=.615$, $SD=.094$). As for the interactions, market driving and market driven strategies have insignificant interaction effects on all performance metrics, except for the marginally significant negative impact on short-term profit growth (Table 3, Model 4; $\beta=-.148$, $SD=.085$).

A dynamic perspective on market driven vs. market driving strategies and their role depending on the PLC stage reveals further insights. Results indicate that market driven strategies are highly important for short-term market share growth as products enter the late PLC stage (Table 4, Model 6; $\beta=.533$, $SD=.161$). If market driving strategies have not been considered (as is the case in previous studies), then market driven strategies (i.e. being focused on satisfying consumer current and/or latent needs) would have a significant impact in many more instances.

[Insert Table 4 about here]

[Insert Table 5 about here]

[Insert Table 6 about here]

[Insert Table 7 about here]

Market driving strategies show high importance for: short-term sales growth in intermediate (Table 5, Model 4; $\beta=.241$, $SD=.122$) and late (Table 5, Model 6; $\beta=.371$, $SD=.162$) stages, short-term profit growth in intermediate (Table 6, Model 4; $\beta=.205$, $SD=.122$) and late (Table 6, Model 6; $\beta=.355$, $SD=.169$) stages, and for long-term sales growth in all stages: early (Table 7, Model 2; $\beta=.794$, $SD=.238$), intermediate (Table 7, Model 4; $\beta=.611$, $SD=.123$) and late (Table 7, Model 6; $\beta=.385$, $SD=.189$).

[Insert Table 8 about here]

Taking a more analytical view of market driving strategies provides more fine grained information on its impact on long-term sales growth. If taken all together (Table 8), all three market driving levels exhibit positive significant impact on long-term sales growth: needs driving ($\beta=.180$, $SD=.105$), category driving ($\beta=.251$, $SD=.112$) and attribute driving ($\beta=.389$, $SD=.106$). Taking a dynamic perspective (Table 9), for products in their early lifecycle stage, category driving ($\beta=.723$, $SD=.393$) shows significant positive impact on long-term sales growth. In the intermediate stage, needs driving ($\beta=.308$, $SD=.135$) and attribute driving ($\beta=.278$, $SD=.143$) driving have a strong positive impact on long-term sales growth. In the late stage, again category driving gains importance for achieving long-term sales growth ($\beta=.398$, $SD=.205$).

DISCUSSION

The role of market driving vs. market driven strategy

In this research we analyze the impact that market driving strategy, as an exploratory strategy, and market driven strategy, as an exploitative strategy, have on performance. While consumer has always been considered the king and the firm's purpose (and the source of success) was considered to satisfy consumer needs and respond to their preferences (Kotler, Armstrong, Wong, & Saunders, 2008), here we test an idea that beside this competitive landscape (suitable for market driven strategies), firms can compete on another competitive landscape, where competition rages on managing consumer preferences (suitable for market driving strategies). In the first case the winner is the one who is able to satisfy consumer needs the best, while in the second competitive landscape the winner is the one able to generate asymmetric preference structure favoring firm's products. In the former case, firms compete by innovating products to best fit the consumer current preferences, while in the second case the fit is achieved by both product advancements and managing consumer preferences.

Our results indicate that market driven strategy is an important strategy, especially for short-term performance (H_{1a}). It enables firms to grow by satisfying consumer needs better than competitors. In such situation, focal firm's consumers have an incentive to remain loyal, as the firm is satisfying their needs, and competitors' consumers have an incentive to switch in order to satisfy their need better with the focal firm's product. Thus, market driven strategy is especially important for short-term sales growth (H_{2b}) and short-term market share growth (H_{2a}). If market driving strategy is not considered, market driven strategy shows significance also for profitability (H_{2c}), long-term sales growth (H_3) and, in general, the long-term performance of the focal product (H_{1b}), which would confirm hypotheses. However, once market driving strategy enters the model the impact of market driven strategy on profitability and long-term effects becomes insignificant, thus dismissing the hypotheses.

The insignificant impact of market driven strategy on profits has an important implication. It implies that market driven strategy cannot provide slack resources for future investments and thus cannot be prosperous for future performance. Although one could claim that investing in responsiveness to consumer needs will result in their satisfaction and profitability, our results indicate a different story. Catering extensively to consumer preferences would surely increase sales and market share, as increasing number of consumers recognizes the focal product as providing him/her with the greatest utility, but at the same time it would increase the costs of delighting each of those consumers (Ngobo, 1999). As a result, although revenue would increase, costs of customizing the product to suit customer preferences would increase, resulting in no change in profits.

Regarding the long-term sales growth, results indicate that, although market driven strategy ensures short-term existence, it cannot be a source of long-term prosperity. This results implies that, although in the past market driven strategy might have been a source of competitive advantage, today, having consumer preferences in mind and responding to them

is a mere cost of competing, and cannot be a source of sustainable competitive advantage (and thus long-term prosperity) (Kumar, Jones, Vankatesan, & Leone, 2011). Being market driven seems to be more a short-term survival strategy than long-term source of growth.

When product life cycle stages are considered, market driven strategy is important for market share primarily in the late PLC stage (H_{7a}). Thus, in such a competitive declining market, the one who caters to the mature consumer preferences is expected to enhance market share at the expense of other competitors. However, contrary to our hypothesis (H_{7b}) this increase in market share is not accompanied by an increase in revenues. We believe that the reason is that in the late PLC stage all (or most) products in the market have a certain satisficing level of performance, and consumers focus shifts toward prices, resulting in price wars. Thus, in the late stage responding to consumer preferences implies price reductions. As a result, although market share is growing it is not affecting significantly the revenues.

Besides considering market driven strategy's impact on performance, to the best of our knowledge, this research presents the first empirical analysis of market driving strategies. Results indicate that market driving strategy bears a great promise both for short- and long-term performance. Although it has a somewhat limited impact on market share (H_{5a} , H_{8a} , H_{9a} , H_{10a}), it exhibits numerous prosperous outcomes. However, since market share presents one of the key marketing metrics, marketing departments tend to overlook the importance of this strategy, especially for long-term performance (H_{4b} , H_6). In that sense, focusing on the market share growth, as probably the most widely used marketing metric in practice, market driving strategy is generally unjustly neglected by firms. It is not only important for long-term performance, but also it has a strong significant positive impact on short-term sales growth (H_{5b}) and profit growth (H_{5c}). Thus, market driving strategy is able to enhance the sales and profits by creating asymmetric preference structure on such competitive landscape. It is a profitable strategy that enables firms to move away from the existing fierce competition on

innovating products to outperform competitors (with diminishing profitability), toward a different competitive landscape developed to be uniquely suited to favor firm's product thus enabling it to claim greater profits (Kim & Mauborgne, 1999).

The role of market driving is important in all three life cycle stages, primarily for ensuring long-term success (H_{8d} , H_{9d} , H_{10d}). Results indicate that short-term results of market driving strategy are limited in the early PLC stage (H_{8a} , H_{8b} , H_{8c}). In this stage, the product is first introduced to the market and the adoption process takes time. Thus, implementing market driving strategy shows significance only for long-term performance (H_{8d}). This implies that market driving at an early stage generates favorable competitive context for the intermediate phase when market enlarges. In intermediate and late stages market driving strategy strongly influences sales growth, both in short (H_{9b} , H_{10b}) and in the long run (H_{9d} , H_{10d}), as well as enhances profitability (H_{9c} , H_{10c}) which enables future investments. Thus, in this stage changing consumer preferences is likely to enlarge the market, bringing the most benefits to the focal product (i.e. the first mover), and ensure favorable competitive situation for the decline phase. Market driving, at this stage, prolongs the category growth. In the late PLC stage, market driving strategy can even result in the revitalization of the product and a start of product's new life cycle as consumer preferences for this product are significantly altered.

Taking the analytical perspective and focusing on the long-term sales growth as the dependent variable, we find that needs, category and attribute driving all significantly influence product's long-term sales growth (H_{11}). Considering the different PLC stages, we see that the role of different market driving activities changes. In the early PLC stage, a category is developed and some market driving is done automatically, i.e. the innovation itself is driving attributes (which attributes consumers consider prototypical of the category). As in this stage the focal product is the only product in the category, for its success it is paramount to enhance the importance of the category (H_{12}) while at the same time attribute driving (as

the importance of focal attributes is close to one) and needs driving (as the competing product categories are expected to gain more from enhancing focal need's importance and consumers are not aware on even for what they can use the focal product) show no significance for long-term sales growth. Category driving at this stage actively shapes the future competitive landscape on which the focal product will have a perceptual advantage which translates into actual financial benefits.

In the intermediate stage, the whole market is growing. Firms are growing the market through their market driving activities with again benefits accruing the most to the first movers. At this stage, getting consumers to appreciate more the focal attributes (H_{13c}) enables the firm to take over competitors' consumers. Moreover, strongly driving certain attributes can results into getting the focal product into new categories, thus, enlarging the demand for the focal product and ensuring future growth. Creating new needs and/or getting existing needs to be recognized as more important in this stage, converts individuals who have never before recognized this need into potential focal product consumers. These consumers will then consider the focal product prototypical, not only of the category, but also as a prototypical solution to their newly discovered need (H_{13a}). Contrary to our expectations, category driving does not significantly impact long-term sales growth in the intermediate stage (H_{13b}). We argue that the reason is that category driving at this stage occurs, in a major part, automatically as products are innovated, thus increasingly outperforming competing categories, and diversified, thus addressing novel needs. In such a context, strategic category driving does not lead to above-average long-term sales growth for the focal product.

As the product enters the late PLC stage, market starts to shrink. As the category is inferior to its alternatives, needs driving loses importance. Also, attribute driving, i.e. taking over competitors' consumers, will not lead to growth as the whole category is declining. However, category driving (H_{14}) remains important for long-term sales growth. In this

declining market, firms benefit by addressing needs that have not been addressed by this category before (e.g. they were not considered as other needs were characterized as having better potential) (Adner & Snow, 2010). In this way, if a well defined need is selected, a new cycle can begin where the focal product becomes prototypical of its category solving a novel need.

Our results show that, when market driving strategy is not considered, market driven strategy shows significance in many more instances thus leading to potentially misleading conclusions. Considering both strategies, it is clear that they should be balanced to ensure both short-term existence (market driven strategy) and long-term prosperity (market driving strategy) and focus on both market and financial measures of performance.

Implications for Practitioners

This research shows the importance of considering the two distinct competitive landscapes. First one is where firms compete by innovating products to outperform competitors on what consumers consider important (or are expected to consider as important in the future) thus seeking benefit from innovation monopolies. Second landscape is where firms compete over creating asymmetric preference structure for their product. In this competitive perspective, firms are investing resources into managing consumer preferences rather than responding to them, seeking benefits from created perceptual monopolies.

An important implication is that marketing departments themselves hinder the use of market driving strategies as they focus on an important marketing metric: market share. By focusing on this short-term relative indicator, they can misleadingly overlook the benefits of market driving strategy, especially for firm's long-term performance. Thus, in defining their goals firms cannot be passive and wait for latent needs to appear. They should take an active part in managing consumer preferences: getting consumers more motivated to address their

needs, changing consumers' perceptions about the focal category usefulness, and educating consumers on how to make choices within the category.

Moreover, used marketing metrics should reflect more than a snapshot of the market (e.g. though market share) but a more long-term, and increasingly individualized, perspective of the market (e.g. purchase likelihood, CLV). These measures facilitate firm's focus on taking active part in the market driving competitive landscape. Otherwise, a firm that is not driving markets accepts to just respond to market situations which are generated by competitors and/or random changes in consumer cognition.

Although it has strong positive implications for long-term performance, market driving strategy is not simple to pursue. Managers need to understand well the context and implement market driving strategy that is likely to achieve the best possible results. Thus, different aspects of market driving should be pursued in different product life cycle stages. While category driving is highly important in early and late PLC stage, in the intermediate stage the key are attribute and needs driving.

These results imply a more strategic role of marketing departments and marketing managers as they adopt such an audacious strategy. They are no longer mere market information processing units (Levitt, 1962) but have a key role in defining which competitive landscape the firm is competing. The two strategies do not imply different importance of marketing in executing them. Rather, they imply a different role of marketing. In the case of market driven strategy, marketing is collecting and processing consumer data in order to provide them with the best response. In the case of market driving strategy, marketing is in charge of innovations, i.e. meaningful changes of consumer preference structures.

Research Limitations and Further Research

This study has several limitations. First, we only study firms in one country, which implies a potential for a larger-scale international study that could compare these strategies

across different countries. In the pretest we have compared results in a developed and a developing country and there were no significant differences on the role of market driving. However, a larger study could provide further insights. A second limitation is that we use self reported data which could lead to stronger relationships between constructs. Although literature suggests that objective measures of innovative strategies tend to be “inaccurate or unavailable”, and advocates the use of relative subjective measures (Im & Worman Jr., 2004, str. 123; Han, Kim, & Srivastava, 1998; 1997a; 1997b), further research could enhance robustness of the results by testing the ideas using other information sources. In this research, we cross checked the collected data with the available data in secondary sources in order to reduce the possibility of such self reported biases. Moreover, as our goal was to compare market driving and market driven strategies’ role, we do not expect that respondents’ responses would be differently biased for the impact of the two strategies. A third limitation could be that we are considering only existing companies thus implying survival bias. In this research we believe that survival bias did not significantly influence results as there is no reason that it would have systematically different influences on market driven and market driving strategies whose comparison was in our focus. However, further understanding of this topic would surely need to consider also the non-surviving firms. Finally, the use of cross-sectional data has inherent limitations for inferring causal relationships and studying dynamics.

This research points out to the importance of market driving strategies and thus opens up some potential research avenues. First, further research needs to focus on understanding how market driving strategy is translated into actual actions, i.e. what are the direct and indirect ways a firm can alter consumer preferences at needs, category and attribute levels? In addition, research should focus on understanding moderators of the relationship between market driving strategy and the performance. Thus, a question is which consumer, product

and environmental characteristics alter the effectiveness of market driving strategies for performance? Third, given that it is a bold marketing strategy, the question is what drives firms to be more market driving, i.e. what are the antecedents of market driving strategy? As it is a highly strategic decision that requires competing on a different competitive landscape, research should consider antecedents at different levels: macro, firm, department and individual level. Forth, given different abstraction levels of market driving components, further research should also attempt at uncovering when can firms implement a cooperative vs. competitive market driving strategy. Moreover, the question is how can firms actually cooperate in this context (what are the modes of cooperation)? Finally, given that market driving strategy implies managing consumer preferences, further research should consider ethical aspect. In that sense, what is the role of legislative system in limiting deceptive market driving activities? Besides legislature, due to increased consumer power via new technologies, further research should analyze the role of consumers themselves in controlling deceptive market driving activities.

