A FRAMEWORK FOR UTILIZING MARKETING EXPERTISE IN STRATEGY DESIGN

Christine Moorman, University of Wisconsin - Madison
Erika Matulich, University of Wisconsin - Madison

ABSTRACT

A conceptual framework is proposed to guide the design of marketing growth strategies. This framework suggests that marketing strategies should reflect a firm's target market expertise, need satisfying expertise, and/or operating synergies. The growth strategies following from the utilization of these sources of marketing expertise are presented, along with implications and limitations.

INTRODUCTION

The design of marketing strategies assumes that organizations reflect on the environments in which they operate and the nature and extent of their expertise. The now classic Ansoff (1957, 1965, 1968) product/market matrix is one conceptual model that suggests how firms can use their expertise in dealing with various customers and market offerings to capitalize on environmental opportunities. The present paper defines a framework that extends the current product/market matrix by proposing that firms should grow by relying on their experience with a particular target market, their ability to satisfy particular needs, or the extent to which the growth opportunity can share currently held operating resources. The combination of these components suggests a multidimensional product/market matrix of potential growth strategies.

To begin, some conceptualizations of marketing growth strategies are reviewed. Next, the various types of organizational expertise are presented and a framework combining them into a revised matrix is outlined. Following this, the various marketing strategies implied by the matrix are presented. Next, the implications of the framework are discussed, including the framework's linkages to a firm's market orientation, its guidance in promoting firm "fit" with its environment, and the development of marketing strategy theories. Finally, limitations are addressed.

BACKGROUND

Ansoff's (1957 and 1965) 2 x 2 product/market matrix suggests that firms can grow in four ways -- by concentrating on present and/or new products and present and/or new customers. To quickly review the matrix, if a firm pursues its present customers with its present products, this is termed a market penetration strategy. When present customers are retained as a target and new products are created or acquired for them, a product development strategy has been implemented. If, on the other hand, the firm decides to grow by acquiring new customers, but retaining old products, a market development strategy has been used. Finally, if the firm develops new products to attract new customers, they have used a diversification strategy.

A review of general business and marketing literature revealed only a few direct applications of the matrix. For example, Moszkowics and Moszkowics (1989) used the matrix to investigate company policies in a non-market economy. Varadarajan and Berry (1983) applied the matrix to banking strategies and ended by expanding the original matrix with contributions specific to the banking industry. Additionally, Mason (1986) began an investigation of short-term corporate planning and found an immediate need to expand the original matrix to include six new components.

Other authors did not attempt application, but expanded upon the original matrix. For example, Green (1977) expanded the traditional Ansoff matrix to produce a table that distinguishes between strategies at the structural and functional levels of an organization. Varadarajan's (1983) extension incorporates external opportunity factors such as user focus, market growth rate, and a wide range of internal strategy response options as subdimensions.

There appear to be a number of reasons why the matrix has been applied with difficulty and has been revised over the years. First, Ansoff's matrix was developed primarily as a general, descriptive device to be used in conceptualizing growth strategies. Therefore, its use in organizations was meant to be limited to stimulating creative insight regarding future growth opportunities. Second, and as a result, there are a variety of gradations between present and new customers and present and new products involving important strategic options to marketers that are not made explicit in the matrix. Hence, the matrix is not as instructive as it might otherwise be. Finally, the matrix offers limited guidance regarding what a "new" product or customer is and how firms should decide whether to grow into these areas (except for firms enjoying traditional synergies in manufacturing, distribution, or other investments).
The present paper extends previous work by providing an extended formulation of the product/market matrix. This formulation provides a conceptual framework to guide strategic thinking about growth opportunities. The framework utilizes two critical types of marketing knowledge -- target market expertise and need-satisfying expertise, in addition to traditional operating synergies, to drive the design of marketing strategies. The unique combination of these three resources suggests a variety of marketing strategies implicit in the Ansoff matrix. By making these strategies explicit, increased theoretical and practical implications become evident.

THREE DETERMINANTS OF MARKETING STRATEGY DESIGN

The determinants of marketing strategy design utilized in this article are based on three corresponding assumptions. First, market offerings can be classified according to the extent to which they meet a target market's needs. Second, consumers can be segmented according to the similarity of their needs. Third, market offerings can be classified as being synergistic with the firm's current resources. Each of these assumptions will now be discussed.

