



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

Papers downloaded from AgEcon Search may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

EMERGING FORMS OF COMPETITIVE ADVANTAGE: IMPLICATIONS FOR AGRICULTURAL PRODUCERS

Michael J. Barone and Thomas E. DeCarlo

MATRIC Research Paper 03-MRP 5
March 2003

**Midwest Agribusiness Trade Research and Information Center
Iowa State University
Ames, Iowa 50011-1070
www.matric.iastate.edu**

Michael Barone is an associate professor of marketing in the College of Business at Iowa State University. Thomas DeCarlo is an associate professor of marketing and ISU Business Analysis Lab Faculty Scholar in the College of Business at Iowa State University.

Available online on the MATRIC website: www.matric.iastate.edu. Permission is granted to reproduce this information with appropriate attribution to the authors and to MATRIC at Iowa State University.

For questions or comments about the contents of this paper, please contact Michael Barone, 374 Carver Hall, Iowa State University, Ames, IA 50011; Ph: 515-294-6941; Fax: 515-294-2534; E-mail: mbarone@iastate.edu.

MATRIC is supported by the Cooperative State Research, Education, and Extension Service, U.S. Department of Agriculture, under Agreement No. 92-34285-7175. Any opinions, findings, conclusions, or recommendations expressed in this publication are those of the authors and do not necessarily reflect the view of the U.S. Department of Agriculture.

Iowa State University does not discriminate on the basis of race, color, age, religion, national origin, sexual orientation, sex, marital status, disability, or status as a U.S. Vietnam Era Veteran. Any persons having inquiries concerning this may contact the Director of Equal Opportunity and Diversity, 1350 Beardshear Hall, 515-294-7612.

Abstract

Traditional recommendations for building sustainable competitive advantages revolve around differentiating a product from the competition along attributes that are important and relevant to customers. However, strategic approaches based on such notions do not represent viable options for companies competing in commodity markets characterized by a lack of physical product differentiation. The objective of this paper is to conduct a literature review with the aim of identifying alternative approaches to creating competitive advantage that can be used even under conditions in which no differences in actual quality exist across products. This review of the literature uncovered three non-traditional strategies that provide a basis for perceptually differentiating products in the face of physical homogeneity. Agricultural producers operating in parity markets should consider these recommendations when developing strategies aimed at creating the competitive advantages that drive sales performance in the marketplace.

Keywords: agricultural producers, commodity markets, competitive advantage, marketing, product differentiation.

EMERGING FORMS OF COMPETITIVE ADVANTAGE: IMPLICATIONS FOR AGRICULTURAL PRODUCERS

Agricultural producers, particularly those with smaller, independently owned operations, face a critical issue: how to compete effectively in today's marketplace. Despite the proliferation of competitors, many product markets are characterized by a high level of parity and a lack of differentiation among available options (BBDO Worldwide 1989; Biel 1993; Owen 1993; Pokorny 1995). As a result, marketers increasingly find themselves operating in categories with little or no differentiation among products. This may be particularly true with respect to mature product categories, such as those associated with many agricultural products. Given that the majority of brands exist at the maturity stage of the product life cycle (Kotler and Armstrong 2001), gaining an understanding of customer decision making under conditions of limited inter-brand differentiation would seem to be an important prerequisite for devising marketing strategies aimed at enhancing the sales performance of parity products.

A key problem companies face when competing in markets characterized by parity of core product attributes is that traditional differentiation strategies are eliminated from the marketer's arsenal. Such strategies revolve around the notion that building sustainable competitive advantages requires differentiating a product from the competition along attributes that are important and relevant to customers (Porter 1985). In contrast to these normative recommendations, operating in commoditized, price-driven markets implies that the ultimate winners will be the most efficient producers. In response to this reality, agricultural producers historically have relied on strategies that focus on lower costs and higher volumes. Such a competitive landscape clearly favors bigger producers who are able to capitalize on the efficiencies realized through greater economies of scale. Unfortunately, these conditions leave the smaller agricultural producer who competes only on price at a significant competitive disadvantage.

As an alternative to building competitive advantages based on efficiency (which favors larger firms), smaller agricultural producers may need to employ other strategies in order to become more competitive. The pork industry, for example, has been restructuring itself in response to increased competition and liberalized trade (e.g., NAFTA) by engaging in vertical and horizontal integration of the supply chain. Some producers are acquiring breeding facilities while others are forming alliances with distributors in order to cut costs, limit risks, and improve efficiencies. In addition to supply chain integration, firms can gain competitive advantages through the careful positioning of their products in the marketplace. The fact that only 20 percent of pork consumers are brand loyal (Agricultural and Agri-Food Canada 1996) suggests that a significant potential exists for developing branding strategies aimed at enhancing customer loyalty to an agricultural firm's offerings.