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Table 1: Estimation results

Model	DV: Short-term product performance			DV: Long-term product performance		
	(1)	(2)	(3)	(4)	(5)	(6)
Market focus (B2B vs. B2C)	.012 (.027)	.015 (.026)	.007 (.026)	.029 (.028)	.029 (.028)	.015 (.027)
Offer focus	-.031 (.024)	-.033 (.023)	-.038* (.023)	-.002 (.025)	-.003 (.025)	-.003 (.024)
Competitive intensity	-.220*** (.060)	-.226*** (.059)	-.214*** (.057)	-.140** (.063)	-.140** (.062)	-.112* (.060)
Product innovation	.154** (.062)	.088 (.066)	.051 (.065)	.255*** (.066)	.193*** (.069)	.144** (.067)
Market driven strategy		.177*** (.064)	.117* (.064)		.169*** (.065)	.093 (.064)
Market driving strategy			.240*** (.062)			.305*** (.067)
Constant	.078 (.156)	.073 (.154)	.127 (.150)	-.083 (.163)	-.075 (.161)	-.030 (.154)
F	5.008***	5.669***	7.467***	5.148***	5.598***	8.618***
R ² (overall)	.075	.104	.155	.088	.096	.197
Sig R ² change	5.008***	7.763***	14.856***	5.148***	6.831***	21.071***

*p < 0.10; **p < 0.05; ***p < 0.01;

Note: The table reports the estimated coefficients, with standard errors listed underneath in parentheses

Table 2: Estimation results

Model	DV: Short-term market share growth				DV: Short-term sales growth			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Market focus (B2B vs. B2C)	.001 (.042)	.006 (.042)	-.002 (.042)	-.002 (.042)	.054 (.040)	.058 (.039)	.044 (.038)	.044 (.038)
Offer focus	-.042 (.038)	-.044 (.037)	-.049 (.037)	-.048 (.037)	-.037 (.035)	-.039 (.035)	-.048 (.034)	-.048 (.034)
Competitive intensity	-.236** (.095)	-.247*** (.093)	-.236** (.093)	-.243*** (.093)	-.332*** (.089)	-.341*** (.087)	-.321*** (.085)	-.325*** (.085)
Product innovation	.088 (.099)	-.024 (.104)	-.057 (.105)	-.057 (.105)	.263*** (.093)	.165* (.098)	.105 (.096)	.104 (.096)
Market driven strategy		.299*** (.101)	.245** (.103)	.195* (.111)		.263*** (.095)	.163* (.094)	.141 (.101)
Market driving strategy			.217** (.101)	.224** (.101)			.398*** (.092)	.401*** (.092)
Market driven X Market driving strategy				-.114 (.092)				-.051 (.084)
Constant	4.784*** (.247)	4.776*** (.244)	4.825*** (.243)	4.853*** (.244)	4.447*** (.231)	4.439*** (.228)	4.529*** (.221)	4.541*** (.223)
F	1.894	3.327***	3.588***	3.301***	5.674***	6.215***	8.680***	7.472***
R ² (overall)	.030	.064	.081	.087	.084	.113	.176	.177
Sig R ² change	1.894	8.815***	4.645**	1.532	5.674***	7.755***	18.755***	.362

*p < 0.10; **p < 0.05; ***p < 0.01;

Note: The table reports the estimated coefficients, with standard errors listed underneath in parentheses

Table 3: Estimation results

	DV: Short-term profit growth				DV: Long-term sales growth			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Market focus (B2B vs. B2C)	-.007 (.039)	-.005 (.039)	-.016 (.039)	-.015 (.039)	.061 (.041)	.064 (.041)	.037 (.038)	.036 (.038)
Offer focus	-.041 (.035)	-.042 (.035)	-.049 (.034)	-.048 (.034)	.001 (.037)	-.001 (.036)	-.014 (.034)	-.014 (.034)
Competitive intensity	-.273*** (.088)	-.277*** (.088)	-.263*** (.087)	-.272*** (.086)	-.315*** (.091)	-.324*** (.091)	-.287*** (.084)	-.280*** (.084)
Product innovation	.233** (.092)	.188* (.098)	.142 (.098)	.142 (.097)	.390*** (.095)	.307*** (.101)	.213** (.094)	.214** (.094)
Market driven strategy		.121 (.095)	.045 (.096)	-.019 (.103)		.228** (.098)	.060 (.094)	.101 (.101)
Market driving strategy			.301*** (.094)	.310*** (.094)			.615*** (.094)	.612*** (.094)
Market driven X Market driving strategy				-.148* (.085)				.092 (.085)
Constant	4.790*** (.230)	4.787*** (.230)	4.855*** (.227)	4.892*** (.227)	4.082*** (.239)	4.083*** (.237)	4.228*** (.220)	4.204*** (.221)
F	4.159***	3.650***	4.871***	4.638***	7.389***	7.099***	14.148***	12.304***
R ² (overall)	.063	.069	.107	.118	.096	.130	.265	.268
Sig R ² change	4.159***	1.616	20.245***	2.998*	7.389***	5.394**	43.092***	1.175

*p < 0.10; **p < 0.05; ***p < 0.01;

Note: The table reports the estimated coefficients, with standard errors listed underneath in parentheses

Table 4: Estimation results: market share growth

	Early stage		Intermediate stage		Late stage	
	(1)	(2)	(3)	(4)	(5)	(6)
Market focus (B2B vs. B2C)	-.027 (.183)	-.027 (.186)	.009 (.054)	.001 (.054)	.070 (.068)	.060 (.068)
Offer focus (product vs. service)	.065 (.143)	.067 (.147)	-.038 (.046)	-.045 (.046)	-.103 (.060)	-.106* (.060)
Competitive intensity	-.387 (.353)	-.381 (.366)	-.372*** (.129)	-.367*** (.128)	-.098 (.154)	-.111 (.154)
Product innovation	-.464 (.392)	-.467 (.401)	.215 (.135)	.187 (.136)	-.215 (.170)	-.243 (.172)
Market driven strategy	.269 (.439)	.262 (.454)	.067 (.136)	.030 (.137)	.587*** (.154)	.533*** (.161)
Market driving strategy		.038 (.421)		.197 (.127)		.192 (.171)
Constant	4.211*** (1.061)	4.200*** (1.090)	4.920*** (.317)	4.962*** (.316)	4.502*** (.401)	4.600*** (.410)
F	.676	.542	2.325**	2.358**	3.624***	3.241***
R ² (overall)	.119	.119	.084	.102	.185	.198
Sig R ² change	.676	.008	2.325**	2.396	3.624***	1.265

*p < 0.10; **p < 0.05; ***p < 0.01;

Note: The table reports the estimated coefficients, with standard errors listed underneath in parentheses

Table 5: Estimation results

	DV: Short-term sales growth (early stage)		DV: Short-term sales growth (intermediate stage)		DV: Short-term sales growth (late stage)	
	(1)	(2)	(3)	(4)	(5)	(6)
Market focus (B2B vs. B2C)	.221 (.139)	.217 (.135)	.012 (.053)	.002 (.052)	.066 (.066)	.048 (.065)
Offer focus (product vs. service)	-.128 (.109)	-.108 (.106)	-.013 (.045)	-.022 (.044)	-.069 (.058)	-.075 (.057)
Competitive intensity	-.531* (.269)	-.457* (.265)	-.274** (.125)	-.267** (.124)	-.142 (.150)	-.165 (.146)
Product innovation	-.036 (.299)	-.073 (.291)	.093 (.131)	.058 (.131)	.189 (.165)	.135 (.163)
Market driven strategy	.064 (.334)	-.021 (.329)	.235* (.132)	.189 (.132)	.344** (.150)	.239 (.153)
Market driving strategy		.487 (.305)		.241* (.122)		.371** (.162)
Constant	4.602*** (.808)	4.459*** (.789)	4.716*** (.307)	4.767*** (.305)	4.028*** (.390)	4.218*** (.389)
F	1.594	1.837	1.913*	2.277**	2.771**	3.258***
R ² (overall)	.242	.315	.071	.099	.145	.198
Sig R ² change	1.594	2.557	1.913*	3.880*	2.771**	5.268**

*p < 0.10; **p < 0.05; ***p < 0.01;

Note: The table reports the estimated coefficients, with standard errors listed underneath in parentheses

Table 6: Estimation results

	DV: Short-term profit growth (early stage)		DV: Short-term profit growth (intermediate stage)		DV: Short-term profit growth (late stage)	
	(1)	(2)	(3)	(4)	(5)	(6)
Market focus (B2B vs. B2C)	-.095 (.147)	-.097 (.149)	-.001 (.052)	-.009 (.052)	.054 (.068)	.036 (.068)
Offer focus (product vs. service)	-.026 (.115)	-.018 (.117)	-.009 (.045)	-.017 (.044)	-.103* (.061)	-.109* (.059)
Competitive intensity	-.568* (.284)	-.535* (.292)	-.314** (.125)	-.309** (.124)	-.059 (.156)	-.082 (.153)
Product innovation	-.403 (.315)	-.419 (.320)	.378*** (.131)	.348*** (.131)	.160 (.172)	.108 (.170)
Market driven strategy	-.004 (.353)	-.041 (.362)	.049 (.131)	.010 (.132)	.213 (.156)	.113 (.160)
Market driving strategy		.211 (.336)		.205* (.122)		.355** (.169)
Constant	4.966*** (.853)	4.904*** (.869)	4.761*** (.306)	4.804*** (.305)	4.557*** (.406)	4.739*** (.407)
F	1.643	1.395	3.300***	3.258***	1.585	2.111*
R ² (overall)	.246	.259	.116	.135	.090	.138
Sig R ² change	1.643	.397	3.300***	2.811*	1.585	4.404**

*p < 0.10; **p < 0.05; ***p < 0.01;

Note: The table reports the estimated coefficients, with standard errors listed underneath in parentheses

Table 7: Estimation results

	DV: Long-term (early stage) compared to competitors		DV: Long-term (intermediate stage) compared to competitors		DV: Long-term (late stage) compared to competitors	
	(1)	(2)	(3)	(4)	(5)	(6)
Market focus (B2B vs. B2C)	.049 (.128)	.030 (.107)	.057 (.057)	.030 (.053)	.080 (.070)	.058 (.069)
Offer focus (product vs. service)	.021 (.103)	.045 (.086)	.046 (.049)	.019 (.045)	-.068 (.062)	-.069 (.061)
Competitive intensity	-.154 (.244)	-.048 (.206)	-.136 (.136)	-.117 (.125)	-.380** (.158)	-.391** (.155)
Product innovation	.157 (.273)	.111 (.228)	.273* (.142)	.186 (.132)	.243 (.174)	.187 (.173)
Market driven strategy	.112 (.302)	-.013 (.254)	.215 (.142)	.107 (.132)	.207 (.161)	.064 (.173)
Market driving strategy		.794*** (.238)		.611*** (.123)		.385** (.189)
Constant	4.933*** (.731)	4.739*** (.612)	4.024*** (.333)	4.176*** (.306)	3.848*** (.413)	4.018*** (.413)
F	.188	2.074*	2.246*	6.309***	2.800**	3.120***
R ² (overall)	.039	.361	.046	.199	.154	.198
Sig R ² change	.188	11.090***	2.246*	24.480***	2.800**	4.148***

*p < 0.10; **p < 0.05; ***p < 0.01;

Note: The table reports the estimated coefficients, with standard errors listed underneath in parentheses

Table 8: Estimation results

DV: Long-term sales growth			
Market focus (B2B vs. B2C)	.061 (.041)	.062 (.041)	.037 (.038)
Offer focus (product vs. service)	.001 (.037)	.001 (.036)	-.017 (.033)
Competitive intensity	-.315*** (.091)	-.327*** (.091)	-.255*** (.084)
Product innovation	.390*** (.095)	.319*** (.100)	.175* (.093)
Market driven strategy		.223** (.101)	.041 (.095)
Needs driving			.180* (.105)
Category driving			.251** (.112)
Attribute driving			.389*** (.106)
Constant	4.082*** (.239)	4.076*** (.237)	4.230*** (.218)
F	7.389***	6.979***	12.189***
R ² (overall)	.110	.128	.294
Sig R ² change	7.389***	4.862**	18.321***

*p < 0.10; **p < 0.05; ***p < 0.01;

Note: The table reports the estimated coefficients, with standard errors listed underneath in parentheses

Table 9: Long-term sales growth

	Early PLC stage		Intermediate PLC stage		Late PLC stage	
Market focus (B2B vs. B2C)	.046 (.124)	.012 (.116)	.058 (.057)	.027 (.053)	.075 (.070)	.068 (.068)
Offer focus (product vs. service)	.023 (.103)	.012 (.094)	.046 (.049)	.023 (.045)	-.064 (.062)	-.078 (.060)
Competitive intensity	-.156 (.244)	.118 (.219)	-.135 (.136)	-.079 (.126)	-.387** (.159)	-.452*** (.159)
Product innovation	.156 (.273)	.087 (.229)	.284** (.140)	.156 (.131)	.247 (.173)	.132 (.173)
Market driven strategy	.111 (.296)	-.132 (.272)	.229 (.146)	.091 (.136)	.211 (.166)	.076 (.174)
Needs driving		.121 (.354)		.308** (.135)		-.181 (.219)
Category driving		.723* (.393)		.195 (.148)		.398* (.205)
Attribute driving		.195 (.340)		.278* (.143)		.310 (.216)
Constant	4.941*** (.721)	5.070*** (.693)	4.019*** (.332)	4.172*** (.307)	3.831*** (.413)	4.054*** (.409)
F	.189	1.925	2.277*	5.353***	2.795**	3.120***
R ² (overall)	.039	.435	.085	.263	.154	.252
Sig R ² change	.189	4.667**	2.277*	9.677***	2.795**	3.252**

*p < 0.10; **p < 0.05; ***p < 0.01;

Note: The table reports the estimated coefficients, with standard errors listed underneath in parentheses

Table 10: Correlations

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) Needs driving	.680										
(2) Category driving	.293***	.657									
(3) Attribute driving	.209***	.332***	.692								
(4) Market share	.038***	.027***	.006***	n/a							
(5) Profitability	.055***	.071***	.042***	.342***	n/a						
(6) Sales growth	.116***	.077***	.070***	.299***	.376***	n/a					
(7) Long-term sales growth	.161***	.188***	.193***	.059***	.114***	.256***	n/a				
(8) Market driven strategy	.042***	.054***	.086***	.036***	.017***	.045***	.048***	.572			
(9) Market driving strategy	.598***	.699***	.588***	.035***	.067***	.113***	.222***	.099***	n/a		
(10) Short-term performance	.091***	.077***	.046***	.697***	.748***	.716***	.178***	.044***	.094***	.577	
(11) Long-term performance	.117***	.138***	.180***	.052***	.077***	.262***	.828***	.068***	.168***	.159***	.789

Diagonal elements show AVE (n/a for formative and single item scales). Off diagonal elements are squared correlations.