Classifying Market Offerings as Satisfying a Target Market's Needs

Research has demonstrated that market offerings can be classified by the extent to which they meet similar needs (Srivastava, Alpert, and Shocker 1984). Likewise, market offerings can be classified by the extent to which they meet the needs of a single target market. For example, athletes might need special shoes, clothing, and fluid replacement drinks.

Firms often capitalize on their strengths in understanding and meeting the needs of a particular target market by offering various products and services to that same market. For example, Spiegel Catalog Company has recently expanded its clothing catalogs to include home accessories for their working female market. Strategies capitalizing on their experience and expertise in dealing with a specific group of customers are said to utilize "target market expertise.

Interestingly, Ansoff (1965, 1988) does not include this type of expertise in his matrix. On the contrary, Ansoff argues that expertise in meeting consumers' needs is not a common thread that assists in designing growth strategies because consumers' needs are so variable across situations (see Ansoff 1985, p. 10). We contend that both marketing practice and marketing theory argue otherwise. Specifically, recent literature espousing the importance of a firm's customer orientation is consistent with our suggestion that firms can rely on target market expertise to drive strategy design (Narver and Slater 1990; Peters and Waterman 1982). Indeed, "staying close to one's customers" is likely to shed a great deal of light not only on how effectively a firm's current offerings meet their customers' needs, but also what unmet needs their customers have that are not currently being met.

Classifying Consumers as Having Related Needs

This assumption suggests that consumers can be classified by the extent to which they share a need. Therefore, here we focus on targeting different consumers that have common or related needs. For example, a firm marketing their toothpaste as a teeth cleanser to households with 25-65 year olds might also target older households and position their product as a denture cleanser. Here, the market is new, but related to the original market because of the shared need of clean teeth (whether real or false). We term this "need-satisfying expertise."

The current Ansoff product/market matrix does not explicitly note that firms might grow into new markets by targeting customers who have needs related to their original market. Yet clearly, a firm's expertise in meeting similar and related needs is a one reason why firms engage in brand and product extensions (Smith 1990). Therefore, in addition to considering the extent to which consumers share demographic, psychographic, or geographic characteristics, it may be more helpful to consider the extent to which their needs are related. This dimension is similar to the notion of benefit segmentation in which consumers are classified according to the bundle of relative importance placed on various product attributes or benefits (Calantone and Sawyer 1978; Haley 1968).

Classifying Market Offerings as Synergistic

Synergy is defined as "the joint effects that are sought from the organizations' resource deployments and/or scope decisions" (Hofer and Schendel 1978, p. 25). Therefore, the degree to which new market offerings fit with the firm's marketing, manufacturing, investment, and management resources and capabilities, describes the extent to which the offering is synergistic. When synergy is present, growth into a new area is assumed to be less costly in terms of human, mechanical, and knowledge investments. While Ansoff assumes resource sharing among products, the proposed matrix explicitly recognizes the wide variation in shared resources and breaks them into two types: operating synergies (tangible types of resource sharing in manufacturing and labor resources) and nonoperating synergies (intangible
types of resource sharing involving experience and knowledge).

**A PROPOSED FRAMEWORK FOR DESIGNING MARKETING GROWTH STRATEGIES**

Figures 1 and 2 illustrate the proposed matrix. The first axes (horizontal) for strategy consideration is the degree of need-satisfying expertise the firm has in marketing various offerings. Three categories are offered. The first category involves high need-satisfying expertise. Here the firm utilizes present offerings to meet the originally targeted need. The second category, moderate need-satisfying expertise, consists of new offerings targeted to fulfill needs that are related to the originally targeted need. Finally, the third category involves low need-satisfying expertise and is comprised of new offerings that are unrelated to the originally targeted need.

The second axes (vertical) is the degree of target market expertise. Three categories are again offered. The first category involves high target market expertise because the firm continues to focus on the currently targeted market. In the second category, moderate target market expertise, the firm focuses on a new target market and seeks to fulfill a related need. The third category involves low target market expertise because it focuses on meeting an unrelated need within a new target market.

Finally, the matrix splits market offerings into two synergistic types. Figure 1 focuses on operating synergies, including shared resources in manufacturing and production, management and personnel, or other investments. Together with the two types of market knowledge, need-satisfying expertise and target market expertise, nine growth strategies are suggested. Four of the suggested cells closely parallel the traditional recommendations of Ansoff's original (1965) product/market matrix.

Figure 2 focuses on growth strategies not enjoying operating synergies. Hence, the less tangible synergies found in the two types of marketing knowledge drive marketing strategy design.

