

HARD-TO-COPY SERVICES:

RESEARCH INTO THE FACTORS THAT MAKE SUCCESSFUL
SERVICE PRODUCTS DIFFICULT TO IMITATE

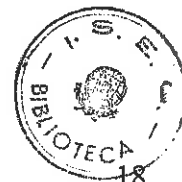
A Thesis Submitted to the University of Manchester for the
Degree of Doctor of Philosophy
in the Faculty of Business Administration

2004

José Manuel Cristóvão Veríssimo

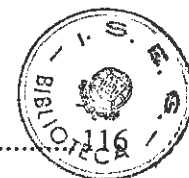
Manchester Business School

LIST OF CONTENTS



1	CHAPTER 1 - INTRODUCTION	18
1.1	INTRODUCTION	18
1.2	PURPOSE	18
1.3	JUSTIFICATION FOR THE RESEARCH	19
1.3.1	Theoretical justification	19
1.3.2	Managerial justification	20
1.4	RESEARCH DESIGN	21
1.5	KEY ASSUMPTIONS	24
1.5.1	Defining hard-to-copy products	24
1.5.2	Defining competitive advantage	25
1.5.3	Defining the service organisation	25
1.6	OUTLINE OF THE THESIS	25
2	CHAPTER 2 – LITERATURE REVIEW	27
2.1	INTRODUCTION	27
2.2	SERVICES MANAGEMENT AND MARKETING LITERATURE	27
2.2.1	Nature and classification of services	28
2.2.2	Characteristics of services and their marketing implications	30
2.2.3	Conclusion	34
2.3	SUSTAINABLE COMPETITIVE ADVANTAGE	35
2.3.1	The meaning of competitive advantage	35
2.3.2	Origins of competitive advantage	37
2.3.3	Characteristics of competitive advantage	40
2.3.4	Skills, assets, capabilities and competences	43
2.3.5	Sustainability of competitive advantage	47
2.3.6	Barriers to imitation and sustainability of advantage	49
2.3.7	Competing theories of competitive advantage	52
2.4	DRIVERS OF COMPETITIVE ADVANTAGE	58
2.4.1	Being first, or early, to market	59

2.4.2	Innovation	61
2.4.3	Customer benefits provided	63
2.4.4	Ability to learn and to adapt to change	65
2.4.5	Quality of customer service	66
2.4.6	Economies of scale achieved	69
2.4.7	Alliances and partnerships formed.....	70
2.4.8	Branding.....	71
2.4.9	Distribution network.....	73
2.4.10	Financial strength of organisation.....	74
2.4.11	Culture of organisation	75
2.4.12	Understanding of customers	79
2.4.13	Low costs achieved	81
2.4.14	High-level of market research skills	82
2.4.15	Low prices charged	83
2.4.16	Support from parent organisation	84
2.4.17	Leadership provided by top management	86
2.4.18	Strength of customer retention programme	87
2.5	CONCLUSION.....	89
3	CHAPTER 3 - RESEARCH DESIGN AND METHODOLOGY	91
3.1	INTRODUCTION	91
3.2	RESEARCH PHILOSOPHY AND DESIGN.....	91
3.2.1	Dominant research paradigms in social sciences.....	91
3.2.2	Mixed methodology within the pragmatic paradigm.....	93
3.2.3	Forms of mixed-method design	94
3.2.4	Research design approaches	95
3.3	OVERALL RESEARCH STRATEGY AND DESIGN.....	103
3.4	PHASE ONE – QUALITATIVE STUDY.....	107
3.4.1	Selection of the qualitative research method	107
3.4.2	Focus groups with expert consultants.....	108
3.4.3	In-depth interviews with senior managers	111
3.4.4	Operational definitions of sources of competitive advantage....	112
3.4.5	Reliability and validity of qualitative data analysis	114



3.5	PHASE TWO – QUANTITATIVE STUDY	
3.5.1	Selection of the quantitative research method	116
3.5.2	Sampling for the survey	116
3.5.3	Mailed questionnaire.....	120
3.5.4	Scale and item development	121
3.5.5	Non-response bias.....	123
3.5.6	Classification into hard-to-copy and not hard-to-copy	124
3.5.7	Quantitative data analysis tools	126
3.6	STATISTICAL REVIEW	127
3.6.1	Tests of linearity	127
3.6.2	Statistical tests and important assumptions	131
3.6.3	Logistic regression	132
3.7	ETHICAL RESEARCH ISSUES	134
3.8	CONCLUSION.....	135
4	CHAPTER 4 - QUALITATIVE FINDINGS AND DATA ANALYSIS	137
4.1	INTRODUCTION	137
4.2	FOCUS GROUPS.....	137
4.3	IN-DEPTH INTERVIEWS.....	139
4.3.1	Being first, or early, to market	141
4.3.2	Innovation	143
4.3.3	Customer benefits provided	146
4.3.4	Ability to learn and to adapt to change	151
4.3.5	Quality of customer service	153
4.3.6	Economies of scale achieved	155
4.3.7	Alliances and partnerships	156
4.3.8	Branding.....	158
4.3.9	Distribution network.....	167
4.3.10	Financial strength of the organisation.....	169
4.3.11	Culture of the organisation	170
4.3.12	Understanding of customers	177
4.3.13	Low costs achieved	180
4.3.14	High-level of market research skills	182

4.3.15	Low prices charged	183
4.3.16	Support from parent organisation	186
4.3.17	Leadership provided by top management	188
4.3.18	Strength of customer retention programme	190
4.3.19	Summary of qualitative findings.....	193
4.4	CONCLUSION.....	197
5	CHAPTER 5 – EXPLORATORY RESEARCH FRAMEWORK.....	198
	<i>Modelo de Pesquisa</i>	
5.1	INTRODUCTION	198
5.2	THEORETICAL POSITION	198
5.3	PURPOSE, RESEARCH QUESTIONS AND OBJECTIVES.....	199
5.4	PROFILE OF HARD-TO-COPY PRODUCTS	201
5.5	PROPOSITIONS FOR THE QUANTITATIVE STUDY	203
5.5.1	Culture of the organisation	203
5.5.2	Customer benefits provided	209
5.5.3	Branding.....	211
5.5.4	Innovation	217
5.5.5	Competitive strategy	220
5.5.6	Relevancy of Propositions to the Services Sector.....	224
5.6	CONCLUSION.....	228
6	CHAPTER 6 - QUANTITATIVE FINDINGS AND DATA ANALYSIS	230
6.1	INTRODUCTION	230
6.2	HARD-TO-COPY IN THE SERVICES SECTOR	230
6.3	PROFILE OF HARD-TO-COPY SERVICES.....	232
6.3.1	Hard-to-copy and performance	232
6.3.2	Hard-to-copy drivers	234
6.3.3	Hard-to-copy multiple bases of advantage.....	270
6.4	AMPLIFIED RESEARCH INTO COMPETITIVE FACTORS.....	273
6.4.1	Culture of the organisation	274
6.4.2	Customer benefits provided	278
6.4.3	Branding.....	281

6.4.4	Innovation	288
6.4.5	Competitive Strategy	293
6.5	CONCLUSION.....	298
7	CHAPTER 7 - DISCUSSION AND CONCLUSION.....	300
7.1	INTRODUCTION	300
7.2	PURPOSE AND OBJECTIVES OF THIS THESIS	300
7.2.1	Qualitative objectives	302
7.2.2	Quantitative objectives	302
7.3	SUMMARY AND DISCUSSION.....	303
7.3.1	Qualitative objectives and findings.....	303
7.3.2	Quantitative objectives and findings.....	307
7.4	CONTRIBUTION TO THEORY	322
7.5	MANAGERIAL IMPLICATIONS.....	324
7.6	LIMITATIONS OF THE STUDY	325
7.7	FURTHER RESEARCH	327
7.8	CONCLUSION.....	328
8	REFERENCES.....	329
9	APPENDICES.....	354

LIST OF TABLES

Table 2-1 Service Classifications	29
Table 2-2 Services Marketing Problems and Recommended Strategies	30
Table 2-3 Definitions of Competitive Advantage.....	36
Table 2-4 Contributions to Competitive Advantage Theory	38
Table 2-5 Characteristics of Drivers of Competitive Advantage.....	41
Table 2-6 Classifications of Sources of Competitive Advantage	44
Table 2-7 Definitions of Assets	45
Table 2-8 Definitions of Skills, Capabilities, and Competences	45
Table 2-9 Internal Barriers to Imitation	50
Table 3-1 Dominant Paradigms in the Social Sciences	92
Table 3-2 Evolution of Methodological Approaches in the Social Sciences.....	94
Table 3-3 Research Design Approach	104
Table 3-4 Sample for the Focus Groups	109
Table 3-5 In-Depth Interviews by Sector.....	111
Table 3-6 Profile of Interviewees and Size of Transcripts.....	112
Table 3-7 Operational Definitions of Sources of Competitive Advantage.....	113
Table 3-8 Reliability Assessment of Coding: Initial Inter-Coder Agreement ...	115
Table 3-9 Sample Size by Service Sector	117
Table 3-10 Number of Replies by Service Sector.....	119
Table 3-11 Number of Replies by Job Position	120
Table 3-12 Number of Replies by Company Size	120
Table 3-13 Statistical Differences Between 1 st and 2 nd Waves.....	124
Table 3-14 Correlations Among Performance Variables.....	125
Table 3-15 Reliability Analysis of Performance Items.....	126
Table 3-16 Normality Tests Applied to the Distribution of Hard-to-Copy Products	128
Table 3-17 Normality Tests Applied to Sources of Competitive Advantage	128
Table 3-18 Normality Tests Applied to Branding Items.....	129
Table 3-19 Normality Tests Applied to Innovation Items	129
Table 3-20 Normality Tests Applied to Customer Benefits Items.....	130
Table 3-21 Normality Tests Applied to Segmentation Items	130
Table 3-22 Normality Tests Applied to Competitive Strategy Items	130
Table 3-23 Normality Tests Applied to Performance Items	131

Table 4-1 Hard-to-Copy Products Identified by the Focus Groups	138
Table 4-2 Positions of Managers Interviewed	140
Table 4-3 Being First, or Early, to Market.....	141
Table 4-4 Frequency: Being First, or Early, to Market	142
Table 4-5 Innovation: Shifting the Focus of Attention to Other Buyers.....	143
Table 4-6 Innovation: Combining Reasons for Purchase from Substitute Sectors	143
Table 4-7 Innovation: Changing the Prevailing Functional/Emotional Mix	144
Table 4-8 Innovation: Offering More of a 'Total Solution'	145
Table 4-9 Innovation: Including New Valued Benefits	146
Table 4-10 Frequency: Innovation Strategies	146
Table 4-11 Customer Benefits: Improve Customer Productivity	147
Table 4-12 Customer Benefits: Simplicity	148
Table 4-13 Customer Benefits: Convenience	148
Table 4-14 Customer Benefits: Reduce Risk.....	149
Table 4-15 Customer Benefits: Fun and Image	149
Table 4-16 Customer Benefits: Environmental Friendliness.....	150
Table 4-17 Frequency: Customer Benefits	150
Table 4-18 Ability to Learn and to Adapt to Change.....	152
Table 4-19 Frequency: Ability to Learn and to Adapt to Change.....	153
Table 4-20 Quality of Customer Service	154
Table 4-21 Frequency: Quality of Customer Service	155
Table 4-22 Economies of Scale Achieved	155
Table 4-23 Frequency: Economies of Scale Achieved	155
Table 4-24 Alliances and Partnerships	156
Table 4-25 Frequency: Alliances and Partnerships.....	158
Table 4-26 Evolving Brand Position	159
Table 4-27 Clear Brand Positions.....	161
Table 4-28 Importance of Non-Mass Media Communication in Brand Building	162
Table 4-29 Brand Differentiation.....	165
Table 4-30 Frequency: Brand Themes	167
Table 4-31 Large Distribution Network.....	167
Table 4-32 Frequency: Large Distribution Network.....	169
Table 4-33 Financial Strength of the Organisation	170

Table 4-34 Frequency: Financial Strength of the Organisation	170
Table 4-35 Culture Fit with the Brand.....	171
Table 4-36 Frequency: Culture Fit with the Brand	173
Table 4-37 Culture Type.....	173
Table 4-38 Frequency: Culture Type.....	176
Table 4-39 Understanding of Customers	177
Table 4-40 Frequency: Understanding of Customers	180
Table 4-41 Low Costs Achieved.....	180
Table 4-42 Frequency: Low Costs Achieved.....	182
Table 4-43 High-Level of Market Research Skills	182
Table 4-44 Frequency: High-Level of Market Research Skills	183
Table 4-45 Low Prices Charged.....	184
Table 4-46 Frequency: Low Prices Charged.....	186
Table 4-47 Support from Parent Organisation.....	186
Table 4-48 Frequency: Support From Parent Organisation	188
Table 4-49 Leadership Provided by Top Management.....	188
Table 4-50 Frequency: Leadership Provided by Top Management.....	190
Table 4-51 Strength of Customer Retention Programme	190
Table 4-52 Frequency: Strength of Customer Retention Programme.....	192
Table 4-53 Sources of Advantage: Goals, Examples, and Findings.....	193
Table 5-1 Relevancy of research propositions to services vs. goods.....	227
Table 6-1 "Has your product proven hard-to-copy?": Frequencies	231
Table 6-2 Hard-to-Copy and Performance: Correlations.....	232
Table 6-3 Hard-to-Copy and Performance: Differences in Means	233
Table 6-4 Hard-to-Copy Variables (Entire Sample): Hard-to-Copy Products Only	235
Table 6-5 Hard-to-Copy Variables (Entire Sample): Differences in Means.....	236
Table 6-6 Hard-to-Copy Factors: Reliability Analysis	237
Table 6-7 Hard-to-Copy Factors: Exploratory Factor Analysis.....	238
Table 6-8 Hard-to-Copy Factors (Entire Sample): Differences in Means	238
Table 6-9 Hard-to-Copy Variables (Entire Sample): Logistic Regression Model Results.....	241
Table 6-10 Hard-to-Copy Factors (Entire Sample): Logistic Regression Model Results.....	243
Table 6-11 Hard-to-Copy Variables (by Markets Served): Hard-to-Copy Products Only	246

Table 6-12 Hard-to-Copy Variables (b2c): Differences in Means.....	247
Table 6-13 Hard-to-Copy Variables (b2b): Differences in Means	248
Table 6-14 Comparison of Significant Variables Between b2b and b2c.....	249
Table 6-15 Hard-to-Copy Factors (b2c): Differences in Means	249
Table 6-16 Hard-to-Copy Factors (b2b): Differences in Means	250
Table 6-17 Comparison of Significant Factors Between b2b and b2c	250
Table 6-18 Hard-to-Copy Variables (by Industry Sector): Hard-to-Copy Products Only	252
Table 6-19 Hard-to-Copy Variables (Accommodation & Eating Out): Differences in Means.....	253
Table 6-20 Hard-to-Copy Factors (Accommodation & Eating Out): Differences in Means.....	254
Table 6-21 Comparison of Significant Variables between the Entire Sample and the Accommodation & Eating Out Sector	254
Table 6-22 Comparison of Significant Factors between the Entire Sample and the Accommodation & Eating Out Sector	255
Table 6-23 Hard-to-Copy Variables (Retail): Differences in Means.....	256
Table 6-24 Comparison of Significant Variables between the Entire Sample and the Retail Sector.....	256
Table 6-25 Hard-to-Copy Variables (Leisure & Entertainment): Differences in Means.....	258
Table 6-26 Comparison of Significant Variables between the Entire Sample and the Leisure & Entertainment Sector.....	259
Table 6-27 Hard-to-Copy Factors (Leisure & Entertainment): Differences in Means.....	260
Table 6-28 Comparison of Significant Factors between the Entire Sample and the Leisure & Entertainment Sector.....	260
Table 6-29 Hard-to-Copy Variables (Financial Services): Differences in Means	261
Table 6-30 Comparison of Significant Variables between the Entire Sample and the Financial Services Sector	262
Table 6-31 Hard-to-Copy Factors (Financial Services): Differences in Means.	263
Table 6-32 Comparison of Significant Factors between the Entire Sample and the Financial Services Sector.....	263
Table 6-33 Hard-to-Copy Variables (Business Services): Differences in Means	264
Table 6-34 Comparison of Significant Variables between the Entire Sample and the Business Services Sector.....	265
Table 6-35 Hard-to-Copy Variables (Travel & Transportation): Differences in	

Means.....	266
Table 6-36 Comparison of Significant Variables between the Entire Sample and the Travel & Transportation Sector	267
Table 6-37 Hard-to-Copy Factors (Travel & Transportation): Differences in Means.....	267
Table 6-38 Comparison of Significant Factors between the Entire Sample and the Travel & Transportation Sector	268
Table 6-39 Hard-to-Copy Variables (Summary by Industry Sector): Differences in Means.....	269
Table 6-40 Hard-to-Copy Factors (Summary by Service Sector): Differences in Means.....	270
Table 6-41 Significant Variables and Hard-to-Copy: Cross-tabulation.....	271
Table 6-42 Significant Variables and Hard-to-Copy: Regression	272
Table 6-43 Culture Fit with the Brand: Differences in Means	275
Table 6-44 Brand Fit with the Environment: Differences in Means.....	276
Table 6-45 Fit between Culture and the Brand: Differences in Means	276
Table 6-46 Culture Type: Differences in Means	278
Table 6-47 Average Score on Customer Benefits: Differences in Means	280
Table 6-48 Average Number of Customer Benefits: Differences in Means.....	281
Table 6-49 Consistency of Brand Position: Differences in Means.....	282
Table 6-50 Precise Position and Brand Essence: Differences in Means.....	283
Table 6-51 Brand Communication: Differences in Means	285
Table 6-52 Word-of-Mouth vs. Mass Media Advertising: Differences in Means	286
Table 6-53 Brand Differentiation: Differences in Means	287
Table 6-54 Appealing to New Segments: Differences in Means.....	288
Table 6-55 Benefits from Substitute Sectors Included: Differences in Means..	289
Table 6-56 Breaking the Prevailing Function/Emotion Mix: Differences in Means	291
Table 6-57 Providing a Total Solution: Differences in Means	292
Table 6-58 Significant New Benefits Included: Differences in Means	292
Table 6-59 Targeting: Differences in Means	294
Table 6-60 Differentiation vs. Cost Leadership: Cross Tabulation	296
Table 6-61 Low Cost vs. Differentiation: Differences in Means.....	297

LIST OF FIGURES

Figure 1-1 Blueprint of the Research Strategy.....	22
Figure 5-1 Themes Justifying Further Amplification	203
Figure 5-2 Fit Between Organisational Culture and the Brand.....	205
Figure 6-1 Significant Variables Associated with Hard-to-Copy Products	271
Figure 6-2 Fit Between Organisational Culture and the Brand.....	275

LIST OF APPENDICES

APPENDIX 1: Letter of Invitation to Focus Groups.....	354
APPENDIX 2: Topic Guide Used in Group Discussions.....	355
APPENDIX 3: Letter of Invitation sent to Companies	357
APPENDIX 4: Topic Guide Used in the Interviews	359
APPENDIX 5: Pre-Notification Letter Before the Mailout	360
APPENDIX 6: Cover Letter Accompanying The First Mailout.....	361
APPENDIX 7: Cover Letter Accompanying the Second Mailout	362
APPENDIX 8: Self-Completion Questionnaire	363

HARD-TO-COPY SERVICES:

Research Into the Factors that Make Successful Service Products Difficult to Imitate

José Manuel Cristóvão Veríssimo

Keywords:

Competitive Advantage, Sustainability, Services, Skills and Assets, Branding, Innovation, Competitive Strategy, Organisational Culture, Customer Benefits.

ABSTRACT

The received wisdom says that most successful products in the service sector are rapidly copied. However, evidence suggests that some service products are more profitable than others, irrespective of the average profitability of the industry. Thus, superior performers ought to possess something special and hard-to-copy that allows them to reap sustained superior performance and outperform their competition.

In this exploratory study, the researcher has adopted the sequential mixed-method design consisting of a two-phase sequential design. The researcher started with qualitative data collection and analysis to identify potential advantages of hard-to-copy products, using the results to design a subsequent questionnaire mailed to a number of U.K. service sectors.

This study reveals that hard-to-copy products do exist in the services sector. Furthermore, they seem to out-perform typical products on a wide range of performance measures, from profitability to market share, from customer retention to growth. The findings show that hard-to-copy products have a distinct profile. They are likely to score highly on ten competitive factors, which can be combined under three headings: they are produced in a 'learning' culture; they provide superior branding, service and customer benefits; and they are built on innovation from the beginning.

Moreover, it was found that a hard-to-copy position is protected by simultaneously performing well on approximately seven out of ten key competitive factors. Arguably, it is this simultaneous performance that makes it so difficult for competition to come up with an effective copycat.

DECLARATION

No portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or institute of learning.

COPYRIGHT

Copyright in text of this thesis rests with the author. Copies (by any process) either in full, or of extracts, may be made only in accordance with instructions given by the author and lodged in the John Rylands University Library of Manchester. Details may be obtained from the librarian. This page must form part of any such copies made. Further copies (by any process) of copies made in accordance with such instructions may not be made without the permission (in writing) of the author.

The ownership of any intellectual property rights which may be described in this thesis is vested in the University of Manchester, subject to any prior agreement to the contrary, and may not be made available for use by third parties without the written permission of the University, which will prescribe the terms and conditions of any such agreement.

Further information on the conditions under which disclosures and exploitation may take place is available from the Head of Manchester Business School.

THE AUTHOR

José Manuel Cristóvão Veríssimo was born in 1966 in Portugal. He received his Honour's degree in Business Administration in 1989 from the Higher Institute of Economics and Management (ISEG), a Faculty of the Technical University of Lisbon (UTL), and his Master of Business Administration in 1993 from the European University (Lisbon).

His professional career includes several senior management positions in leading Portuguese organisations from 1989 to 1996. More recently, he founded teamView, an international consultancy firm based in Lisbon.

Since 2002 he holds a lecturer position at the Higher Institute of Economics and Management (ISEG), a Faculty of the Technical University of Lisbon (UTL), where he teaches in the marketing and strategy subject area. Previously, he has been actively involved in executive training.

Currently, the author is investigating hard-to-copy products in Portugal and Finland, following a similar methodology used in this research.

ACKNOWLEDGEMENTS



The author gratefully acknowledges helpful comments from the members of the Business Excellence Cohort at Manchester Business School, in particular to Professor John Murphy, for their interesting presentations and enlightening discussions.

I would like especially to thank Professor Chris Easingwood for giving me the opportunity to research into this topic, for his advice, guidance, and encouragement throughout all phases of this journey, especially in times of confusion and methodological crisis. Special thanks also for introducing me to the wines of the world and for awakening in me yet another research passion.

Many thanks also go to Jackie Fisk and Margaret Toomey at the MBS Marketing and Strategy Subject Area Group for their professional help. Thanks are also due to Lynne Barlow from the Research Degrees Office for her priceless administrative assistance, and helpful edition of this transcript.

I especially want to thank my family for their continuous support and encouragement. Special thanks go to my dear wife, Ana Paula, for her inexorable support and patience, my dear baby son, Tiago, for his blue ocean smile, and to my parents, Manuel Eugénio and Maria Eloisa, for their everlasting inspiration. I couldn't do it without you.

I would also like to thank The Portuguese Science and Technology Foundation (Fundação para a Ciência e Tecnologia - FCT) for their generous financial support. Finally, I would like to thank the many individuals and organisations that made this piece of research possible. Their co-operation is very much appreciated.

CHAPTER 1 - INTRODUCTION

1.1 INTRODUCTION

Most successful products offered in the service sector are rapidly copied. Interestingly though, there are a few that are successful yet not effectively copied. This does not mean that the competition has not tried to copy the successful service, just that they have not had a great deal of success in trying to do so. This research has been carried out into the factors that make some service products both successful and yet difficult to copy effectively. Such products are called 'hard-to-copy'.

This study is exploratory in intent. It seeks to contribute to the debate on how service companies can attain a sustainable competitive advantage. The researcher is led to argue that some services ought to possess something special and hard to imitate that allows them to outperform their rivals.

1.2 PURPOSE

In most industries, some firms are more profitable than others, regardless of whether the average profitability of the industry is high or low (Bharadwaj, Varadarajan and Fahy, 1993). Arguably, superior performers possess something special and hard to imitate that allows them to outperform their rivals in both financial and market arenas.

Many scholars (e.g. Dickson, 1992; Ghemawat, 1986) argue a firm's competitive advantage cannot resist imitation for a long time. Ghemawat (1986) holds that competitors secure detailed information on 70% of all new products within one year of their development, bringing imitation costs down by up to a third less than the original innovation, and time to market a third quicker. Porter (1996), for example, notes that in the airline industry most competitors can buy the same planes, lease the gates, copy menus, ticketing, and baggage-handling services offered by other airlines. Hence, a central issue is how service companies can

attain a sustainable competitive advantage (Fahy, 1996), an issue particularly pertinent to service firms due to their inability to patent their innovations.

This thesis investigates a number of skills and assets, which form the basis of competition and provide the foundation of competitive advantage and long-term performance (e.g. Aaker, 1989; Fahy, 1993; Day and Wensley, 1988). In particular, it contributes to the debate on how service companies can attain a sustainable competitive advantage. The following research questions are addressed:

- Do hard-to-copy products exist in the services sector?
- What is special about hard-to-copy services and what makes them hard-to-copy?

1.3 JUSTIFICATION FOR THE RESEARCH

1.3.1 Theoretical justification

Additional research into the sources of sustainable advantage, especially in the services sector, is needed for a number of reasons. Firstly, sustainable competitive advantage occupies a central place in strategy research (Rouse and Daellenbach, 1999; Coyne, 1986). How a business achieves and maintains a superior competitive position is at the heart of strategic management (Day, 1994). However, despite evidence that the study of valuable advantages is needed, "few have been studied in detail from a sustainable competitive advantage perspective" (Rouse and Daellenbach, 1999, p.488). In fact, according to Fahy (1993), most of the services literature focuses on short-term tactical issues, and current reviews on sustainable competitive advantage provide little guidance on how firms can attain it. Recently, Powers and Hahn (2002, p.113) confirmed that "despite the recent attention given to how skills and resources are leveraged into competitive advantage in the service industries, there has been little empirical research on this topic."

Secondly, there has been a tendency to generalise research findings from the manufacturing sector across all industries (O'Farrell et al, 1993), not accounting

for differences in strategic phenomena between the manufacturing and service sectors. For instance, Bharadwaj et al (1993) hold that, although an extensive body of literature focusing on issues pertaining to competitive advantage has been published to date, "a closer examination of the sources of competitive advantage in the context of services industries can provide unique managerial insights" (p.83).

Thirdly, this study adds to the resource-based theory, addressing the fundamental question of why firms are different and how they achieve and sustain competitive advantage, supporting the notion that firms attain a unique character by virtue of their heterogeneous resources. Since Wernerfelt's work (1984), researchers have been developing and defining resource-based concepts, seeking to relate how resources can give rise to a firm's competitive advantage (Hoskisson et al, 1999), more specifically, how differences in a firm's resources realized superior firm performance. However, despite new insights into corporate strategy provided by the resource-based view of the firm (Barney, 1991; Peteraf, 1993), there has been limited empirical research testing the theory (Hoskisson et al, 1999; Farjoun, 1994).

Fourthly, often, previous studies have not accounted for the effects of strategy, industry, environment, or time (Powell, 1992). Amit and Shoemaker (1993) and Collis (1994) have argued that a holistic perspective is the best approach for researching the distinctive characteristic of sustainable superior performers.

Finally, there is neither theoretical work nor empirical findings suggesting that the existing body of knowledge, largely obtained in the context of the United States, is equally applicable in other countries (Hoskisson et al, 1999).

1.3.2 Managerial justification

Many scholars (e.g. Bettis and Hitt, 1995; Hitt, 1998; Porter, 1996) argue that the new competitive landscape forces firms to continue to evaluate the sustainability of their positions. Thus, achieving a "sustainable competitive advantage is the goal of every competitive strategy" (Coyne, 1986, p.54), and understanding which resources and firm behaviours lead to a sustainable competitive advantage

is considered to be the fundamental issue in marketing strategy (Varadarajan and Jayachandran, 1999).

In addition, the increased importance of services in developed economies has led to a tremendous demand for services marketing knowledge. For example, Deshpandé and Webster (1989) argue that the importance of understanding organisational culture issues in a marketing management context is undeniable. Surprisingly, Kapferer (1997) maintains that some service sectors seem to be just entering the brand age. Similarly, Dibb and Simkin (1993) note that little effort has been made to examine branding in the services literature. Therefore, a closer examination of how service companies can attain competitive advantage can provide unique managerial insights (Bharadwaj et al, 1993).

1.4 RESEARCH DESIGN

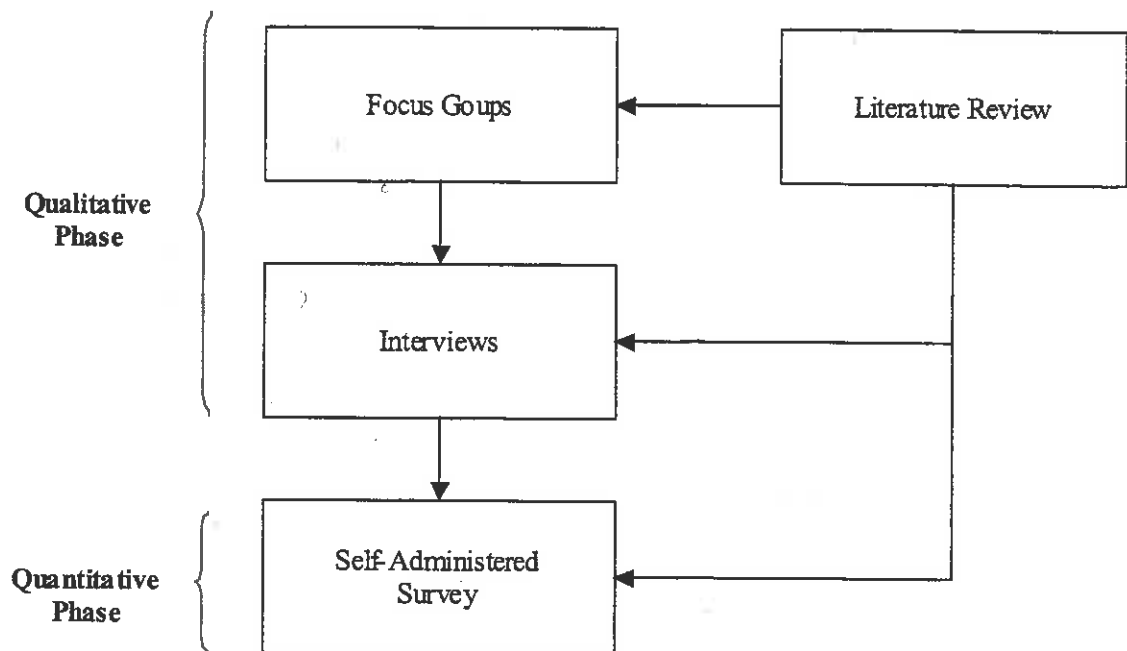
Rouse and Daellenbach (1999) argue that, to study the sources of advantage from a sustainable perspective, researchers must look for the sources of advantage in firms with performance that is consistently above the industry average. Hence, it is to firms with performance that is consistently above the industry average (Reed and DeFillippi, 1990) that researchers must look for the sources of sustainable competitive advantage. This work studies specifically those products that exhibit sustained superior returns, which are called "hard-to-copy".

Demsetz (1973) observed that sometimes it is difficult to understand why one firm consistently outperforms other firms. The methodology used in this thesis reflects the complexity of the study. Because the integration of quantitative and qualitative methodological tools is likely to be a fruitful course (Hoskisson et al., 1999), this thesis adopts the sequential mixed-method design, consisting of a two-phase sequential design, which is expected to improve research outcomes (Jick, 1979). This is a form of methodological triangulation to enhance the validity of the research findings.

The exploratory nature of this investigation into the competitive advantages of highly successful service products, yet not effectively copied, necessitated the researcher carrying out in-depth interviews with managers of hard-to-copy

products before undertaking the quantitative research. The findings of the qualitative research are important in refining the scope of the research, as well as the development of the questionnaire. Thus, the quantitative phase builds on the findings from the previous stage and examines a number of propositions. The research strategy is illustrated in Figure 1-1.

Figure 1-1 Blueprint of the Research Strategy



A summary of the research questions, purpose of research and objectives is as follows:

Research questions:

- Do hard-to-copy products exist in the services sector?
- What is special about hard-to-copy services and what makes them hard-to-copy?

Purpose of the research:

To empirically explore several unique skills and assets, which form the basis of competition and provide the foundation of a competitive advantage and superior long-term performance.

Phase One: Qualitative Study

Objective 1. To identify a number of service products, which have enjoyed market and financial success, and have proven difficult to imitate.

Objective 2. To gather information on the factors behind the hard-to-copy positions for the products identified.

Phase Two: Quantitative Study

Objective 3: To develop a profile of hard-to-copy products in the service sector.

Objective 4: To explore the relationship between organisational culture and hard-to-copy products in the service sector.

Objective 5: To explore the relationship between customer benefits and hard-to-copy products in the service sector.

Objective 6: To explore the relationship between branding issues and hard-to-copy products in the service sector.

Objective 7: To explore the relationship between innovation and hard-to-copy products in the service sector.

Objective 8: To explore the relationship between competitive strategy and hard-to-copy products in the service sector.

The importance of the above (culture, customer benefits, branding, innovation, and strategy) emerged during qualitative research.

1.5 KEY ASSUMPTIONS

There are three assumptions that must be highlighted in order to specify the boundaries of this study. This study explores the existence and characteristics of hard-to-copy products in the services sector. Therefore, it is important to understand the following assumptions:

1.5.1 Defining hard-to-copy products

A product is “anything that is offered to a market for attention, acquisition, use or consumption and that might satisfy a want or need” (Kotler et al., 1999, p. 561). It can be a tangible product, such as a watch, or a service, such as a current bank account. Kotler and his colleagues argue that it is not what a product offers but rather which wants it seeks to meet that is important. Therefore, managers redesign products, augment them with functional and emotional benefits valued by customers, and communicate them more effectively so that they can better meet the needs of target customers.

This thesis proposes the notion of “hard-to-copy”, which extends considerably beyond the product’s characteristics to include superior assets and skills associated with the product and its organisation. Therefore, although a rival might copy the product’s features it may not succeed in copying the drivers of advantage, such as innovation skills, organisational culture, or the brand reputation, which taken together constitute the skills and assets that create a competitive advantage. Eventually, a competitor may copy the product *per se* but not necessarily its success. If the product’s success is not copied effectively, hard-to-copy products are difficult to beat.

The notion of hard-to-copy draws extensively on the competitive advantage literature (cf. Aaker, 1989; Coyne, 1986; Barney, 1991; Amit and Shoemaker, 1993; Baghai et al, 1999; Day 1994). Thus, hard-to-copy products are ones with attributes that correspond to key buying criteria for customers (Hall, 1993; Aaker, 1989), such as product performance and convenience, as well as organisational assets and capabilities that taken together represent the ability of a business to do more or do better than its competitors.

Therefore, a *hard-to-copy* product is defined as:

A product which is successful in terms of generating more sales and/or profits in its target sector, perhaps several times more, than its nearest competitor in that same sector, yet it has not been effectively copied.

1.5.2 Defining competitive advantage

The notion of competitive advantage is central to this thesis, hence it supports the hard-to-copy position. This study adopts Carroll's (1982, p.10) definition of competitive advantage as:

"A factor or an effect which permits one participant in a business to offer a product or service more effectively than competitors."

1.5.3 Defining the service organisation

Service organisations, which are the focus of this thesis, are defined as:

Service providers who conduct service interactions or agreements with customers and who provide highly intangible service products.

1.6 OUTLINE OF THE THESIS

Chapter 1 provides a background of the thesis. It presents a summary of the research questions, purpose of research and objectives. Also, it briefly reviews the methodology of the research and its justification.

Chapter 2 presents a broad review of the literature about services management and sustainable competitive advantage. It also provides a detailed review on sources of competitive advantage.

Chapter 3 presents the research design of this thesis. It briefly reviews the literature on research philosophy and methodology, and explains the two phases of the study, qualitative and quantitative.

Chapter 4 presents the qualitative findings from focus groups with experts from leading consulting firms and from interviews conducted with senior managers, relating them with the relevant literature review.

Chapter 5 discusses the theoretical position of this thesis. The research purpose and objectives for the qualitative and quantitative phases are also discussed. Given the importance that culture, customer benefits, branding, innovation, and strategy showed in the qualitative research, this chapter combines the relevant literature review and qualitative findings relating to the aforementioned competitive factors to explain and justify a number of propositions, and to derive the questions used in the questionnaire.

Chapter 6 explores in depth the competitive advantages of hard-to-copy products by means of a survey administered to leading U.K. service firms. Here, several variables possibly contributing to competitive advantage are examined, and a profile of hard-to-copy products is identified.

Chapter 7 concludes the research project with a final discussion of the objectives and findings. It discusses the contribution to both service management/marketing literature and to services practice. Limitations and avenues for future research are also presented in this chapter.

CHAPTER 2 – LITERATURE REVIEW



2.1 INTRODUCTION

Most successful products offered in the service sector are rapidly copied. Competitors secure detailed information on 70% of all new products within one year of their development, bringing imitation costs down by up to a third less than original innovation, and time to market a third quicker (Ghemawat, 1986). Nevertheless, some firms are more profitable than others, regardless of whether the average profitability of the industry is high or low. The superior performers conceivably possess something special and hard-to-copy that allows them to achieve superior performance and outperform their rivals. These unique skills and assets, which are the basis of competition, provide the foundation of a competitive advantage and long-term performance (e.g. Aaker, 1989; Bharadwaj et al, 1993; Fahy, 1993; Day and Wensley, 1988).

This chapter is constructed in three sections. The first section provides an overview of the services marketing literature and highlights the service unique characteristics and their marketing implications. The second section features a review of the competitive advantage literature including its origins, characteristics, and conditions for sustainability. This section ends with a review of the dominant theories of business strategy: the resource-based and the industry-based theories. Finally, a detailed review of eighteen possible sources of competitive advantage is provided.

2.2 SERVICES MANAGEMENT AND MARKETING LITERATURE

An impressive body of literature on the management of service companies has emerged since Shostack (1977) advocated that marketing of services should “break free” from the marketing of goods. Two comprehensive reviews of extant literature on services marketing (Fisk et al, 1993; Swartz et al, 1992) show that services marketing has established itself as an independent area of study. In addition, the increasing importance of the service sector in most developed

countries, both in terms of GNP and people employed, has contributed to the need of a better understanding of the services sector and its related marketing issues.

2.2.1 Nature and classification of services

Zeithaml et al (1985) argue that the services marketing literature is rooted in three assumptions: (1) the unique characteristics of services – intangibility, inseparability of production and consumption, heterogeneity, and perishability; (2) that service characteristics pose problems to service marketers widely distinct from those faced by goods marketers; and (3) that service problems require marketing solutions often not found in the marketing of goods. Because most goods and services exhibit varying levels of tangible and intangible elements (Shostack, 1977) that affect the consumer buying process (Levitt, 1981), there is growing recognition that the boundaries between tangible goods and services have become blurred and that the majority of goods contain significant service components and vice versa (Bharadwaj et al, 1993). The intangibility continuum, first captured by Shostack's (1977) molecular model, depicts all market entities as containing both tangible and intangible elements, with services being defined as intangible-dominant entities. Evidence shows that significant service components are integral to the use of tangible goods (e.g. automobiles) as are significant tangible elements to the consumption of services (e.g. air travel). The difficulty in drawing a line between services and tangible goods is also present in well-known service definitions. For example, Berry (1980) defines services as deeds, efforts, or performances, and goods as objects, devices, or things. Kotler (1997) postulates that a service is "any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product" (p. 467).

Such blurred boundaries challenge the researcher on how to distinguish goods from services. A number of approaches have been proposed in the literature. Berry and Parasuraman (1991) suggest that if the source of a product's core benefit is tangible-dominant, it should be considered a good, and if it is intangible-dominant, it should be considered a service. Lovelock (1996), on the other hand,

posits that the main distinction between goods and services lies in the value that consumers associate with services without obtaining permanent ownership of any tangible elements.

Classification schemes facilitate an understanding of what different types of services have in common (Hoffman and Bateson, 1997). By classifying services, firms are challenged to look across the service spectrum, searching for common marketing characteristics shared by diverse service industries such as banks, airlines, insurance, and hotels. Though many service classifications can be observed in the literature (e.g. Rathmell, 1974; Shostack, 1977; Sasser et al, 1978; Thomas, 1978; Chase 1978; Kotler, 1980), often they are of limited managerial value (Lovelock, 1983). Lovelock (1983) provides one of the most comprehensive classification schemes of services yet. He suggests five different two-dimensional classifications of services. One such classification aims to answer two questions: at whom (or what) is the activity directed, and the degree of intangibility. Other traditional services classifications are presented in Table 2-1.

Table 2-1 Service Classifications

Classification based on	Categories	Reference
Level of tangibility	Goods-services spectrum	Shostack (1977)
Customer-Employee presence during the service	Self-service Interpersonal services Remote service	Bitner (1992)
Service operations dimensions	People or equipment focus Length of contact time Extent of customisation Personnel empowerment Source of value added (front office or back office) Product or process focus	Silvestro et al. (1992)
"Drama" analogy	Contact (front-office activities to back-office) Audience	Grove and Fisk (1983)
Customisation of service and empowerment of employees	Empowerment of employees Level of customisation of service	Lovelock (1983)

2.2.2 Characteristics of services and their marketing implications

Services' unique characteristics have received general acceptance (Zeithaml et al, 1985) and issues related to services marketing and services management have been given an impressive amount of attention in books and leading journals (Fahy, 1996). It is also widely accepted that each service characteristic poses specific marketing problems, requiring appropriate strategies. Table 2-2 summarises widely accepted services marketing problems and recommended strategies.

Table 2-2 Services Marketing Problems and Recommended Strategies

Service Characteristics	Problems Caused	References	Marketing Strategies	References
Intangibility	Services cannot be stored	Bateson (1977), Berry (1980), Langeard et al. (1981), Sasser (1976)	Stress tangible clues	Berry (1980), Booms & Bitner (1982), George and Berry (1981), Shostack (1977)
	Cannot protect services through patents	Eiglier and Langeard (1975), Judd (1968)	Use personal sources more than non-personal ones	Donnelly (1980)
	Cannot readily display or communicate services	Rathmell (1974)	Simulate or stimulate word-of-mouth communications	Davis et al (1979), George and Berry (1981)
	Prices are difficult to set	Dearden (1978), Lovelock (1981), Thomas (1978)	Create strong organisational image	Judd (1968), Knisely (1979), Thomas (1978)
			Use cost accounting to help set the prices	Beard and Hoyle (1976), Dearden (1978)
			Engage in post-purchase communications	Bessom and Jackson (1975), Fisk (1981), Zeithaml (1981)

Inseparability	Consumer involved in production	Booms and Nyquist (1981)	Emphasise selection and training of public contact personnel	Berry (1981), Davidson (1978), George (1977), Gronroos (1978)
	Other consumers involved in production	Bateson (1977), George (1977), Gronroos (1978)	Manage customers	Lovelock (1981)
	Centralised mass production of services difficult	Sasser et al (1978), Upah (1980)	Use multi-site locations	Carmen and Langeard (1980), Langeard et al. (1981), Upah (1980)
Heterogeneity	Standardisation and quality control difficult to achieve	Berry (1980)	Industrialise service	Levitt (1972, 1976)
			Customise service	Bell (1981), Berry (1980), Johnson (1981), Regan (1963), Sasser and Arbeit (1978)
Perishability	Services cannot be inventoried	Bateson (1977), Sasser (1976)	Use strategies to cope with fluctuating demand	Lovelock (1981)
			Make simultaneous adjustments in demand and capacity to achieve a closer match between the two	Sasser (1976)
Source: Zeithaml, Parasuraman and Berry (1985)				

2.2.2.1 Intangibility

Intangibility is the single most cited property of services from which all other differences emerge (e.g. Zeithaml et al, 1985; Bateson and Hoffman 1997). Because services are rendered performances, customers have difficulty in evaluating an intangible service offering (Zeithaml, 1981). Academics suggest

several marketing strategies to reduce intangibility effects. On the one hand, marketers should stress tangible clues (Shostack, 1977; Berry, 1980; George and Berry, 1981) because customers will look for physical evidence, such as the appearance of personnel or site location, for service evaluation. Communication can also play an important role in addressing the intangibility problem, for example by creating strong organisational logos (George and Berry, 1981). For example, U.K. Direct Line motor insurance always uses the "red phone" logo in their advertisements to say they are open for business, directly, anytime. However, services communication also has its challenges because customers cannot readily see or experience in advance, if at all, the service offered. One strategy that helps reduce customers' uncertainty is to foster word-of-mouth amongst friends, family or opinion leaders. U.K. Frizzell insurance campaigns do exactly this when they use testimonials from people who have been with the firm for a long time.

A strong organisational image and reputation can also help to minimise the effects of intangibility (Thomas, 1978; Bessom and Jackson, 1975; George, 1977; Onkvisit and Shaw, 1989). A well-known and respected corporate image lowers the perceived risk experienced by potential consumers. The U.K. AA recovery service communication, for instance, advertises their service as the "third emergency number."

Intangibility also has an impact on pricing strategy. The cost-plus pricing formula, frequently applied in tangible-dominant markets, poses special challenges in services because most costs depend on people's performance. Finally, intangibility also makes it difficult, if not totally impossible, to patent services, therefore making services more vulnerable to imitation than goods, and competitive advantage harder to sustain.

2.2.2.2 Inseparability

Typically, tangible goods are first produced, then sold and then consumed, whereas services are first sold, then produced and consumed simultaneously (Regan, 1963). The issue of simultaneous production and consumption has been

well documented (e.g. Donnelly, 1976; Bateson, 1977). Inseparability of production and consumption has three main marketing implications: (1) producer and seller are one single entity (Upah, 1980); thus service delivery often depends on the presence of the service provider (Lovelock, 1981); (2) the customer is involved in the production process (Carmen and Langeard, 1980; Bateson, 1977; Booms and Bitner, 1981). Because services are produced and consumed simultaneously, firms must design operations to accommodate the customer's presence. For instance, in petrol stations customers play a key role in delivering the service, so the production process becomes another tangible clue subject to the customer's scrutiny; and (3) it makes the service encounter highly interactive (Gronroos, 1978). The interaction between customers and the service provider entails a link of constant communication (Middleton, 1983), which allows for continuous and immediate feedback. The "shared experience" can have positive or negative effects on customers' perceptions of service quality. For example, a loud group of people dining in a restaurant may upset another group who prefer a quieter atmosphere.

Inseparability also has its impact on the difficulty of mass-producing services, especially when the service encounter entails face-to-face contact with the customer. For some service firms, however, delivery does not entail face-to-face contact with the customer, which allows the separation of production from distribution (Donnelly, 1976). First Direct, the U.K. leading telephone-banking service, has gone direct to overcome the limitation of a branch network, providing a seven-day non-stop telephone banking service.

2.2.2.3 Heterogeneity

Heterogeneity has it that service performances are potentially variable because they depend on the person who provides the service (Regan, 1963; Sasser, 1976; Bateson, 1977; Booms and Bitner, 1981; Levitt, 1981; Lovelock, 1983; Zeithaml et al, 1985). Variability is an acute problem in people intensive services, whereby many different employees can be in contact with a customer, causing problems of behaviour consistency (Langeard et al, 1981). As a result, each service encounter represents a unique performance and a unique customer experience. Two

strategies are frequently proposed to reduce the heterogeneity effect: (1) customisation, whereby service providers adapt the service offering to meet a customer's specific needs; and (2) standardisation of delivery, through intensive personnel training and by automating repetitive tasks. To some (e.g. Booms and Bitner, 1981), the lack of homogeneity in service offerings requires two more "P's" to be added to the popular marketing mix four P's: "participation" and "process," in order to stress the relevance of developing a more uniform service delivery.

2.2.2.4 Perishability

Services cannot be stored or saved for future consumption. This fact draws particular attention to how to co-ordinate supply and demand (Rathmell, 1974; Bessom and Jackson, 1975; Sasser, 1976; Thomas, 1978). For example, airline seats not sold cannot be reclaimed. One strategy to manage demand suggests shifting demand from peak to off-peak times, for instance by reducing price levels (Schlissel, 1977). Another strategy to cope with demand surges is to implement reservation systems, such as in the Odeon cinemas Advance Booking Service. On the other hand, strategies focused on managing internal capacity include sharing capacity with other service providers; recruiting part-time employees to assist during peak demand periods; establishing partnerships, such as in the case of airlines and travel agencies; and by promoting customer participation in service delivery.

2.2.3 Conclusion

Differences between the marketing of goods and the marketing of services are commonly attributed to intangibility, inseparability, heterogeneity, and perishability of services. Because of these characteristics, marketing plays a very different role in service-oriented organisations than it does in pure goods organisations (Hoffman and Bateson, 1997).

Service businesses are noted for their high level of mimetic behaviour. This level of imitation has focused attention on what kinds of competitive factors a service

firm may leverage in order to gain a competitive advantage. However, despite the numerous books and journal articles accompanying the growing importance of services, most of the services literature focuses on short-term and tactical issues (Fahy, 1993), leaving the manager with a key question: how to create and sustain a competitive advantage (Fahy, 1996). Scholars and practitioners alike have attested to the difficulty of achieving sustainable competitive advantage in service industries. This challenge is best put by Loomis (1989) who described the service sector as "a world of ferocious rivalry in which competitive advantages can disappear overnight. But it is also a world in which innovative and flexible companies can outshine the field for years" (p. 33).

2.3 SUSTAINABLE COMPETITIVE ADVANTAGE

Strategic management is about the development and maintenance of meaningful skills and assets, the selection of strategies and competitive arenas to exploit such assets and skills, and the neutralising of competitors' assets and skills (Aaker, 1989; Fahy, 1996). The concept of competitive advantage, thus, drives business strategy (Lado et al, 1992). However, assets and skills alone do not confer a sustainable competitive advantage unless they are applied to an industry or brought to a market.

2.3.1 The meaning of competitive advantage

The notion of competitive advantage has been a cornerstone of strategic management (Ma, 2000). It is perhaps the most widely used term in strategic management, yet there is no common meaning for 'competitive advantage' in practice and in the marketing strategy literature (Ma, 2000). Sometimes the term is used to mean relative superiority in skills and resources, whilst at other times the term refers to what we observe in the market – positional superiority, based on the provision of superior customer value or the achievement of lower relative costs (Day and Wensley, 1988). Table 2-3 shows some definitions of competitive advantage.

Table 2-3 Definitions of Competitive Advantage

Reference	Definition of Competitive Advantage
Hofer and Schendel (1978, p.25)	Competitive advantage "is the unique position an organisation develops vis-à-vis its competitors through its patterns of resource deployments."
Carroll (1982, p.10)	Competitive advantage is "a factor or an effect which permits one participant in a business to offer a product or service more effectively than competitors."
Porter (1985, p.3)	"Competitive advantage grows fundamentally out of the value a firm is able to create for its buyers that exceeds the firm's cost of creating it."
Barney (1991, p.102)	"A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors."

Barney's definition of competitive advantage is useful because it addresses some of the ambiguity that is apparent in common usage of the competitive advantage terminology. It incorporates the idea that creation of value, competition among firms, and the durability of that value are all fundamental to the conceptualisation of competitive advantages and their sustainability. However, Barney's definition of competitive advantage does not explicitly link competitive advantages to the resulting financial performance, although an earlier work (Barney, 1986) addressed the issue whether or not an organisational culture could be a competitive advantage that resulted in superior financial performance. Ma (2000) argues that the dominant perspectives in strategy – the industry-based view and the resource-based view – do not readily differentiate competitive advantage from superior performance. Instead, these terms are treated more as interchangeable concepts.

Any service firm that sells its product at a profit undeniably enjoys a competitive advantage with those customers who choose to buy from it instead of its competitors. The advantage can result either from implementing a value-creating strategy not being simultaneously employed by current or prospective competitors or through superior execution of the same strategy as competitors (Bharadwaj et al, 1993). Thus, a competitive advantage is meaningful in strategy when (1) the differences between products are felt in the marketplace, (2) the differences are the direct consequence of a capability gap between the service

provider and its competitors, and (3) both the difference in important attributes and the capability gap can be sustained (Coyne, 1986).

2.3.2 Origins of competitive advantage

The fundamental concept of competitive advantage can be traced back to the work of Alderson (1937) who suggested that suppliers could gain a competitive edge through specialisation. Notwithstanding, early studies of competitive advantage could be interpreted as suggesting that competitive advantage was a complex phenomenon that depended crucially on the active presence of superior leadership (Andrews, 1971; Selznick, 1957; Chandler, 1962). Throughout the 1960s and 1970s, the study of “strategy” was thus the study of what general managers should do and it was generally assumed that doing these things would make a difference (Cockburn et al, 2000).

Porter’s (1980) work reignited interest in competitive advantage, shifting the focus of strategy, transforming the study of imperfect competition into the analysis of competitive advantage (Cockburn et al, 2000). The “five forces” analysis (Porter, 1980) maintains that the profitability of a firm in an industry is determined by (1) the threat of new entrants to the industry, (2) the threat of substitute products, (3) the bargaining power of its suppliers, (4) the bargaining power of its customers, and (5) the intensity of rivalry among existing competitors. Thus, as long as firms deal with the ‘five forces’ they will be profitable. At its root, Porter’s work returns to the founding assumption of the field: good strategy is about leadership, about foresight (Cockburn et al, 2000). Therefore, managers who are smart enough to understand the implications of industry analysis and to make the commitments that it requires are likely to outperform those who do not (Ghemawat, 1991). It was against this background that the resource-based view approach emerged (Wernerfelt, 1984; Barney, 1991; Peteraf, 1993). The new approach emphasised the fact that one firm rather than another chose to develop a certain set of internal capabilities or unique organisational assets (see, for example, Henderson and Clark, 1990; Clark and Fujimoto, 1991; Eisenhardt and Tabrizi, 1995). The resource-based model deepened the discussion of causality and the ultimate origins of competitive

advantage (Cockburn et al, 2000) by focusing attention on two key insights about the sources of competitive advantage: (1) in many cases, an industry's structural features are the result of the organisational capabilities of its constituent firms; and (2) there are good reasons for thinking that the market for organisational capabilities may be imperfect.

The resource-based theory literature makes explicit a view of strategy that is not only about the cognitive ability of senior management and their ability to make the right decisions, but also their ability to work creatively with the raw material presented by the firm and their environment (Cockburn et al, 2000), to respond appropriately when their firm's organisation structure finds good strategies (Burgelman, 1994), and to create decision structures and procedures that allow a firm to respond to its environment adaptively (Bower, 1974; Levinthal, 1997). Table 2-4 provides a summary of contributions to the development of competitive advantage literature.

Table 2-4 Contributions to Competitive Advantage Theory

Author(s), Date and Work Title	Main Contributions
Alderson (1965), "The Search for Differential Advantage"	Proposes three bases for differential advantage: technological, legal, and geographical; and four strategies for achieving it: segmentation, selective appeals in communication, transvection, and differentiation.
Hall (1980), "Survival Strategies in a Hostile Environment"	Successful companies will achieve either cost leadership or differentiation.
Snow and Hrebiniak (1980), "Strategy, Distinctive Competence, and Organizational Performance"	Provides a conceptual framework for the description and analysis of organisation's distinctive competences. Different strategies are supported by distinct competences.
Henderson (1983), "The Anatomy of Competition"	Advances the discussion on unique advantages; early adapters will gain an advantage over competitors.
Peters (1984), "Strategy Follows Structure: Developing Distinctive Skills"	Identifies three distinctive skills as the only effective sources of competitive advantage: customer satisfaction, continuous innovation, and superior customer service, quality and courtesy.

Porter (1985), "Competitive Advantage: Creating and Sustaining Performance"	Introduces the idea of "value chain" as the basic tool for analysing the sources of competitive advantage.
Coyne (1986), "Sustainable Advantage: What It Is, What It Isn't"	Discusses the conditions for a competitive advantage; Points to the capability gaps.
Ghemawat (1986), "Sustainable Advantage"	Discusses the advantages that lead to sustainability: target market size, privileged access to resources or customers, restrictions on competitor's options.
Day and Wensley (1988), "Assessing Advantage: A Framework for Diagnosing Competitive Superiority"	Assessing advantages should consider both customer and competitor views; potential sources of advantage are superior skills and resources.
Dierickx and Cool (1989), "Asset Stock Accumulation and Sustainability of Competitive Advantage"	Sustainability of an asset position depends on the easiness of imitation or substitution.
Hamel and Prahalad (1989), "Strategic Intent"	A firm should not search for a competitive advantage; instead it should learn how to create new ones.
Prahalad and Hamel (1990), "Core Competence of the Corporation"	Sources of competitive advantage result from core competencies; firms should consolidate resources and skills into competencies that allow them to adapt quickly to change.
Barney (1991), "Firm Resources and Sustained Competitive Advantage"	Advances the four tenets of a competitive advantage: value, rareness, inability to be imitated, and imperfect substitution.
Conner (1991), "A Historical Comparison of Resource-Based Theory and Five Schools of Thought within Industrial Organization Economics: Do We Have a New Theory of the Firm?"	From a resource-based view, above average returns can be achieved through differentiation or cost leadership.
Powell (1992), "Organizational Alignment as Competitive Advantage"	The concept of competitive advantage should go beyond traditional economic variables, encompassing organizational alignment.
Peteraf (1993), "The Cornerstones of Competitive Advantage: A Resource-Based View"	Discusses the conditions for a competitive advantage: superior resources (heterogeneity within an industry), ex post limits to competition, imperfect resource mobility, and ex ante limits to competition.