The branding strategy for a company is designed to produce outcomes that are primarily perceptual in nature, but that have implications for behavioral consequences (i.e., purchase) as well. To this end, positioning of a brand in the marketplace is expected to drive consumer attitudes, preferences, and choice behaviors (Aaker and Shansby 1982; Dickson and Ginter 1987). Positioning a brand against one or more competitors, represents an inherent aspect of achieving the brand differentiation that ultimately results in the competitive advantages critical to a brand's long-run success in the market (Aaker and Shansby 1982; Porter 1985; Walker, Boyd, and Larreche 1999; Wind 1990). As noted earlier, positioning traditionally has involved differentiation on physical, tangible product attributes that are relatively central to customers' purchasing decisions. Companies typically invest in research and development (R&D) as a means of creating new products or new features for existing products, then employ other strategic tools (e.g., advertising) to create associations of a product's uniqueness among the competition. However, improvements in technology have accelerated the diffusion of competitive intelligence in the marketplace to the point where companies are no longer assured that they will achieve sustainable competitive advantages from their R&D efforts. As an example, any breakthrough made by a personal computer company in terms of physical product attributes will be quickly imitated by competitors in today's marketplace. In essence, then, any point of physical differentiation for a company will soon become commoditized as competitors

add similar features to their offerings, undermining the company's ability to build long-term competitive advantages in the market.

As a consequence, new, non-traditional perspectives are emerging about strategies that might be more successful in creating sustainable competitive advantages than those typically employed in the past. Specifically, rather than relying on differentiation involving "hard" associations that are based on physical product features, research from a variety of disciplines—including marketing, management, psychology, and experimental economics—suggests the success of differentiation strategies that build competitive advantages through the use of alternative strategies. Each of these approaches contributes to the creation of an overall image or attitude associated with an offering that not only reflects the brand's superiority over the competition but also produces (primarily perceptual) competitive advantages that are less easily copied by the competition (i.e., are more sustainable) than those based on physical differentiation.

These emerging approaches to developing sustainable competitive advantages are uniquely tailored to address the problems of small- to medium-sized agricultural producers in their attempts to compete more effectively against larger competitors. Here, we address the issue of how producers can effectively operate in commoditized markets to achieve a sustainable competitive advantage. Specifically, we conduct a critical review and synthesis of recent research, from a variety of disciplines, that is germane to this issue. Based on this literature review, we present a summary of general strategies and specific tactics that can assist agricultural producers in their attempts to create competitive advantages in markets that are typified by physical parity.

The Effects of Non-Substantive Product Features on Choice Involving Undifferentiated Alternatives

As noted earlier, an increase in the number of product markets characterized by low levels of interbrand differentiation creates a need for research that examines consumer response to brands under parity conditions. In response to this need, consumer researchers have begun to explore decision making under conditions where limited product differentiation exists among brands. From a consumer perspective, one characteristic of choice sets (products) that involve similar options is their ability to engender greater uncertainty than do choice sets that feature highly differentiated

alternatives (Tversky and Shafir 1992). As a consequence of this uncertainty, feelings of difficulty and conflict are more likely to be experienced when choice involves products exhibiting relatively insignificant performance differences than when greater variance in interbrand attractiveness characterizes the choice set (Dhar 1997). In order to resolve these negative emotions, consumers may exhibit a tendency to defer choice when similar alternatives are involved (Dhar 1997; Luce 1998; Tversky and Shafir 1992). Consistent with this rationale, Dhar (1997) found that consumers exhibited a preference for a “no-choice” option (i.e., choice deferral) when all brands under consideration were similar in their attractiveness. Deferring choice affords consumers the opportunity to engage in a search that might yield additional information capable of discriminating between brands that are similar on performance dimensions considered earlier in the choice process (Montgomery 1989). Thus, deferral simultaneously can reduce the probability of experiencing negative emotions associated with suboptimal product choices and increase consumers’ flexibility during decision making (Baron and Ritov 1994; Dhar 1997).

Unfortunately, when consumers defer choice, companies suffer because of delayed revenue streams or, even worse, lost revenues if consumers never reinitiate their choice processes. For example, Sony and Philips were reportedly concerned that the simultaneous launch of the Minidisk and Digital Compact Cassette technologies would impede growth in the consumer electronics market owing to consumer delay in choosing between these products (*Economist* 1992). Fortunately, consumer researchers have identified several alternatives to deferral that might exist when brands are undifferentiated. Rather than deferring choice, consumers may—given the similarity that exists between brands in such instances—engage in a random choice process (Dhar 1997). As another possibility, the nondiagnosticity of performance-relevant inputs of products with similar attribute performance can create the potential for decision making to be driven by factors typically viewed as less central to the choice process (Feldman and Lynch 1988; Lynch, Marmorstein, and Weigold 1988; Menon, Raghbir, and Schwarz 1995; Simmons, Bickart, and Lynch 1993). Specifically, under such conditions, choice may be based on a consideration of peripheral cues (e.g., ad elements devoid of product-relevant information; see Petty and Cacioppo 1986) that might, *a priori*, be viewed as relatively

immaterial or irrelevant to the decision (compare Bitner and Obermiller 1985 and Miniard, Dickson, and Lord 1987).

Evidence from several studies is suggestive of this possibility. Research by Miniard, Sirdeshmukh, and Innis (1992) indicates that pictorial ad elements which do not convey performance information can influence consumer choice. In that study, subjects processed ads for three fictitious soft drink brands; some received an ad for the focal brand containing an attractive picture, while others were exposed to a focal brand ad that contained an unattractive picture. When subsequently confronted with ratings reflecting that the brand performed similarly on several product attributes, subjects were more likely to select the focal brand when it was paired with the attractive picture versus the unattractive picture. However, when the ratings identified a competitor as a dominant brand, choice was unaffected by whether the focal brand ad contained an attractive or unattractive picture. Along similar lines, Heath, McCarthy, and Mothersbaugh (1994, Experiment 2) examined the impact of famous spokespersons and vivid copy elements on choice and found that subjects were more likely to choose products that were associated with these peripheral inputs under conditions of limited differentiation.