The remainder of this section combines the three elements noted above. In each case a recommended strategy is described and an example offered. To add clarity to the presentation, the example of Bristol-Meyers' Excedrin will be used throughout the discussion. Because of the complexity of the discussion, we recommend utilizing Figures 1 and 2 throughout the discussion.

**Growth Strategies for Offerings with Operating Synergies (Figure 1)**

**Present Offerings.** In this general category, organizations offer their present offerings to different customer groups varying in their relationship to the firm's original target markets. As the target market changes, the offerings are repositioned to effectively meet corresponding sets of new needs. To begin, we assume that Bristol-Meyers is positioning Excedrin to provide head pain relief to households with 25-55 year olds.

When the existing target market remains profitable, traditional Market Penetration strategies are recommended for growth [cell 1,1]. These include attracting users of competitors' brands, converting nonusers into users, increasing present users' frequency of usage, and increasing average quantity used per usage occasion.

Market Expansion strategies are recommended when the current or emerging environment suggests the need to reposition the present product to appeal to a new group of customers with a related need [cell 2,1]. This may be necessary because the current market is saturated, there is intense and debilitating rivalry among competitors for the current market, the current market is shrinking, or other markets are attractive because their tastes, preferences, needs, or sizes are changing. For example, the same Excedrin formula could be positioned to reduce general aches and pains, or backaches, or arthritis pain for the "gray" market.

Finally, Market Development strategies to target new customers with unrelated needs [cell 3,1] might also be necessary for the same reasons noted above. For example, provided the correct medical verification was obtained, Excedrin could be positioned, in its current form, as a medication for likely or current heart attack patients to increase their circulation.

**New Offerings with Related Need-Satisfying Ability.** Moving towards the right to the new offering/related needs category, several strategies are available in the form of product line extensions. Here, modifications to the original product extend need-satisfying abilities to different customer groups varying in their relationship to the firm's original target market. As with the first column, the offerings are designed to effectively meet corresponding sets of new needs.

For present customers with the need for headache relief, Product Expansion is recommended [cell 1,2]. In this case, the product line could be expanded to include special formulas that reflect preference changes within the target market (e.g., a vitamin formula combined with pain relief medication).
If, on the other hand, another market became attractive that shares a related need, the organization should consider this an attractive growth opportunity [cell 2,2]. For example, the firm might modify their Excedrin product by creating an arthritis formula to combat body pain for the aged (e.g., Product & Market Expansion). Finally, an organization may want to develop a related offering to target a market that has an unrelated need (Product Expansion/Market Development [cell 3,2]). For example, the aspirin content in Excedrin could be increased so that it could be positioned as a heart attack prevention offering/head pain relief medication for those customers with the unrelated need of increased circulation.

New Offerings with Unrelated Need-Satisfying Ability. The final set of strategies utilizing offerings with operating synergies involves developing new offerings that fulfill different sets of needs. In these three cells, strategy design depends on the organization's expertise in dealing with a particular group of customers. Hence, the firm should identify an additional need it can satisfy through the development of offerings that enjoy operating synergies. This additional need may be complementary with the original need (e.g., a pill box) or it may be noncomplementary (e.g., weight loss medication).

In the case of its present customers, the organization should identify an unrelated need that enjoys operating synergies [cell 1,3]. For example, Bristol-Meyers has experience targeting households with 25 to 55 year olds in selling Excedrin. This understanding of the target market could be extended to develop an offering to meet the target group's unrelated need for a trim figure and physical stamina. An offering that meets this need and is synergistic is the development of an over-the-counter weight loss medication that contains caffeine supplements. This approach is termed a Product Development Strategy.

Moving down the matrix to new customers with related needs, the organization has less expertise dealing with this set of customers. However, two sources of expertise could be utilized, depending on the organization's previous strategy. First, if the organization has most recently grown via a product development strategy [cell 1,3], then it would be able to draw on its acquired expertise in weight loss medications to seek new customers with related needs. However, if growth has come from a market expansion-related strategy [cell 2,1 or 2,2], the organization might rely on its acquired expertise in marketing to the 55+ market. In both cases, the development of an over-the-counter weight loss medication that provides mineral supplements is appropriate. In this case, the new customers share the need for a trim figure; however, the product is altered to help this group retain bone mass as they age.
Finally, the organization can focus on new customers that have needs unrelated to their original customers' needs (e.g., current/likely heart attack patients). Here, the organization should again rely on its experience with these customers to refocus on an unrelated need that is synergistic with the organization's operating resources. For example, an unrelated need that heart attack patients might have is to lose weight and reduce their blood pressure. This need could be met by Bristol-Meyers developing a prescription medication that assists in weight loss and also reduces blood pressure.