Bharadwaj et al (1993), "Sustainable Competitive Advantage in Service Industries: A Conceptual Model and Research Propositions"	Situates the sources of competitive advantage discussion in the service sector context; competitive advantage depends on customers.
Hall (1993), "A Framework Linking Intangible Resources and Capabilities to Sustainable Competitive Advantage"	Identifies various intangible resources that allow firms to possess relevant capability differentials which result in competitive advantage.
Day and Nedungadi (1994), "Managerial Representations of Competitive Advantage"	Orientation (customer-led or competitor-led) dictates the firm's strategy and reaction to the environment.
Hunt and Morgan (1995), "The Comparative Advantage Theory of Competition"	Compares neoclassical and comparative advantage theories of the firm.
Olivier (1997), "Sustainable Advantage: Combining Institutional and Resource-Based Views"	Describes a view of sustainable competitive advantage that combines both industry-based theory and the resource-based theory.
Srivastava et al (1998), "Market-Based Assets and Shareholder Value: A Framework for Analysis"	Divides market-based assets into relational and intellectual. Mostly intangible, these assets can be leveraged to achieve competitive advantage.
Hoskisson et al. (1999), "Theory and Research in Strategic Management: Swings of a Pendulum"	Examines the evolution of theory and methodology of strategic management.
Fahy (2000), "The Resource-based View of the Firm: Some Stumbling-blocks on the Road to Understanding Competitive Advantage"	Provides a detailed insight into the logic of the resource-based view and its contributions to the debate on the nature of competitive advantage.

2.3.3 Characteristics of competitive advantage

Superior assets and capabilities, frequently referred to as the 'drivers' of cost and/or differentiation advantages (Porter, 1985), taken together represent the ability of a business to do more or do better than its competitors. Some of the benefits of superior skills arise from the ability to perform individual functions more effectively than other firms. For example, superior marketing skills may lead to better customer understanding. Hofer and Schendel (1978) were the first to formally point to a direct relationship between competency and competitive advantage. They suggested that advantage is achieved through the unique

position a company attains, relative to its competition, by the development of its competencies.

Though the extant literature provides the temptation to equate competency with competitive advantage, the two concepts are not synonymous (Reed and DeFillippi 1990). Although competences are the major source of competitive advantage, they do not inevitably generate one, and an advantage does not necessarily emanate from competences (O'Farrell et al, 1993). Thus, capabilities and assets are not automatically converted into advantages. Conversion is mediated by strategic choices, including objectives and entry timing, and the quality of tactics and implementation (Day and Wensley, 1988). In other words, the potential to confer a competitive advantage is not inherent in all resources (Wernerfelt, 1989) but, rather, in only those that meet a rigorous set of conditions (Barney, 1991). The characteristics of advantage creating resources are listed below.

Table 2-5 Characteristics of Drivers of Competitive Advantage

Author	Requirements
Barney (1991)	Value, rareness, inimitability, and non-substitutability.
Grant (1991)	Durability, transparency, transferability, and replicability.
Collis and Montgomery (1995)	Inimitability, durability, appropriability, substitutability, and competitive superiority.
Amit and Shoemaker (1993)	Complementarity, scarcity, low tradability, inimitability, limited substitutability, appropriability, durability, and overlap with other industry factors.
Day (1994)	Scarcity, immobility, inimitability.

For a resource to be a source of advantage, it must be valuable to customers (Aaker, 1989; Coyne, 1986). In the words of Barney (1991), it must enable a firm to conceive or implement strategies that improve the firm's efficiency or effectiveness. This implies that, though resources may meet other conditions, if they do not enable the creation of value, they are not a potential source of competitive advantage (Javidan, 1998). Moreover, because customers are unlikely to be aware of, or interested in, the underlying processes that yield the superior value they receive, competitive advantage depends on product attributes that are relevant to consumers (Coyne, 1986). For example, a lower cost will not

be translated into an advantage until the additional profits are channelled into product attributes such as price, product quality, or advertising. Therefore, resources are valuable when they aid a firm in formulating and implementing strategies that improve its efficiency and/or effectiveness (Bharadwaj et al, 1993).

However, valuable resources that are easily imitated by competitors no longer represent a source of competitive advantage. Thus, only by possessing unique bundles of resources can firms attain a sustainable competitive advantage. Inimitability results when the creation of new products is inherently uncertain and causal ambiguity about the experience curve impedes imitation and/or mobility of a firm's unique resources (Bharadwaj et al, 1993). According to Barney (1991), imitability depends on one or a combination of three reasons: historical conditions, causal ambiguity, and social complexity. Firms are historical and social entities; their ability to acquire and exploit resources depends upon their place in time and space. For example, a firm that locates its facilities on what turns out to be a much more valuable location than was anticipated when the location was chosen possesses an imperfectly imitable physical capital resource (Ricardo, 1966). Similarly, a firm with a unique and valuable organisational culture that emerged in the early stages of the firm's history may have an imperfectly imitable advantage over firms founded in another historical period, where different organisational values and beliefs come to dominate (Barney, 1986; Zucker, 1977). Causal ambiguity exists when the link between the resources controlled by a firm and the firm's sustained competitive advantage is not understood or understood only very imperfectly (Barney, 1991). Under these conditions, it is difficult for firms that are attempting to duplicate a successful firm's strategy through imitation of its resources to know what to imitate. The dilemma is that while ambiguity slows the diffusion of superior practices across firms, it may also impede the creation of new knowledge within the firm (McEvily et al, 2000). A final reason for firms' resources to be imperfectly imitable is that they may be very complex phenomena (Barney, 1991). When competitive advantages are based in complex social phenomena, the ability of other firms to imitate these resources is significantly constrained. Examples of social phenomena include managers' interpersonal relationships (Hambrick,

1987), organisational culture (Barney, 1986), and reputation among suppliers (Porter 1980) and customers (Klein et al, 1978; Klein and Leffler, 1981).

Resources must also be immobile to be sources of competitive advantage. Where resources are easily traded between competitors, no competitive advantage can be sustained. Imperfectly-mobile resources include those that are idiosyncratic to the firm (Williamson, 1979), those for which property rights are not well defined (Dierickx and Cool, 1989), or those that must be used in conjunction with one another (Teece, 1986). Imperfect mobility of assets is a critical factor in service businesses as individuals or small groups may be the key advantage creating resources and may be hired away by competitors (Fahy, 2000).

Another requirement for a resource to be a source of competitive advantage is that there must be no strategically equivalent resource (Barney, 1991). Strategically equivalent resources are those that can be exploited separately to implement the same strategies. Substitutability, in turn, can occur either if a competitor can implement identical strategies with similar resources or with different ones (Bharadwaj et al, 1993).

Finally, sources of advantage should be able to turn value added into profit. Appropriability becomes an issue where property rights are not clearly defined, as in the case of intangible assets such as brand names (Grant, 1991).

2.3.4 Skills, assets, capabilities and competences

A number of distinctions have been suggested to classify the sources of competitive advantage (see Table 2-6). The term 'competence' is used interchangeably with the term capability, which in turn is used interchangeably with the term skills. The review of extant literature on competitive advantage shows that sources of competitive advantage can be classified into two groups:

(1) assets; and (2) capabilities or competences, that is, the firm's ability to exploit its resources¹.

Table 2-6 Classifications of Sources of Competitive Advantage

Reference	Sources of Competitive Advantage
Day and Wensley (1988)	Skills and resources
Hall (1989)	Intellectual assets and non-intellectual assets
Aaker (1989)	Assets and skills
Prahalad and Hamel (1990)	Assets and core competencies
Amit and Shoemaker (1993); Grant (1991); Stalk et al (1992)	Resources and capabilities
Hall (1992, 1993)	Tangible and intangible resources
Fahy (1996)	Tangible organisational resources and capabilities or competences
Hitt et al (2001)	Physical, human, and organisational resources

Assets can be either tangible or intangible in nature. Tangible assets refer to fixed and current assets (Wernerfelt, 1989). Examples include the physical technology used by a firm, equipment, and its geographic location. Tangible assets have the properties of ownership and can be easily measured (Hall, 1989). Consequently, the book value of these assets is assessed through conventional accounting mechanisms and is usually reflected in the balance-sheet valuation of companies (Fahy, 2000). Another characteristic of tangible assets is that they are transparent (Grant, 1991), thus relatively weak at resisting duplication efforts by competitors. Intangible assets, on the other hand, include intellectual property such as trademarks and patents, brands, corporate reputation, company networks and databases (Hall, 1992; Williams, 1992). To some (e.g. Grant, 1991; Rumelt, 1987), the presence of intangible assets reflects significant differences that are observed between the balance sheet valuation and the stock market valuation of publicly quoted firms. Compared to tangible assets, intangible ones are relatively resistant to duplication efforts by competitors because of the inherent complexity. The next table presents some definitions of assets.

¹ This study uses the words skills, capabilities or competences interchangeably, unless stated otherwise. In addition, it follows Wernerfelt's (1984:172) definition of resources as "anything which could be thought of as a strength or weakness of a given firm," thereby resources include assets and capabilities.

Table 2-7 Definitions of Assets

Reference	Definition of Asset
Aaker (1989)	An asset is something a firm possesses such as brand name or retail location that is superior to the competition.
Day and Wensley (1988)	Assets are tangible requirements for advantage that enable a firm to exercise its capabilities.
Day (1994)	Assets are the resource endowments the business has accumulated (e.g. investments in the scale, scope, and efficiency of facilities and systems, brand equity, and the consequences of the location of activities for factor costs or government support).

The literature has yet to provide a clear distinction between competences, capabilities, and skills, as the definitions that follow show.

Table 2-8 Definitions of Skills, Capabilities, and Competences

Reference	Definition of Skills, Capabilities and Competences
Aaker (1989)	A skill is something that the firm does better than competitors such as advertising or efficient manufacturing.
Amit and Shoemaker (1993)	Capabilities refer to the firm's ability to exploit its resources, usually in combination, in order to produce a desired end.
Baghai et al (1999)	Capabilities are skills, assets, and relationships that firms assemble to build a competitive business.
Coyne et al (1997)	A core competence is a combination of complementary skills and knowledge bases embedded in a group or team that results in the ability to execute one or more critical processes to a world-class standard.
Day (1994)	Capabilities are skills and accumulated knowledge, exercised through organisational processes that enable firms to co-ordinate activities and make use of their assets. Competencies are well-defined routines that are combined with firm-specific assets to enable distinctive functions to be carried out. Core competencies are the capabilities of a corporation that span and support multiples lines of business.
Day and Wensley (1988)	Superior skills are the distinct capabilities of personnel that set them apart from the personnel of competing firms.
Fahy (2000)	Capabilities encompass the skills of individuals or groups as well as the organisation routines and interactions through which all the firm's resources are co-ordinated.
Hofer and Schendel (1978)	Competence is the patterns of resource and skill deployments that will help the firm achieve its goals and objectives.
Javidan (1998)	Capabilities refer to the firm's ability to exploit its resources. A competence emerges when capabilities are co-ordinated across the organisation.
Prahalad and Hamel (1990)	Core competencies are the collective learning in the organisation.

Reed and DeFillippi (1990)	Competency is defined as being the particular skills and resources a firm possesses, and the superior way in which they are used.
Snow and Hrebiniak (1980)	Distinctive competence is a firm's ability to do something better than its competitors.

As Table 2-8 shows, the notions of skills, assets, and capabilities, remain poorly defined and operationalised. Aaker (1989) and Day and Wensley (1988) seem to equate skills with capabilities. Fahy (2000) adds that capabilities are not only about skills but also about organisational routines and interactions. Along similar lines, Collis (1994) argues that capabilities are interaction-based. Day (1994) agrees with Collis (1994) and adds that capabilities enable firms to co-ordinate activities and make use of their assets. On the other hand, Baghai et al (1999) posit that capabilities are skills, assets, and relationships that firms assemble to build a competitive business, thus including all firms' resources.

Unlike most tangible assets, capabilities are hard for the management to identify because much of their knowledge component is tacit and dispersed (Day, 1994). Thus, capabilities have proved difficult to delineate (Fahy, 2000) and are often described as invisible assets (Itami, 1987) or intermediate goods (Amit and Shoemaker, 1993). The most defensible test of the distinctiveness of a capability is whether it makes a disproportionate contribution to the provision of customer value or permits the business to deliver value to customers in an appreciably more cost-effective way (Day, 1994). The key characteristic of capabilities is that they are firm specific and developed over time (Amit and Shoemaker, 1993; Grant, 1991; Prahalad and Hamel, 1990).

In the early 1970s, Andrews (1971) posited that distinctive competence was more than what the organisation could do; it was the set of things that the organisation did particularly well relative to its competitors. More recently, competences have been equated with capabilities co-ordinated across the organisation; they are skills and know-how, and result from interfaces and integration of capabilities across the firm (Javidan, 1998). For example, a firm may possess the competency of developing successful new products, which may be the consequence of integrating marketing capabilities and R&D capabilities. Day (1994) defines

competencies as well-defined routines that are combined with firm-specific assets to enable distinctive functions to be carried out, while capabilities are the mechanisms and processes by which new competencies are developed.

Core competences require collective organisational learning, involvement and a commitment to integration (Prahalad and Hamel, 1990). Coyne et al (1997, p.42) define a core competence as a "combination of complementary skills and knowledge bases embedded in a group or team that results in the ability to execute one or more critical processes to a world-class standard". Although these works vary in their description of competencies, they remain consistent on two themes: (1) the source of competence is always internal to the firm, and (2) competence is produced by the way a firm utilises its internal skills and resources, relative to competition (Reed and DeFillippi, 1990).

2.3.5 Sustainability of competitive advantage

Barney (1991) has contributed extensively to the understanding of sustainability of advantage. He proposed the following formal definition of sustainable competitive advantage:

"A firm is said to have a sustainable competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy" (p.102).

According to Barney, sustainable advantage does not depend upon the period of calendar time during which a firm enjoys a competitive advantage as many defend (c.f. Porter, 1985; Coyne, 1986). Rather, Barney argues, sustainability depends upon the possibility of competitive duplication. This position is consistent with Lippman and Rumelt's (1982) and Rumelt's (1984) position that a competitive advantage is sustainable only if it continues to exist after efforts to duplicate it have been ceased. However, Barney (1991) concedes that sustainability does not imply that it will last forever; it only suggests that it will not be competed away through the duplication efforts of other firms. Thus, sustainability of a firm's asset position hinges on how easily it can be replicated (Dierickx and Cool, 1989). Porter (1985, p.20) suggests that sustainability is

achieved when advantage 'resists erosion by competitive behaviour or industry evolution' because of 'barriers that make imitation of the strategy difficult'.

Coyne (1986) holds that there is not much value in an advantage in product/delivery attributes that do not retain their importance over time. If competitors can and will overcome the difference, the advantage is by definition not sustainable. This may happen, for example, due to technological and social changes. Porter (1985) and Ghemawat (1986) argue that discontinuities in technology, industry demand, and factors of input make sustainability of advantage difficult. Barney (1991) adds that a source of advantage may be no longer valuable for the firm because of unanticipated changes in the economic structure.

Other scholars defend the view that firms have a sustainable advantage when they consistently deliver products with attributes that correspond to key buying - criteria for the majority of customers in their target market (Hall, 1993; Aaker, 1989; Coyne, 1986). According to Peters (1984), the only effective sources of sustainable advantage are a focus on total customer satisfaction and continuous innovation, and the belief in the dignity, worth and creative potential of the individual. Ghemawat (1986) divides sustainable advantages into three categories: size, superior access to resources or customers, and restrictions on competitors' options. Aaker (1989) adds that sustainability is usually based upon a strong point of differentiation such as product quality, a sustainable cost advantage, or a focus upon one or more market segments, making a clear linkage to Porter's (1980) generic strategies.

Other authors note that a competence comprising only a few elements is much easier to understand and replicate than one that relies on the subtle alignment of myriad elements (Coyne et al, 1997). Aaker (1989) notes that multiple bases for competitive advantage may be needed for a business to compete successfully. Baghai et al (1999) conclude that some capabilities are more important than others, and combinations are generally harder to imitate than individual capabilities. Jan Carlzon of SAS, quoted in Peters (1984, p.113), contributes to the debate and says: "We do not wish to do one thing a thousand percent better,

we wish to do a thousand things one percent better.” Porter (1996) and Aaker (1989) also point out that strategic fit among many activities is fundamental not only to competitive advantage but also to the sustainability of that advantage. The fact that a firm is a quality company, a R&D company, an innovative company, or a firm that excels in distribution, does not necessarily equate success with a single basis for success (Crawford, 2000). Therefore, academics and professionals agree that success results from multiple strengths that are needed to compete (Aaker, 1989; Coyne et al, 1997). Hence, sustainability is greatest when based on several kinds of advantages rather than one (Ghemawat, 1986).

Sustainability of advantage has also be linked to planning horizons of the firm (Reed and DeFillippi, 1990), as well as to the degree to which management is willing to commit their business to a particular way of doing things (Ghemawat, 1986). Finally, sustainability of advantage has also been associated with the need to invest in barriers to imitation (cf. Day and Wensley, 1988; Reed and DeFillippi, 1990). Because barriers to imitation are continuously eroding, the firm must continue investing to sustain or improve the advantage. The importance of attributes to the consumer is a marketing issue and sustainability requires permanent monitoring of market conditions, depending on the firm’s ability to adapt to changes and/or influence key buying criteria (Hamel and Prahalad 1991, Treacy and Wiersema 1993). Thus, the challenge in all firms is to manage current competencies effectively whilst simultaneously developing new ones to use when the competitive advantage derived from the application of current ones has eroded (Hitt et al, 2001).

2.3.6 Barriers to imitation and sustainability of advantage

Central to the concept of sustainable competitive advantage is the notion of durability or inimitability (Bharadwaj et al, 1993; Fahy, 1993). The notion of barriers to duplication needs clarification in the literature. The inconsistent and, at times, conflicting use of terminology resulted in several overlapping classification schemata (see Table 2-9).

Table 2-9 Internal Barriers to Imitation

Author	Barriers to Imitation
Lippman and Rumelt (1982)	Uncertain inimitability.
Reed and DeFillippi (1990)	Complexity, tacitness and specificity.
Rumelt (1984; 1987)	Communication good effects, economies of scale, information impactedness, producer learning, reputation, response lags.
Coyne (1986)	Business system gaps, managerial gaps, position gaps, regulatory gaps.
Hall (1992; 1993)	Cultural differentials, functional differentials, positional differentials, regulatory differentials.
Dierickx and Cool (1989)	Asset erosion, asset mass efficiencies, causal ambiguity, interconnectedness of asset stocks, time compression diseconomies.
Porter (1980)	Cost advantages of incumbents, product differentiation of incumbents, capital requirements, customer switching costs, access to distribution channels, and government policy.

Many scholars (e.g. Lippman and Rumelt, 1982; Coyne, 1986; Rumelt, 1984, 1987; Williams, 1992; Reed and DeFillippi, 1990; Barney, 1991) relate barriers to imitation to isolating mechanisms and to the process by which skills and assets are accumulated. Isolating mechanisms are essentially asymmetries in the skills and assets of competing firms that increase the costs of imitation. Examples include proprietary knowledge, or a well-known brand name. Imitation of these resources is even more difficult when causal ambiguity exists, which refers to a poor understanding of the link between the resources controlled by the firm and its sustained competitive advantage. In these settings, even when information is available, competitors may not fully understand it.

Competencies have three characteristics - tacitness, complexity, and specificity – that can be simultaneously a source of advantage and ambiguity (Reed and DeFillippi, 1990). Tacitness is defined as the implicit and non-codifiable accumulation of skills that result from learning by doing (Polanyi, 1962). Complexity results from the interrelationship between various skills and assets (Barney, 1986). Specificity entails the transaction-specific skills and assets that are utilised in the production process and provision of services for particular customers (Williamson, 1985). However, even if a potential source of advantage

is understood, it may still be inimitable due to regulatory protection, such as in the case of patents and copyright (Hall, 1992), or to economic deterrents, such as large-scale investments (Collis and Montgomery, 1995). Thus, though causal ambiguity does not guarantee that a firm will be able to maintain a competitive advantage, it does create a very effective barrier to imitation (Reed and DeFillippi, 1990).

Dierickx and Cool (1989) identify three major characteristics of the process by which assets and skills are accumulated: time compression diseconomies, resource mass efficiencies, and interconnectedness of resources. Time compression diseconomies refer to the accumulation of advantages by owning assets or skills for some time, such as the reputation for quality. Resource mass efficiency refers to the existing stock of skills or assets accumulation. A firm that has accumulated know-how is often in a better position to make breakthroughs than firms which have low initial levels of know-how (Dierickx and Cool, 1989). Finally, interconnectedness of resources acts as barrier to imitation when existing stock may depend on other stock. For instance, a new product launch may face competitive disadvantages because it does not have a wide distribution base.

Because competition continues over time, barriers to imitation can eventually become overcome, and the factors that generated an advantage can be imitated (Reed and DeFillippi, 1990). Ghemawat (1986) argues that competitors gain detailed knowledge about a firm's new products within one year of development. Porter (1985, p.20) holds that "barriers to imitation are never insurmountable". Thus, to maintain barriers, and to sustain an advantage from imitation, the firm must continually reinvest in the factors that create the ambiguity and barriers to imitation (Dierickx and Cool, 1989; Fahy, 1996), and offer a "moving target to its competitors by reinvesting in order to continually improve its position" (Porter, 1985, p.20). This is often not the case, so Aaker (1989) criticises management actions because too often management is driven by short-term profit measures, sacrificing strategic position and long-term performance.

2.3.7 Competing theories of competitive advantage

Within the business strategy literature, two theories dominate current thinking: the industry-based theory and the resource-based theory (Lado et al, 1992; Ma, 2000; Oliver, 1997; Von Krogh and Roos, 1995). Lado et al (1992) posit:

"Within the strategic management literature, we have two competing models of sustainable competitive advantage. One is grounded in neoclassical economics and more explicitly dealt with in the industrial organization literature. The other is rooted in a resource-based view of the firm" (p.77).

In the next sections we review the industry-based and resource-based theories and provide a background against which the drivers of competitive advantage may be explored.

2.3.7.1 Industry-based theory

Throughout the early 1980s, the broad thrust of strategy research posited that a firm's performance was largely a function of the structure of the industry and the firm's position in the industry (Fahy, 1996). Within strategy research, the competitive forces approach (Porter, 1980) and the related entry deterrence approach (Ghemawat, 1991) were the dominant paradigms in the strategy field, emphasising the intensity of competition in the industry and market segment that determine the profit potential (Day, 1994). Thus, industry structure is viewed as a central determinant of firm performance, and firm differences are considered against an industry background (McGahan and Porter, 1997).

The industry-based model views competitive advantage as a position of superior performance that a firm achieves through offering no-frill products at low prices or offering differentiated products for which customers are willing to pay a price premium (Lado et al, 1992). The underlying premise is that the market or industry imposes selective pressures to which the firm must respond. Thus, firms that can successfully adapt to those industry/market requirements will survive and grow, whereas those that fail to adapt are doomed to failure (Lado et al, 1992). Hence, in the industry-based approach competitive advantage is ascribed to the external environment rather than to the firm's idiosyncratic competencies

and resource-based deployments. In this context, competitive advantage is industry driven, and only a defensible market position in an attractive industry renders sustained competitive advantage (Porter, 1980, 1985).

Within the industry-based approach, Porter (1980) proposes the industry-analysis framework (five-forces), and argues that for a firm to achieve sustainable profit it must choose one of three generic strategies: (1) cost leadership, (2) differentiation, or (3) focus. From Porter's (1980) arguments, it follows that superior performance can result from a competitive advantage brought about by a firm, relative to others in its industry, having a lower cost position, having its offering being perceived industry-wide as being unique, or having a focus on one particular market segment and developing a market offering specially tailored to it (Hunt and Lambe, 2000).

According to Porter (1985), internal resources come into play only after the firm chooses one of the three generic strategies, and by managing well the activities of its "value chain". Therefore, what really matters is achieving a defensible cost or differentiation position in an attractive market and keeping their rivals off balance through strategic investments, pricing strategies, and signals (Day, 1994).

However, empirical research towards the end of the decade (e.g. Cool and Schendel, 1987; Hansen and Wernerfelt, 1989; Rumelt, 1991; Wernerfelt and Montgomery, 1988) increasingly began to show greater performance differences among firms in the same industry than across industry boundaries (Fahy, 1996). Lado et al (1992) hold that economic factors account for about 15 to 40% of firm performance; the rest of the variance may be explained by such factors as managerial competences and organisational culture. Rumelt (1991) reports that business unit effects explain a 44 to 46% variation whilst stable and transient industry effects account for a total of 9 to 16% effect of variation. Recently, McGahan and Porter (1997) found that industry effects contributed to 19% of aggregate variation in business-specific profits and 36% of explained variance, affirming that "it would be misguided to disconnect the influence of organisation from the industry and competitive contexts in which firms operate" (p.30).

Nevertheless, an increasing number of scholars have shown concern that much of the strategy literature focuses too narrowly on privileged product market positions as a basis for competitive advantage and superior returns (Dierickx and Cool, 1989). Therefore, by consigning competitive advantage to the imperatives of industry/market structure, the industry-based theory apparently overlooked the idiosyncratic firm competencies such as organisation routines, reputation, and culture (Lado et al, 1992).

2.3.7.2 Resource-based theory

As noted earlier, research carried out towards the end of the 1980s (e.g. Schmalensee, 1985; Cool and Schendel, 1987; Hansen and Wernerfelt, 1989; Rumelt, 1991; Wernerfelt and Montgomery, 1988) began to show performance differences not well explained by industry participation, thus failing to address two critical issues: (1) why do firms participating in industries with the same level of attractiveness post different performances?, and (2) why do firms participating in industries with different levels of attractiveness achieve similar performances? (Olavarrieta and Ellinger, 1997). Ma (2000) also holds that the emergence of the resource-based model was largely a reaction to weaknesses in the industry-based model. Consequently, after resource-based theory, competitive advantage seems to be defined either as a market position (Porter, 1980) or a resource position (Wernerfelt, 1984).

An inside-out look at the firm is not new. The works of Barney (1986, 1991), Conner (1991), Dierickx and Cool (1989), Grant (1991), Mahoney and Pandian (1992), and Peteraf (1993) are associated with earlier works by Penrose (1959) and Nelson and Winter (1982). Therefore, the notion that firms are fundamentally heterogeneous, in terms of their assets and internal capabilities, has long been at the heart of strategic management (Peteraf, 1993).

The popularity of the resource-based theory is manifest in its rapid diffusion throughout the strategy literature (Priem and Butler, 2001), and has had a tremendous influence on strategic management research during the past 15 years (McEvily et al, 2000). For example, Wernerfelt's (1984) conceptual article

entitled "A Resource-Based View of the Firm" was selected as one of the most influential papers published in the *Strategic Management Journal* prior to 1990. One major contribution of this article was to direct strategy scholars back toward resources as important antecedents to products and, ultimately, firm performance (Priem and Butler, 2001). Similarly, Prahalad and Hamel's (1990) influential article "Core Competence of the Corporation" has also generated substantial interest in the notion of core competencies and capabilities, and has helped popularise the resource-based view of the firm.

Contrasted with the external focus of the industry-based theory, the resource-based theory focuses on internal factors to explain superior performance. The fundamental thesis of this theory is that resources (assets and capabilities) are both significantly heterogeneous across firms and imperfectly mobile (Hunt and Lambe, 2000). Resource heterogeneity means that each and every firm has an assortment of resources that is at least in some way unique. Imperfect mobility implies that firm resources are not commonly, easily, or readily, bought and sold in the marketplace (Hunt and Lambe, 2000). Barney (1991) summarises the axioms of the resource-based theory as follows: (1) resources are distributed heterogeneously across firms, and (2) these productive resources cannot be transferred from firm to firm without cost. Two fundamental ideas are advanced here. Firstly, only resources that are both rare and valuable can produce competitive advantage. Secondly, when such resources are also simultaneously not imitable, not substitutable, and not transferable, they produce a sustainable competitive advantage. Thus, the basic tenet of the resource-based view (Rumelt, 1984, 1987; Barney, 1986, 1991; Dierickx and Cool, 1989; Grant, 1991) is that unique resources are the sources of competitive advantage, and that to generate such advantages, resources must be rare, valuable, inimitable, non-tradable, as well as firm specific (cf. Barney, 1986, 1991; Dierickx and Cool, 1986; Grant, 1991).

A major contribution of the resource-based theory is that it explains long-lived differences in firm profitability that cannot be attributed to differences in industry conditions (Peteraf, 1993). It does it by focusing on the characteristics of resources, from which performance differences are obtained, to explain firm

heterogeneity and sustainable advantage (Oliver, 1997). Each organisation is thus a collection of unique resources and capabilities that provides the basis for its strategy and that is the primary source of its returns (Hitt et al 2001; Peteraf, 1993; Fahy, 1996).

From a resource-based theory perspective, competitive advantage is the outcome of discretionary rational managerial choices (Oliver, 1997). This implies that resources are cultivated over time, and management's task is to locate the sources of defensible competitive position (Itami, 1987; Rumelt, Schendel and Teece, 1991) and to determine how best to improve and exploit these firm-specific resources (Mahoney and Pandian, 1992; Day, 1994).

Despite the differences, some complementarity exists between resource-based and industry-based theories of competitive advantage (Barney, 1991; Collis and Montgomery, 1995), because firms must identify the resources that overlap with the strategic industry factors prevalent at the present time and likely to be important in the future (Amit and Shoemaker, 1993). Day (1994) defends that the shift in emphasis from industry to resources does not mean that strategic positioning is any less important. On the contrary, Day argues, the choice of which resources to nurture and which investment commitments to make must be guided by sharing understanding of the industry structure, the needs of the customer target segments, the positional advantages being sought, and the trends and the environment.

The greatest limitation of the resource-based theory is that it only partially accounts for how firms can develop strategies that allow them to exploit their individual resources (Hunt and Lambe, 2000). The lack of a "bridge between resources and strategy" leaves an incomplete model for "explaining firm success" (Lewis and Gregory, 1996:146). This weakness opened space for new efforts to marry the two dominant perspectives in business strategy (Ma, 2000).

2.3.7.3 Other competing models of competitive advantage

One example that took from the resource-based theory is the competency-based theory. This theory complements the resource-based theory because it attempts to

explain how firms develop strategies to exploit resources (Hunt and Lambe, 2000). Authors who contributed to this stream of thought include Hamel and Prahalad (1989), Reed and DeFillippi (1990), and Teece and Pisano (1994). For example, Prahalad and Hamel (1990, p.81) maintain that the firm should be viewed both as a collection of products and of competences, because “in the long run, competitiveness derives from an ability to build, at a lower cost and more speedily than competitors, the core competences that spawn unanticipated products”.

Nevertheless, to competency-based theorists their theory is a logical extension of the resource-based theory. In fact, most theorists in business strategy acknowledge that resource-based theory and competence-based theory are complementary (Hunt and Lambe, 2000). Indeed, the starting premise of the competency-based theory is the resource-based theory (Hamel and Prahalad, 1994).

The latent need to bridge the dominant business strategy theories is visible in several attempts to consolidate them. One example is the resource-advantage theory advanced by Hunt (1997) and Hunt and Morgan (1996). The authors refer to it as an evolutionary, dynamic process theory. They argue that it can be thought of as an integrative theory of business strategy “because it incorporates (1) the external-to-the-firm view provided by the industry-based theory of business strategy, (2) the internal-to-the-firm view provided by the resource-based and competence-based theories of business strategy, and (3) marketing’s contributions” (Hunt and Lambe, 2000).

Similarly, Amit and Shoemaker (1993) propose mid-range concepts like strategic industry factors and strategic assets and argue that the overlap between the two creates competitive advantage. Collis (1994) also notes that matching a firm’s resources and capabilities with changing market opportunities is a fundamental task in creating competitive advantage.

2.4 DRIVERS OF COMPETITIVE ADVANTAGE

The analysis of potential sources of advantage leads to an understanding of the potential for creating a position of advantage (Carroll, 1982). A wide variety of drivers of competitive advantage have received attention in the literature, including asset-based drivers such as economies of scale and brand equity, and capabilities-based drivers such as skills underlying innovativeness and superior quality of business's offerings (Bharadwaj et al, 1993).

There are numerous possible drivers of competitive advantage for a given firm, even more so because every business develops its own configuration of resources that are rooted in the realities of its competitive market, past commitments, and anticipated requirements (Day, 1994). Moreover, in the service industry context, skills and assets underlying competitive advantages are likely to be contingent on the characteristics of the service itself, the service firm, and the service industry (Bharadwaj et al, 1993). Nevertheless, certain types of resources can be found in most businesses. The sources of competitive advantage reviewed in this study were identified in the literature (Aaker, 1989; Bharadwaj et al 1993; Doyle and Wong, 1998; Day and Wensley, 1988; Peters, 1984; Carroll, 1982; Barney, 1986, 1991; Dess and Davis, 1984; Fahy, 1993; Ghemawat, 1986; Day, 1994; Pfeffer, 1994; Hall, 1991, 1993; Baghai et al, 1999; Hitt et al, 2001). A list of the drivers of competitive advantage shown below will form the basis of the subsequent qualitative and quantitative work.

- Being first, or early to market
- Innovation
- Customer benefits provided
- Ability to learn and to adapt to change
- Quality of customer service
- Economies of scale achieved
- Alliances and partnerships formed
- Branding

- Distribution network
- Financial strength of the organisation
- Culture of the organisation
- Understanding of customers
- Low costs achieved
- High-level or market research skills
- Pricing below competitors
- Support from a parent company
- Leadership provided by top management
- Strength of the customer retention program

A detailed review of the skills and assets listed previously is presented in the following sections. Some of these skills and assets may be related in some fashion, a fact that will be taken into account in this study.

2.4.1 Being first, or early, to market

Several conceptual and empirical studies (e.g. Kerin et al, 1992; Szymanski et al, 1995) advance the notion that, on average, pioneers can gain a sustainable competitive advantage over followers. In general terms, a first mover gets the opportunity to define the competitive rules in a variety of areas such as pre-emption of competition, access to scarce resources, introduction of new products, use of new processes, and entry of new markets (Porter, 1985; Day and Wensley, 1988).

Two perspectives have been offered to explain first mover advantage: the behavioural perspective and the theoretical-analytical approach (Kerin et al, 1992). Behavioural theorists set out to explain first-mover advantage at the product or brand level. According to behaviourists, first movers will find less resistance among potential customers, especially because a first mover will be able to capture early adopters more easily, thus leaving fewer predisposed customers for later entrants. Other behaviour advantages are also believed to

accrue to the first mover. For example, being first in the market place suggests a high degree of customer awareness, which can lead to product trial and may result in on-going repurchase behaviour to reduce perceived risk. A second perspective attempts to explain first mover advantages in economic terms, including scale effects, experience effects, differences in advertising effectiveness, reputational effects, technology leadership, pre-emption of scarce resources, and buyer switching costs.)

However, as Kerin et al (1992) point out, even if the first movers' positioning is sound, there is no basis for implicitly assuming that later entrants will follow a me-too strategy. For example, a later entrant may move away from the first mover and develop and establish a more desirable position. Indeed, Lieberman and Montgomery's (1988) prize-winning article notes that one of the lessons of first mover literature is that pioneering carries both advantages and disadvantages. Thus, though being the first firm to pursue an opportunity is a necessary condition for exploring entry-related advantages, the factors involved in achieving and sustaining first-mover advantage are considerably more complex than a simple order of entry effect (Kerin et al, 1992). De Castro and Chrisman (1995) note, for instance, that for first-movers or pioneers to gain a sustainable competitive advantage over followers they need to possess an appropriate set of resources and a strategy that aligns those resources effectively. Moreover, to produce an enduring market share and higher profits, early movers need to identify favourable trends, capitalise on their distinctive skills and assets, and leverage product-market contingencies to their benefit (De Castro and Chrisman, 1995; Kerin et al, 1992). In addition, Ghemawat (1986, p.58) notes, "first-mover advantages tend to be most potent in industries characterised by durable, irreversible, market-specific assets, either tangible or intangible."

Nevertheless, empirical studies on the first mover phenomenon indicate that there is a significant relationship between order of entry and both market share and profitability (Szymanski et al, 1995; Green et al, 1995; Murthi et al, 1996).

2.4.2 Innovation

Innovation is "the generation, acceptance and implementation of new ideas, processes, products or services" (Thompson, 1965:36). It might not involve entering new markets (Hurley and Hult, 1998) and has been linked to the "successful implementation of creative ideas within an organisation" (Amabile et al., 1996, p.25). Zaltman et al (1973) suggest that innovation usually has two different stages: initiation and implementation. The former is linked to the notion of openness to new ideas. The latter is related to the capacity to innovate, that is, the ability to adopt or implement new ideas, processes or products.

In marketing, the conventional meaning of the term innovation largely refers to new product-related breakthroughs (Han et al, 1998). As a result, the innovation focus has been relatively product intensive. However, Damanpour (1991) argues that innovation should have a broader scope, proposing two categories of innovation: technical and administrative. Technical innovations pertain to products, services, and production process technology; they are related to basic work activities and can concern either product or process. In turn, administrative innovations involve organisational structure and administrative processes; they are indirectly related to the basic work activities of an organisation.

There have been attempts to link innovation to culture and to market orientation. For example, Kohli and Jaworski's (1990, p.6) definition of market orientation as the "organisation-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it" relates to the notion of innovation. More recently, Jaworski and Kohli (1993, p.56) have suggested more clearly that because "a market orientation essentially involves doing something new or different to respond to market conditions, it may be viewed as a form of innovative behaviour." In subsequent work (Jaworski and Kohli, 1996), they regard innovation as an outcome of market orientation. Similarly, Slater (1997, p.165) posited, "Successful innovation is the product of a market oriented culture coupled with entrepreneurial values." Porter and Stern (2001) observe that traditional thinking focuses almost exclusively on the capabilities and processes

within companies as the drivers of innovation. Peters (1984), for instance, considers the ability to constantly innovate a basic skill trait.

Kim and Mauborgne (1999g) conducted extensive research - more than 500 interviews - to find out how new and successful concepts emerge. They found some common innovation strategies, described as follows. Firstly, successful innovations were the result of looking across the chain of buyers, shifting the focus of attention from one buyer group to another. The authors observed that Bloomberg shifted the focus from IT managers, who had traditionally purchased financial information systems, to the traders who used them.

Secondly, successful innovations also stemmed from looking across substitute industries, identifying the key reasons why consumers buy products in one sector and the key reasons why they sometimes buy products in the most important substitute sector and combine them in one product. Southwest Airlines realised that for short-haul distances, the car was a substitute for flying, thus by concentrating on the factors that lead people to choose one of these forms of transport over the other, and eliminating or reducing everything else, the Southwest concept was born.

Thirdly, successful innovations also emerged by looking across functional and emotional appeals, breaking out of the convergent behaviour by offering emotion to a functionally oriented sector or function to an emotionally oriented sector. Starbucks changed the rules of coffee distribution by offering a space where people could relax and talk over a high quality coffee drink.

Fourthly, successful innovations emerged by looking across groups of companies within an industry that pursue a similar strategy, identifying the factors that persuade buyers to trade down to a lower price, lower performance offering or, conversely, identifying the factors that persuade some buyers to trade up and choose a higher price, higher performance, and focus on combining these elements and ruthlessly eliminating everything else to create new market space. Some people trade down to one-star hotels because of low price but trade up to two star hotels seeking a superior sleeping environment. Apparently, they do not

care much about hotel lobbies, restaurants and checking in/out. So if they were given a comfortable bed in a very clean but small room with basic amenities in a sound insulated environment, new market space is created. This is the case of Formule 1 hotels.

Fifthly, successful innovations also come from looking across complimentary goods, for example, looking at the services consumed before, during and after the consumption of a service or product. In other words by providing more of the 'total solution' Compaq realised that 90% of the total costs of owning a server resided in the installation and running and only 10% in the purchase. Thus, they introduced software and services to significantly reduce installation and running costs.

Finally, Kim and Mauborgne (1999f) maintain that innovation can be unlocked by looking across time, projecting trends and pace actions to keep up with the development of trends tracked. Cisco looked at how the Internet world was and saw it hampered by slow data rates and incompatible computer networks. Hence, Cisco designed routers, switches and networking devices offering fast data exchanges in a seamless networking environment. Today more than 80% of all traffic on the Internet flows through Cisco's products.

Innovation is thus an important function of management because it is linked to business performance, as has been demonstrated in many studies (e.g. Damanpour and Evan, 1984; Kan and Manopichetwattana, 1989). The findings uniformly indicate that a positive relationship exists between innovation skills and performance.

2.4.3 Customer benefits provided

Consumers tend to see products as complex bundles of benefits that satisfy their needs, making a product much more than a simple set of tangible features. At the core of any service purchased by the customer is the essential functional benefit conveyed by the service (Storey and Easingwood, 1998).^{*} However, the authors note, it is widely recognised that the purchase of a service is influenced by more

than the essential functional benefit. The service quality and the reputation of the company also play an important role in influencing the customer's purchase.

Today most competition takes place at the product augmentation level. Successful companies add benefits to their offerings that will not only satisfy, but also delight the customer (Kotler et al., 1999). The problem is that augmented benefits soon become expected benefits, which implies competitors must continually search for still more features and benefits to differentiate their offerings. (U)

A product can be distinguished favourably in a myriad of ways, including: providing superior service, using a strong brand name, offering innovative features, and providing superior quality. The perceived superiority of attributes that go beyond physical product features to embrace all activities and linkages of the businesses (e.g. Dickson and Ginter, 1987; Day and Wensley, 1988) is thus a source of differentiation. Day and Wensley (1988) link differentiation with value-adding activities performed in a way that leads to perceived superiority along dimensions that are valued by customers. However, for value-added activities to be profitable, customers must be willing to pay a price premium for the benefits, and the premium must exceed the added costs of superior performance.

Porter (1980) argues that differentiation requires the firm to create something that is recognised industry-wide as being unique, thus permitting the firm to command higher than average prices. In other words, Kim and Mauborgne (2000, 2001) observe that there must be a compelling reason for customers to buy a new product or service. They analyse Philips' CD-i, an engineering marvel that failed to offer consumers a compelling reason to buy it. This was promoted as "the Imagination Machine" because of its diverse functions. Yet the CD-i player did so many different tasks that customers could not understand how to use it. In addition, it lacked attractive software titles. So while the CD-i could theoretically do almost anything, in reality it could do very little. Customers lacked a compelling reason to use it and sales never took off. Kim and Mauborgne (2001)

identified six "utility levers" shared by winning products: customer productivity; simplicity; convenience; risk; fun and image; and environmental friendliness.

Earlier in this thesis it was mentioned that, in general, competitors gain detailed knowledge about a firm's new products within one year of development (Ghemawat, 1986; Dickson, 1992), and thus barriers to imitation can eventually be overcome (Reed and DeFillippi, 1990). This is an issue particularly pertinent in service firms due to their inability to patent innovations. However, O'Farrell et al (1993) hold that competitive positions may indeed be easier to sustain in services than in manufacturing, because established firms have brand identification, reputation and personal customer-client relationships which stem from past advertising, word-of-mouth recommendation, previous good service, or first-mover advantage. Moreover, because most service firms are socially complex phenomena, they are typically more difficult to imitate than tangible differences.

2.4.4 Ability to learn and to adapt to change

Organisational learning refers to the development of new knowledge or insights that have the potential to influence behaviour (Hurley and Hult, 1998). Many authors (e.g. Fiol and Lyles, 1985; De Geus, 1988; Glazer, 1991; Day, 1994; Slater and Narver, 1995) argue that competitive advantage rests in the ability to learn faster than competitors. All businesses competing in dynamic and turbulent environments must pursue the process of learning, behaviour change, and performance improvement (Slater and Narver, 1995). Kandampully and Duddy (1999) observe that market leadership could be attributed to the firm's ability to think beyond the present. Pascale and Miller (1999) note that firms need also to develop the capability to change rapidly, which is fostered by an organisational environment in which experimentation and learning are expected and promoted.

Slater and Narver (1995) identify two learning skills: a adaptive and generative. The former is the most basic form of learning and occurs within a set of recognised and unrecognised constraints that reflect the organisation's assumptions about its environment and itself. Generative learning, in turn, occurs

when the organisation is willing to question long-held assumptions about its mission, customers, capabilities or strategy. Govindarajan and Gupta (2001) support the need to excel in generative learning. They maintain that competitive advantage is not a function of how well a company plays by existing rules of the game. Rather, a differential advantage depends on the firm's ability to radically change those rules. Govindarajan and Gupta (2001) postulate that firms must cultivate a bias for changing for three reasons: Firstly, the market environment is constantly changing and such changes require at least some new rules. Secondly, firms can be proactive in reshaping the industry. Changes in the environment do not always originate from external forces, hence firms can reshape the environment. Finally, innovation breaks out of the competitive pack. In summary, revolutionary periods of generative learning may provide a window of competitive advantage. This depends on continuous improvement, though (Slater and Narver, 1995).

To some scholars (e.g. Thompson, 1965; Zaltman et al, 1973; Amabile et al., 1996), organisational learning and innovation are not dissociated. Indeed, Hurley and Hult (1998) hold that organisational learning, when viewed from a behaviour change or implementation perspective, is equivalent to innovation. Nevertheless, many authors (Fiol and Lyles, 1985; Garvin, 1993, Sinkula, 1994; Day, 1994; Slater and Narver, 1995) maintain that organisational learning can lead to positions of advantage.

2.4.5 Quality of customer service

Service quality is an attitude prompted by a long-term, overall evaluation of a firm's performance (Hoffman and Bateson, 1997). Ample evidence suggests that the provision of a quality service can result in more new customers, more business with existing customers, fewer lost customers, more insulation from price competition, and fewer mistakes requiring re-performance of services (Berry et al, 1994).

The discussion of customer service is ubiquitous in the services marketing literature, incorporating ideas such as service quality (Parasuraman et al, 1985),

after-sales service (Gelb et al, 1988), service guarantees (Hart, 1988), customer care programmes (Lewis, 1988) and customer service in general (Fulmer and Goodwin, 1988). Customer service refers, in general, to task-oriented activities that involve interactions with customers (Lovelock, 1996). Consequently, personnel become part of the customer's experience and, in a sense, part of the service product itself. Coyne et al, (1997) refer to these activities as 'frontline execution competences,' which may explain why quality of an end product can vary appreciably according to frontline personnel.

Hoffman and Bateson (1997) note that service quality does not equate to customer satisfaction, although the two are intertwined. They assert that the relationship between the two concepts is unclear because "some believe that customer satisfaction leads to perceived service quality, while others believe that service quality leads to customer satisfaction" (p.298). Parasuraman et al, (1985) found that efforts in defining and measuring quality have come largely from the goods sector, following the prevalent philosophy of "zero defects - doing it right the first time" (p.42). However, service characteristics - intangibility, heterogeneity, inseparability and perishability - discussed earlier in this chapter, impact on how service quality is defined and measured. Parasuraman et al, (1985) argue that service quality literature has converged into three themes: (1) service quality is more difficult for the customer to evaluate than goods quality; (2) service quality perceptions result from a comparison of consumer expectations with actual service performance; and (3) quality evaluations are not made solely on the outcome of a service but involve evaluations of the process of service delivery.

Conceptually, service quality can be examined in terms of gaps between expectations and perceptions on the part of management, employees, and customers (Zeithaml et al, 1988). Therefore, firms that excel in service quality do so by reducing potential quality gaps in knowledge, standards, delivery and communication. The knowledge gap corresponds to the difference between what consumers expect of a service and what management perceives the consumers to expect. The standards gap refers to the difference between what management perceives consumers to expect and the quality specifications set for service

delivery. The delivery gap refers to the difference between the quality specifications set for the service delivery and the actual quality of service delivery. Finally, the communications gap is the difference between the actual quality of service delivered and the quality of service described in the firm's external communications. Ultimately, the goal of every firm is to minimise the gap between customer perceptions and expectations (Hoffman and Bateson, 1997).

Berry et al, (1994) learned 10 lessons from a decade of study of service firms and service customers in the U.S.. The first lesson is that service firms must listen more to customers, which implies installing an ongoing service research process that provides timely, relevant trends to managers. The second is that services must be reliable. Among the five broad service dimensions that customers use as criteria to judge service quality – reliability, responsiveness, assurance, empathy, and tangibles – reliability was found to be the most important. The third lesson is that service customers expect performance, not empty promises. The fourth is that a reliable service delivery depends in part on how well the various elements work together in a service system, i.e. how people, equipment and physical environment are interconnected. The fifth lesson is that when a service problem occurs, employees should be encouraged to resolve customers' problems and not make customers fight for their money. The sixth lesson is that services firms should make every effort to surprise customers with uncommon swiftness, grace, courtesy, competence, or understanding. The seventh lesson suggests treating customers fairly, keeping promises, providing prompt service and individualised attention. The eighth lesson advocates promoting teamwork and co-worker support, reducing burnout levels and adding fun to service delivery. The ninth lesson suggests conducting internal employee research, given that internal service quality affects external service quality. Finally, excellent service requires a special form of leadership relying on the capacity of people to achieve, as well as setting a direction and a standard of excellence.

Coyne (1989) argues that the fact that superior service can generate a competitive advantage does not mean that every attempt to provide better service will result in competitive advantage. However, Bateson (1995) argues that service quality

offers a way of achieving success among competing services. It can generate increased market share and ultimately mean the difference between financial success and failure (Hoffman and Bateson, 1997).

2.4.6 Economies of scale achieved

The concept of economies of scale has been well documented in the management literature. In the 1960s and 1970s, concepts of competitive advantage were often predicated upon steep scale economies (Christensen, 2001). These arise from the ability to perform activities differently and more efficiently at larger volume, or from the ability to amortize the cost of intangibles such as advertising and R&D over a greater sales volume (Porter, 1985). Generally, an increase in throughput rarely requires an equivalent increase in capital investment while operating costs are reduced through allocation over a greater number of units (Fahy, 1993).

Traditionally, achieving economies of scale in a service industry has been considered very difficult due to the inherent intangibility of services and the consequent inseparability of production and consumption (Upah, 1980; O'Farrell et al, 1993). Bharadwaj et al. (1993) hold that the inability to mass-produce services at a central location often necessitates service businesses to make the service available at multiple sites. Heskett (1987) adds that in service organisations, scale economies are more likely to be realised at a company level than at the operating level. Bharadwaj et al. (1993) support this argument and say, other things being equal, economies of scale such as the ones associated with the selection and training of employees, purchase of goods and services, investments in specialised technology and R&D, advertising, and logistics, enable a multi-unit service firm to achieve a cost advantage vis-à-vis a single-unit service firm. For example, a firm operating a global network of offices, as in the case of Regus, can realise more scale economies in areas such as purchase of goods and services, national promotions, and investments in communication technology, than a local competitor with a single site.

Recently, Christensen (2001) argued that steep scale economies explain the profits and dominant market share of companies such as Boeing and Microsoft.

However, Christensen observes, fixed costs are not "ordained by nature but are artefacts of specific technological and managerial solutions to problems" (p.106). Therefore, innovation can render transitory what were once thought to be competitive advantages.

Nonetheless, the effect of learning and experience on total unit cost has seldom been demonstrated in a service context (O'Farrell et al, 1993). Indeed, most service organisations probably enjoy some economies from learning both in the operation of a single facility and the development of multi-site facilities (Sasser et al, 1978).

2.4.7 Alliances and partnerships formed

One of the most important, yet least-discussed, capabilities involves relationships (Baghai et al, 1999). Alliances are contractual relationships undertaken by firms whose respective products are complements in the marketplace (Bucklin and Sengupta, 1993). Lynch (2000) notes that alliances are weaker contractual agreements, whilst Porter (1985) posits that alliances are long-term agreements among firms that go beyond normal market transactions but fall short of outright mergers. Hitt, Ireland and Hoskisson (2001) provide the most comprehensive definition of alliances yet. They define alliances as "partnerships between firms whereby their resources, capabilities, and core competencies are combined to pursue mutual interests in designing, manufacturing, or distributing goods or services" (p.363).

Hitt et al (2001) group alliances under three headings: joint ventures, equity alliances, and non-equity alliances. A joint venture is a type of alliance whereby two firms create an independent company by combining parts – usually equal - of their assets. In contrast, in equity alliances partners own different percentages of equity in the new venture. Finally, non-equity alliances are those formed through contractual agreements given to a company to supply, produce, or distribute a firm's goods or services, without equity sharing.

Alliances can exist at business and corporate levels (Hitt et al, 2001). These can be formed to take advantage of market opportunities, to avoid destructive or

excessive competition, and to respond to competitors' actions to hedge against risk and uncertainty. At the corporate level, alliances are designed (1) to facilitate product or market diversification, which allows a firm to enter new markets without merging or acquisition, (2) to share some capabilities, for example, research and development, and to (3) franchise products or do business under the franchiser's trademarks (Lafontaine, 1999).

Lynch (2000) analysed the conditions for alliances to succeed and found that in successful alliances, partners bring different resources to the relationship. In addition, there must be a complete agreement on the objectives of the partnership, which implies one party should not bring surrender of key resources or competencies to the other. Finally, partners should also share compatible strategies and cultures. Doz and Hamel (1993) also concluded that alliances are more likely to be successful when partners are clear about the intent of the other.

An important attribute of strategic alliances is that they allow firms to leverage their resources (Hitt et al, 2001). In addition, they play an increasingly important role in the consolidation of global industries, overcoming barriers that sometimes prevent a firm's direct entry. Porter (1985) observes that alliances are a means of gaining cost or differentiation advantages without actual integration.

2.4.8 Branding

The increased competition in services made companies realise that a strong brand is an essential part of their competitive advantage. Surprisingly, empirical research into service branding has been very scarce. De Chernatony and McDonald (1998, p.205) hold that "the understanding of services branding has not kept pace with the growth of the services sector". The authors found that in the financial and insurance sectors very few brands have managed to create a strong set of positive associations in people's minds.

A brand is "an identifiable product, service, person or place, augmented in a such a way that the buyer or user perceives relevant, unique added values which match their needs most closely" (De Chernatony and McDonald, 1998, p.20). Because services cannot be felt, tasted, touched, or seen in the same way as tangible



goods, service brands should enhance more the reality of the offering through tangible clues (De Chernatony and McDonald, 1998). Faced with a complex task of determining services attributes before purchase, customers use the perceived quality of services delivered by the firm in the past as an indicator of present or future quality. Customers rely also on a strong organisational image and reputation, which helps minimise the effects of intangibility (Thomas, 1978; Bessom and Jackson, 1975; George, 1977; Onkvisit and Shaw, 1989).

The intangible nature of services does not favour individual product branding, thus corporate branding is particularly important for service firms (Berry et al, 1988). However, a corporate brand may evoke associations wholly different from an individual brand. For example, it may evoke associations of common services and their shared attributes and benefits, people and relationships, programs and values, and corporate credibility (Keller, 1998).

Corporate reputation is sometimes seen as synonymous with corporate image (Dowling, 1993) or as representing an outside member's perception of corporate image (Dutton et al, 1994). Gray and Balmer (1998) suggest some caution in equating corporate reputation and image. They defend that corporate reputation evolves over time as a result of consistent performance, whereas corporate image can be fashioned more quickly through well-conceived communication programmes. Similarly, to Hall (1993) reputation is usually the product of years of demonstrated superior competence.

Fombrun et al (2000) argue that reputation has different meanings in strategy and marketing literature. In strategy literature, reputation is an intangible asset that is difficult for rivals to imitate, acquire, or substitute, and so creates mobility barriers that provide owners with sustained competitive advantages. The marketing literature, in turn, describes reputation in terms of corporate associations that individuals establish with a name. For example, Gray and Balmer (1998) describe reputation in terms of a customer's value judgement about the products' or company's attributes. Similarly, Weight and Camerer (1988) define reputation as a set of economic and non-economic attributes ascribed to a firm, and inferred from the firm's past behaviour.

A successful combination of function and emotion is both hard to achieve and sustain (De Chernatony, 2001). Therefore, a positive brand reputation could be very rewarding. Reputation advantage has been linked empirically to the intention to purchase a service (Yoon et al, 1993), attracting investors, lowering the cost of capital, and enhancing the competitive ability of the firm (Fombrun and Shanley, 1990).

Unlike other assets, reputation cannot easily be traded as it represents a "higher order" rather than a "mobile" resource (Hunt and Morgan, 1995). Reputation is a source of advantage because creating quality in services and delivering it consistently is difficult (O'Farrell and Hitchens, 1989); new entrants face problems in persuading customers that their quality matches that of incumbents (Davis, 1990); and because the intangible nature of services reinforces the importance of reputation as a competitive criterion (O'Farrell et al, 1993). All these beneficial consequences should contribute to performance differences between products/firms (Fombrun, 1996; Rao, 1994; Gray and Balmer, 1998).

2.4.9 Distribution network

A distribution system is "a network of people, institutions or agencies involved in the flow of a product to the customer, together with the informational, financial, promotional and other services associated with making a product convenient and attractive to buy and rebuy" (O'Shaughnessy, 1995:639). Thus, besides delivering the actual product, distribution channels encourage and support the purchase of a product (Easingwood and Storey, 1997).

The importance of gaining access to customers is widely recognised. Porter (1980) holds that access to distribution channels is a major entry barrier. The more limited the retail channels for a product and the more existing competitors have these tied up, the tougher entry into the industry will be. New entrants must persuade distributors to carry their products either in addition to, or in place of, those already being stocked. Hence, businesses that use the scale of their distribution network to increase sales of their existing products or to reduce the cost of a new-product launch have a competitive advantage (Baghai et al, 1999).