Both of these investigations provide evidence of the potential for peripheral inputs to influence choice under conditions in which no substantive differences exist across brands in the choice set. The ability of these peripheral inputs to provide a means of differentiating among similar alternatives apparently increased their diagnosticity (and, thus, their impact on choice processes) to levels greater than they were accorded when available product information revealed meaningful interbrand differences. In a subsequent investigation, Barone and Miniard (2002) further delimited boundary conditions under which peripheral inputs will affect choice. As in the Miniard, Sirdeshmukh, and Innis (1992) study, Barone and Miniard (2002) found that peripheral inputs influenced choice when alternatives performed similarly on focal attributes. However, these peripheral choice effects were observed only when decisional risk was relatively low; when choice was associated with higher levels of financial risk, peripheral cues did not impact choice.

Related findings from the literature on classical conditioning effects provide convergent evidence of the effects of peripheral cues on choice. In a relatively early

investigation involving classical conditioning and choice between undifferentiated options, Gorn (1982) found higher choice probabilities for a product paired with favorable music versus a similar option that was associated with less favorable music. More recently, Shimp and colleagues (Shimp, Stuart, and Engle 1991; Stuart, Shimp, and Engle 1987) observed evidence of classical conditioning using pictorial stimuli (in comparison to the music employed in Gorn 1982). They found evidence of the strongest classical conditioning effects in the case of unknown brands for which consumers could not ascertain relative performance compared with familiar brands whose performance characteristics were known.

The Effects of Irrelevant Product Features on Choice Involving Undifferentiated Alternatives

Early research in marketing strategy suggested that being first to the market with a differentiated brand possessing unique and important attributes was the only way to inoculate a brand from the eroding effects of later “me-too” entrants (Carpenter and Nakamoto 1989; Porter 1985). In support of this notion, Carpenter and Nakamoto (1989) found that the perceived superiority of an established brand actually increased with the introduction of a “me-too” brand that was similar to the established brand. However, emerging research suggests that consumers’ beliefs about brand superiority in parity markets can be affected by adding product attributes that are irrelevant to the product’s overall performance. In a series of pioneering studies, Carpenter, Glazer, and Nakamoto (1994) demonstrated that meaningful brands can be created through “meaningless differentiation” on trivial, meaningless product attributes. An example of this strategy in a high-technology context includes Dell’s addition of “2X AGP” and “I-Link” features to its Dimension line of computers (see Mukherjee and Hoyer 2001). A “low-tech” example involves Procter and Gamble’s positioning of its Folgers instant coffee based on the product’s “flaked coffee crystals” which, although developed through a unique patented process, do not affect the product’s taste.

In Carpenter, Glazer, and Nakamoto (1994), consumers exhibited a preference for a product that featured an irrelevant attribute over a similar alternative that did not possess this attribute. This influence of a trivial attribute on choice was manifested even when (1) information was available indicating the attribute’s irrelevance to consumers

and (2) the product containing the trivial attribute was priced higher than an alternative that did not feature this attribute. Apparently, the attribute's uniqueness signals its relevance to the point that consumer preferences were significantly altered in favor of the product that was differentiated on the trivial attribute. A related study by Simonson, Nowlis, and Simonson (1993) suggests that irrelevant preference arguments, such as testimonials and word-of-mouth information received from others, also have an important influence on consumer preferences. The results indicate that consumers tend to select products that others avoid for irrelevant reasons. For example, Simonson and colleagues (1993) found that consumers were more likely to select a motel after seeing that another person rejected it for not having a sauna. The fact that this effect was found to persist even after consumers acknowledged the irrelevance of the additional information suggests the potential benefits of adding irrelevant brand attributes to brands in parity markets.

The impact of irrelevant features on choices was also investigated in a study on the effects of sales promotions and product features that have little or no perceived value (Simonson, Carmon, and O'Curry 1994). The authors proposed that consumers who perceive a new feature or promotion as providing little or no value will be less likely to purchase the enhanced brand even when the added feature clearly does not diminish the value of the brand. The results of that study indicated that the addition of such a promotion or feature can decrease the attractiveness and choice probability of the promoted brand. For example, a Pillsbury cake mix was less popular relative to a competing brand when respondents were offered the opportunity to purchase a Pillsbury Doughboy Collector's Plate for \$6.19. That is, even though the offer to purchase the plate at a relatively high price could not have reduced the value of the Pillsbury cake mix, it decreased the product's choice share. Many of the respondents in that study explained their decision to choose the other brand by saying that they were not interested in the collector's plate. Thus, these results suggest that when consumers are uncertain about the values of products and about their preferences, premiums provide reasons against buying the promoted brands and are seen as susceptible to criticism.

A more recent study by Meyvitz and Janiszewski (2002) extends this literature by demonstrating that irrelevant brand information can strengthen consumers' beliefs in the

product's ability to deliver the benefit. Specifically, in that study, irrelevant product information strengthened product performance beliefs when the consumers had a reason to suspect that the product would not deliver the stated benefit. For instance, when the product carries a brand name that has a very poor reputation on an important performance dimension, consumers have a tendency to search for information that confirms the brand will not deliver the benefit. When the irrelevant information does not confirm this hypothesis, it reduces confidence in the hypothesis, and results in more favorable product beliefs. Thus, the study highlights the importance of irrelevant information on consumers' information search about product benefits.