Growth Strategies for Offerings with No Operating Synergies (Figure 2)

The set of growth strategies described in this section is driven solely by target market expertise and needs-satisfying expertise. Moreover, we have omitted "present products" (column 1) since these options, by definition, utilize the operating resource synergies explored in Figure 1. While the Excedrin example is utilized throughout the presentation of the strategies for illustrative purposes, we acknowledge that in many cases the example becomes somewhat unorthodox. In these cases, we provide an additional example to further legitimize the growth strategy. The strategies covered in Figure 2 offer direct and explicit options that improve on the diversification cell offered by Ansoff (1965).

New Offerings with Related Need-Satisfying Ability. First, the organization could take advantage of its expertise with present target markets by developing additional offerings that meet the same need [cell 1,2]. For example, Bristol-Meyers could invest in research and development to invent special types of medical devices used to reduce head pain. For example, the design of self-molding mouth pieces to reduce teeth grinding and clenching while sleeping (an important cause of head and facial pain) is presently an untapped market.

Second, organizations could grow by meeting a related need among new customers. In this case, the organization could design medical devices that reduce body pain for aged consumers. Such devices could include specially designed heating blankets and wraps or water therapy methods [cell 2,2].

Finally, moving down to the new target of current/likely heart attack patients, Bristol-Meyers could again design medical devices; however, in this case, they would be used to reduce artery obstruction (e.g., angioplasty devices) [cell 3,2].

New Offerings with Unrelated Need-Satisfying Ability. In the final three cells, the offerings are completely unrelated to current Bristol-Meyers offerings, as well as unrelated to the current target markets' needs. Here, strategy design depends strictly on the organization's expertise in dealing with a particular group of customers. Hence, the
critical activity is to identify an additional need that the firm can adequately satisfy through the development of new offerings. For purposes of illustration, we rely on the previously identified, additional needs noted in our discussion of Figure 1.

In the case of current customers, we had identified an unrelated need for a trim figure and physical stamina. To meet this need with an offering that has operating synergy, Bristol-Meyers could enter the exercise business and market exercise machines to their current customers [cell 1,3]. To further illustrate this growth option, at least one source has suggested that McDonald's might acquire Walt Disney Productions (Blackwell, Talarzyk, and Engel 1990). In this case, McDonald's expertise in marketing fast food to the American family should provide a strong foundation for meeting family entertainment needs.

Moving down to new customers with related needs for exercise, Bristol-Meyers could also offer low impact exercise equipment specially designed for the elderly. Such a machine would allow them to maintain a trim figure while building bone mass [cell 2,3].

Finally, in the most intense form of diversification, Bristol-Meyers could open up a medically supervised exercise facility for current/likely heart attack patients. Such a facility might provide structured regimes to lower weight and reduce blood pressure [cell 3,3].

DISCUSSION

The proposed framework for designing marketing strategies makes a number of important theoretical and practical contributions to marketing strategy. Each set of contributions will now be discussed.

Strategy Theory Contributions

The suggested framework confers the market orientation which has been recommended by recent research (Anderson 1982; Kohli and Jaworski 1990; Narver and Slater 1990). This orientation, in part, suggests that firms should attend to the changing needs and preferences of their customers and take action based on this market intelligence from customers (Kohli and Jaworski 1990, p. 3). Such a recommendation is an implicit part of this framework.

The framework also incorporates the notion of firm "fit" with its environment. Firms achieving this fit have traditionally been viewed as having more success than those that do not (Dundas and Richardson 1982, Rumelt 1982). However, current marketing strategy theory provides little guidance as to how to achieve this desired objective. The present framework provides two important sets of ideas regarding the achievement of fit. Each will be discussed in turn.

First, we suggest that organizations can grow by influencing consumers' actual or perceived needs for their market offerings. Alternatively, organizations could grow by altering themselves and by changing the types of needs their offerings fulfill. These growth options are included in what Preston and Post (1975) have termed an "interactive approach" to environmental management. The interactive approach recommends that organizations need to change both their environments (Zeithaml and Zeithaml 1984) and their own strategies in order to find the right "fit" with their environments.