APPENDIX A: MEASURES

Construct	Definition / Items	Alpha	CR
Market driving strategy	<p>... the extent to which a firm invests resources (time, money, effort) <i>in changing consumer preferences</i> in a way that enhances the benefit consumer perceives from the focal product.</p> <ul style="list-style-type: none"> • We have spent a lot of time on motivating consumers to place a greater priority on satisfying [these] needs. • We have invested a lot of resources to convince consumers that [this] product category is better than the other categories for meeting their needs. • Many employees worked on campaigns designed to get consumers to pay more attention to [these] attributes when choosing a product within [this] category 	.797	na
Market driven strategy	<p>... the extent to which a firm invests resources (time, money, effort) <i>in adapting to consumer preferences</i> in a way that enhances the benefit consumer perceives from the focal product.</p> <ul style="list-style-type: none"> • We have invested a lot of resources in crafting our product to respond to consumers' preferences • We adjusted our product features based on consumers' requests • If consumers believe competitors are superior on certain product attributes we make concerted effort to improve our product on these attributes 	.800	.800
Needs driving	<p>... the extent to which a firm invests resources (time, money, effort) in enhancing consumers' motivation to satisfy needs that can be addressed by the firm's products.</p> <ul style="list-style-type: none"> • We have spent a lot of time on motivating consumers to place a greater priority on satisfying [these] needs. • Our business has invested in campaigns aimed at persuading consumers to satisfy [these] needs • We have spent a lot of money on getting consumers to recognize these needs as more important than they previously thought. 	.855	.834
Category driving	<p>... the extent to which a firm invests resources (time, money, effort) in enhancing consumer's perceived ability to satisfy a particular need by using the focal category as compared to any alternative category.</p> <ul style="list-style-type: none"> • We have launched major campaigns to persuade consumers that [this] product category is more valuable than they previously thought • A lot of employees worked to show consumers the relevance of our product category for a variety of needs • We have invested a lot of resources to convince consumers that [this] product category is better than the other categories for meeting their needs. 	.847	.851
Attribute driving	<p>... the extent to which a firm invests resources (time, money, effort) in enhancing the relative importance of characteristics on which the firm's product outperforms its competitors.</p> <ul style="list-style-type: none"> • Many employees worked on campaigns designed to get consumers to pay more attention to [these] attributes when choosing a product within [this] category. • We have invested a lot in getting consumers to recognize [these] attributes as more important for choosing a product within this category in order to satisfy their needs. • Rather than trying to outcompete competitors on attributes on which they are better, we have been educating consumers to appreciate the attributes on which we are superior. 	.869	.871
Short-term profits	<p>... focal product's profit growth in the last year relative to competitor products.</p> <p style="text-align: center;">Relative to competing products in the market, within the last year [this]</p>		

	product achieved well above average profit growth.		
Short-term market share	... focal product's market share growth in the last year relative to competitor products. Relative to competing products in the market, within the last year [this] product achieved well above average market share growth.		
Short-term sales growth	... focal product's sales growth in the last year relative to competitor products. Relative to competing products in the market, within the last year [this] product achieved well above average sales growth.		
Long-term sales growth	... focal product's expected sales growth in the next three years relative to competitor products. Relative to competing products in the market, in the next three years [this] product is expected to achieve well above average sales growth.		
Short-term performance	... focal product's growth in the last year relative to competitor products. Relative to competing products in the market, within the last year [this] product achieved well above average [profit / market share / sales] growth.	.821	.803
Long-term performance	... focal product's expected relative growth in the next three years. <ul style="list-style-type: none"> • Relative to competing products in the market, in the next three years [this] product is expected to achieve well above average sales growth. • Relative to our other products, in the next three years [this] product is expected to achieve well above average sales growth. 	.816	.873
Market focus (B2B vs. B2C)	Most of our revenues come from: B2B markets (from companies) vs. B2C markets (from individual consumers). (1-7 bipolar scale)		
Offer focus (product vs. service)	Most of our revenues come from: products that we sell vs. services that we provide. (1-7 bipolar scale)		
Competitive intensity	<ul style="list-style-type: none"> • Competition in our industry was cutthroat. • Any product advancement that one competitor would offer, others would match instantly. • Price competition was a hallmark of our industry. • There were too many similar products in the market; it was difficult to differentiate our product / service. 	.692	.693
Product innovation	<ul style="list-style-type: none"> • We have innovated the core of our product/service in the last 12 months. • In the last 12 months, focal product/service was substantially technologically advanced. 	.767	.722

APPENDIX B: HYPOTHESES

- H₁: Market driven strategy has a positive impact on [(a) short-term / (b) long-term] product performance.
- H₂: Market driven strategy has a positive impact on short-term [(a) market share / (b) sales / (c) profit] growth.
- H₃: Market driven strategy has a positive impact on long-term sales growth.
- H₄: Market driving strategy has a positive impact on [(a) short-term / (b) long-term] product performance.
- H₅: Market driving strategy has a positive impact on short-term [(a) market share / (b) sales / (c) profit] growth.
- H₆: Market driving strategy has a positive impact on long-term sales growth.
- H₇: In the late PLC stage, market driven strategy has a positive impact on [(a) short-term market share growth / (b) short-term sales growth].
- H₈: In the early PLC stage, market driving strategy has a positive impact on [(a) short-term market share growth / (b) short-term sales growth / (c) short-term profit growth / (d) long-term sales growth].
- H₉: In the intermediate PLC stage, market driving strategy has a positive impact on [(a) short-term market share growth / (b) short-term sales growth / (c) short-term profit growth / (d) long-term sales growth].
- H₁₀: In the late PLC stage, market driving strategy has a positive impact on [(a) short-term market share growth / (b) short-term sales growth / (c) short-term profit growth / (d) long-term sales growth].
- H₁₁: [(a) Needs driving / (b) Category driving / (c) Attribute driving] has a positive impact on long-term sales growth.
- H₁₂: Category driving has a positive impact on long-term sales growth in the early PLC stage.
- H₁₃: [(a) Needs driving / (b) Category driving / (c) Attribute driving] has a positive impact on long-term sales growth in the intermediate PLC stage.
- H₁₄: Category driving has a positive impact on long-term sales growth in the late PLC stage.

APPENDIX B: RESULTS OVERVIEW

	IV	DV	PLC stage	Hyp.	Result
H1a	Mkt driven strategy	Short term product performance		+	✓
H1b		Long term product performance		+	✓
H2a		Market share growth		+	✓
H2b		Profit growth		+	✗
H2c		Sales growth		+	✓
H3		Long term sales growth		+	✓
H4a	Mkt driving strategy	Short term product performance		+	✓
H4b		Long term product performance		+	✓
H5a		Market share growth		+	✓
H5b		Profit growth		+	✓
H5c		Sales growth		+	✓
H6		Long term sales growth		+	✓
H7a	Mkt driven strategy	Market share growth	Late	+	✓
H7b		Sales growth	Late	+	✓
H8a	Mkt driving strategy	Market share growth	Early	+	✗
H8b		Profit growth	Early	+	✗
H8c		Sales growth	Early	+	✗
H8d		Long term sales growth	Early	+	✓
H9a		Market share growth	Intermediate	+	✗
H9b		Profit growth	Intermediate	+	✓
H9c		Sales growth	Intermediate	+	✓
H9d		Long term sales growth	Intermediate	+	✓
H10a		Market share growth	Late	+	✗
H10b		Profit growth	Late	+	✓
H10c		Sales growth	Late	+	✓
H10d		Long term sales growth	Late	+	✓
H11a	Needs driving	Long term sales growth		+	✓
H11b	Category driving	Long term sales growth		+	✓
H11c	Attribute driving	Long term sales growth		+	✓
H12	Category driving	Long term sales growth	Early	+	✓
H13a	Needs driving	Long term sales growth	Intermediate	+	✓
H13b	Category driving	Long term sales growth	Intermediate	+	✗
H13c	Attribute driving	Long term sales growth	Intermediate	+	✓
H14	Category driving	Long term sales growth	Late	+	✓

FIRM-, DEPARTMENTAL-, INDIVIDUAL-LEVEL ANTECEDENTS OF MARKET DRIVING STRATEGIES

Research is increasingly advocating market driving strategies as a way to compete (Carpenter & Nakamoto, 1994a). Some of the top world companies, like Wal-Mart, Home Depot, Walt Disney Company, The Body Shop, Wrigley, etc. achieved great success and still continue to be high performing companies by driving markets and shaping consumer preferences, rather than responding to consumer preferences (Kumar, 1997; Jaworski, Kohli, & Sahay, 2000; Carpenter & Nakamoto, 1989). *Market driving strategy* is defined as the extent to which a firm invests resources (time, money, effort) *in changing consumer preferences* in a way that enhances the benefit consumer perceives from the focal product (Disertation-paper-1)⁸. Generally, consumer preferences can be driven by: (a) changing the extent to which consumer appreciates the attributes on which the focal product outperforms others (attribute driving), (b) changing the extent to which the consumer perceives the focal category (i.e. the category to which the focal product belongs) as the one providing him with the ability to satisfy a certain need (category driving), and (c) by changing consumer's motivation to satisfy a certain need that can be addressed by the focal product (needs driving) (Disertation-paper-1).

Market driving is the key for achieving first mover advantages (Carpenter & Nakamoto, 1994a), and such strategies enable the firm to benefit from competing on an alternative competitive landscape by managing consumer preferences rather than responding to them (Jaworski, Kohli, & Sahay, 2000; Disertation-paper-2). Market driving strategy enables firm to achieve greater long term sales growth, but also short term profits and sales growth thus being an important source of long term sustainable competitive advantage

⁸ Concept often discussed in relation to market driving is proactive market orientation (Narver, Slater, & MacLachlan, 2004) which implies focus on consumer latent needs, unlike responsive one which focuses on expressed consumer needs. However, in our framework, proactive approach is also a part of being market driven, regardless of whether the firm is driven by existing or latent consumer needs (Jaworski, Kohli, & Sahay, 2000).

(Disertation-paper-2). Such strategies are more uncertain but provide rich platforms for growth (McDermott & O'Connor, 2002).

Although market driving strategies are increasingly discussed, no research up to now analyzed which contexts favor such strategy. Since market driving strategy is a market exploration strategy, it implies learning and diverging from the existing market trajectory and dealing with risk (Levinthal & March, 1993; Kumar, Scheer, & Kotler, 2000). Thus, such strategy requires: (a) a broad knowledge set that enables the firm to look beyond existing consumers, enhancing its ability to conceptualize market driving strategy, and (b) willingness to accept risk, enhancing its readiness to accept and implement this daring strategy. Broad knowledge set enhances the potential to recombine knowledge elements to enhance opportunity recognition and creative potential (Kogut & Zander, 1992), enables connection of disparate information, ideas and concepts yielding broader and insightful perspectives (Reed & DeFillippi, 1990), enhances the probability of “happy accidents” (Prabhu, Chandy, & Ellis, 2005) and generally benefits innovative activities (De Luca & Atuahene-Gima, 2007). Besides enabling the conceptualization of market driving strategies, broader knowledge also facilitates firm’s ability to implement and execute such demanding strategy (Kogut & Zander, 1992). Another aspect we consider is risk which it is inherent to all innovative activities, arising primarily due to the uncertainty about the final payoffs of an innovative strategy (Leiponen & Helfat, 2010). In general, firms primarily pursue more standard (i.e. less radical) projects that are characterized by lower risk and immediate rewards (Chandy & Tellis, 1998; McDermott & O'Connor, 2002). Therefore, for explorative activities, such as market driving, firms need to be willing to accept the risk of trial-and-error approach as the data is not readily available and the competences need to be developed (Benner & Tushman, 2003).

Thus, we focus on antecedents that *lead the firm to accept such a risky strategy* (by increasing actor’s willingness to take risks, by decreasing the perceived risk, or a combination

of the two), and that imply the existence of broad *knowledge and competences* required to devise and implement such a daring, unorthodox strategy. As firm's knowledge breadth and its willingness to accept risk can be influenced by several actors at different levels of analysis, our goal is to analyze which firm-, department-, and individual-level characteristics are likely to favor market driving strategy.

At the firm level, we focus on: (a) attitudes (willingness to cannibalize, tolerance for failure) and (b) strategy characteristics (strategic audacity) that imply greater risk acceptance, and (c) capabilities that reduce expected risks (conversion ability). Moreover, we focus on: (a) cultural characteristics that provide an opportunity for the firm to see beyond existing consumers and their preferences (market orientation, technology orientation) and (b) strategic characteristics that are framing firm's thought processes (strategic mission rigidity). At department level, we consider: (a) marketing department's integration with other actors, since it broadens marketing's knowledge base; (b) actor's influence on strategy since the actor in power to impose its "thought world" onto the whole company; and marketing department's (c) characteristics and (d) capabilities that reduce expected risk from implementing market driving strategies. At the individual level, we focus on two key decision-makers regarding market driving strategies: CEO (making choices for the company at the firm level and defining cognitive models of the firm (Benner & Tushman, 2003)) and key marketing personnel (making key strategic choices at the department level). At the CEO level, we take into account characteristics that allow him/her to understand and support long-term exploratory market driving strategy (Benner & Tushman, 2003): (a) CEO experience breadth/depth, having implications on CEO's knowledge base; (b) CEO audacity, with implications on risk acceptance; and (c) CEO education, having implications both on the knowledge base and risk perceptions. At the marketing personnel level we look at star

marketers who are expected to have a greater knowledge set and accept risks more easily as they are already proven authorities that can also champion these ideas.

The multi-level analysis provides interesting results. At individual level, CEO PhD education and Star marketer are two variables with a persistent significant influence on market driving strategy. At department-level, the influence of marketing department's integration provides interesting results: positive impact on market driving strategy for integration with sales, marginally positive for integration with marketing agency, and negative for integration with R&D. Besides the role of its integration with others, marketing department's capabilities play an important role. R&D department's influence on strategy has an important impact on market driving as R&D pursues innovations, generally disregarding consumers and their preferences. At the firm level, both market and technology orientations are significant, implying that both technology-push and market-pull mindsets can benefit the market driving strategy (although for different conceptual reasons). Finally, results indicate that market driving strategy requires strategic audacity, which implies that the firm would be bold enough to pursue such a daring strategy.

We contribute to the literature on market driving in several ways. First, we test the idea that, besides leading to market driven behaviors, market orientation leads also to market driving behaviors (Jaworski, Kohli, & Sahay, 2000). Also, we introduce several new concepts to marketing literature. First, CEO audacity which reflects the extent to which the CEO is likely to pursue daring strategies, and the strategic audacity which reflects the similar idea but shared throughout the organization. In addition, this is one of the few research projects considering the role of marketing agency (as an external partner) in firm's strategic choices, such as market driving strategy. This complements the literature on marketing department integration by introducing the concept of marketing department integration with marketing agency (i.e. boundary spanning integration). Moreover, at the individual level, we introduce

the concept of star marketers, which draws on the literature of star scientists in innovation literature to show their role in market driving strategies. Finally, we consider, first separately and then simultaneously, antecedents of market driving strategy at different levels of analysis: firm-, departmental-, and individual- level. By taking simultaneously into account several levels of analysis, this research also points to the relative importance of each level in pursuing daring strategies.

RESEARCH HYPOTHESES

Impact of firm-level factors on market driving strategies

Firm level determinants of market driving strategies are analyzed through: strategic orientations (market orientation, technology orientation), attitudes (willingness to cannibalize, tolerance for failure), strategy (strategic audacity, strategic mission rigidity) and conversion ability. Discussion of strategic orientation grounds on resource-based view (RBV) which sees firm's unique assets and distinctive capabilities as the source of competitive advantage (Barney, 1991). While assets are the tangible resources that can be accumulated, capabilities present skills deeply embedded in organizational routines and practices (Barney, 1991; Zott & Amit, 2008). Capabilities are the glue that brings together the assets and enables firm to deploy them advantageously (Zott & Amit, 2007; Zhou, Yim, & Tse, 2005). Strategic orientation, as an important firm capability, is considered crucial for its performance (Gatignon & Xuereb, 1997). It can be defined as firm's philosophy of how to conduct business which grounds on values and beliefs that firm follows in order to achieve superior performance (Zott & Amit, 2007; Gatignon & Xuereb, 1997) .