A study by Anderson and Shugan (1991) provides a good illustration of how irrelevant attributes can influence consumer preferences in agricultural markets, namely, the beef and poultry markets. In this study, the authors demonstrate that beef lost its high-share market and sales superiority over poultry through a change in consumer preference for an attribute not typically associated with product quality—convenience. Anderson and Shugan defined convenience as the effort invested in consumption (e.g., activities involved in meal preparation, such as cutting, boning, and cooking). Thus, the relative level of convenience is a decreasing (increasing) function of the number of tasks performed by the consumer (producer). Increasing convenience, therefore, requires adding more manufacturer processing, while less-convenient products receive lower levels of processing by the manufacturer. For example, cut-up parts receive more processing and marginally more consumer convenience relative to whole fryers. Anderson and Shugan empirically demonstrate how the marginal amount of processing received can be used to categorize beef and poultry products according to whether they provide relatively low, medium, or high levels of convenience. Several tests were presented, including using time-series data from the U.S. Department of Agriculture on consumer consumption over the last 30 years, that were designed to discriminate between the observable implications of the convenience hypothesis and the expected implications of the health-awareness hypothesis. Overall, the results do not support the widespread belief that increased health awareness is solely responsible for beef's loss of share to poultry. The study's conclusion suggested that convenience, an attribute unrelated to product quality, was an important factor in the change of consumers' preference from beef to poultry.

Thus, differentiating a brand on what is objectively a relatively meaningless attribute constitutes a means of creating meaningfully differentiated products. This occurs because adding a unique, but trivial, attribute has value to consumers, suggesting that marketing strategy can be used to influence consumer preference structures and decision making and, as a consequence, provide a basis for competitive advantage. However, as noted previously (see the discussion in Meyvitz and Janiszewski 2002; Simonson, Carmon, and O'Curry 1994), the ability of trivial attributes to favorably influence consumer choice has been shown to be contingent upon several factors. Additionally, this facilitative effect is contingent upon the size of the choice set. In a study by Brown and Carpenter (2000), trivial attributes positively affected choice when consumer decisions involved three alternatives but negatively impacted decisions when only two choice options were present. The likelihood that adding a trivial attribute will create perceptions that the product offers additional benefits relative to the competition also depends on the complexity of the product. This positive effect is more likely for "low-tech" products that are familiar to consumers; conversely, provision of a novel, but unknown, attribute to high-technology products can exert a negative influence on choice because it creates additional learning costs and uncertainty (Mukherjee and Hoyer 2001).

Collectively, these studies indicate the potential for companies to shift the basis of competition away from the important attributes typically viewed as a prerequisite for meaningful differentiation to other attributes or features that are not associated with the core product. Consistent with these findings, Park, Jaworski, and MacInnis (1986) provide a framework useful in managing brand concepts for competitive advantage. While they acknowledge that differentiation may occur for some products with respect to core, functional attributes (i.e., those that provide a solution to the basic problem experienced by the customer), Park, Jaworski, and MacInnis note that brands can be distinguished on experiential and symbolic dimensions as well. These "soft" associations could entail differentiating a product in several ways: (1) through the emotions consumers experience with or attach to consumption of the product; (2) through experiential aspects of product consumption, such that consumers perceive a product to be superior to the competition even in the absence of any physical differences among offerings; and (3) by emphasizing symbolic aspects of product usage. Symbolic product

attributes might be associated with the customer's desire to satisfy "internally generated" needs (e.g., self-enhancement, group membership; see Park, Jaworski, and MacInnis 1986). Alternatively, a company may elect to craft a competitive advantage in terms of its product's ability to provide experiential benefits (e.g., sensory pleasure).

While many products may offer a combination of functional, symbolic, and experiential benefits, Park, Jaworski, and MacInnis recommend that only one of these dimensions be emphasized in determining brand positioning strategy. Examples of products that have been differentiated based on functional benefits include Clorox Bleach, Vaseline, Windex, and Arm & Hammer Baking Soda. All of these brands have functional images that highlight their usage in multiple situations, giving them a competitive advantage over a product that is specialized for use in specific situations. Windex, for example, can be used to clean windows, countertops, and refrigerators, compared to another brand that can be used only on windows. Also, Procter and Gamble used the strategy of promoting Tylenol as effective pain relief for persons who cannot take aspirin. Examples of symbolic benefits that differentiate products by forming a relationship to group members or through self-identification can be seen in the methods employed to market Lennox china and Brooks Brothers suits. Finally, products that are marketed based on experiential benefits include Barbie Dolls and Lego Building Blocks, with both brands emphasizing the experiential and fantasy aspects associated with consumption by establishing a successful marketing position at the introductory stage.