For example, the authors report that the principal motive of Duracell's acquisition by Gillette in late 1996 was synergy in distribution; Gillette was able to help Duracell grow by taking it global.

Sometimes existing distribution barriers can be overcome, for example by creating new channels. Timex chose to sell through drugstores in the United States because jewellery stores would not handle its watches because of the larger dollar margin offered by more expensive watches (O'Shaughnessy, 1995). Likewise, Direct Line motor insurance cut the middlemen out and sells direct to the customer through the telephone and the Internet.

O'Shaughnessy (1995) argues that because building up a system of distribution is always difficult and tends to bind the firm long-term, distribution networks can be the deciding factor in determining the success or failure of a marketing strategy. Thus, it is not uncommon for a firm's marketing thrust to lie within its distribution system.

2.4.10 Financial strength of organisation

Lynch (2000, p.374) posits, "Without adequate financial performance, the survival of all commercial organisations would be put at risk." This is so because companies need to finance their existing and proposed new strategies. Hitt et al (2001) describe a firm's financial resources in terms of its borrowing capacity and internal ability to generate internal funds.

The most defensible test of an advantage is whether it makes a disproportionate contribution to the provision of superior customer value – or permits delivery of value to customers in an appreciably more cost-effective way (Day, 1994). Therefore, financial resources qualify as sources of competitive advantage only if they contribute to a lower cost position, for example by reducing external financing, or freeing investment funds otherwise difficult to obtain.

Pfeffer (1994) notes that when capital markets were less efficient, a firm's ability to finance itself through substantial financial resources afforded protection from competitors less able to acquire the resources necessary to mount a serious

challenge. However, today this advantage has eroded in the face of increasingly efficient capital markets, where capital moves worldwide on an unprecedented scale. Pfeffer (1994, p.15) notes, "Capital is now less important as a source of competitive advantage because the money to finance a good idea, or strong management, is increasingly available to all attractive projects." Interestingly, Aaker (1989) found that managers ranked financial resources as the fifth most important source of sustainable advantage in service industries, on a par with customer orientation.

2.4.11 Culture of organisation

Culture is a fundamental issue in service firms because service transactions bring employees and customers into close contact. The simultaneous delivery and receipt of services brings employees and customers physically, organisationally, and psychologically close (Webster, 1993). Gronroos (1990) further suggests that developing a service-oriented culture is a means of creating and enhancing the good interactive marketing performance needed for implementing a relationship marketing strategy. Roscitt (1990) also emphasises the importance of turning a company into a service organisation by the inculcation of a service culture. Bharadwaj et al, (1993) argue that a critical factor that endows a service organisation with a competitive edge is its employees, and the way they are influenced by the culture of the organisation.

The role of organisational culture in achieving a superior level of performance has long been recognised in the organisational behaviour literature (Smircich, 1983). Yet, strategy researchers have paid little attention to this factor until recently (Lado et al, 1992), and "the literature about strong culture-performance is notably anecdotal with few empirical studies" (De Chernatony, 2001, p.145). This lack of scrutiny perhaps reflects, as Walker and Ruekert (1987) suggest, the relatively greater attention given to consumer than to organisational studies in marketing in general. Parasuraman and Deshpandé (1984) suggest that greater attention be paid to organisational culture along with structural explanations for managerial effectiveness. Heightened concern for issues of implementation in marketing strategy (Walker and Ruekert, 1987) and the development of a

customer orientation within organisations is also raising questions related specifically to organisational culture (Bonoma 1984; Deshpandé and Parasuraman 1986; Webster, 1988; Harris and Piercy, 1999; Dobni and Luffman, 2000; Appiah-Adu et al, 2001).

Despite general agreement about the importance of culture as an organisational variable, consensus about its definition and measurement is lacking (Deshpandé and Webster, 1989). Specifically, organisational culture has been associated with, for example: "some underlying structure of meaning, that persists over time, constraining people's perception, interpretation, and behaviour" (Jelinek et al, 1983, p.337); "a pattern of beliefs and expectations shared by organisation members" (Schwartz and Davis 1981, p.33); and "the pattern of shared values and beliefs that help individuals understand organisational functioning and thus provide them norms for behaviour in the organisation" (Deshpandé and Webster, 1989, p.4). Organisational culture could thus be described as a company's overall philosophy, a set of values and beliefs that shape the way people think and behave, and may act as a glue that binds people together (Volberda, 1997), particularly during times of change (Hankinson and Hankinson, 1998).

Two issues are frequently addressed in the culture literature: the difference between culture and climate, and whether culture is a characteristic of the whole organisation or of a group within the organisation. Culture and climate are related but distinct concepts. Whilst culture is a set of shared assumptions and understandings about organisational functioning, climate relates to members' perceptions about the extent to which the organisation is currently fulfilling their expectations (Deshpandé and Webster, 1989). The other issue often discussed is whether culture is primarily a characteristic of the total organisation or whether it is primarily a characteristic of groups or "subcultures" within the organisation. Such group cultures can take a variety of forms, including departmental subcultures such as marketing, finance, and human resources. Wilkins and Ouchi (1983) argue that organisations do not often have the richness of a unique culture. Likewise, Gregory (1983) argues that any given organisation is likely to comprise multiple cultures; organisational culture is essentially a group-based phenomenon.

Smircich (1983) reviews the principal approaches to the study of organisational culture, grouping them into five paradigms. Two approaches, comparative and contingency, view culture as a variable. In the comparative management approach, culture is a variable exogenous to the firm. Works following this paradigm include, for example, a cross-cultural study motivated by a search of explanations for differences in strategic marketing effectiveness and its relationship to corporate culture and beliefs in the U.S. and the U.K. (Norburn et al, 1988), and a four-nation study of the relationship between marketing effectiveness, corporate culture, corporate values, and market orientation (Norburn et al., 1990). The contingency management approach sees culture as an independent variable endogenous to the firm, consisting of beliefs and values developed by and within the organisation (Peters and Waterman, 1982). Researchers following these two approaches believe that management can drive organisational commitment, convey a philosophy, motivate personnel and facilitate socialisation (Smircich, 1983).

The other three paradigms – cognitive, symbolic, and structural/psychodynamic – describe culture as something the organisation “is”, not as something the organisation “has” (Smircich, 1983). Culture as a social metaphor promotes a view of organisations as expressive forms, manifestations of human consciousness, not mainly in economic terms, but in terms of their expressive, ideational and symbolic aspects. In the cognitive perspective, the task of the researcher is to determine what the rules are, to find out how the members of a culture see and describe their world. This perspective has been developed relatively more than any of the other four perspectives in terms of formal conceptual framework, specification of variables and operationalisation of measures. Deshpandé et al, (1993, p.24), for example, favour this perspective because “organisational functioning is very useful for understanding not only the culture of the firm, but also its customer orientation.” Scholars working within the fourth cultural paradigm, organisational symbolism, search for patterns of symbolic discourse where culture is a metaphor for shared symbols and meanings. A topic for research in this area includes, for example, recruitment and training of new marketing personnel. Finally, the structural and psychodynamic

paradigm sees culture as a metaphor for the unconscious mind and the organisation itself is a form of human expression.

Culture can lead to a competitive advantage (e.g. Bharadwaj et al, 1993), provided three conditions are met (Barney, 1986): Firstly, the culture must be valuable; it must enable a firm to do things and behave in ways that lead to higher sales, low costs, high margins, or in other ways that add financial value to the firm. Secondly, the culture must be rare, that is it must have attributes and characteristics that are not common to the cultures of a large number of other firms. Research has indicated that some organisational cultures, far from being rare, are likely to be quite common among any given set of firms (DiMaggio and Powell, 1983; Spender, 1983). However, several authors have noted that firms are idiosyncratic social inventions, reflecting the unique personalities and experiences of those who work there (Barley, 1983; Polanyi, 1958). Firms are historically bound, partially reflecting the unique circumstances of their founding (Pettigrew, 1979; Selznick, 1957), the unique personalities of their founders (Schein, 1983; Zucker, 1977), and the unique circumstances of their growth (Chamberlain, 1933; Clark, 1972). Often, these characteristics are reflected in a firm's culture, which makes it unique.

Finally, to be a source of competitive advantage, organisational culture must be imperfectly imitable. Perfectly imitable cultures, even if they are valuable and even if they are currently rare, are rapidly subject to imitation that dissipates any competitive advantages they may provide. The culture-driven success of one firm creates an incentive for other firms to modify their cultures to duplicate that success. For instance, if the cultural attributes isolated by Peters and Waterman (1982) are, in fact, easily transferable, as is suggested on the cover of the paperback edition of their book, then these cultural attributes cannot be a source of sustained advantage, and their existence in a firm cannot be an explanation of sustained superior financial performance.

Evidence suggests that organisational cultures are perhaps difficult to imitate because it may not be possible for individuals observing a culture to describe what it is about a particular organisation's culture that adds value to a firm

(Lippman and Rumelt, 1982). Values, symbols, beliefs, and the like are notoriously difficult to describe and categorise (Barley, 1983; Gregory, 1983), and often become part of the unspoken, unperceived common sense of the firm. If those attempting to observe a culture to imitate cannot describe what is valuable, certain aspects of that culture cannot be consciously imitated. As Demsetz (1973) observes, it is not often easy to describe what it is about some firms that makes them more successful than others. Even if potential imitators are able to describe successful cultures, as is apparently sometimes possible (e.g. Ouchi, 1981; Peters and Waterman, 1982), it still may not be possible to imitate those cultures. Valuable cultures may be intrinsically bound up with a firm's unique history and heritage.

Many authors (e.g. Deal and Kennedy, 1982; Peters and Waterman, 1982; Tichy, 1983) make explicit links between organisational culture and the performance of a firm. Research findings suggest that firms with sustained superior performance typically are characterised by a strong set of core managerial values that define the ways they conduct business. Firms with strong cultures are pointed out as examples of excellent management (Peters and Waterman, 1982) and the mechanisms for modifying the cultures of other firms to approximate closely the cultures of successful firms have been widely discussed and applied (Tichy, 1983; Quinn, 1980). It is generally accepted that certain organisational cultures apparently enable firms to do and be things for employees, customers, suppliers, and others that could not be done, or could not be done as well, by firms without these cultures (Deal and Kennedy, 1982; Ouchi, 1981).

2.4.12 Understanding of customers

Bateson (1995) argues that the heart of the marketing concept lies in consumer orientation. He posits, "As marketers, we are required to understand our consumers and to build our organisations around them. This requirement is particularly important for services, which in the past have tended to be operations dominated rather than marketing led" (p.24). A key to delivering service quality is a detailed understanding of the needs of the consumer (Hoffman and Bateson, 1997).

Superior customer understanding is an outcome frequently associated with customer oriented organisations. Specifically, customer orientation² means the superior understanding of target buyers to be able to create superior value for them continuously (Narver and Slater, 1990). A customer orientation is valuable because it focuses the organisation on collecting information continuously about target-customers' needs and competitors' capabilities, and using this information to create continuously superior value (Slater and Narver, 1995).

The assessment of customer needs is the cornerstone of market orientation (Kohli and Jaworski, 1990), defined as the organisation-wide generation of market intelligence which concerns both existing and potential customer needs, dissemination of such intelligence throughout the organisation, and responding accordingly on an organisation-wide basis. Narver and Slater (1990) posit that market orientation consists of three behavioural components: customer orientation, competitor orientation, and inter-functional co-ordination. These components concern the understanding of customer needs in a manner that allows superior value to be provided, being aware of both existing and potential competitors' activities, and the business's co-ordinated efforts to create superior value for customers.

According to some (c.f. Cadogan and Diamantopoulos, 1995; Morgan et al, 1998), the previous two conceptualisations of market orientation tap into some similar domains: (1) the customer is central to market orientation, (2) there must be a balance between internal and external business views, (3) the whole organisation should respond to customer needs, and (4) the scope of market orientation incorporates both competitors and customers. Despite the similarities, whilst Kohli and Jaworski (1990) focus on the activities that underlie the generation and dissemination of market intelligence, Slater and Narver (1995) add a cultural perspective, suggesting that such activities are a product of marketing orientation rather than market orientation *per se* (Morgan et al, 1998).

² Several authors consider the terms *market oriented*, *market driven*, and *customer focused* to be synonymous (e.g. Deshpandé and Webster, 1989; Slater and Narver, 1995).

Notwithstanding, a complete reliance on customer orientation can leave an organisation prone to a reactive posture (Han et al, 1998). Slater and Narver (1995) postulate that customer orientation only enhances performance when it is combined with a learning orientation. They argue, "because of its external emphasis on developing information about customers and competitors, the market-driven business is well positioned to anticipate the developing needs of its customers and respond to them through the addition of innovative products and services. This ability gives the market-driven business an advantage in the speed and effectiveness of its response to opportunities and threats" (p.67).

2.4.13 Low costs achieved

A firm has a cost advantage if its cumulative cost of performing all value activities is lower than its competitor's costs (Porter, 1985), while offering a parity product (Day and Wensley, 1988). O'Farrell et al (1993) add that low cost refers to the ability of the firm to design, produce and sell a standardised product or service more efficiently than its competitors with an emphasis upon reaping cost advantages from all sources, although not neglecting quality, service and other areas.

Ten major cost drivers have been linked to a cost leadership position (Porter, 1985), including: (1) economies of scale, (2) learning effects, (3) capacity utilisation, (4) linkages within the value chain and with the value chain of suppliers and channels, (5) interrelationships with other business units, (6) level of integration, (7) timing of entry, (8) discretionary policies such as channels employed and the mix and variety of products offered, (9) geographic location, and (10) institutional factors such as government regulations and unionisation. Cost drivers usually interact with each other, by means of reinforcing the cost position, or counteract each other offsetting each other's effects. For example, low cost locations may be strongly unionised. Porter (1985) notes that the strategic value of cost advantage resides in its sustainability, thus its sustainability exists only if the drivers of cost advantage are difficult for imitators to imitate.

Porter (1985) argues that cost leadership and differentiation represent opposite ends of a continuum and that each strategy is a fundamentally different approach to creating and sustaining competitive advantage. Nevertheless, Porter notes, cost proximity is essential to differentiation strategies, because unless the cost of differentiation is lower than the resulting price premium, the differentiator fails to achieve superior performance. However, achieving both cost leadership and differentiation is inconsistent because differentiation is usually costly, so this state of affairs should be temporary (Porter, 1985). Interestingly, some examples seem to perform well in the stuck-in-the-middle position. Arnold and Fernie (2000) evaluate Wal-Mart's entry in the U.K., and conclude that while Wal-Mart is an exemplar of the low cost strategy, fine-tuned low-margin, and high inventory turnover, it also delivers good, friendly customer service. Similarly, Fahy (1993) advocates that a position of cost leadership must be tempered by attention to quality and pricing policy.

- It has been argued that a low-cost position might not necessarily constitute a sustainable competitive advantage at all, because cost economies do not merely accrue from learning effects, but also from behavioural considerations that make low-cost operations possible (Lado et al, 1992). This suggests that cost advantage is realisable only when there is a will to innovate, imaginativeness, and the ability to vigorously pursue a desired goal. This appears to be the case of Wal-Mart, whereby the low cost position is supported by an organisational culture that creates a capacity for constant innovation and reinvention (Arnold and Fernie, 2000).

2.4.14 High-level of market research skills

Naisbitt (1997) suggests the world is shifting from an industrial past to an information-based future. Organisations are coming to view knowledge about their markets as their most valuable resource (Zack, 1999) and viewing market information and its related activities as an asset that gives competitive advantage (Glazer, 1991; Turner, 1991). Market intelligence has thus gained centre-stage status (Menon and Varadarajan, 1992).

Marketing research refers to the “function linking the consumer, customer and public to the marketer through information” (Kotler et al., 1999:320). The information gathered, involving customers’ buying habits and needs (Baghai et al, 1999), is used to identify marketing opportunities and problems; to generate, refine and evaluate marketing actions; to monitor marketing performance; and to improve the understanding of the marketing process (Kotler et al., 1999).

As Kohli and Jaworski (1990) note, the generation of market intelligence relies not just on customer surveys, but on other mechanisms including meetings and discussions with customers, analysis of sales reports, analysis of worldwide customer databases, formal market research such as customer attitudes surveys, and sales response in test markets. Furthermore, intelligence generation is not the exclusive responsibility of the marketing department, but of individuals and departments across the organisation. Nevertheless, as Kohli and Jaworski (1990) suggest, good market research does not stop at obtaining customers’ opinion; it also involves analysis and interpretation of customers’ needs and preferences, dissemination of information, and responsiveness.

2.4.15 Low prices charged

Consumers have a price range within which the product should fall for them to buy it (O’Shaughnessy, 1995). Thus, successful service pricing depends on recognising the value that a customer places on a service and pricing that service accordingly (Hoffman and Bateson, 1997). In addition, because capacity represents the bulk of the costs for a service, price discrimination is essential to minimise consumer surplus and maximise capacity utilisation (Bateson, 1995).

Price is the “amount of money charged for a product or service, or the values that consumers exchange for the benefits of having or using the product or service” (Kotler et. al., 1999, p.681). Deciding what price to charge represents one of the more visible decision variables confronting managers, because they send clear messages about customer value and company objectives (Schindehutte and Morris, 2001). Price-setting points to one or more of the following goals (O’Shaughnessy, 1995): attracting new buyers, converting existing users from

other brands, increasing purchases from existing customers, and retaining customers by encouraging repeat purchase.

Generally, the price of services is a nebulous area, whereby pricing policies depend upon the firm's perception of its market segment and its competitive position (Kotler et al., 1999; O'Farrell et al., 1993). Pricing is not dissociated from internal factors, such as marketing objectives and costs. For example, Wal-Mart's proposition of low prices is possible because of the low cost strategy (Arnold and Fernie, 2000). Price is also influenced by external factors, such as competitors' prices. Because pricing is only one of the marketing mix tools the company uses to accomplish its objectives, pricing decisions have to be carefully co-ordinated with decisions on promotion, product, and distribution (Kotler et al., 1999).

The importance of price in customer purchase decisions has been well documented. In North American surveys, price is the second most frequently mentioned factor when consumers identify the most important reasons for choosing one store over another (Arnold et al., 1998). According to Arnold and his colleagues, between one in five and one in four U.S. shoppers mention best price or lowest price as an important reason for choosing a retail store. Arnold and Fernie (2000) also found that price ranks between third and sixth position in the U.K.. They conclude that U.K. consumers either place less weight on price or price does not differentiate the existing U.K. competitors.

It is difficult to draw accurate price-quality comparison in business services, thus using price cuts as a means to gain competitive advantage carries the danger of creating a bad-quality image. Ghemawat (1986) maintains that non-price instruments are usually ascribed more potency than price changes.

2.4.16 Support from parent organisation

A corporate parent consists of "all managers and staff not assigned to a business unit, including not only the corporate headquarters but also division, group, and other intermediate levels of management" (Campbell et al., 1995, p.80). Parenting concerns the corporate headquarters of a group of subsidiaries whose areas of

business may be unrelated to each other (Lynch, 2000). The purpose of parenting is to add value to the subsidiaries that are served, otherwise the parent cost may not be justified (Goold, 1996). However, it is not enough for headquarters to provide a few add-on services. The parent company needs to be familiar with the key factors for success relevant for all the diverse industries in which each of the subsidiaries is engaged, and be able to make a special contribution (Lynch, 2000).

Campbell et al (1995) argue that parent companies affect businesses' value in four ways: Firstly, through a stand-alone influence, that is, the parent's impact on the strategies and performance of each business viewed as a stand-alone profit centre. Secondly, through linkage influence, i.e. seeking to create value by fostering co-operation and synergies between its businesses, including economies of scale, sharing a brand name, and cross-selling. Porter (1985) notes that sharing has the potential to reduce cost if the activities involved are a significant proportion of operating costs or assets. Sharing a corporate brand name may also provide a valuable basis for differentiation (De Chernatony and McDonald, 1998), which is a particularly relevant concern when the corporate brand plays a prominent role in the branding strategy (Keller, 1998). For example, Virgin provides an umbrella under which many of its businesses operate. This strategy maximises clarity because the customer knows what is being offered: service quality, innovation, fun/entertainment, value and being the underdog (Aaker and Joachimsthaler, 2000). Thirdly, parent companies affect businesses' value by establishing central functions and services, such as marketing and distribution. Finally, parent companies can offer value through corporate development activities, such as acquisitions, divestments and alliances.

Surprisingly, Campbell et al, (1995, p.80) posit, "many parent companies today are actually destroying value" because "it is hard for parent organisations to influence their businesses in ways that improve on the decisions of the managers running the business." Therefore, value can be created if the business in the company's portfolio has some opportunity to improve performance with which the parent company can help, if the parent company possesses some special capabilities or resources that will enable it to improve performance and exploit the parenting opportunity, and if the parent has a sufficient understanding of the

critical factors in the business to make sure that it does not influence the business in inappropriate ways (Campbell et al, 1995; Lynch, 2000). ABB focuses much of its parental influence on getting previously isolated national managers to work across borders, raising commercial skills and orientation, and reducing overheads in the first year or two following acquisitions.

2.4.17 Leadership provided by top management

Top management is composed of the key managers who are responsible for formulating and implementing the organisation's strategies (Hitt et al, 2001). As leaders, they are involved in the process of influencing people so that they will strive willingly and enthusiastically toward the achievement of the group's mission (Wehrich and Koontz, 1993). Leadership is therefore linked with the ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as necessary (Hitt et al, 2001). In essence, the crux of leadership is the ability to manage the firm's operations effectively and sustain a high performance over time (Kono, 1999).

Leadership has a significant influence on the purpose of the organisation (Lynch, 2000). As such, a firm's ability to achieve competitiveness and earn superior returns is compromised when leaders fail to respond appropriately and quickly to market changes (Hitt et al, 2001), because managerial beliefs affect strategic decisions that in turn affect the firm's performance (Chattopadhyay et al., 1999).

- Top management's values and philosophies are major determinants of competitive strategy choices (Andrews, 1980), which can be used to establish a motivating vision for the organisation (Senge, 1990) that communicates norms for behaviour and provides guidance for the type of knowledge to be pursued (Slater and Narver, 1995).

Peters (1984) argues that leaders are, above all, creators or shapers of skills. They are enthusiasts who transmit excitement, passion, and energy to their organisations. Leaders constantly articulate and reinforce the organisation's vision through their speech and action. They share information about business trends and competitors' focus, a means of sharing success and quickly identifying

problems (Slater and Narver, 1995). This view extends considerably the concept of top management leadership present in the organisational behaviour literature, which generally stresses supervisory role functions, such as task function performed by giving a definite lead in relation to the task to be done, and the socio-emotional function (O'Shaughnessy, 1995).

Leadership is also a process of continually questioning assumptions about "how markets work" (Williams, 1992, p.48). Slater and Narver (1995) affirm that leaders take a key role in "unlearning" traditional but detrimental practices, for example by challenging their own assumptions and mental models and by encouraging employees to do the same. Hitt et al (2001) posit that "a firm's long-term competitiveness depends on a manager's willingness to change continually their managerial frames and that global competition is more than product versus product or company versus company: It is also a case of mindset versus mindset, managerial frame versus managerial frame" (p.489).

2.4.18 Strength of customer retention programme

According to Reichheld (1993), the economic benefits of customer loyalty often explain why one firm is more profitable than its competitors. Thus, a critical issue for the sustained success of a firm is its capability to retain its current customers and make them loyal to its brands (Dekimpe et al., 1997). Bateson (1995) argues that one reason why customer retention has become important to today's marketers is the increase of competition, which is the result of the lack of differential advantage of goods and services, deregulated industries where companies must compete for customers in the open market, and of market information accessible to more firms.

The economics of customer retention all points to a substantial impact on profitability. Murphy (2001) suggests that for most successful companies there is a handful of customers who create the profits. Murphy argues that for some companies less than 10% of customers form the critical balance between profit and loss. Reichheld and Sasser (1990) estimate that a 5% increase in customer loyalty can produce profit increases from 25% to 85%. Aaker (1991) argues that

the presence of a loyal customer base provides the firm with valuable time to respond to competitive actions.

According to some (e.g. Murphy, 2001; Reichheld, 1996), loyal customers make regular purchases, purchase across product and service lines, refer others, demonstrate immunity to the pull of competition, and contribute disproportionately to profitability. Others (e.g. Dowling and Uncles, 1997) add that it costs much more to entice a new customer to do business with a company than to get a current one to purchase again. Despite the convergence of thought, there is little well documented empirical research to substantiate these claims (Dowling and Uncles, 1997).

A number of strategies to improve customer retention have been proposed in the literature. Bateson (1995) suggests customer retention can be increased if customer defections are reduced. However, Bateson notes, the zero-defects model does not work very well within the service sector. The model is more appropriate for the manufacturing sector, where specifications can be identified well ahead of production. Another innovative customer retention strategy is service guarantee (Bateson, 1995) because it reinforces customer retention, builds market share, and forces the firm to improve its overall service quality. DeSousa (1992) also provides some insights into successful retention strategies. The author suggests that companies should start by measuring current retention rates, because without measurement there is no incentive to improve. Then firms should identify key reasons why customers leave the company. Such information can be used to take corrective actions. In addition, companies should treat complaints and service data as relevant sources for identifying problems that cause customer defections. Finally, besides analysing defections and complaints, companies should be proactive in terms of identifying the switching barriers that will prevent a customer to switch to a competitor.

Dowling and Uncles (1997) add some provoking thoughts to the previous two recommendations for maximising retention success. Firstly, loyalty programs should be designed to enhance the value proposition of a product or service, therefore reducing possible loyalty to the deal. Secondly, companies should cost

the loyalty programs, identifying direct costs such as database creation and maintenance, value of rewards claimed, the issue of regular activity statements, as well as valuing the time consumed by managers. Thirdly, reward schemes should be designed in a way that maximises the buyer's motivation to make the next purchase, as in the Air Miles schemes used by airlines. Finally, the decision to launch a customer retention program should depend on specific market situations, such as the number of brands in the category or the brand's differentiation. Overall, Dowling and Uncles (1997) are fairly critical of membership schemes. They admit that membership cards are a quick, efficient way to signal customers that they deserve special attention. However, such a self-selected group is unlikely to represent all the company's potential customers. Membership cards are just one more source of market information, the authors maintain.

Overall, building a loyal customer base must be a central goal to a company's basic business policy. Reichheld (1993) argues that developing a successful customer retention strategy is fundamental because customer loyalty appears to be the only way to achieve sustainable superior profits.

2.5 CONCLUSION

Services are noted for their high level of mimetic behaviour, which is probably why scholars and practitioners alike attest to the difficulty of achieving sustainable advantage in service industries. Central to the notion of competitive advantage is the notion of resistance to copy and durability. An advantage is sustainable if it continues to exist after efforts of duplication. However, sustainability is not an ever-lasting concept. Over time, competitors will probably move to the competitive position occupied by a firm, or create an entirely new competitive arena. Thus, companies need to exploit their current advantages and, at the same time, develop new competencies that can serve as relevant competitive advantages in the future. In addition, multiple bases for competitive advantage may be needed for a business to compete successfully, because groups of tangible and intangible resources resist imitation better.

External factors such as superior access to financial resources and location can create a competitive advantage for the firm. However, at the dawn of the 21st century, the skills and assets that make up the firm's internal environment may have a relatively stronger influence on the firm's performance than do conditions in the external environment. Hence, successful firms could be the ones that match their internal competencies better with the opportunities detected in the external environment. It follows then that a holistic perspective is the best approach for researching the distinctive characteristic of sustainable superior performers in the service sector.

Despite evidence that the study of sources of competitive advantage is needed, few have been studied from a sustainable perspective. Therefore, an "examination of the sources of competitive advantage in the context of services industries can provide unique managerial insights into strategic problems and opportunities" (Bharadwaj et al., 1993, p.83).

This chapter establishes the theoretical foundation for the thesis. It has covered the origins of competitive advantage, its insights and some of its drivers. Specifically, contextual linkages to the services sector were introduced. A review of the dominant theories of business strategy was also provided.

The next chapter reviews research paradigms applied to social research, and describes the qualitative and quantitative works carried out in two subsequent phases, including instrumentation, sampling, and data collection procedures.

CHAPTER 3 - RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

This chapter focuses on the philosophy and methodology relevant for the thesis, which is done in two parts. The first part reviews the current research paradigms applied to social research adopting the paradigm that best fits the mixed methodology approach used in this study.

The second part describes the two-phase research plan, including instrumentation, sampling, data collection procedures, as well as a statistical analysis of the linearity of the constructs used in the self-administered survey.

3.2 RESEARCH PHILOSOPHY AND DESIGN

3.2.1 Dominant research paradigms in social sciences

The last decades have witnessed several debates in the social sciences regarding the superiority of one or the other of the two major social science paradigms; the positivist approach, which underlies quantitative methods, and the constructivist orientation, which underlies qualitative methods. Meanwhile, there have been several attempts in the social sciences to link these two paradigmatic positions. To some (e.g. Howe 1988; Reichardt and Rallis, 1994; Brewer and Hunter, 1989), qualitative and quantitative methods are compatible. Brewer and Hunter (1989, p.17), for instance, maintain that the multi-method approach allows investigators to 'attack a research problem with an arsenal of methods that have non-overlapping weaknesses in addition to their complementary strengths.' Table 3-1 presents what constitutes the primary distinctions among the dominant paradigms in the social sciences.

Table 3-1 Dominant Paradigms in the Social Sciences

	Positivism	Post-positivism	Pragmatism	Constructivism
Method	Quantitative.	Primarily quantitative.	Quantitative + qualitative.	Qualitative
Logic	Deductive.	Primarily deductive.	Deductive + inductive.	Inductive
Epistemology	Objective point of view. Knower and known are dualism.	Modified dualism. Findings probably objectively 'true'	Both subjective and objective points of view.	Subjective point of view. Knower and known are inseparable.
Axiology	Inquiry if value-free.	Inquiry involves values, but they may be controlled.	Values play a large role in interpreting results.	Inquiry is value-bound.
Ontology	Naïve realism.	Critical or transcendental realism.	Accept external reality. Choose explanations that best produce desired outcomes.	Relativism.
Causal linkages	Real causes temporally precedent to or simultaneous with effects.	There are some lawful, reasonable relationships among social phenomena. These may be known imperfectly. Causes are identifiable in a probabilistic sense that changes over time.	There may be causal relationships, but we will never be able to pin them down.	All entities simultaneously shaping each other. It's impossible to distinguish causes from effects.

Source: Tashakkori and Teddlie (1998, p.23)

As Table 3-1 shows, positivists and constructivists are usually at opposite ends. Pragmatists reject this 'either-or' incompatibility between positivism and constructivism by adopting a middle-ground position. According to Tashakkori and Teddlie (1998), pragmatists: (1) use either qualitative or quantitative methods (or both) depending upon the research question; (2) choose the inductive and deductive logic in the course of conducting research; (3) may be both objective and subjective in epistemological orientation; (4) hold that values play a large role in conducting research and in drawing conclusions from their studies;

and (5) believe that knowledge claims cannot be totally abstracted from contingent beliefs, interests, and projects.

Tashakkori and Teddlie (1998) further suggest that whilst post-positivists believe that there are some reasonable stable relationships among social phenomena that may be known imperfectly, constructivists believe that all entities are simultaneously shaping each other and that it is impossible to distinguish causes from effects. Pragmatists, on the other hand, believe that there may be causal relationships but that we will never be able to pin them down.

In summary, pragmatism combines the features of both positivism and constructivism in terms of methods of research with a more flexible view, by adopting a “middle-ground” position (Gill and Johnson, 1997).

3.2.2 Mixed methodology within the pragmatic paradigm

Pragmatism is the best paradigm for justifying the use of mixed method (Howe, 1988) for several reasons: Firstly, it gives researchers a paradigm that philosophically embraces the use of mixed methods. Secondly, it avoids the use of metaphysical concepts that causes endless discussion. Finally, pragmatism presents a very practical research philosophy: “Study what is of interest and value to the researcher; do it in the different ways deemed appropriate; and use the results in ways that can bring about positive consequences within the researcher value system” (Tashakkori and Teddlie, 1998, p.30).

The use of mixed methods acts as a form of triangulation, improving research outcomes by allowing for new or deeper dimensions to emerge (Jick, 1979), and serving well for verification or testing the theory (Deshpandé, 1983). Sayer (1992) criticises the use of a single quantitative method in research inquiry. He posits:

“If modelling is not accompanied by qualitative analysis, complex but nevertheless comprehensible social forms may be reduced to the status of logical categories or ‘contentless abstractions’ which are easy to manipulate but difficult to interpret. If researchers discard knowledge in this way and start to think simply in terms of ‘variables’ and their

quantitative relationships it is easy to get the impression that there isn't much theory around' (p. 201).

Likewise, Jick (1979) advocates the use of triangulation in research design, pointing out that it improves a researcher's confidence in the results. Similarly, Creswell (1995) argues that triangulation allows the researcher to better understand a concept being tested or explored.

3.2.3 Forms of mixed-method design

Tashakkori and Teddlie (1998, p.19) define mixed model studies as "studies that are products of the pragmatist paradigm and that combine the qualitative and quantitative approaches within different phases of the research process."

There has been an evolution in the social sciences from the use of mono-method studies to the use of mixed-model studies, as Table 3-2 shows. Mono-method studies are studies conducted exclusively by "purists," working exclusively within one of the dominant paradigms (Tashakkori and Teddlie, 1998). These types of studies have become increasingly rare in favour of mixed-method studies, which combine qualitative and quantitative approaches. A characteristic of mixed-method designs is that they use triangulation techniques.

Table 3-2 Evolution of Methodological Approaches in the Social Sciences

Period	Methods/paradigms developed
Period I The mono-method or "purist" era (Circa the 19 th century through to the 1950s)	A. The Purely Quantitative Orientation a. Single data source (QUAN) b. Within one paradigm/model, multiple data sources i. Sequential (QUAN/QUAN) ii. Parallel/simultaneous (QUAN+QUAN) B. The Purely Qualitative Orientation c. Single data source (QUAN) d. Within one paradigm/model, multiple data sources e. Sequential (QUAN/QUAN) f. Parallel/simultaneous (QUAN+QUAN)

Period II The emergence of mixed methods (Circa the 1960s to 1980s)	A. Equivalent status designs (across both paradigms /methods) a. Sequential (i.e. two-phase sequential studies) i. QUAL/QUAN ii. QUAN/QUAL b.Parallel/Simultaneous i. QUAL + QUAN ii. QUAN + QUAL B. Dominant-Less Dominant Designs (across both paradigms/methods) c. Sequential (i.e. two-phase sequential studies) i. QUAL/qual ii. QUAN/qual d. Parallel/Simultaneous i. QUAL + qual ii. QUAN + qual C. Designs With Multilevel Use of Approaches
Period III The emergence of mixed model studies (Circa 1990s)	A. Single Application Within Stage of Study* a. Type of Inquiry: QUAL or QUAN b. Data Collection/Operations: QUAL or QUAN c. Analysis/Inferences: QUAL or QUAN B. Multiple Applications Within Stage of Study** d. Type of Inquiry: QUAL and/or QUAN e. Data Collection/Operations: QUAL and/or QUAN f. Analysis/Inferences: QUAL and/or QUAN
* There must be a mixing such that each approach appears in at least one stage of the study ** There must be a mixing such that both approaches appear in at least one stage of the study Source: Tashakkori and Teddlie (1998, p.15)	

3.2.4 Research design approaches

Hakim (1987) provides an extensive discussion of major types of study, including: (1) research reviews – secondary analysis and meta-analysis of existing data; (2) qualitative research; (3) research based on administrative records and documentary existence; (4) *ad hoc* sample surveys; (5) regular or continuous sample surveys; (6) case studies; (7) longitudinal studies; and (8) experimental social research. The research design should be selected according to the nature of the issues to be investigated, the extent of existing knowledge and previous research, the resources and time available, and the availability of suitably experienced staff to implement the design.

3.2.4.1 Qualitative research approach

Strauss and Corbin (1990, p.10) use the term 'qualitative research' to refer to "any type of research that produces findings not arrived at by statistical procedures or other means of quantification." Hakim (1987), in turn, uses the term 'qualitative research' to refer to a specific research design rather than as a general term for non-quantitative research methods. Hakim notes:

"Qualitative research is concerned with individuals' own accounts of their attitudes, motivations and behaviours. It offers richly descriptive reports of individuals' perceptions, attitudes, beliefs, views and feelings" (p.26).

Maxwell (1996) argues that qualitative research is especially suited for: (1) understanding the participant's perspective on events, situations, and actions they are involved in; (2) understanding the particular context within which the participants act; (3) identifying unanticipated phenomena and influences, and generating new grounded theories; (4) understanding the process by which events and actions take place; and (5) for developing causal explanations.

Within qualitative research, in-depth interviews are widely used. Another method frequently used in qualitative research is group discussion. This involves between four to 12 people discussing the topic of concern with the guidance of a researcher. Compared to in-depth interviews, group discussions can yield additional insights as people react to views they disagree with. In-depth interviews and group discussions are usually tape recorded, so that direct quotations from respondents figure in the report, in place of the tables and statistics offered in a survey report.

The advantages of qualitative approaches are well known. Scholars working from quality research traditions like to proclaim that their approaches rectify some of the concerns associated with quantitative approaches, such as the little opportunity to be "surprised" by new discoveries or unexpected findings, or to identify questions that show themselves to be clearly ill-suited to the task. Therefore, qualitative research can be extremely valuable for identifying patterns of associations between factors on the ground. Miles and Huberman (1984) posit:

"Much recent research supports a claim that we wish to make here: that field research is far better than solely quantified approaches at developing explanations" (p.132).

However, qualitative approaches also suffer from a number of important drawbacks. First, the subjects being studied are usually small in number and/or have not been randomly selected, making it highly problematic to draw generalisations about the wider population. Second, because subjects are often selected idiosyncratically (e.g. on the basis of a judgement call by the investigator) or on the recommendation of other participants, it is difficult to replicate, and thus independently verify, the results. Third, because of an inability to control for other mitigating factors, it is hard to make compelling claims regarding causality.

Because the strengths of one approach potentially complement the weaknesses of the other, and vice versa, establishing a link between qualitative research and surveys occurs very frequently. The qualitative study is usually carried out before the survey, as an exploratory first step that paves the way as well as offering a greater depth of information to complement the quantitative survey results. Qualitative research is, thus, used for preliminary exploratory research.

Given the detail and depth of information, qualitative studies involve a small number of people. Hakim (1987) argues that in market research, where the focus is usually a particular product or service, in-depth interviews with 15 to 25 people and/or three to four group discussions are acceptable.

3.2.4.1.1 Reliability and validity of qualitative data

To many, statistical analysis is the bedrock of research (Silverman, 2000, p.9). Hence, qualitative research has been identified with 'exploration' and 'description' stages of research (Selltiz et al., 1964). Given the fact that qualitative research is stronger on descriptive narratives than on statistical tables, a problem that arises is how a researcher goes about categorising the events described. There are no methods that can assure the researcher that he/she has adequately grasped those aspects of the world that he/she is studying.

Validity, according to Maxwell (1996), is a goal rather than a product; it is never something that can be proven or taken for granted. The main threat to a valid description is the inaccuracy or incompleteness of the data. However, audio and video recordings as well as verbatim transcriptions largely solve this problem. The main threat to interpretation is imposing one's own meaning, rather than understanding the perspective of the people studied. Miles and Huberman (1994) refer to this issue as an objectivity problem. The most serious threat to the theoretical validity (or content validity) of an account is not collecting or paying attention to discrepant data, or not considering alternative explanations or understandings of the phenomena under study.

The descriptive, interpretative, and theoretical validities of conclusions all depend on the internal generalisability to the case as a whole. In contrast, external generalisability is often not a crucial issue for qualitative studies (Maxwell, 1996). In fact, Maxwell argues, the value of the qualitative study may depend on its lack of external generalisability. This does not mean that qualitative studies are never generalisable beyond the settings or informants studied. On the one hand, there is no obvious reason not to believe that the results apply more generally. On the other, the generalisability of qualitative studies is usually based on the development of a theory that can be extended to other cases (Ragin, 1987; Yin, 1994).

Although methods and procedures do not guarantee validity by themselves, they are nonetheless essential to the process of ruling out validity threats and increasing the credibility of conclusions. One strategy for testing qualitative conclusions is the *modus operandi* method (Scriven, 1974). Rather than trying to control for validity threats as variables, by holding them constant in some fashion, the *modus operandi* method deals with them as events, searching for clues as to whether or not they took place. The problem with this method is the difficulty of generating an adequate list of alternative plausible explanations. A second reason why this process cannot be reduced to an algorithm is the recognition that alternative explanations and interpretations are influenced by the theory that one holds for the phenomenon being studied.

A second test consists of identifying and analysing discrepant data and negative cases. The basic principle here is that the researcher needs to examine both the supporting and discrepant data to assess whether it is more plausible to retain or modify the conclusion. Triangulation, i.e. collecting information from a diverse range of individuals and settings using a variety of methods, can also be used to test the validity of conclusions. Soliciting feedback from others is also an extremely useful strategy for identifying validity threats (Maxwell, 1996). Other validity tests of qualitative studies recommended by scholars include the use of detailed and complete data, the use of simple numerical results derived from the data, and production of explicit comparisons in qualitative studies.

There is no accepted standard for evaluating or reporting the reliability of coded data in the marketing research literature. However, several reliability measurements have been proposed to provide some guidance to improve the rightness of judgements or coding the data (e.g. Cohen, 1960, 1968; Miles and Huberman, 1994; Perreault and Leigh, 1989).

When researchers use multiple judges and evaluate the convergence of their coding, the most commonly used measure of interjudge reliability is the simple percentage of agreement between two or more judges (Perreault and Leigh, 1989; Miles and Huberman, 1994). This can be written as:

$$A = \frac{F_o}{Tot}$$

Where, F_o is the number of pair-wise inter-judge agreements and Tot is the total number of pair-wise judgements. This measure is easy to calculate and intuitive. It assumes a value between zero and one, with one being the best possible and zero being the worst.

Critics of this measure argue that simple percentage statistics are likely to be influenced by the number of coding categories. Therefore, Cohen (1960, 1968) proposes a Kappa index of interjudge reliability to overcome the shortcomings of random agreement statistics. The Kappa index explicitly recognises the

likelihood of chance agreement between judges and removes it from consideration. Cohen (1960) defines kappa (k) as:

$$K = \frac{(F_o - F_c)}{(N - F_c)}$$

Where, N is the total number of judgement/judge pair combinations, F_o the number of judgements on which the judges agree, and F_c the number of judgements for which agreement is expected by chance. This measure has also been criticised. Perreault and Leigh (1989) observe that the Cohen's K takes the observed categories as given, which has the effect of ignoring the fact that a high category frequency could indicate not only that a category is frequent, but also that there is considerable agreement between the judges. Therefore, Perreault and Leigh (1989) propose an alternative measure to Cohen's K for the two-judge case. Their measure assumes that the observed agreement between judges is a function of a true (unknown) level of reliability, which can be inferred from the level of agreement. The resulting measure is calculated as:

$$I = \begin{cases} \left\{ \left[A - (1/K) \right] \left[K / (K - 1) \right] \right\}^{.5} & \text{if } A \geq 1/K \\ 0 & \text{if } A < 1/K \end{cases}$$

Where, A is the observed proportion of interjudge agreement and K is the number of categories into which the responses can be recoded. The Perreault and Leigh measure always achieves a maximum of one where there is a perfect interjudge agreement.

Rust and Coil (1994) extended Perreault and Leigh's (1989) measure from a two-judge formulation to a multi-judge formulation. Rust and Coil claim that their measure provides a reliability coefficient that corresponds to Cronbach's Alpha (Cronbach, 1951) based on categorical judgements. This reliability measure provides a strong theoretical basis for constructing qualitative reliability; however, its application demands a complex computation (Rust and Coil, 1994).

3.2.4.2 Quantitative research approach

Quantitative methods include mailed questionnaires, structured interviews, and unobtrusive methods that involve the use of secondary data (Blaikie, 2000). Dillman (2000) notes that the number of surveys conducted by self-administration, and mail in particular, exceeds the number of interviews conducted each year. This is the result of lower comparative costs and the fact that organisations could conduct surveys themselves, whereas most interview surveys, whether by telephone or face-to-face, need to be contracted to professional organisations.

The advantages of quantitative approaches are well known. Conducted properly, they permit generalisations to be made about large populations on the basis of much smaller (representative) samples, can help establish a sense of causality regarding the impact of given variables, and, in principle, allow other researchers to validate the original findings by independently replicating the analysis. The distance from the people being studied, and the lack of emotional involvement by the researcher, is largely practised in the belief that it will ensure objectivity (Blaikie, 2000).

Researchers working with quantitative methods have, nevertheless, a number of preoccupations. Firstly, there is a primary concern with the concepts and their measurement, which is deciding what to measure and how to measure it. Secondly, there is a preoccupation in establishing causality. Within the inductive research strategy, the concern is with establishing patterns as a basis for explanation, whilst within the deductive research strategy propositions should be derived from theory (Blaikie, 2000). Generalisation is another preoccupation among quantitative researchers. This involves the desire to make descriptive statements, or to establish theoretical propositions, that are universal. Yet another concern of quantitative research is the possibility of being able to replicate the findings in the same or similar concept. Finally, in quantitative methods there is the tendency to focus on the individual, which is due, in part, to the predominance of the use of survey methods that are administered to individuals.

3.2.4.2.1 *Reliability and validity of quantitative data*

The reliability of a measure refers to its consistency (Bryman and Cramer, 1999). This notion is often taken to entail external and internal reliability. External reliability is the more common of the two meanings and refers to the degree of consistency of a measure over time. When assessing external reliability by administering two consecutive tests to the same participants, test-retest reliability is being examined. Internal reliability is particularly important in connection with multiple-item scales. It raises the question of whether the items that make up the scale are internally consistent.

There are several procedures for estimating internal reliability. With split-half reliability the items in a scale are divided into two groups and the relationships between respondents' scores for the two halves estimated. A correlation coefficient is then generated, which varies between zero and one, and the nearer the result is to one the more internally reliable the scale is. A second procedure, widely used, is the Cronbach's Alpha, which calculates the average of all possible split-half reliability coefficients. The rule of thumb, which also applies to the test-retest reliability, is that the result should be 0.8 or above (Bryman and Cramer, 1999). If a scale turns out to have low internal reliability, a strategy for dealing with this eventuality is to drop one item or more from the scale in order to establish whether reliability can be improved.

The issue of validity draws attention to how far a measure really measures the concept that it purports to measure. At the very least, a researcher who develops a new measure should establish that it has *content validity*, that is, that the measure relates logically and theoretically to a particular construct meant to be measured (Nunnally, 1967). Some scholars advocate that the researcher should also estimate the *construct validity* of a measure (Cronbach and Meehl, 1955). Here, the researcher is encouraged to deduce hypotheses from a theory that is relevant to the concept. The previous two approaches to the investigation of validity are designed to establish what Campbell and Fiske (1959) refer to as *convergent validity*. A measure should also exhibit *discriminant validity*. This implies that the researcher should also search for low levels of correspondence between a

measure and other measures that are supposed to represent other concepts. The most commonly used methods for assessing convergent and discriminant validity are multi-method matrix method, confirmatory factor analysis and analysis of variance.

The previous sections show there are important differences between quantitative and qualitative designs in the ways they typically deal with validity threats. For instance, quantitative researchers generally attempt to design, in advance, controls that will deal with both anticipated and unanticipated threats to validity. These include control groups, statistical control of extraneous variables, randomised sampling and assignment, the framing of explicit hypotheses in advance of collecting the data, and the use of tests of statistical significance. These controls deal with most validity threats in an anonymous, generic fashion (Maxwell, 1996).

3.3 OVERALL RESEARCH STRATEGY AND DESIGN

Hoskisson et al. (1999) argue that in light of the complexity and variety of the issues facing strategic management, the methodologies used should reflect a similar level of complexity. The scholars maintain that the research question and context should dictate the choice of the appropriate research methods because the results obtained from different methods have the potential to enrich understanding and generate new insights. Furthermore, due to the intangible nature of some firms' resources, especially in service firms, researchers have used a wide variety of instruments, including field-based studies, longitudinal case studies, and case surveys (e.g. Collis, 1991; Doz, 1996; Hitt et al. 1998; Larsson, 1993).

Because the integration of quantitative and qualitative methodological tools is likely to be a fruitful course (Hoskisson et al., 1999), this study adopts a sequential mixed-model design, consisting of a two-phase design, arguably improving research outcomes by allowing new dimensions to emerge (Jick, 1979).

This study represents an innovative form of combining and using the strengths of two reputable forms of research (qualitative and quantitative) to explore the idiosyncrasies of hard-to-copy products. A purely qualitative study provides in-depth explanations but is limited in generalisability and does not provide “objective” means to characterise highly successful yet difficult to imitate products. A purely quantitatively study, on the other hand, oftentimes cannot throw light on the “why” and “how” questions; it can measure outcomes and support inferences about generalisation, but it provides little in the way of in-depth explanations.

By combining these two research methods, the aims is to obtain results that will provide support for strong inferences and generalisations as well as in-depth explanations of what constitutes a hard-to-copy products in the services sector. In addition, using the sequential mixed-model design allows the researcher to cross-check the results through multiple data collection strategies. Table 3-3 describes the approach and sequence followed by this thesis.

Table 3-3 Research Design Approach

Approach	Phase One	Phase Two
Paradigm	Pragmatist	
Research Design	Qualitative	Quantitative
Instruments	Focus Groups In-depth interviews	Self-completion questionnaires; mail survey.
Data analysis control	Researcher-judge interpretation, computer coding (NUD*IST)	Factor structure, reliability test, validity, and statistical association.
Quantitative applications	Frequency analysis, ranking	Exploratory factor analysis Alpha, logistic regression, association measures.
Qualitative applications	Coding and interpretations, content analysis, reliability test	Conceptual analysis, item analysis.
Reliability assessment	Double-coding/coder, percentage of agreement reliability index.	Cronbach Alpha, item-to-total correlation
Validity	Triangulation of data collection and analysis	Multi-statistical tests

Phase One is a qualitative exploratory study of a number of service products that had enjoyed success, in terms of sales and profitability, and that had proven

difficult to imitate. The qualitative findings were used to develop a number of propositions. Specifically, this phase has the following objectives:

Objective 1: To identify a number of service products that had enjoyed market and financial success, and had proven difficult to imitate.

Objective 2: To gather information on the factors behind the hard-to-copy positions for some of the products identified previously.

The quantitative work carried out in phase two builds on the qualitative findings and tests a number of propositions by means of a self-completion questionnaire. This stage has the following objectives:

Objective 3: To develop a profile of hard-to-copy products in the service sector.

Objective 4: To explore the relationship between organisational culture and hard-to-copy products in the service sector.

Objective 5: To explore the relationship between customer benefits and hard-to-copy products in the service sector.

Objective 6: To explore the relationship between branding issues and hard-to-copy products in the service sector.

Objective 7: To explore the relationship between innovation and hard-to-copy products in the service sector.

Objective 8: To explore the relationship between competitive strategy and hard-to-copy products in the service sector.

This thesis explores the factors that make some service products and their organisations both successful and difficult to copy. Because only firms within a single industry share strategic factor markets (Barney, 1986), this study focuses on the U.K. service industry, including financial services, travel and transportation, accommodation and eating out, retail, leisure and entertainment, and business services.

The service industry was selected mainly for three reasons. Firstly, because received wisdom tells us that most successful products offered in the service sector are quickly copied. Dickson (1992) and Ghemawat (1986) maintain that a firm's competitive advantage cannot resist imitation for a long time. Ghemawat (1986) holds that competitors secure detailed information on 70% of all new products within one year of their development, bringing imitation costs down by up to a third less than original innovation, and time to market a third quicker. Therefore, there is a continuous debate on how service companies can attain a sustainable competitive advantage (Fahy, 1996). Secondly, there has been a tendency to generalise research findings from the manufacturing sector across all industries (O'Farrell et al, 1993), not accounting for differences in strategic phenomena between the manufacturing and service sectors. Finally, as Bharadwaj et al (1993) argue, although an extensive body of literature focusing on issues pertaining to competitive advantage has been published to date, "a closer examination of the sources of competitive advantage in the context of services industries can provide unique managerial insights into strategic problems and opportunities" (p.83).

The extant literature on competitive advantage includes large multi-industry studies focused on the resource-based view, such as those conducted by Markides and Williamson (1994) and Robins and Wiersema (1995), as well as single-industry studies such as those conducted by Almeida (1996) and Miller and Shamsie (1996). Both single-industry and multi-industry have a tradition in strategic management research. Rouse and Daellenbach (1999) hold that it is unlikely that any conclusive findings on competitive advantage will emerge from large-sample studies that indiscriminately include low and typically average-performing firms. Similarly, Reed and DeFillippi (1990) maintain that it is to firms with performance consistently above the industry average that strategists and scholars must look for the sources of competitive advantage. This thesis follows these recommendations. In the qualitative phase, the service products analysed were deemed as successful and difficult to copy by focus groups of experts from world-leading consulting firms. In the quantitative phase, the analysis compared the characteristics of hard-to-copy products versus products

that are not hard-to-copy. The next sections describe in detail the two phases of research.

3.4 PHASE ONE – QUALITATIVE STUDY

The purpose of the qualitative phase was to explore the existence of hard-to-copy products in the U.K. service industry and to gather information about them. Several qualitative data collection methods were considered before starting fieldwork. Such methods included case study, one-to-one in-depth interviews and focus groups.

3.4.1 Selection of the qualitative research method

Some scholars (e.g. Hoskisson et al., 1999) argue that case study methodology is appropriate for the research-based view research because it can provide much richer information about the firm's idiosyncrasies. Previously, Collis (1991) used a detailed field-based case study of three firms to examine intangible resources, such as knowledge and reputation, and determine their linkage to firm outcomes. Kotha (1995) used an in-depth case study approach to examine the interrelationships between the development and implementation of technology and a firm's overall strategic positioning. Kotha collected data on a single firm through a series of semi-structured interviews with top executives during an 18-month period.

Given the nature of inquiry for the exploratory stage, a mixed qualitative data collection was found appropriate for the research purpose. The qualitative phase was thus a combination of focus groups and in-depth interviews. Focus groups with industry experts seemed appropriate for identifying service products that had enjoyed success, in terms of sales and profitability, and had proven difficult to imitate. In-depth interviews, in turn, were regarded as appropriate to gather information on the factors behind the hard-to-copy positions for some of the products identified during group discussions.

3.4.2 Focus groups with expert consultants

The main aim for the focus groups was one of identifying a number of service products that had enjoyed success and had proven difficult to imitate. Arguably, expert consultants are in a privileged position to identify successful products in their areas of expertise. The frequent contact with their clients helps them to keep up-to-date with the latest trends and news. In addition, previous research (c.f. De Chernatony and Dall'Omo Riley, 1997; 1998; 1999) also used consultants' opinions to research strategic issues.

3.4.2.1 Sampling for the focus groups

The sample was recruited from the *Directory of Management Consultants in the U.K. 1999-2000* (MIP, 1999). This is a comprehensive directory, so the sample was limited to companies from the "marketing strategy index", specialising in the following service sectors:

- Financial Services,
- Retail,
- Leisure and Entertainment,
- Business-to-Business,
- Travel and Transportation, and
- Accommodation and Eating Out.

From a population of 684 firms, after filtering for consulting firms that are marketing and sector specialists, a sample of 60 companies was drawn. These are listed in Table 3-4.

A letter of invitation (Appendix 1) was sent to the consulting firms selected. Of the 60 firms sampled, 14 volunteered one to four industry experts to take part in the focus groups, given a response rate of 23.3%. Consultants were from the following prominent consulting firms:

- Arthur D. Little,
- Brand Futures,
- Booz Allen & Hamilton,

- Ernst & Young,
- Fitch,
- Gemini Consulting,
- Interbrand,
- KPMG Consulting,
- Logica,
- P Four Consulting,
- New Solutions,
- Management Horizons,
- Landor Associates, and
- Price Waterhouse Coopers.

Table 3-4 Sample for the Focus Groups

Companies Invited for the Focus Groups		
Admiral	Harvard Marketing	New Solutions
Andersen Consulting	Services	Opinion Research
Armature	ICL	Corporation International
Arthur D Little	IMES	P Four Consultancy
Ashridge Consulting	Impact Plus	Parity Solutions
AT Kearney	Interbrand	PIMS Europe
Bain & Co	KPMG Consulting	PriceWaterhouseCoopers
BDG McColl	Landor Associates	Quest Worldwide
BMRB Business	LEK Consulting	Retail Directions
Solutions	Logica	Revolution
Boston Consulting Group	Logistics Consulting	Roland Berger &
BPRI	Partners	Partners Sema Group
Brand Finance	Management Horizons	Shaw Consulting
Braxxon Technology	Europe	Speedwing
Burlington Consultants	Martec International	Strategy Leisure
Carlson Marketing	The Marketing &	TCA Consulting
Group CCL - Cambridge	Communication Agency	The Added Value Group
Consultants	McKinsey & Co	The Brand Futures
Commslogic Computer	Monitor Company	Consultancy
Sciences Corporation	(Europe)	The Produce Studies
Deloitte Consulting	MSMC - Morrison	Group
EG Consulting	Consultancy	Towers Perrin
Ernst & Young	National Economic	WS Atkins Management
Fitch	Research Associates	Consultants.
Gemini Consulting		

Six groups were run in total, covering business services, financial services, travel and transportation, accommodation and eating out, retail, and leisure and

entertainment. Twenty consultants participated in total. Some groups attracted more consultants than others. For example, discussions on financial services, accommodation and eating out, and retail had five consultants each. The other three groups had a minimum of three members, including some consultants who took part in more than one discussion group.