Market orientation (Kohli & Jaworski, 1990; Narver & Slater, 1990) "is the central element of the management philosophy based on the marketing concept ... [and it is] presumed to contribute to long-term profitability" (Deshpandé & Farley, 1999, p. 112). It can be defined from activities and cultural perspective. From activities perspective, market

orientation is defined as “*the organizationwide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organizationwide responsiveness to it*” (Kohli & Jaworski, 1990). From cultural perspective, dimensions of market orientation construct include: customer orientation (the sufficient understanding of one’s target to be able to create superior value for them continuously), competitor orientation (a seller understands the short-term strengths and weaknesses and long-term capabilities and strategies of both the key current and the key potential competitors), and inter-functional coordination (the coordinated utilization of company resources in creating superior value for target customers) (Narver & Slater, 1990).

Although research has found that market knowledge is a fundamental driver of new product success (De Luca & Atuahene-Gima, 2007) and innovation, after criticisms that market orientation impedes innovation and performance (Bennett & Cooper, 1979; Christensen & Bower, 1996; Heyes & Abernathy, 1980), marketing literature responded by providing two perspectives both stressing that market oriented firms consider markets in a much broader sense. First perspective, provided by Narver et al. (2004), differentiated between responsive market orientation, which responds to expressed customer needs, and proactive market orientation, which addresses latent customer needs (operationalized as the willingness of a company to search for unexpressed customer needs). These authors have stressed that market orientation encompasses understanding of both expressed and latent consumer needs. Further step was taken by Jaworski et al (2000) who differentiate between market driven (encompassing both proactive and responsive market orientation) and market driving orientation.

We argue that market orientation enables firms balance between exploitation and exploration (Atuahene-Gima, 2005), thus encompassing both addressing existing and latent consumer preferences, as well as acting upon the environment and changing consumer

preferences (i.e. market driving strategy) (Jaworski, Kohli, & Sahay, 2000). Therefore, we hypothesize:

H₁: Market orientation has a positive influence on market driving strategy.

Technology orientation reflects the technology-push philosophy where firm advocates a commitment to R&D, the acquisition of new technologies, and the application of the latest technology (Narver, Slater, & MacLachlan, 2004; Zhou, Yim, & Tse, 2005; Gatignon & Xuereb, 1997). Technology oriented firms focus on developing and implementing new technologies and do not put consumer preferences in focus. Thus, such firms are likely to develop new products that often cannot fit current consumer cognitive schemas (e.g. chewing gum being the first food product that consumers do not swallow). As a result, in firms pursuing technology push, marketing departments are compelled to pursue market driving strategies as they need to adjust consumer preferences to get them to accept the new product (Carpenter & Nakamoto, 1989). Therefore, we expect that:

H₂: Technology orientation has a positive influence on market driving strategy.

Willingness to cannibalize is defined as *the extent to which a business is prepared to reduce the value of its own prior investments* (Tellis, Prabhu, & Chandy, 2009). We consider this variable as research on innovation (Chandy & Tellis, 1998) found that willingness to cannibalize is a key factor determining the extent to which a firm introduces radical innovations. Since, market driving strategy implies changes to the market rather than responding to it, we believe that willingness to cannibalize can play an important role.

Following the innovation literature, we expect that:

H₃: Willingness to cannibalize has a positive influence on market driving strategy.

Tolerance for failure is defined as *the extent to which firm does not penalize failures*.

Firms that have a higher tolerance for failure tend to follow strategies that deviate from the status quo (Danneels, 2008). As market driving presents an exploratory activity in relation to the market, it is important to provide a safety net for such exploratory failures, i.e. providing employees with an assurance that their “honest failures” will be tolerated (Levinthal & March, 1993). In firms that have high tolerance for failure, individuals advocating risky strategies are not penalized (neither formally nor informally) for such failures (Delbecq & Mills, 1985). Moreover, they get recognized for “smart mistakes” since these mistakes are “made within the confines of a high-quality decision process or for the purpose of expanding the organization’s decision set” (Williams, 1998, p. 72). Thus, in a climate characterized by high tolerance for failure, employees are emboldened to engage in more daring activities (Danneels, 2008), such as market driving.

H₄: Tolerance for failure has a positive influence on market driving strategy.

Firm strategic audacity is defined as *the extent to which a firm is likely to pursue daring strategies*. As market driving strategy implies departure from the routines it requires firm’s courage. If a firm strategically pursues more challenging goals, it will invest more in higher-risk, higher-potential-gain strategies that will enable it to stand out from competitors. Firm strategic audacity implies that it is in its every pore to pursue a daring goal and to try to overcome conventional approaches. Such firms are not interested in being market followers but are striving to outperform others and be market drivers. Thus,

H₅: Firm strategic audacity has a positive influence on market driving strategy.

Strategic mission rigidity is defined as the extent to which “*mission is defined narrowly, is inflexible, discourages activities outside its scope, and is difficult to change*” (Atuahene-Gima, Slater, & Olson, 2005, p. 468). A firm with a narrowly defined mission

follows a predetermined (even routinized) path and does not allow for flexibility which is needed for market driving strategies. Rigidly defined mission discourages wandering into new markets and creating products which do not relate to predetermined consumer preferences. Such mission is inconsistent with exploration and risk (Atuahene-Gima, Slater, & Olson, 2005) and thus would negatively impact the extent to which the firm pursues market driving strategy.

H₆: Strategic mission rigidity has a negative influence on market driving strategy.

Conversion ability is defined as the *business's ability to implement a given idea into practice* (Chandy, Hopstaken, Narasimhan, & Prabhu, 2006). Firms that have greater conversion ability face lower ambiguity regarding commercializing novel ideas: both in terms of technological innovations and consumer preference changes. These firms are better in using the existing stock of knowledge to explore and conceptualize its different applications; they are able to better envision potential outcomes of implemented idea and are more likely to achieve the desired outcomes (Zahra, Van de Velde, & Larraneta, 2007). Thus, compared to firms characterized by low conversion ability, they are more likely to perceive market driving strategy as less risky and potentially higher gain thus favoring such strategy.

H₇: Conversion ability has a positive influence on market driving strategy.

Impact of department-level factors on market driving strategies

Marketing department integration is defined as *the extent to which marketing department coordinates with other actors* (Verhoef & Leeflang, 2009; Guenzi & Troilo, 2006): marketing agency, sales, R&D. Interdepartmental coordination is considered in terms of: working together and sharing resources to make decisions and achieve performance goals (Lawrence & Lorsch, 1967), information sharing between systems (Gupta, Raj, & Wilemon, 1986), and integration and collaboration (Kahn, 1996; Guenzi & Troilo, 2006).

Marketing and integration research is rooted in the functional view of marketing. Strong research stream that has analyzed the impact of marketing's cross-functional integration includes: marketing-sales (Rouzies, Anderson, Kohli, Michaels, Weitz, & Zoltners, 2005; Dewsnap & Jobber, 2000; Guenzi & Troilo, 2006; Homburg & Jensen, 2007), marketing-R&D (Gupta, Raj, & Wilemon, A model for studying R&D-marketing interface in the product innovation process, 1986; Leenders & Wierenga, 2002; Kahn, 1996), marketing-finance (Maltz & Kohli, 2000), marketing-manufacturing (Kahn, 1996), and marketing-engineering (Fischer, Maltz, & Jaworski, 1997) integration.

This research stream has focused on inter-departmental integration and concludes generally that, although different actors exhibit different capability to develop and benefit from inter-partner integration (Dyer & Singh, 1998), in general integration is beneficial for firm performance. Marketing's integration with R&D generally was found to be beneficial for exploration and innovation success (Leenders & Wierenga, 2002). As market driving presents exploratory strategy, we expect that integration between these two actors will result in R&D influencing marketing to manage consumer preferences to accept radical product innovations. Marketing's integration with sales presents integration of departments with related competences but different orientations, i.e. "similar people with different missions" (Homburg & Jensen, 2007, p. 135). Since sales department is directly linked to consumers, integration with sales reduces market driving outcomes uncertainty as sales can provide more precise outcome expectations and will put more effort in executing marketing strategies which were jointly conceptualized. Thus, this integration is also expected to lead the firm to invest more in market driving strategies.

We extend the research on marketing integration by considering marketing department's integration with key external actors: marketing agencies, i.e. firms specialized in managing market information and developing and executing marketing strategy, which have a

broad experience set acquired by serving multiple companies from multiple industries (Soberman, 2009). Marketing department integration with marketing agency should be regarded differently from the more general topic of marketing integration with other functional units since they share both internal characteristics (resource dependence, domain similarity, etc.) and external (they face same source of external uncertainty resulting from customers and competitors). Prior discussions have suggested that integration with external partners is an important market-based asset which enhances market performance and translates into shareholder value (Srivastava, Shervani, & Fahey, 1998). Also, literature stresses the importance of understanding the influences of relationships in which a considerable degree of creativity on the part of external suppliers is required (Carson, 2007). As marketing agency generally cooperates with multiple clients, integration implies a greater knowledge base available to marketing department, and different perspectives which are expected to have positive effect on innovation. Moreover, it will create a greater pool of marketing experts that can pursue more daring strategies, such as market driving.

H₈: Marketing department integration with [(a) marketing agency / (b) sales department / (c) R&D department] has a positive influence on market driving strategy.

Influence on strategy is defined as *the extent to which an actor has an impact on firm's strategic choices*. Greater influence on strategy implies greater power in a firm by a particular actor and thus implies that that actor will be more likely to pursue its innate goals. Greater influence of marketing department on strategy implies that marketing will push for a greater focus on consumers. Such situation would increase firm's acceptance of marketing risks and encourage the marketing department to undertake bold strategies. Therefore, greater marketing department's influence on strategy will lead the firm to trust more its marketing department and more easily accept risky market driving strategies.

R&D's influence on strategy implies that R&D would levy its thought world onto the firm, pushing it to seek growth primarily from R&D and technological innovations. Thus, the greater is the power of R&D the more the firm will focus on advancing the product technologically, disregarding the consumer and his/her preferences. In such thought world, superior product is believed to be able to find a market, thus diminishing perceived risks from market driving strategies. As a result, the firm is more likely to develop products which cannot be incorporated into consumers' existing cognitive structures, and, in order to succeed, firm will be forced to invest in market driving strategies aimed at getting consumers to appreciate the new product.

The influence on strategy by marketing agency implies that the external partner has an impact on firm's core strategic choices. This actually presents an outsourcing decision of strategic choices which are increasingly firms' choice in pursuit of competitiveness (Gilley & Rasheed, 2000). By allowing external partners to work on their area of expertise, the firm is able to focus on its own area of expertise (Quinn, 1992) and has an access to a greater knowledge base. However, outsourcing strategic decisions implies risks of knowledge leakage and competence deterioration as well as loss of control (Bettis, Bradley, & Hamel, 1992). Outsourcing strategic activities to marketing agency benefits the firm by getting experts with a broad knowledge base to steer strategic decisions. These experts will be more likely to push for more daring strategies as successful execution of such strategies would strongly enhance agency's reputation. On the other hand, in case that such strategy fails marketing agency is not primarily responsible as it is up to the client to make the final choices. Thus, with the greater influence of marketing agency on strategic choices firm will more likely pursue market driving strategies since there will be a broader knowledge base accessible to conceptualize such strategy as well as lower risk perception since the external agency stands

much more to gain than to lose from pursuing bold choices. For the above reasons, we hypothesize:

H₉: [(a) Marketing agency's / (b) Marketing department's / (c) R&D department's] influence on strategy has a positive impact on market driving strategy.

Marketing department accountability is defined as the *extent to which marketing department is able to link marketing strategies and actions to financial performance* (Verhoef & Leeflang, 2009, p. 20). Unaccountable marketing department loses importance in the firm (O'Sullivan & Abela, 2007). If marketers are not able to propose adequate metrics and account for their investments they would have hard time getting approval to pursue market driving strategies which require a great effort in measuring its expected influence thus putting greater importance on finding the right measure of expected long term performance of market driving strategies (Verhoef & Leeflang, Understanding the marketing department's influence within the firm, 2009). An unaccountable marketing department does not focus on developing an adequate indicator of potential success and is not able to adequately interpret the indicators to get support from others (McGovern 2004). Other research has indicated that market driving strategies are especially crucial for long term performance thus implying importance of long-term individual-level indicators that would provide arguments to implement market driving strategy. Thus, only highly accountable marketing department will have enough respect in the firm to convince others to implement market driving strategies.

H₁₀: Marketing department accountability has a positive impact on market driving strategy.

Further, we focus on two important marketing department capabilities that imply department's ability to believe that it can develop and implement market driving strategies. Marketing department that has these capabilities will be more familiar with the inherent risks in implementing market driving strategy, as well as better in executing the strategy. Thus,

highly capable marketing department will be more likely to envision and pursue more demanding market driving strategy. Moreover, high capabilities of marketing department are likely to result in greater trust in marketing department from others in the firm. Therefore, marketing strategies will more easily be entrusted to marketing department's decision.

Positioning capability is defined as *the extent to which the business is able to achieve the planned position of its products in consumer minds*. Marketing departments that have high positioning capability are well aware of the consumers' current cognitive structures and have a clear idea of consumers' perceptual maps. Thus, such departments are able better to recognize the "empty" position they could occupy and are better in achieving this particular position in consumer cognitive schema. Since departments that have a greater positioning capabilities are better in interpreting current market situation, as well as in envisioning and executing marketing activities that aim at managing consumer perceptions to achieve the targeted perceptual position, such departments will be more trusted to be able to execute market driving strategy. Moreover, they will be better in expressing expected returns from market driving strategies thus reducing perceived risk. Therefore, we expect that departments that have a greater positioning capability will be the ones pushing for creating new perceptual spaces where they could strongly differentiate from competitors.

H₁₁: Marketing department positioning capability has a positive impact on market driving strategy.

Communication capability is defined as *the extent to which the business is able to manage consumer value perceptions* (Vorhies & Morgan, 2005). In that sense, it reflects the extent to which the coding and decoding processes of the communicated message are synchronized. Firms that are able to convey their messages better to consumers will have less ambiguity in achieving their market driving goals. They will be able to better understand efforts needed to pursue such strategy and be more willing to accept such challenge. Thus,

high communication capability of a marketing department implies that it will be more self-confident to pursue a more daring communication strategy with a goal of redefining consumer preferences (i.e. educative communication) rather than responding to their existing preferences (i.e. informative and persuasive communication).

H₁₂: Marketing department communication capability has a positive impact on market driving strategy.

Impact of individual-level factors on market driving strategies

We distinguish between two types of individual-level factors. First, we focus on CEO characteristics. CEO's characteristics have been found to fundamentally influence organizations and their strategies (Gavetti, 2005; Zajac & Westphal, 1996; Finkelstein & Boyd, 1998). Starting from the strategic choice perspective (Child, 1972) there are numerous important contributions on the influence of managers on different organizational outcomes (Thomas, Litschert, & Ramaswamy, 1991; Gupta & Govindarajan, 1984; Pegels, Song, & Yang, 2000; Yadav, Prabhu, & Chandy, 2007). Research stream on the impact of manager's characteristics perceives managerial characteristics as antecedents to firm's strategic choices (Wissema, Van Der Pol, & Messer, 1980). CEOs impact organizational outcomes by making strategic decisions consistent with their cognition (Pegels, Song, & Yang, 2000). Different contributions relating managerial characteristics to such organizational outcomes as innovation (Bantel & Jackson, 1989), strategic planning (Michel & Hombrick, 1992) and firm performance (Michel & Hombrick, 1992; Boeker, 1997), see that manager's characteristics influence the outcomes by influencing employees' behavior in the sense that employees tend to follow their manager's lead (Amabile & Khairi, 2008; Choi, 2004).