Importantly, marketing strategists (e.g., Biel 1993 and Keller 2002) suggest that competitive advantages built along symbolic and/or experiential dimensions may be more sustainable than those that center on functional attributes. The superiority of competitive advantages that are based on "soft" attributes lies in the fact that they may often offer a basis for differentiation that is less imitable than advantages that focus on "hard" attributes. To illustrate this possibility, consider markets involving high-technology products that, like agricultural markets, are moving steadily toward commoditization. While one company may invest in R&D aimed at generating a superior functional attribute (e.g., a personal computer manufacturer develops a new chip that offers faster processing speed), the rate of informational flows in many high-technology markets approximates that of technological change. As a consequence, competitors may offer

products with features similar to those provided by the first-mover at the same time or shortly after the pioneering company introduces its product to the market (e.g., Rhinotek's offering of a laser printer that matched Hewlett Packard's 4100 entry at a lower price than that charged by HP; Tam 2002), thereby eroding the pioneer's competitive advantage as well as the return earned on its R&D investment. An alternative approach is to invest in creating competitive advantages along softer associations that are more difficult for rival firms to duplicate. Thus, one of Apple Computer's approaches for competing in the personal computer market is to develop communication strategies that foster the brand's image as being different and hip—an image that may be more difficult for competitors to imitate relative to "harder" advantages engendered on technological features, which soon may be copied by the competition (as illustrated in the earlier HP-Rhinotek example).

Signaling Effects on Choice Involving Undifferentiated Alternatives

Under certain conditions (e.g., when quality is unobservable in nature or when interbrand differences are otherwise difficult to discern), quality perceptions may be driven by a number of signals or cues that do not have a direct bearing on product quality (e.g., warranties, ad spending; for a more comprehensive review of different signal categories, see Kirmani and Rao 2000). As an example, advertising is often employed to attain branding objectives, as reflected in the more than \$200 billion spent in the United States and \$400 billion spent worldwide annually on this form of promotion (Coen 1999). One view of advertising effectiveness comes from information economics (e.g., Nelson 1970; Stigler 1961), which posits that executional factors (e.g., the amount of resources a company is perceived to invest in advertising) will impact quality perceptions to a greater extent than content-based aspects of advertising (Kihlstrom and Riordan 1984; Kirmani 1990; Milgrom and Roberts 1986; Moorthy and Zhao 2000; Nelson 1974).

Representative research in this area comes from Kirmani and Wright (1989), who, in a series of six experiments, demonstrated that advertising effort (i.e., the perceived expense associated with the ad campaign used to introduce a product to the market) influenced perceptions of quality independently of the content presented within the campaign. More precisely, perceptions of greater ad effort were triggered by information

indicating that the ads would air on expensive television specials or would contain endorsements from well-established television stars; this greater perceived effort in turn engendered quality judgments that were higher than those observed under conditions in which the campaign relied on less expensive media buys or in which the ads involved noncelebrity endorsers.

In a subsequent study, Kirmani (1990) demonstrated that the ability of advertising effort to serve as a signal or cue to quality was contingent upon the level of involvement consumers experienced during ad processing. Under lower levels of involvement, quality perceptions were driven primarily by the ad effort signal (i.e., whether the company was perceived as spending a lot or a little on advertising the featured product) and were relatively unaffected by ad content (i.e., whether the information in the ad depicted the featured product as being relatively good or bad); in contrast, when involvement was higher, judgments of quality reflected differences in ad content rather than variations in ad effort.

Other research from information economics assesses the validity of behavioral assumptions that underlie signaling theory (Ippolito 1990; Spence 1973) by examining whether consumers think and behave in the manner posited by the theory (Boulding and Kirmani 1993; Rao, Qu, and Ruekert 1999). One finding that emerged from this research is that consumers do appear to evaluate the validity of a signal based upon perceptions of the “bond” put up by the firm. In formally considering bond credibility as a means of determining when advertising effort will be a valid quality signal, Ippolito (1990) suggests that consumers may discriminate between signals that are credible (i.e., those that are bonded) and those that are not. Evidence compatible with this view is provided by Boulding and Kirmani (1993), who found stronger warranty signal effects for companies with positive reputations and high bond credibility than for firms with negative reputations and low bond credibility. Along similar lines, Erdem and Swait (1998) observed that strong, high-equity brands serve as market signals that enhance the credibility of advertising claims and, consequently, improve the effectiveness of brand positioning strategies.

While signaling research traditionally has focused on the role of cues such as advertising (Kirmani 1990; Nelson 1974) or product warranties (Boulding and Kirmani

1993), clearly there are other types of quality signals that may not be correlated with actual quality. As discussed earlier, research indicates that a product's status as the pioneering brand can facilitate the development of long-term competitive advantages (Carpenter and Nakamoto 1989; Golder and Tellis 1993). Thus, a brand that employs a "first-mover" strategy can be perceived as the high-quality brand in the market even though later entrants may successfully employ "second-but-better" approaches that improve upon the pioneer's quality. Importantly, this suggests that a brand name associated with pioneer status in one market can be used to effectively introduce and differentiate new products introduced into other markets characterized by low levels of differentiation.

Conclusions

In theory, mastery of a single competency should provide marketers with a distinct niche in the marketplace and lead to the creation of a competitive advantage that serves to establish or preserve a brand's success. However, marketers increasingly find themselves competing in markets involving undifferentiated product categories. Thus, today's global competition presents a more dynamic and multidimensional milieu than that considered by many traditional marketing strategy models. The mature industry paradox is that leadership demands differentiation, yet differences are quickly copied. While single-factor innovations may tap one competency as a means of forging a competitive advantage, capable competitors usually can match this advancement in rapid fashion, eroding the first-mover's advantage.

