Resource based view (rbv) on marketing strategy

Business, Marketing

The competitive advantage a firm wishes to attain in a market is primarily determined by the mode through which it strives to attain it, which is a strategy-based or resource based approach. This implies that a firm can gain competitive advantage either through superior strategy or through unique resources. Resource Based View or RBV is the collection, development, enhancement and exploitation of a deliberately selected set of elemental and building block competencies and assets that are totally different from the competition.

Organizational structure and systems are designed to nurture, protect and exploit these key capabilities with the aim of enabling the firm to gain competitive advantage. (Lengnick-Hall and Wolff: 1999). Resource Based View calls for creating competitive positions through deployment of resources which create viable advantage for the firm in the given target group of consumers. These resources are said to be unique and thus the competitor is not able to imitate them. (Hooley: 2001). This generates a competitive advantage for the firm. The basic facets of the concept of RBV are examined in detail in succeeding paragraphs.

Competitive Advantage of Resources RBV contends that not all resources that a firm has will create competitive advantage. Thus there is a need to identify those which can create sustainable competitive advantage. The characteristics of such resources can be varied. Some writers have proposed that these should be value, rareness, inimitability and non substitutability. (Barney: 1991). On the other hand other writers as Collis and Montgomery have suggested that there are five tests for a resource to create competitive advantage, these being inimitability, durability, appropriability,

substitutability as well as competitive superiority. Collis. Montgomery : 1995).

Grant has added the criteria of transparency and transferability for determining competitive value of a resource. (Grant: 1991). While Amit and Schoemaker have identified eight criteria to include complementarity, scarcity, low tradability, inimitability, limited substitutability, appropriability, durability and overlap with strategic industry. (1993). Fahy and Smithee tend to categorize all these into three headings as value, barriers to duplication and appropriability. (Fahy. Smithee: 1999). These characteristics broadly imply that the resource should be unique and valuable.

Resources are also divided into three sub groups’ tangible assets, intangible assets and capabilities. (Fahy. Smithee: 1999). Tangible assets are those that provide long term capacity for the firm such as plant, equipment, capital goods and financial resources as fixed deposits. These have to be transparent and also cannot be duplicated or substituted by the competitor. (Fahy. Smithee: 1999). Brand, reputation, patents and trade marks fall within the category of intangible assets. These do not have a restrictive capacity and can be exploited by the firm using their value to generate revenue. Wernerfelt 1989).

These cannot be duplicated and are also afforded legal protection through the mechanism of intellectual property rights. Intangible assets as data bases, networks and so on being complex; their accumulation is a barrier to imitability and substitutability. (Fahy. Smithee: 1999) The third resource is capability which it is difficult to denote distinctly and thus also called as an

invisible asset. Capabilities in turn are interchangeably used with competencies and skills, each again distinguished by adjectives as core and distinctive.

These are the skills of individuals such as organizational routines and interactions through which the firm's resources are coordinated effectively. (Grant 1991). These will include such issues as team work, trust and culture. These can be subject to a transaction and have virtually unlimited capacity in the long run. These are supposed to be the most effective resource to gain competitive advantage. (Fahy. Smithee: 1999). In international business, resources can also be divided into country specific resource and firm specific resource.

Country specific resource will emanate from the land, capital and work value of the particular nation, while firm specific resources are unique to a particular firm. (Fahy. Smithee: 1999). Needs of Target Customer Groups and Avoidance of Duplication The essence of competitive resources is that these should meet the needs of the target customer group. Thus it should be considered valuable by the consumer in the given context and should enable the company to implement strategies which can improve its efficiency and effectiveness to meet the needs of the customer. Barney: 1991)

Thus competitive advantage will also depend on maximization of utility of the resource which creates value for the customer. (Fahy. Smithee: 1999) Avoidance of duplication of the resource by the competitor will also provide it a considerable advantage. This is a difficult concept to visualize or implement as there are differing criteria which can be applied for avoiding

replication. Most common ones are suggested to be capability gaps and differentials. The basic criteria which can be adopted are that of transparency, where in a competitor will lack the information of factors which constitute success of the firm.