Importance of managerial characteristics was strongly stressed as central aspect to be considered in such audacious projects as innovation management (Yadav, Prabhu, & Chandy, 2007; Van de Ven, 1986; Kamm, 1986). Businesses witness strong innovation and creative

turnarounds with changes in management, e.g. Steve Jobs in Apple or Bob Iger and Disney (The Economist, 2008). However, more than having direct impact on new projects, CEOs are believed to have an impact at project level through providing their support to certain projects, setting the general direction of the firm and focusing the attention of the employees on particular areas of endeavor (Yadav, Prabhu, & Chandy, 2007). CEO characteristics cause CEOs to interpret and respond to information differently, i.e. to set different general direction and support different projects based on similar information on the environment (White, Varadarajan, & Dacin, 2003; Hough & Ogilvie, 2005). CEO's influence on employees' actions can occur through communication, but also through their substantive and symbolic action (Yadav, Prabhu, & Chandy, 2007). In that sense, they focus the attention of their employees across different alternatives (Gifford, 1998).

CEO's characteristics present archetypes that reflect his/her underlying values and assumptions which influence "the ways a manager filters and processes information" (White, Varadarajan, & Dacin, 2003, p. 64; Moorman, 1995). This results in different interpretations, different strategies, and thus different type and magnitude of response which reflects in the actions of the firm employees (White, Varadarajan, & Dacin, 2003; Hough & Ogilvie, 2005). From resource based view, individual differences in how managers perceive, acquire, interpret, and use information "are important and point to differences in organizational capabilities that lead to performance disparities and that can provide competitive advantage for some" (Hough & Ogilvie, 2005, p. 418).

Prior research on manager's characteristics focuses primarily on observable demographic characteristics (Hambrick & Mason, 1984; Pelled, Eisenhardt, & Xin, 1999). In this research we also respond to calls that have been made for more research on the more subtle CEO characteristics (Thomas, Litschert, & Ramaswamy, 1991; Yadav, Prabhu, & Chandy, 2007). Thus, when researching managers, literature is clear that more studies on

strategic decision makers' influence on firm level constructs are needed, focusing on the literature from psychology and how they “scan, transmit, analyse, and act on environmental information [since o]bservable demographic factors simply do not provide a reliable portrayal of a person's make up. People are more complex than that.” (Hambrick & Mason, 1984, p. 204). In this research, we focus on: CEO experience breadth and depth, CEO passion, CEO audacity and CEO education.

CEO experience influences her cognitive perspective (Daft & Weick, 1984) and firm performance (Guthrie & Datta, 1997). Research has shown that prior experiences strongly influence CEO's perceptions and behaviors (Bigley & Wiersema, 2002). CEO experiences cannot be characterized as better or worse, but rather induce the CEO to pursue certain strategies that fit her previous experiences (Beal & Yasai-Ardekani, 2000; Reed & Reed, CEO experience and diversification strategy fit, 1989). We differentiate between CEO experience breadth and depth as the literature recognizes that more radical solutions require breadth of experiences (McDermott & O'Connor, 2002). *CEO experience breadth* is defined as *the extent to which the CEO has worked in industries outside the industry she is current working in*. As experience breadth provides broader perspective on similar issues and indicates that CEO herself is more willing to take risks (since she is leaving the safety net of previous industry and entered in new endeavors), such CEOs will be more open for more daring market driving strategies. On the other hand, *CEO experience depth*, defined as *the extent to which the CEO has worked in the industry she is currently working in*, limits her experiences to a predefined set of alternatives which are considered beneficial in the industry. CEOs with great experience depth enter routinized behaviors in the industry which is further reinforced through short term success and within-industry networking. Such experience does not provide them with an ability to envision and deal with non-standard cases which is required by market driving strategy (Gavetti, Levinthal, & Rivkin, 2005). Moreover, such CEO's reputation strongly

relies on her results in this industry and thus she is much less willing to risk and make choices which are outside industry standards. Market driving strategies will be pursued only if they strongly show that the changes achieved will enhance her reputation in this industry.

H₁₃: CEO experience breadth has a positive impact on market driving strategy.

CEO education level is defined as *the highest level of formal education completed by the CEO*. Previous studies have indicated that more educated CEOs have a greater cognitive complexity (Hitt & Tyler, 1991; Wally & Baum, 1994) which implies greater ability to absorb new ideas and thus increases their tendency to accept innovations (Barker III & Mueller, 2002). Research has found that master programs generally do not go for developing risk taking skills in students (Hambrick & Mason, 1984). However, PhD education aims at developing critical perspective on student part and pushes them to generate new knowledge and think outside-the-box. Thus, we expect that CEOs with PhD degrees are likely to be more open minded and to allow for more outside-the-box strategies such as market driving strategy. Therefore, we hypothesize:

H₁₄: CEOs with PhD education are more likely to pursue market driving strategy.

CEO audacity is defined as *the extent to which CEO is likely to pursue daring strategies*. Prior research has shown that passion, defined as *devotion and enthusiasm for the company and its success* (Chen, Yao, & Kotha, 2009), is an important source of such audacity. Passionate individuals are found to engage in behaviors that defy traditional reason-based explanations (Cardon, Zietsma, Saporito, Matherne, & Davis, 2005). Such individuals accept greater risks in pursuit of their belief (Cardon, Wincent, Singh, & Drnovšek, 2009) and are more likely to discover complex patterns in pursuit of opportunities and benefit from them (Baron & Ward, 2004). Audacious CEO has a desire to create something great that will have an undeniable impact on society, and create history (Ma & Tan, 2006). Although such

individuals exhibit some similarities to narcissistic CEOs, who are found to pursue bold strategies that are likely to attract attention and generate big changes (Chatterjee & Hambrick, 2007), audacious CEOs are interested more in firm and project success than their own glorification. Therefore, we expect that more audacious CEOs are more likely to pursue such daring strategies as is market driving strategy.

H₁₅: CEO audacity has a positive impact on market driving strategy.

At individual level, our second focus is on marketing experts. Following the literature in innovation, we analyze star marketers and their role in market driving strategies. Literature provides convincing evidence that “not all intellectual human capital is created equally” (Rothaermel & Hess, 2007, p. 900). Creative output was found to be strongly skewed, and following Rothaermel and Hess (2007) we conceptualize that marketers can be divided into: star marketers, who are highly educated and experienced marketers, and staff marketers.

Star marketers are defined as *highly educated and experienced marketers*. They are, not only are able to generate new knowledge, but also better in gathering knowledge from diverse sources and translating it to usable information for the firm (Rothaermel & Hess, 2007). These individuals primarily engage in exploration and, as they are confident in their position, often deviate from conventional behaviors and develop bold ideas (Zuckerman & Phillips, 2001). They are more likely to pursue project with greater risk and greater reward potential, and tend to be more productive and more influential (Zucker & Darby, 1997).

Although the research of star employees was primarily done in technology innovation areas and related industries of pharmaceuticals (Rothaermel & Hess, 2007) and biotechnology (Arora & Gambardella, 1990), we argue that in marketing we can also distinguish between marketing stars and staff employees. Star marketers have a broader perspective and are more focused on strategy, while staff marketers primarily focus on marketing strategy execution.

Since market driving strategy is a daring strategy demanding bold employees who are able to

influence the firm to accept market driving strategy, we hypothesize that star marketers are the key for pursuing market driving strategies.

H₁₆: Star marketers have a positive influence on market driving strategy.

RESEARCH METHODOLOGY

Data collection

The study consists of three stages. In the first stage, we conducted qualitative interviews with 26 marketing managers, CEOs or company owners in different industries and in two different contexts: developing country and a developed country. The goal of these interviews was to arrive at a practitioners' market driving strategy definition and develop possible items for measuring the variable.

Second stage of our study consists of a pretest in order to test scales and to see if there is more to market driving strategies besides being a managerial catchphrase. Pretest was done on the sample of 63 managers who were attending executive education programs in a developed and a developing country. Results indicated that, controlling for market focus, growth strategy, competitive intensity and product innovation, both market driving strategy ($\beta=.696$; $SD=.204$) and market driven strategy ($\beta=.728$; $SD=.187$) had significant effects on sales growth ($R^2=.653$). Similar results were found when we ran the model using analytical market driving strategies (needs, category, and attribute driving) with $R^2=.702$. Thus, based on the pretest we defined the key items to be used in further research and recognized that market driving strategies are important to understand and research as they strongly influence firm sales growth.

The third stage of our study consists of a large-scale web-based survey among marketing managers or others in charge of marketing activities (e.g. CEOs or owners in smaller firms). We used the AMADEUS database to get a list of eligible firms in one

European country. From that list we contacted 1.573 companies by sending personalized e-mails explaining the purpose of the study and with a link to the web survey.

We used several methods to stimulate responses. Stimuli were targeted both at the individual and at the firm. Firm-level stimuli encompassed: (1) conceptual manuscript on the research topic, (2) an invitation to seminar where research results are presented, (3) customized report benchmarking firm results against the average scores. It was clearly communicated to respondents that, in order for the customized report to have value for them, they need to provide reliable data. At individual-level, respondents were stimulated by offering reward executive seminar at the University for the respondents who successfully completed the survey before a certain date. When a reminder was sent (at the end of the period for which the individual stimuli was active) first 50 respondents were promised the same executive seminar. In two weeks the final reminder was sent. Respondents were informed that, in order to qualify for this executive seminar, they need to provide valid responses which will be checked by comparing their responses on randomly selected questions to the publicly available data.

To control for directional biases, we included control questions for two aspects: (1) to ensure similar responses are given to highly similar questions at the beginning, middle and the end of the questionnaire, and (2) to measure respondent's tendency to give high vs. low marks on the Likert scales (Haladyna, 1997). In addition, we collected the data on: (1) how respondents accessed the survey, (2) date/time of accessing it, (3) time spent on the survey, (4) time spent on different question sets. The same survey was administered to three test respondents (marketing managers) whose goal was to concentrate on filling out the questionnaire in order to measure the time they spent on each question set and on the whole survey.

We had a total of 315 responses (20,03% response rate), i.e. those that have reached the end of the survey. From this set, we excluded: (1) incomplete responses, (2) responses that were completed in a significantly shorter time than it took the test respondents (showing that respondents did not devote enough attention to the task), (3) responses that did not provide comparable answers to control questions (implying that respondents did not have adequate concentration throughout the task), (4) responses by individuals who are not marketing managers (or other function in charge of marketing), and (4) responses by incompetent respondents (Homburg & Jensen, 2007). As a result we arrived to the 255 usable questionnaires which is a response rate of 16,21%, which is comparable to other research targeting marketing managers as respondents (e.g. Verhoef & Leeflang, 2009)

Measures

Where possible, to measure constructs we used existing measures from the literature refining them to fit the purpose. Thus, firm level variables that were measured based on the existing scales include: Market orientation scale (Verhoef & Leeflang, 2009), Technology orientation scale (Zhou, Yim, & Tse, 2005), Willingness to cannibalize (Tellis, Prabhu, & Chandy, 2009), Tolerance for failure (Danneels, 2008), Strategic mission rigidity (Atuahene-Gima, Slater, & Olson, 2005), and Conversion ability measure (Chandy, Hopstaken, Narasimhan, & Prabhu, 2006). Department-level variables Marketing department influence and Marketing department accountability were based on Verhoef and Leeflang (2009), and Marketing department communication capability was based on Vorhiez and Morgan (2005). Market driving strategy was measured using a formative measure assessing the extent to which firms drove needs, category and attributes (Dissertation-paper-2). The concept of Willingness to cannibalize empirically disentangled into two distinct components: Willingness to cannibalize markets and Willingness to cannibalize technologies, which were used in further analyses.

Following variables were developed by refining existing measures: Conversion ability (Chandy & Tellis, 1998), Influence on strategy (Verhoef & Leeflang, 2009), Marketing department integration (Verhoef & Leeflang, 2009), CEO experience depth and CEO experience breadth (Gavetti, Levinthal, & Rivkin, 2005), and Star marketer (Rothaermel & Hess, 2007). For other variables (strategic audacity, positioning capability, CEO audacity) we developed new scales based on the following procedure. First, based on the interviews and existing literature we identified possible items. Then we complemented these items with the items we believed that reflect the definition of the construct well. Further, items were refined based on the inputs from two marketing scholars and two marketing practitioners who assessed the extent to which each item corresponds to the provided definitions. Remaining sets of items were included in the pretest together with questions closely reflecting the definition of the construct.

CEO education, and marketing department integration were measured using single item scales (as they satisfy the conditions outlined in Bergkvist & Rossiter, 2007), market driving strategy was measured using the formative scale, and the other variables were measured using reflective measures (since measures are manifestations of the underlying construct).

We assessed the validity and reliability of scales. Factor loadings above .5, AVE above .4 and CR above .7 for all reflective variables, imply convergent validity of used measures (Hair, Black, Babin, & Anderson, 2010; Bagozzi & Yi, 1988; Atuahene-Gima & Murray, 2004). For assessing discriminant validity we compared the average variance extracted for any two constructs with the square of the correlation estimate between these two constructs (Fornell & Larcker, 1981; Hair, Black, Babin, & Anderson, 2010). Discriminant validity exists if the variance extracted estimates are greater than the squared correlations (Hair, Black, Babin, & Anderson, 2010), which was true for all of the variables of our

interest. Measure reliability is implied by Cronbach alphas which are above 6 for all variables (Bagozzi & Yi, 1988).

We assessed the common method bias following the procedure outlined in Verhoef and Leeflang (2009). In addition, for randomly selected 25 firms from our sample we collected additional respondent (brand manager) and found no significant inconsistencies. Moreover, for firm level data we cross-checked respondents' inputs using publicly available data (web sites, reports to shareholders, newspaper archives) (Gielens & Steenkamp, 2007). Assessments were highly congruent thus implying that the provided responses strongly reflect reality.

Sample

The firms in our sample operate equally on B2B and B2C markets (MD=-.027; SD=2.277; t=-.193, p=.847) with mean 3.97 on a 7-point scale (1 = "turnover totally from B2B", and 7 = "turnover totally from B2C"). Firms in our sample are somewhat more product-focused (MD=-.323; SD=2.581; t=-1.993; p=.047) with mean 3.68 on a 7-point scale (1 = "turnover totally from goods", and 7 = "turnover totally from services"). Most of the firms in our sample are "small", i.e. up to 50 employees (49.4%), 19.2% are medium sized (from 51 to 250 employees), 15.3% are large (251 to 1000 employees) and 16.1% are very large (above 1000 employees).