Although not unique to agricultural products, conditions in which little physical differentiation exists across available offerings are common in many agricultural markets (e.g., produce and milk). A critical problem associated with parity markets is that, by definition, the prototypical strategy for creating competitive advantages (e.g., differentiating a product along important core product attributes) no longer represents a viable approach for marketers of agricultural products. This might suggest that agricultural producers are destined to compete solely on the basis of price, which puts pressure on profit margins and, as a consequence, represents an outcome that favors larger enterprises over smaller, independent producers. But our review of the research

from a variety of relevant disciplines shows that there are alternative bases for meaningfully differentiating brands, thereby providing even those firms operating in commodity markets with a basis for forging a competitive advantage in the marketplace.

This literature review uncovered three separate streams of research, each of which presents a nontraditional perspective for successfully differentiating products that, physically, are homogeneous in nature. One of these approaches involves shifting the basis of competition away from the physical product by focusing on nonsubstantive product features (i.e., peripheral cues) that are irrelevant to actual product quality. Along these lines, results from several studies examining the influence of various advertising elements (e.g., pictorial elements or celebrity spokespersons) on consumer choice were presented. Interestingly, these investigations reveal that the strongest impact of these nonproduct features occurs under the parity conditions in which many agricultural producers operate. Thus, competitive advantages can accrue to agricultural firms that elect to develop advertising strategies that identify and leverage the use of these nonsubstantive features even when competitive circumstances reveal a lack of differentiation on substantive (i.e., core) product features. However, the use of nonsubstantive features to create differentiation and, ultimately, to influence choice would seem best suited to low-risk conditions, for example, those that are available at reasonable prices and that therefore carry little financial risk. Agricultural producers of products such as eggs, meats, and produce typically fall into this category. Promotional strategies of an agricultural producer using this approach might simply include conditioning the consumer to associate the producer's brand with a positive image. Cross-promotional activities with brands that have firmly established attitudes in the marketplace would be one example of this approach.

A second strategy for cultivating competitive advantages in the face of physical product parity entails adding irrelevant product features. Clearly, such a notion runs counter to traditional notions suggesting that differentiation must occur along core product attributes that are viewed as highly important and relevant to customers' buying decisions. Yet existing evidence supports the non-normative conclusion that a product can be meaningfully differentiated through the inclusion of a unique attribute that objectively is meaningless or trivial with respect to product quality. This effect was

sufficiently robust that it held even under conditions in which the consumers were informed that the unique attribute did not affect quality and the product possessing the trivial attribute was more expensive than an alternative that lacked this feature.

Importantly, this effect appears most likely to materialize with simple, straightforward products. Some producers have benefited from using this strategy. For example, Folger's instant coffee promotes its "flaked coffee crystals," which are irrelevant to the product's taste. The crystal simply dissolves, so it does not affect flavor. Similarly, Alberto differentiates its Natural Silk Shampoo by including silk in the shampoo and advertising it with the slogan "We put silk in a bottle." While this attribute suggests that a user's hair will be silky, the company admits that the silk will not affect the user's hair. Consumers, however, value these differentiating attributes even though they are irrelevant to actual quality. Analogously, agricultural producers can develop new attributes that are tangential to their core products as a means of creating a competitive advantage even under conditions in which they are at parity along attributes that are more central to customers' decision making.

A final approach we identified centers on using various signals to positively influence perceptions of quality. Consumers often use various cues that, although not necessarily related to objective quality, influence perceptions of quality nonetheless. In this way, consumers may judge a brand's quality to be positively correlated with various cues or signals, including the strength of its warranty or consumers' perceptions of the amount of resources and effort devoted to product marketing. It appears that these signals are employed when other information fails to reveal any significant differences across quality-related dimensions (Barone, Taylor, and Urbany 2002; Feldman and Lynch 1988; Lynch, Marmorstein, and Weigold 1988). Thus, under conditions of parity, marketing strategies that make various signals salient to consumers may be an effective means of influencing quality perceptions, enabling marketers to create perceptually based competitive advantages where physical ones do not exist. However, the use of such quality signals may be constrained to situations in which (1) consumers experience relatively low levels of involvement during decision making and (2) the company has a sufficiently credible reputation to create a "bond" that enables the signal to influence quality judgments.

Thus, an agricultural producer could signal its high quality to consumers by offering

explicit guarantees or warranties of satisfaction. Harry and David's fruit and vegetable mail-order business offers a guarantee that requires its customers to be "delighted" with the product. If not, Harry and David will provide an appropriate replacement or a full refund, whichever the customer prefers, with no product return necessary. In another example, agricultural producers, such as Perdue (chickens) and Dole (pineapples), have created the perception of higher quality by allocating more resources to advertising (i.e., greater advertising effort) than have their competitors. In each of these examples, marketers have employed a cue or signal (e.g., warranty or advertising effort) to engender, at a perceptual level, a competitive advantage even though their products may be similar in objective quality to the competition.

To summarize, the objective of the current effort was to uncover alternative approaches to creating competitive advantage even under conditions in which no physical differences in actual quality exist. To this end, we reviewed literature from a number of disciplines in order to identify evidence germane to this issue. Specifically, three nontraditional strategies were presented, each of which represents an alternative means for perceptually differentiating products in the face of physical homogeneity. Agricultural producers operating in parity markets should find these recommendations useful for devising strategies aimed at maximizing sales performance in the marketplace.

References

Aaker, David A., and J. Gary Shansby. 1982. "Positioning Your Product." *Business Horizons* (May/June): 56-62.

Agricultural and Agri-Food Canada. 1996. Report series from the Crop and Livestock Research Centre [online]. <http://www.agr.gc.ca> (accessed January 2003).

