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Market representations in industrial marketing: Could representations influence strategy?

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ABSTRACT

A central question in industrial marketing is whether the form in which the market of a firm is represented influences the marketing strategy. This question has been studied generally through case study research, and quantitative evidence is limited. In response to this limitation, this paper reports on a quasi-experiment investigating whether market representations have a constructive aspect in business. Empirically, this study compares two types of market representations - ostensive and performative - in order to test for influence exacted in two well-established strategies in industrial marketing - service focus and product differentiation. Results indicate that service focus is selected when market representations rely on agency in firms (i.e., performative), and product strategies are selected when structures are emphasized (i.e., ostensive). This paper contributes to methodology development by expanding the link between a case study approach and quasi-experiments explaining how quasi-experiments can replicate findings in industrial marketing.

1. Introduction

Marketing is a representational practice (Levy, 1959; Stern, 2004). Marketers operate by representing one thing with something else—for example, using a brand to represent the values of the company, or crafting ads to represent the benefits of a product. The importance of representation has been at the forefront of marketing thought since as early as the 1950s (Gardner & Levy, 1955), yet general consensus is that only marketers utilize representations to their advantage. As such, scholars observe how marketers craft brands to mean something, and how advertisers use ads to persuade. Marketing literature often overlooks the fact that marketers are, in a sense, themselves the subject of representations (Stern, 2004). Representations affect the form in which managers understand their business market – that is, how it is *represented* in their minds – constraining their repertoire of managerial actions (Hagel, Brown and Davison, 2008).

Market representations are coherent yet simplified views of what a market is and how it works. Managers need representations because markets are generally too complex, involving multiple people conducting multiple trades, at separate times, at multiple locations, and for various reasons (Deshpande & Zaltman, 1982). The concept of the market is complicated by the legacy of a physical place where buyers and sellers physically convened to trade (i.e., a marketplace), but this meaning is no longer accurate (Callon, 1998; Araujo, 2007; Kjellberg et al., 2012). Rather, contemporary markets involve heterogeneous associations among humans, materials, and signs (Kjellberg & Helgesson, 2007). Managers use representations to impose order on these complex environments by isolating points of competitive advantage (Day & Nedungadi, 1994) and thus, the manner in which market complexity is simplified results in a market representation. However, it remains unclear whether market representations have any effect on management.

Literature in managerial representations argues that the manner in which managers simplify the complexity of their external environment affects how firms conduct business (Grazzini, 2013). In other words, representations of a firm's external environment impact firm strategy (Harrison & Kjellberg, 2010; Storbacka & Nenonen, 2011). Drawing on their expertise as business consultants, Storbacka and Nenonen (2011) argued that how firms understand their markets is critical not only for achieving more efficient operations, but also for effectively shaping their business environments. Harrison and Kjellberg (2010) found that how industrial firms understand their markets influences crucial business decisions. For example, consider one firm that conceives its markets based on relationships within a network (long-term or short-term), and one that understands its markets based on profitability (high or low). These differing conceptions may contribute to very different business decisions between these firms; for example, the firm that views its market through the lens of relationships is more likely to give preference to a long-term relationship over short-term profitability.

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Scholars suggesting that representations influence marketing strategies rely on case studies (e.g., Harrison & Kjellberg, 2010; Rinallo & Golfetto, 2006), because quantitative evidence is largely unavailable. However, quantitative evidence can be useful for isolating context (Chandler and Vargo, 2011) and cognition (Grazzini, 2013). An unanswered question in industrial marketing is whether market representations construct managerial actions—and thus, whether market representations influence business marketing strategy. In consequence, the purpose of this paper is to isolate market representations and test whether the manner in which the external environment of firms is represented influences marketing strategies.

The contributions of this paper are both conceptual and methodological. The conceptual contribution demonstrates that market representations are constructive. The methodological contribution introduces quasi-experiments to support findings of case studies. A quasi-experiment involves the manipulation of quasi-independent treatments tests for effects in a controlled environment (Campbell, Stanley, & Gage, 1963). To detail, this study tests whether certain types of market representations lead more to service focus strategies, or to product differentiation strategies. We conducted a quasi-experiment on 143 graduate marketing students as proxies for marketing managers, using an industrial business case. The case was manipulated to include two types of market representations: *ostensive*, which separates the market from the firm, and *performative*, which integrates the capabilities of an organization. Results indicate that a service focus strategy is more likely when market representations are performative, and that a product differentiation strategy is more likely when market representations are ostensive.