Econometric model

Following the theoretical discussion, we test the following econometric models:

$$(1) MD = \beta_0 + \beta_1 \times MO + \beta_2 \times TO + \beta_3 \times WCTech + \beta_4 \times WCM + \beta_5 \times TF + \beta_6 \times SA + \beta_7 \times SMR + \beta_8 \times CA + \varepsilon$$

$$(2) MD = \beta_0 + \beta_1 \times MDI_A + \beta_2 \times MDI_S + \beta_3 \times MDI_{RD} + \beta_4 \times IS_A + \beta_5 \times IS_M + \beta_6 \times IS_S + \beta_7 \times IS_{RD} + \beta_8 \times MA + \beta_9 \times MPC + \beta_{10} \times MCC + \varepsilon$$

$$(3) MD = \beta_0 + \beta_1 \times CExB + \beta_2 \times CExD + \beta_3 \times CA + \beta_4 \times CE_u + \beta_5 \times CE_m + \beta_6 \times CE_{PhD} + \beta_7 \times SM + \varepsilon$$

$$(4) MD = \beta_0 + \beta_1 \times CExB + \beta_2 \times CE_m + \beta_3 \times CE_{PhD} + \beta_4 \times CA + \beta_5 \times SM + \beta_6 \times MDI_A + \beta_7 \times MPC + \beta_8 \times MCC + \beta_9 \times MO + \beta_{10} \times TO + \beta_{11} \times CA + \beta_{12} \times SA + \beta_{13} \times WCCI + \beta_{14} \times CCCI + \varepsilon$$

First equation considers only firm level variables. In this equation MO refers to Market orientation, TO refers to Technology orientation, WCTech presents Willingness to cannibalize products, WCM is Willingness to cannibalize markets, TF is Tolerance for failure, SA refers to Strategic Audacity, SMR is Strategic mission rigidity, CA is conversion ability. Second equation focuses on department level variables. In this equation: MDI_A is Marketing department integration with marketing agency, MDI_S is Marketing department integration with sales department, MDI_{RD} is Marketing department integration with R&D department, IS_A is Influence on strategy by marketing agency, IS_M is Influence on strategy by marketing, IS_S is Influence on strategy by sales department, IS_{RD} is Influence on strategy by R&D department, MA is Marketing department accountability, MPC is Marketing department positioning capability, and MCC is marketing department communication capability. The third equation focuses on individual level variables: CExB is CEO experience breadth, CExD is CEO experience depth, CA is CEO audacity, CE_u is CEO education level – undergraduate, CE_m is CEO education level – masters, CE_{PhD} is CEO education level – PhD, and SM is Star marketer. The last equation takes into consideration all variables that were found significant in the first three equations and adds within-category competitive intensity (WCCI) and cross-category competitive intensity (CCCI).

Multicollinearity in all the equations seems not to be an issue as all variance inflation factor scores are less than 4 (Verhoef & Leeflang, 2009; Hair, Black, Babin, & Anderson, 2010). Moreover, all of the correlation coefficients are less than .4 (see Table 1) which also indicates that there is no severe multicollinearity problem (Verhoef & Leeflang, 2009). Thus, we can assume that multicollinearity does not significantly affect our estimation results.

DISCUSSION

Firm-level antecedents

In Table 2 we report the estimation results analyzing the role of firm-level factors on the extent to which a firm engages in market driving strategies.

[Insert Table 2 about here]

The results show that *willingness to cannibalize* products and willingness to cannibalize markets do not have a significant impact on market driving strategy. The same results were obtained using single item measures (Bergkvist & Rossiter, 2007), with each item representing one aspect that can be cannibalized (product, consumers, technology, investments). In addition, the same results were obtained forcing the one-factor structure on the concept willingness to cannibalize. Thus, market driving seems to be a non-cannibalizing strategy as it enables the firm to grow with existing products and driving existing markets. As such, this strategy presents a good strategy for firms as it does not require necessarily cannibalization of existing investments neither in technology nor in markets. However, managers should have in mind that this strategy can also cannibalize existing markets (e.g. aiming at developing a new market segment if existing segment is losing profitability) and by doing so ensure long term growth.

Tolerance for failure motivates the firm to pursue such risky strategy as market driving (Model 1; $\beta=.246$, $SD=.067$). This result is robust even when firm capability to convert ideas into outcomes enters the model ($\beta=.114$, $SD=.066$). However, once strategic orientations enter the model, tolerance for failure loses significance ($\beta=.025$, $SD=.063$). This implies that if the firm has strong market and/or technology orientation, individuals will pursue this strategic orientation aiming at achieving defined goals. In such a situation, firm has a clearly defined focus and “a way of doing things”. Employees will follow this orientation and do not need a safety net (in terms of tolerance for failure) as their safety net is the fact that they were pursuing a predefined strategic approach.

Conversion ability has a strong positive impact on market driving strategy (Model 2; $\beta=.393$, $SD=.065$) which is maintained when strategic orientations enter the model and when strategy characteristics enter the model ($\beta=.145$, $SD=.066$). Thus, conversion ability enables the firm to better understand the uncertainty pertaining to market driving strategy and to reduce ambiguity of its outcomes. Therefore, higher conversion ability reduces the uncertainty pertaining to the market driving strategy, either by actually reducing it (as the firm has gained great competences in converting ideas into outcome) or at least by reducing the perception of uncertainty thus favoring bold choices, i.e. market driving strategy.

Our results prove that *market orientation* is much broader and does not necessarily lead to customer myopia as indicated by Christensen and Bower (1996), but rather allows the firm to pursue both market driven and market driving strategies, as theorized by Jaworski et al (2000). Market orientation's impact on market driving strategy is significant ($\beta=.319$, $SD=.072$), and it maintains significance also when strategy characteristics enter the model ($\beta=.257$, $SD=.072$).

Technology orientation also has a significant impact on market driving strategy ($\beta=.189$, $SD=.064$). Thus, if a firm is pursuing a technology-push approach (as indicated by Zhou et al, 2005), it will not consider markets and it will not be limited by consumer current preferences. Moreover, in such a situation a radically new products can be created which cannot fit in consumer current cognitive structure and thus market driving is condition sine qua non.

The last model incorporates *strategic mission rigidity* which exhibits insignificant impact ($\beta=.019$, $SD=.053$) on market driving strategy. Mission presents firm's core purpose, indicating its *raison d'être* for both internal and external public. Thus, it implies the direction for the company and not the route how to accomplish it. Therefore, the same mission can be achieved following multiple routes, i.e. pursuing different strategies (e.g. either market driven

and market driving strategy). As a result, the rigidity of the core purpose does not impact the strategy which is pursued to accomplish it.

Last model also introduces *strategic audacity* which has a strong positive impact on market driving strategy ($\beta=.264$, $SD=.067$). Unlike mission rigidity, which characterizes the general direction of the company, strategic audacity pertains exactly to the characteristic of the route taken to accomplish the defined mission. Strategic audacity implies the extent to which routes taken can be bold and, given that market driving strategy demands willingness to take risk, this shows a strong impact on market driving strategy.

Department-level antecedents

[Insert Table 3 about here]

At department level (Table 3), marketing department's *integration with marketing agency* ($\beta=.089$, $SD=.038$) and *sales department* ($\beta=.105$, $SD=.044$) significantly impact the extent to which a firm pursues market driving strategy in all models. Although both are significant we believe that the underlying reason differs: integration with agency is significant as it provides access to a broader knowledge base which enhances possibility to devise market driving strategy (Carson, 2007), while integration with sales department is significant as it reduces perceived uncertainty arising from market driving efforts.

Marketing department's *integration with R&D* is insignificant in all models except the last one where, surprisingly, it has a negative significant impact on market driving strategy ($\beta=-.078$, $SD=.046$). We argue that the negative impact of integration between marketing department and R&D on market driving strategies could be the artifact of R&D – marketing stereotypes (Gupta, Raj, & Wilemon, 1986). Although integrated departments exchange ideas, their traditionally opposing goals (Fischer, Maltz, & Jaworski, 1997) lead them to express more their functional identification thus advocating department's innate goals (e.g. marketing advocating more strongly its traditional goal to get the firm to consider the consumer and

his/her preferences). As marketing department's acceptance of R&D and technology push ideas could imply a lower importance of marketing, the department would be prompted to even more strongly pursue consumers' preference centricity in collaborative work between these departments. Imposing its traditional "thought world" (Homburg & Jensen, 2007) onto R&D, marketing is more likely to maintain importance in this relationship and in the company. As a result, even if it is good for new product success, this integration could hinder marketing's openness to the idea that consumer preferences can be altered to achieve greater long term success, and accentuate marketing's focus on advocating "the traditional marketing postulates" in such cooperation, thus hindering market driving strategies.

When we consider the extent to which these different actors have an influence on strategy (Model 2), then all three hypothesized impacts are significant: marketing *agency's influence* ($\beta=.170$, $SD=.143$), *marketing department's influence* ($\beta=.186$, $SD=.086$) and *R&D department's influence* ($\beta=.222$, $SD=.086$) has significant positive impact on market driving strategy. The results for marketing department's influence are robust to different measure of this concept (Homburg, Workman, & Krohmer, 1999; Verhoef & Leeflang, Understanding the marketing department's influence within the firm, 2009). R&D department's influence on strategy is significant with all other variables considered ($\beta=.177$, $SD=.081$), implying that R&D will use its power to push the firm toward technological innovations that will then require reconfigurations of consumer preferences, thus favoring market driving strategies. However, marketing department's influence on strategy loses significance once marketing department's accountability is considered ($\beta=.103$, $SD=.089$). Thus, an accountable marketing department is able to provide evidence for its proposals. Therefore, such a marketing department can steer the firm toward market driving strategies through arguments rather than power. The role of marketing agency's influence on strategy for market driving strategy is significant until marketing department's capabilities are considered ($\beta=.114$, $SD=.080$). This

implies that capable marketing departments reduce perceived risk enough so that there is no need for external push for innovative market driving strategy.

Marketing department accountability has a strong positive influence on market driving strategy (Model 3, $\beta=.227$, $SD=.076$). An accountable marketing department will develop and use marketing metrics showing the impact of its strategies, especially the long term effects (Verhoef & Leeflang, 2009). As a result, marketers would be able to better understand market driving strategies which have longer term effects and also get respect from others thus enhancing the acceptance of such strategy within the firm. However, once capabilities are considered, then accountability of marketing department is no longer significant, implying that capable marketing departments are able to reduce perceived risks of such strategies. Thus, the firm might pursue such daring strategy trusting marketing department “to do the right thing” even without the exact metrics forecasting outcomes.

In models 4 and 5 marketing capabilities are also taken into account: *positioning capability* ($\beta=.202$, $SD=.072$) and *communication capability* ($\beta=.307$, $SD=.083$). Results indicate that if marketing department is highly capable to communicate to consumers and achieve desired position in their mindset, it will reduce the risk (or at least the perceived risk) of market driving strategies and thus able to more easily convince the firm to invest more in such strategies. The variables that exhibit positive influence on market driving strategy in a complete department-level model: marketing department’s integration with marketing agency ($\beta=.089$, $SD=.038$), which provides marketing department with a much broader knowledge set from its external partner, integration with sales ($\beta=.105$, $SD=.044$), reducing the perceived risks as closely integrated marketing and sales are more likely to execute market driving strategy well, and influence on strategy by R&D, which implies for a greater market risk acceptance by the firm. In that sense, the departmental variables which remain significant are: (a) marketing integration with marketing agency, which increases the knowledge breadth, and

(b) marketing department's positioning and communication capabilities, integration with sales department and R&D's influence on strategy which decrease the actual (or perceived) risk from pursuing market driving strategy or increase market risk acceptance.

Individual-level antecedents

[Insert Table 4 about here]

At the individual level (Table 4), we consider CEO characteristics and the star marketers. If we consider only CEO characteristics (model 3), it is clear that *CEO experience* does play an important role. However, it is *experience breadth* ($\beta=.154$, $SD=.068$) which enables CEO to have a more broad knowledge set that enables him to envision and accept novel perspectives that market driving requires. *Experience depth* is neither detrimental nor beneficial for market driving strategy ($\beta=.030$, $SD=.069$). Interestingly, additional analyses show the converse is true for market driven strategy, i.e. CEO experience breadth is insignificant, while CEO experience depth has a significant positive impact.

Introduced concept of *CEO audacity* significantly influences firm's pursuit of market driving strategy ($\beta=.164$, $SD=.069$). An audacious CEO is likely to push the marketing department, and the firm, to search for great new opportunities. Such CEO will be more interested in doing great things, and as such will be interested in changing the markets. However, CEO audacity is significant only if star marketers are not considered. If star marketers are present then CEO could rely on these experts to make good strategic choices. Moreover, such individuals tend to be more audacious themselves (as compared to a staff marketer). As a result they are the ones taking the initiative for market driving strategy, making CEO audacity less important. Interestingly, when considering only CEO audacity and strategic audacity, results indicate the importance of CEO audacity ($\beta=.229$, $SD=.062$; $R^2=.051$) as long as the strategic audacity does not enter the model ($\beta_{CEO\ audacity}=.054$, $SD_{CEO\ audacity}=.058$; $\beta_{Strategic\ audacity}=.509$, $SD_{Strategic\ audacity}=.057$; $R^2=.277$). Thus, for market driving

strategies it is more important that audacity is a shared value throughout the company and that it is a characteristic of the strategy, rather than if the CEO is audacious.

As for the *CEO education*, generally, the greater the education level the more likely the CEO is to envision, accept and pursue market driving strategy. CEO's having masters education are marginally more likely to pursue market driving strategy ($\beta=.323$, $SD=.200$). Thus, although at MBA programs they are exposed to a wide array of alternatives, at the end they are provided with pretested tools that they can directly implement in their business practice, i.e. such programs do not aim at developing risk taking skills, but providing ready-made solutions. On the other hand, as PhD programs stimulate intellectual curiosity, firms with CEOs that have PhD education tend to pursue daring market driving strategies more ($\beta=.780$, $SD=.357$). Such CEOs are more open-minded to new ideas. They do not use ready-made solutions but are trained to analyze novel situations. Thus, they will be more likely to understand and envision the potential of market driving strategy. Moreover, they would be more likely to obtain information which would enable them to reduce risk from such an endeavor.

Once *star marketers* are introduced to the model (Model 4), certain CEO characteristics become insignificant. Thus, having such star marketers strongly influences firm's investment in market driving strategies ($\beta=.370$, $SD=.061$). In that sense, if marketers are highly experienced and educated, they will have the knowledge to conceptualize and the courage to pursue market driving strategies. They would be more likely to initiate novel marketing ideas and strategies, as compared to staff marketers, rather than being mere analyzers of market information (Levitt, 1962). These results are robust to perceiving star marketer as a proven marketing expert, and to both single and multiple item measures of the concept. Taking the star marker into consideration, still CEO PhD education is highly important ($\beta=.727$, $SD=.333$) for pursuing market driving strategy as well as her experience

breadth ($\beta=.105$, $SD=.064$), enabling her to understand and accept novel market driving strategy ideas. These CEO characteristics ensure that CEO is open-minded and able to understand novel ideas, and that she is able to more realistically assess the outcomes and risks of pursuing such strategy.

Multi-level analysis

[Insert Table 5 about here]

Table 5 analyzes combined individual-, department-, and firm-level antecedents of market driving strategy. We have focused on the variables that have shown significance when individually analyzed. Models start from individual-level variables pertaining to CEO and star marketer, which have the lowest explanatory power ($R^2=.220$; only CEO characteristics have $R^2=.099$), followed by department-level variables ($R^2=.335$) and firm-level variables ($R^2=.372$).