3.4.2.2 Qualitative data collection

Open-ended questioning techniques were used in the focus groups. A discussion guide (Appendix 2) was used. The guide served as a checklist of the specific issues to be covered, to encourage participants to express their views and to elaborate or react to the views of other group members.

At the beginning of each session, participants were appraised of the objectives of the meeting. They were told that although prevailing reasoning asserts that most innovations in the service sector are quickly copied, this assertion may not be true all of the time. Exceptions may exist, namely successful products in the service sector that have not been effectively copied. Therefore, the purpose of the focus group was to identify some hard-to-copy examples in the service sector.

A general definition of hard-to-copy product was provided:

A product which is successful in terms of generating more sales and/or profits in its target sector, perhaps several times more, than its nearest competitor in that same sector, yet it has not been effectively copied.

One proviso was also made. The product's success should have been demonstrated over a reasonable length of time, perhaps 12-18 months, although this constraint could be relaxed in the case of Internet products. Finally, it was emphasised that although this research is looking for products, sometimes the product is the company, and vice-versa.

These meetings took place in London during the first quarter of 2000. Group discussions lasted, on average, in excess of one and a half hours. At the end of each session, the list of hard-to-copy products identified was validated by the participants.

3.4.3 In-depth interviews with senior managers

3.4.3.1 Sampling for the in-depth interviews

Sampling for the in-depth interviews was drawn from the list of hard-to-copy products identified by the focus groups. The complete listing is presented in Table 4-1. A letter of invitation (Appendix 3) was sent to a sample of 46 companies. Fourteen meetings were arranged with senior marketing managers or chief executives (see Table 3-5), yielding a response rate of 30.4%.

Table 3-5 In-Depth Interviews by Sector

Service sector	Hard-to-copy products
Retail	Nike Town, Asda, Ann Summers, Majestic Wines, Lands' End, Accessorize, Blackwell's Retail.
Financial services	Direct Line Insurance, First Direct, Virgin One Account, The Co-operative Bank.
Leisure and entertainment	Legoland, Center Parcs.
Business to business	Regus.

3.4.3.2 Qualitative data collection

Open-ended questioning techniques were used in the in-depth interviews. The major purpose of using open-ended questions was to elicit the factors relating to a hard-to-copy position. A topic guide (Appendix 4) was used to steer the interviewing process.

At the beginning, interviewees were asked to provide a product description, the product strategy, the target sector and the success achieved. They were also asked to comment on topics relating specifically to factors that may contribute to the hard-to-copy position, such as being first to market, process expertise, size of initial and on-going investment, and so on. Managers were encouraged to talk as much or as little as they wished, with no interruptions on our part, except when clarification was needed. Interviewees were typically chief executives or senior marketing managers (Table 3-6).

The first interview was held in May 2000 and the last in December 2000. Interviews were held around the U.K., including cities such as Leeds (Asda, First Direct), Manchester (The Co-operative Bank, Direct Line), Norwich (Virgin One Account), Oakham (Lands' End), Windsor (Legoland), Eakring (Center Parcs), Oxford (Blackwell's), Whyteleafe (Ann Summers), Chertsey (Regus), Watford (Majestic Wine), London (Nike Town), and Perivale (Accessorize). Typically, meetings lasted for 90 minutes, with interview transcripts varying from a minimum of 16 pages to a maximum of 40 pages.

Table 3-6 Profile of Interviewees and Size of Transcripts

Company	Interviewee	Pages
Nike Town	Regional Marketing Manager	22
Asda	Marketing Manager	16
Virgin One Account	Marketing Director; Sales Director; Account Set-up Manager; Customer Service Manager	40
Lands' End	Operations Manager	29
Direct Line	Marketing Director	31
Legoland	Marketing & Sales Director	23
First Direct	Chief Executive; Commercial Director	25
Center Parcs	Head of Marketing & Sales	27
Blackwell's Retail	Managing Director	29
Ann Summers	Head of PR and Brand Marketing	23
Regus	Group Marketing Director	6 ^(*)
Majestic Wine	Marketing Director	22
Accessorize	Managing Director	27
The Co-operative Bank	Executive Marketing Director	17

(*) Side A of the audiotape had technical problems.

3.4.4 Operational definitions of sources of competitive advantage

The sources of competitive advantage reviewed in Chapter 2 were identified in the extant literature on competitive advantage (Aaker, 1989; Bharadwaj et al, 1993; Doyle and Wong, 1998; Day and Wensley, 1988; Peters, 1984; Carroll, 1982; Barney, 1986, 1991; Dess and Davis, 1984; Fahy, 1993; Ghemawat, 1986; Day, 1994; Pfeffer, 1994; Hall, 1991, 1993; Baghai et al, 1999; Hitt et al, 2001). Table 3-7 summarises the operational definitions of competitive advantages reviewed in this study.

Table 3-7 Operational Definitions of Sources of Competitive Advantage

Competitive Advantage	Operational Definition
First or Early to Market	Early market entry takes place after the first firm enters the market with a new product (Jain, 1981)
Innovation	Is "the generation, acceptance and implementation of new ideas, processes, products or services" (Thompson, 1965, p.36)
Ability to Learn and Adapt	Refers to the development of new knowledge or insights that have the potential to influence behaviour (Hurley and Hult, 1998).
Customer Service	Involves task-oriented activities that involve interactions with customers in person, by telecommunications, or by mail (Lovelock, 1996)
Economies of Scale	Arise from the ability to perform activities differently and more efficiently at larger volume, or from the ability to amortize the cost of intangibles such as advertising and R&D over a greater sales volume (Porter, 1985).
Alliances and Partnerships	Are contractual relationships undertaken by firms whose respective products are complements in the marketplace (Bucklin and Sengupta, 1993).
Brand Reputation	Refers to corporate associations that individuals establish with the company name (Fombrun et al, 2000). It represents the net affective or emotional reaction and involves the overall estimation in which a company (product) is held by its constituents.
Distribution Network	Is "a network of people, institutions or agencies involved in the flow of a product to the customer, together with the informational, financial, promotional and other services associated with making a product convenient and attractive to buy and rebuy" (O'Shaughnessy, 1995, p.639).
Product Benefits	Refers to attributes that are important to customers, which go beyond physical product attributes to embrace all activities and linkages of the businesses (e.g. Dickson and Ginter, 1987; Day and Wensley, 1988).
Financial Strength	Refers to a firm's borrowing capacity and internal ability to generate internal funds (Hitt et al, 2001).
Organisational Culture	Refers to unwritten, the formal decreed, and what actually takes place; it is the patterns of shared values and beliefs that help individuals understand the functioning of the firm and thus provides them norms for behaviour in the firm (Deshpandé and Webster, 1989).
Customer Understanding	Is related to a detailed understanding of the needs of the consumer (Hoffman and Bateson, 1997).
Low Cost	An overall cost edge gained by performing most activities at a lower cost than competitors while offering a parity product (Day and Wensley, 1988).

Market Research skills	Ability to link the consumer, customer and public to the marketer through information, using it to identify and define marketing opportunities and problems, to generate, refine and evaluate marketing actions, to monitor marketing performance, and to improve the understanding of the marketing process (American Marketing Association, 1987, quoted in Kotler et al, 1999:320).
Price	Is the "amount of money charged for a product or service, or the values that consumers exchange for the benefits of having or using the product or service" (Kotler et. al, 1999, p.681).
Support from Parent Company	Concerns the corporate headquarters of a group of subsidiaries whose areas of business may be unrelated to each other (Lynch, 2000).
Leadership	Is a process of continually questioning assumptions about "how markets work" (Williams, 1992, p.48).
Customer Retention	Refers to a company's ability to keep loyal customers to whom the firm can deliver superior value (Reichheld, 1993).

3.4.5 Reliability and validity of qualitative data analysis

This thesis adopts the most commonly used measure of interjudge reliability, the percentage of agreement between two judges (Perreault and Leigh, 1989; Miles and Huberman, 1994). Such a measure is more flexible for exploratory findings and theory development. All group discussions and in-depth interviews were recorded. Interviews were transcribed by a specialist, and edited by the author to assure their completeness.

Following Miles and Huberman's (1994) recommendations, two coders noted patterns and themes in the data, drew links with previous literature, and identified areas of contribution to existing knowledge. The author and one judge³ examined the transcripts separately. The process went through the necessary steps until 100% agreement on the items coded was reached, as suggested by Miles and Huberman (1994). In the first run, a total of 736 items were classified under one of the competitive methods (Table 3-8). The initial inter-coder agreement was 87.5%. It is worth mentioning that both coders are familiar with the topic, and that the interviews were conducted following guidelines that asked managers' opinions on each and every competitive factor under study. A total of 92 items were eliminated from the analysis after revision because they were not related to

the competitive factors studied. The content analysis resulted in a total of 644 items.

Table 3-8 Reliability Assessment of Coding: Initial Inter-Coder Agreement

Competitive Factors Coded	Total Coded	Total Agreed	Reliability ^a	Deleted Items
First or early to market	15	13	86.7%	2
Innovation	52	49	94.2%	3
Customer benefits	51	43	84.3%	8
Ability to change and to adapt	24	21	87.5%	3
Quality of customer service	18	16	88.9%	2
Economies of scale	4	4	100.0%	0
Alliances and partnerships	34	31	91.2%	3
Branding	139	129	92.8%	10
Network of outlets	28	24	85.8%	4
Financial strength	19	3	15.8%	16
Organisational culture	140	127	90.7%	13
Understanding of customers	38	33	86.8%	5
Low costs achieved	41	32	78.0%	9
High level or marketing skills	9	8	88.9%	1
Low prices charged	29	23	79.3%	6
Support from parent company	42	40	95.2%	2
Leadership provided by top management	19	17	89.5%	2
Strength of customer retention programme	34	31	91.2%	3
Total	736	644	87.5%	92

^a Reliability formula as suggested by Miles and Huberman (1984): (Total agreed codes / total items coded by both coders * 100= %)

A computer qualitative analysis package (NUDIST Vivo 1.3) was used to sort the coded items and assign them to each factor. Elicited items were quantified using statistical frequency techniques. Theoretical validity (or content validity) of the data was achieved by closely linking data coding and analysis to both the theoretical concepts and operational definitions of hard-to-copy drivers.

³ Professor Chris Easingwood, Supervisor.

3.5 PHASE TWO – QUANTITATIVE STUDY

Phase two builds on the insights from the qualitative study. In particular, the quantitative study aimed to draw a profile of hard-to-copy products, as well as to explore the relationship between hard-to-copy products and several differential advantages.

3.5.1 Selection of the quantitative research method

Several methods of quantitative research showed potential for this phase, including mailed surveys, telephone surveys, and personal administration (Hakim, 1987; Gill and Johnson, 1997). Given the wide usage of mail surveys in the literature, this was the method chosen as the means of data collection. Therefore, in the last quarter of 2001, a comprehensive self-completion questionnaire was designed and mailed to senior marketing managers of companies from the following service sectors: business services, financial services, travel and transportation, accommodation and eating out, retail, and leisure and entertainment.

Managers were asked to identify, if possible, a hard-to-copy product that they managed and to complete the questionnaire for that product. If they did not have responsibility for a hard-to-copy product as defined, they were asked to select another product that was or had been successful but had been copied. Therefore, it was hoped that a range of products, some copied, some not, would be included in the survey.

3.5.2 Sampling for the survey

This thesis is looking for competitive factors that make some service products hard-to-copy. Therefore, a cross-sectional service industry study seems appropriate. Hitt and Ireland (1986) argue that sampling different service sectors allows for an examination of distinctive competencies and performance across firms, which suits the purpose of this thesis. In addition, by selecting companies from different service sectors we are introducing a broad range of environmental uncertainty (Snow and Hrebiniak, 1980). The extant literature also shows that

many empirical studies sampled several sectors (e.g. Snow and Hrebiniak, 1980; Kohli and Jaworski, 1990; Powell, 1992; Caruana et al, 1995; Hankinson and Cowking, 1997; Appiah-Adu and Singh, 1999; Hankinson, 1999; Sin and Tse, 2000). Finally, the service sectors chosen share a high degree of intangibility and common use (Appiah-Adu and Singh, 1999).

Commercial periodic publications (either on CD-ROM or paper) including the *Dun and Bradstreet Million Dollar Directory*, *Standard and Poor's Register*, *FAME*, and *Fortune 1000*, are frequently used as sampling sources. The *FAME* CD-ROM database in particular has been used frequently (e.g. Caruana et al, 1995; Appiah-Adu and Singh, 1999; and Caruana et al, 1999) and was thus selected. A sample of 1,527 service firms was selected from the *FAME* CD-ROM database as of April, 2001. The database had over 7,000 British service firms.

Previous research shows that sampling methodology used in previous studies favours slightly non-probability (convenience) sampling (e.g. Hitt and Ireland, 1986; Powell, 1992; Caruana et al, 1995; Hankinson and Cowking, 1997; Han et al, 1998; Hankinson, 1999; Caruana et al, 1999). Nonetheless, some (c.f. Snow and Hrebiniak, 1980; Jaworski and Kohli, 1993; Appiah-Adu and Singh, 1999; Matsuno and Mentzer, 2000) used random selection rather than non-probabilistic sampling. In order to achieve a fair representation of each service sector in the sample, a reasonable number of companies from each service had to be included. Table 3-9 shows the final sample by service sector. Companies were sorted by number of employees.

Table 3-9 Sample Size by Service Sector

Service Sector	Sample	U.K. 1992 SIC Codes
Financial Services	253	65 Financial intermediation (except insurance and pension funding) 66 Insurance and pension funding 67 Activities auxiliary to financial intermediation
Accommodation and Eating Out	262	55 Hotels and restaurants
Leisure and entertainment	255	92 Recreational, cultural and sporting activities

Retail	253	50 Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel 51 Wholesale trade and commission trade (except of motor vehicles and motorcycles) 52 Retail trade (except of motor vehicles and motorcycles); repair of personal and household goods
Travel and Transportation	245	60 Land transport 61 Water transport 62 Air transport 63 Supporting and auxiliary transport activities: activities of travel agencies
Business to Business	259	74 Other business activities
TOTAL	1,527	

The choice of respondent did not result from a random selection within the organisation. Respondents were chosen according to their knowledge about the product's strategy. This is known as the *single informant technique*, very popular in marketing research, and suggested as a method to collect quantitative data by Campbell (1955). The questionnaire was thus addressed to the marketing manager responsible for the product for which the questionnaires were eliciting responses - a common procedure. A review of similar studies (e.g. Snow and Hrebiniak, 1980; Powell, 1992; Caruana et al, 1995; Hankinson and Cowking, 1997; Han et al, 1998; Storey and Easingwood, 1998; Harris and Piercy, 1999; Matsuno and Mentzer, 2000) shows that the marketing manager/director was the most frequent recipient for the questionnaires, followed by top managers/executives, and CEOs.

Evidence shows that individual products within a company portfolio are not equally successful. Most probably, some of them are more successful than others, for a number of reasons we would like to investigate. Furthermore, it is not uncommon in the service industry for the product to be the company and vice-versa. However, focusing the study exclusively at the company level would not provide evidence of the intricacies associated with the success of an individual product. A look at previous research shows that most studies target the whole company. However, there are a few that have targeted smaller units of analysis. For example, Snow and Hrebiniak (1980) asked respondents to use one company's business unit as a frame of reference in answering the questionnaire.

Similarly, Jaworski and Kohli (1993) requested beforehand the names of two senior executives in different SBUs. Storey and Easingwood (1998) also targeted senior managers responsible for launching new products.

Administering the questionnaire followed Dillman's (2000) Total Design Method. A brief pre-notice letter to create awareness was sent one week in advance of the questionnaire. This was followed by the first wave of questionnaires, which included one covering letter, one copy of the questionnaire addressed to the marketing director, and a postage-paid reply envelope. Three weeks after, a second wave of questionnaires was sent to non-respondents, also including one covering letter, one copy of the questionnaire addressed to the marketing director, and a postage-paid reply envelope. The three letters are shown in Appendices 5 to 7.

Of the total, 178 questionnaires were returned blank – 153 companies refused to participate as a matter of policy of not replying to questionnaires, and 25 questionnaires were returned because of incorrect addresses – and excluded (Caruana et al, 1999), leaving a base of 1,349 firms. By the cut-off date, three weeks after the second mailing, a 11.5% response rate was recorded. Table 3-10 shows the breakdown of responses by sector.

Table 3-10 Number of Replies by Service Sector

Service Sector	Responses	%
Retail	20	12.9
Accommodation and Eating Out	29	18.7
Travel and Transportation	31	20.0
Financial Services	24	15.5
Business to Business	24	15.5
Leisure and Entertainment	27	17.4
	155	100.0%

Most respondents filling out the questionnaire held top management positions. Marketing Manager/Directors alone represented more than 60% of replies (Table 3-11).

Table 3-11 Number of Replies by Job Position

Job Position	Responses	%
Marketing Director / Manager	94	60.6
Sales Director / Manager	15	9.7
Commercial Director / Manager	6	3.9
Brand Director / Manager	7	4.5
Managing Director / Chief Executive	15	9.7
Other	13	8.4
Missing data	5	3.2
	155	100.0%

The sample breakdown by company size shows that replies cover a large spectrum of company sizes, by number of employees.

Table 3-12 Number of Replies by Company Size

Company Size	Responses	%
Less than 200 employees	17	11.0
Between 201 and 500	35	22.6
Between 501 and 1,000	29	18.7
Between 1,001 and 2,000	17	11.0
Between 2,001 and 5,000	24	15.5
Over 5,000 employees	28	18.1
Missing data	5	3.2
	155	100.0%

3.5.3 Mailed questionnaire

The literature review and the qualitative work provided the basis for developing the questionnaire used in the mail survey. The questionnaire contains 10 sections (Appendix 8). The first section includes three items that classify hard-to-copy services, identify the market served, and evaluate the sustainability of return on investment for two consecutive periods. Section 2 lists 18 possible advantages. Sections 3 to 8 relate to branding, organisational culture, innovation, customer benefits, and competitive strategy. Section 9 asks for performance information relative to the main competitor. Finally, Section 10 classifies respondents according to their job position, and companies according to the number of employees.

3.5.4 Scale and item development

The validity and reliability of scales used in the quantitative study was addressed by following the recommendations of Churchill (1979). Firstly, a clear and precise definition of the construct of interest was developed. This was achieved through a review of existing literature on competitive advantage in addition to the findings from the qualitative study. Secondly, several constructs in this study were used previously, a solid foundation for scale development (Spector, 1992).

This study used almost exclusively Likert and semantic differential scales to measure the constructs of interest. Most scales are anchored on a seven-point choice, providing enough dispersion without making it difficult for respondents to make fine distinctions. According to Spector (1992) and Parasuraman (1991), a number of choices ranging from five to nine are adequate.

Scales and items were written in plain and clear English, without colloquial expressions, written in short and precise sentences, avoiding ambiguous meanings. To ensure that the questionnaire was clear and easily understood, it was reviewed by 10 academics, mainly Professors and Senior Lecturers, from the Strategy and Marketing Department at the Manchester Business School. Subsequently, the questionnaire was proofread by two experienced secretaries from the same faculty. Apparently, the questionnaire posed no understanding problems to managers. In fact it received a warm welcome from many. For instance, one manager from a very large company wrote:

"Unlike many I receive, this questionnaire makes a refreshing change"

The scale refinement was an iterative process that followed existing guidelines. The first step examined the correlation between each item and the total of items in each scale, which prevents the emergence of factors lacking theoretical meaning in the subsequent analysis (Dess and Beard, 1984). The corrected item-to-total correlation is the Pearson correlation coefficient, which indicates the strength of the relationship between the score of individual items and the other items. Items with a correlation below .25 were eliminated, as suggested by Nunnally (1978).

Subsequently, unidimensionality analysis was carried out through factor exploratory analysis. The number of factors that were to be extracted needed to be determined. The decision was based on two commonly used methods: The Kaiser criterion, which recommends the selection of factors with eigenvalues greater than one, and the analysis of the scree plot, which constitutes a graphical representation of factors' eigenvalues.

The Principal Components method of extraction was used. One of the major advantages of using the Principal Components method is "that each principal component factor explains more variance than would the loadings obtained from any other method of factoring" (Nunnally, 1978, p.357). This was followed by a Varimax rotation, which is widely used. The strength of Principal Components plus Varimax rotation is underlined by Nunnally (1978, p.385) who holds that "When an investigator is dissatisfied with the Principal Components plus Varimax solution, usually it is because no simple, clear factor solution could be obtained by any other method."

After establishing scale unidimensionality, the analysis proceeded to assess reliability. To measure the same construct, items in a scale must be intercorrelated. The Cronbach alpha is a statistic widely used that measures the scale's internal consistency. When an item was poorly correlated with other items in the scale and its removal increased the Cronbach alpha, it was deleted. Caruana et al (1995) hold that what is an acceptable level of reliability depends on what the instrument will be used to measure. Nunnally (1978, p.245) holds that for "hypothesised measures of a construct, one saves time and energy by working with instruments that have only modest reliability, for which purpose reliabilities of 0.70 or higher will suffice." However, he also suggested that for the early stages of research, an alpha of 0.5 to 0.6 should suffice and that increasing reliabilities beyond 0.8 is probably wasteful. Notably, Churchill and Peter (1984) concluded that 85% of scales found in the literature meet the 0.5 level, and only 69% of scales meet the desired 0.7 level.

This study has also some constructs measured by nominal and single-item scales. Culture, for instance, is measured by describing the company's culture into one

of four pre-classified mutually exclusive types; and sources of competitive advantage are measured using a single-item. Nunnally (1978) argues that using single-item measures is appropriate when they relate to a simple unidimensional construct. It is also important to note that, although it is preferable to use multi-item measures, Venkatraman and Grant (1986, p.73) argue, "Strategy constructs typically have been measured using nominal or single-item scales." Last year, Nagy (2002) compared a single-item measure with a multiple-item measure of facet satisfaction and concluded that the single-item measure correlated highly with the multiple-item measure. Nagy concludes that single-item measures may take less time to complete, may be less expensive, may contain more face validity, and may be more flexible than multiple-item scales. Similarly, Wanous et al (1997) posit:

"If the use of a single-item is indicated, researchers may do so in the knowledge that they can be acceptable. The use of single-item measures should not be considered fatal flaws in the review process. Rather, their appropriateness for a particular piece of research should be evaluated" (pp. 250-251).

3.5.5 Non-response bias

A test for non-response bias was conducted by comparing the results of early and late respondents (Armstrong and Overton, 1977; Appiah-Adu et al, 2001). Table 3-13 shows the chi-square analysis performed to determine whether significant differences exist between respondents to the first wave and respondents to the second wave. The test revealed no significant differences between the two groups, suggesting that response bias was negligible.

Table 3-13 Statistical Differences Between 1st and 2nd Waves

Company size (Number of employees)	Percentage of Respondents	
	1 st Wave	2 nd Wave
Less than 200	13.0	9.6
201-500	27.3	19.2
501-1,000	18.2	20.5
1,001-2,000	9.1	13.7
2,001-5,000	15.6	16.4
Over 5,000	16.8	20.6
	100.0	100.0
	(Base = 77)	(Base = 73)
$\chi^2 = 2,531$, $df = 5$; $p=0.772$		

3.5.6 Classification into hard-to-copy and not hard-to-copy

One of the main goals of this study is to identify the characteristics of some products, and their organisations, which seem to resist imitation better whilst delivering superior marketing and financial performance. Therefore, competitive advantage is the independent variable and performance the dependent variable (Reed and DeFillippi, 1990).

Superior performance is frequently correlated with competitive advantage, thus achieving an advantage will automatically result in higher performance (Reed and DeFillippi, 1990). However, resistance to imitation raises another issue: the sustainability of performance. Therefore, conclusions based on the analysis of performance for a given point in time may be misleading because profitability may vary from one year to another. To overcome this limitation, this study proposes the concept hard-to-copy, i.e. the ability to sustain higher performance within a specific industry over a period of time. Arguably, sustainability is the ultimate goal of any profit-oriented organisation, and this implies a consistent stream of profits above the industry average and market dominance.

Therefore, the questionnaire includes two types of performance measures. One type measures performance in terms of how well the competition has copied a product's advantages and eroded its revenues and profits generated over time. This was operationalised by asking the manager's opinion about the product's ability to resist imitation. Specifically, the questionnaire asked:

Has your product proven hard-to-copy to copy?

A 7-point bipolar scale with response categories ranging from “definitely not” (1) to “definitely yes” (7) was used. Answers were split into two groups, with those scoring 1 to 4 on the above scale being classified as ‘not hard-to-copy’, and products scoring 5, 6 or 7 considered to be ‘hard-to-copy.’

To clarify the notion of hard-to-copy, a definition of what constitutes a hard-to-copy product was provided as follows:

A hard to copy product is one which competitors have found difficulty in copying effectively. This does not mean that competitors have not copied it. They may well have attempted to do so, but have not been nearly so successful in terms of impact and in terms of revenues and profits generated.

The other type of performance measure used in the questionnaire evaluates performance vis-à-vis the competition for a certain moment in time. This type of performance was operationalised by combining six self-evaluations, on a five-point scale, of profitability, return on investment, size, market share, customer retention, and sales growth, in comparison with those of the largest competitor for that particular business (i.e. the specific product/market situation being described by the respondents).

The correlation matrix (Table 3-14) shows that all performance items were positively correlated. The highest correlation was between sales and market share ($r=0.853$) and the lowest correlation was between profitability and customer retention ($r=0.157$).

Table 3-14 Correlations Among Performance Variables

	Profitability	Return on Investment	Size (sales)	Market Share	Customer Retention
Return on Investment	.774***				
Size (sales)	.327***	.239***			
Market Share	.347***	.260***	.853***		

Customer Retention	.157*	.259***	.203**	.201**	
Sales Growth	.264***	.308***	.193**	.188**	.348***

***, $p < 0.01$ (1-tailed)

**, $p < 0.05$ (1-tailed)

*, $p < 0.10$ (1-tailed)

The scale coefficient alpha and item-to-total correlations are reported in Table 3-15. The Cronbach Alphas for market and for financial performance measures exceed 0.7, the threshold Nunnally (1978) recommends for exploratory research.

Table 3-15 Reliability Analysis of Performance Items

Factor	Item	Factor loadings	Item-to-Total Correlation	Cronbach Alpha
Market Performance	Size (sales)	.941	.853	.921
	Market Share	.941	.853	
Financial Performance	Profitability	.924	.777	.871
	Return on Investment (ROI)	.922	.777	
Customer Retention	Customer Retention	.833	.345	.513
	Sales Growth	.780	.345	

Because there is no significant gain by reducing the analysis to three factors, it was decided to keep the six performance items separate, and use them to test the differences between hard-to-copy products and products that are not hard to copy.

3.5.7 Quantitative data analysis tools

A review of the literature shows that scholars have used a wide variety of methodological tools. These include structural equation modelling (Hitt et al., 1996), multi-dimensional scaling (e.g. Stuart and Podolny, 1996), panel data analysis (e.g. Gimeno and Woo, 1996), repertory grid (e.g. Ginsberg, 1988, 1989), cognitive mapping (e.g. Barr et al, 1992), and policy capturing (e.g. Hitt and Tyler, 1991). Other methods, such as network analysis (e.g. Gulati, 1995), heterogeneous diffusion models (e.g. Greve, 1996), and sample selection models (e.g. Barnett et al, 1994) are also being employed in management research.

Doyle and Wong (1998) argue that it is perfectly acceptable to analyse the mean differences between two groups of performers, conducting simple analysis of variance tests to test the significance of these differences, "rather than show

complex factor and multiple discriminate analysis, which only partially dealt with [this] multicollinearity and added greatly to the difficulty of interpreting the results" (p.524). This thesis follows this advice and analyses the mean differences between hard-to-copy products and products that are not hard-to-copy, testing the significance of these differences on a number of propositions.

3.6 STATISTICAL REVIEW

This study compares two groups of products by analysing the mean differences between two groups of performers, thus following a similar strategy to Doyle and Wong (1998). The next sections discuss the statistical tests used to measure the differences.

3.6.1 Tests of linearity

Before embarking on the analysis of differences, it is important to see if the data came from a normal distribution. According to Hair et al. (1998) the most fundamental assumption in multivariate analysis is normality. If the variation from the normal distribution is sufficiently large, all resulting statistical tests are invalid, as normality is required to use the F and t statistics. If we find a deviation from normality then we cannot use parametric tests because the assumption of normality is not tenable. In such circumstances we can use non-parametric tests instead.

Non-parametric tests are sometimes known as assumption-free tests because they make no assumptions about the type of data on which they can be used. Most of these tests work on the principle of ranking the data. This process results in higher scores, represented by large ranks, and low scores, represented by small ranks. Hence, the analysis is carried out on the ranks rather than the actual data. However, by ranking the data we lose some information about the magnitude of difference between scores and, because of this, non-parametric tests are less powerful than the parametric counterparts (Field, 2000). In real terms, one is more likely to miss a significant effect if one uses a non-parametric test.

Both the Kolmogorov-Smirnov and Shapiro-Wilk tests applied to all items included in the questionnaire (Table 3-16 to Table 3-23) indicate that they deviate from normality. This finding alerts us to the fact that a non-parametric test should be used to test the differences between sample means.

Table 3-16 Normality Tests Applied to the Distribution of Hard-to-Copy Products

	Kolmogorov-Smirnov (a)			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Has your product proven "hard-to-copy"?	.201	150	.000	.910	150	.000

(a) Lilliefors Significance Correction

Table 3-17 Normality Tests Applied to Sources of Competitive Advantage

	Kolmogorov-Smirnov (a)			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Being first, or early, to market	.224	141	.000	.867	141	.000
Innovation	.228	141	.000	.879	141	.000
Customer benefits provided	.259	141	.000	.858	141	.000
The ability to learn and to adapt to change	.167	141	.000	.917	141	.000
Quality of customer service	.207	141	.000	.863	141	.000
Economies of scale achieved	.175	141	.000	.931	141	.000
Alliances and partnerships formed	.152	141	.000	.916	141	.000
The reputation of the brand	.206	141	.000	.868	141	.000
Network of outlets	.171	141	.000	.876	141	.000
The financial strength of the organisation	.179	141	.000	.917	141	.000
The special culture of the organisation	.167	141	.000	.919	141	.000
Superior understanding of customers	.216	141	.000	.883	141	.000
Low costs achieved	.154	141	.000	.945	141	.000
High level of marketing research skills	.150	141	.000	.944	141	.000
Low prices charged	.156	141	.000	.931	141	.000
Support from a parent organisation	.200	141	.000	.860	141	.000
Leadership provided by top management	.211	141	.000	.882	141	.000
Strength of the customer retention programme	.190	141	.000	.916	141	.000

(a) Lilliefors Significance Correction

Table 3-18 Normality Tests Applied to Branding Items

	Kolmogorov-Smirnov (a)			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
The brand's position has changed over time	.126	155	.000	.928	155	.000
The brand has been supported by effective company communication (PR, mass media, sponsor)	.155	155	.000	.923	155	.000
The use of mass media has been an important part of the communication mix	.159	155	.000	.893	155	.000
WOM is the most important component of overall communication effectiveness	.183	155	.000	.906	155	.000
The brand benefits from having a precisely defined position	.177	155	.000	.916	155	.000
The essence of the brand can be captured in just a few words	.217	155	.000	.893	155	.000
Competition will find it difficult to try to move into the position occupied by the brand	.153	155	.000	.927	155	.000
There exists an emotional tie between the customer and the brand	.181	155	.000	.894	155	.000
The brand is differentiated from its competitors	.194	155	.000	.903	155	.000
Overall, the strength of our brand is...	.192	146	.000	.906	146	.000

(a) Lilliefors Significance Correction

Table 3-19 Normality Tests Applied to Innovation Items

	Kolmogorov-Smirnov (a)			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
The product appealed to a new segment	.189	147	.000	.902	147	.000
The product included benefits previously available only in a substitute sector	.157	147	.000	.909	147	.000
The product provided more of a "total solution" for the customer by including extra services	.216	147	.000	.869	147	.000
The product included significant new benefits wanted by customers but not previously offered	.218	147	.000	.872	147	.000
The product served new segments that were previously not served or significantly under-served	.193	147	.000	.898	147	.000
The product breaks free from the prevailing mix by offering more function than competition	.174	147	.000	.916	147	.000

The product breaks free from the prevailing mix by offering more emotion than competition	.150	147	.000	.932	147	.000

(a) Lilliefors Significance Correction

Table 3-20 Normality Tests Applied to Customer Benefits Items

	Kolmogorov-Smirnov (a)			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Improves customer productivity	.173	145	.000	.910	145	.000
Simplifies something that was previously more complex	.198	145	.000	.889	145	.000
Offers extra convenience and reduces hassle	.229	145	.000	.888	145	.000
Reduces risk of underperformance	.170	145	.000	.910	145	.000
Provides "extra fun"	.160	145	.000	.899	145	.000
Offers a superior "image"	.186	145	.000	.892	145	.000
Helps the environment	.194	145	.000	.870	145	.000

(a) Lilliefors Significance Correction

Table 3-21 Normality Tests Applied to Segmentation Items

	Kolmogorov-Smirnov (a)			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
What size segments do you serve, compared to that which is typical in your market?	.164	152	.000	.913	152	.000
What is the closest to your segmentation philosophy?	.190	152	.000	.893	152	.000

(a) Lilliefors Significance Correction

Table 3-22 Normality Tests Applied to Competitive Strategy Items

	Kolmogorov-Smirnov (a)			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
How differentiated is your offer vs. other companies?	.431	137	.000	.616	137	.000
What is your cost position vs. other companies?	.254	144	.000	.817	144	.000

(a) Lilliefors Significance Correction

Table 3-23 Normality Tests Applied to Performance Items

	Kolmogorov-Smirnov (a)			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Profitability	.254	137	.000	.881	137	.000
Return on Investment (ROI)	.203	137	.000	.889	137	.000
Size (sales)	.215	137	.000	.880	137	.000
Market Share	.203	137	.000	.891	137	.000
Customer Retention	.198	137	.000	.882	137	.000
Sales Growth	.258	137	.000	.878	137	.000

(a) Lilliefors Significance Correction

3.6.2 Statistical tests and important assumptions

The previous section has shown that the data for the entire sample is not normally distributed. As such, differences in means for the entire sample must be compared using non-parametric tests, such as the Mann-Whitney test, which is the most commonly used alternative to the independent-samples *t* test (Norusis, 2000). If one wants to test the null hypothesis that the population means are the same for the two groups, the shape of the distributions must be the same in both groups (it does not matter what the shape is). However, if we just want to test whether one population has larger values than the other, we do not have to worry about the shapes of the distributions being the same, as is the case in this research.

The Mann-Whitney test works by looking at the differences in the ranked positions of scores in different groups. This test is used for testing the differences between means when there are two conditions (in this thesis: hard-to-copy versus not hard-to-copy) and different subjects have been used in each condition. The important part of the table of the Mann-Whitney test is the significance value of the test, which gives the two-tailed probability that the magnitude of the test statistic is a chance result. This significance value can be used as it is when *no prediction* has been made about which group will differ from which. However, if a prediction has been made, as in most propositions in this study, then we need to calculate the one-tailed probability (Field, 2000), which is obtained by taking the two-tailed value and dividing it by two.

The Kruskal-Wallis test is a non-parametric alternative to one-way analysis of variance. It is computed exactly like the Mann-Whitney test, except that there are more groups. Again, if we want to test whether values from one population are larger than values from another, we do not need the assumption that the distribution shapes are the same.

Some authors (e.g. Norusis, 2000) argue that when the researcher is not sure about using a non-parametric test or a parametric test, he/she should use both. If he reaches the same conclusions based on both types of tests, there is nothing to worry about. If the results from the non-parametric test are not significant while those from the parametric test are, additional work should be carried out to examine the differences, for example by looking for data values that are much larger or much smaller than the rest. This thesis follows this procedure.

3.6.3 Logistic regression

This study uses the logistic regression technique to predict hard-to-copy product group membership. Within logistic regression the outcome variable is a categorical dichotomy and predictor variables are continuous or categorical. Therefore, it is appropriate to use logistic regression to predict which of the two types of products (hard-to-copy versus not hard-to-copy) is associated with the competitive advantages reviewed.

Notably, logistic regression is related to, and answers the same questions as, discriminant function analysis (Tabachnick and Fidell, 1996). However, logistic regression is more flexible than other techniques because it is relatively free of restrictions. For example, unlike discriminant function analysis, it has no assumption about the distribution of the predictor variables; in logistic regression the predictors do not have to be normally distributed, linearly related, or of equal variance within each group. Therefore, although normality tests carried out previously in this chapter indicate that the distribution of sources of competitive advantage deviates from normality this poses no problem in using logistic regression. However, it inhibits the use of discriminant function analysis because the sources of competitive advantage are not normally distributed.

Without dwelling on the intricacies of logistic regression⁴, it is appropriate to draw a few parallels to normal regression. In multiple regression analysis, the outcome variable is predicted from a combination of each predictor variable multiplied by its regression coefficient:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n + \varepsilon_i$$

in which β_n is the regression coefficient of the corresponding variable X_n . In logistic regression, instead of predicting the value of a variable Y from a predictor variable X_n , we predict the probability of Y occurring given known values of X_n . Thus, when there are several predictors the equation equals:

$$P(Y) = \frac{1}{1 + e^{-z}}, \text{ and } Z = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n + \varepsilon_i$$

in which $P(Y)$ is the probability of Y occurring, e is the base of the natural logarithms, and the other coefficients form a linear combination much the same as multiple regression. However, although logistic regression seems similar to multiple regressions one cannot apply linear regression directly to a situation in which the outcome variable is dichotomous.

The resulting value of the logistic equation is a probability value that varies between 0 and 1; values close to 0 mean that Y is very unlikely to have occurred, and values close to 1 mean that Y is very likely to have occurred. As in linear regression, each predictor variable has its own coefficient, and the chosen model will be the one that results in values of Y closest to the observed values.

There are three summary statistics used in logistic regression: the log-likelihood statistic, the goodness-of-fit statistic, and the Wald statistic. The log-likelihood statistic is analogous to the error sum of squares in multiple regressions. The SPSS software, used in this study, reports the value of log-likelihood multiplied by -2 (referred to as -2LL) rather than the log-likelihood value itself. This is

⁴ For a thorough review of logistic regression, please refer to Tabachnick and Fidell (1996), Chapter 12, pp. 575-635.

because -2LL has an approximately chi-square distribution. The goodness-of-fit statistic is a test of the statistical significance of the combined effects of the independent variables within the model. However, the crucial statistic in logistic regression is the Wald statistic, which informs whether the β coefficient is significantly different from zero. If this is the case, then the predictor is making a significant contribution to the prediction of the outcome (Y), thus bearing some similarities to the t -tests found in multiple regressions. However, if the absolute value of the regression coefficient is large, the estimated standard error tends to become too large, resulting in increased Type II error: making the test too conservative (Norusis, 1990). Hence this is not the case in this study, the Wald statistic is used to determine the contribution of sources of competitive advantage to the hard-to-copy position.

In linear regression the usefulness of a model was measured by the R^2 value. SPSS calculates a similar statistic for maximum likelihood estimations, referred to as Nagelkerke R^2 , after Nagelkerke (1991). Likewise R^2 from the linear regression, Nagelkerke R^2 can vary between -1 and 1, and the closer to the absolute value of 1 the better.

Also crucial to the interpretation of logistic regression is the indicator of the change in odds resulting from a unit change in the predictor, noted as $Exp(B)$. If the value is greater than 1, it indicates that as the predictor increases the odds of the outcome occurring also increase. Conversely, a value of $Exp(B)$ less than 1 indicates that as the predictor increases, the odds of the outcome occurring decrease.

3.7 ETHICAL RESEARCH ISSUES

This research explores a number of reasons why some service products are more successful in terms of bringing superior market and financial performance while simultaneously resisting imitation better. Several companies declined to be interviewed on the grounds that such issues are "privileged information", as such it should not be in the public domain. A total of 153 questionnaires were returned blank in the reply envelope provided, stating it was a matter of policy not to reply

to questionnaires. Companies that participated did so on the basis that sensitive information would not be put in the public domain. Confidentiality agreements were signed when required.

Therefore, this research was conducted while recognising several ethical issues, including: voluntary participation; informed consent by providing participants with all the information necessary to allow them to make a decision concerning their participation; avoidance of coercion by forcing participation through a higher incentive other than a Summary Report of main findings; and confidentiality of data received and anonymity of respondents.

For all empirical stages, respondents were given full details about the identity of the author, the School, and the supervisor, by including contact information and mailing addresses.

3.8 CONCLUSION

This chapter describes the research design and procedures that were followed in this thesis. Upon review of the current dominant paradigmatic positions, the pragmatic paradigm was adopted because it gives the researcher a paradigm that philosophically embraces the use of mixed method, avoids the use of metaphysical concepts that cause endless discussion, and presents a very practical research philosophy.

This chapter maintains that a sequential mixed-method design, combining a qualitative and a quantitative phase, is appropriate for studying the elusive factors that may characterise some service products and their organisations that exhibit sustained superior financial and market performance. The qualitative phase includes two field works: focus groups with experts from distinguished consulting firms; and in-depth interviews with senior managers responsible for some hard-to-copy products identified in the group discussions.

The quantitative phase consisted of a self-administered questionnaire sent to senior managers from six sectors within the U.K. service industry, including retail, accommodation and eating out, travel and transportation, financial

services, business to business, and leisure and entertainment. It was reported that 155 usable replies were returned, producing a return rate of 11.5%, after excluding 178 questionnaires returned blank, mostly because companies refused to participate as a matter of policy not to reply to questionnaires.

The linearity of responses to the self-administered questionnaire was also tested in this chapter. The tests show that answers to the questionnaire are not normally distributed. As such, non-parametric tests had to be used in the quantitative analysis to test the differences between hard-to-copy products and products that are not hard-to-copy.

The next chapter presents the qualitative findings, which will be essential for developing a number of propositions subsequently tested in the quantitative phase.

CHAPTER 4 - QUALITATIVE FINDINGS AND DATA ANALYSIS

4.1 INTRODUCTION

The purpose of the qualitative work is to explore the existence of hard-to-copy products in the U.K. service industry, and to gather information about them. The following sections report on the findings from the focus groups and from the interviews.

4.2 FOCUS GROUPS

The main goal for the focus groups, which corresponds to **Objective 1** of this research, was *to identify a number of service products that had enjoyed market and financial success, and had proven difficult to imitate*. Thus, group discussions were meant to help answer the first Research Question:

Do hard-to-copy products exist in the services sector?

The process by which focus groups were organised was fully explained in Chapter 3. In summary, six group discussions were run, covering business services, financial services, travel and transportation, accommodation and eating out, retail, and leisure and entertainment. Group participants were given a discussion guide with the background, purpose, and a definition of a hard-to-copy product. Typically, participants would suggest possible hard-to-copy examples from their own experience. These, in turn, were subject to group scrutiny. Only those products that achieved broad consensus were classified as hard-to-copy. All suggestions were noted on a flip chart. Additionally, all group discussions were audio recorded. The final listing was sent to participants soon after the group discussions for validation purposes. Table 4-1 shows the final list of hard-to-copy products, which emerged from group discussions.

Table 4-1 Hard-to-Copy Products Identified by the Focus Groups

Service sector	Products identified as hard-to-copy
Retail	The Carphone Warehouse, Home Depot, Amazon.com, The Body Shop Direct, The GAP, Zara, Matalan Retail, Nike Town, The Disney Store, Walmart/Asda, Games Workshop, Scholl, Ann Summers, Oddbins, Majestic Wines, Vision Express, The NEXT Directory, Lands' End, QVC Britain, Ikea, Accessorize, Seven-Eleven, Paper Chase, The Conran Shop, John Lewis, Superdrug Stores, Victoria's Secret, Lastminute.com, e-bay.com, Buy.com, QXL.com, New Look, Blackwell retail, Mac, Russell & Bromley, Pets-mart, Carrefour, Makro, and Liberty's.
Accommodation and eating out	Starbucks Coffee, Rainforest Café, Heron City, Waggamama, Prêt-a-Manger, Pizza Express, Formule One hotels, Travellodge, Belgo, TGI Fridays, Hard Rock café, and Little Chef.
Financial services	Direct Line Insurance, First Direct, Charles Schwab, Merrill Lynch, Prudential Egg, First E, Virgin One Account, Amex Corporate Card, Motley Fool, The Co-operative Bank, MBNA Affinity Cards, Capital One Cards, Lloyds of London Insurance, and Yorkshire Bank.
Travel and transportation	Southwest Airlines.
Leisure and entertainment	Disney Theme Parks, Legoland, Center Parcs, Sea World, Residensea, Star Trek Series, Rocky Horror Show, and Formula 1.
Business-to-business	McKinsey & Co, Excel Shipping, Regus Group, Rentokill Initial, and Electronic Data Systems (EDS).

Participants were keen to suggest key factors that, in their opinion, supported the hard-to-copy position. For example, one consultant argued that Zara's success was due to its "integrated operations and simple clothing design." Another expert argued that the Carphone Warehouse retail chain was hard-to-copy because of the "quality of sales representatives."

Many examples of differentiating factors possibly responsible for the commercial and financial success of well-known products emerged from the group discussions. However, this phase was not about exploring the factors behind the hard-to-copy position. Rather, the main purpose of group discussions was to conclude *if* hard-to-copy products did exist in the service sector and, if it that was the case, to carry out in-depth exploratory research into hard-to-copy examples identified in the group discussions.

Therefore, according to expert consultants, several hard-to-copy products do exist in the service sector. Some of these will be investigated thoroughly by means of in-depth interviews.

4.3 IN-DEPTH INTERVIEWS

The interviews were meant to answer **Objective 2**, that is, *to gather information on the factors behind the hard-to-copy position for some of the products identified in the focus groups*. Thus, the purpose of the interviews was to collect relevant information to answer the second Research Question:

What is special about hard-to-copy service products and what makes them hard-to-copy?

A case could be made either for tight, pre-structured interviews or for loose, emergent ones. Miles and Huberman (1994) note:

"The conventional image of field research is one that keeps pre-structured designs to a minimum. ...The conceptual framework should emerge from the field in the course of the study; the important research questions will come clear only gradually. ...We go along with this vision - up to a point. Highly inductive, loosely designed studies make sense when experienced researchers have plenty of time and are exploring exotic cultures, understudies phenomena, or very complex social phenomena" (p.17).

This thesis adopts a middle-ground position. It investigates a group of competitive advantages frequently found in the literature, taking an open, inductive view, keeping a door open for emerging patterns. Sampling for the in-depth interviews was drawn from the list of hard-to-copy products identified by the focus groups (Table 4-1). Fourteen meetings were arranged with senior managers (Table 4-2).

Table 4-2 Positions of Managers Interviewed

Hard-to-copy product	Interviewee
Nike Town	Regional Marketing Manager
Asda	Marketing Manager
Virgin One Account	Marketing Director; Sales Director; Account Set-up Manager; Customer Service Manager
Lands' End	Operations Manager
Direct Line	Marketing Director
Legoland	Marketing & Sales Director
First Direct	Chief Executive; Commercial Director
Center Parcs	Head of Marketing & Sales
Blackwell's Retail	Managing Director
Ann Summers	Head of PR and Brand Marketing
Regus	Group Marketing Director
Majestic Wine	Marketing Director
Accessorize	Managing Director
The Co-operative Bank	Executive Marketing Director

The sources of competitive advantage analysed here were reviewed in Chapter 2. The next sections provide detailed information about each of the following sources of competitive advantage and their applicability to the cases studied.

- Being first, or early to market
- Innovation
- Customer benefits provided
- Ability to learn and to adapt to change
- Quality of customer service provided by staff
- Economies of scale achieved
- Alliances and partnerships formed
- Branding
- Distribution network
- Financial strength of the organisation
- Culture of the organisation
- Understanding of customers
- Low costs achieved
- High-level or market research skills
- Pricing below competitors
- Support from parent company

- Leadership provided by top management
- Strength of the customer retention program

For each competitive advantage, verbatim comments are provided in order to illustrate their contribution to a hard-to-copy position.

4.3.1 Being first, or early, to market

Many scholars (e.g. Kerin et al, 1992; Szymanski et al, 1995) argue that on average pioneers can gain a sustainable competitive advantage over followers. According to them, first movers get the opportunity to define the competitive rules in a variety of areas such as pre-emption of competition, access to scarce resources, introduction of new products, use of new processes, and entry into new markets (Porter, 1985; Day and Wensley, 1988).

However, Lieberman and Montgomery (1988) note that one of the lessons of first mover literature is that pioneering carries both advantages and disadvantages. Thus, although being the first firm to pursue an opportunity is a necessary condition for exploring entry-related advantages, the factors involved in achieving and sustaining first-mover advantage are considerably more complex than a simple order of entry effect (Kerin et al, 1992). The interviews seem to support Kerin et al's (1992) argument, which suggests that order of entry alone is not enough to achieve sustainable competitive advantage. Table 4-3 shows supporting and counter-supporting examples.

Table 4-3 Being First, or Early, to Market

Cases	Verbatim Comments
<i>Supporting Examples</i>	
Center Parcs	"It obviously was first to market in the U.K., and what it did was to latch onto a number of emerging trends, so it was almost way before its time. The whole thing about people wanting sanctuary from stress, people wanting pampering, even to some point self-actualisation, which has become a buzz word of the last five years."
The Co- operative Bank	"The organisation set itself a Mission, and outlined its values and how it wanted to behave and again this was, you know, way before values became sort of the 'vogue' in quick management thinkers."

First Direct	"It was unique in the U.K., there was no 24-hour banking and if you rang your bank, if you telephoned your bank you did so during office hours and you spoke to your branch."
Nike Town	"Nobody else has come in and taken on the retail side of our business. There's a bit of it, both Reebok and Adidas have opened small stores in different areas but there's nobody who's challenging us on the size of Nike Town. No one at all."
<i>Counter-Supporting Examples</i>	
Blackwell's	"To me it's less about being first to market than being seen to be aware of and, therefore, responsive to the changing needs of the customers and what the market is looking for. That may imply being first to market in some areas but less so in others."
Direct Line	"I think being early is important. We were not the first by a long way to offer the facility to buy on-line. What they didn't offer the consumer was what we believed people were looking for, which was simplicity, straightforward."

Whilst it is clear that early movers, such as First Direct personal telephone banking, Center Parcs' short breaks, The Co-operative Bank's ethical position, and Direct Line's motor insurance, changed the prevailing rules and created a new playing field – many of these products are still market leaders in their segments – other examples, such as Blackwell's and Direct Line Insurance, did not attribute the same importance to a pioneer move. Blackwell's managing director, for example, attributed more importance to responsiveness to the changing needs of customers than being a pioneer. However, in other areas of Blackwell's, particularly the journals business and on-line electronic services, being first to market was deemed very important in terms of providing added-value services or solutions to the target customer base. Overall, only 35.7% of managers interviewed referred to being first or early to market as a major contributor to competitive advantage.

Table 4-4 Frequency: Being First, or Early, to Market

Theme	Occurrence	
	Examples	Percent
Supporting examples	Center Parcs, Nike Town, Co-operative Bank, First Direct, Ann Summers	35.7%
Counter-supporting examples	Blackwell's, Direct Line	14.3%
Other examples	Asda, Majestic Wine, Land's End, Accessorize, Virgin One Account, Legoland, Regus	50.0%
Total Items	14	100.00%

4.3.2 Innovation

Kim and Mauborgne's (1999g) study of successful concepts provided some interesting ideas, some of which are particularly relevant for this study. The ones studied here are:

- Shifting the focus of attention to other buyers
- Combining the reasons for purchase from substitute sectors
- Changing the prevailing functional/emotional mix
- Offering more of a 'total solution'

Table 4-5 shows how these innovation strategies fit the hard-to-copy products studied.

Table 4-5 Innovation: Shifting the Focus of Attention to Other Buyers

Case	Verbatim Comments
Ann Summers	"Jacqueline Gold convinced the board that they were targeting the wrong people, that they should niche themselves as targeting women and that she wanted to set up the party plan concept."
Direct Line	"The initial thrust of the PR and advertising was that Direct Line cut out the middleman and, therefore, we were able to pass those savings onto the consumer."

Ann Summers moved from serving males and perverts with material that was sometimes pornographic, in sleazy surroundings, to serving normal women looking to brighten up their love lives, but not wanting pornography, in agreeable surroundings. Direct Line moved from selling to and through brokers to selling directly to the end-consumer. The middleman was eliminated.

Table 4-6 Innovation: Combining Reasons for Purchase from Substitute Sectors

Case	Verbatim Comments
Center Parcs	"The concept originally was very much about providing somewhere for stressed-out city dwellers to escape. There was nothing really like it and it was built around this sub-tropical swimming paradise which is, ... the great idea at the time was it was the British holiday the weather couldn't spoil."

Center Parcs contains some elements of this alternative in the sense that the

core offering is the holiday in Britain, to which it added elements of the substitute sector, a holiday abroad, namely the guaranteed temperatures and protection from storms and rain. The fact that one could take a few days away, and did not have to travel very far to do it, was almost the key to the success.

Table 4-7 Innovation: Changing the Prevailing Functional/Emotional Mix

Case	Verbatim Comments
Asda	"Wal-Mart run an advertisement which just talks about the entire range of things in their store and they just sign it off with 'Next stop Home' and the look of a mother finally sort of, a great sigh of relief. We could fill a 60,000 foot store with food but actually what we're trying to do is cover more and more and more of the consumer's weekly needs under one roof."
Legoland	"There is nothing unique per se about the rides. But, the application of the Brand to the rides has turned it into a themed ride that we couldn't get elsewhere. 'Driving school' is a good example of the application of Lego branding. Basically, it's a car that you drive, which is not necessarily an unusual attraction, but it's the little Lego car that makes them unique."
The Co-operative Bank	"As long as our product proposition is as good as anybody else's then you would buy ethically, wouldn't you? And that picks up quite a large number of people."
Direct Line	"We started with the proposition that said 'We will offer competitive premiums' and that was attractive to a lot of people, but it did take a number of years before it kind of really hit home. Then consumers found that it did work; they got good prices; the documentation was simple to understand and it arrived speedily; didn't have any cover notes."

Asda added more functional emphasis (low cost) to the prevailing functional/emotional mix. Legoland, in turn, applied the Lego brand to the rides, turning them into a unique themed ride. The Co-operative Bank added more emotion to the emotion/functional mix; dealing with one's bank was a dry, matter-of-fact affair, mostly devoid of positive emotions. Then along comes the Co-operative Bank and offers the alternative of having one's banking affairs handled by an environmentally-aware bank. For those environmentally-aware customers wanting to deal with a likewise-minded bank, this offered significant positive emotional benefits. Direct Line introduced a more functional (low cost) element to the mix in three significant ways. Firstly, it went 'direct', cutting out intermediaries. Secondly, it replaced expensive and slow paperwork with direct communication over the phone, which enabled most information to be picked up

cheaply and quickly. Finally, it used far more advanced database analysis of customer groups to better understand risk by customer group. It was thus able to replace the emotionally-charged relationship between customer and broker with a low cost and straightforward, direct relationship between itself and the customer. Incidentally, this had the added benefit of replacing an indirect and shared relationship with the customer with a direct and exclusive one. In addition, Direct Line introduced an added 'emotional' element to the mix. Buying insurance involved a relationship but it was a reluctant one and one without significant positive emotional content. Direct Line changed that. It established the 'little red telephone' in the nation's mindset and made the relationship direct, friendly and relevant.

Table 4-8 Innovation: Offering More of a 'Total Solution'

Case	Verbatim Comments
First Direct	"We had a unique proposition and it was unique in 24-hours a day, seven days a week; it was unique in that your telephone knowledge and authorisation replaced the need for paperwork or a signature."

First Direct replaced a service previously performed by the customer him/herself (visiting the bank), when it offered telephone access.

Findings show that Kim and Mauborgne's (1999g) innovation strategies do not capture all possible innovation alternatives. Thus, it is proposed that one more be added. A new concept can emerge by:

- Expanding the service so as to include significant benefits wanted by customers but not previously included in the offering.

The next table shows how some hard-to-copy products broke the traditional marketing rules in their sectors by including new valued benefits.

Table 4-9 Innovation: Including New Valued Benefits

Case	Verbatim Comments
Accessorize	"From head downwards the customer can wear, whether it's a hat or a scarf or a pair of gloves or a pair of earrings or item, a necklace item, or, or a belt or something for her hair; the offer is complete. We call it the one-stop High Street accessory retailer."
Virgin One-Account	"It's a product which combines a current account and savings account with a mortgage product. Independent research with some economists from the London School of Economics basically concluded that 80% of people would be better off banking with us than traditional banking, the way they do at the moment."
Center Parcs	"It's got a very continental feel to it. Once you're there you've got no sort of reminders of the High Street. You can just stay in your villa, read books and cook yourself food, if you want. But equally you can go off and do art classes, you can do wind surfing, you can do archery, you can do fencing, you can do badminton."

Accessorize brings together in one shop all the items of clothing and jewellery needed by a woman to complete an outfit: the 'one-stop High Street accessory retailer.' Similarly, Center Parcs offered the benefit of a holiday in a warm protected environment throughout the year.

In summary, most hard-to-copy products analysed seem to fit well into Kim and Mauborgne's (1999g) innovation strategies. In addition, the analysis of transcripts suggested yet another innovation route. The next table shows how the hard-to-copy products analysed scored on different innovation strategies.

Table 4-10 Frequency: Innovation Strategies

Theme	Occurrence in Cases	
	Frequency	Percent
Switch focus of attention to other buyers	2	14.3%
Combine reasons for purchase from substitute sectors	2	14.3%
Change the functional/emotional mix	4	28.6%
Offer more of a 'total solution'	1	7.1%
Include new valued benefits	3	21.4%
Total Possible Occurrences	14	100.00%

4.3.3 Customer benefits provided

There must be compelling reasons for customers to buy a new product or service. According to Kim and Mauborgne (2000, 2001) product failures exist because products do not make customers' lives simpler, more convenient, more

productive, more fun or less risky. The question then is: Do hard-to-copy products offer significant benefits? Table 4-11 to Table 4-16 provide managers' accounts of the benefits of hard-to-copy products.