Second, this framework provides a more systematic approach for considering strategic options in the face of anticipated or presently changing environments. For example, data from environmental analysis tools like the Industry Analysis Model (Porter 1980), SPIRE (Klein and Newman 1980), or QUEST (Nanus 1982) could be used to consider movement within the cells of the framework. Past matrix formulations have either been too general (Ansoff 1957, 1988) or too specific (Moszkowics and Moszkowics 1989; Varadarajan and Berry 1983) to guide strategic thinking in this fashion.

More generally, using the framework should assist in the development of marketing strategy theories. These theories are essentially "if-then" or "cause-effect" (Zaltman, LeMasters, and Heffring 1982) statements regarding the appropriateness of strategic actions under various conditions. Theory development is more likely and more generalizable when utilizing the current framework because it identifies three comprehensive, yet parsimonious higher-order determinants of strategy choice. Environment and firm antecedents could be systematically related to these strategy determinants to identify the conditions under which various strategies are effective.²

This framework also emphasizes that target market expertise should be valued by firms and should play a role in marketing strategy decisions. This expertise includes an understanding of, among other things, a target market's needs, media habits, purchasing habits, store utilization patterns, and other critical psychographic and demographic characteristics. Clearly, marketing theory recognizes the value of target market expertise in extending product lines and brands (Aaker and Keller 1990; MacInnis and Nakamoto 1990; Smith 1990). However, this framework suggests that target market expertise may also be useful in focusing on other needs that are unrelated to the
needs a firm may currently be fulfilling. This insight extends current theory.

**Strategy Design Contributions**

In the early days of corporate strategic planning, concern was only with an organization's output problems (Eppink 1981). Now strategic planners must consider the firm's ability to grow within a changing environment. The current framework provides a richer set of options for growing within a turbulent environment by including three distinct types of organizational expertise in a single framework. Moreover, these types of organizational expertise offer a wider variety of gradations between present and new customers and present and new products, which also provides more insight to marketers than current frameworks.

In addition to offering more strategy options to marketers, the framework also provides a theory-driven rationale for recommending how firms should evolve through various growth strategies. This rationale suggests that firms either adopt growth strategies that utilize their need-satisfying expertise (relying on a related classification of customer needs) or utilize their target market expertise (providing modified product offerings to markets with similar or related needs). Riskier strategies involve diagonal movements within the matrix or movements from the operating synergy plane to the plane with no operating synergies.

Related to risk, the present framework provides managers with a greater number growth strategies to consider that are not diversification-based. These options arise from a clearer explication of the various forms of organizational expertise and their inclusion in a single overarching framework. Specifically, the strategies offered in Figure 2 offer direct and explicit options that improve on the diversification cell offered by Ansoff (1965).

Finally, reliance on one form of expertise in a strategy formulation, target market expertise, has several significant implications for marketing practice. First, it may suggest that firms organize themselves in consumer groups as well as the present brand and product group arrangements. Such an organization would foster greater information sharing regarding customer needs, characteristics, and behaviors, thereby encouraging the conceptualization and design of new offerings designed to meet unmet target market needs. Moreover, utilizing target market expertise suggests a broader, more "discovery-oriented" role for marketing research (Zaltman and Moorman 1989) rather than merely a confirmatory or evaluative role.

**Limitations of the Proposed Framework**

Limitations common to most matrices apply to the one described in this paper. Of primary importance are additional factors that could be added to the matrix. For example, Ansoff (1985) suggests the addition of a market geography dimension that identifies additional locations in which a firm could do business. Other important environmental factors might be added, such as competitive position or market attractiveness. While these additional factors might further explain and justify strategies, care must be taken that the resultant matrix is not so complex that the conceptualization of strategies becomes difficult.

Finally, despite the introduction of this framework, it is acknowledged that firms should not rely exclusively on it to manage their strategic formulation process (MacMillan 1986). Financial capabilities, among other things, should be considered in strategic decision making as well. Finally, although this paper is concerned with strategy formulation, any plan is useless unless it is implemented. Therefore, corporate managers should adopt a balanced perspective of strategy formulation and strategy implementation (Varadarajan 1986).

**ENDNOTES**

1 One reviewer noted that altering offerings in this fashion is similar to a brand franchise strategy. In part, we agree. However, the use of these strategies need not involve common brand names, as is implied with a brand franchise strategy.

2 Two ways this could be accomplished would be through the use of traditional, deductive theory construction methods (see Zaltman et al. 1982, pp. 2-3) or through grounded, more inductive theory construction. The latter has been demonstrated in Salmon, Zaltman and Smith's (1987) use of the triad method and laddering techniques to evoke retail buyers' theories-in-use.

**REFERENCES**