Results indicate that, when just CEO characteristics are considered, all, except masters educational level, are significant: CEO experience breadth ($\beta=.177$, $SD=.069$), CEO PhD education ($\beta=.640$, $SD=.348$), and CEO audacity ($\beta=.163$, $SD=.068$). But, when the variable star marketer enters the model ($\beta=.398$, $SD=.062$), CEO audacity loses significance and only CEO experience breadth ($\beta=.143$, $SD=.063$) and CEO PhD education ($\beta=.547$, $SD=.321$) remain significant. Thus, as discussed before, in the presence of star marketer CEO audacity loses its significance.

As department level variables enter (Model 3), marketing department's integration with sales ($\beta=.113$, $SD=.041$), R&D's influence on strategy ($\beta=.174$, $SD=.060$), and marketing department's communication ($\beta=.248$, $SD=.071$) and positioning capability ($\beta=.160$, $SD=.069$) exhibit significant positive impact on market driving strategy. The impact of marketing department's integration with R&D is also significant, but negative ($\beta=-.079$, $SD=.043$). Although, the role of marketing department's integration with agency is not

significant, further analysis uncovers that marketing department's integration with marketing agency is significant if all variables are taken into account, except for the star marketer variable ($\beta=.074$, $SD=.034$). This implies that, if the firm does not have star marketer it should rely on the marketing agency's services. However, if star marketer is employed by the firm, he/she generally has enough experience and courage to pursue market driving strategies thus diminishing the importance of external partners. Nonetheless, marketing department's integration with the agency remains relatively marginally significant for market driving strategy (with p value around .110).

Introducing other department-level variables shows that, in the case of strong R&D's influence on strategy, CEO's experience breadth is not required to conceptualize market driving strategies. Rather, R&D department is able to push for technological innovations without being constrained with consumers and their preferences. In such context, market driving strategy becomes highly important (and the only strategy marketing department can pursue) in order to get consumers to accept such novel products. Thus, CEO no longer needs a broad perspective to conceptualize such innovative strategy, but it is still important that she is able to analyze novel ideas and that she is receptive to them (implied by PhD education).

With introduction of firm-level antecedents into the model, marketing department's positioning capability loses significance ($\beta=-.036$, $SD=.071$), due to both market orientation ($\beta=.239$, $SD=.069$) and strategic audacity ($\beta=.190$, $SD=.069$) influences. Under the presence of these variables determining that firm's mission is to be accomplished through market-based daring strategies (market orientation and strategic audacity) and the existence of a star marketer who is able to envision and execute such strategies, the outcome-related variables that reduce perceived risk (conversion ability and positioning capability) are not significant for the extent to which a firm invests in market driving strategies. The only outcome-related variable that maintains significance is communication capability which reduces risks of

market driving strategy execution, especially since market driving highly relies on communication with the market. As such, if the marketing department shows commendable capabilities in that area, it significantly increases the probability that these strategies will be well implemented. Regarding technology orientation, it is only marginally significant ($\beta=.106$, $SD=.065$) implying that firm should be market oriented, and R&D's positive effects should be incorporated though its impact on strategy.

Entering also environmental variables as controls, nothing changes significantly at the other levels of analysis. Results indicate that the impact of within-category competitive intensity is not significant ($\beta=-.062$, $SD=.054$). On the other hand, firms facing high cross-category competitive intensity are more likely to pursue market driving strategies ($\beta=.141$, $SD=.053$). Thus, strong within-category competitive intensity gets firms to compete increasingly with the existing competitors and the firms end up with highly similar market understanding. High cross-category competition forces firms to have a wider perspective on the market. Such firms cannot outperform a wide array of competitors from different industries. As a result, market driving strategy, that manages consumer preferences, is more readily accepted as a way to compete with these different competitors.

This complete model indicates that, market driving strategies tend to be pursued by market oriented firms ($\beta=.246$, $SD=.068$) thus strongly supporting Jaworski et al (2000) conceptual idea. Moreover, such strategies are favored by firms characterized by high strategic audacity ($\beta=.187$, $SD=.069$), and led by PhD educated CEO's who have developed strong intellectual curiosity ($\beta=.690$, $SD=.272$); firms with marketing departments that exhibit high communication capabilities ($\beta=.180$, $SD=.066$), are well integrated with sales department which has an important role in executing these strategies ($\beta=.124$, $SD=.039$), and employ star marketers ($\beta=.148$, $SD=.062$); firms that rely on R&D department ($\beta=.168$, $SD=.054$) and are able to balance well integration between marketing department and R&D ($\beta=-.119$, $SD=.040$).

Additional analyses show that the effect of strategic audacity on market driving strategy diminishes and that there is a substitution effect with star marketers. Substitution effect of star marketers also exists with marketing department communication capabilities.

IMPLICATIONS AND FUTURE RESEARCH

Implications for Practice

The study's findings have clear implications for firm owners / boards of directors, CEOs and marketing managers. The findings suggest that, if a firm is interested in higher gain long-term strategies, i.e. in competing on an alternative landscape where firms compete over consumer preferences, rather than competing over becoming better at what consumers value, when choosing a CEO, board of directors should search for CEO with broad experience (from multiple industries), with PhD education (which enhances her intellectual curiosity to question existing dogmas) and who exhibits audacity in her actions. CEOs with high experience depth, but who are lacking breadth, will lead the firm down a predetermined path which generally resembles industry standards. As such, firm is likely to compete on a converging landscape with diminishing returns. Even if experience breadth is lacking, there is a promise of employing a CEO with PhD education. This also implies the importance of PhD and DBA programs which can nurture CEOs intellectual curiosity, rather than providing them with ready-made solutions. Lastly, in this research we uncover CEO audacity as an important determinant of her willingness to take calculated risks to ensure future performance. Unlike narcissistic CEOs, audacious ones do not pursue bold strategies for personal fame and glory, but rather are ready to make bold decisions to benefit firm's future performance.

For the CEO, the results of this research imply importance of choosing marketing personnel. If only staff marketers are employed, the department will turn into information processing unit, rather than a strategic unit influencing the future of the company. These star marketers should be supported by a competent marketing team (with high marketing

communication and positioning capabilities) thus having implications for marketing managers who should manage these capabilities. Moreover, although marketing departments in some companies are well staffed and have the possibility to do all marketing activities in-house, marketing managers should recognize the importance of cooperating with marketing agencies which have a broad set of experiences. By ensuring integration with such agencies on marketing projects, marketing managers ensure access to that broad knowledge set which enables them then to develop more unconventional strategies.

In addition, this research stresses the importance of market orientation for market driving strategies. Thus, we cannot accept the notion that market orientation implies customer myopia and thus firm demise in the long run. Rather, market orientation enables firms to interact with markets, understanding them and changing them at the same time. Therefore, CEOs should actively pursue market orientation as a precondition, not just for understanding markets, but also for managing them. Besides market orientation, technology orientation also provides grounds for developing new ideas by further broadening the knowledge base and lack of constraints by existing consumer preferences.

Finally, results indicate the importance of strategic audacity. For innovative strategies, such as market driving strategy, it is not important just that the CEO is audacious, but rather, audacity needs to be implemented in the goals the firm is aiming at, tactics to execute market driving strategies, and the related reward schemas. It has to be incorporated in firm's everyday practices. As such, strategic audacity is an important precondition for firm to question its existing practices and venture into new challenges.

Research Limitations and Further Research

This study has several limitations. First, we study firms only in one country, which implies a potential for a larger-scale international study that could compare these strategies across different countries. In the pretest we have compared results of firm and department

level antecedents in a developed and a developing country and there were no significant differences. However, a larger study could provide further insights. A second limitation is that we use self reported data. Although literature suggests that objective measures of innovative strategies tend to be “inaccurate or unavailable”, and advocates the use of relative subjective measures (Im & Worman Jr., 2004, str. 123; Han, Kim, & Srivastava, 1998; 1997a; 1997b), and recognizes that perceptual data provided by marketing managers generally correlates with the actual data (Nath & Mahajan, forthcoming), further research could use other approaches to enhance result robustness. To ensure that there is limited effect of this issue, we use multiple respondents for a subset of encompassed projects. Also, we have cross-checked all the available data with secondary sources in order to reduce the possibility of such self reported biases. A third limitation could be that we use marketing managers (or individuals in charge of marketing if marketing manager position does not exist) as respondents. However, we believe that marketing manager is the best respondent within the firm who is able to provide insight into variables of our interest. For marketing department-level variables, marketing manager presents the best respondent. For firm-level variables, we argue that marketing managers should have a good knowledge of these variables as they are shared throughout the organization. As for CEO characteristics, we believe that using a third person (marketing manager) to assess CEO implies a more objective assessment than would be through CEO self assessment, especially since all CEO-related variables used are manifested in his/her behaviors. As indicated before, wherever possible we cross-checked respondents’ responses with the available secondary data. Further limitation of this research is that an important explanatory variable (PhD education) has limited presence in our sample (9 CEOs with PhD education). Although CEO PhD education is not expected to be strongly present in firms (and thus in samples), results regarding this variable are only indicative and to arrive at robust

conclusions we need further research. Finally, the use of cross-sectional data has inherent limitations for inferring causal relationships and studying dynamics.

This research points out to an important interplay between different levels of analysis for pursuing innovative strategies, such as market driving and thus opens up some potential research avenues. First, further research needs to focus on understanding how different levels interact in driving market driving strategies. In this research we point out to some interesting interactions (e.g. strategic audacity and star marketers) but more detailed analysis of these interactions is required. Also, understanding the effects of variables' quadratic forms should provide further interesting insights. We point out to the importance of strategic audacity but also that there are diminishing effects to it. Third, future research should focus on understanding in more detail the cause for negative impact of marketing department's integration with R&D on market driving strategy. Lastly, given that it is a bold marketing strategy, further research should provide insights into how the inherent risk can be reduced, i.e. which market research techniques could provide better inputs on expected market driving outcomes.

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Table 1: Correlation matrix of constructs in model

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25		
1. CEO experience breadth	.542																										
2. CEO experience depth	.100***	.702																									
3. CEO audacity	.121***	.109***	.849																								
4. CEO university degree	.001	.002	.001	n/a																							
5. CEO PhD degree	.003	.001	.002	.047***	n/a																						
6. CEO Masters degree	.000	.008	.002	.410***	.012*	n/a																					
7. Star marketer	.026***	.000	.044***	.004	.000	.032***	.422																				
8. Mkt dpt. integ.– Agency	.024**	.000	.052***	.018**	.008	.073***	.247***	n/a																			
9. Mkt dpt. integ.– Sales	.033	.010	.012**	.002	.019**	.000	.080***	.118***	n/a																		
10. Mkt dpt. integ.– R&D	.036***	.013*	.023**	.003	.005	.004	.111***	.171***	.252***	n/a																	
11. Infl. on strat. – Agency	.006	.002	.002	.005	.008	.013*	.013*	.009	.012*	.001	.531																
12. Infl. on strat. – Marketing	.016**	.014*	.007	.002	.001	.013*	.045***	.025**	.021**	.016**	.020**	.494															
13. Infl. on strat. – Sales	.015*	.000	.006	.003	.005	.006	.006	.002	.008	.008	.041***	.118***	.497														
14. Infl. on strat. – R&D	.004	.008	.009	.001	.021**	.001	.001	.001	.011	.040***	.017	.070***	.114	.423													
15. Mkt dpt accountability	.014*	.017**	.025***	.000	.020**	.004	.216***	.206***	.141***	.158***	.001	.116***	.010	.000	.796												
16. Mkt dpt positioning cap.	.081***	.022**	.081***	.003	.003	.011*	.171***	.139***	.118***	.238***	.001	.010	.003	.013*	.232***	.552											
17. Mkt dpt comm. cap.	.051***	.019**	.033***	.000	.001	.004	.260***	.207***	.120***	.195***	.001	.053***	.002	.001	.452***	.266***	.700										
18. Will. to cann. tech.	.004	.000	.002	.006	.001	.000	.007	.000	.000	.017**	.006	.006	.010	.035***	.001	.008	.005	.558									
19. Will. to cann. markets	.027***	.022**	.006	.008	.004	.000	.009	.006	.000	.016**	.002	.006	.001	.028***	.003	.045***	.001	.000	.549								
20. Conversion ability	.078***	.049***	.082***	.010	.002	.007	.145***	.086***	.048***	.202***	.018**	.013*	.000	.012*	.142***	.339***	.193***	.007	.056***	.530							
21. Tolerance for failure	.041***	.044***	.030***	.019**	.003	.009	.029***	.019**	.076***	.120***	.001	.001	.011	.010	.009	.121***	.015*	.038***	.086***	.151***	.543						
22. Market orientation	.053***	.050***	.075***	.004	.001	.000	.071***	.069***	.069***	.126***	.006	.000	.004	.008	.102***	.232***	.120***	.006	.045***	.025***	.199***	.543					
23. Technology orientation	.043***	.030***	.052***	.001	.002	.020**	.057***	.066***	.005	.087***	.000	.001	.003	.026**	.059***	.144***	.099***	.007	.044***	.135***	.045***	.269***	.729				
24. Strategic audacity	.043***	.022**	.117***	.001	.001	.001	.120***	.083***	.038***	.119***	.010	.008	.001	.012*	.138***	.340***	.226***	.013	.022	.265***	.045***	.245***	.240***	.530			
25. Strategic mission rigidity	.008	.013**	.003	.053***	.004	.013**	.006	.020**	.006	.026**	.012*	.000	.002	.002	.013**	.011**	.015**	.086***	.000	.021**	.015*	.002	.005	.000	.466		

Diagonal elements show AVE (n/a for formative and single item scales). Off diagonal elements are squared correlations.

Tesi di dottorato "ESSAYS ON MARKET DRIVING STRATEGIES"

di VLASIC GORAN

discussa presso Università Commerciale Luigi Bocconi-Milano nell'anno 2011

La tesi è tutelata dalla normativa sul diritto d'autore (Legge 22 aprile 1941, n.633 e successive integrazioni e modifiche).

Sono comunque fatti salvi i diritti dell'università Commerciale Luigi Bocconi di riproduzione per scopi di ricerca e didattici, con citazione della fonte.

