

ON THE ROLE OF THE RBV IN MARKETING

By

Birger Wernerfelt^{*}

2/23/2013

^{*} J. C. Penney Professor of Management Science, MIT Sloan, Cambridge, MA 02142, bwerner@mit.edu. I am grateful to Tomas Hult for suggesting that I write this note.

ON THE ROLE OF THE RBV IN MARKETING

Abstract

This short note contains some reflections on the relationship between the RBV and marketing. I focus on the main proposition of the RBV: that a firm should focus on what it can do better than others, and argue that it has implications for almost all marketing activities and that much thinking in the field already is consistent with it.

Introduction

Arguments based on the “Resource-Based View of the Firm” (RBV), and offshoots thereof such as “Resource-Based Theory”, “Core Competences”, and “Dynamic Capabilities”, have become extremely influential in many areas of the management literature.¹ While the reasoning originated in strategy, it has found widespread use in operations, human resources, and international business. My purpose here is to complement the review article by Kozlenkova, Samaha, and Palmatier (2013) by discussing what the RBV can contribute to marketing.² I argue that the RBV speaks to almost all aspects of marketing, but at the same time suggest that much practice and writing in the field already is consistent with its main prescription.

Most early management theories offer the same advice to all firms that find themselves in a particular situation. The advice may be unconditional, or it may be contingent on a set of environmental factors. Such advice often has merit. For example, in many areas of cost reduction and quality enhancement, firms perform better by following certain practices, regardless of their

¹ As of early 2013, Wernerfelt (1984) has 15K Google Scholar citations, Prahalad and Hamel (1990) has 18K, Barney (1991) has 27K, and Teece, Pisano, and Shuen (1997) has 15K.

² For more details on my perspective on the RBV and background for the present article, the reader is referred to Wernerfelt (1984, 1994, 1995, 2011, and 2013).

own characteristics (Bloom, Sadun, and Van Reenen, 2013). This is, however, typically not true if we consider situations in which several firms interact, whether as competitors or cooperators. In these cases, the optimal action depends on how one firm differs from the others. In most markets, competition will drive out all but the lowest cost/highest quality firms among those doing identical things. So unless you are one of those, you need to do something different. Similarly, firms in a supply chain should not all perform the same tasks. Instead, each task should be performed by the firm that does it best.

Against this backdrop, the RBV was inspired by (non-cooperative and cooperative) game theory and the observation that firms are different: Payoffs depend on actions of other firms and do so in a way that reflects how these firms differ. The RBV thus posits that the actions taken by a firm should depend on its characteristics and in particular, that it should focus on those activities on which it has an advantage (resources) and avoid those where it does not. While this was radical in the context of management theory, the point is not deep and most readers will immediately recognize it from sports: It is an elementary maxim that teams should play a style that makes use of their strengths and that roles are distributed among individuals to maximize team performance.

Since marketing is concerned with competition between sellers and cooperation with distributors, the RBV speaks to many aspects of the field and I will argue that much contemporary marketing thought already is consistent with it. In particular, the RBV is implicitly used in all marketing texts which state that the 4Ps should be chosen in light of some number of “Cs”, whenever “Competition” and “Company”, “Capabilities”, or “Competences” are included as Cs. In the following section, I will use the “4Ps” to organize several examples of this. The examples are few and brief, but the reader will have no trouble generating more.

Examples

The most obvious examples come in the area of *product* design. It is simply not enough to say, as was done in old texts, that the firm should “identify buyer needs and design a product that meets them”. If others are better at meeting a particular combination of needs, the firm has to look elsewhere, effectively pursuing a different segment of buyers. While this conclusion strictly speaking is in some conflict with the classical maxim quoted above, it is hardly controversial. Because marketing is a practical field, practitioners have already taken the implications of competition into account.

Very similar, and perhaps even less controversial, points can be made about *Promotion* and *Pricing*. The firm should stress the attributes on which it has an advantage and thus position itself in terms of a “unique point of difference.” For example, it should only compete on price if it has low costs. In RBV-speak, the idea is to leverage the firm’s relative strengths. I submit that few, if any, marketers would disagree with this, whether they have heard about the RBV or not.

The area of *Place* can be used to illustrate the implications of the RBV in situations where firms cooperate rather than compete. Consider the division of labor in the supply chain: who should be in charge of logistics, do market research, forecast sales, set prices, etc.? Absent other considerations, tasks should be performed by those members of the supply chain who are best at them. In that way, the combined chain leverages its strengths.

Conclusion

I have argued that the fundamental lesson of the RBV: that firms should do what they are relatively good at, has implications for many areas of marketing, plays a role in marketing practice, and can be seen in much recent writing. Indeed, the point is so important that it is hard

to imagine a practitioner ever being successful without heeding it. By now, the lesson is also reflected in many texts in the field, though often without explicit reference to the RBV, and thus without much of a micro-foundation. In the absence of such a micro-foundation, it will be hard to build a broader body of theory and explore the boundaries of the issues. However, as noted by Kozlenkova et al (2013) there are signs that things are changing.

REFERENCES

Barney, Jay, "Firm Resources and Sustained Competitive Advantage", *Journal of Management*, 17, no. 1, pp. 99-120, 1991.

Bloom, Nicholas, Rafaella Sadun, and John Van Reenen, "Management as a Technology", Working Paper, London School of Economics, 2013.

Kozlenkova, Irine, Steve Samaha, and Robert W. Palmatier, "Resource-Based Theory in Marketing", *Journal of the Academy of Marketing Science*, 41, this issue, 2013.

Prahalad, CK, and Gary Hamel, "The Core Competence of the Corporation" *Harvard Business Review*, 68, no. 3, pp. 79-91, 1990.

Teece, David, Gary Pisano, and Amy Shuen, "Dynamic Capabilities and Strategic Management", *Strategic Management Journal*, 18, no. 7, pp. 509-33, 1997.

Wernerfelt, Birger, "[A Resource-based View of the Firm](#)", *Strategic Management Journal* 5, no. 2, pp. 171-80, 1984.

Wernerfelt, Birger, "[An Efficiency Criterion for Marketing Design](#)", *Journal of Marketing Research*, 31, no. 4, November, pp. 462-70, 1994.

Wernerfelt, Birger, "[The Resource-based View of the Firm: Ten Years After](#)", *Strategic Management Journal*, 16, no. 3, March, pp. 171-75, 1995.

Wernerfelt, Birger, "[The Use of Resources in Resource Acquisition](#)", *Journal of Management*, 37, no. 5, pp. 1369-73, 2011.

Wernerfelt, Birger, "[Small Forces and Large Firms: Foundations of the RBV](#)", *Strategic Management Journal*, 34, forthcoming, 2013.