This is contained in say the formula which a drug firm has for its brand which cannot be duplicated by the competitor and which is jealously guarded through patents. A causal ambiguity is said to be maintained by the firm to prevent imitation by competitors. The characteristics which create an advantage due to ambiguity are generally inability to specifically codify or tacitness, complexity and specificity which provide the facility for non duplication of a resource by a competitor. (Fahy. Smithee: 1999)

The prevention of duplication is inherent in the system of patents, copyrights and trademarks which are protected through the laws related to intellectual property rights. This apart economic encumbrances may also prevent duplication. It is also said that the resource should not be possible to be hired away and thus be immobile due to factors such as geographic due to costs of relocation, lack of clear definition of property rights and high transaction costs preventing transfer. Thus resources are not duplicated due to difficulties imposed by imitability and mobility. (Fahy. Smithee: 1999).

Assessment of RBV will deem that it is not purely resources per se which will provide a firm the competitive gain but it is management of resources which will confer these advantages. (Fahy. Smithee: 1999). Thus management has a very important role to play and implies conversion of resources to provide customer value. Resources which create advantage to the firm have to be

protected and accumulated by consistent investment. Thus trade secrets and intellectual property rights assume significance. The managerial task also implies effective deployment of resources in the market place.

This in turn entails that management itself can be considered a resource for competitive advantage. Thus the multiple impacts of competitive positions created by deployment of viable benefits created by resources which are matched to customer groups enable a firm to maintain a lead position in the market. Assessment of RBV Thus it would be seen that the RBV of marketing management comprises of assessing key wherewithal of a firm and the ability of the management to convert these into positions of sustainable competitive advantage.

While all resources may not be able to create the competitive gain equitably, identifying the critical ones and mobilizing these effectively appears to be the key management task. This is a very significant contribution to strategic marketing as it explains why some resources are advantageous than others and also how these should be leveraged for benefit by the management. It provides an insight into why even in situations of open competition; resources asymmetries and competitive advantages persist.

It is also said to enable assessment of strengths and weaknesses in terms of criteria for sustained competitive advantage. Thus the RBV focuses on value as well as durability. The barriers of strengths to duplication are also evident in the RBV framework and this will enable categorization of resources according to its likelihood of replication by the competitors. It is seen that intangible resources will be more difficult to copy than tangible. RBV also

facilitates by providing the firm guide lines in development of appropriate resources for positioning the product or brand in the market. Hooley: 1998). Thus if a firm wants to position itself as a service leader, it will have to develop appropriate resources to develop a service infra structure. On the hand if the strategy is to provide low cost services, then cost management techniques will have to be devised by the firm. Thus RBV is seen to provide major advantages in designing systems and processes of a business.

A strategy for quality would require placing focus on quality management sources while a policy of growth based on innovation would imply reliance on research and development, technical and creative skills. Fahy. Smithee: 1999). Comparison of Marketing Strategies Resources based views of competitive advantage draws its source from economics as opposed to strategic based views which are dependent on the industrial economic model. The strategy based views imply that a firm can gain competitive advantage through the policies it adopts. There are a number of concepts which are incumbent in the strategy based views. One of the key ones is Porter’s generic strategy model. (Porter: 1980).

This implies that a firm can gain competitive advantage in the market by adopting cost leadership, differentiation or focus. Cost leadership would imply that a firm can take advantage of its lower cost than the industry average to reduce price and become competitive, while cost based advantage can also be achieved by the advantages that accrue to a company due to sourcing of raw materials, tight cost control and volumes.

(Porter: 1980). A differentiation strategy on the other hand would imply that a firm has the advantage of a unique product in the market.

This advantage can ensue from its product, the brand image, technology and other features. The strategy of focus implies that the firm restricts its spotlight in a narrow segment of the market to produce a niche product or limit distribution to a well defined geographical area. Thus a company can adopt either of these strategies to gain competitive advantage in a market. (Gesztes. Gibe: 2001). Philip Kotler has evolved the four Ps frame work of strategic marketing which has in times to come been expanded to a five or a seven Ps.

Based on the four Ps envisaged by Kotler a company can base its marketing strategy on a mix of price, product, promotion and place. (Kotler: 1994). Pricing implies variables as deals, allowances, distribution and retailing mark ups and discounting. This is related to cost of production as well as the premium that it can command in the market. The product variable comprises of quality, models, sizes, packaging, brands and services. It is generally affected by the life cycle, volume as well as differentiation. Innovation is an important facet of product marketing. Kotler: 1994).

Promotion will include variables such as advertising, sales promotion, selling strategies and publicity. While place implies the channels available for distribution, outlets, sales, territories and ware houses, which will impact the manner in which the company will be able to distribute its wares to advantage in the market. (Kotler: 1994). Thus it would be seen that as opposed to resource based views, which rely on developing resources, the

strategic view relies on development of various strategies for gaining competitive advantage in the market.