The difference between Blackwell's and other national book chains is that they are completely devolved to the local institution. This implies tailoring the stock and its presentation specifically to the local customer base. Lands' End hems trousers in their own hemming and monogramming department, so that the majority of trousers are actually hemmed to customers' exact leg length. First Direct's proposition is one of making the customer's life easier, enabling customers to get on with what is next. Customers also get an expert who answers the telephone and is able to do, to all intents and purposes, the majority of things customers want to do. Thus, it seems that hard-to-copy products improve customer productivity.

Table 4-11 Customer Benefits: Improve Customer Productivity

Case	Verbatim Comments
Blackwell's	"We are different from some of the other national book chains, we are completely devolved to the local level because we are there to serve a local institution or institutions and that's reflected in everything. We tailor the stock and the presentation of stock specifically to the local customer base in general terms and then, of course, even more specifically than that a lot of the stock is actually given to us in the form of the reading lists."
Lands' End	"We also will hem trousers here; we have our own hemming and monogramming department so the majority of trousers are actually hemmed to your exact leg length. You're not taking out of stock, we're hemming them, that takes an extra day in the process but that is a unique selling point for us."
First Direct	"The products have been basic banking, transactional banking under the proposition of making your life easier, enabling you as a customer to get on with what's next, hassles being removed."

Likewise, Table 4-12 shows that some hard-to-copy products simplify customers' lives. For example, Direct Line customers found that the documentation was simple to understand and did not have any cover notes. Virgin One Account combines the current account, savings account, credit card account, loan account, and mortgage all into one account.

Table 4-12 Customer Benefits: Simplicity

Case	Verbatim Comments
Direct Line	"Consumers found that it did work; they got good prices; the documentation was simple to understand and it arrived speedily; didn't have any cover notes."
Virgin One Account	"It's a product which combines a current account and savings account with a mortgage product."

Convenience is a product benefit frequently mentioned in the interviews (Table 4-13). Ann Summers offers convenience by being accessible in two ways: shops located on the High Street, and 7,500 party organisers. There are about 4,000 parties a week. These parties are fun, bringing something aspirational and risqué into fairly routine lives. Accessorize stores are convenient in two ways: customers do not have to shop around different outlets to find their accessories; it is a one-stop High Street accessory retailer. Convenience of a wide product assortment gives a woman what she needs to complete an outfit, whether it is a hat, scarf, a pair of gloves, a pair of earrings, a necklace or a belt or something for her hair; the offer is complete. First Direct telephone service dispensed with the need for paperwork and signatures so that if a customer wants to make a transaction or make payments, there is no need to write out a cheque to pay a bill or to go through some other form of security. Asda's 60,000 sq foot stores, rather than being filled with food, try to cover most of a consumer's weekly needs under one roof, becoming that 'Next stop Home.'

Table 4-13 Customer Benefits: Convenience

Case	Verbatim Comments
Ann Summers	"Retail is very much the 'face' of Ann Summers, because that is what is seen on the High Street; parties are behind closed doors."
Accessorize	"We try to have a product assortment, which pretty well gives a woman what she needs to complete an outfit of clothing, in all but in respect of her feet, which is shoes. From head downwards the customer can wear, whether it's a hat or a scarf or a pair of gloves or a pair of earrings or item, a necklace item, or, or a belt or something for her hair; the offer is complete. We call it the one-stop High Street accessory retailer."
Majestic Wine	"Convenience is a critical factor, free home delivery, free parking."
First Direct	"It dispensed with the need for paperwork and signatures if you wanted to make a transaction or make payments."

Direct Line	"If you want to go on and buy at 3 o'clock then you go on and buy at 3 o'clock in the morning. If you want to go on and get a quote but are unhappy or concerned about giving a credit card then ring the number and a call centre will complete the transaction for you."
Asda	"We could fill a 60,000 foot store with food but actually what we're trying to do is cover more and more and more of the consumer's weekly needs under one roof."
Center Parcs	"People have got the independence to be self-catering, but they've also got the choice to eat out if they wanted to because we have provided a range of restaurants. We also provided not just the swimming paradise but also very comprehensive sports facilities, lots of badminton courts, tennis courts."

Some hard-to-copy products also score well on risk reduction (Table 4-14). Center Parcs reduces the risk of spoiling a short holiday break in the U.K. by providing a large dome located at the centre of the park with a temperature-controlled environment. Majestic Wine is known for their wine expertise. Lands' End clearly states there is no risk. If the customer is not satisfied, all he/she has to do is to return the goods, no questions asked.

Table 4-14 Customer Benefits: Reduce Risk

Case	Verbatim Comments
Center Parcs	"We really tapped into a nerve in that 'it's the British Holiday the weather can't spoil'."
Majestic Wine	"Majestic has a reputation for excellent customer service and that it knows its wine."
Lands' End	"We have eight principles of doing business and one of the prime ones is 'guaranteed period' which means that if you're not happy EVER with one of our products, you can return it. No questions."

Some hard-to-copy products are also fun. In the case of Ann Summers, it has to be fun and fashion conscious otherwise it could become too seedy and down-market. Similarly, Accessorize products are designed for the youth, with the latest colours and fashion. They aim at fashion conscious people.

Table 4-15 Customer Benefits: Fun and Image

Case	Verbatim Comments
Ann Summers	"It has to be fun, because if it's not fun you're in danger of becoming very seedy and serious. It has to be fashion conscious, it has to be professional, because again you can't not be professional because you're in danger of being seedy and down-market."
Accessorize	"If, say, bright pink was the hottest fashion colour at that time, that clearly had to be a part of the Accessorize product offering."

Among the hard-to-copy products analysed, two were strikingly environmentally conscious: The Co-operative Bank and Center Parcs. The Co-operative Bank is the epitome of an environmentally conscious brand. In fact, this stance does not only include a respect for the environment but also for animals and human kind. These values are clearly stated in the bank's policy, which is enforced internally. Center Parcs' proposition is all about a natural equilibrium with the environment. All villages are set up in the middle of a forest, and the villas are fully integrated with the surroundings.

Table 4-16 Customer Benefits: Environmental Friendliness

Case	Verbatim Comments
The Co-operative Bank	"We've attracted those customers that are either ecologically or ethically more motivated than your average person, say for example Green Peace, Friends of the Earth."
Center Parcs	"Every site has been developed in a forest, taking people back to nature; back to the forest was a great way of getting them to escape the stresses and strains of everyday life."

Overall, hard-to-copy products deliver significant customer benefits. Table 4-17 shows that convenience is the most common benefit provided by hard-to-copy products. Interestingly, some products provide more than one single benefit. Rather, they seem to provide a bundle of valued benefits to the customer.

Table 4-17 Frequency: Customer Benefits

Theme	Occurrence in Cases	
	Frequency	Percent
Customer productivity	3	21.4%
Simplicity	2	14.3%
Convenience	7	50.0%
Risk	3	21.4%
Fun and Image	2	14.3%
Environmental Friendliness	2	14.3%
Total Possible Occurrences	14	100.00%

In summary, customers buy a product because it is an attractive whole, a collection of attributes together with the brand's image, the service, and other tangible and intangible factors. It was found that hard-to-copy products:

Improved customer productivity – Direct Line's proposition tempted people to insure directly, cut out the middleman, and save money.

Simplified something previously complex – Virgin One-Account offers their customers a single bank account, which combines a current account and savings account with a mortgage product.

Added extra convenience and reduced hassle – Customers at Accessorize do not have to shop around in a number of outlets to find their accessories. It provides a one-stop High Street accessory shop.

Reduced risk – Lands' End 'guaranteed period' means that if a customer is not happy with the buy, ever, he can return it with no questions asked.

Provided extra fun – Ann Summers provides fun because if it did not it would be in danger of being seedy and serious.

Were environmentally friendly – Co-operative Bank's policy of not doing business with companies that pollute the environment helped to reinforce the bank's ethical positioning.

4.3.4 Ability to learn and to adapt to change

According to Slater and Narver (1995), businesses competing in dynamic and turbulent environments must pursue the process of learning. To improve the quality of decisions across events and time, today's firms must develop the capability to change rapidly. A key challenge to developing this capability is fostering an organisational environment in which experimentation and learning are expected and promoted (Pascale and Miller, 1999). Because learning facilitates behaviour change, which in turn leads to improved performance (Fiol and Lyles, 1985), hard-to-copy products should be associated with learning environments. Table 4-18 shows how able to change and adapt hard-to-copy products can be.

Table 4-18 Ability to Learn and to Adapt to Change

Case	Verbatim Comments
Accessorize	"We have a strategic review every year, and we certainly set our objectives for the forthcoming year. No doubt about that. But we're pretty opportunistic."
Center Parcs	"We are constantly looking at how we can improve, very much to meet the guests' needs and the way we do that is by having a guest questionnaire in every villa, and we get guests to rank us on a scale, whether it's a plus, plus, or a minus, minus, on lots of different elements of their stay. We have a very pro-active guest complaint, we have a lot of positive letters as well, but all of those are captured under certain headings to understand where there are weak points and where we can improve on that."
Direct Line	"If today, of all the people who have got Porsches ring us we don't get a single one, we've got our pricing wrong and on the other hand if we get every single one, we've got our pricing wrong but we can instantly do something about it."
Nike Town	"The design team that worked on Nike Town London spent nearly two years over in London because it's about making Nike Town fit within its own environment, so it's not a 'standard package'. If you go to New York it will be different to London, different to Los Angeles, different to Portland." "We've completely changed the women's training and fitness pavilion since we started. We believed that we were losing the female consumer in there because of what they would buy if they walked into 'French Connection' or 'H&M' or whatever, 'Top Shop', so we re-addressed them all."
Virgin One- Account	"We're constantly learning. I know that sounds really naff but every day we sort of think "Oh gosh, look what happened yesterday, what does that mean and what can we do today to either do more of the same or to prevent it from happening? We have a get-together every morning, the management team, to really look back on the previous day and to talk about the forthcoming day."
The Co- operative Bank	"We recognised that the world was changing and we had to do something very, very quickly. And Smile was conceived and launched in 9 months."
Asda	"What we do try and do is pick a small number of things that we think are very important to customers and deliver them faster than anybody else, which means taking a few more risks, moving fast to trial, cutting the debate."
Ann Summers	"We look at each country completely separately, because of religion, culture, because the last thing we want to do is open a shop and offend people." "We definitely have to adapt to the customers, but also we have to adapt to society and as society changes we can be more daring with the products that we give."

Center Parcs is constantly looking at how they can improve, very much to meet the guests' needs and the way they do that is by having a guest questionnaire in every villa. Guests rank the service on different elements of their stay. Direct Line monitors the business constantly, so that they can change accordingly. The design team that worked on Nike Town London spent nearly two years in London to make Nike Town fit within its own environment. They also continually monitor every pavilion performance. The learning process in Virgin One-Account is done by "looking at what happened yesterday, what does that mean and what can we do today to either do more of the same or to prevent it from happening." The company has a management team get-together every morning to look back on the previous day and to talk about the forthcoming day. Consumers are the privileged learning source.

Smile is an interesting product from the Co-operative Bank. The bank recognises the world is changing and that they have to do something very quickly to respond to new demands. Smile was conceived and launched in 9 months. Asda, also, is a quick responsive brand, moving faster, cutting the debate to a minimum. Ann Summers realised they were targeting the wrong people, male users of sex shops, and re-positioned the company by targeting women via the party plan concept.

Therefore, the ability to learn and to adapt seems to be a characteristic associated with successful products/organisations, as Table 4-19 shows.

Table 4-19 Frequency: Ability to Learn and to Adapt to Change

Theme	Occurrence in Cases	
	Frequency	Percent
Examples able to change and to adapt	8	57.1%
Total Possible Occurrences	14	100.00%

4.3.5 Quality of customer service

Customer service refers to task-oriented activities that involve interactions with customers in person, by telecommunications, or by mail (Lovelock, 1996). Empirical evidence suggests that the provision of a quality service can result in more new customers, more business with existing customers, fewer lost customers, more insulation from price competition, and fewer mistakes requiring

the re-performance of services (Berry et al, 1994). Therefore, it is expected that hard-to-copy products provide high levels of customer service. This is the case, as the next table shows.

Table 4-20 Quality of Customer Service

Case	Verbatim Comments
Majestic Wine	"As a brand, whilst we sell wine, the key areas are enhanced customer service; there is no doubt that, that is one of the real differentiators within our business. Our staff are trained to carry the purchase to the customer's car as an automatic, not as a choice, that's the way we like to deliver the product to the consumer. And certainly, I think in many ways that is the most important part of the transaction."
First Direct	"The person who answered the telephone, unusually for those days, was not a switchboard operator or somebody who was going to pass you on to an 'expert', field your call, but was somebody who could actually do 80-odd% of all the requests you could possibly come up with. This was a surprise to people. "You can do that? I don't have to do anything else? Thank you"."
Center Parcs	"I think as far as what contributed to our hard-to-copy, and still does, is our expertise in guest care. We have a lot of people who have been to Oasis because they have been tempted away by the discounting offers that come their way, and write to us saying 'never again', we wouldn't do it, because it's the way they get treated in restaurants, the way they get treated when they are booking the leisure facilities. There is just not the same friendliness that you are actually experiencing in our villages."
Virgin One-Account	"We have very good service and the banking service we offer is if we make a mistake we acknowledge it, we don't make customers fight for their money. If we have an issue, we very much concentrate on making sure customer service is paramount. We will sort it out for you straightaway, we won't put the onus on you to sort it out so you won't have to write thousands of letters to sort out the problem so service is very high."
Direct Line	"Peter and a few other people who recognised that the way in which insurance was handled was pretty inefficient. He felt that he could deliver a better service."
Asda	"Somebody with a broken down car in the car-park, who's just bought a load of frozen food, we'd put them in the manager's car and drive them home because we don't want the frozen food to defrost."

Service quality is a characteristic of most hard-to-copy products analysed. For example, Majestic Wine staff always carry the case of wine to the customer's car. Similarly, First Direct ensures that 80% of enquiries can be handled by the first person who answers the call. Customers are not passed around. For Virgin One

Account, good service means acknowledging a mistake if they make one, so they do not make customers fight for their money.

Table 4-21 Frequency: Quality of Customer Service

Theme	Occurrence in Cases	
	Frequency	Percent
Examples excelling in customer service	6	42.3%
Total Possible Occurrences	14	100.00%

4.3.6 Economies of scale achieved

Achieving economies of scale in a service industry has been considered very difficult due to the inherent intangibility of services (Upah, 1980), and to less scope for achieving economies of scale (O'Farrell et al, 1993). The interviews seem to support the previous ideas. Only Regus mentioned economies of scale as a major competitive advantage.

Table 4-22 Economies of Scale Achieved

Case	Verbatim Comments
Regus	"Size, I wouldn't say size, I'd say critical mass. I'd also say network and I'd also say economy of scale. It's cheaper and easier for us to open our seventh centre in Frankfurt than it is to open our first in Dar Es Salaam. The economies of scale and the naked cost-savings have been big, opening in many locations in one city; we've got 27 centres in London now serves us well indeed."

Regus enjoys the advantages of critical mass. For instance, it has 27 centres in London and 8 in Frankfurt. This makes it easier and cheaper for Regus to open its 28th centre in London and its 9th centre in Frankfurt than it would be for a newcomer opening its first centre.

Table 4-23 Frequency: Economies of Scale Achieved

Theme	Occurrence in Cases	
	Frequency	Percent
Examples experiencing Economies of Scale	1	7.1%
Total of Possible Occurrences	14	100.00%

4.3.7 Alliances and partnerships

Alliances are contractual relationships undertaken by firms whose respective products are complements in the marketplace (Bucklin and Sengupta, 1993). They are intended to amplify and/or build user awareness of benefits derived from these complementarities, and involve co-ordination among the partners in one or more aspects of marketing. Table 4-24 shows that hard-to-copy products value their alliances and partnerships.

Table 4-24 Alliances and Partnerships

Case	Verbatim Comments
Virgin One Account	"We ended up with the Royal Bank of Scotland because we talked to a lot of other banks when we were going to launch this. We wanted the partnership because we didn't have the infrastructure already existing so we didn't have a cash-point network and we wanted to offer people the full banking service from day one. Some people find it reassuring to know we're tied up with Royal Bank because they think "Oh it's a new product, they're a new player in the market" so for some people it's a distinct advantage to have that relationship."
Ann Summers	"It's quite important for us to be seen with other brands, so for example we are doing a promotion with Bacardi Breezer. Now, that's important to us because there are a lot of people that would say " Hmm Ann Summers", but when they say Bacardi Breezer, they'll say "well Ann Summers is okay, because it's the same as Bacardi Breezer"; it's an everyday brand, so it makes it more acceptable to them."
Blackwell's	"We have just joint-ventured our journals business into a new company with Schweppes, who are one of the other major players in the world, so there is now a new company called Schweppes Blackwell in which Blackwell's is effectively a shareholder. We actually have a strategic alliance with Reuters so we have a very good relationship with them." "We play a very long game with our suppliers and we have very close working relationships with Oxford University, Cambridge University and all those other key players. We can't actually go and source it from somebody else. We have to build constructive partnerships with our suppliers."

The Co-operative Bank	"The goals and aspirations of our Affinity partners typically are the same as that of the bank. We do get involved with people like the RSPB. In this particular case it was the wetlands near Wigan, where the last 12 bitterns in the world were. We also form very strong relationships with our suppliers, so we're a huge outsourcing organisation, and the vast majority of our basic services are outsourced, including things like systems development."
Majestic Wine	"Many of the more popular suppliers ranges we have had, we have been with some suppliers built up over several years."
Nike Town	"The fact that customers will see Michael Johnson out there in Nike products or Pete Sampras or Tiger Woods or whoever it might be, it's the aspiration factor and those people are older but it's about who that product's on rather than what age they are. We do believe that working on alliances is very valuable."
Legoland	"We have different classes of sponsors, so we have what we call our major sponsors, so it would be people like Vauxhall, Coca Cola and Virgin. It works on two levels: it works from a first level in terms of adding credibility and authenticity to the park. And it worked from the marketing level in terms of having access to their communication channels and vice-versa."
Direct Line	"Clearly, our service to the consumer under the Direct Line brand relies on relationships we've got with the third parties, i.e. repair shops, to deliver the value but equally we have a number of business to business relationships with other organisations."
Accessorize	"We're not vertically integrated. It's the only bit that we've looked at other retailers and recognised as being their Achilles heel. And so what we've had for years is strategic alliances with our suppliers. We've got 86 suppliers, and of those the average length of a relationship is 12 years. Which is unusual in our industry."
Center Parcs	"We are tied up with a charity called 'Plant Life', whereby we sponsor them on a number of their projects, and they sponsor us. We're not over-commercialised at Center Parcs. What we tend to do is have alliances with, for example, personalities, for example Mr Motivator, who comes and heads up our fitness and motivation breaks. We use Oz Clark for our wine and food breaks, and that works very well in terms of having a name to reassure people that something is being done professionally."

Center Parcs forms alliances with personalities such as Mr Motivator, who heads up their fitness and motivation breaks, and with Oz Clark for their wine and food breaks. This suggests to guests that things will be done professionally. Virgin One Account values its relationship with the Royal Bank of Scotland, a respected bank. Ann Summers wants to be seen with other brands, such as Bacardi Breezer, to become more acceptable to its target. Legoland has alliances with Vauxhall, Coca Cola and Virgin to add credibility and authenticity to the park.

The interviews show that having long-term stable relationships with suppliers is a common factor among hard-to-copy products. The next table shows that most hard-to-copy products analysed formed alliances and partnerships.

Table 4-25 Frequency: Alliances and Partnerships

Theme	Occurrence in Cases	
	Frequency	Percent
Examples displaying strong alliances and partnerships	10	71.4%
Total of Possible Occurrences	14	100.00%

4.3.8 Branding

De Chernatony and McDonald (1998, p.21) argue that “brands are successful when developed with a clear statement of intent about the product’s or service’s purpose, the specific group of customers the brand is targeted at and a commitment to equipping the brand with the right types of resources to achieve the stated purpose.” Aaker (1996, p.71) defines brand position as “the part of the brand identity and value proposition to be actively communicated to the target audience.” The brand position is thus a distinct construct from *brand image* – how the brand is perceived – and from *brand identity* – how the strategists want the brand to be perceived. De Chernatony (2001) offers a similar definition of brand position. He holds that brand “positioning is a process for ensuring that a brand can fight through the noise in a market and enable the brand to occupy a distinct, meaningful and valued place in target customers’ minds” (p.219).

Many (e.g. Aaker, 1997; Keller, 1998; Kapferer, 1997) cite a brand’s clear position as a condition for success. The question is whether the position is fairly stable or should be adapted to keep up with the times. Aaker (1996) observes that the brand’s core identity is most likely to remain constant as the brand travels to new markets and products. Keller (1998), on the other hand, argues that brands’ core values should remain fairly consistent over time, although consistency does not mean avoiding making changes in the marketing program (Keller, 1998). Similarly, De Chernatony (2001, p.78) argues that the challenge for existing brands is “to keep them refreshed and relevant for a changing environment.”

Table 4-26 shows supporting and counter-supporting examples of consistency of brand position among the hard-to-copy products analysed.

Table 4-26 Evolving Brand Position

Case	Verbatim Comments
<i>Supporting Examples</i>	
Center Parcs	"Five or six years ago, Center Parcs was the "British holiday the weather can't spoil." But the perception now is very much an up-market break that one can take in the U.K.."
Ann Summers	"Ann Summers doesn't want to be forbidden anymore. We are on the high street and there is nothing forbidden about sex anymore. Society has changed. Thirty years ago, the apple meant the beginning of the sexual revolution, but now it's totally acceptable and there is nothing risqué about it at all."
The Co- operative Bank	"Started out as the 'ethical' bank. But because non-customers may view the Co-Operative Bank as slightly aloof and rather old fashioned, the bank has moved to describing itself as an ethical modern bank. The early positioning was very much "things that the bank didn't do," such as deal with companies that provide arms to Third World dictatorships, deal with companies that pollute the environment, and so on. This position has evolved into "things that the bank does," such as the campaign for refugees." "Smile is the future of the Co-Operative Bank, and it's an even more modern version, which takes the essential underlying values of the main Bank, and making them look very good for younger, fashion conscious people. Ultimately one can envisage a situation where the Bank is migrated into Smile, and lose the Co-Operative Bank altogether."
Nike Town	"Branding in Nike has changed over the years and people are able to look at the product and go "That's a Nike product." The Nike swoosh in itself is over 98% spontaneous and that was when they decided to take the word 'Nike' away from it."
Lands' End	"The product is moving from an older, dowdier image to a more fashionable, younger image. The brand doesn't push the American side of things so much anymore. The language in the book has changed, it used to be very American spelling, American terminology."
Direct Line	"The initial thrust of public relations and advertising was that Direct Line cut out the middleman and, therefore was able to pass those savings on to the consumer. The position now is to offer the right premium, build trust in the organisation, and associate the brand with the annoying little red phone."
<i>Counter-Supporting Examples</i>	
Accessorize	"Continuity has maintained a certainty in what our business offers. And I think any research that has ever been done has a clear recognition of what our brand stands for."

Asda	"We have not changed our format for 10 years and we've got the highest recall of advertising of any retailer in the U.K. last year, we're probably the most boring ads, but we quite like them now. It always ends with "That's Asda price, permanently low prices for ever"."

The interviews show that most hard-to-copy brands have changed their brand positioning. For instance, Ann Summers "doesn't want to be forbidden anymore" because society has changed and there is nothing risqué about sex shops at all. Similarly, Center Parcs has moved from the "British holiday the weather can't spoil" to an "up-market break that I can take in the U.K.". The Co-operative Bank started out as the 'ethical' bank and is changing into Smile, a modern version that is taking the essential underlying values of the main Bank, and making them look very good for younger and fashion conscious people. The Executive Marketing Director said the "early positioning was very much things that we don't do, so we don't deal with companies that provide arms to Third World dictatorships, we don't deal with companies that pollute the environment. And it's evolved into things that we do, so we do campaign for refugees".

However, we found that Asda has not changed their communication message for 10 years – the popular "That's Asda price, permanently low prices for ever." Asda's Marketing Director notes, "Customers need to trust us to have the best prices; trust us to have all the products they need; trust us to be the same as we were last time." This contradiction does raise the question about the exceptions. How are the exceptions explained? It may be the case that sometimes a company hits on the positioning for a brand that is exactly right for the company and its marketplace and no change is needed.

Aaker (1996) holds that a well conceived and implemented brand identity and position can be a powerful asset to the firm, providing a source of sustainable advantage. Thus, one critical success factor for a brand is that it has some strongly held, favourably evaluated associations that function as points of difference and are unique to the brand (Keller, 1998). Table 4-27 lists managers' accounts of their hard-to-copy brand positions. The findings show that good brand positions are built around simple propositions, which are often captured by a few words.

Table 4-27 Clear Brand Positions

Case	Verbatim Comments
Asda	"We're probably the most boring ads, but we quite like them now. It always ends with "That's Asda price, permanently low prices for ever."
Virgin One-Account	"It's a product which combines a current account and savings account with a mortgage product"
The Co-operative Bank	"The words 'ethics' and 'Co-operative Bank' are synonymous in most people's heads."
Majestic Wine	"We describe Majestic Wines Warehouses or Majestic for short as Britain's foremost by the case wine retailer."
Nike Town	"Nike Town is about a passion for sports. It's about performance and innovation; it's about the best athletes in the world."
Lands' End	"Lands' End means U.S. casual clothes, U.S. quality, U.S. quality of service, a U.S. brand."
Direct Line	"One does not need to work very hard to know what a Direct Line advertisement is telling."
Center Parcs	"We really tapped into a nerve in that it's the British Holiday the weather can't spoil."

Ann Summers' brand associations are cutting-edge, fun, fashion conscious, and acceptable. Failing to position the brand has tremendous risks for the Ann Summers brand. The brand must be associated with fun; if it's not fun, Ann Summers' Brand Manager argues, "you're in danger of becoming very seedy and serious and almost pornographic." In addition the brand has to be professional, because "you're in danger of being seedy and down-market," she argues.

A clear well-communicated brand identity enables consumers to identify the needs satisfied by the brand (Park et al, 1986) and thereby differentiate the brand from its competitors (Reynolds and Gutman, 1984). Keller (1999) advances the idea of brand mantras, short three- to five-word phrases that capture the spirit of the brand positioning. Most hard-to-copy products analysed in the interviews exhibit clear brand messages. Direct Line is proud about customers not needing to work very hard to know what a Direct Line advertisement is telling them. Nike-Town, like Nike, is about passion for sports, about performance and innovation, and about the best athletes in the world. The words ethics and Co-operative Bank are synonymous in most people's heads. Lands' End means U.S. casual clothes, U.S. quality, U.S. quality of service, U.S. brand. An example that illustrates the opposite is Legoland, which is not so successful: The core brand

values of Legoland are fun, excitement, bright, colourful, trustworthy, safe and probably ingenious. They find it hard to express simply. In summary, hard-to-copy brands have a clear view about precisely what added values their brands offer.

The theory is not consensual about the importance of mass media to build strong brands. On one hand, Kapferer (1997, p.117) writes, "Let us not forget that it is advertising which writes the history of a brand." Likewise, Keller (1998, p.221), although conceding that "advertising is recognised as a powerful means of creating strong, favourable, and unique brand associations," he recognises this is a controversial issue because the specific effects of advertising are often difficult to quantify and predict. Joachimstahler and Aaker (1997), on the other, argue that brands can be created without mass media. The authors conclude that communication through traditional mass media in Europe has been ineffective, inefficient and costly, and thus recommend "alternative communication channels to create product awareness, convey brand associations, and develop loyal customer bases" (p.39). The debate about the importance of mass media as a tool of brand building is therefore still open.

Table 4-28 summarises how managers interviewed regard non-mass media communication as an important tool for brand building.

Table 4-28 Importance of Non-Mass Media Communication in Brand Building

Case	Verbatim Comments
<i>Supporting Examples</i>	
Ann Summers	"Marketing communication is very much through public relations. We actually do not spend money on advertising at the moment."
Blackwell's	"We do a very limited amount of national advertising which would be brand messages in key things, like the THES but it's very, very limited."
The Co-operative Bank	"Most of our customer acquisitions are either through Affinity partners, or through direct marketing. So we tend not to be big off the page advertisers. We do some, but it's a very small amount of what we do. Our research suggests that our brand awareness is very high in the market and all we have to do, every so often, is just top it back up again. So, the words 'ethics' and 'Co-operative Bank' are synonymous in most people's heads."

First Direct	"Thirty percent of our customers are here initially because they were recommended, we know our attrition, our loss of customers is much lower than the other banks so I would estimate."
Majestic Wine	"The PR manager's job is to promote Majestic. Product mentions in weekend press, Saturday Times, Saturday Telegraph, Sunday Times magazine are critical so we have two major press tastings during the year. We have had a lot of positive recommendations from our customers."
Accessorize	"Word of mouth is fantastically important"
<i>Counter-Supporting Examples</i>	
Asda	"We are on air 52 weeks of the year and, again, that's say every day, everybody, all the time, consistently, so the part of the strategy is borne out in the media strategy."
Legoland	"We spend about 8% of our total revenue on advertising. In terms of advertising we do focus it on a 2-hour drive time. So we would only advertise in regions within roughly a 2-hour drive time"
Virgin One-Account	"We are only as good as the number of calls we get in the call centre and apps. Most of it is public advertising campaigns that drive the business forward because we're only front of mind if we're out there all the time because we don't have a High Street presence."
Direct Line	"The reality is that you have to find a way of getting people in the first place, and Direct Line chose to use mass broadcast media and television in what is a cheap way of acquiring customers. "Things like PR were worked on very hard which is important to Direct Line that we're seen to be the leader or the innovator."
Nike Town	"We have a substantial budget in terms of marketing of Nike Town, so Nike Town is integral to all our marketing campaigns."

The interviews seem to support Joachimstahler and Aaker's (1997) position. Ann Summers, for example, spends no money on advertising; its marketing is very much through public relations. Similarly, Accessorize's word-of-mouth is fantastically important because the brand is not managed as if it were a mass marketed brand. Advertising is important for Center Parc, but more from the point of view of prompting people to book their holiday. Advertising is prompting the decision to think about booking a holiday; it is not playing a major role in building the brand. This is created via personal experience and by word-of-mouth. Most Co-operative Bank customer acquisitions are either through Affinity partners, or through direct marketing. Lands' End is not a heavy advertiser, rather it builds the brand steadily through experience and word-of-mouth. Finally, for Majestic, public relations is more important than advertising in the press, because good public relations leads to higher awareness amongst a knowledgeable set of consumers.

However, the interviews also provided some opposite examples. Asda is on air 52 weeks per year, so part of the strategy is borne out in the media strategy. For Direct Line this is also true. Direct Line's Marketing Director says "reality is that you have to find a way of getting people in the first place, and Direct Line chose to use mass broadcast media and television in what is a cheap way of acquiring customers." However, Direct Line is also a big user of public relations to promote its innovative stance. Virgin One Account is also a heavy advertiser, because "we're out there all the time because we don't have a High Street presence. We are only as good as the number of calls we get in the call centre", the marketing director argues.

Brands are struggling to find points of distinction in the face of deteriorating market contexts (Aaker, 1996). Bearing in mind the evidence that product innovations are quickly copied (Ghemawat, 1986), the search for brand differentiation is arguably one of the main challenges facing managers. De Chernatony and McDonald (1998, p.399) argue that "differentiation represents the starting point of the growth process, as the brand cannot exist in the long run unless consumers distinguish it from others." It is thus becoming more difficult to sustain a valued functional advantage (De Chernatony, 2001).

A number of ways are proposed in the literature to achieve differentiation. Aaker (1996) suggests that the brand personality construct – a set of human characteristics associated with a given brand – can help brand strategists by enriching their understanding of people's perceptions of and attitudes towards the brand. Brand personality can serve as the foundation of meaningful differentiation, especially in contexts where brands are similar with respect to product attributes. A more holistic approach to differentiate the brand from those of competitors is defended by De Chernatony and McDonald (1998). The authors argue that brands should have added values which do not just justify functional needs but also meet emotional needs, being perceived as low-risk purchase, for example through corporate endorsement, and being instantly associated with specific added values, as in the case of Nike with the best athletes in the world.

Table 4-29 shows the added values of hard-to-copy products analysed, and why it is so important to have a differentiated brand.

Table 4-29 Brand Differentiation

Case	Verbatim Comments
First Direct	"We were very keen to have a differentiating position in the marketplace which is still quite cloudy and one simple and straightforward way of doing that was brand identity so we chose a very stark black & white sort of logo and it's never changed over time."
Blackwell's	"I don't think I'm being complacent when I say it's very, very hard to replicate the sort of experience and expertise that we've built up over 120 years and how to work with the academic community. Our relationship, our brand, their trust in us."
The Co-operative Bank	"If you're going to differentiate you have to move into areas where others are afraid to go, and I think part of our sort of success has been we've gone into areas where other organisations can't go. The Barclays and NatWest's of the world cannot go into the sort of corporate customers that we go into with our approach. Because they'd lost substantial amounts of revenue."
Majestic Wine	"We have come a long way in the last decade, and so, having all the brand elements, particularly the grapes, it does express wine expertise and that's really what we want to continue to focus on."
Nike Town	"The thing that differentiates us is branding, so people will look at the emotional relationship they have with Nike. This is what differentiated us over the years, though that is becoming increasingly hard to do. 'Branding is who we are, really.'"
Lands' End	"The guarantee period was the main push that we were trying to bring over. Great service, great products at a reasonable price, value-for-money price and that's what we consistently try to keep going."
Direct Line	"Branding is the key differentiator." Direct Line established very clear brand values for the brand. Then the red telephone was around and it was annoying people but it was very consistent in what it was delivering, direct access, no middleman, and high-value offering.
Legoland	"It's the application of the Brand to the rides that has turned it into a themed ride that you couldn't get elsewhere. 'Driving school', is a really good example of the application of Lego branding to. Basically, it's a car that you kind of drive, which is not necessarily an unusual attraction, but it's the little Lego cars that kind of makes them unique."
Center Parcs	"It's quite a strange phenomenon to have a branded short break, and certainly the quality and the guarantee and the unusualness of having a break in a forest, are still the things that are seen by people and loved by people, which is why people come back again and again."

The findings show that successful brands occupy positions competitors find hard to follow. For example, The Co-operative Bank's ethical values moved the bank into areas where other High Street banks were afraid to go because they would lose substantial revenues. The Executive Marketing Director of The Co-operative Bank notes, "if you're going to differentiate you have to move into areas where others are afraid to go." He holds that part of the bank's success has been because they have "gone into areas where other organisations can't go, because they would lose substantial amounts of revenue." The ethical position adopted moved the Bank into very unusual areas for a bank, such as ecology, and taking a position on things like hunting and morality. "Now", he maintains, "we have to keep on moving into areas where competitors are less able to go, to reinforce our position". Virgin One-Account is a similar case. Far from being the only bank to have looked into current account mortgages over recent years, Virgin One Account enjoys some entry barriers. For existing banks (e.g. Barclays), the adoption of the current account mortgage concept would affect the bottom line significantly because they make most of their profit by charging customers one rate on their mortgage and giving them little on their savings. Internal reports from such banks show awareness to this fact yet say little about taking immediate action. Blackwell's expertise and relationships built with the academic community over 120 years is also a point of differentiation that is hard to replicate. When Legoland applied the Lego brand onto its rides, it turned them into a themed ride that you could not get elsewhere. Similarly, NikeTown builds on the emotional relationship customers have with Nike, which urges customers to play to win. Therefore, most hard-to-copy brands studied are highly differentiated.

Kapferer (1997) argues that brands have the power to establish relationships with their target customers. According to Kapferer, this is especially true for banking and services in general, for the service is by definition a relationship. De Chernatony and McDonald (1998) maintain also that brands can have emotional relationships with their customers. This is the case of The Co-operative Bank, which prides itself on the emotional tie between its customers, employees, and the bank, because of what the bank stands for.

Table 4-30 provides a summary of the aforementioned brand themes as found in the interviews. It shows that hard-to-copy brands are highly differentiated from their competitors, easily captured in just a few words, rely heavily on word-of-mouth communication as a major vehicle for brand building, and have adapted their positioning to keep up with the times.

Table 4-30 Frequency: Brand Themes

Theme	Occurrence in Cases	
	Frequency	Percent
The brand position has changed over time	6	42.8%
Mass media is an important part of the communication mix	4	33.3%
Word-of-mouth is an important component of overall communication	8	57.1%
The essence of the brand can be captured in just a few words	8	57.1%
The brand is differentiated from competitors	9	64.3%
Total of Possible Occurrences	14	100.00%

4.3.9 Distribution network

O'Shaughnessy (1995) argues that building up a system of distribution is difficult and tends to bind the firm long-term. Distribution networks can thus be the deciding factor in determining the success or failure of a marketing strategy. Thus, a major problem for many companies is securing wide distribution, which can be a major entry barrier (Porter, 1980). However, some new entrants surmounted this entry barrier by creating entirely new channels. The following table shows the U.K. distribution coverage of hard-to-copy products analysed, as well as the importance of having an extensive network of outlets.

Table 4-31 Large Distribution Network

Case	Verbatim Comments
<i>Supporting Examples</i>	
Accessorize	"At the moment we're with 144 outlets, we think that that will grow to at least 250, and at that level we're probably about at saturation. Probably because it's driven by this ABC1 consumer, and we're very conscious of them, an issue which we think has befallen many of our competitors, not in this particular sector, perhaps, where there's a degree of over-exposure."

Blackwell's	"We end up with a U.K. retail chain of about 85 shops, with an almost exclusive focus on academic and professional."
Regus	"One of the huge benefits of a network for us is it, to some degree, makes us recession-proof. So while there's a recession in one location, we're fine in another. Thus leveraging the value of the network for us is a barrier to entry."
Majestic Wine	"What has been really important over the last four or five years, certainly since the company floated, is to give national coverage. In 1992 there were 38 stores; they have grown steadily so we now have a national chain of 88 outlets."
<i>Counter-Supporting Examples</i>	
Lands' End	"Here we have the European distribution centre and that is basically dealing with the U.K. and Germany. We have a call centre here in the U.K.; we have a call centre in Germany but all the inventory is supplied out of this DC and we ship to the U.K., we ship to Germany and also ship to a wide variety of countries"
First Direct	"So we ended up with a distribution based on the telephone and manufacturing based on a single unit."
Virgin One Account	"We don't have a High Street presence. Because we are in one location we're quite lucky, I don't have 150 branches where I don't know what's going on in those individual branches because we're one company and we're a call centre based company. All the customers come via here in some way or another, so you have a central way of accessing customers, rather than having to worry about how you go off and meet them."
Direct Line	"For a direct writer you're aware of the people that are coming to you and all of the risks and you know which ones you're getting and which ones you're not getting and you can change your rating to reflect what they want instantly."
The Co-operative Bank	"With only 100 branches you don't get much national reach, which is why the telephone banking was quite important for us in terms of our reach."
Center Parcs	"We are very lucky in the U.K., because we don't use travel agents. We did have presence in travel agents originally and up until last year we had a very small presence, but because again it was done through word-of-mouth, and when we started up there was very much an emphasis on calling the reservations line direct. We do our own bookings here. Do not use travel agents today."

The previous table shows mixed results in terms of the importance of having an extensive network of outlets. Accessorize has 144 outlets around the country and expects to increase this number up to 250, a number they believe reaches saturation because of over-exposure. Regus clearly believes that a large network base makes it, to some degree, recession-proof because if there is a recession in one location they may be fine in another. However, an extensive network is not sought by all hard-to-copy cases. Lands' End has a single European distribution

centre dealing with the U.K. and Germany. Similarly, First Direct distribution is based on the telephone and a single manufacturing unit. Likewise, Virgin One Account does not have a High Street presence, nor does Direct Line. The Co-operative Bank has limited national reach, relying on telephone banking to improve the coverage. Finally, Center Parcs does not use travel agents. Currently, most reservations are done through word-of-mouth, the emphasis put on calling the reservations line direct.

Therefore, the importance of a wide network varies significantly according to the service being offered (Table 4-32). Whilst some services depend a lot on extensive networks (e.g. retail), others have favoured the direct approach.

Table 4-32 Frequency: Large Distribution Network

Theme	Occurrence in Cases	
	Frequency	Percent
Limited network	Lands' End, First Direct, Virgin One Account, Direct Line, Co-operative Bank, Center Parcs, Legoland, Nike Town	57.1%
Wide network	Ann Summers, Asda, Accessorize, Blackwell's, Regus, Majestic Wine	42.9%
Total Possible Occurrences	14	100.00%

4.3.10 Financial strength of the organisation

Adequate financial performance has been linked to the survival of commercial organisations (Lynch, 2000). Although Pfeffer (1994) argues that capital is now less important, Aaker (1989) found that managers consider access to financial resources as the fifth most important source of sustainable advantage in service industries. Table 4-33 shows that two hard-to-copy products are very cash generative.

Table 4-33 Financial Strength of the Organisation

Case	Verbatim Comments
Accessorize	"Historically we've not been a big front-end investor, I mean possibly largely because we've had the benefit of very high margins, we're a very cash-generative business. In a typical investment scenario, until about two years ago, we would get our initial capital investment back within nine to 12 months. And probably because we're in a strong position in that financially we're not beholden to any bank. We've never borrowed money ever in our business history, never will."
Majestic Wine	"A particular wine-maker might have a small part of his vineyard which just has the right soil and micro-climate conditions to produce really exclusive wines. So we have the power to buy that."

Majestic and Accessorize are very cash-generative businesses, which allow for opportunistic deals. The other cases (e.g. Legoland and Center Parcs), whilst not showing such financial strength, require very high investment up-front to pay for a similar operation, thus acting as a barrier to imitation. Nevertheless, although all managers recognised the importance of generating sufficient funds, overall the importance attached to financial strength was modest.

Table 4-34 Frequency: Financial Strength of the Organisation

Theme	Occurrence in Cases	
	Frequency	Percent
The company shows strong financial strength	2	14.3%
Total of Possible Occurrences	14	100.00%

4.3.11 Culture of the organisation

The fact that a strong culture can lead to a competitive advantage (e.g. Barney, 1986) is not new. However, a culture can be strong but a wrong one. De Chernatony (2001, p.145) notes, "While everyone in a firm may be adhering to the same values, the values may be inappropriate and everyone in the firm would be following the same path to oblivion." Hence, a strong culture is a valuable asset only if it is appropriate for its environment (Kotter and Heskett, 1992). Table 4-35 illustrates how the culture of hard-to-copy products analysed adheres to brand values.

Table 4-35 Culture Fit with the Brand

Case	Verbatim Comments
Accessorize	"I'd like to actually think that many of our staff actually were first and foremost customers, and now many of them are. I think that's the passion."
Asda	"It's not in most people's natures to want to run mean, lean businesses based on low prices to customers. It's hard to do. It's a bit of a slog, it means you share hotel rooms when you stay away on business because you can't be fat cats and have low prices and give your shareholders a good return." "A mean culture, internally mean, is hard to copy because people don't like it, but if one is going to be a low-cost player you've got to be focused and you've got to be passionate about being a low-cost player and it means you've got to be pretty hard on yourselves on all the 'nice to do' things rather than the 'must do' things."
First Direct	"We recruit people in the first place who like dealing with people and we put them through various psychometric and other tests to make sure we're getting that right We try because if you're not comfortable c chatting with people and things like that, you really shouldn't be here, frankly."
Majestic Wine	"We have got to have enthusiastic, knowledgeable and passionate staff, so there is significant investment in staff training. All the staff obtain the Wine & Spirit Education Trust Higher Certificate within six months of joining Majestic. People who wish to sit the Diploma can sit it, and so the company is sponsoring at a much higher level, and the key differentiator against competition. The Marketing Manager's got the Diploma, my PR Manager's in her first year of the Diploma and my Marketing Services Assistant wants to do the Diploma, so you know it reflects their interest."
Center Parcs	"We have a mission statement we talk about: everyday the perfect break, naturally. And that's not something we use with consumers, that's something we use internally. Culture is so deep that that is very much the nature of the way we do things. When I first arrived here and I went around the village with Peter, a little bit of litter that perhaps had been dropped or was blown about, the Managing Director would pick it up, I would pick it up, any of the staff would pick it up." "People have been imbibed with this culture of guest care and the guest is all important, and they always go that extra mile and the friendliness, and that is really, really something that is difficult to copy and certainly still remains our unique element if you like."
Nike Town	"A walk around Nike Town offices today would show that 99% of people play sport, previous medallists and professional athletes. The company culture comes from sport, so the concept of teamwork and competitiveness is key."

Virgin One Account	"Everybody is passionate about the product because they know it's a winning product. "We don't do things like psychometric tests, we don't do anything like that because what we're not looking for is certain previous experience or certain qualifications, that's not important to us. We're looking for the right personality. We're much more interested in does the individual seem like a Virgin sort of person rather than "Ooh look, that's good, they've got two 'A' levels and went to university"."
Direct Line	"We have written down brand values, we know what those brand values are and everything that we do, whether it's PR, television advertising or anything else, follows those brand values, and those brand values are corporate values and our staff know what those corporate values are."
The Co-operative Bank	"The organisation set itself a mission, and outlined its values and how it wanted to behave and again this was way before values became sort of the 'vogue' in quick management thinkers. The very first thing it did was create sort of an internal police force that went through and audited every aspect of the Bank's business and performance against these ethical principles." "91% of our staff say they're very proud to work at the Bank. I think people are proud of what it stands for. I mean if I was brutally honest, they don't have the best employee development plans in the world. They don't have the best salary schemes in the world. For example, the wisdom in most Call Centres is that you can't keep the staff. After 18 months, staff in a Call Centre are burnt out, and without exception I wandered around the Call Centres here, and people had been in these Call Centres for 5 years."
Lands' End	"Our principles of doing business are one of the strengths which applies throughout all our subsidiaries. The strong principles give people a warm feeling about the Company; it did for me before I joined the Company, quite impressed by them and we live up to them. The Company strives to live up to them. For instance, we ship fast; we take time on your call; we don't rush you; our operators are not trained to do the call like mobile 'phone people in two minutes or you get disciplined." "Our people are encouraged to take as long as it needs to deal with the customer, deal with the customer well and leave them happy when they've finished their call, and they can take however long that takes and we pay the cost of the call."
Ann Summers	"I think it's important to state that we don't employ our staff for their experience, we employ them for their personalities, they have to be confident, they have to have a very, very strong sense of humour, and they have to be very warm and friendly without being pushy."

The hard-to-copy products reviewed show a good culture fit with the brand. Accessorize staff live the brand values - not surprisingly, most of them were first

and foremost customers. Similarly, Asda people are passionate about being a low-cost player. First Direct only recruits people who like dealing with people to make sure they have the right personality and feel comfortable chatting with people on the phone. Majestic staff are passionate, enthusiastic and knowledgeable about wine. All staff obtain the Wine & Spirit Education Trust Higher Certificate within six months of joining Majestic, and those who wish to sit the Diploma can do so. At Nike Town, 99% of people play sport, are previous medallists or professional athletes.

Table 4-36 Frequency: Culture Fit with the Brand

Theme	Occurrence in Cases	
	Examples	Percentage
Good culture fit with the brand	Accessorize, Asda, Majestic Wine, Center Parcs, Nike Town, Virgin One Account, First Direct, Direct Line, Lands' End, Co-operative Bank, Ann Summers.	78.6%
Total Possible Occurrences	14	100.00%

We now look at four culture types proposed by Deshpandé et al (1993), and see if any of these prevail on the organisations studied. The next table shows how managers interviewed describe their organisation's culture.

Table 4-37 Culture Type

Case	Verbatim Comments
Accessorize	"We're very light and we don't get wound up about too many things, except where people don't do their best. We have a non-written Mission Statement here which is that we're in business for profit and fun." "My favourite place would be on Reception in a glass box, so that people can see me. I want them to feel that they can approach me, walk in."
Asda	"We're all single status, I have to put a badge on me just the same as the lady on the checkout in the store, no offices, there's no executive dining arrangements or any of that nonsense going on here." "We're not just a boring organisation that crunches along to a set of rules and we empower our people to do the right thing and have fun." "If they want to put fancy dress on for the England game, there's loads of face-painting going on in the shops. We don't take ourselves too seriously; we have fun."

Majestic Wine	"There is no hierarchy; if a decision gets taken, shall we do it, lets do it. And because you have got this open policy, because the MD is there and the Finance Director is there, if there is a question of buying sufficient dollars or francs, or whatever currency is required, a decision can be made instantly and can be justified, and that's a lot about trust within the individuals". "Every Tuesday morning we have a trading meeting and if there is an issue coming up we will have a very open and frank debate, but the decision is made and you move on and that is one of the advantages of being small in scale, but professional in outlook in terms of how you communicate with the customer and how you deal."
Center Parcs	"We have a very loyal employee base, particularly on the villages where we had 10 years service recently for Elvedon and 25% of the staff had got 10 years' service, which is just an amazing figure." "It's very much like a family, people come into Center Parcs and you feel immediately part of the organisation and people welcome you, put an arm around your shoulder in terms of guiding you through things."
Nike Town	"We have a very, very flat structure; we work a lot in project groups so one day I can find myself leading a project group, the next day I can find myself as an accessory in another project group so that feeling that you have a role to play but it doesn't matter whether you're midfield or a striker, it is really key." "There's a fair amount of humility around actually which I don't think people expect and I don't think it's necessarily reflected in the way we market ourselves. Honesty and integrity. There's very, very little politics. It's very much a 'get on with it and do it' culture which is good but it's also the competitive element that makes it tough at times."

Virgin One Account	"We don't have some strict 'these are the rules' - that just doesn't exist. You won't be able to go round the building and find these Virgin brand values, but there are values that we have that we try and incorporate into the business." "We're probably very honest. We don't have lots of layers of management; we don't have lots of 'need to know' basis; we actually give a lot of information to a lot of people on the staff. The people in the business will all know what our business targets are for this year; they'll all know where we are against plan; they'll all be focused on the same thing." "We don't have directors' car parking spaces, we all have to muck in with everyone else. You don't go to the canteen and get any preferential treatment; you queue up like everyone else. It's equal basis really. A lot of directors don't have offices. You just sit within the business. I suppose it's a bit more like a 'campus' feel where you try and get everybody involved in the same culture and same desires." "The culture on the sales floor is very informal, you've already noticed, in many ways. Physically informal in that we dress down and we all sit in one area. I sit at the desk just there, the call centre manager sits next to me, so we don't have any offices, no enclosed areas, we're all one team and everybody can talk to everybody else so that's the first thing. From a cultural point of view we differ from other call centres in that we don't spend a lot of time worrying about call length." "A nice size of company to give us the freedom to do stuff, to try stuff, to learn some stuff without having to go through lots of bureaucratic processes to sort of get approval to do things. So if we want to try something out in sales because somebody on the floor has had a good idea, we can try it out. I don't have to go and write papers and get approval from loads of people."
Direct Line	"The organisation feels quite good when you walk into it. The security guard is actually quite friendly, he does want to help you park your car. We do have an open, challenging, flat management and, again, the evidence of that is when we recruit people from other insurance organisations and see the difference, we're much quicker."
The Co-operative Bank	"The organisation set itself a mission, and outlined its values and how it wanted to behave. Everything about the Bank now is audited, I'm sure you've seen our stakeholder report and pretty much every single parameter of corporate governance is included in that report, and we measure ourselves systematically."
Lands' End	"In terms of the structure it's not extremely hierarchical. It's quite a relaxed management policy in the way employees are dealt with and hopefully that passes on to the customer when they're on the 'phone to the operator it's a relaxed 'phone call, nothing is hurried, nothing is pushed."

First Direct	"We don't give our bank representatives a script, we tell them instead that your job is to make the customer feel good, and smile, and sense how the customer is feeling and respond accordingly and do everything you possibly can and to be cognisant of the rules." "Any of those bank reps. feel able to come and talk to me if they want to and tell me when they think I'm doing things wrong if they want to, or ask for something if they want to, and do they think there's an equality about involvement and do they feel part of the business in that way. It's about self-confidence."

The organisations interviewed revealed with surprising consistency the same type of patterns of shared beliefs: informal, friendly people, in open-plan layouts, easy access to management, information flowing freely up and down the organisation, empowered people, etc. Of the four culture types proposed by Deshpandé et al (1993), the prevailing one was the *Market* type, characterised by its emphasis on competitive advantage. For example, Accessorize's management is very light and wants people to feel that they can approach management. At Asda, all staff are single status; the manager has to put a badge on just the same as the lady on the checkout; there are no executive dining arrangements, no parking spaces allocated to management and so on. Similarly, Majestic Wine does not cultivate hierarchy; they have an open-plan policy, and are very open and frank.

Though most organisations studied seem to share the characteristics of a market culture, as defined by Deshpandé et al (1993), others do not fit well into this category. The quantitative research that follows will clarify the cultural differences between hard-to-copy products and products that are not hard-to-copy. Table 4-38 shows how the hard-to-copy products studies fit into each of the four culture types analysed.

Table 4-38 Frequency: Culture Type

Theme	Occurrence in Cases	
	Examples	Percentage
Market	Accessorize, Asda, Majestic Wine, Virgin One Account, First Direct, Lands' End	60.0%
Adhocracy	Direct Line, Nike Town	20.0%
Clan	Center Parcs	10.0%
Hierarchy	Co-operative Bank	10.0%
Total of Occurrences	10	100.00%

4.3.12 Understanding of customers

A condition to delivering service quality is a detailed understanding of the needs of the consumer (Hoffman and Bateson, 1997). Therefore, it is expected that companies producing hard-to-copy products demonstrate superior understanding of customers, for instance by having clear profiles of their target consumers. The next table summarises managers' accounts of the importance of understanding customer needs.

Table 4-39 Understanding of Customers

Case	Verbatim Comments
Accessorize	"We have three particular customer types, and we give them names and we have ages for them, what they do, and this research helped us to understand whether those targets were actually rifle-shot or shot-gun. We've really brought the business into three, rather than naming customers, we've sort of brought them into three different classifications. We've called them Fashion Classic Customer, Fashion Moderate Customer and Fashion Forward Customers."
Asda	"The two big consumer macro requirements are 'Save Me Time' and 'Save Me Money', that's what all consumers are demanding of service providers."
First Direct	"People bank here because of their lifestyle and profession, not necessarily because they're interested in finance. We understood very quickly that you could get a personal relationship on the telephone than you can face-to-face." "Consumers were not going into branches and when they were going in branches they were only going into branches for fairly routine transactions, they didn't actually speak to anybody when they were there. There's a segment that wants to put their financial affairs second in their lives, to getting on with whatever is changing in their lives and doesn't want to be bothered adding up their cheque book or writing out their stubs; they just want to be able to do whatever occurs to them to do and enjoy their lives and they don't want to be bogged down with banking because banking is a chore."
Blackwell's	"What's taught, the type of student and the type of lecturer in Manchester is completely different from Brighton or Liverpool. So at this moment in time to have a successful business requires delivering what the local institution and customers want but you cannot do that centrally."

Nike Town	"Consumers' attitude to sport is changing, it's more lifestyle driven, the boundaries between sport and transport for example, in the morning you'll see people running to work or cycling to work which is part of their sport, their way of keeping fit, but it's also a way of getting to work so we have to take that into account, so rather than being very specific category driven now there's a lot more generic product. The other thing that would be absolutely critical to us is the understanding of our consumers, so if you walk round offices today you would find 99% of people play sport, you'll find previous medallists and professional athletes, they're all working in the business now, and that is absolutely critical, absolutely critical to who we are and, in fact, if that doesn't come across in Nike Town then we've blown it."
Virgin One Account	"Every customer letter regarding marketing, be it a complaint or praise, I see all those customer letters and I respond to most of them or my team do and I read their responses."
Direct Line	"We've moved from motor insurance into home and then into a range of financial services: insurance mortgage, savings loans, ISAs, the whole range. You see you can't take customers in isolation of what was happening elsewhere in the financial services market with people like First Direct. More and more people were quite happy to do things over the telephone."
The Co-operative Bank	"People have a relationship with their money, obviously, but also very few of them actually have a relationship with their Bank. We do have a group, which is quite a large group, which is there purely and simply to get the positioning. And wouldn't bank with anybody else, because of what we stand for. Equally we've got a number of customers that joined us because we were doing an extremely good product deal at the time."
Lands' End	"In terms of understanding and responding to customer needs, we catalogue and analyse all customer comments to react to the highest volume whether it be a complaint or a suggestion or whatever it happens to be."

Ann Summers	"Jacqueline came along into the company and convinced the board that they were targeting the wrong people, that they should niche themselves as targeting women and that she wanted to set up the party plan concept, as she felt that women didn't want to go to places like Ann Summers, they wanted to buy in their homes." "We've built characters of each people, so for example I've got Geraldine who is our non-customer and we don't target Geraldine, and I know what magazines she reads, where she does her shopping, what car she drives, all these things. She is not for us, she is never going to change, she is very British." "Then you have somebody else, who is Doreen, who is very gossipy, very much outspoken about things like sex. On your retail side, you have got Nicki and Clare, and one is very much ABC1, and we know the kind of title that she reads, but what we have to do, there is quite a few, what we call "Geraldines" in that mix, so we have to take those out. And then the fourth is very much somebody who is just fashion conscious and will follow the crowds, so we split by different kinds of people."