The paper is organized as follows. Following this introduction, Section 2 introduces the conceptual anchor of the study in the form of market representations. Section 3 frames the conceptual aspect of the study by identifying marketing strategies as the variable, and market representations as treatment. Section 4 introduces the method of study and crafts hypotheses derived from the conceptual anchor. Section 5 discusses conceptual, methodological, and managerial implications, and limitations and future research, leading into the conclusion in Section 6.

2. Market representations

In order to understand a firm's market context, managers must make assumptions and predictions about significant external structures. Furthermore, managers must simplify and isolate relevant issues involving complicated interactions between social, economic, political, and technological structures (Deshpande & Zaltman, 1982); in order to make simplifications about markets, they have to assemble representations. A representation is a human-made construct that stands for, and yet is independent from, reality. Representations are frequently used in applied social disciplines like cartography, in which distortions occur as a result of representing the Earth, a three-dimensional object, on a two-dimensional surface. What cartographers discuss is not whether distortions should occur at all, but rather which distortions are acceptable for achieving certain purposes. A map used to establish geopolitical boundaries is different from a map charting navigation on the sea. In marketing, however, Stern (2004) argued that more debate is centered on the object of representations – that is, the phenomenon of interest in markets – than on the manner in which market phenomena are represented.

A market representation is defined here as a coherent yet incomplete view of what a market is and how it works, either at the present time or in an alternative future. Managers sort out and select from direct observation, personal experiences, and secondary data the elements that constitute a self-reinforcing view (Day & Nedungadi, 1994). Because of the constructive aspect of market representations (Harrison & Kjellberg, 2010), managers can extrapolate divisions in their own organization into market representations: A firm could divide its market into two regions (e.g., the US and the rest of the world) for the only reason that the sales department in the organization is divided in such manner. Market representations include "the representational objects (what) and the practices in which objects are put together (how), in order to privilege a view of a market (what for)" (Diaz Ruiz, 2013), and thus, multiple versions of markets can exist in a representation. Some examples include representing a market following geographic boundaries (e.g., China is a market); framing a market corresponding to a product category (e.g., the market of smartphones); and imagining practices at the center of markets (e.g., online gambling as a market).

The forefront of conceptualizing multiple versions of markets can be found in industrial marketing research (e.g. Azimont & Araujo, 2007, 2010; Finch & Geiger, 2011; Hagberg & Kjellberg, 2010). Overall, industrial markets seem harder to categorize into the well-known structures of competition, supply and demand (Ford & Håkansson, 2006; Håkansson & Ford, 2002). Market conceptualizations developed by IMP scholars (e.g., markets as networks; McLoughlin & Horan, 2002) have convincingly demonstrated that multiple versions of markets can be found. By conceptualizing industrial markets more fully, firms have access to a wider repertoire of resources than previously acknowledged. For instance, research has explained how fashion firms used trade shows to steer market trends (Rinallo & Golfetto, 2006), how manufacturers used meetings for category management with retailers to influence boundaries among product categories (Azimont & Araujo, 2007), and how independent firms solve problems jointly (Aarikka-Stenroos & Jaakkola, 2012; Biggemann, Kowalkowski, Maley, & Brege, 2013).

However, the idea that managers simplify the complexity of markets in multiple ways is generally not acknowledged in literature. The question of how individual managers understand their environments is of little relevance when self-seeking economic rationality is emphasized, because as the story goes, managers should converge on optimal decisions, given that managers act as rational self-interest maximizers (cf. Ghoshal, 2005). Economic rationality assumes that managers know their environment and act under similar maximizing principles, and therefore considers understanding how managers represent markets seems inconsequential. Despite increasing attention on deviations from rationality in human behavior, marketing literature has a strong legacy of economic rationality (Varey, 2010), and therefore, important contributions – including how markets are constituted via networks (McLoughlin & Horan, 2002), or how intuition influences management (Vanharanta & Easton, 2010) – are yet to be fully incorporated into mainstream marketing research.

Business scholars have presented convincing arguments that managers use a form of bounded rationality and selected issues from their markets in order to make business decisions. Business cases report that the selection of these important issues influences the type of strategy that firms follow (Harrison, 2012). Nevertheless, we do not know which kind of representation leads to which kind of strategy, in part because neither market representations nor strategies have been codified, and because marketing research lacks a method for integrating representations identified in case studies for quantitative validation. The following section discusses how a customized method integrating quasi-experiments and narratives derived from case studies, as well as other findings originating from industrial marketing, could be useful for the study of market representations.

3. Constructing the study: could market representations influence business marketing strategy?

This section anchors the conceptual part of the study that identifies whether a theoretical cause–effect relationship could exist between market representations (i.e., treatment) and business-marketing strategy (i.e., variable of interest).

3.1. Market representations: performative vs. ostensive market representations

This section argues that two types of market representations are distinct enough to constitute independent representations. The typology of