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A general theory of business marketing: R-A theory, Alderson, the ISBM framework, and the IMP theoretical structure

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ABSTRACT

This article focuses on business marketing to extend the arguments in Hunt (2010) that R-A theory provides the foundations for a general theory of marketing. The article extends the arguments by showing (1) how Alderson's theory of market processes, on which R-A theory draws, clearly accommodates both B2B and B2C marketing, (2) that ISBM's normative, Value Delivery Framework assumes that the process of competition within which business marketers compete is actually the process of competition described by the premises and structure of R-A theory, and (3) that not only does R-A theory and the IMP theoretical structure have numerous commonalities, but also, that R-A theory, by means of its concept of "relational resource," provides a foundation for key aspects of the IMP theoretical structure, with its commitment to the importance of relationships. Therefore, the article concludes that R-A theory is toward a general theory of marketing, both B2B and B2C.

It's all B2B.—Vargo and Lusch (2011)*The only complaint I have about Shelby's book is that it should have been titled"A General Theory of Marketing," not "A General Theory of Competition."*—Sheth (2001)

1. Introduction

The standard view in marketing is that theories are systematically related sets of statements, including some lawlike generalizations, that are empirically testable (Hunt, 1976). How, then, do general theories differ from the ordinary kind? What is it that makes a general theory *general*? Again, the standard view in marketing is that there are four ways that one theory may be more general than another. General theories (1) explain and predict more phenomena, (2) accommodate, integrate, or systematically relate a large number of concepts and lawlike generalizations, (3) totally incorporate less-general theories, and/or (4) have a high level of abstraction (Hunt, 1983). Alderson's (1957, 1965) functionalist theory of market processes, developed in the 1950s and 1960s, has historically been considered to be the closest thing to a general theory of marketing. In the 1990s, Hunt and Morgan developed their resource-advantage (R-A) theory of competition, and Hunt (2010) now argues that R-A theory is toward a general theory of marketing.

Hunt (2010) supplies three arguments that R-A theory provides the foundations for, that is, it is *toward*, a general theory of marketing. First, because marketing takes place within the context of competition, a general theory of *marketing* should be consistent with the most general theory of *competition*. Accordingly, because R-A theory is a general theory of competition, it is an appropriate foundation for working toward a general theory of marketing. Second, R-A theory is toward a general theory of marketing because it provides a foundation for the normative area of marketing strategy (e.g., market segmentation, relationship marketing, and brand equity). Third, the closest thing to a general theory of marketing today is Alderson's (1957, 1965) functionalist theory of market behavior. Therefore, R-A theory is toward a general theory of marketing because it accommodates and extends key concepts and generalizations from Alderson's theory and integrates them into a broader theoretical framework.

The purpose of this article is, first, to show how R-A theory does, indeed, extend Alderson's theory and integrates it into the broader, R-A framework. Second, I explore whether R-A theory should be considered a general theory of *business* marketing. That is, I explore the issue of whether R-A theory is, either explicitly or implicitly, a general theory of business-to-consumer (B2C) marketing only, or a general theory of business marketing (B2B), or *both* B2C and B2B marketing. In my analysis of business marketing, I focus on whether R-A theory can provide a theoretical foundation for two prominent approaches to business marketing: ISBM's Value Delivery Framework and IMP's theoretical structure. I begin by reviewing Alderson's theory of market processes. Next, I review R-A theory and show how it accommodates and extends Alderson's theory. Then, I investigate whether R-A theory is a general theory of business marketing.

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2. Background of Alderson's theory of market processes

Consider Alderson and his theory of market processes. At the beginning of Wilkie and Moore's (2003) "era three," Alderson was judged to be "without doubt the most influential marketing theorist in recent times" (Grether, 1967, p. 315), and at the era's end a survey of marketing academics ranked Alderson as the number one contributor to the development of marketing thought (Chonko & Dunne, 1982). Furthermore, scholars in the present era now laud Alderson as "unquestionably the pre-eminent marketing theorist of the mid-twentieth century" (Wooliscroft, Tamilia, & Shapiro, 2006, p. xvii). However, Alderson's work is seldom used as a foundation for (or even cited in) contemporary marketing research. This section on Alderson's theory of market processes will draw extensively on the volume edited by Wooliscroft et al. (2006), particularly the chapter by Hunt and Arnett (2006).

Alderson's functionalist theory of market processes enabled him to explain how market processes can take conglomerate resources in the natural state and bring about meaningful assortments of goods in the hands of consumers. A key component of his theory of market processes is his theory of competition for differential advantage, which was drawn from the "effective competition theory" of John M. Clark (1954, 1961). Differential advantage theory explains the forces that motivate firms in the marketplace by positing that, in order to survive, firms compete with other firms for the patronage of households. A firm can be assured of the patronage of particular groups of households (i.e., market segments) only when members of the groups have reasons to prefer the output of the particular firm over the output of competing firms. Therefore, each firm will seek some advantages over other firms to assure the patronage of groups of households. This process, known as "competition for differential advantage," consists of the constant struggle of firms to develop, maintain, or increase their differential advantages over other firms. To understand Alderson's theory, therefore, requires an understanding of Clark's effective competition theory.