Most managers demonstrate a good understanding of their customers. First Direct understood that there is a segment of the population that regards banking as a chore, not something they give priority in their lives. Ann Summers realised that its retail outlets appeal to one group of customers, mail order to another, parties to another and the Internet to a fourth. The Co-operative Bank found that a large group of customers banks with them purely and simply to get the positioning, and would not bank with anybody else because of what the bank stands for. Direct Line realised that people are quite happy to do things on the phone, so they moved from motor insurance into home and then into a range of financial services.

In addition, for most cases, collecting information on customers is essential for improving customer service. For example, at Virgin One the marketing manager looks at every customer letter. Similarly, Lands' End catalogues and analyses all customer comments.

Table 4-40 Frequency: Understanding of Customers

Theme	Occurrence in Cases	
	Examples	Percentage
Superior understanding of customers	Accessorize, Asda, Center Parcs, Nike Town, Virgin One Account, First Direct, Direct Line, Lands' End, Co-operative Bank, Ann Summers, Blackwell's	71.4%
Total Possible Occurrences	14	100.00%

4.3.13 Low costs achieved

An overall cost edge is gained by performing most activities at a lower cost than competitors while offering a parity product (Day and Wensley, 1988). However, it has been argued that a low-cost position gained through learning effects or scale/scope economies might not necessarily constitute a sustainable competitive advantage. Rather, the cost advantage is realisable only when there is the will to innovate, imaginativeness, and the ability to vigorously pursue a desired goal (Lado et al, 1992). Porter (1985) also notes that cost proximity is essential to differentiation strategies, because unless the cost of differentiation is lower than the resulting price premium the differentiator fails to achieve superior performance. Table 4-41 illustrates managers' opinions about the importance of having low costs.

Table 4-41 Low Costs Achieved

Case	Verbatim Comments
Asda	"From our point of view, the first and intrinsic advantage that we have nurtured in our business has been lowest cost to operate. We defray all the operating costs of retailing over bigger cash per outlet than anybody else in the U.K. because we've got physically large stores in inexpensive locations, and with a lean management structure. Our average drop size, in distribution terms, is also relatively higher than the other guy, because our sales per year are greater, therefore the average drop size." "We've never allowed the overhead of this building to be more than 2% of total sales, and regardless of what good proposals come to us for spending money. If you're going to be a low-cost player you've got to be focused and you've got to be passionate about being a low-cost player and it means you've got to be pretty hard on yourselves on all the 'nice to do' things rather than the 'must do' things. Since 1962 we've chivvied day and night to keep our costs low so we keep the price of our goods to you low."

First Direct	"So there were two fundamental ideas. One would be how could you put everything in one place and therefore get a lower manufacturing cost environment and how could we get a lower cost distribution environment. So we ended up with a distribution based on the telephone and manufacturing based on a single unit."
Center Parcs	"All the bookings are done directly, but obviously at the end of the day the benefit of that moment of truth ... when the guest speaks to somebody from Center Parcs is controlled by us. And equally we don't have to pay commission to travel agents. On the continent, for example in Germany and in Belgium, a proportion of the business still goes through travel agents. So it makes it a much more straightforward business when you are taking direct bookings."
Virgin One Account	"It's quite a tightly run ship. I mean I'm sitting in a 'Portacabin'."
Direct Line	"The way in which to be in a position to offer competitive premiums is to get a low cost base and Peter reckoned that the expense ratios of most of the companies were pretty horrendous because they were inefficient." "One of the advantages over a broker is that you only pay for that customer once. With a broker, you're paying out a commission every time the customer renews." "Competitors hadn't woken up to the fact that the expense ratio of Direct Line is in the low teens. Other people then, and even now, are like 40% so you've got a big leeway to play with."
The Cooperative Bank	"We have an intense focus on the costs, but our cost to income ratio is probably around mid-50s. Now compare that to the sort of recently converted mortgage banks, the best of those are probably high 30s, and if you compare it to branch-based traditional banks, then they are all probably in the 60s. So we're marginally better than our banking competitors, but we're not as good as the best in market."
Lands' End	"U.S. products direct but cutting out the middle-man, direct to customers. It's a massive team effort right the way through from taking that call to being able to pick and pack and hem and deal with returns and keep the stock cycling. It's a massive effort but it's also quite a systems-orientated environment to reach the levels of efficiencies that we have."
Majestic Wine	"We trade in secondary retail locations and in many of those sites our stores are not wonderfully designed outlets. It's a low cost operation, but the value is in the people. We do have some what I call 'shed' out of town locations, but they tend to be smaller retail parks rather than the very much more expensive ones, because, you have really got to have the service, easy drive in, service related business. The financial elements about the location and cost of location and trading undoubtedly are the key successful element."

About half the cases interviewed show tight levels of cost control (Table 4-42). For example, Asda keeps its overhead costs below a pre-determined fixed

percentage of sales. Therefore a new head office initiative can only take place if something else is dropped. Majestic Wine chooses to trade in low-cost secondary retail locations, not in High Streets. Both Lands' End and Direct Line cut out the middleman and sell direct to customers, thus saving on commissions. First Direct centralises operations in one place and benefits from lower manufacturing and distribution costs. Other examples were not so clear in terms of experiencing low costs. For example, Blackwell's needs to improve its operations efficiency. Legoland is facing the same problem.

Table 4-42 Frequency: Low Costs Achieved

Theme	Occurrence in Cases	
	Examples	Percentage
Cases experiencing low costs	Asda, Center Parcs, Virgin One Account, First Direct, Direct Line, Lands' End, Majestic Wine	50.0%
Total Possible Occurrences	14	100.00%

4.3.14 High-level of market research skills

When we analysed the importance of knowing customers we concluded that detailed information of all kinds could be critical to superior performance. We have already found that hard-to-copy products secure a detailed understanding of customers' needs. Therefore, we should expect that they also have superior marketing skills.

Table 4-43 High-Level of Market Research Skills

Case	Verbatim Comments
Asda	"Wal-Mart likes numbers. They've got these fantastic IT systems. They do customer research one store at a time across 3,000 stores in their local catchments, they're researching constantly so it's very information-driven business."
First Direct	"Advertising agencies will try to run your business given half the opportunity and if your business is slightly different, what you don't want is the same old mediocrity that they've peddled to your competitors being peddled to you. You've got to drive them."
Accessorize	"In our business history we commissioned one piece of market research in 1990, when we were on the edge of an expansion plan. In '98 after we floated we thought it was prudent, it was part of our due diligence to our new shareholders to take another health check of the patient."

Virgin One Account	"We have a small panel of those customers who are willing to give us feedback. We've also sent out a more quantitative survey, maybe 600 customers at a time, and we've had very good feedback from both sources."
Direct Line	"We do focus groups and everything else. We use the research to help us guide our decision-making not to fall back on. We have been known to listen to the researchers and say 'Well, no I'm not going to do that, I'm going to do something different'."
Majestic Wine	"We don't spend vast amounts on external agencies to do a lot of things we can do ourselves."
Legoland	"We're all targeted on guest satisfaction, so we have guest satisfaction targets to achieve. We survey 5,500 guests a year, throughout the year, and we have an exit survey, so every two weeks we get feedback."

Many organisations interviewed conduct a lot of market research internally. Legoland gets feedback on its guests' views every two weeks via exit surveys. Asda, like Wal-Mart, likes to see the numbers. Virgin One Account queries a small panel of customers on a regular basis.

Interestingly, many organisations interviewed prefer to carry out research themselves rather than to commission it to an external agency. For example, Majestic Wine argues that they prefer to conduct research themselves on things they know well. Direct Line sometimes even decides against external researchers. First Direct is even more critical of the role of external agencies.

Table 4-44 Frequency: High-Level of Market Research Skills

Theme	Occurrence in Cases	
	Examples	Percentage
High-level of market research skills	Asda, Virgin One Account, Legoland, Direct Line, Majestic Wine, First Direct	42.9%
Total Possible Occurrences	14	100.00%

4.3.15 Low prices charged

Intangibility makes prices difficult to set. It also makes it almost impossible to draw accurate price-quality comparisons. Thus, successful pricing depends on recognising the value that a customer places on a service and pricing that service accordingly (Hoffman and Bateson, 1997).

North American surveys suggest that price is reason number two for choosing one store over another (Arnold et al 1998). The question then is: is low price a characteristic of hard-to-copy products? Table 4-45 describes the pricing strategies of hard-to-copy products studied.

Table 4-45 Low Prices Charged

Case	Verbatim Comments
<i>Supporting Examples</i>	
Asda	"Paul's spent 13 years at Wal-Mart and he says that every piece of research that he's ever done on all the various factors of their brand that determines store choice, the price is the most powerful buy factor of three. Thus, Asda price, it was always at the heart. Better value, prices 10-15% lower than the average of the market, stunning fresh food."
Direct Line	"We have pricing committees who'll meet every week and we look at the market, look at what's happening in the market, we look at little segments and sectors in the market, we'll make constant adjustments but value-for-money is one of our key values and, therefore, that's what we deliver. We're always going to be competitive and if there are certain areas where we are way out of line, probably the reason is we don't want to be there."
Majestic Wine	"We have very keen prices, and we also have special promotions based on multi-buys. We don't have a declared statement of never being undersold, but we react to any price. So, for example, we would monitor prices in every other outlet and if anyone is lower than us, we will immediately reduce our price irrespective of what the margin is."
<i>Counter-Supporting Examples</i>	
Nike Town	"We sell at RRP there, we don't discount. We have two sales a year but at the same time as everybody else in the sale period, but you will not see us discounting. That's our guarantee to our customers."
Accessorize	"It is a premium price, but, you know part of it is the very initial brand positioning."
Ann Summers	"The pricing strategy is very much led by the fact that we have to give 30% of our profit to our party plan people. So our margins are quite high."
Blackwell's	"We will look wherever possible to have a value strategy rather than a pricing strategy so that we would tend to run a campaign for start of term, for example, which offers people a booklet of vouchers off rather than money off. It is frankly not possible for us to be a heavy discounter in this business. We would go out of business. The margin is simply not there, and that's where Amazon and people are a real threat because they are losing every time they discount an academic book."

Center Parcs	"We are premium priced, as far as the market's concerned. We believe we're good value, in the sense that we offer a quality experience. But value isn't the same as cheap, and we certainly aren't cheap."
The Co- operative Bank	"We can't use the positioning to command a higher price premium in the marketplace, our price still has to be the same as everybody else's. When we see an opportunity on price we take it. But equally we've been, in terms of interest rates, we pay the market average, we don't pay more or less than you know our competitors do, so we do tend to, I suppose, average around sort of top quarter."
Lands' End	"We're not the cheapest. We try to be honest and fair. We don't do any 'special pricing,' you know pushing the price up to then reduce it and say how wonderful we are. We don't do any of that. We try to price as fairly and honestly as we can in the particular country we are. It's pushing value-for-money, that's what we do strive for."
Virgin One Account	"There are certain things that we may not be able to compete on as effectively as the big, big players, such as price because we're a smaller concern we may not have the spending power that large banks may have to produce loss-leading accounts."
Legoland	"In terms of pricing, we set our pricing probably at a slight premium to our competitors, so for example, we don't actually offer a family ticket as such because everyone that comes here, comes here as a family."

Overall, most hard-to-copy products analysed do not come cheap. Although Asda is clearly positioned on low prices, and Direct Line has pricing committees meeting every week to ensure it is price-competitive segment by segment, most hard-to-copy products are priced above the average. Accessorize sells at a premium price because of its positioning, sometimes as much as two and half times more than competitors. Similarly, Center Parcs believes they offer good value, but not necessarily at a cheap price. Legoland set its prices at a slight premium than competitors, for example they do not offer a family ticket. Ann Summers also sells at a premium, although pricing strategy is led by the fact that they have to give 30% of profit to party plan people.

Table 4-46 Frequency: Low Prices Charged

Theme	Occurrence in Cases	
	Examples	Percentage
Premium Prices	Accessorize, Ann Summers, Center Parcs, Lands' End, Legoland, Regus	42.9%
Low prices	Asda, Direct Line, Majestic Wine	21.4%
Total Possible Occurrences	14	100.00%

4.3.16 Support from parent organisation

According to Goold (1996), the purpose of parenting is to add value to the subsidiaries that are served. Porter (1985) adds that sharing has the potential to reduce cost if the activities involved are a significant proportion of operating costs or assets. Support can also materialise in more intangible ways, for example, through using a well-known corporate brand names (De Chernatony and McDonald, 1998).

However, Campbell et al (1995, p.80) argue, "many parent companies today are actually destroying value" because "it is hard for parent organisations to influence their businesses in ways that improve on the decisions of the managers running the business." The next table shows how managers interviewed regard the impact of their parent organisations.

Table 4-47 Support from Parent Organisation

Case	Verbatim Comments
Asda	"You can't build a brand on price unless you can deliver price profitably and Wal-Mart is identical in this respect. They're researching constantly so it's very information-driven business. Lots of these things we're learning about." "This whole idea about the people make the difference we've just introduced this year at Wal-Mart's suggestion and encouragement."
Nike Town	"The standard of communication that comes out of Nike is pretty high and for Nike Town we have access to all that. We can bring all that communication, we have our own internal 'Nike Show on Video' department in the U.S. so we're constantly producing new videos, verdicts about products."

Accessorize	"There are mutual advantages for both businesses. We have shared cost centres, we have joint stores, Monsoon and Accessorize sitting alongside one another. Enormous cross-brand benefits."
Ann Summers	"Internally yes, because we have a lot of finance behind us. Externally no, because the other brands in the company are not brands that we would want Ann Summers to be associated with. The Sport Newspaper, Top Shelf Magazines." "We share departments, things like personnel, warehouse, and the logistics behind the scenes."
Center Parcs	"The benefit of having a parent company is the source of capital investment. Scottish and Newcastle have probably queried whether we should be in their Business Portfolio, the amount of capital that is required to continuously innovate, as we talked about earlier has been forthcoming, provided the projects can make the required return."
The Co-operative Bank	"As a parent they provide us with capital. I think it would be very difficult for another bank to have adopted the ethic."
Lands' End	"There is a U.S. merchandise and what our merchants do is they cherry-pick out of that bulk for the products that they think will fit the U.K. market. The big advantages basically come from IT, marketing resources and expertise - very, very strong on that because the systems here that we use are a mirror image of the U.S. system which is excellent and allows us to use the resources." "They've got a team of statisticians and economists over there, we use a lot of their skills, we can just pick up programs, we can pick up bits of software that we just have to change the name to our database and off we go. We cherry-pick and we're relying on their quality, and their merchandise."
Virgin One Account	"Being a Virgin company has huge advantages because you have Richard Branson's presence, you have the fact that other Virgin companies are investing in the brand." "The thing to bear in mind is a lot of people talk about the Virgin brand in terms of "Oh well, you've got Virgin stamped on it so it's bound to be successful", it doesn't really work like that because I'm only successful if I make the phone ring. So having a nice, warm feeling about Virgin doesn't make the phone ring." "I have quite a good relationship with different marketing directors of different Virgin companies so I may do some work with their customer database, or they may give a special offer to my customers."
Legoland	"Legoland is giving people a hands-on experience of Lego and the Lego brand values. So Legoland feeds back to the parent brand." "Because it's a family business they're in it for the long term."

Most cases refer to some type of financial support, though Legoland, Center Parcs and The Co-operative Bank seem to depend more on it. Another benefit from being part of a group frequently mentioned in the interviews is sharing cost

centres, such as headquarters and logistics. Finally, some organisations, including Asda, Lands' End, Legoland, Virgin One Account, benefit from corporate brand associations. Virgin One Account has obvious benefits from being part of the Virgin group. On one hand, it has Richard Branson's endorsement. On the other, it builds on investments in the brand that other Virgin companies are making. However, the Virgin One marketing manager does not believe it is enough to say "Oh well, you've got Virgin stamped on it so it's bound to be successful." Lands' End, besides the benefits from R&D carried out in the U.S., cherry-picks the U.K. merchandise.

Table 4-48 Frequency: Support From Parent Organisation

Theme	Occurrence in Cases	
	Examples	Percentage
Financial support from parent company	Center Parcs, Co-operative Bank, Legoland	21.4%
Background support from parent company	Accessorize, Ann Summers, Nike Town, Virgin One Account	28.6%
Sharing the same products/business philosophy	Asda, Lands' End, Legoland, Virgin One Account.	28.6%
Total Possible Occurrences	14	100.00%

4.3.17 Leadership provided by top management

Leadership has been linked to the process of influencing people so that they will strive willingly and enthusiastically toward the achievement of the group's mission (Wehrich and Koontz, 1993), and is therefore related to the ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as necessary (Hitt et al, 2001). Do the hard-to-copy products examined have a strong leadership? Table 4-49 provides clear indications that hard-to-copy products were developed under effective strategic direction.

Table 4-49 Leadership Provided by Top Management

Case	Verbatim Comments
Majestic Wine	"Tim Howe, Managing Director, first came in 1992. He had a very clear vision I think for the business and I think that's also in terms of looking at businesses and why they are a success, continuity."
Nike Town	"Is the founder's presence still relevant? Phil? Very much so. Very much so. We get weekly missives from him."

Accessorize	"Peter, our Chairman, founded the business. I've been with him for 18 years; Andrew's been with him for 20 years; 75% of our very senior management are all from within the business, they've grown up within the business; almost all started at the lowest level."
Ann Summers	"The Gold Brothers ... weren't really doing anything at all until Jacqueline came along into the company. She is almost like internal marketing for us, because there are 7,500 party plan women. So when they see Jacqueline, they are so inspired by Jacqueline and what she does, that when they read about her in Hello magazine our sales go up, because they want to be like Jacqueline."
Center Parcs	"The Managing Director Peter Moore took over as Marketing Director when the company first established over here in 1987. And, his charisma, personality and focus on the guests has rubbed off on the people that we have recruited over the years. His attention to detail in terms of the quality of the product that we offer and the quality of service and ensuring guest satisfaction is second to none."
The Co-operative Bank	"The Board appointed a Chief Executive (Terry Thomas) who was a marketer, which was very unusual in those circumstances, because typically it appointed an accountant. And the marketer in this individual was such that he recognised that the source of advantage lay in the roots of being a Co-operative. The individual was single-minded enough to think that yes there was some point of differentiation here, and just drove it through."
Direct Line	"Direct Line started some 15 years ago. It was an idea from Peter and a few other people who recognised that the way in which insurance was handled was pretty inefficient. He felt that he could deliver a better service, with better prices by utilising new technology. You can't dismiss quality of management, clear-sightedness, strategy, hard work and all the other things that are very important. Peter's a pretty demanding guy."
Virgin One Account	"Our Managing Director, called Jane-Anne Gardia, who's worked for Virgin now for five years, she lives and breathes the Virgin brand values, and every day she gets her directors together at 8:30 - 8:35 a.m. every morning and we discuss the business. We also have the support from Richard, a lot of support from him personally. He's helped us with our advertising campaign; he's been quite involved in that. He has often Jane-Anne (MD) up with ideas or things he's aware of."
Regus	"I know the business, I know the people, all the people know me so I can comfortably pick the 'phone up to anyone, anytime, and start shouting and see a difference whereas people who don't know people or haven't been around quite as long would find that a bit more difficult."

The qualitative findings on this topic exhibit some striking similarities. Firstly, many leaders who created the concept are still with the company, one way or another. This is the case in Regus, Direct Line, Center Parcs, Accessorize, Majestic Wine, Ann Summers, and Nike Town. The leaders of these organisations, indirectly or directly, still have a presence in daily operations. Secondly, these leaders share a similar leadership style: demanding visionaries, with practical sense. Thirdly, leaders inspire the rest of the organisation, such as Ann Summers's CEO, Jacqueline Gold, who inspires and motivates the company's party plan organisers.

Table 4-50 Frequency: Leadership Provided by Top Management

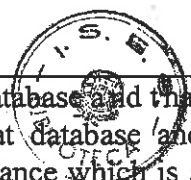
Theme	Occurrence in Cases	
	Examples	Percentage
Leadership has been important	Center Parcs, Co-operative Bank, Accessorize, Ann Summers, Nike Town, Virgin One Account, Asda, Lands' End, Legoland	64.3%
Total Possible Occurrences	14	100.00%

4.3.18 Strength of customer retention programme

A critical issue for the sustained success of a firm is its capability to retain its current customers and make them loyal to its brands (Dekimpe et al., 1997). Aaker (1991), on the other hand, argues that the presence of a loyal customer base provides the firm with valuable time to respond to competitive actions. The next table describes what hard-to-copy examples do to improve their customer retention levels.

Table 4-51 Strength of Customer Retention Programme

Case	Verbatim Comments
<i>Supporting Examples</i>	
Majestic Wine	"We send out a mailing list five times a year to various active members of our customer database, we have over 225,000 people on our database at the moment. We are also encouraging member get member, or customer gets customer schemes, so if you recommend a friend and that friend makes a purchase we send a voucher for a half bottle of Champagne when they make the first purchase."



Direct Line	"We started with motor, fairly classic; built up a database and that gives you opportunity to sell other products to that database and outside of that, so we then launched into home insurance which is a natural addition. I'm never totally sure what CRM means but we are trying to move from a transactional relationship organisation."
Legoland	"We've now got a database of 400,000 families. So where we have their names and addresses, we then approach them directly. We know they've been before, so we tell them what's new, what's exciting, what's interesting and we give them some kind of incentive to come back."
Virgin One Account	"The things we do that are probably stronger than traditional loyalty schemes; if interest rates go down, we will write to you the very next day and pass that benefit on to you the very next day, whereas if you have a bank account or mortgage with another provider the chances are you won't hear from them for three weeks." "We record all the feedback the customers give to us, now that could be written, verbal, by whatever means and it could be positive feedback. It costs a lot of money to open an account and to take on board a customer, so in a business sense we can't afford to let them go after six months or, you know, less than a good few years anyway."
Center Parcs	"If they are customers once and enjoy it, we know that we've got them for a long period of time, they have a very high lifetime value. So, trial is a great way of converting people. We have been offering them a number of benefits that they get as being a select guest, one of which, is some day passes, which they then give to their friends to come along and visit them whilst they are on holiday, so they can share an experience without having to commit to a whole break, and then that is a great way of converting them to come along next time." "Our customer contact strategy is 'the more loyal people are, the more likely they are to come', and therefore, we invest a lot of our time in our loyal guests. We introduced something called the 'Select Programme', where the top 250,000 people in our database are select guests and they get special privileges and benefits."
The Co-operative Bank	"We have a leading edge CRM system called Sapphire which whenever a customer dials in to check on their account details, it automatically assesses where that customer is in sort of their life stage, where they are in terms of their finances, and it either allows them to continue to work on the computer automatically, or it leaks them into an operator to have a dialogue with them about things that they might need. Because of the things that we know about that customer we can say 'oh that's a lot of money you've got in that account Mr Smith, have you thought about putting it into this one.'" "We also have an interesting sort of loyalty scheme called Customers Who Care, and so we don't give loyalty points on credit cards. The money that would normally go into a cash-back scheme goes into a charitable pot and customers get the opportunity of voting two or three times a year where that money goes to, which charities will benefit."

<i>Counter-Supporting Examples</i>	
Ann Summers	"A lot of people don't want to give their customer details, they don't want to be approached because they are buying something that is very, very sensitive. For example, most people would ensure that when they sent a letter through the post that their company was advertised on it, we cannot do that."
Asda	"We were the first to actively exit loyalty cards. Once you'd had the initial kick-up, which was about 3-4%, what you were then left with was nothing in the second year or the third year but then all this cost and headache and hassle and we absolutely didn't want to go into banking or all of these other things that we don't think are about selling food and clothing which are our core businesses."

Many cases reviewed have a communication scheme with their customers. With the exceptions of Ann Summers, which for obvious reasons does not want to write to customers on regular basis, and of Asda, which dropped loyalty cards because they were not contributing to the bottom line, the other products analysed exploit their customer databases to remind customers about new offerings or prompt new buys. For example, Majestic Wine sends out a mailing list five times a year to various active members. It also has a customer gets customer scheme that rewards existing customers. Similarly, Legoland has a database of 400,000 families that is used to tell previous guests of new developments. Center Parcs understands well the power of customer retention. They found that when customers stay with them they usually come back again and again, so they trial incentives, for example by giving free day passes to selected guests. The Co-operative Bank has a leading-edge CRM system to work out where customers are in terms of their financial needs, and then handles them appropriately. It also has a loyalty scheme that does not generate Air Miles but 'points' which are given to charities voted for by the customers.

Table 4-52 Frequency: Strength of Customer Retention Programme

Theme	Occurrence in Cases	
	Examples	Percentage
Cases with frequent communication with their customers	Center Parcs, Co-operative Bank, Majestic Wine, Legoland	28.9%
Total Possible Occurrences	14	100.00%

4.3.19 Summary of qualitative findings

The previous sections looked at 18 possible sources of advantage and how these apply to the hard-to-copy products analysed. Table 4-53 summarises each competitive factor and provides the key elements related to each advantage.

Table 4-53 Sources of Advantage: Goals, Examples, and Findings

Competitive Advantage	Goals	Hard-to-copy Examples	Findings
First or early to market	Being the first firm to pursue an opportunity.	Center Parcs, First Direct, Direct Line, Regus	Changed the rules of the game and created new playing fields.
Innovation	Generate, accept and implement new ideas, processes, products or services.	Center Parcs, Co-operative Bank, First Direct, Direct Line, Ann Summers, Virgin One Account	Switched focus of attention to other buyers, combined reasons for purchase from substitute sectors, changed the functional/ emotional mix, offered key elements from segments above and below, and offered more of a total solution to customers.
Customer benefits provided	Provide compelling reasons for customers to buy products or services.	Co-operative Bank, First Direct, Direct Line, Majestic Wine, Asda, Accessorize, Ann Summers	Offer more customer productivity, simplicity, convenience, risk reduction, fun and image, and environmental friendliness.
Ability to learn and to adapt	Develop new knowledge about customers that has the potential to influence behaviour change.	Center Parcs, Direct Line, Virgin One Account	Open challenging environments in which experimentation and learning are expected and promoted.
Quality of customer service	Perform task-oriented activities that involve interactions with customers in person, to the highest possible standard.	Center Parcs, First Direct, Majestic Wine	Professionalism, not passing around customers, walking the extra mile, acknowledging mistakes.

Economies of scale	Perform activities more efficiently at larger volume.	Regus	Size is less important than critical mass.
Alliances and partnerships	Establish contractual relationships with firms whose products are complements in the marketplace.	Center Parcs, Nike Town, Center Parcs, Accessorize, Ann Summers, Virgin One Account	Used to add professionalism, respectability, acceptability, credibility, authenticity, and business stability.
Branding	Create positive emotional and affective associations with individuals towards the product or company name.	Co-operative Bank, Direct Line, Asda, Center Parcs, Ann Summers, Lands' End	Highly differentiated, with consistent core values and clear propositions, developed mainly through non mass media channels.
Distribution network	Create a network of people, institutions or agencies involved in the flow of a product to the customer, making the product convenient and attractive to buy and rebuy.	Blackwell's, Regus, Majestic Wine, Asda, Accessorize, Ann Summers,	Important to some but not all cases. Business model has strong influence.
Financial strength	Borrow or generate internal funds enough to finance operating and investment activities.	Accessorize, Ann Summers	High-margin businesses that generate sheer amounts of cash flow.
Organisational culture	Help individuals understand the functioning of the firm and provide the norms for behaviour within it.	Center Parcs, Co-operative Bank, First Direct, Nike Town, Direct Line, Majestic Wine, Accessorize, Virgin One Account, Asda	Informal and friendly people in open-plan layouts with easy access to management. Information flowing freely up and down the organisation between passionate people not worried about the rulebook.

Customer understanding	Secure detailed understanding of the needs of the consumer.	Co-operative Bank, First Direct, Asda, Blackwell's, Direct Line, Accessorize, Ann Summers	Detailed profiles of existing customers. Sharp listening capabilities.
Low-costs achieved	Perform most activities at a lower cost than competitors while offering a parity product.	First Direct, Direct Line, Majestic Wine, Asda	Tight overhead cost control. Trade in secondary locations. No intermediaries. Centralised operations.
Good marketing research skills	Identify market-ing opportunities and problems, generate, refine and evaluate marketing actions, monitor market-ing performance, and improve the understanding of the marketing process.	Center Parcs, Direct Line, Accessorize, Asda	Strong internal capabilities to conduct marketing research.
Low prices charged	Provide the highest value consumers are willing to pay for the benefits of having or using the product or service.	Direct Line, Asda	Mainly premium pricing. High value offers.
Support from parent company	Add value to the subsidiaries that are served.	Nike Town, Virgin One Account, Lands' End, Asda	Access to financial support, shared cost centres, and corporate branding.
Leadership provided by top management	Influence people so that they will strive willingly and enthusiastically toward the achievement of the group's mission.	First Direct, Nike Town, Direct Line, Regus, Majestic Wine, Ann Summers, Virgin One Account, Lands' End	Inspiring leaders with clear strategic vision and practical sense. Have been with the company for a long time.

Good customer retention	Keep loyal customers to whom the firm can deliver superior value.	Center Parcs, Co-operative Bank, First Direct, Majestic Wine	Used databases to actively communicate with customers. Offer innovative loyalty schemes.

Most sources of competitive advantage reviewed previously contribute to the desired hard-to-copy position. However we are attempting to find out which factors are most important, that is which factors are the key drivers of a hard-to-copy position.

The number of times each topic is mentioned might be considered a guide to importance (see Table 3-8). This is unlikely to be the case. First of all, a simple count does not reflect importance. Also the methodology has skewed the meaning of a simple count as each participant was prompted to comment on each of the above 18 factors.

However some factors generated more discussion than others and seemed to carry more weight amongst the participants. They also led to more amplification and development in the discussions. They also seemed to be given more weight in the literature. Thus a number of the above topics seemed to justify some further amplification. These are:

- The culture of the organisation
- The customer benefits provided
- Branding
- Innovation, and
- Competitive strategy (segments served, relative cost and product differentiation)

Each of these topics will be discussed further in the following chapter and a number of propositions suggested for each. All of the 18 topics are of course tested for importance in the survey carried out (see Chapter 6).

4.4 CONCLUSION

The qualitative research had two major goals: to identify whether hard-to-copy products existed in the U.K. services sector and, if they did exist, to gather information on the factors behind the hard-to-copy position. The focus groups conducted with experts from world-class consulting firms suggested that hard-to-copy products do exist. A list of more than 70 hard-to-copy examples gained general consensus as to being unique, highly differentiated, and showing superior market and financial performance.

The interviews carried out subsequently on 14 hard-to-copy products identified in the focus groups brought some light onto the factors supporting the hard-to-copy position. Eighteen possible advantages frequently mentioned in the literature were investigated. It was found that although all 18 factors were important to a hard-to-copy position, not all factors carry the same weight. Findings show that 1 organisational culture, 2 innovation, 3 branding, 4 segmentation, 5 customer benefits, 6 low cost and differentiation appeared to be particularly important in the development of the hard-to-copy position.

The next chapter combines the qualitative findings discussed in this chapter with relevant literature to develop a number of propositions subsequently tested by means of a self-administered questionnaire.

CHAPTER 5 – EXPLORATORY RESEARCH FRAMEWORK

5.1 INTRODUCTION

This chapter establishes the objectives and propositions that guide the quantitative research. The researcher has adopted the sequential mixed-method design, which started with qualitative data collection and analysis, using the results to design a subsequent quantitative phase of the study. Thus, the findings from the qualitative research are important in refining the scope of the research, as well as the development of the questionnaire.

This chapter is constructed in two parts. The first part establishes the thesis' theoretical position, adding to the dialogue between the industry approach and the resource approach. The second part introduces the research questions and the objectives for this study, as well as the propositions derived from the extant literature and qualitative work discussed in Chapter 4. The propositions are to be tested during the quantitative discussed in Chapter 6.

5.2 THEORETICAL POSITION

The literature on competitive advantage reviewed in Chapter 2 described two theories that dominate current business thinking, the industry-based and the resource-based theories. It was stated that there have been several attempts to consolidate the two theories (e.g. Hunt and Morgan, 1996; Mahoney and Pandian, 1992; Amit and Shoemaker, 1993; Barney, 1991; Collis and Montgomery, 1995). These scholars encourage dialogue between the industry-approach and the resource-based approach because the overlap between concepts like strategic industry factors and strategic assets creates competitive advantage. Therefore, firms must identify those resources that overlap with the strategic industry factors prevalent at the present time and which are likely to be important in the future if advantage is to be attained.

The structure of the industry has an influence on firm performance (McGahan and Porter, 1997). Thus, superior performance can result from a competitive advantage brought about by a firm, relative to others in its industry, having a lower cost position, having its offering being perceived industry-wide as being unique, or having a focus on one particular market segment and developing a market offering specially tailored to it (Hunt and Lambe, 2000, p.19). However, differences in firm performance cannot be attributed solely to differences in industry conditions (Peteraf, 1993, p.186). Superior performance can also be explained by the characteristics of assets and skills, fundamentally heterogeneous and imperfectly mobile across firms (Peteraf, 1993; Hunt and Lambe, 2000).

This thesis embraces the dialogue between the industry approach and the resource approach. Advantages of this option are twofold. On the one hand, this study takes into account the idiosyncratic firm competencies, such as the capacity to innovate and organisational culture. On the other, it accepts that it is important to achieve a defensible cost or differentiation position in an attractive market, keeping rivals off balance (Day, 1994).

5.3 PURPOSE, RESEARCH QUESTIONS AND OBJECTIVES

According to many academics (e.g. Aaker, 1989; Bharadwaj et al, 1993; Fahy, 1993; Day and Wensley, 1988) and industry evidence, some products are more profitable than others, regardless of whether the average profitability of the industry is high or low. Moreover, some successful products manage to sustain superior performance for some time. Therefore, superior performers conceivably possess something special and hard to copy that allows them to outperform their rivals. The fact that some renowned service products have been widely acknowledged as success stories – e.g. Direct Line, First Direct, Asda – also helped to refine the purpose of this research. Therefore, this research has the following purpose:

Purpose: To explore empirically a number of skills and assets which form the basis of competition and provide the foundation of a competitive advantage and long-term performance.

The research questions have emerged from a judicious review of academic literature, combined with the observations put forward by many scholars (e.g. Dickson, 1992; Ghemawat, 1986; Fahy, 1996; Hoskisson et al., 1999; Rouse and Daellenbach, 1999) who hold that competitive advantages are difficult to sustain, particularly in the services sector. Two research questions lead this study:

RQ 1: Do hard-to-copy products exist in the services sector?

RQ 2: What is special about hard-to-copy services and what makes them hard-to-copy?

Hoskisson et al. (1999) recommend the integration of qualitative and quantitative works when the study is complex. This is certainly the case as it is difficult to understand why one product or firm outperforms another. Therefore, this study adopts the sequential mixed-method design, consisting of a two-phase sequential design, which is expected to improve research outcomes (Jick, 1979). The qualitative empirical work has the following objectives:

Objective 1: To identify a number of service products that had enjoyed market and financial success, and had proven difficult to imitate.

Objective 2: To gather information on the factors behind the hard-to-copy positions for the products identified.

Qualitative research suggested that hard-to-copy products could be found in the services sector. Group discussions with experts from world-class consulting firms identified in excess of 70 products in the service sector that deliver enduring superior financial and market performance. The interviews carried out subsequently on hard-to-copy products helped to gather information on the factors supporting the hard-to-copy position. Eighteen possible advantages were investigated. It was found that although all 18 factors contributed to a hard-to-copy position, some factors, including culture, customer benefits, branding, innovation, and competitive strategy were highly regarded by managers, and thus required further investigation. These factors form the basis for the quantitative study, which is designed in order to address the following objectives:

Objective 3: To develop a profile of hard-to-copy products in the service sector.

Objective 4: To explore the relationship between organisational culture and hard-to-copy products in the service sector.

Objective 5: To explore the relationship between customer benefits and hard-to-copy products in the service sector.

Objective 6: To explore the relationship between branding issues and hard-to-copy products in the service sector.

Objective 7: To explore the relationship between innovation and hard-to-copy products in the service sector.

Objective 8: To explore the relationship between competitive strategy and hard-to-copy products in the service sector.

5.4 PROFILE OF HARD-TO-COPY PRODUCTS

The number of possible competitive factors is vast, even more so because every business develops its own configuration of resources (Day, 1994). Furthermore, within the service industry, skills and assets are likely to be contingent on the characteristics of the service, the firm, and the service industry (Bharadwaj et al, 1993).

However, some skills and assets appear very often in the literature (e.g. Aaker, 1989; Bharadwaj et al, 1993; Doyle and Wong, 1998; Day and Wensley, 1988; Peters, 1984; Carroll, 1982; Barney, 1986, 1991; Dess and Davis, 1984; Fahy, 1993; Ghemawat, 1986; Day, 1994; Pfeffer, 1994; Hall, 1991, 1993; Baghai et al, 1999; Hitt et al, 2001). These were used in this study.

Previously we reviewed 18 sources of competitive advantage and have researched their applicability to a sample of hard-to-copy products. We are now interested to find out if it is possible to identify a profile of a hard-to-copy product. This was operationalised by asking managers to rate each of the

competitive factors using a 7-point bipolar scale with response categories ranging from "1=Not at all" to "7=Very much so".

To what extent have the following factors helped prevent competition from copying your product effectively?

- *Being first, or early, to market.*
- *Superior innovation, initial and on going.*
- *Superior customer benefits provided.*
- *The ability to learn and to adapt to change.*
- *The quality of customer service provided by staff.*
- *Economies of scale achieved.*
- *Alliances and partnerships formed.*
- *The reputation of the brand.*
- *Network of outlets.*
- *The financial strength of the organisation.*
- *The special culture of the organisation.*
- *Superior understanding of customers.*
- *Low costs achieved.*
- *High level of marketing research related skills.*
- *Low prices charged.*
- *Support from a parent organisation.*
- *Leadership provided by top management.*
- *Strength of the customer retention programme.*

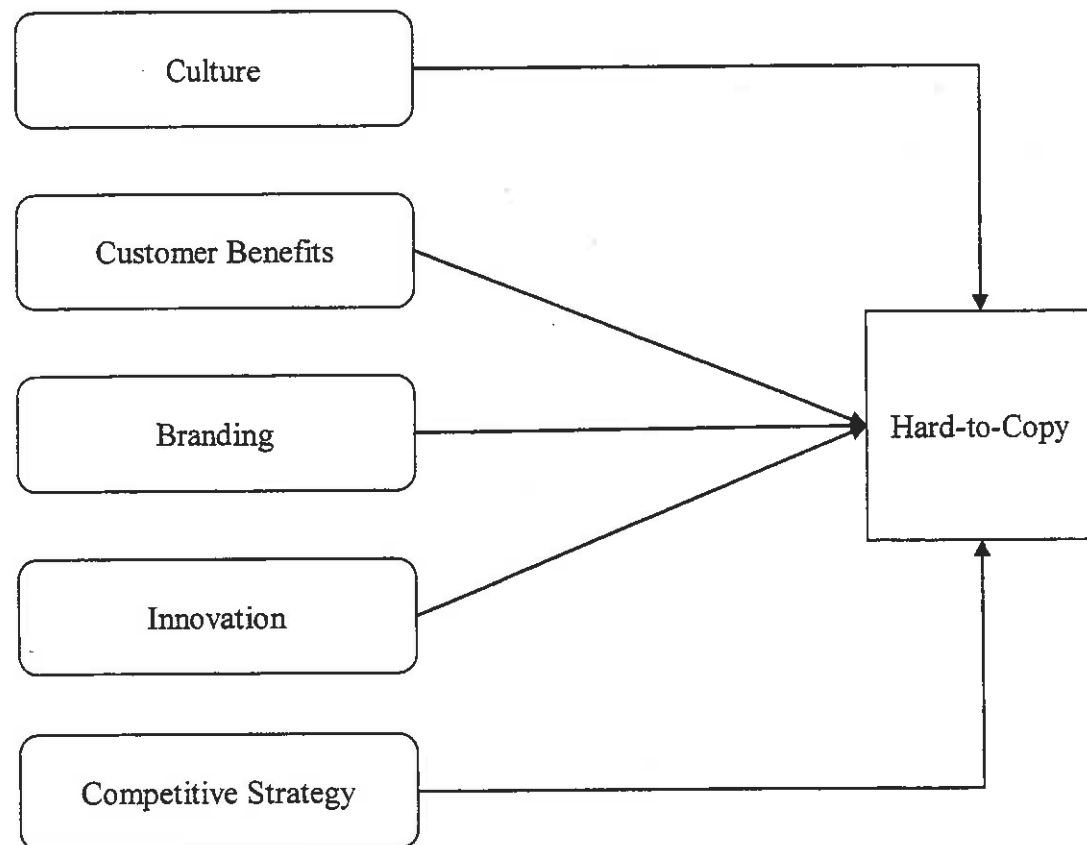
Some authors argue that multiple strengths are needed to compete (Aaker, 1989; Coyne et al, 1997). Others add that a competence comprising only a few elements is much easier to understand and replicate than one that relies on the subtle alignment of myriad elements (Coyne et al, 1997). Thus, sustainability is improved when competing on different advantages (Ghemawat, 1986). After establishing a profile of hard-to-copy products, we will be able to answer the following question:

Do hard-to-copy products excel on more competitive factors than products that are not hard-to-copy?

5.5 PROPOSITIONS FOR THE QUANTITATIVE STUDY

Any service firm that sells its product at a profit undeniably enjoys a competitive advantage with those customers who choose to buy from it instead of its competitors. We are attempting to find out which advantages are most important, that is which factors are the key drivers of a hard-to-copy position. The qualitative work suggested some sources of advantage carried more weight amongst the participants. They also seemed to be given more weight in the literature. Therefore, these were the sources of advantage to explore in the quantitative phase of the research. The propositions developed next are the result of insights from the qualitative study and from the review of relevant literature.

Figure 5-1 Themes Justifying Further Amplification



5.5.1 Culture of the organisation

The culture of the organisation, defined as “the pattern of shared values and beliefs that help individuals understand organisational functioning and thus provide them norms for behaviour in the organisation” (Deshpandé and Webster,

1989, p.4), has been linked very often to competitive advantage (e.g. Bharadwaj et al, 1993; Barney, 1986; Deal and Kennedy, 1982; Peters and Waterman, 1982; Tichy, 1983). Apparently, certain cultures enable firms to do and be things for stakeholders that could not be done, or could not be done as well, by firms without these cultures (Deal and Kennedy, 1982; Ouchi, 1981).

One characteristic of culture is that it is often unique. This is so mainly for three reasons. Firstly, firms reflect the unique personalities and experiences of those who work there (Barley, 1983; Polanyi, 1958). Secondly, firms also reflect the unique circumstances of their founding and of their growth (Pettigrew, 1979; Selznick, 1957; Chamberlain, 1933; Clark, 1972). Finally, culture usually reflects the unique personalities of their founders (Schein, 1983; Zucker, 1977). Owing to their uniqueness, organisational cultures are difficult to imitate, or even to understand, because it may not be possible to describe what it is about a particular organisation's culture that adds value to firms (Lippman and Rumelt, 1982). Even if it were possible to describe successful cultures, as Peters and Waterman (1982) did, imitation could not be guaranteed. Despite the aforementioned limitations on studying organisational cultures, the literature calls for more empirical investigation about the culture-performance link (De Chernatony, 2001).

Kotter and Heskett (1992) argue that culture is a valuable asset only if it is appropriate for its environment. Thus, a firm may have a strong culture but an inappropriate one. De Chernatony (2001, p.145) maintains, "While everyone in a firm may be adhering to the same values, the values may be inappropriate and everyone in the firm would be following the same path to oblivion." Therefore, if the firm is part of a rapidly changing market, such as the new economy, and has a bureaucratic culture, the culture-environment fit of the firm will be poor and the firm will be performing less well. This is a situation hard-to-copy products cannot afford.

Interestingly, the interviews did not link the organisational culture to the fit with the environment. Rather, managers described their corporate culture in terms of its appropriateness for the brand (e.g. Asda's culture of cost control fitting the

brand's position of lowest prices), with implications at various levels, for example on recruitment and development. Kapferer (1997) holds that "Major brands are driven by a culture but, in turn, they also convey this culture" (p. 101). This is closer to what we found in the interviews. Therefore, four matches between organisational culture and the brand are possible:

Figure 5-2 Fit Between Organisational Culture and the Brand

Brand fit with the environment	Good	'Dragged back'	'Perfect match made in heaven'
	Poor	'Perfect match made in hell'	'What a shame'
		Weak	Strong
Culture fit with the brand			

Where:

Dragged back: an excellent fit with the environment but dragged back by the inappropriateness of the company culture;

What a shame: a superb culture fitting the brand excellently, the only trouble is the brand has no role in the marketplace;

A perfect match-made in hell: they deserve each other, a brand going nowhere and a non-supporting culture;

A perfect match-made in heaven: the brand in harmony with the environment, the culture in harmony with the brand.

A review of the qualitative findings suggests that hard-to-copy products exhibit a good culture fit with the brand. For example, Asda people are passionate about being a low-cost player. Similarly, Majestic's staff is passionate, enthusiastic and knowledgeable about wine. Likewise, at Nike Town, 99% of staff play sports, or are previous medallists or professional athletes. Therefore:

Proposition 1: Hard-to-copy products are more likely to exhibit a stronger culture fit with the brand than are products that are not hard-to-copy.

Proposition 2: Hard-to-copy products are more likely to simultaneously exhibit high brand fit with the environment and high culture fit with the brand than are products that are not hard-to-copy.

Three statements were used to evaluate the strength and appropriateness of company culture for the brand. The first statement asked managers:

How would you describe the culture of your company?

This item was measured on a 7-point bipolar scale with response categories ranging from "1=Very weak" to "7=Very strong". A second statement asked managers:

How well does this company culture fit the requirements of the brand?

This item was also measured on a 7-point bipolar scale with response categories ranging from "1=not at all" to "7=perfectly." Finally, the last statement asked:

Overall, the strength of our brand is...

This item was also measured on a 7-point bipolar scale with response categories ranging from "1=very weak" to "7=very strong."

In Chapter 2 we reviewed five alternative theoretical paradigms for studying corporate culture, each with unique marketing research implications. It was reported that the organisational cognition paradigm has been developed relatively more than the others in terms of formal conceptual framework, specification of variables and operationalisation of measures, and is therefore the one used in this study. Deshpandé et al (1993) used this approach to research organisational culture and found four culture types – market, hierarchical, adhocracy, and clan – defined by two key dimensions (organic to mechanistic processes and internal maintenance to external positioning). The authors argue that each culture type

implies varying degrees of performance in a competitive marketplace. Thus, *market culture*, characterised by its emphasis on competitive advantage is likely to be best associated with hard-to-copy positions. At the other extreme, the *hierarchical culture*, emphasising smooth operations within a bureaucratic organisation, is expected to be poorly associated with hard-to-copy positions. Given the focus in an *adhocracy culture* on innovation and risk taking, we would expect it to have a better association with the hard-to-copy position than a *clan culture*, in which loyalty, tradition and emphasis on internal maintenance could lead to less attention to changing marketing needs.

The qualitative findings suggest that of the four culture types proposed by Deshpandé et al (1993), the one that best corresponds to most interviews is the *market* type, which is characterised by its emphasis on competitive advantage. Accessorize's management is very light and wants people to feel that they can approach management. Asda staff is single status; there are no executive dining arrangements or parking spaces allocated to management. Similarly, Majestic Wine has an open-plan policy; people are very open and frank. First Direct promotes self-confidence; if bank representatives need to talk to the CEO they are encouraged to do so. There is also a relaxed management policy at Lands' End, which is expected to be passed on to customers; relaxed phone calls, nothing is hurried, nothing is pushed. The same values apply at Direct Line; they also have an open, flat management; things are decided fast. Therefore, the interviews revealed similar patterns of shared beliefs: informal, friendly people, in open-plan layouts, easy access to management, information flowing freely up and down the organisation, and empowered people.

However, not all hard-to-copy cultures fit into the *market* type of culture. For example, The Co-operative Bank is highly hierarchical, its policies enforced by internal auditors. Center Parcs, in turn, values loyalty and tradition, thus associated with a *clan* culture. The quantitative research that follows will clarify the cultural differences between hard-to-copy products and products that are not hard-to-copy. Hence:

Proposition 3: Corporate cultures stressing competitiveness (*market*) and entrepreneurship (*adhocracy*) are more likely to be related to hard-to-copy positions than cultures stressing internal cohesiveness (*clans*) or rules (*hierarchies*).

The culture type scale was adapted from Deshpandé et al (1993). It was operationalised as follows. The four culture scores were computed by adding all three values of the *A* items for *clan*, of the *B* items for *adhocracy*, of the *C* items for *hierarchy*, and of the *D* items for *market*. Results can, therefore, attain a maximum of 300 points and a minimum of zero. Managers were asked:

The following questions refer to that part of the company that is organised around the product. Please distribute 100 points among the four descriptions for each question depending on how similar the description is to your company. None of the descriptions is any better than any other; they are just different. For each question, please use all 100 points. You may divide the points in any way you wish.

Which mix of the following company cultures best describes your company?

- (a) My company is a very personal place. It is informal, friendly, and open, like an extended family. People seem to share a lot of themselves.*
- (b) My company is a very dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.*
- (c) My company is a very formalised and structured place. Established procedures generally govern what people do.*
- (d) My company is very production-oriented. A major concern is with getting the job done, without much personal involvement.*

Which mix of the following leadership styles best describes your leader?

- (a) The head of my organisation is generally considered to be a mentor, sage, or a father or mother figure.*
- (b) The head of my organisation is generally considered to be an entrepreneur, an innovator or a risk taker.*

(c) The head of my organisation is generally considered to be a co-ordinator, an organiser, or an administrator.

(d) The head of my organisation is generally considered to be a producer, a technician, or a hard-driver.

In your opinion, what holds the organisation together?

(a) The glue that holds my organisation together is employee loyalty and tradition. Commitment to this firm runs high.

(b) The glue that holds my organisation together is commitment to innovation and development. There is an emphasis on being first.

(c) The glue that holds my organisation together is formal rules and policies. Maintaining a smooth-running institution is important here.

(d) The glue that holds my organisation together is the emphasis on tasks and goal accomplishment. A production orientation is commonly shared."

5.5.2 Customer benefits provided

Storey and Easingwood (1998) maintain that while the functional benefit represents the core of any service purchased by the customer, the purchase is influenced by more than the essential functional benefit. Therefore, most competition takes place at the product augmentation level, and successful offerings should not only satisfy, but also delight the customer (Kotler et al., 1999).

There are many ways to differentiate services. For example, a firm could provide superior service, use a strong brand, or provide superior quality. According to Kim and Mauborgne (2000, 2001), what differentiates successful services from others is the capacity to make customers' lives simpler, more convenient, more productive, more fun or less risky, and being environmentally friendly.

The qualitative findings suggest the previous assertions are valid. For example, Blackwell's prides itself on being completely devolved to local institutions, which means tailoring the stock and its presentation specifically to the local customer base. Again, Lands' End increases productivity of customers' buys

because it hems the majority of trousers to customers' exact leg length. Similarly, First Direct's bank representatives are able to do the majority of things customers wanted to do without passing them around and without the need for additional paperwork and authorisations.

Simplicity is also an added benefit found in hard-to-copy products. For example, with Direct Line customers found the documentation was simple, without hidden cover notes. Similarly, Virgin One Account combines several accounts into a single one, which merges the balances of current accounts, savings accounts, credit card accounts, loan accounts, and mortgage accounts.

Convenience is present in most hard-to-copy products. Ann Summers, for example, is accessible in two ways: shops located on the High Street, and 7,500 party organisers. Accessorize stores are also convenient because customers do not have to shop around different outlets to find their accessories; it is a one-stop High Street accessory retailer. Asda's motto is 'Next stop Home', which means they fill their 60,000 feet stores with most of a consumer's weekly needs.

Risk reduction was also a benefit found in at least three hard-to-copy products. Center Parcs reduces the risk of spoiling a short holiday break in the U.K. by providing a large dome located at the centre of the park with a temperature-controlled environment. Majestic Wine, in turn, is known for wine expertise, so the customer always gets the right choice of wine for every occasion. Finally, one of Lands' End's business principles makes it explicit that there is no customer risk attached to the purchase. If the customer is not satisfied, all he/she has to do is to return the goods, no questions asked.

Some hard-to-copy products are also fun. Some even depend on it. For example, Ann Summers has to be fun and fashion conscious, otherwise it could become too seedy and down-market. Accessorize, on the other hand, uses fun as a selling proposition. Products are designed for the youth, with the latest colours and fashions.

Two hard-to-copy products analysed are strikingly environmentally conscious. The Co-operative Bank is the epitome of an environmentally conscious product.

Indeed, the brand positioning revolves around the idea of a safe and protected environment. Another example that expresses high concern for the environment is Center Parcs, which is all about equilibrium with nature. Hence, all villages are established in a forest, fully integrated with the surroundings.

In summary, qualitative findings suggest that hard-to-copy products deliver on a number of valued customer benefits. It is therefore proposed that hard-to-copy products offer more significant benefits than products that are not hard-to-copy. Therefore:

Proposition 4: Hard-to-copy services offer significantly more of one or more of the utility levers than do services that are not hard-to-copy.

Six levers constitute the basis for the items included in the questionnaire. Managers were asked, on a 7-point bipolar scale with response categories ranging from "1=not at all" to "7=very much so", the following question:

To what extent does the product provide more of the following benefits than competitors?

- *Improves customer productivity.*
- *Simplifies something that was previously more complex.*
- *Offers extra convenience and reduces hassle.*
- *Reduces risk of underperformance.*
- *Provides "extra fun."*
- *Offers a superior "image."*
- *Helps the environment.*

5.5.3 Branding

Few marketing topics have received so much attention recently as branding (Free, 1999). Surprisingly, empirical research into service branding has been very scarce. For example, De Chernatony and McDonald (1998, p.205) maintain that

“the understanding of services branding has not kept pace with the growth of the services sector”.

The review of the extant brand literature, together with the interviews, stimulated some interesting ideas associated with hard-to-copy brands. These ideas are grouped under three headings: position, communication and differentiation. Aaker (1996, p.71) defines brand position as “the part of the brand identity and value proposition to be actively communicated to the target audience.” De Chernatony (2001) offers a similar definition. He posits that “positioning is a process for ensuring that a brand can fight through the noise in a market and enable the brand to occupy a distinct, meaningful and valued place in target customers’ minds” (p.219). A brand’s clear position is highly desirable, and has been linked to success (c.f. Aaker, 1997; Keller, 1998; Kapferer, 1997). The problem here is: should the brand position be changed to keep up with the times? To De Chernatony (2001) this makes sense. In fact, he argues that this is the only way to guarantee that existing brands stay relevant in a changing environment. Similarly, Keller (1998) argues that although core values should remain fairly consistent over time, consistency does not mean avoiding making changes in the marketing program.

The qualitative findings provide both supporting and counter-supporting examples of consistency of brand position. Let us look at the supporting examples first. Ann Summers “doesn’t want to be forbidden anymore” because society has changed and there is nothing risqué about sex shops at all. Center Parc has moved from the “British holiday the weather can’t spoil” to an “up-market break that I can take in the U.K.”. The Co-operative Bank started out as the ‘ethical’ bank and is changing into Smile, a modern version that is taking the essential underlying values of the main bank, making them look attractive to younger and fashion-conscious people.

However, Asda has not changed its positioning for a long time. The popular ‘That’s Asda price, permanently low prices for ever’ on the air 52 weeks per year has been sending the same message for the last 10 years. Accessorize is another brand which defends continuity. However, the point made here is that this is

unusual and managers should expect to subtly re-position their brand, even successful ones, over time. Therefore,

Proposition 5: The positions of hard-to-copy brands usually evolve over time to adapt to changing market circumstances.

Brands need strongly held, favourable associations that function as points of difference and are unique to the brand (Keller, 1998). Therefore, a well-conceived brand identity can be a powerful asset to the firm, providing a source of sustainable advantage (Aaker, 1996). Ann Summers is cutting-edge, fun, fashion-conscious, and acceptable. In fact, failing to position the brand as intended has tremendous risks for Ann Summers. If Ann Summers is not perceived as fun and professional, the Brand Manager argues, the brand could become very seedy and in danger of being seen as down-market. Therefore,

Proposition 6: The positioning of hard-to-copy brands is very precise.

Park et al (1986) argue that when the brand identity is well communicated, customers are able to identify the needs satisfied by the brand, creating differentiation from its competitors (Reynolds and Gutman, 1984). Keller (1999) argues that it should be possible to capture the spirit of the brand positioning in short three- to five-word phrases.

The qualitative findings show that most hard-to-copy brands are built around simple propositions. Direct Line's advertisements are easily understood by customers. They communicate 'Save money, go direct'. Nike Town is about passion for sport, about performance and innovation. Lands' End is associated with U.S. casual clothes, U.S. quality, U.S. quality of service, and a U.S. brand. However, Legoland finds it hard to express its brand simply. Core brand values are fun, excitement, bright, colourful, trustworthy, safe and probably ingenious. In summary, hard-to-copy brands have a very clear view about precisely what added values their brands offer, thus:

Proposition 7: Hard-to-copy brand positions are built around simple propositions that can often be captured in a few words.

There is an open debate in the branding theory about the importance of mass media to build strong brands. For instance, Kapferer (1997) maintains that advertising writes the history of a brand. Along a similar line of thought, Keller (1998) considers advertising as a powerful means of creating strong, favourable brand associations. He recognises, however, that this is a controversial issue because the specific effects of advertising are often difficult to quantify and predict. In contrast, Joachimstahler and Aaker (1997) argue that brand building does not depend on mass media advertising. Therefore, they propose "alternative communication channels to create product awareness, convey brand associations, and develop loyal customer bases" (p.39). The debate about the importance of mass media as a tool of brand building is therefore still open.