Anderson, Eugene W., and Steven M. Shugan. 1991. "Repositioning for Changing Preferences: The Case of Beef versus Poultry." *Journal of Marketing* 18(September): 219-32.

Baron, Jonathon, and Ilana Ritov. 1994. "Reference Points and Omission Bias." *Organizational Behavior and Human Decision Processes* 59(September): 475-98.

Barone, Michael J., and Paul W. Miniard. 2002. "On the Robustness of Peripheral Choice Effects: Now You See Them, Now You Don't." Working paper, Iowa State University.

Barone, Michael J., Valerie E. Taylor, and Joel E. Urbany. 2002. "Advertising Signaling Effects for New Brands." Working paper, Iowa State University.

BBDO Worldwide. 1989. *FOCUS: A World of Brand Parity*. New York: BBDO Worldwide.

Biel, Alexander L. 1993. "Converting Image into Equity." In *Brand Equity and Advertising*. Edited by David A. Aaker and Alexander L. Biel. Hillsdale, NJ: Lawrence Erlbaum Associates, Inc., pp. 67-82.

Bitner, Mary J., and Carl Obermiller. 1985. "The Elaboration Likelihood Model: Limitations and Extensions in Marketing." In *Advances in Consumer Research*, vol. 12. Edited by Elizabeth C. Hirschman and Morris B. Holbrook. Ann Arbor, MI: Association for Consumer Research, pp. 420-25.

Boulding, William, and Amna Kirmani. 1993. "A Consumer-Side Experimental Examination of Signaling Theory: Do Consumers Perceive Warranties as Signals of Quality?" *Journal of Consumer Research* 20(June): 111-23.

Brown, Christina L., and Gregory S. Carpenter. 2000. "Why Is the Trivial Important? A Reasons-Based Account for the Effects of Trivial Attributes on Choice." *Journal of Consumer Research* 26(March): 372-85.

Carpenter, Gregory S., and Kent Nakamoto. 1989. "Consumer Preference Formation and Pioneering Advantage." *Journal of Marketing Research* 26(August): 285-98.

Carpenter, Gregory S., Rashi Glazer, and Kent Nakamoto. 1994. "Meaningful Brands from Meaningless Differentiation: The Dependence on Irrelevant Attributes." *Journal of Marketing Research* 31(August): 339-50.

Coen, Robert J. 1999. "Spending Spree." *Advertising Age Special Issue: The Advertising Century*. New York, p. 126.

Dhar, Ravi. 1997. "Consumer Preference for a No-Choice Option." *Journal of Consumer Research* 24(September): 215-31.

Dickson, Peter R., and James L. Ginter. 1987. "Market Segmentation, Product Differentiation, and Marketing Strategy." *Journal of Marketing* 51(April): 1-10.

Economist. 1992. "Bandwagons and Barriers." October 10, p. 69.

Erdem, Tulin, and Joffre Swait. 1998. "Brand Equity as a Signaling Phenomenon." *Journal of Consumer Research* 7(2): 131-57.

Feldman, Jack M., and John G. Lynch, Jr. 1988. "Self-Generated Validity and Other Effects of Measurement on Belief, Attitude, Intention, and Behavior." *Journal of Applied Psychology* 73(August): 421-35.

Golder, Peter N., and Gerard J. Tellis. 1993. "Pioneering Advantage: Marketing Logic or Marketing Legend." *Journal of Marketing Research* 30(May): 158-70.

Gorn, Gerald. 1982. "The Effects of Music in Advertising on Choice Behavior: A Classical Conditioning Approach." *Journal of Marketing* 46(Winter): 94-101.

Heath, Timothy B., Michael S. McCarthy, and David L. Mothersbaugh. 1994. "Spokesperson Fame and Vividness Effects in the Context of Issue-Relevant Thinking: The Moderating Role of Competitive Setting." *Journal of Consumer Research* 20(March): 520-34.

Ippolito, Pauline M. 1990. "Bonding and Nonbonding Signals of Product Quality." *Journal of Business* 63(1): 41-60.

Keller, Kevin Lane. 2002. *Strategic Brand Management: Building, Measuring, and Managing Brand Equity*. 2nd ed. Upper Saddle River, NJ: Prentice-Hall.

Kihlstrom, Richard E., and Michael H. Riordan. 1984. "Advertising as a Signal." *Journal of Political Economy* 92(31): 427-50.

Kirmani, Amna. 1990. "The Effect of Perceived Advertising Costs on Brand Perceptions." *Journal of Consumer Research* 17(September): 160-71.

Kirmani, Amna, and Akshay R. Rao. 2000. "No Pain, No Gain: A Critical Review of the Literature on Signaling Unobservable Product Quality." *Journal of Marketing* 64(April): 66-79.

Kirmani, Amna, and Peter Wright. 1989. "Money Talks: Perceived Advertising Expense and Expected Product Quality." *Journal of Consumer Research* 16(December): 344-53.

Kotler, Philip, and Gary Armstrong. 2001. *Principles of Marketing*, 9th ed. Upper Saddle River, NJ: Prentice-Hall.

Luce, Mary Frances. 1998. "Choosing to Avoid: Coping with Negatively Emotion-Laden Consumer Decisions." *Journal of Consumer Research* 24(March): 409-33.