Table 2: Individual-level antecedents of market driving strategy

DV: Market driving strategy	(1)	(2)	(3)	(4)
CEO				
CEO experience breadth	.200*** (.066)	.149** (.069)	.154** (.068)	.105 ^{p=.103} (.064)
CEO experience depth	.054 (.067)	.009 (.068)	.030 (.069)	.055 (.065)
CEO audacity		.176** (.069)	.164** (.069)	.093 (.065)
CEO Undergraduate Education			.130 (.177)	.066 (.165)
CEO Masters Education			.323 ^{p=.107} (.200)	.124 (.189)
CEO PhD education			.780** (.357)	.727** (.333)
Marketing personnel				
Star marketer				.370*** (.061)
Other info				
Constant	-.002 (.062)	-.013 (.062)	-.194 (.156)	-.113 (.146)
F	6.159***	6.389***	4.329***	9.517***
R ² (overall)	.049	.074	.099	.220
Sig R ² change	6.159***	6.564**	2.175*	36.732***

Table 3: Departmental-level antecedents of market driving strategy

DV: Market driving strategy					
	(1)	(2)	(3)	(4)	(5)
Mkt. dpt. integration					
with marketing agency	.169*** (.038)	.152*** (.038)	.115*** (.040)	.106*** (.039)	.089** (.038)
with sales department	.102** (.045)	.128*** (.046)	.103** (.046)	.100** (.045)	.105** (.044)
with R&D department	.045 (.045)	.009 (.047)	-.010 (.046)	-.057 (.047)	-.078* (.046)
Influence on strategy by					
Marketing agency		.170** (.083)	.143* (.082)	.114 (.080)	.113 (.078)
Marketing department		.186** (.086)	.103 (.089)	.096 (.087)	.102 (.084)
Sales department		.128 (.084)	.111 (.083)	.058 (.083)	.059 (.080)
R&D department		.222** (.086)	.206** (.085)	.171** (.084)	.177** (.081)
Mkt. dpt. characteristics					
Mkt.dpt. accountability			.227*** (.076)	.143* (.078)	-.013 (.087)
Mkt. dpt. capabilities					
Positioning capability				.250*** (.073)	.202*** (.072)
Communication capability					.307*** (.083)
Other info					
Constant	-1.459*** (.232)	-1.357*** (.234)	-1.000*** (.260)	-.721*** (.266)	-.573** (.261)
F	16.719***	8.534***	8.852***	9.559***	10.514***
R ² (overall)	.188	.220	.251	.291	.335
Sig R ² change	16.719***	2.132*	8.863***	11.645***	13.842***

Table 4: Firm-level antecedents of market driving strategy

DV: Market driving strategy	(1)	(2)	(3)	(4)
Attitudes				
Willingness to cannibalize products	.000 (.062)	-.016 (.058)	-.029 (.053)	-.041 (.054)
Willingness to cannibalize markets	.003 (.066)	-.044 (.062)	-.076 (.057)	-.066 (.056)
Tolerance for failure	.245*** (.067)	.114* (.066)	.025 (.063)	.039 (.062)
Capability				
Conversion ability		.393*** (.065)	.233*** (.063)	.145** (.066)
Strategic orientations				
Market orientation			.319*** (.072)	.257*** (.072)
Technology orientation			.189*** (.064)	.118* (.065)
Strategy characteristics				
Strategic audacity				.264*** (.067)
Strategic mission rigidity				.019 (.053)
Other				
Constant	.004 (.062)	-.027 (.058)	-.023 (.053)	-.032 (.052)
F	5.119***	13.618***	19.142***	17.216***
R ² (overall)	.061	.187	.328	.372
Sig R ² change	5.119***	36.806***	24.735***	8.012***

Table 5: Firm-, departmental-, and individual- level antecedents of market driving strategy

DV: Market driving strategy	Individual CEO	Individual Marketer	Marketing dpt.	Firm	Environment
	(1)	(2)	(3)	(4)	(5)
CEO					
CEO experience breadth	.177** (.069)	.143** (.063)	.080 (.059)	.058 (.054)	.044 (.054)
CEO Master education	.221 (.147)	.064 (.138)	.003 (.131)	.005 (.120)	.044 (.120)
CEO PhD education	.640* (.348)	.547* (.321)	.827*** (.299)	.661** (.274)	.690** (.272)
CEO audacity	.163** (.068)	.082 (.063)	-.002 (.060)	-.070 (.056)	-.059 (.055)
Marketing personnel					
Star marketer		.398*** (.062)	.192*** (.068)	.167*** (.062)	.148** (.062)
Marketing department					
Mkt.dpt. integration with agency			.061 (.038)	.056 ^{p=.110} (.035)	.051 (.035)
Mkt.dpt. integration with sales			.114*** (.041)	.125*** (.038)	.124*** (.039)
Mkt.dpt. integration with R&D			-.079* (.043)	-.118*** (.040)	-.119*** (.040)
R&D influence on strategy			.174*** (.060)	.159*** (.055)	.168*** (.054)
Mkt.dpt. positioning capability			.160** (.069)	-.036 (.071)	-.039 (.070)
Mkt.dpt. communication capability			.248*** (.071)	.158** (.066)	.180*** (.066)
Firm					
Market orientation				.239*** (.069)	.246*** (.068)
Technology orientation				.106 ^{p=.104} (.065)	.110* (.064)
Conversion ability				.070 (.066)	.073 (.066)
Strategic audacity				.190*** (.069)	.187*** (.069)
Environment					
Within-category competitive intensity					-.062 (.054)
Cross-category competitive intensity					.141*** (.053)
Other info					
Constant	-.125* (.075)	-.095 (.070)	-.536** (.251)	-.392* (.232)	-.366 (.232)
F	5.993***	13.953***	12.284***	14.232***	13.292***
R ² (overall)	.097	.238	.384	.501	.517
Sig R ² change	5.993***	41.466***	8.536***	12.456***	3.616**

APPENDIX A: VARIABLES AND THEIR EFFECTS

Antecedent	Hypothesis	Individual-level	Department-level	Firm-level	Overall model
Firm-level					
Market orientation	H ₁ ✓ +			+	+
Technology orientation	H ₂ ✓ +			+	+
Willingness to cannibalize products	H _{3a} ✗ ns +			ns	/
Willingness to cannibalize markets	H _{3b} ✗ ns +			ns	/
Tolerance for failure	H ₄ ✓ +			(+) (only attitudes)	/
Firm strategic audacity	H ₅ ✓ +			+	+
Strategic mission rigidity	H ₆ ✗ -			ns	/
Conversion ability	H ₇ ✓ +			+	Ns
Department-level					
Marketing department integration with marketing agency	H _{8a} ✓ +		+		(+) (no star marketer)
Marketing department integration with sales department	H _{8b} ✓ +		+		+
Marketing department integration with R&D department	H _{8c} ✗ -		-		-
Marketing agency's influence on strategy	H _{9a} ✓ +		(+) (no capabilities)		/
Marketing department's influence on strategy	H _{9b} ✓ +		(+) (no accountability)		/
Sales department's influence on strategy	Control		ns		/
R&D department's influence on strategy	H _{9c} ✓ +		+		+
Marketing department accountability	H ₁₀ ✓ +		(+) (no capabilities)		/
Marketing department positioning capability	H ₁₁ ✓ +		+		(+) (no firm variables)
Marketing department communication capability	H ₁₂ ✓ +		+		+
Individual-level					
CEO experience breadth	H ₁₃ ✓ +	+			ns
CEO experience depth	Control				/
CEO undergraduate education	Control				/
CEO masters education	Control				ns
CEO PhD education	H ₁₄ ✓ +	+			+
CEO audacity	H ₁₅ ✓ +	(+) (no star marketer)			(+) (no star marketer)
Star marketer	H ₁₆ ✓ +	+			+
Environmental-level					
Within-category competitive intensity	Control				ns
Cross-category competitive intensity	Control				+

APPENDIX B: MEASURES

Construct	Items	Coef. Alpha	CR
<ul style="list-style-type: none"> • Inspired/based on • formative vs. refl. 			
Market driving strategy <ul style="list-style-type: none"> • New scale • Formative 	<p><i>Def. the extent to which a firm invests resources (time, money, effort) in changing consumer preferences in a way that enhances the benefit consumer perceives from the focal product</i></p> <ol style="list-style-type: none"> 1. We have spent a lot of time on motivating consumers to place a greater priority on satisfying [these] needs. 2. We have invested a lot of resources to convince consumers that [this] product category is better than the other categories for meeting their needs. 3. Many employees worked on campaigns designed to get consumers to pay more attention to [these] attributes when choosing a product within [this] category 	.797	n/a
Firm-level			
Market orientation <ul style="list-style-type: none"> • Kohli & Jaworski, 1990; Verhoef & Leeflang, 2009 • Reflective 	<p><i>Def. the organizationwide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organizationwide responsiveness to it</i></p> <ol style="list-style-type: none"> 1. Our business objectives are driven primarily by customer satisfaction. 2. We constantly monitor our level of commitment and orientation to serving customer needs. 3. We freely communicate information about our successful and unsuccessful customer experiences through all business functions. 4. Our strategy for competitive advantage is based on our understanding of customer needs. 5. We measure customer satisfaction systematically and frequently. 6. We are more customer focused than our competitors. 7. I believe this business exists primarily to serve customers 	.885	.890
Technology orientation <ul style="list-style-type: none"> • Zhou, Yim, Tse, 2005 • Reflective 	<p><i>Def. the extent to which firm advocates a commitment to R&D, the acquisition of new technologies, and the application of the latest technology.</i></p> <ol style="list-style-type: none"> 1. Competitors in this market recognized us as leaders in technology innovation 2. We used sophisticated technologies in our development of new products 3. Our new products incorporated state-of-the-art technologies 4. Technological innovation was readily accepted in our organization 	.898	.907
Willingness to cannibalize products <ul style="list-style-type: none"> • Tellis, Prabhu, Chandy, 2009 • Reflective 	<p><i>Def. the extent to which a business is prepared to reduce the value of its own prior investments in product development</i></p> <ol style="list-style-type: none"> 1. We tend to oppose new projects that would take away from our current sales (R) 2. We do not want to develop projects which potentially can reduce value of our existing investments.(R) 	.702	.671
Willingness to cannibalize markets <ul style="list-style-type: none"> • Tellis, Prabhu, Chandy, 2009 • Reflective 	<p><i>Def. the extent to which a business is prepared to reduce the value of its own prior investments in markets</i></p> <ol style="list-style-type: none"> 1. We are willing to sacrifice our current revenues for future ones. 2. We are not willing to give up our existing customers for uncertain new customers. (R) 	.515	.707
Tolerance for failure <ul style="list-style-type: none"> • Danneels, 2008 • Reflective 	<p><i>Def. the extent to which firm does not penalize failures.</i></p> <ol style="list-style-type: none"> 1. It is understood that failure is a necessary part of success. 2. Management doesn't understand that when you try something new, you sometimes fail. (R) 3. A mistake is seen as an opportunity to learn. 	.707	.756
Firm strategic audacity <ul style="list-style-type: none"> • New scale • Reflective 	<p><i>Def. the extent to which firm is likely to pursue daring strategies</i></p> <ol style="list-style-type: none"> 1. Our market approach can best be described as aggressive. 2. We tend to do bold communication campaigns for our products. 3. Our innovation projects are generally more challenging than those of our competitors. 4. We tend to pursue daring strategies more than our competitors 5. Our firm is generally considered as an audacious company. 	.836	.841
Strategic mission rigidity <ul style="list-style-type: none"> • Athuahene-Gima et al., 2005 • Reflective 	<p><i>Def. the extent to which mission is defined narrowly, is inflexible, discourages activities outside its scope, and is difficult to change.</i></p> <ol style="list-style-type: none"> 1. Our strategic mission is defined quite narrowly and rigidly. 2. Our mission allows little flexibility to expand the domain of our operations. 3. Any activity outside our strategic mission is actively discouraged. 4. It is difficult to change or strategic mission to meet new challenges. 	.771	.776
Conversion ability <ul style="list-style-type: none"> • Chandy et al 2006 • Reflective 	<p><i>Def. business's ability to implement a given idea into practice</i></p> <ol style="list-style-type: none"> 1. We are better than our competitors in turning our ideas into outcomes 2. We are great at translating our strategies into activities 3. We know how to get things done once they are envisioned 	.900	.902

Department-level			
Marketing department integration with marketing agency / sales department / R&D department • Verhoef & Leeflang, 2009 • Single-item	<i>Def. the extent to which marketing department collaborates with others.</i> Coordination between marketing department and the following actors in the last 12 months generally was (1-very bad, 7-very good). Included: marketing agency / sales department / R&D	n/a	n/a
Influence on strategy • Hoburg, Workman, Krohmer, 1999 • Reflective	<i>Def. the extent to which an actor has an impact on firm's strategic choices.</i> Included: marketing agency / marketing department / sales department / R&D Please distribute 100 points across the following actors depending on their influence on the following decisions regarding the focal product: <ul style="list-style-type: none"> • Marketing strategy development • Market development decisions • Innovation and new product development 	.697 .730 .742 .664	.761 .744 .748 .686
Marketing department accountability • Verhoef & Leeflang, 2009 • Reflective	<i>Def. the extent to which marketing department is able to link marketing strategies and actions to financial performance.</i> The marketing department in our firm (1-7): <ul style="list-style-type: none"> • Shows the financial outcomes of their plans • Is effective at linking their activities to financial outcomes 	.886	.886
Marketing department positioning capability • New scale • Reflective	<i>Def. the extent to which the business is able to achieve the planned position of its products in consumer minds.</i> Please indicate to which extent you agree with the following: <ol style="list-style-type: none"> 1. We are better than competitors in positioning our products 2. We continuously analyze markets searching for positions in consumer mind which our products can occupy 3. We are able to quickly adjust to changes through repositioning of our products 	.786	.786
Marketing department communication capability • Vorhiez & Morgan, 2005 • Reflective	<i>Def. the extent to which the business is able to manage consumer value perceptions.</i> Marketing department in our company ... <ol style="list-style-type: none"> 1. ... is better than our competitors in developing and executing advertising programs 2. ... is better than our competitors in advertising management and creative skills 3. ... has better public relations skills than our competitors 4. ... has better brand image management skills than our competitors 5. ... is better than our competitors in managing corporate image and reputation 	.923	.921
Individual-level			
CEO experience breadth • . • Reflective	<i>Def. the extent to which the CEO has worked in industries outside the industry she is current working in.</i> <ol style="list-style-type: none"> 1. Our CEO has worked in diverse industries. 2. Our CEO has very broad range of business experiences. 3. Our CEO has great experience working for many different companies. 4. Our CEO has great experience working in many different industries. 	.819	.824
CEO experience depth • . • Reflective	<i>Def. the extent to which the CEO has worked in the industry she is currently working in.</i> <ol style="list-style-type: none"> 1. Our CEO has been working in our company for long time. 2. Our CEO has great experience working in many companies within our industry. 	.782	.819
CEO education • Dummy variable	<i>Def. the highest level of formal education completed by the CEO.</i>	n/a	n/a
CEO audacity • New scale • Reflective	<i>Def. the extent to which CEO is likely to pursue daring strategies.</i> <ol style="list-style-type: none"> 1. Our CEO has a brave appearance 2. Our CEO generally makes bold decisions 3. Our CEO is a very audacious person 	.943	.944
Star marketer • New scale • Reflective	<i>Def. highly educated and experienced marketer.</i> <ol style="list-style-type: none"> 1. People working on this product are proven marketing experts 2. For this product we have employed our best experts 3. Our partners have dedicated their best employees to work on our product 4. People working on this product generally are highly educated (master or higher) 	.719	.737

Environmental-level			
Within-category competitive intensity • Zhou, Yim, Tse, 2005 • Reflective	<i>Def. the degree of competition that a product faces within its category.</i> Please indicate to which extent you agree with the following statements about <u>competitiveness of your industry during the last 12 months</u> . 1. Competition in our industry was cutthroat. 2. Any product advancement that one competitor would offer, others would match instantly 3. Price competition was a hallmark of our industry 4. There were too many similar products in the market; it was very difficult to differentiate our product	.692	.693
Cross-category competitive intensity • Based on Zhou, Yim, Tse, 2005 • Reflective	<i>Def. the extent to which different categories compete to satisfy a particular consumer need.</i> Please indicate to which extent you agree with the following statements about <u>competitiveness between different product categories during the last 12 months</u> 1. There are many different product categories trying to satisfy the same need as our product category (e.g transportation needs can be satisfied by public transportation, cars, etc.) 2. Consumers could choose from many different product categories to satisfy their needs 3. competition between different product categories was intense 4. The benefits offered by different product categories were very comparable	.703	.771