The interviews seem to support Joachimstahler and Aaker's (1997) argument. Ann Summers spends no money on advertising; its marketing is very much through public relations. Accessorize is not managed as if it were a mass marketed brand, therefore word-of-mouth is fantastically important. Most of The Co-operative Bank's customer acquisitions are either through Affinity partners or through direct marketing. Lands' End, also, builds the brand steadily through experience and word-of-mouth. Majestic Wine relies on public relations to reach knowledgeable consumers and opinion makers. Advertising is important for Center Parcs, but more from the point of view of prompting the decision to think about booking a holiday; it is thus not playing a major role in building the brand.

However, the interviews also provided some contrasting examples. Asda is on air 52 weeks of the year, so the part of the strategy is borne out in the media strategy. Likewise, Direct Line's Marketing Director says "reality is that you have to find a way of getting people in the first place, and Direct Line chose to use mass broadcast media and television in what is a cheap way of acquiring customers." Interestingly, Direct Line is also a big investor in public relations. Finally, Virgin One Account is a heavy advertiser, because "We are only as good as the number of calls we get in the call centre", argues the Marketing Director. Nevertheless, these examples seem to invest in mass media advertising in order to prompt the decision to buy. Hence, it could be argued that mass media is not playing a major role in building the brand. Therefore,

Proposition 8: Mass media communication is a relatively less important part of the communication mix of hard-to-copy brands.

Proposition 9: Hard-to-copy brands' creation is driven more by word-of-mouth than by mass media advertising.

Evidence shows that innovations are rapidly copied (Ghemawat, 1986), and it is difficult to sustain a valued functional advantage (De Chernatony, 2001). Therefore, brands are struggling to find points of distinction (Aaker, 1996). De Chernatony and McDonald (1998) argue that differentiation is essential for growth.

De Chernatony and McDonald (1998) hold that one course to achieve differentiation is to add values which do not just justify functional needs but also meet emotional needs. Blackwell's expertise and relationships built up with the academic community over 120 years is certainly a point of differentiation that is hard to replicate. Equally, when Legoland applied the Lego brand onto the rides, it turned them into unique rides. Similarly, Nike Town builds on the emotional relationship customers have with Nike, which urges customers to play to win. Therefore, as most hard-to-copy brands studied are highly differentiated, we posit,

Proposition 10: Hard-to-copy brands are differentiated from their competitors.

The findings show also that hard-to-copy brands occupy positions competitors find hard to follow. For example, The Co-operative Bank's ethical values moved the bank into areas where other High Street banks were afraid to go because they would lose substantial revenues. The Executive Marketing Director of The Co-operative Bank notes, "if you're going to differentiate you have to move into areas where others are afraid to go." Thus, the ethical position adopted moved the Bank into very unusual areas for a bank, such as ecology, taking an attitude on things like hunting and morality. Virgin One-Account also exhibits some entry barriers. Although it is not the only bank to have looked into current account mortgages over recent years, the adoption of the current account mortgage

concept by the High Street banks would affect severely the bottom line, because they make most of their profit by charging customers one rate on their mortgage and giving them little on their savings. Therefore, because some hard-to-copy brands show entry barriers, we maintain:

Proposition 11: Hard-to-copy brands occupy positions competitors find it hard to follow.

Some scholars (e.g. Kapferer, 1997; De Chernatony and McDonald, 1998) state that brands have the power to establish relationships. In fact, Dall'Olmo Riley and De Chernatony (2000) argue that the concept of the brand has evolved with an increased emphasis on relational aspects. These views found support in the case of The Co-operative Bank. The bank has strong associations with ethical values, which separate business profitability from unfettered profits. The excellent relationship between customers and the bank pays off generously. About 40% of personal bank revenues come from products sold via interactions with customers. Hence,

Proposition 12: Hard-to-copy brands develop an emotional tie between themselves and their customers.

The branding measures were derived from the works of Aaker (1991), De Chernatony (2001), De Chernatony and McDonald (1998), Keller (1998), and Kapferer (1997), as well as from the insights from the qualitative study. Managers were asked on a 7-point bipolar scale with response categories ranging from "1=strongly disagree" to "7=strongly agree":

Please indicate the extent to which you agree with the following statements:

- *The brand's position has changed over time (P.5).*
- *The brand benefits from having a precisely defined position and would suffer if this were not the case (P.6).*
- *The essence of the brand can be captured in just a few words (P.7).*

- *The use of mass media has been an important part of the communication mix (P.8, reversed).*
- *Word-of-mouth is the most important component of overall communication effectiveness (P.9).*
- *The brand is differentiated from its competitors (P10).*
- *Competition would find it difficult to try to move into the position occupied by the brand (P.11).*
- *There exists an emotional tie between the customer and the brand (P.12).*
- *The brand has been supported by effective company communication (i.e. PR, mass media, sponsorship).*

5.5.4 Innovation

Innovation is an important function of management because it is linked to business performance (e.g. Damanpour and Evan, 1984; Kan and Manopichetwattana, 1989). Kim and Mauborgne (1999g) conducted extensive research to establish that innovation is the key driver of profitable growth. In their study, Kim and Mauborgne concluded that successful product innovations include shifting the focus of attention to other buyers, combining reasons for purchase from substitute sectors, changing the prevailing functional/emotional mix, and by providing more of a 'total solution.' So, the question remains what is the basis of each of the hard-to-copy concepts?

Qualitative findings suggest that hard-to-copy products fit well into the previous innovation strategies. For example, Ann Summers moved from serving males to serving normal women looking to brighten up their love lives. Similarly, Direct Line shifted from selling to and through brokers to selling directly to the end-consumer. These hard-to-copy products uncovered hidden customer segments. Therefore,

Proposition 13: Hard-to-copy products are more likely than products that are not hard-to-copy to appeal to a new segment.

It was argued that successful innovations could emerge by looking across substitute industries, identifying the key reasons why consumers buy products in one sector and the key reasons why they sometimes buy products in the most important substitute sector and combine them in one product. The interviews also provide some interesting thoughts related to this innovation strategy. For example, Center Parcs offers a holiday in Britain, to which it adds elements of the substitute sector, a holiday abroad, namely the guaranteed temperatures and protection from storms and rain. Taking a few days away without having to travel very far was now possible. Thus,

Proposition 14: Hard-to-copy products are more likely than products that are not hard-to-copy to include benefits previously available only in a substitute sector.

Another means of innovation is to change the convergent behaviour by offering emotion to a functionally-oriented sector or function to an emotionally-oriented sector. The hard-to-copy products analysed seem to hold well to this innovation strategy. Legoland applied the Lego brand to the rides, turning them into unique themed rides, with all the symbolism that Lego exudes. Similarly, The Co-operative Bank added more emotion to the bank relationship, mostly devoid of positive emotions. What the bank did was to offer the alternative of having one's banking affairs handled by an environmentally-aware bank. This has tremendous positive emotional benefits with like-minded customers. Direct Line added more function (low cost). This was possible because Direct Line cut out intermediaries, replaced expensive and slow paperwork with direct communication over the telephone, and used a far more advanced database analysis to better understand risk by customer group. In addition, Direct Line added more emotion to the relationship. The 'little red telephone' is now in the nation's mindset, transmitting a friendly and relevant message. Hence,

Proposition 15: Hard-to-copy products are more likely than products that are not hard-to-copy to offer more function to an emotionally-oriented sector.

Alternatively,

Proposition 16: Hard-to-copy products are more likely than products that are not hard-to-copy to offer more emotion to a functionally-oriented sector.

Finally, successful products emerge because they look at the services consumed before, during and after the consumption, offering a "total solution." In other words, they deliver those services that are valued by customers (Kim and Mauborgne, 1999e), shifting from selling discrete products to supplying total systems and solutions (Govindarajan and Gupta, 2001).

The interviews show that First Direct replaced a service previously performed by the customer him/herself (visiting the bank), by offering telephone access and paperless authorisation. Thus,

Proposition 17: Hard-to-copy products are more likely than products that are not hard-to-copy to provide more of a "total solution" for the customer by including extra services.

The qualitative findings suggest yet another new concept not captured by Kim and Mauborgne (1999g). Accessorize brings together in one shop all the items of clothing and jewellery needed by a woman to complete an outfit. Likewise, Center Parcs offers the benefit of a holiday in a warm, protected environment throughout the year. Therefore, new concepts can emerge by expanding the service offering to include significant benefits wanted by customers but not previously included in the offering. Therefore,

Proposition 18: Hard-to-copy products are more likely than products that are not hard-to-copy to include significant new benefits wanted by customers but not previously offered.

Innovation was operationalised by combining six questions related to new concepts. These questions were sourced on Kim and Mauborgne's (1999g) work discussed above, as well as on the qualitative findings. Managers were asked on a

7-point bipolar scale with response categories ranging from "1=strongly disagree" to "7=strongly agree":

To what extent do you agree with each of the following statements?

- *The product appealed to a new segment.*
- *The product included benefits previously available only in a substitute sector.*
- *The product provided more of a "total solution" for the customer by including extra services that the customer previously had to arrange him/herself.*
- *The product included significant new benefits wanted by customers but not previously offered.*
- *The product served new segments that were previously not served or significantly under-served.*
- *In your product sector there was likely to be a prevailing mix of function (price, functional performance) and emotion (feelings, glamour, human relationships). To what extent did your product break free from this prevailing mix by:*
 - *Offering more function than the competition.*
 - *Offering more emotion than the competition*

5.5.5 Competitive strategy

Porter (1980) argues that there are only three potentially successful strategies for creating a defensible position and out-performing competitors in a given industry. The first one is to concentrate on a particular group of customers, or product line segment. A segment is "a customer group within the market that has special characteristics which are significant for marketing strategy" (Doyle, 1998, p.65). Doyle argues that in most markets the need for segmenting offerings is obvious because a single product will not satisfy all the customers. Porter (1985, p.231) proposes a similar concept whereby market segmentation "is concerned with

identifying differences in buyer needs and purchasing behaviour, allowing a firm to serve segments that match its capabilities with distinct marketing programs.”

According to Porter (1980), firms can adopt a broad-target strategy that addresses many segments, or exclusively address a small number of segments in a focus strategy. He notes that either strategy, i.e. focusing on one segment or broad-target segments, does not necessarily lead to competitive advantage, although opportunities can emerge by identifying new ways of segmenting. More specifically, to gain competitive advantage a broad-target company must gain advantage from competing in multiple segments, which can result from a cost leadership strategy or from a differentiation strategy. Porter argues that broad-target firms often serve too many segments, incurring the risk of sub-optimisation, and increasing its vulnerability to focusers. In any case, he notes, relevant segments must be continually examined, especially since new technology is changing old assumptions about segmentation. On the other hand, Kotler (1997, p.265) maintains that “Very often, companies may begin their marketing with one target segment, then expand into other segments.”

Kim and Mauborgne (1997) also studied the importance of broad segmenting as opposed to fine segmenting. They concluded that many well-known examples adopted a broad targeting strategy, such as SAP, the world’s leading business application software. Until the 1980s, business application software makers focused on sub-segmenting the market and customising their offerings to meet buyers’ functional needs, such as production management, logistics, human resources, and payroll. While most software companies were focusing on improving the performance of particular application products, SAP took aim at the mass of buyers. Instead of competing on customers’ differences, SAP sought out important commonalities valued by customers. SAP correctly hypothesized that for most customers, the performance advantages of highly customised, individual software modules had been over-estimated. Such modules forfeited the efficiency and information advantages of an integrated system, which allows real-time data exchange across a company.

Now the question is: do hard-to-copy products serve broadly defined segments? Many hard-to-copy products seem to support the assertion that successful products target broad-target segments. Center Parcs targets very broad-target segments, from young professional couples to retired groups of friends. Similarly, Direct Line moved from motor insurance into home, and then into a range of financial services such as insurance mortgage, savings loans, and ISAs. Direct Line's Marketing Director says their "target sectors are pretty broad, a mass market." Likewise, Asda's 'Save Me Time' and 'Save Me Money' mottos apply to everyone, the Marketing Director argues. There are some exceptions however, where targeting broad segments is not working effectively. For example, Legoland is trying to widen its franchise by appealing to pre-school children who can come in term-time, but is finding itself squeezed. There are reasons to believe that successful products benefit from targeting broad segments. Hence,

Proposition 19: Hard-to-copy products serve more broadly defined market segments than products that are not hard-to-copy.

In order to test the previous proposition, managers were asked, on a seven-point Likert scale anchored by "More narrowly defined segments" (1) to "More broadly defined segments" (7):

What size segments do you serve, compared to that which is typical in your market?

A second question asked managers, on a seven-point Likert scale anchored by "Appeal to one or small number of narrowly defined segments" (1) to "Appeal simultaneously to several broadly defined segments" (7):

What is closest to your segmentation philosophy?

Porter's (1980) second strategy for creating a desirable competitive position is cost leadership. This strategy emphasises low cost relative to competitors, although not neglecting quality and service delivered. An overall cost edge is gained by performing most activities at a lower cost than competitors while

offering a parity product (Day and Wensley, 1988). Porter (1985) also notes that cost proximity is essential to differentiation strategies, because unless the cost of differentiation is lower than the resulting price premium, the differentiator fails to achieve superior performance.

The interviews revealed a significant number of hard-to-copy products that are very cost conscious. Asda's Marketing Director is convinced that keeping costs low has been fundamental to Asda's success. He maintains, "The first and intrinsic advantage that we have nurtured in our business has been lowest cost to operate. We defray all the operating costs of retailing over bigger cash per outlet than anybody else in the U.K. because we've got physically large stores in inexpensive locations, with a lean management structure." Similarly, Direct Line found that to be in a position to offer competitive premiums it needed a low cost base. By looking at competition, Direct Line realised that the expense ratios of many of them were pretty horrendous because they were inefficient. In addition, they cut out brokers, have a flat structure that applies throughout, and do the majority of development in-house. First Direct followed a similar path. When it started, there were two fundamental ideas: how to put everything in one place and get a lower cost manufacturing environment, and how to get a lower cost distribution environment. First Direct ended up with a distribution based on the telephone and a single manufacturing base. Majestic Wine trades in secondary retail locations, and in many of those sites the stores are not wonderfully designed outlets.

The third strategy for creating a desirable competitive position is differentiation (Porter, 1980). This requires the firm to create a product that is being recognised industry-wide as being unique, commanding higher than average prices. The qualitative work has shown that hard-to-copy products are an attractive whole, namely because they improve customer productivity, simplify something previously complex, reduce hassle and risk, provide extra fun, or are environmentally friendly.

According to Porter (1985, p.41), the worst strategic error is to be "stuck in the middle", that is pursuing cost leadership and differentiation simultaneously.

According to Porter, a firm stuck in the middle is almost guaranteed low profitability, because it either loses the high-volume customers who demand low prices or must bid away its profits to get this business away from low-cost firms. Similarly, Cronshaw et al (1990) conclude that companies with multiple strategic objectives are generally less successful than those with a single goal. Furthermore, companies that do not establish lower costs of differentiated products rarely succeed. Despite the previous reservations, the possibility of a firm gaining competitive advantage from both a low-cost position and differentiation remains theoretically appealing (Wright, 1987; Chrisman et al, 1992; Hill, 1988; Murray, 1988; De Castro and Chrisman, 1995). Hence,

Proposition 20: A hard-to-copy position is secured by gaining a competitive advantage in cost leadership or in differentiation.

And,

Proposition 21: A hard-to-copy position is secured by pursuing either a cost leadership strategy or a differentiation strategy, but not both at the same time.

The following items measure hard-to-copy products' cost and differentiation strategies vis-à-vis the competition, anchored by lower/less, about the same, and higher/more. Managers were asked to position their company as follows:

What is your cost position versus other companies?

What is your differentiation versus other companies?

5.5.6 Relevancy of Propositions to the Services Sector

This section discusses the reasons why the research propositions presented above are appropriate for the services sector.

Propositions on Culture (P.1 to P.3)

The fact that organisational culture can be a valuable asset (Kotter and Heskett, 1992) for tangible and intangible products is not disputed. However, whilst

organisational culture is important for tangible products, with obvious implications in terms of implementing a marketing strategy and developing a customer orientation, it is an even more fundamental issue in service firms because service transactions bring employees and customers into close contact. In other words, because of the simultaneous delivery and receipt of services, employees and customers are physically, organisationally and psychologically close (Webster, 1993). Thus, culture is probably a more important issue in service firms than, for example, in manufacturers.

Proposition on Customer Benefits Provided (P.4)

Product benefits such as customer productivity, simplification, convenience, reduced risk and hassle, fun, image, customer productivity, and concern for the environment apply to products as well as to services. Nonetheless, some of these benefits are likely to be more important for services than for tangible products. Firstly, the difficulty in communicating and standardising service offerings is a consequence of services intangibility and heterogeneity, which poses evaluation problems to customers. Therefore, delivering on customer-valued benefits, such as convenience, reduced risk and hassle, is critical to services' success. Secondly, although image and fun are benefits not exclusive to services, their inherent intangibility causes customers to rely more on organisational image to minimise the perception of risk associated with the buy. However, environment issues are typically associated with manufacturing goods.

Propositions on Branding (P.5 to P.12)

Brand themes, such as positioning, communication, and differentiation, may well equally apply to tangible products and to services and there is no evidence to suggest that any of these topics is less important for goods than for services, and vice-versa. However, because services cannot be felt, tasted, touched, or seen in the same way as tangible goods, service brands need to enhance more the reality of the offering (De Chernatony and McDonald, 1998).

Services are highly intangible; they represent little more than an image, a brand or a reputation. Because brands have the power to establish relationships with

their target customers, they are especially important for services, for the service is by definition a relationship. Indeed, Kapferer (1997) is amazed to see so few examples of successful brands in the services industries. According to the author, some service sectors seem to be just entering the brand age.

Propositions on Innovation (P.13 to P.18)

Innovating by appealing to new segments, adding benefits previously offered in a substitute sector, offering more function to an emotionally-oriented segment or offering more emotion to a functionally-oriented segment, providing a "total solution", and by including significant new benefits wanted but not previously offered is found equally in many goods and services. However, services can appeal to new segments much more readily than a tangible product. For example, when Ann Summers' CEO, Jacqueline Gold, realised they were targeting the wrong people, they swiftly changed the product's positioning to appeal to a totally new segment, the home parties. It is also reasonable to assume that services can be more easily stretched to accommodate extra benefits than goods, for example by providing extra after sales services such as guaranteed period and support. Similarly, providing a "total solution" by adding services consumed before, during and after the service consumption, applies mainly to services.

Most goods and services offer a mix of function and emotion to customers. Despite the fact that some goods succeeded in establishing emotional relationships with customers (e.g. Jaguar cars), service differentiation is highly dependent on establishing emotional relationships. With few exceptions, where products are mostly function there is more opportunity for services to manipulate the mix, either by adding more emotion, as The Co-operative Bank did when it adopted the ethical position, or more function, when Asda decided to cover most consumers' weekly needs under the same roof.

Propositions on Competitive Strategy (P.19 to P.21)

With the exception of focus strategy, because it is perhaps easier to modify a service to appeal to new segments than a tangible product, Porter's (1980) competitive strategies are equally important for services and goods, and

achieving cost leadership or differentiation is highly desirable in both industries.

Based on the previous discussion, Table 5-1 lists the propositions used in this research and characterises its relevancy to the services industry.

Table 5-1 Relevancy of research propositions to services vs. goods

This proposition is ...	More relevant to services than to goods	Equally relevant to services and to goods
P.1: Hard-to-copy products are more likely to exhibit a stronger culture fit with the brand than are products that are not hard-to-copy.	✓	
P.2: Hard-to-copy products are more likely to simultaneously exhibit high brand fit with the environment and high culture fit with the brand than are products that are not hard-to-copy.	✓	
P.3: Corporate cultures stressing competitiveness (market) and entrepreneurship (adhocracy) are more likely to be related to hard-to-copy positions than cultures stressing internal cohesiveness (clans) or rules (hierarchies).	✓	
P.4: Hard-to-copy services offer significantly more of one or more of the utility levers than do services that are not hard-to-copy.	✓	
P.5: The positions of hard-to-copy brands usually evolve over time to adapt to changing market circumstances.		✓
P.6: The positioning of hard-to-copy brands is very precise.		✓
P.7: Hard-to-copy brand positions are built around simple propositions that can often be captured in a few words.		✓
P.8: Mass media communication is a relatively less important part of the communication mix of hard-to-copy brands.	✓	
P.9: Hard-to-copy brands' creation is driven more by word-of-mouth than by mass media advertising.	✓	
P.10: Hard-to-copy brands are differentiated from their competitors.		✓
P.11: Hard-to-copy brands occupy positions competitors find hard to follow.		✓
P.12: Hard-to-copy brands develop an emotional tie between themselves and their customers.	✓	
P.13: Hard-to-copy products are more likely than products that are not hard-to-copy to appeal to a new segment.	✓	
P.14: Hard-to-copy products are more likely than products that are not hard-to-copy to include benefits previously available only in a substitute sector.	✓	
P.15: Hard-to-copy products are more likely than products that are not hard-to-copy to offer more function to an emotionally-oriented sector.		✓
P.16: Hard-to-copy products are more likely than products that are not hard-to-copy to offer more emotion to a functionally-oriented sector.	✓	
P.17: Hard-to-copy products are more likely than products that are not hard-to-copy to provide more of a "total solution" for the customer by including extra services.	✓	
P.18: Hard-to-copy products are more likely than products that are not hard-to-copy to include significant new benefits wanted by customers but not previously offered.	✓	
P.19: Hard-to-copy products serve more broadly defined market segments than products that are not hard-to-copy.	✓	

P.20: A hard-to-copy position is secured by gaining a competitive advantage in cost leadership or in differentiation.		✓
P.21: A hard-to-copy position is secured by pursuing either a cost leadership strategy or a differentiation strategy, but not both at the same time.		✓

All in all, the propositions used in this study are particularly relevant to service industries. Although some propositions equally apply to products, the inherent intangibility of services makes most of them highly critical to services' success.

It is important to note that the aforementioned propositions emerged from the analysis of service cases and the services literature, and therefore they are relevant to the services sector. The extent to which the propositions are relevant to other sectors not studied (i.e. high tech products) is not within the scope of this research.

5.6 CONCLUSION

Firms struggle to sustain their competitive advantages against fierce competition. This is particularly relevant for service firms, which cannot patent their innovations and thus see their advantages rapidly eroded. Therefore, how service companies can attain a sustainable competitive advantage is a particularly important research topic, especially since there has been limited empirical research conducted from a sustainable competitive advantage perspective.

This chapter has established the theoretical position for the study. Rather than adopting one of the current dominant thinking streams of business strategy, this study continues the dialogue between the industry approach and the resource approach, as defended by many (e.g. Lado et al, 1992). This theoretical position takes into account the firm's unique resources, which are potential sources of advantage, as well as the fact that it is important to achieve a defensible cost or differentiation position in the marketplace.

This chapter also presents the research objectives and propositions that will draw the boundaries of this research. Propositions for the quantitative study, in particular, benefited substantially from the qualitative findings. Because the qualitative study was carried out before the survey, findings from the qualitative study helped identify the most important drivers of advantage to be explored in

more detail in the survey. These are: organisational culture, customer benefits provided, branding, innovation, and competitive strategy including segments served, relative cost and product differentiation.

The next chapter presents the quantitative findings and tests the propositions developed previously in this chapter by means of a self-completion survey.

CHAPTER 6 - QUANTITATIVE FINDINGS AND DATA ANALYSIS

6.1 INTRODUCTION

This chapter builds on the previous qualitative findings to explore in depth the competitive advantages of hard-to-copy products, by means of a survey administered to U.K. service firms. The chapter is divided into four sections. The first section revisits the central issue posed in this thesis: do hard-to-copy products exist in the services sector? Section two explores the relationship between hard-to-copy products and performance. The profile of hard-to-copy products is evaluated in section three. In this section, 18 variables possibly contributing to competitive advantage were tested and a profile of hard-to-copy products drawn.

In the last section, hard-to-copy products are compared with products that are not hard-to-copy on a number of competitive methods that seemed to justify further amplification after the empirical qualitative work. These include the culture of the organisation, customer benefits provided, branding, innovation, and competitive strategy.

6.2 HARD-TO-COPY IN THE SERVICES SECTOR

One of the drivers of this research was to explore the existence of hard-to-copy products in the service sector. Group discussions with experts from leading consulting firms provided a list of more than 70 possible hard-to-copy products. Some of these were subsequently analysed in depth by means of interviews. The quantitative work revisits Research Question 1:

Do hard-to-copy products exist in the services sector?

The notion of hard-to-copy is introduced in the first part of the questionnaire (Appendix 8). To clarify the meaning of this concept, a definition of a hard-to-copy product was provided.

A hard to copy product is one which competitors have found difficulty in copying effectively. This does not mean that competitors have not copied it. They may well have attempted to do so, but have not been nearly so successful in terms of impact and in terms of revenues and profits generated.

One question asked managers' opinions about the product's resistance to imitation, on a 7-point bipolar scale with response categories ranging from "1=definitely not" to "7=definitely yes."

Has your product proven hard-to-copy to copy?

The distribution of replies to the previous question is presented in Table 6-1. Thus, a total of 90 hard-to copy products have been identified (defined as scoring 5, 6 or 7 on the above scale), or using a stricter definition, a total of 53 hard-to copy products have been identified (defined as scoring 6 or 7 on the above scale). In either case, it is thus confirmed that hard-to-copy products do exist within the service sector.

Table 6-1 "Has your product proven hard-to-copy?": Frequencies

	Frequency	Percent	Cumulative Percent
Definitely Not (1)	10	6.7	6.7
2	20	13.3	20.0
3	14	9.3	29.3
4	16	10.7	40.0
5	37	24.7	64.7
6	32	21.3	86.0
Definitely Yes (7)	21	14.0	100.0
Total	150	100.0	

For the reporting of the findings in the following sections, in which hard-to-copy products are compared with products that are not hard-to-copy, responses are split into two groups, with those products scoring 1 to 4 on the above scale being classified as 'not hard-to-copy', giving a total of 60 not hard-to-copy products. On the other hand, products scoring 5, 6 or 7 are considered 'hard-to-copy', giving a total of 90 hard-to-copy products.

6.3 PROFILE OF HARD-TO-COPY SERVICES

6.3.1 Hard-to-copy and performance

The literature on competitive advantage implies that a hard-to-copy product is one that should succeed in generating higher market and financial performance. Performance was assessed on the basis of subjective evaluations. Firstly, it has been argued that the accuracy of objective measures in explaining differences in performance between businesses is limited (Dess and Robinson, 1984). Secondly, research findings suggest that informant measures manifest less method variance than archival figures, because subjective assessments are strongly correlated to objective evaluations of performance (Venkatraman and Ramanujam, 1987). Thirdly, because most respondents were senior managers, it can be argued they were reasonably well informed of their firm's financial performance. Finally, because many of the firms surveyed are privately held, they probably would not have provided confidential information as a matter of policy. Hence, the subjective approach is considered a reliable method of measuring performance (Pearce et al, 1987).

The previous section has already shown that hard-to-copy products do exist in the service sector. We now query:

Do hard-to-copy products generate higher market and financial performance than products that are not hard-to-copy?

If this is true, there should be a significant positive correlation between hard-to-copy products and performance. This was confirmed. Findings show that a hard-to-copy position is positively associated with all performance measures but one.

Table 6-2 Hard-to-Copy and Performance: Correlations

Spearman's rho	Profitability	ROI	Size (sales)	Market Share	Customer Retention	Sales Growth
Has your product proven hard-to-copy?	.234 ***	.210 ***	.192 **	.229 ***	.234 ***	.138
***. $p < 0.01$ (1-tailed); **. $P < 0.05$ (1-tailed)						

A second statistical analysis compared the differences in performance between hard-to-copy products and products that are not hard-to-copy. The results are presented in Table 6-3. Hard-to-copy products scored significantly higher on all measures of performance than products that are not hard to copy.

Table 6-3 Hard-to-Copy and Performance: Differences in Means

Measures of Performance	Hard-to-copy?		Dif.	Sig.
	No	Yes		
Profitability	3.40	3.77	0.37	**
Return on Investment (ROI)	3.47	3.77	0.30	**
Size (sales)	2.86	3.54	0.68	***
Market Share	2.75	3.54	0.79	***
Customer Retention	3.51	3.89	0.38	***
Sales Growth	3.46	3.84	0.38	**
***. $p < 0.01$ (1-tailed); **. $p < 0.05$ (1-tailed)				

Hard-to-copy products scored consistently better with performance, ranging from an average of 11% superiority in profitability, customer retention and sales growth, to 29% in market share.

Previously it was established that hard-to-copy products do exist in the services sector. This section has now shown that as well as being hard to copy, they also deliver superior performance across a range of performance measures. In summary, a hard-to-copy product is one that has:

- High profitability and high ROI;
- Particularly high sales and market share;
- Sharply increasing sales;
- A good customer retention performance.

This is an exciting finding. Conventional wisdom has it that most successful products offered in the service sector are rapidly copied and performance differences reduced. For example, Ghemawat (1986) maintains that competition secures detailed information on 70% of all new products within one year of their development. Along the same lines, Loomis (1989, p.33) describes the service sector as "a world of ferocious rivalry in which competitive advantages can disappear overnight." However, Loomis also posits that the service sector is a

world in which innovative and flexible companies can outshine the field for years. This seems to be the case of hard-to-copy products, which although highly successful, are not effectively copied.

6.3.2 Hard-to-copy drivers

We identified a group of products that exhibits superior performance on a number of measures such as sales, market share and profitability, and in addition has proven hard to copy. The question that then arises is what exactly is responsible for this highly desirable state of affairs. This corresponds to the second Research Question:

What is special about hard-to-copy service products and what makes them hard to copy?

It may well be the case that hard-to-copy services do not exhibit the same characteristics across markets and industry sectors. Thus, the hard-to-copy profile analysis is carried out at three different levels: (1) entire sample; (2) by markets served (i.e. b2b vs. b2c); and (3) by industry sector (i.e. Accommodation & Eating Out; Retail; Financial Services; Travel & Transportation; Leisure & Entertainment; and Business Services).

6.3.2.1 Hard-to-copy drivers (Entire Sample)

Eighteen potential explanatory variables were identified by analysis of the interviews, supplemented by a judicious review of the extensive literature on competitive advantage. These variables were included in the survey. Respondents were asked to rate each of the variables on the extent to which each variable helped prevent competition from copying their product effectively, using a 7-point bipolar scale with response categories ranging from "1=not at all" to "7=very much so." The analysis is based entirely on the perspectives of managers, which we would claim is a particular strength of this research. Table 6-4 shows the ranks of the variables by managers of the 90 hard-to-copy products (i.e. those scoring 5, 6 or 7 on the hard-to-copy question).

Table 6-4 Hard-to-Copy Variables (Entire Sample): Hard-to-Copy Products Only

Variables	Entire Sample	
	Score	Rank
Superior customer benefits provided	5.77	1
The reputation of the brand	5.58	2
The quality of customer service	5.54	3
Superior innovation, initial and ongoing	5.39	4
Superior understanding of customers	5.23	5
The special culture of the organisation	5.21	6
The ability to learn and adapt to change	5.06	7
Being first, or early, to market	4.98	8
Leadership provided by top management	4.97	9
The financial strength of the organisation	4.71	10
Strength of the customer retention programme	4.41	11
Low costs achieved	3.97	12
Economies of scale achieved	3.96	13
Network of outlets	3.93	14
High level of marketing research skills	3.67	15
Alliances and partnerships formed	3.65	16
Support from a parent organisation	3.44	17
Low prices charged	3.13	18
Percentage of products scoring 5, 6 or 7 on question "Has your product proven hard-to-copy?"		60.0

The previous table shows that hard-to-copy products score particularly highly on sources of advantage that add value to customers, such as customer benefits, brand reputation, customer service and superior innovation. The next table shows the significant differences found between hard-to-copy products and products that are not hard-to-copy.

Table 6-5 Hard-to-Copy Variables (Entire Sample): Differences in Means

Variable	Hard-to-copy?		Dif. ⁵	Sig.
	No	Yes		
Being first or early to market	4.03	4.98	0.95	***
Superior innovation, initial and ongoing	4.45	5.39	0.94	***
Superior customer benefits provided	4.98	5.77	0.79	***
The ability to learn and adapt to change	4.53	5.06	0.53	**
Alliances and partnerships formed	4.27	3.65	-0.62	**
The reputation of the brand	5.20	5.58	0.38	*
The financial strength of the organisation	4.37	4.71	0.34	*
The special culture of the organisation	4.40	5.21	0.81	***
Superior understanding of customers	4.62	5.23	0.61	**
Low prices charged	3.71	3.13	-0.58	**
N = 150				
*** $p < 0.01$ (1-tailed); ** $p < 0.05$ (1-tailed); * $p < 0.10$ (1-tailed)				

These results suggest that, in general, hard-to-copy services have a distinct profile. The product and the organisation present the following characteristics:

The product:

- Is consistently first or early to market
- Has superior innovation
- Provides superior customer benefits
- Has a superior brand reputation
- Does not compete by offering low prices

The organisation:

- Is able to learn and to adapt to change
- Has a special culture
- Has a superior understanding of customers
- Is financially sound
- Does not favour alliances and partnerships

It is likely that some of the variables listed above are not independent. For instance, it may be that 'providing superior customer benefits' and 'the reputation of the brand' are not independent. Thus, scoring well on the one would normally be associated with scoring well on the other, in which case perhaps they can be

⁵ Please note that because data are not normally distributed (see Chapter 3), the Mann-Whitney test was used henceforward to test the differences between means.

usefully combined to form a single, stronger factor. Exploratory factor analysis finds those individual variables that are associated or linked and combines them.

The decision on the number of factors that were to be extracted was based on two commonly used methods: Eigenvalues greater than one, and the analysis of the Scree Plot, which constitutes a graphical representation of factors' eigenvalues. Then, the Principal Components method of extraction was used, followed by a Varimax rotation. After establishing unidimensionality, the analysis proceeded to assess reliability. The Cronbach alpha was used. Nunnally (1978) notes that researchers may save time and energy by working with instruments that have only modest reliability and, for early stages of research, an alpha of 0.5 to 0.6 should suffice.

This process revealed the presence of five factors. The scale reliability values (coefficient alpha) and item-to-total correlations are reported in Table 6-6. Coefficient alphas vary from 0.44 to 0.69, with just one factor scoring below the 0.5 Cronbach alpha threshold.

Table 6-6 Hard-to-Copy Factors: Reliability Analysis

Factor	Item	Factor Loadings	Item-to-Total Correlation	Cronbach Alpha
Learning culture	The ability to learn and to adapt to change	.671	.514	.692
	The special culture of the organisation	.657	.420	
	Superior understanding of customers	.601	.506	
	Leadership provided by top management	.594	.470	
Efficiency and financial strength	Economies of scale achieved	.773	.464	.660
	Network of outlets	.691	.392	
	The financial strength of the organisation	.636	.497	
	Low costs achieved	.544	.440	
Customer benefits and branding	Superior customer benefits provided	.810	.522	.619
	The reputation of the brand	.641	.417	
	The quality of customer service provided by staff	.562	.356	

Marketing skills	High level of marketing research skills	.728	.282	.436
	Strength of the customer retention programme	.662	.282	
Innovation	Being first, or early, to market	.868	.405	.558
	Superior innovation, initial and on-going	.652	.405	

The five factors extracted explained around 57% variance. Culture alone represented 13.7% of the total variance explained. The second most important factor was the firm's efficiency and financial strength, explaining 12.2% of variance. The other three factors, by descending order of importance, were customer benefits and branding, marketing skills, and innovation. These represented the remaining 30.7% of variance.

Table 6-7 Hard-to-Copy Factors: Exploratory Factor Analysis

Factor Descriptive Title	Eigenvalue	Percentage Variance Factor	Percentage Variance Cumulative
Learning culture	4.157	13.71	13.71
Efficiency and financial strength	1.976	12.28	25.99
Customer benefits and branding	1.427	11.89	37.88
Marketing skills	1.361	10.00	47.88
Innovation	1.086	8.83	56.71

Previously, it was shown that hard-to-copy products have/develop a number of competitive advantages. The next logical step was to identify if any of the factors extracted are associated with hard-to-copy products. Results presented in Table 6-8 show that three factors are associated with a hard-to-copy position.

Table 6-8 Hard-to-Copy Factors (Entire Sample): Differences in Means

Factor Descriptive Title	Hard-to-copy? ^a		Dif.	Sig.
	No	Yes		
Learning culture	-0.18	0.13	0.31	***
Customer benefits and branding	-0.23	0.18	0.41	**
Innovation	-0.34	0.26	0.60	***
N = 150 Products				
^a Factor scores are shown.				
*** $p < 0.01$ (1-tailed); ** $p < 0.05$ (1-tailed)				

Thus, in general, hard-to-copy products:

Are produced in a 'learning' culture:

- The organisation is able to learn and to adapt to change
- The organisation has a special culture
- The organisation has a superior understanding of customers
- Leadership provided by top management

Provide superior branding, service and benefits:

- Superior customer benefits provided
- The brand has a strong positive reputation
- High quality customer service provided by staff

Are built on innovation from the beginning:

- The product is first, or early, to market
- It has superior innovation, both initially and ongoing

The previous statistical techniques are informative but provide limited insight about the predictive power of individual advantages or factors. Because we want to predict to which of the two categories (hard-to-copy or not hard-to-copy) a product is likely to belong, logistic regression is the most appropriate statistical technique (Field, 2000). Logistic regression answers the same questions as discriminant function analysis (Tabachnick and Fidell, 1996). However, unlike discriminant function analysis, logistic regression has no assumption about the distribution of the predictor variables, i.e. in logistic regression the predictors do not have to be normally distributed, linearly related, or of equal variance within each group. In Chapter 3 we found that the distribution of variables analysed deviates from normality. This poses no problem in using logistic regression. However, it inhibits the use of discriminant function analysis because the sources of competitive advantage are not normally distributed.

Logistic regression is quite sensitive to the ratio of sample size to the number of

predictor variables. According to Hair et al (1998), most studies suggest a ratio of 20 observations for each predictor variable. Although this ratio may be difficult to maintain in practice, it is worth noticing that results may become unstable as the sample size decreases relative to the number of independent variables. The absolute minimum recommended by Hair and his colleagues is five observations per independent variable. In addition, the smallest group size must exceed the number of independent variables and have at least 20 observations.

The most appropriate empirical validation approach is to test the regression model on a new sample drawn from the general population. However, when the ability to collect new data is limited, for example, by unavailability of respondents, the researcher may divide the sample into two parts: an analysis sub-sample used for estimating the logistic regression model and the validation sample used to "test" the equation (Hair et al., 1998). This procedure, commonly referred to as the *split-sample* or *cross-validation approach*, is frequently used in validating the logistic regression function. The cross-validation procedure, i.e. dividing the sample into two parts, avoids the "over-fitting" of the logistic regression by allowing its validation on a totally separate sample. Hair et al (1998) argue that if researchers divide the total sample into analysis and validation groups, the sample must be sufficiently large to do so. As a rule-of-thumb, the total sample should equal, at least, 100 to justify dividing it into the two groups.

More sophisticated methods based on estimation of multiple subsets of the sample have been suggested for validating logistic regression functions. The most used approaches are the *U*-method and the jack-knife method. Both methods are based on the "leave-one-out" principle, in which the logistic regression function is fitted to repeatedly drawn samples of the original sample. The primary difference between the two approaches is that the *U*-method focuses on classification accuracy, whereas the jack-knife approach addresses the stability of the regression coefficients. However, both of these approaches are quite sensitive to small sample sizes, and most researchers suggest a ratio of at least five times the number of predictor variables. This minimum ratio is barely met in this study (82 observations for 18 potential independent variables), although it is exceeded

when factors are used instead of variables as predictors (82 observations for 5 potential factors). Therefore, the split sample approach will be used in this study for validating the logistic regression function.

There is no rule established for dividing the total group between analysis and validation samples. Hair et al (1998) argue that researchers prefer a 60-40 or 75-25 split between the analysis and the validation samples. In this study, the entire sample was divided into an analysis sample of 82 observations and a validation sample with the remaining 55 observations.

The objective of the logistic regression is to determine if predictors – variables or factors – can distinguish between hard-to-copy products versus products that are not hard-to-copy. The results produced by the logistic regression using variables are below.

Table 6-9 Hard-to-Copy Variables (Entire Sample): Logistic Regression Model Results

OVERALL MODEL FIT

Goodness of Fit Measures	Value
-2 log likelihood (-2LL)	88.383
Cox & Snell R ²	0.210
Nagelkerke R ²	0.287

	Chi-Square	Df	Significance
Hosmer and Lemeshow	11.222	8	0.189

VARIABLES IN THE EQUATION

Variable	B	S.E.	Wald	Sig.	Exp(B)
Innovation	0.502	0.203	6.147	0.013	1.652
Customer benefits	0.546	0.221	6.088	0.014	1.726
Low costs	0.346	0.163	4.525	0.033	1.413
Constant	-6.482	1.928	11.302	0.001	0.002

B = logistic coefficient; S.E. = standard error; Wald = Wald Statistic; Sig. = significance level; Exp(B) = exponential coefficient

VARIABLES NOT IN THE EQUATION

Variable	Score	Sig.
First to market	0.077	0.782
Ability to learn and to adapt	0.905	0.342
Quality of customer service	0.112	0.738
Economies of scale	0.221	0.638
Alliances and partnerships	0.831	0.362
Reputation of the brand	0.386	0.534
Network of outlets	3.040	0.081
Financial strength	0.032	0.858
Organizational culture	0.635	0.426
Customer understanding	1.674	0.196
Marketing research skills	0.612	0.434
Low prices	1.675	0.196
Support from parent company	0.609	0.435
Top management leadership	0.021	0.884
Customer retention programme	0.220	0.639

CLASSIFICATION MATRIX

Actual Groups	Predicted Group Membership					
	Analysis Sample			Validation Sample		
	Not H-to-C	H-to-C	% Correct	Not H-to-C	H-to-C	% Correct
Not H-to-C	15	15	50.0%	15	13	53.6%
H-to-C	6	46	88.5%	7	25	78.1%
Overall Percentage			74.4%			66.7%

There are two statistical tests for the significance of the final model. First, a chi-square test for the change in the -2LL value from the base model is comparable to the overall *F* test in multiple regression. In the three-variable model this reduction was significant at the 0.000 level. Also, the Hosmer and Lemeshow measure of overall fit indicates there were no statistically significant differences between the observed and predicted classification. These two measures, in combination, provide support for the acceptance of the three-variable model as a significant logistic regression model suitable for further examination.

The estimated coefficients of the three independent variables and the constant can also be evaluated for statistical significance using the Wald statistic. Two coefficients and the constant are statistically significant at the 0.01 level, although one coefficient is significant at only the 0.03 level.

The overall model fit was assessed using two measures. In the two-variable model, the -2LL value is reduced from the one variable model of 98.971 to 93.281, a decrease of 5.69. In the three-variable model, all measures of model fit improved. The -2LL value decreased to 88.383. The R^2 values ranged from 0.210 to 0.287. The Hosmer and Lemeshow measure still showed non-significance, indicating no difference in the distribution of the actual and predicted dependent values.

The classification matrices show fairly high hit ratios of correctly classified cases for the three-variable model. The overall hit ratios are 74.4% and 66.7% for the analysis and validation samples, respectively. The model classified 88.5% hard-to-copy products correctly, though only classified 50.0% of not hard-to-copy products correctly. The hard-to-copy individual group hit ratio is high and does not indicate a problem in predicting this group.

The regression indicates that innovation, customer benefits, and low costs all have a positive association with the dependent variable. Given that the dependent variable has two groups – Not Hard-to-Copy (0) and Hard-to-Copy (1) – the coefficients suggest that hard-to-copy products are more innovative, deliver more customer benefits wanted by customers, and benefit from having low cost structures.

A second logistic regression was carried out on hard-to-copy factors instead of the individual variables. The regression findings are presented in Table 6-10.

Table 6-10 Hard-to-Copy Factors (Entire Sample): Logistic Regression Model Results

OVERALL MODEL FIT			
Goodness of Fit Measures	Value		
-2 log likelihood (-2LL)	92.994		
Cox & Snell R^2	0.171		
Nagelkerke R^2	0.235		
	Chi-Square	Df	Significance
Hosmer and Lemeshow	9.320	8	0.316

FACTORS IN THE EQUATION

Factor	B	S.E.	Wald	Sig.	Exp(B)
Learning culture	0.594	0.244	5.905	0.015	1.811
Customer benefits and branding	0.740	0.276	7.192	0.007	2.096
Innovation	0.525	0.261	4.053	0.044	1.690
Constant	0.543	0.293	4.612	0.032	1.722

B = logistic coefficient; S.E. = standard error; Wald = Wald Statistic; Sig. = significance level; Exp(B) = exponential coefficient

FACTORS NOT IN THE EQUATION

Factor	Score	Sig.
Efficiency and financial strength	0.015	0.902
Marketing skills	0.761	0.383

CLASSIFICATION MATRIX

Actual Groups	Predicted Group Membership					
	Analysis Sample			Validation Sample		
	Not H-to-C	H-to-C	% Correct	Not H-to-C	H-to-C	% Correct
Not H-to-C	12	18	40.0%	15	11	57.7%
H-to-C	7	46	86.8%	6	23	79.3%
Overall Percentage			69.9%			69.1%

The significance of the model was tested using the chi-square test for the change in the -2LL value from the base model and the Hosmer and Lemeshow measure of overall fit. These two measures, in combination, provide support for the acceptance of the three-factor model as a significant logistic regression model.

The estimated coefficients of the three independent factors and the constant were evaluated for statistical significance using the Wald statistic. Two coefficients were statistically significant at the 0.01 level, although one coefficient and the constant were significant at only the 0.05 level.

The overall model fit was assessed using two measures. In the two-factor model, the -2LL value was reduced from the one factor model of 103.274 to 97.293, a decrease of 5.98. In the three-factor model, all measures of model fit improved. The -2LL value decreased to 92.994. The R^2 values ranged from 0.171 to 0.235. The Hosmer and Lemeshow measure still showed non-significance ($p=.316$), indicating no difference in the distribution of the actual and predicted dependent values.

The overall hit ratios are 69.9% and 69.1% for the analysis and validation samples, respectively. The model classified 86.8% hard-to-copy products correctly, though only classified 40.0% of not hard-to-copy products correctly. The hard-to-copy individual group hit ratio is fairly high and does not indicate a problem in predicting this group.

The regression results indicate that Learning Cultures, Customer Benefits and Branding, and Innovation have a positive association with hard-to-copy products. The coefficients suggest that hard-to-copy products are linked to learning organizations, show superior customer benefits and branding, and to innovation. The regression on hard-to-copy factors added an interesting finding compared to the regression on individual competitive variables: Culture appears now as an important characteristic of hard-to-copy products. This supports some of the qualitative findings presented earlier in this thesis, whereby successful and hard to imitate services are usually associated with organisations which show the ability to understand and to learn from customers as well as to adapt to changes in the market environment.

6.3.2.2 Hard-to-copy drivers by markets served (b2b vs. b2c)

The previous section shows a broad profile of hard-to-copy products in the services industry. However, it may well be the case that there are different ways to have hard-to-copy services. We now look at a second level of analysis. Respondents were asked to score "What type of market does the product serve?" using a semantic differential scale, anchored by "Entirely business to business" (1) to "Entirely business to consumer" (7). Responses were then split into three groups, with products scoring 1 to 3 on the above scale classified as 'mainly b2b' and those scoring 5 to 7 classified as 'mainly b2c.' A third group of products scoring "4" on the above scale was ignored to improve the market split. Following the classification scheme described above, two sample clusters were subsequently analysed: "mainly b2b", including 49 products, and "mainly b2c", including 80 products. The next table shows the ranks of variables by managers of hard-to-copy products, divided by markets served.

Table 6-11 Hard-to-Copy Variables (by Markets Served): Hard-to-Copy Products Only

Variables	b2b		b2c	
	Score	Rank	Score	Rank
Superior customer benefits provided	5.87	1	5.64	1
The quality of customer service	5.86	2	5.22	5
Superior innovation, initial and ongoing	5.63	3	5.22	5
Superior understanding of customers	5.57	4	4.98	7
Reputation of the brand	5.33	5	5.62	2
Leadership provided by top management	5.10	6	4.92	8
The special culture of the organisation	5.10	6	5.24	3
The ability to learn and adapt to change	5.10	6	4.90	9
The financial strength of the organisation	4.73	9	4.59	10
Being first, or early, to market	4.73	9	5.24	3
Strength of the customer retention programme	4.57	11	4.36	11
Low costs achieved	4.00	12	3.96	13
Network of outlets	4.00	12	3.89	15
Support from a parent organisation	3.83	14	3.37	18
Economies of scale achieved	3.40	15	4.20	12
Alliances and partnerships formed	3.30	16	3.67	16
High level of marketing research skills	3.28	17	3.90	14
Low prices charged	2.83	18	3.50	17
Percentage of products scoring 5, 6 or 7 on question "Has your product proven hard-to-copy?"		61.2		64.1

Likewise the entire sample, hard-to-copy products in the b2b and b2c markets score higher on sources of advantage that add value to customers, such as customer benefits, brand reputation, customer service and superior innovation. Overall, ranks vary slightly by market served. One big difference is "early to market", which ranks higher for b2c than for b2b. This result makes sense because b2b is more about relationships. Hutt and Speh (2001:7) argue that: "A day in the life of a business marketing manager centres on building relationships with customers."

We now look at which variables and factors show significant differences between hard-to-copy and not hard-to-copy products, according to the markets served, i.e. b2b vs. b2c. We start by examining differences in variables.

Table 6-12 suggests that hard-to-copy products in the b2c market are first or early to market, provide superior customer benefits, have a superior brand reputation

and are premium priced. Similarly, their organisations are able to learn and to adapt to change, and exhibit a special culture, which in turn seems to lead to superior market research skills and good customer retention.

An interesting finding is the lower importance attributed to achieving low costs by managers of hard-to-copy products compared to managers of products that are not. Because hard-to-copy products offer more customer benefits than products that are not hard-to-copy, they incur extra costs. This may explain the difficulty managers of hard-to-copy products face when competing on costs with less differentiated offerings.

Table 6-12 Hard-to-Copy Variables (b2c): Differences in Means

Variable	Hard-to-copy?		Dif.	Sig.
	No	Yes		
Being first or early to market	4.61	5.24	0.63	*
Superior customer benefits provided	4.75	5.64	0.89	**
The ability to learn and adapt to change	4.43	4.90	0.47	*
The reputation of the brand	4.79	5.62	0.83	**
The special culture of the organisation	4.18	5.24	1.06	***
Low costs achieved	4.50	3.96	-0.54	*
High level of marketing research skills	3.21	3.90	0.69	*
Low prices charged	4.26	3.50	-0.76	**
Strength of the customer retention programme	3.54	4.36	0.82	**
N = 80				
*** $p < 0.01$ (1-tailed); ** $p < 0.05$ (1-tailed); * $p < 0.10$ (1-tailed)				

Many scholars argue that the b2b market is about relationships. Thus, whatever builds into the relationship, such as good customer understanding, should emerge as highly important in the b2b market. Significant differences in variables are presented in Table 6-13.

Table 6-13 Hard-to-Copy Variables (b2b): Differences in Means

Variable	Hard-to-copy?		Dif. ^a	Sig.
	No	Yes		
Being first or early to market	3.00	4.73	1.73	***
Superior innovation, initial and ongoing	4.11	5.63	1.52	***
Superior customer benefits provided	5.16	5.87	0.71	**
Superior understanding of customers	4.89	5.57	0.68	*
Support from a parent organisation	2.89	3.83	0.94	*
N = 49				
*** $p < 0.01$ (1-tailed); ** $p < 0.05$ (1-tailed); * $p < 0.10$ (1-tailed)				

Results confirmed our expectations. Managers in the b2b market not only better understand their clients' needs but also succeed in anticipating them, delivering innovations ahead of competition.

The comparison table below confirms the limited number of advantages supporting hard-to-copy products in b2b compared to b2c – five in b2b versus nine in b2c. Hard-to-copy products in the b2b market share only two variables found significant for the b2c market: first or early to market, and superior customer benefits provided. Being the first to bring new concepts to the market, for example through new valued emotional and functional product benefits, is thus as important in b2b as it is in the b2c market.

Table 6-14 also shows that hard-to-copy products in the b2c market exhibit an array of differentiating advantages not shared by the b2b market including, for example, brand reputation. We are led to conclude that, contrary to hard-to-copy products in the b2c market, hard-to-copy products in the b2b market are strongly dependent on understanding their customers and on being the first to deliver new benefits wanted by them. The fact that business markets are characterised by having fewer and larger buyers and a closer customer-supplier relationship (Kotler, 1997) may explain the lesser importance given by managers of hard-to-copy products in the b2b sector to some competitive advantages, such as marketing research skills.

Table 6-14 Comparison of Significant Variables Between b2b and b2c

Significant Variables ^(*)	Markets Served	
	b2c	b2b
Common to b2b and b2c		
Superior customer benefits provided	✓	✓
Being first, or early, to market	✓	✓
In b2c Only		
Reputation of the brand	✓	
The special culture of the organisation	✓	
The ability to learn and adapt to change	✓	
Strength of the customer retention programme	✓	
Low costs achieved ^(**)	✓	
High level of marketing research skills	✓	
Low prices charged ^(**)	✓	
In b2b Only		
Support from a parent organisation		✓
Superior innovation, initial and ongoing		✓
Superior understanding of customers		✓
^(*) $p \leq 0.10$ (1-tailed) ^(**) Hard-to-copy products scored less on this variable than products that are not hard-to-copy.		

Now we look at the differences in means between the five factors extracted. Table 6-15 shows that hard-to-copy products in the b2c market score higher on learning culture, customer benefits and branding, and on innovation. On the other hand, the same products score lower than products that are not hard-to-copy on efficiency and financial strength.

Table 6-15 Hard-to-Copy Factors (b2c): Differences in Means

Factor Descriptive Title	Hard-to-copy? ^a		Dif.	Sig.
	No	Yes		
Learning culture	-0.18	0.02	0.20	*
Efficiency and financial strength	0.36	0.02	-0.34	*
Customer benefits and branding	-0.59	0.00	0.59	**
Innovation	-0.10	0.39	0.49	**
N = 80 ^a Factor scores are shown. ** $p < 0.05$ (1-tailed); * $p < 0.10$ (1-tailed)				

Table 6-16 shows that innovation is the only factor which exhibits a significant

difference between hard-to-copy products and products that are not hard-to-copy in the b2b market. We recall that first to market and superior innovation showed significant differences as variables and that they load into the innovation factor.

Table 6-16 Hard-to-Copy Factors (b2b): Differences in Means

Factor Descriptive Title	Hard-to-copy? ^a		Dif.	Sig.
	No	Yes		
Innovation	-0.79	0.12	0.91	***
N = 49				
^a Factor scores are shown.				
*** $p < 0.01$ (1-tailed)				

The next table shows that innovation is the only factor associated equally with b2b and b2c markets. As mentioned earlier, it is important in both markets to deliver new concepts before the competition. However, to see such a small number of differences between hard-to-copy products and products that are not hard-to-copy in the b2b market is unexpected. One would imagine that successful and hard to imitate products targeting the b2b market would score higher on themes such as learning culture and superior customer benefits and branding. The Regus case, examined in Chapter 4, seemed to point to this direction. Regus has a reputation for introducing new concepts – such as offices by the hour – but it is also known for its good understanding of customer needs and for delivering the highest service. In the end, the limited number of differential advantages makes it particularly critical for business services to keep on delivering new innovations, consistently.

Table 6-17 Comparison of Significant Factors Between b2b and b2c

Significant Factors ^(*)	Markets Served	
	b2c	b2b
Common to b2b and b2c		
Innovation	✓	✓
In b2c Only		
Learning culture	✓	
Efficiency and financial strength	✓	
Customer benefits and branding	✓	
(*) $p \leq 0.10$ (1-tailed)		

A logistic regression of cases clustered by markets served (i.e. b2b vs. b2c) could add further insights into the differences between hard-to-copy products in these markets. However, the limited number of observations in each sample cluster poses limitations to such an analysis. After the split of the b2b cases between validation and analysis samples, we would end up with 28 and 17 cases in each sample, respectively. The same procedure applied to the b2c market would allocate 41 cases to the analysis sample and 30 cases to the holdout sample. Therefore, some sample splits would not maintain the minimum 5-to-1 ratio of observations per independent variable.

6.3.2.3 Hard-to-copy drivers by industry sector

The previous two sections draw a profile of hard-to-copy products for the entire sample and for markets served (i.e. b2b vs. b2c). Now, we look at each of the six service sectors surveyed (accommodation & eating out; retail; financial services, leisure & entertainment; business services; and travel & transportations) to see how the profile of hard-to-copy products by industry sector compares with the profile drawn for the entire sample.

Table 6-18 shows the ranking of advantages of hard-to-copy products, according to managers, organised by industry sector.