Lynch, John G., Howard Marmorstein, and Michael F. Weigold. 1988. "Choices from Sets Including Remembered Brands: Use of Recalled Attributes and Prior Overall Evaluations." *Journal of Consumer Research* 15(September): 169-84.

Menon, Geeta, Priya Raghbir, and Norbert Schwarz. 1995. "Behavioral Frequency Judgments: An Accessibility-Diagnosticity Framework." *Journal of Consumer Research* 22(September): 212-29.

Meyvitz, Tom, and Chris Janiszewski. 2002. "Consumers' Beliefs About Product Benefits: The Effect of Obviously Irrelevant Product Information." *Journal of Consumer Research* 28(March): 618-35.

Milgrom, Paul, and John Roberts. 1986. "Price and Advertising Signals of Product Quality." *Journal of Political Economy* 94: 796-821.

Miniard, Paul W., Deepak Sirdeshmukh, and Daniel E. Innis. 1992. "Peripheral Persuasion and Brand Choice." *Journal of Consumer Research* 19(September): 226-39.

Miniard, Paul W., Peter R. Dickson, and Kenneth R. Lord. 1987. "Some Central and Peripheral Thoughts on the Routes to Persuasion." In *Advances in Consumer Research*, vol. 14. Edited by Michael J. Houston. Provo, UT: Association for Consumer Research, pp. 204-8.

Montgomery, Henry. 1989. "From Cognition to Action: The Search for Dominance in Decision Making." In *Process and Structure in Human Decision Making*. Edited by Henry Montgomery and Ola Svenson. Chichester: John Wiley & Sons.

Moorthy, Sridhar, and Hao Zhao. 2000. "Advertising Spending and Perceived Quality." *Marketing Letters* 11(3): 221-33.

Mukherjee, Ashesh, and Wayne D. Hoyer. 2001. "The Effect of Novel Attributes on Product Evaluation." *Journal of Consumer Research* 28(December): 462-72.

Nelson, Philip. 1970. "Information and Consumer Behavior." *Journal of Political Economy* 78(March-April): 311-29.

———. 1974. "Advertising as Information." *Journal of Political Economy* 82(July-August): 729-54.

Owen, Stewart. 1993. "The Landor ImagePower Survey: A Global Assessment of Brand Strength." In *Brand Equity and Advertising*. Edited by David A. Aaker and Alexander L. Biel. Hillsdale, NJ: Lawrence Erlbaum Associates, pp. 11-30.

Park, C. Whan, Bernard J. Jaworski, and Deborah J. MacInnis. 1986. "Strategic Brand Concept-Image Management." *Journal of Marketing* 50(October): 135-45.

Petty, Richard E., and John T. Cacioppo. 1986. "The Elaboration Likelihood Model of Persuasion." In *Advances in Experimental Social Psychology*, vol. 19. Edited by L. Berkowitz. New York: Academic Press, pp. 123-205.

Pokorny, Gene. 1995. "Building Brand Equity and Customer Loyalty." *Electric Perspectives* May/June, pp. 55-66. Washington, DC: Edison Electric Institute.

Porter, Michael E. 1985. *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: The Free Press.

Rao, Akshay R., Lu Qu, and Robert W. Ruekert. 1999. "Signaling Unobservable Product Quality Through a Brand Ally." *Journal of Marketing Research* 36(May): 258-68.

Shimp, Terence A., Elnora W. Stuart, and Randall W. Engle. 1991. "A Program of Classical Conditioning Experiments Testing Variations in the Conditioned Stimulus and Context." *Journal of Consumer Research* 18(June): 1-12.

Simmons, Carolyn J., Barbara A. Bickart, and John G. Lynch. 1993. "Capturing and Creating Public Opinion in Survey Research." *Journal of Consumer Research* 20(September): 316-30.

Simonson, Itamar, Stephen M. Nowlis, and Yael Simonson. 1993. "The Effect of Irrelevant Preference Arguments on Consumer Choice." *Journal of Consumer Psychology* 2(3): 287-306.

Simonson, Itamar, Ziv Carmon, and Suzanne O'Curry. 1994. "Experimental Evidence on the Negative Effect of Product Features and Sales Promotions on Brand Choice." *Marketing Science* 13(1): 23-40.

Spence, Michael. 1973. "Job Market Signaling." *Quarterly Journal of Economics* 87(August): 355-74.

Stigler, George J. 1961. "The Economics of Information." *Journal of Political Economy* 69(June): 213-25.

Stuart, Elnora W., Terence A. Shimp, and Randall W. Engle. 1987. "Classical Conditioning of Consumer Attitudes: Four Experiments in an Advertising Context." *Journal of Consumer Research* 14(December): 334-49.

Tam, Pui-Wing. 2002. "High-Technology Giant Duels with Nimble Knock-Off Artists." *Wall Street Journal* September 25, pp. A1, A10.

Tversky, Amos, and Eldar Shafir. 1992. "Choice Under Conflict: The Dynamics of Deferred Decision." *Psychological Science* 3(6): 358-61.

Walker, Orville C., Jr., Harper W. Boyd, and Jean-Claude Larreche. 1999. *Marketing Strategy*, 3rd ed. Boston: Irwin, McGraw-Hill.

Wind, Yoram J. 1990. "Positioning Analysis and Strategy." In *The Interface of Marketing and Strategy*. Edited by George Day, Barton Weitz, and Robin Wensley. Greenwich, CT: JAI Press.