2.1. Effective competition theory

The early work of Clark (1940) developed his concept of "workable" competition. Later, Clark (1954, 1961) abandoned the concept of *workable* competition and replaced it with *effective* competition because he came to believe that departures from "perfect" competition were absolutely necessary for economic progress. For Clark, effective, dynamic competition is:

> a form of independent action by business units in pursuit of increased profits… by offering other inducements to deal with them, the others being free to accept the alternative inducements offered by rival business units. Active competition consists of a combination of (1) initiatory actions by a business unit, and (2) a complex of responses by those with whom it deals, and by rivals. (Clark, 1954, p. 326)

Clark (1961, p. 9) specifically alerts readers that, though firms are "profit minded," they are not profit maximizers because all firms at all times face such conditions of uncertainty (as to consumers' and rivals' actions) that they lack the necessary information to maximize (p. 93). Also, some firms at some times (1) sacrifice profits for growth (p. 96), (2) sacrifice profits in favor of community responsibilities (p. 91), and (3) sacrifice profits because of following the "morals of trade" (p. 479). By substituting "increased profits in the face of uncertainty" for the neoclassical "maximum profits in the face of perfect information," Clark makes competition dynamic. That is, the continuing pursuit of increased profits, *more* profits, prompt changes in the "inducements to deal."

When firms are successful in effecting changes in inducements targeted at specific customers, for example, by providing market offerings of higher quality or lower prices, such firms have a "differential advantage" over rivals (Clark, 1954, p. 327). It is the pursuit of differential advantages over rivals that prompts the innovations that constitute "aggressive competition" (1961, p. 14). For Clark, the sum of innovations that result in differential advantages over rivals constitutes the technological progress required for a "dynamically progressive system," that is, for economic growth (1961, p. 70).

Clark's 500-page, 1961 book—having not a single differential equation or geometrical representation—was not incorporated into mainstream economics, nor is it cited and discussed today. However, Clark's works did significantly impact Alderson's (1957, 1965) functionalist theory of market processes.

3. The structure of Alderson's functionalist theory of market processes

Alderson (1957, 1965) was strongly influenced by Clark's (1954, 1961) theory of effective, dynamic competition, as well as by Merton's (1949) functionalist, systems approach to theory development. Furthermore, his background in marketing, with its historical interest in groups of manufacturers, wholesalers, and retailers that form channels of distribution, encouraged him to focus his theory on marketing systems. Accordingly, his functionalist theory of market processes may be viewed as a functionalist, systems approach to integrating theories of heterogeneous demand, differential advantage, and channels of distribution.

Alderson (1957, p. 16) identifies (1) firms as the subsystems that produce goods and (2) households as the subsystems that constitute the basic consuming units. He (1965, p. 39) notes that firms evolve in a society when specialization of labor results in removing the production function for some goods from the household. Extending Chamberlin's (1933) view that intra-industry demand is substantially heterogeneous, he notes that the particular assortment of goods that is viewed as meaningful or desirable by any one household is likely to differ greatly from those of others. Thus, the macro-systems that he seeks to understand and explain are those that involve firms taking tangible resources in their natural state and transforming them into a variety of marketplace goods. These various goods ultimately wind up as meaningful assortments of goods in the hands of particular households.

Alderson (1957, p. 54) maintains that firms pursue profits *as if* they had a primary goal of survival, which results from firm owners and employees believing that they can obtain more in terms of financial and nonfinancial rewards by working toward the survival of their existing firms than by acting individually or by joining other firms. A firm's survival depends crucially on its ability to compete with other firms in seeking the patronage of specific (1) intermediate buyers and/or (2) ultimate households. A firm can be assured of the patronage of intermediate buyers and/or groups of households only when buyers have reasons to prefer its output over that of competing firms. Therefore, each competing firm will seek some advantage over other firms to assure the patronage of some group of either intermediate buyers or ultimate households. Citing the work of Clark (1954), Alderson labels the process "competition for differential advantage" (1957, p. 101). Indeed, "no one enters business except in the expectation of some degree of differential advantage in serving his customers, and… competition consists of the constant struggle to develop, maintain, or increase such advantages" (1957, p. 106). Therefore:

> The functionalist or ecological approach to competition begins with the assumption that every firm must seek and find a function in order to maintain itself in the market place. Every business firm occupies a position, which is in some respects unique. Its location, the product it sells, its operating methods, or the customers it serves tend to set it off in some degree from every other firm. Each firm competes by making the most of its individuality and its special character. It is constantly seeking to