Table 6-18 Hard-to-Copy Variables (by Industry Sector): Hard-to-Copy Products Only



Variables	Rank by Industry Sector ^a					
	1	2	3	4	5	6
Superior customer benefits provided	1	1	3	2	7	1
The quality of customer service	2	2	5	1	1	2
The reputation of the brand	3	8	1	5	2	2
Superior understanding of customers	4	4	7	3	9	6
The ability to learn and to adapt to change	5	7	10	8	7	5
The special culture of the organisation	6	8	2	7	4	14
Superior innovation, initial and ongoing	7	4	4	3	2	4
Leadership provided by top management	8	4	10	9	5	9
The financial strength of the organisation	9	11	9	10	11	6
Being first, or early, to market	10	3	8	5	10	8
Network of outlets	11	13	16	16	14	11
Strength of the customer retention programme	12	15	6	11	5	11
High level of marketing research skills	13	14	15	14	17	17
Low costs achieved	14	12	14	11	15	11
Economies of scale achieved	15	10	13	15	12	15
Alliances and partnerships formed	16	18	12	11	13	18
Low prices charged	17	17	17	18	18	16
Support from a parent organisation	18	16	18	17	15	10
Percentage of products scoring 5, 6 or 7 on question "Has your product proven hard-to-copy?"	60.7	57.9	66.7	79.2	43.5	51.7
^a Key: 1 – Accommodation & Eating Out; 2 – Retail; 3 – Leisure & Entertainment; 4 – Financial Services; 5 – Business Services; 6 – Travel & Transportation						

Two groups of variables occupy opposite rank positions across all industries. On one hand, superior customer benefits, customer service, brand reputation, customer understanding, a ability to learn and to adapt to change, organisational culture, innovation, and leadership all occupy top ranking positions, irrespective of industry sector. On the other hand, low costs achieved, economies of scale, alliances and partnerships, low prices, and support from a parent organisation all occupy lower rank positions across most industries. Managers seem to suggest that hard-to-copy products are highly differentiated and born in organisations able to understand and adapt to customers. In addition, it seems managers of hard-to-copy products are not particularly concerned about achieving low costs, probably because they have the possibility of charging premium prices for their differentiated offerings. Furthermore, managers see limited value added by parent organisations.

Interestingly, ranks by industry sector are not very different from the ones produced by the entire sample or by the market clusters. The consistency of results adds confidence to the findings obtained thus far.

Next we investigate which variables and factors show significant differences between hard-to-copy and not hard-to-copy products by industry sector. It is worth emphasising that due to the small number of observations in each industry, the unknown population distribution, and the fact that variables do not have a normal distribution, nonparametric statistical tests are appropriate and will be used to test the differences between the two types of products (Siegel and Catellan, 1988). We start with the accommodation & eating out sector.

6.3.2.3.1 Hard-to-copy drivers in the accommodation & eating out sector

Results indicate that hard-to-copy products in this sector are first to market, innovative, and benefit from a good brand reputation. Additionally, their organisations excel at delivering customer service, at understanding customers, and at the ability to learn and adapt to change. They are also financially sound.

Table 6-19 Hard-to-Copy Variables (Accommodation & Eating Out): Differences in Means

Variable	Hard-to-copy?		Dif.	Sig.
	No	Yes		
Being first, or early, to market	3.82	4.82	1.00	*
Superior innovation, initial and ongoing	4.36	5.41	1.05	**
Superior customer benefits provided	4.45	6.18	1.73	***
The ability to learn and adapt to change	3.91	5.53	1.62	***
The quality of customer service	5.36	5.94	0.58	*
The reputation of the brand	5.00	5.82	0.82	**
The financial strength of the organisation	4.09	5.00	0.91	*
Superior understanding of customers	4.36	5.65	1.29	**
N = 28				
*** $p < 0.01$ (1-tailed); ** $p < 0.05$ (1-tailed); * $p < 0.10$ (1-tailed)				

These findings were further confirmed by Table 6-20. Hard-to-copy products are associated with learning cultures, superior customer benefits and branding, and higher innovation.

Table 6-20 Hard-to-Copy Factors (Accommodation & Eating Out): Differences in Means

Factor Descriptive Title	Hard-to-copy? ^a		Dif.	Sig.
	No	Yes		
Learning culture	-0.37	0.39	0.76	**
Customer benefits and branding	-0.43	0.56	0.99	***
Innovation	-0.47	0.11	0.58	**
^a Factor scores are shown N = 28 *** $p < 0.01$ (1-tailed); ** $p < 0.05$ (1-tailed)				

The question now is: how does the profile of hard-to-copy products in this sector compare with the general profile described for the entire sample? The next table helps answer this question.

Table 6-21 Comparison of Significant Variables between the Entire Sample and the Accommodation & Eating Out Sector

Significant Variables ^(*)	Entire Sample	Accommodation & Eating Out
Common to Both		
Superior customer benefits provided	✓	✓
Being first, or early, to market	✓	✓
Reputation of the brand	✓	✓
The ability to learn and adapt to change	✓	✓
The financial strength of the organisation	✓	✓
Superior innovation, initial and ongoing	✓	✓
Superior understanding of customers	✓	✓
Entire Sample Only		
The special culture of the organisation	✓	
Alliances and partnerships formed ^(**)	✓	
Low prices charged ^(**)	✓	
Accommodation & Eating Out Only		
The quality of customer service		✓
^(*) $p \leq 0.10$ (1-tailed) ^(**) Hard-to-copy products scored less on this variable than products that are not hard-to-copy.		

There is a close match between the overall profile of hard-to-copy products and the one in the accommodation & eating sector. However, there are four variables that show different results. Contrary to the overall findings, low prices are

important in the accommodation & eating out sector. There are several renowned brands positioned on low price, such as Formule One and Ibis hotels. However, price alone is not enough, and thus service quality emerges as a differentiator in this sector, with hard-to-copy products scoring well above competition on this variable.

Organisational culture and alliances were important for the whole sample but not for this sector, which is odd because one would expect that hotels and restaurants would foster a culture of service excellence and engage in partnerships with renowned people or firms to bring authenticity to some of their activities, such as fitness classes or wine tasting.

Table 6-22 shows a perfect match between the factors significant for the entire sample and for the accommodation & eating out sector, which is not surprising given they share most significant variables.

Table 6-22 Comparison of Significant Factors between the Entire Sample and the Accommodation & Eating Out Sector

Significant Factors ^(*)	Entire Sample	Accommodation & Eating Out
Common to Both		
Learning culture	√	√
Customer benefits and branding	√	√
Innovation	√	√
(*) $p \leq 0.10$ (1-tailed)		

6.3.2.3.2 Hard-to-copy drivers in the retail sector

Contrary to accommodation & eating out, hard-to-copy products in the retail sector seem to excel only on superior customer benefits and strong leadership (Table 6-23). In addition, managers of products that are not hard-to-copy regard achieving low costs and establishing alliances with third parties more important than managers of hard-to-copy products.

Table 6-23 Hard-to-Copy Variables (Retail): Differences in Means

Variable	Hard-to-copy?		Dif.	Sig.
	No	Yes		
Superior customer benefits provided	5.38	6.09	0.71	*
Alliances and partnerships formed	4.75	3.36	-1.39	*
Low costs achieved	5.75	4.55	-1.20	**
Leadership provided by top management	4.38	5.55	1.17	**
N = 19				
** $p < 0.05$ (1-tailed); * $p < 0.10$ (1-tailed)				

The comparison between this sector with the entire sample shows that hard-to-copy products in the retail sector share only two advantages with the entire sample – superior customer benefits provided and the lower value attributed to alliances and partnerships.

Table 6-24 Comparison of Significant Variables between the Entire Sample and the Retail Sector

Significant Variables ^(*)	Entire Sample	Retail
Common to Both		
Superior customer benefits provided	✓	✓
Alliances and partnerships formed ^(**)	✓	✓
Entire Sample Only		
Being first, or early, to market	✓	
Reputation of the brand	✓	
The ability to learn and adapt to change	✓	
The financial strength of the organisation	✓	
Superior innovation, initial and on-going	✓	
Superior understanding of customers	✓	
The special culture of the organisation	✓	
Low prices charged ^(**)	✓	
Retail Only		
Low costs achieved ^(**)		✓
Leadership provided by top management		✓
(*) $p \leq 0.10$ (1-tailed)		
(**) Hard-to-copy products scored less on this variable than products that are not hard-to-copy.		

The retail industry is well-known for companies that differentiate their offerings

mostly by providing superior customer benefits, such as convenience and customer productivity. For example, Asda's success has been linked to its large stores, covering most of a consumer's weekly needs under one roof.

Managers of hard-to-copy products within the retail sector are not too keen on engaging in alliances and partnerships with other firms or products. One possible explanation for this may be the little effort needed by hard-to-copy products to achieve high levels of awareness. Nonetheless, alliances and partnerships could help hard-to-copy products improve operations' efficiency, for example through outsourcing support functions not visible to customers.

The fact that managers of hard-to-copy products in retail do not regard achieving low costs as important as managers of products that are not hard-to-copy is intriguing. Hard-to-copy products are usually market leaders and thus have the opportunity to benefit from economies of scale. In fact, the Asda brand, built unashamedly on price, depends a lot on keeping the costs down to assure a good return to shareholders. Wal-Mart is the same. Nonetheless, the literature confirms the difficulty of achieving economies of scale in service industries, due to the inherent intangibility of services (e.g. Upah, 1980).

The fact that only a small number of significant variables emerged in the retail sector may explain why no significant differences in hard-to-copy factors were found in this industry.

6.3.2.3.3 *Hard-to-copy drivers in the leisure & entertainment sector*

At this stage of the research, one expects to see hard-to-copy products associated with premium prices. This was confirmed in the leisure & entertainment sector.

The fact that products that are not hard-to-copy scored higher ($p = 0.088$) on the quality of customer service than hard-to-copy products is intriguing and difficult to explain. One possible explanation may be the small sample size and biased distribution of replies towards hard-to-copy products. The leisure & entertainment sample is composed of seventeen hard-to-copy products and nine products that are not hard-to-copy.

Table 6-25 Hard-to-Copy Variables (Leisure & Entertainment): Differences in Means

Variable	Hard-to-copy?		Dif.	Sig.
	No	Yes		
The quality of customer service	5.89	4.83	-1.06	*
The special culture of the organisation	4.33	5.50	1.17	**
Low prices charged	4.22	2.75	-1.47	**
N = 27				
** $p < 0.05$ (1-tailed); * $p < 0.10$ (1-tailed)				

Two significant differences are more consistent with previous findings. Low prices are not an issue for hard-to-copy products in this sector as is the case for the whole sample (see Table 6-26). Also, the organisational culture supporting hard-to-copy products seems stronger than the one supporting products that are not hard-to-copy.

Some variables significant for the entire sample are not in this sector. It seems that being first to market with innovative ideas is not a characteristic of hard-to-copy products in the leisure & entertainment sector. One would expect that visitors rush after new leisure parks or new roller coasters that go higher or faster, searching for new emotions. However, it may be the case that most players in this sector copy others' innovations at an accelerated pace, thus making it almost impossible to sustain differentiations for some time.

The financial strength of the organisation shows no significant differences between hard-to-copy products and products that are not hard-to-copy in this sector. Leisure facilities, such as Legoland Windsor, require significant investments to operate. As such, a solid financial position is required to put money into new developments and maintain existing ones. Thus, managers of hard-to-copy and of not hard-to-copy products alike agree on the need for a solid financial position (both types of products scored in excess of 4.24 on a 7 point scale).

Alliances and partnerships are equally valued by managers of hard-to-copy and of not hard-to-copy products. All managers surveyed in this sector gave high scores to this question, which is not surprising in the light of qualitative findings. We recall that Legoland has alliances with Vauxhall to add authenticity to the car

rides. Similarly, Center Parcs has alliances with Mr Motivator who heads up the fitness and motivation breaks.

Table 6-26 Comparison of Significant Variables between the Entire Sample and the Leisure & Entertainment Sector

Significant Variables ^(*)	Entire Sample	Retail
Common to Both		
The special culture of the organisation	✓	✓
Low prices charged ^(**)	✓	✓
Entire Sample Only		
Being first, or early, to market	✓	
Reputation of the brand	✓	
The ability to learn and adapt to change	✓	
The financial strength of the organisation	✓	
Superior innovation, initial and ongoing	✓	
Superior understanding of customers	✓	
Superior customer benefits provided	✓	
Alliances and partnerships formed ^(**)	✓	
Leisure & Entertainment Only		
The quality of customer service ^(**)		✓
(*) $p \leq 0.10$ (1-tailed) (**) Hard-to-copy products scored less on this variable than products that are not hard-to-copy.		

The analysis of the differences in means between factors shows that efficiency and financial strength is the only factor that is statistically significant. Managers of products that are not hard-to-copy regard efficiency and financial strength of the organisation even more important than managers of hard-to-copy products. This result hints that margins of leisure & entertainment products that are not hard-to-copy are under constant monitoring, because they cannot charge premium prices as hard-to-copy products do.

Table 6-27 Hard-to-Copy Factors (Leisure & Entertainment): Differences in Means

Factor Descriptive Title	Hard-to-copy? ^a		Dif.	Sig.
	No	Yes		
Efficiency and Financial Strength	0.11	-0.34	-0.45	*
^a Factor scores are shown N = 27 * $p < 0.10$ (1-tailed)				

Table 6-28 shows that hard-to-copy products in the leisure & entertainment sector do not match the same factors as the entire sample. Only the efficiency and financial strength factor – composed by economies of scale achieved, network of outlets, the financial strength of the organisation, and by low costs achieved – shows a statistically significant difference in this sector.

It is hard to identify the points of difference in this sector. We found that hard-to-copy products charge higher prices and that their organisations possess a special culture. However, we are unable to identify how hard-to-copy products differ from competing offers in characteristics valued by customers. Perhaps a larger sample would help to better understand the differences between these products.

Table 6-28 Comparison of Significant Factors between the Entire Sample and the Leisure & Entertainment Sector

Significant Factors ^(*)	Entire Sample	Leisure & Entertainment
Entire Sample Only		
Learning culture	✓	
Customer benefits and branding	✓	
Innovation	✓	
Leisure & Entertainment Only		
Efficiency and Financial Strength ^(**)		✓
^(*) $p \leq 0.10$ (1-tailed) ^(**) Hard-to-copy products scored less on this factor than products that are not hard-to-copy.		

6.3.2.3.4 Hard-to-copy drivers in the financial services sector

Findings in the financial services industry are fairly consistent with the overall results. Hard-to-copy financial products are not cheap – they score 37% less on low prices charged than products that are not hard-to-copy. They also score higher on advantages valued by customers, such as first to market new concepts, superior innovation, branding, and good understanding of customer needs. In addition, hard-to-copy products belong to financial organisations able to learn from and adapt to the market, with good customer relationship programmes, and strong cultures driven by strong leadership.

Table 6-29 Hard-to-Copy Variables (Financial Services): Differences in Means

Variable	Hard-to-copy?		Dif.	Sig.
	No	Yes		
Being first or early to market	3.40	5.32	1.92	*
Superior innovation, initial and ongoing	2.60	5.47	2.87	***
The ability to learn and adapt to change	3.25	4.95	1.70	**
The reputation of the brand	4.20	5.32	1.12	*
The special culture of the organisation	3.20	5.05	1.85	**
Superior understanding of customers	4.20	5.47	1.27	*
Low prices charged	5.00	3.16	-1.84	**
Leadership provided by top management	3.60	4.89	1.29	*
Strength of the customer retention programme	2.40	3.89	1.49	*
N = 24				
*** $p < 0.01$ (1-tailed); ** $p < 0.05$ (1-tailed); * $p < 0.10$ (1-tailed)				

The profile of hard-to-copy products in this sector shows a close match with the one drawn for the entire sample, as the comparison table produced below shows. Superior customer benefits provided are equally important for hard-to-copy and not hard-to-copy products, scoring 5.83 and 5.80 on a 7 point scale, respectively. Thus, no significant difference could be found between these two products. The financial strength of the organisation was regarded by most managers to have similar importance. Alliances and partnerships were of limited valued for managers of hard-to-copy and not hard-to-copy products, scoring 3.89 and 3.89 on this question, respectively.

Interestingly, hard-to-copy financial products scored significantly higher on the

strength of the customer retention programme. One understands the importance managers of hard-to-copy products put on retaining customers. Credit cards may elicit this point. The proliferation of credit cards available to customers widens their choice and puts pressure on low interest rates. If the bank does not succeed in retaining the customer, for example through cross-selling other products, competition will steal the customer and that would impact on the bottom line.

Table 6-30 Comparison of Significant Variables between the Entire Sample and the Financial Services Sector

Significant Variables ^(*)	Entire Sample	Financial Services
Common to Both		
Being first, or early, to market	✓	✓
Reputation of the brand	✓	✓
The ability to learn and adapt to change	✓	✓
Superior innovation, initial and on-going	✓	✓
The special culture of the organisation	✓	✓
Low prices charged ^(**)	✓	✓
Superior understanding of customers	✓	✓
Entire Sample Only		
Superior customer benefits provided	✓	
The financial strength of the organisation	✓	
Alliances and partnerships formed ^(**)	✓	
Financial Services Only		
Strength of the customer retention programme		✓
Leadership provided by top management		✓
^(*) $p \leq 0.10$ (1-tailed) ^(**) Hard-to-copy products scored less on this variable than products that are not hard-to-copy.		

The differences between factors confirm that hard-to-copy financial products are innovative and born in learning cultures.

Table 6-31 Hard-to-Copy Factors (Financial Services): Differences in Means

Factor Descriptive Title	Hard-to-copy? ^a		Dif.	Sig.
	No	Yes		
Learning culture	-1.04	0.14	1.18	**
Innovation	-0.82	0.58	1.40	**
^a Factor scores are shown N = 24 ** $p < 0.05$ (1-tailed)				

The next table shows that financial services' hard-to-copy products failed to differentiate perhaps more on customer benefits than on branding, because the reputation of the brand showed a significant difference. However, this finding seems to confirm the conventional wisdom that new benefits are rapidly copied. Ghemawat (1986) sustains that competition secures detailed information on 70% of all new products within a year of their development, attesting the difficulty to differentiate service products on benefits hardly protected by patents.

Table 6-32 Comparison of Significant Factors between the Entire Sample and the Financial Services Sector

Significant Factors ^(*)	Entire Sample	Financial Services
Common to Both		
Learning culture	✓	✓
Innovation	✓	✓
Entire Sample Only		
Customer benefits and branding	✓	
(*) $p \leq 0.10$ (1-tailed)		

6.3.2.3.5 Hard-to-copy drivers in the business services sector

Some inroads have been made into the business-to-business market earlier in this chapter. We affirmed that the business sector is regarded by many as possessing a set of characteristics that make it very distinct from the consumer market, and a particular emphasis on building relationships (Hutt and Speh, 2001). Table 6-33 seems to confirm the theory. Managers of hard-to-copy products in the business services sector regard achieving high levels of customer retention as very important, which is consistent with the extant literature on business services strategy. In addition, they also consider innovation a major differentiation driver.

Table 6-33 Hard-to-Copy Variables (Business Services): Differences in Means

Variable	Hard-to-copy?		Dif.	Sig.
	No	Yes		
Superior innovation, initial and on-going	4.69	5.90	1.21	**
Strength of the customer retention programme	4.62	5.60	0.98	*
N = 23				
** $p < 0.05$ (1-tailed); * $p < 0.10$ (1-tailed)				

Comparing the results of this sector with the ones of the entire sample shows the limited number of differentiating advantages of hard-to-copy business services. Innovation is the only variable that is common with the entire sample. The other significant variable shows how important a good retention programme is in this sector.

Findings suggest that business services have some way to go before gaining an edge over competition on themes such as being first to market new concepts, improving the brand reputation, or develop a strong organisational culture that understands customers better and adapts faster to changes in the marketplace.

Table 6-34 Comparison of Significant Variables between the Entire Sample and the Business Services Sector

Significant Variables ^(*)	Entire Sample	Business Services
Common to Both		
Superior innovation, initial and ongoing	✓	✓
Entire Sample Only		
Being first, or early, to market	✓	
Reputation of the brand	✓	
The ability to learn and adapt to change	✓	
The special culture of the organisation	✓	
Low prices charged ^(**)	✓	
Superior understanding of customers	✓	
Superior customer benefits provided	✓	
The financial strength of the organisation	✓	
Alliances and partnerships formed ^(**)	✓	
Business Services Only		
Strength of the customer retention programme		✓
^(*) $p \leq 0.10$ (1-tailed) ^(**) Hard-to-copy products scored less on this variable than products that are not hard-to-copy.		

The reduced number of variables with significant differences caused no hard-to-copy factors to emerge in this sector, and thus no factors are shared with the entire sample.

6.3.2.3.6 Hard-to-copy drivers in the travel & transportation sector

Travel & transportation findings match fairly well with the ones for the entire sample (see Table 6-35 and Table 6-36). However, two exceptions reveal the specificity of this industry sector: the importance of low cost structures and of support from parent organisations.

Table 6-35 Hard-to-Copy Variables (Travel & Transportation): Differences in Means

Variable	Hard-to-copy?		Dif.	Sig.
	No	Yes		
Being first or early to market	3.71	5.00	1.29	*
Superior innovation, initial and ongoing	3.86	5.20	1.34	**
Superior customer benefits provided	4.07	6.00	1.93	***
The financial strength of the organisation	4.00	5.07	1.07	**
Superior understanding of customers	4.00	5.07	1.07	*
Low costs achieved	3.43	4.53	1.10	*
Support from a parent organisation	3.21	4.73	1.52	**
N = 29				
*** $p < 0.01$ (1-tailed); ** $p < 0.05$ (1-tailed); * $p < 0.10$ (1-tailed)				

Travel and transportation profitability depends heavily on operations efficiency. Although economic downturns affect all companies alike, the fierce competition in this industry, which includes couriers and airlines, causes less efficient firms to go out of business first. The fact that travel & transportation products are not premium priced also reinforces the need for maximum operating efficiency.

This is also a sector characterised by heavy investments, such as in airplanes or warehouses, for which the financial strength of the organisation, as well as the financial support of a parent company, are decisive.

Table 6-36 Comparison of Significant Variables between the Entire Sample and the Travel & Transportation Sector

Significant Variables ^(*)	Entire Sample	Travel & Transportation
Common to Both		
Being first, or early, to market	✓	✓
Superior customer benefits provided	✓	✓
The financial strength of the organisation	✓	✓
Superior innovation, initial and ongoing	✓	✓
Superior understanding of customers	✓	✓
Entire Sample Only		
Reputation of the brand	✓	
The ability to learn and adapt to change	✓	
The special culture of the organisation	✓	
Low prices charged ^(**)	✓	
Alliances and partnerships formed ^(**)	✓	
Travel & Transportation Only		
Low costs achieved		✓
Support from parent organisation		✓
^(*) $p \leq 0.10$ (1-tailed) ^(**) Hard-to-copy products scored less on this variable than products that are not hard-to-copy.		

Innovation is the only factor that is statistically different between hard-to-copy and not hard-to-copy products in this industry.

Table 6-37 Hard-to-Copy Factors (Travel & Transportation): Differences in Means

Factor Descriptive Title	Hard-to-copy? ^a		Dif.	Sig.
	No	Yes		
Innovation	-0.49	0.07	0.56	*
^a Factor scores are shown N = 29 * $p < 0.10$ (1-tailed)				

Compared to the entire sample, innovation is the only factor shared by the two samples. So, bringing new solutions to a market that is competing mainly on low prices seems to be the only way out for differentiation. However, some firms, such as Federal Express, managed to establish a successful differentiated brand in

this sector and thus made it more difficult for competitors to copy the entirety of the service delivered.

Table 6-38 Comparison of Significant Factors between the Entire Sample and the Travel & Transportation Sector

Significant Factors ^(*)	Entire Sample	Travel & Transportation
Common to Both		
Innovation	✓	✓
Entire Sample Only		
Learning culture	✓	
Customer benefits and branding	✓	
(*) $p \leq 0.10$ (1-tailed)		

6.3.2.3.7 Summary of hard-to-copy drivers by industry sector

After analysing each industry sector separately, we are now able to compare which variables and factors are important for hard-to-copy products across the six industries sectors studied. Table 6-39 and Table 6-40 summarise significant variables and factors, respectively.

Table 6-39 shows that superior innovation, being first or early to market, superior customer benefits, and good understanding of customer needs are advantages most commonly associated with hard-to-copy products in the sectors studied, with three or more counts.

It is also clear that some industry sectors show more significant variables than others (e.g. accommodation & eating out versus business services). The extent to which hard-to-copy products need to excel simultaneously on several advantages is discussed in the following section.

**Table 6-39 Hard-to-Copy Variables (Summary by Industry Sector):
Differences in Means**

Significant Variables(*)	Industry Sector ^a					
	1	2	3	4	5	6
Superior innovation, initial and ongoing	✓			✓	✓	✓
Being first, or early, to market	✓			✓		✓
Superior customer benefits provided	✓	✓				✓
Superior understanding of customers	✓			✓		✓
The reputation of the brand	✓			✓		
The ability to learn and to adapt to change	✓			✓		
The special culture of the organisation			✓	✓		
Leadership provided by top management		✓		✓		
The financial strength of the organisation	✓					✓
Strength of the customer retention programme				✓	✓	
Low prices charged			✓ ^b	✓ ^b		
The quality of customer service	✓		✓ ^b			
Low costs achieved		✓ ^b				✓
Alliances and partnerships formed		✓ ^b				
Support from a parent organisation						✓
^a Key: 1 – Accommodation & Eating Out; 2 – Retail; 3 – Leisure & Entertainment; 4 – Financial Services; 5 – Business Services; 6 – Travel & Transportation.						
^b Hard-to-copy products scored lower on this variable/sector.						
(*) $p \leq 0.10$ (1-tailed)						

A common result verified throughout the analysis of industry sectors was hard-to-copy products scoring consistently more on all variables studied, with two exceptions: low prices charged and alliances and partnerships formed. There were also some mixed results amongst sectors. For example, achieving low costs in retail is equally important for managers of hard-to-copy and of not hard-to-copy products. However, in the travel & transportation sector, managers of hard-to-copy products argue that achieving a low cost structure is in fact an important driver to create a successful and hard to imitate product.

The business sector shows some particularities compared to the remaining sectors. Whilst most service sectors show a reasonable number of significant advantages, hard-to-copy business products seem to depend on superior

innovation and customer retention alone to gain an edge over the competition. Earlier we affirmed that managers of business services strive to build close customer-supplier relationships. In light of these results, we say that good customer relationship management is crucial given the limited number of differentiating advantages.

Table 6-40 Hard-to-Copy Factors (Summary by Service Sector): Differences in Means

Significant Factors(*)	Industry Sector ^a					
	1	2	3	4	5	6
Innovation	√			√		√
Learning culture	√			√		
Customer benefits and branding	√					
Efficiency and financial strength			√ ^b			
^a Key: 1 – Accommodation & Eating Out; 2 – Retail; 3 – Leisure & Entertainment; 4 – Financial Services; 5 – Business Services; 6 – Travel & Transportation. ^b Hard-to-copy products scored lower on this factor/sector. (*) $p \leq 0.10$ (1-tailed)						

6.3.3 Hard-to-copy multiple bases of advantage

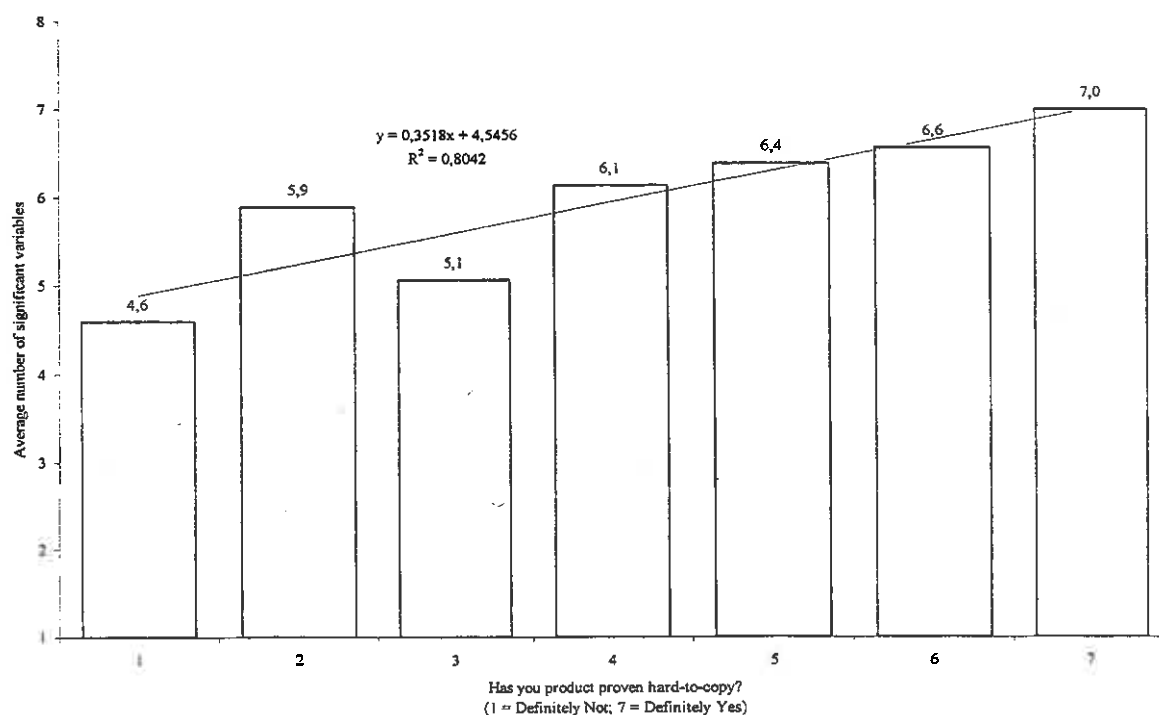
The previous sections have shown that hard-to-copy products differ from products that are not hard-to-copy on a number of variables and competitive factors. It is also valuable to find out if hard-to-copy products excel *simultaneously* on more variables than products that are not hard-to-copy. This was tested as follows: Managers were asked on a 7-point bipolar scale with response categories ranging from “1=definitely not” to “7=definitely yes”, the extent to which their product had proven hard-to-copy. The average number of significant variables per score is presented in Table 6-41.

Table 6-41 Significant Variables and Hard-to-Copy: Cross-tabulation

		Has your product proven hard-to-copy?							Total
		Definitely Not (1)	2	3	4	5	6	Definitely Yes (7)	
Count of significant variables (Only when the score equals 5,6 or 7)	0	1	0	1	0	0	0	0	2
	1	0	0	0	0	0	0	0	0
	2	0	2	3	0	1	0	0	6
	3	2	3	1	3	0	2	1	12
	4	2	0	1	0	5	2	1	11
	5	1	3	0	1	4	4	1	14
	6	1	2	2	2	10	7	4	28
	7	3	6	4	4	5	4	6	32
	8	0	0	0	4	7	6	3	20
	9	0	4	2	0	3	5	5	19
	10	0	0	0	0	1	0	0	1
Total Counts		10	20	14	14	36	30	21	145
Total Significant Variables		46	118	71	86	230	197	147	895
Average number of variables per score		4.6	5.9	5.1	6.1	6.4	6.6	7.0	6.2

The next graph illustrates the average number of significant variables (among the 10 identified in Table 6-5) per score on the hard-to-copy question.

Figure 6-1 Significant Variables Associated with Hard-to-Copy Products



The previous graph and related Table 6-42 show a statistically significant relationship between the extent to which products are hard-to-copy and scoring highly on a number of significant variables. Therefore, we can say that hard-to-copy products excel on *more* advantages than products that are not hard-to-copy. In fact, hard-to-copy products perform well on approximately seven out of the 10 key variables identified.

Table 6-42 Significant Variables and Hard-to-Copy: Regression

Variable	Unstandardised Coefficient	t-statistic	Sig.
Average number of significant variables	0.352	4.532	0.006
Constant	4.545		
$R^2 = 0.804$; Durbin-Watson statistic: 3.388			

This is another interesting finding. Hard-to-copy products are so because they excel *simultaneously* on a number of significant variables. Arguably this is what makes the position hard-to-copy. If the hard-to-copy position was supported by superior performance only on a small number of variables, it would soon be copied and rapidly overtaken; it would no longer be hard-to-copy.

The qualitative work carried out before the survey already suggests that hard-to-copy products combine successfully several sources of advantage. For example, Asda benefits from low operating costs, which in turn allows the Asda brand to be built unashamedly on low prices. In addition, customers benefit from convenient shopping. Asda responded to consumers' convenience needs by building bigger shops, providing the entire range of weekly needs under the same roof so that when customers leave the store, the next stop is home. All these advantages are supported by an internal culture that fits the brand well. For Asda people, this means sharing hotel rooms when they are staying away, because they understand it is not possible to provide low prices and give shareholders a good return without controlling costs.

Accessorize's strength also stems from a number of combined advantages. For example, they have established long-term alliances with their suppliers because they recognise full-integration as being their Achilles heel. With more than 80 suppliers, the average length of a relationship is 12 years. In addition, most of the

product range sold in Accessorize stores is designed in-house, making them unique and innovative. Leadership also plays an important role in the company. The Chairman founded the business, and most senior managers have stayed with the company for the last 18 years. In fact, three quarters of senior management are all from within the business, grown up within the business, and almost all started at the lowest level. Employees are passionate about the Accessorize catalogue; most of them were previously regular customers. Finally, Accessorize is a financially sound company, benefiting from very high margins. According to the Managing Director, they have never borrowed money in their business history. Asda and Accessorize are just two examples of hard-to-copy products that display several competitive advantages. Arguably, this is what makes their position hard-to-copy.

What we found here is supported in the literature on competitive advantage. For example, Coyne et al (1997) hold that an advantage comprising only a few elements is much easier to understand and replicate than one that relies on the subtle alignment of myriad elements. Along similar lines, Aaker (1989) notes that multiple bases for competitive advantage may be needed for a business to compete successfully. Likewise, Baghai et al (1999) argue that combinations of capabilities are generally harder to imitate than individual capabilities. Thus, sustainability is greatest when based on several kinds of advantage rather than one (Ghemawat, 1986).

The scant empirical work specifically researching the relationship between superior performance and the emphasis on several sources of competitive advantage (e.g. Powers and Hahn, 2002), also suggests that firms which emphasise a greater number of competitive methods based on skills and resources realise higher performance than firms that emphasise a lower number.

6.4 AMPLIFIED RESEARCH INTO COMPETITIVE FACTORS

The qualitative work discussed in Chapter 4 recommended that more amplification of some competitive factors was needed because they generated

more discussion than others and seemed to carry more weight amongst the participants and academics. Thus, the survey included sections that explored advantages based on:

- Culture of the organisation
- Customer benefits provided
- Branding
- Innovation
- Competitive strategy

Interestingly, early in this Chapter we confirmed the need to further investigate the previous advantages. With the exception of competitive strategy, all other competitive advantages isolated for amplified research in the survey have shown significant differences between hard-to-copy products and products that are not hard-to-copy (c.f. Table 6-8). Each of the previous competitive factors will be discussed in the next sections and a number of propositions tested for each.

6.4.1 Culture of the organisation

Whilst the contribution of culture to a firm's competitive advantage is not contested (e.g. Barney, 1986), the factors which bring about a valuable culture need further investigation. Kotter and Heskett (1992) argue that culture is a valuable asset only if it fits well with its environment. Similarly, Sadri and Lees (2001) maintain that an effective culture must be aligned with employee values and be consistent with the environment in which the organisation operates.

However, the qualitative findings do not establish a link between culture and the environment. Rather, culture is evaluated in terms of its appropriateness for the brand, such as in Asda's culture of cost control fitting the brand's position of lowest prices. This finds some support in Kapferer's (1997) contention that although brands are driven by culture they also convey culture. Therefore, four possible matches between organisational culture and the brand were proposed in Chapter 5, represented by the four quadrants in Figure 6-2.

Figure 6-2 Fit Between Organisational Culture and the Brand

Brand fit with the environment	Good	'Dragged back'	'Perfect match made in heaven'
	Poor	'Perfect match made in hell'	'What a shame'
		Weak	Strong
Culture fit with the brand			

The qualitative findings suggest that hard-to-copy products have a good culture fit with the brand. Examples include Asda people's passion about being a low-cost player, Majestic staff's enthusiasm about wine, and Nike Town's sport-driven people. Therefore, this study posited:

Proposition 1: Hard-to-copy products are more likely to exhibit a stronger culture fit with the brand than are products that are not hard-to-copy.

This proposition was supported. Table 6-43 shows that hard-to-copy products are more likely to have a high fit between the organisational culture and the brand than products that are not hard-to-copy. Therefore, the qualitative findings, which already suggest that hard-to-copy products show a good culture fit with the brand, were confirmed.

Table 6-43 Culture Fit with the Brand: Differences in Means

	Hard-to-copy?		Dif.	Sig.
	No	Yes		
Organisational culture fit with the brand (P.1)	4.47	4.98	0.51	***
N = 148				
*** $p < 0.01$ (1-tailed)				

Keller (2000) maintains that the power of a brand lies in the minds of customers. Therefore, a brand that fails to establish a positive relationship with consumers is most likely to be under-performing. As Table 6-44 shows, hard-to-copy products

show a good fit between the brand and the environment, i.e. they have succeeded in positioning the brand favourably in the minds of customers.

Table 6-44 Brand Fit with the Environment: Differences in Means

	Hard-to-copy?		Dif.	Sig.
	No	Yes		
Brand fit with the environment	4.93	5.60	0.67	***
N = 151 *** $p < 0.01$ (1-tailed)				

The next logical step is to test if hard-to-copy products are associated with a *simultaneous* culture fit with the brand and brand fit with the environment. This corresponds to the "Perfect Match Made in Heaven" quadrant in Figure 6-2. For completeness, we also tested if hard-to-copy products are likely to be associated with the other three quadrants. Thus, earlier in this thesis we posited:

Proposition 2: Hard-to-copy products are more likely to simultaneously exhibit high brand fit with the environment and high culture fit with the brand than are products that are not hard-to-copy.

As Table 6-45 shows, hard-to-copy products are more likely to be located in the 'Perfect Match Made in Heaven' quadrant than products that are not hard-to-copy, thus supporting *Proposition 2*. On the contrary, products that are not hard-to-copy are likely to be located in the "Perfect Match Made in Hell" quadrant.

Table 6-45 Fit between Culture and the Brand: Differences in Means⁶

	Hard-to-copy?		Dif.	Sig.
	No	Yes		
"Dragged Back"	0,182	0,226	0,044	
"Perfect Match Made in Heaven" (P.2)	0,418	0,655	0,237	***
"Perfect Match Made in Hell"	0,254	0,036	-0,218	***
"What a Shame"	0,145	0,083	-0,062	
N = 149 *** $p < 0.01$ (1-tailed)				

⁶ This was tested for by re-coding into a different variable. For example, "Perfect Match Made in Heaven" was tested as follows: If "brand fit with the environment" = "1" and "organisational culture fit with the brand" = "1", re-coded as "1". All other combinations re-coded as "0." Then, the average scores of hard-to-copy and not hard-to-copy products were compared.

We have found that hard-to-copy products are born in organisations with cultures that fit well with the values of the brand. We also have found out that hard-to-copy brands are meaningful to customers, and thus fit well with the environment in which the organisation operates. Now we found that hard-to-copy brands are in harmony with the environment and, simultaneously, the culture is in harmony with the brand. The question now is: what type of culture is associated best with hard-to-copy products?

Academics have sought to place organisational cultures into general categories. Deshpandé et al (1993) offer a categorisation, postulating that organisational culture is determined by two key dimensions, organic to mechanistic processes, and internal maintenance to external positioning. The combination of these dimensions gives rise to four culture categories, which they have labelled market, hierarchical, adhocracy, and clan. The academics argue that each culture type implies varying degrees of performance in a competitive marketplace. Given the emphasis of the *market culture* on competitive advantage, this is likely to be best associated with hard-to-copy products. On the contrary, we expect the bureaucratic *hierarchical culture* to be poorly associated with hard-to-copy products. Finally, given the focus of *adhocracy culture* on innovation and risk taking, we would expect it to have a better association with hard-to-copy products than a *clan culture*, in which loyalty, tradition, and emphasis on internal maintenance could lead to a lack of attention to changing marketing needs.

The qualitative findings discussed in Chapter 4 suggest that, of the four culture types, the *market culture* prevails amongst hard-to-copy products studied. Most hard-to-copy cases, including Asda, Accessorize, Majestic Wine, and Land's End, exhibit informal, friendly people, in open-plan layouts, easy access to management, information flowing freely up and down the organisation, and empowered people. Therefore, we posited:

Proposition 3: Corporate cultures stressing competitiveness (market) and entrepreneurship (adhocracy) are more likely to be related to hard-to-copy positions than cultures stressing internal cohesiveness (clans) or rules (hierarchies).

The four culture scores were calculated according to directions given by Deshpandé et al (1993). The four scores were computed by adding all values of the *A* items for clan, *B* items for adhocracy, *C* items for hierarchy, and *D* items for market. Results for any type of culture can therefore equal a maximum of 300 points and a minimum of zero. Results are presented in Table 6-46.

Table 6-46 Culture Type: Differences in Means

			Means			Sig.
	No. of Items	Cronbach α	Not Hard-to-Copy	Hard-to-Copy	Dif.	
Market	3	51.1	62.2	63.9	1.7	
Adhocracy	3	61.8	76.5	85.9	9.4	*
Clan	3	63.4	98.5	93.3	-5.2	
Hierarchy	3	53.4	62.7	56.8	-5.9	
N = 149						
* $p < 0.1$ (1-tailed)						

The previous table shows that market and adhocracy cultures score higher on hard-to-copy products. On the contrary, both clan and hierarchy cultures score higher on products that are not hard-to-copy. However, tests are only significant for adhocracy culture, although all cultures are in the expected direction. Hence, *Proposition 3* was not supported. These findings do not support previous research (e.g. Deshpandé et al 1993), whereby organisations with an emphasis on external positioning over internal maintenance are more likely to be associated with stronger performance and barriers to imitation. On one hand, this might be explained perhaps by the low reliability of the scales. On the other, the fact that Deshpandé et al. (1993) conducted their work in Japan whilst this research focuses exclusively on British firms may also contribute to the lack of support of previous results.

6.4.2 Customer benefits provided

Functional benefits are increasingly insufficient to influence the customer to make a purchasing decision (Storey and Easingwood, 1998). It is thus essential that products find ways to achieve differentiation. Kim and Mauborgne (2000, 2001) argue that successful differentiation is possible if products deliver on

valued benefits, such as simplification, convenience, productivity, fun, less risk, and concern for the environment.

The qualitative findings, discussed in Chapter, 4 have shown that hard-to-copy products scored well on most of the aforementioned benefits. The six benefits with examples from the qualitative phase are as follows:

Improved customer productivity – Direct Line's proposition tempted people to insure directly, cut out the middleman, and save money;

Simplification of something previously complex – Virgin One-Account offers their customer a single bank account, which combines a current account and savings account with a mortgage product;

Extra convenience and reduced hassle – Customers at Accessorize do not have to shop around in a number of outlets to find their accessories. It provides a one-stop High Street accessory retailer;

Reduced risk – Lands' End's 'guaranteed period' means that if a customer is not happy with the buy, he can return it with no questions asked;

Extra fun – Ann Summers provides fun because if it did not it would be in danger of being seedy and serious;

Environmental friendliness – Co-operative Bank policy of not doing business with companies that pollute the environment helped to reinforce the bank's ethical positioning.

The question is whether hard-to-copy products offer one or more of the above benefits. Therefore, this study postulated:

Proposition 4: Hard-to-copy services offer significantly more of one or more of the utility levers than do services that are not hard-to-copy.

Table 6-47 presents the average total scores for all benefits measured. With just a single exception – concern for the environment – hard-to-copy products scored more on every customer benefit.

Table 6-47 Average Score on Customer Benefits: Differences in Means

Customer Benefits	Hard-to-copy?		Dif.	Sig.
	No	Yes		
Improves customer productivity	3.98	4.23	0.25	
Simplifies something previously more complex	4.28	4.69	0.41	**
Offers extra convenience and reduces hassle	5.17	5.29	0.12	
Reduces risk of underperformance	3.76	4.06	0.30	
Provides “extra fun”	3.98	4.30	0.32	*
Offers a superior “image”	4.58	5.16	0.58	**
Helps the environment	3.04	2.94	-0.10	
N = 144 ** $p < 0.05$ (1-tailed); * $p < 0.10$ (1-tailed)				

Several differences were non-significant. However, this is *not* how we tested *Proposition 4*. The number of benefits delivered by hard-to-copy products was computed as follows: all scores between one and five given to the benefits listed in Table 6-47 counted as “0”. All other scores (six or seven) counted as “1”. The new values were added and the differences tested. These are presented in Table 6-48.

Results confirmed our expectations and the qualitative findings. The average number of benefits for hard-to-copy products was 2.7 versus 2.0 for the not hard-to-copy. This was significantly different at $p < 0.01$.

Table 6-48 Average Number of Customer Benefits: Differences in Means⁷

	Hard-to-copy?		Dif.	Sig.
	No	Yes		
Average number of benefits (P. 4)	2.02	2.69	0.67	***
N = 141				
*** $p < 0.01$ (1-tailed)				

Many scholars (e.g. Dickson and Ginter, 1987; Day and Wensley, 1988; Storey and Easingwood, 1998) argue that it is urgent for managers to go beyond physical product features and embrace all activities and linkages of the businesses to differentiate products. We found that delivering well on a specific customer service is not enough. To succeed, products must deliver on a range of customer services valued by customers. Only by performing well on several customer benefits can the hard-to-copy position be protected.

6.4.3 Branding

The previous section suggests that products need to deliver on a number of benefits valued by customers in order to become hard-to-copy. One way to differentiate one's offering from competitors is by adding unique values, which match customer needs closely (De Chernatony and McDonald, 1998). Arguably, this is even more important in the services context, where it is difficult for customers to evaluate services because of their intangibility. Therefore, because customers often rely on strong organisational image and reputation to minimise the purchase risk (Thomas, 1978; Bessom and Jackson, 1975; George, 1977; Onkvisit and Shaw, 1989), a strong brand could be very rewarding. The qualitative finds alongside the review of branding literature provided the basis for the hypotheses developed in Chapter 5, relating to brand positioning, brand communication and brand differentiation. These themes are discussed next.

Current branding gurus (e.g. Aaker, 1997; Keller, 1998; Kapferer, 1997) argue that a brand's clear position is a condition for success. One question remains

unanswered: should the brand position remain fairly constant or should it be adapted to keep up with the times? De Chernatony (2001, p.78) argues that the challenge for existing brands is "to keep them refreshed and relevant for a changing environment." The interviews revealed that many hard-to-copy brands have changed their brand positioning. For example, Ann Summers "doesn't want to be forbidden anymore" because society has changed and there is nothing risqué about sex shops at all. Center Parcs has moved from the "British holiday the weather can't spoil" to an "up-market break that I can take in the U.K.". The Co-operative Bank started out as the 'ethical' bank and is changing into Smile, a modern version that is taking the essential underlying values of the main bank, and making them look very attractive to younger and fashion conscious people. Therefore, we posited:

Proposition 5: The positions of hard-to-copy brands usually evolve over time to adapt to changing market circumstances.

This was not verified, contrary to our expectations. Thus, *Proposition 5* was not satisfied. Quantitative findings suggest that hard-to-copy brands make few changes in their position (Table 6-49). Interestingly, we found that brands which are not hard-to-copy change their position more often than hard-to-copy brands.

Table 6-49 Consistency of Brand Position: Differences in Means

	Hard-to-copy?		Dif.	Sig.
	No	Yes		
The brand's position has changed over time (P.5)	4.62	4.12	-0.50	*
N = 150				
* $p < 0.10$ (1-tailed)				

Although Asda has not changed its position for 10 years, most interviews pointed to the opposite case, including Ann Summers, Center Parcs, and The Co-operative Bank. Furthermore, this finding does not find support in De Chernatony's (2001) contention that existing brands should stay fresh and relevant for a changing environment. Likewise, it goes against Keller's (1998) argument that managers should not be afraid of making changes in the marketing program. Keller (2000, p.148) argues, that without losing sight of their core

strengths, “the strongest brands stay on the leading edge in the product arena and tweak their intangibles to fit the times.”

It may be the case that sometimes a company hits on the positioning for a brand that is exactly right for the company and its marketplace and no change is needed. However the point we are making is that this is unusual and managers should expect to subtly re-position their brand, even successful ones, over time.

As well as a consistent position, brands should be clearly positioned in the minds of customers. To many (e.g. Aaker, 1997; Keller, 1998; Kapferer, 1997), a brand’s clear position is a condition for success. Aaker (1996) argues that a well conceived brand identity and position can lead to a sustainable competitive advantage, because of the unique favourable associations towards the brand. The interviews seem to confirm this assertion. For example, The Co-operative Bank and ethical values are synonymous in many peoples’ minds. Thus, we posited:

Proposition 6: The positioning of hard-to-copy brands is very precise.

Also, we proposed:

Proposition 7: Hard-to-copy brand positions are built around simple propositions that can often be captured in a few words.

The quantitative findings support both propositions (Table 6-50). In both cases, hard-to-copy brands scored significantly higher than brands that are not hard-to-copy.

Table 6-50 Precise Position and Brand Essence: Differences in Means

	Hard-to-copy?		Dif.	Sig.
	No	Yes		
The brand benefits from having a precisely defined position (P.6)	4.33	5.06	0.73	***
The essence of the brand can be captured in just a few words (P.7)	4.50	4.99	0.49	**
N = 150 *** $p < 0.01$ (1-tailed); ** $p < 0.05$ (1-tailed)				

Therefore, hard-to-copy brands are built around well-defined positions, supported by brief descriptions of their essence. These findings confirm, on the one hand,

the extant literature, which defends a brand's clear position as a condition for success, and on the other, the qualitative findings, which already pointed to the necessity of positioning the brand very precisely. A good example of this is Ann Summers, whereby failing to position the brand as fun and professional has tremendous risks, because it would be associated with being down market.

Another issue with limited consensus in the branding literature relates to the importance of mass media in brand building. On the one hand, Kapferer (1997) argues that advertising writes the history of the brand. On the other, Joachimstahler and Aaker (1997) defend that brands can be built without mass media. More cautiously, Keller (1998) concedes that advertising is a powerful means of creating strong brands, although advertising effects are often difficult to measure. The debate about the importance of mass media is thus still very much on-going. Nevertheless, the interviews suggested that, at least in six cases, mass media communication was a relatively less important part of the communication mix of hard-to-copy brands. For example, Ann Summers does not spend any money on advertising. Similarly, Blackwell's retail does very little advertising. Equally, low advertisers include The Co-operative Bank, First Direct, Majestic Wine, and Accessorize. Therefore, this study posited:

Proposition 8: Mass media communication is a relatively less important part of the communication mix of hard-to-copy brands than of brands that are not hard-to-copy.

Contrary to our expectations, findings suggest that hard-to-copy brands use more mass media communication than brands that are not hard-to-copy. Therefore, *Proposition 8* was not supported. It is worth noticing that hard-to-copy products use a comprehensive mix of company communication vehicles from mass media to public relations.

Table 6-51 Brand Communication: Differences in Means

	Hard-to-copy?		Dif.	Sig.
	No	Yes		
The brand has been supported by effective company communication (i.e. PR, mass media, sponsorship)	3.93	4.74	0.81	***
The use of mass media has been an important part of the communication mix (P.8)	3.12	3.87	0.75	**
WOM is the most important component of overall communication effectiveness	4.73	5.31	0.58	**
N = 150 *** $p < 0.01$ (1-tailed); ** $p < 0.05$ (1-tailed)				

Even though it was found that hard-to-copy brands use advertising as an important part of the communication mix, it may be the case that managers answering the questionnaire were thinking more in terms of pounds invested in advertising, for example to prompt sales, and not so much in terms of the power of advertising to build the brand. For instance, although Center Parcs channels investment into advertising, this is more from the point of view of prompting people to book their holiday.

Nonetheless, although we cannot affirm that mass media advertising is less important in brand building of hard-to-copy brands than of brands that are not hard-to-copy, it is worth noticing that hard-to-copy brands scored 37% more on word-of-mouth than on mass media advertising. This is aligned with qualitative results, which suggest that word-of-mouth plays an important role in communication. For example, Accessorize considers word-of-mouth as fantastically important because the brand is not managed as if it were a mass marketed brand. Likewise, word-of-mouth worked really well for Direct Line to be seen as an innovator. Hence, this study posited:

Proposition 9: Hard-to-copy brands' creation is driven more by word-of-mouth than by mass media advertising.

To test this proposition we created a new variable, called excess of WOM over advertising. This was computed first by subtracting mass media scores to word-of-mouth scores, and then by comparing the means for hard-to-copy brands versus non hard-to-copy brands. These are shown in Table 6-52.

Table 6-52 Word-of-Mouth vs. Mass Media Advertising: Differences in Means

	Hard-to-copy?		Dif.	Sig.
	No	Yes		
Excess of WOM over mass media advertising (P.9)	1.62	1.44	0.17	
N = 150 *** $p < 0.01$ (1-tailed); ** $p < 0.05$ (1-tailed); * $p < 0.10$ (1-tailed)				

Although word-of-mouth is significantly more important for hard-to-copy brands than for brands that are not hard-to-copy (see Table 6-51), the difference between WOM scores and mass media advertising scores is bigger in the case of brands that are not hard-to-copy. This confirms the previous result, whereby hard-to-copy brands use advertising as an important part of the communication mix. Hence, this study failed to support the notion that a brand's creation is driven more by word-of-mouth than by mass media advertising. Therefore, *Proposition 9* was not supported.

De Chernatony (2001) argues that it is becoming more difficult to sustain a valued functional advantage. Similarly, Aaker (1996) sustains that brands are struggling to find points of distinction. Along the same lines, Ghemawat (1986) concludes that most innovations are copied in less than a year. Therefore, brand differentiation, a successful combination of function and emotion, is increasingly hard to achieve and sustain.

De Chernatony and McDonald (1998) suggest that brands can differentiate from competitors by adding benefits which do not just justify functional needs but also meet emotional needs. For example, Direct Line and the red telephone are well established in consumers' mindset, meaning direct access, no middleman, and high-value. Center Parcs branded the weekend break. Thus, we maintain:

Proposition 10: Hard-to-copy brands are differentiated from their competitors

The interviews suggested two successful strategies to differentiate brands: (1) to occupy positions competitors find it hard to follow; and (2) to develop emotional ties with customers. For example, The Co-operative Bank moved into areas, such

as environment protection and refugees, where other High Street banks are afraid to go because they could affect the bottom line significantly. Similarly, Virgin One Account enjoys an entry barrier, because if High Street banks were going to adopt the current account mortgage concept they would lose substantial amounts on interest rates. Therefore, we posited:

Proposition 11: Hard-to-copy brands occupy positions competitors find it hard to follow.

In addition, because brands have the power to establish relationships (Kapferer, 1997) target customers can have emotional relationships towards them (De Chernatony and McDonald, 1998). This is especially true for The Co-operative Bank customers, who make a statement every time they write a cheque, according to The Co-operative Bank Marketing Director. Thus, this study also maintains:

Proposition 12: Hard-to-copy brands develop an emotional tie between themselves and their customers.

The findings presented in Table 6-53 support *Propositions 10, 11 and 12*. Hard-to-copy brands occupy positions hard to follow by competitors, and are emotionally relevant to customers.

Table 6-53 Brand Differentiation: Differences in Means

	Hard-to-copy?		Dif.	Sig.
	No	Yes		
The brand is differentiated from its competitors (P.10)	4.32	5.46	1.14	***
Competition will find it difficult to try to move into the position occupied by the brand (P.11)	3.67	4.86	1.19	***
There exists an emotional tie between the customer and the brand (P.12)	3.85	5.10	1.25	***
N = 150 *** $p < 0.01$ (1-tailed)				

In summary, hard-to-copy brands are built around a consistent precise positioning, and are supported by effective communication, including mass media advertising and word-of-mouth, although the former is more from the point of view of prompting sales. In addition, hard-to-copy brands are highly

differentiated from competitors because they occupy positions competitors find it hard to follow and because they have established strong relationships with their target customers.

6.4.4 Innovation

Govindarajan and Gupta (2001) argue that competitive advantage depends on the firm's ability to radically change the rules of the game. The problem is: how can a product challenge the existing rules for its advantage? In this study we look at how new concepts emerge. Previous work by Kim and Mauborgne (1999g) recommends a number of innovation strategies, including shifting the focus of attention to other buyers, combining reasons for purchase from substitute sectors, changing the prevailing functional/emotional mix, and providing more of a 'total solution.' These are investigated here.

First, let us look at the importance of shifting the focus of attention to other buyers. We found that Ann Summers moved from serving males to serving normal women looking to brighten up their love lives. Similarly, Direct Line shifted from selling to and through brokers to selling directly to the end-customer. Therefore, we propose:

Proposition 13: Hard-to-copy products are more likely than products that are not hard-to-copy to appeal to a new segment.

The next table shows that hard-to-copy products appeal more to new segments than products that are not hard-to-copy. Therefore, uncovering hidden customer segments is a characteristic of hard-to-copy products, and *Proposition 13* was confirmed.

Table 6-54 Appealing to New Segments: Differences in Means

	Hard-to-copy?		Dif.	Sig.
	No	Yes		
The product appealed to a new segment (P.13)	4.36	4.69	0.33	*
N = 144				
* $p < 0.10$ (1-tailed)				

This result supports Kim and Mauborgne's (1999g) contention that new market space can be found by challenging the industrial conventional wisdom about which group to target. Thus, by looking at new segments, hard-to-copy products focus on overlooked customers.

Another innovation strategy tested here is to look across substitute industries, identifying the key reasons why consumers buy products in one sector and the key reasons why they sometimes buy products in the most important substitute sector, combining them in one product. Previously, we discovered that Center Parcs contains some elements of this strategy; whilst it offers holidays in Britain, it also adds elements of a substitute sector, a holiday abroad, namely the guaranteed temperatures and protection from storms and rain. Thus, we posited:

Proposition 14: Hard-to-copy products are more likely than products that are not hard-to-copy to include benefits previously available only in a substitute sector.

As Table 6-55 shows, *Proposition 14* was not confirmed. Evidence from the qualitative phase, as well as from previous research (e.g. Kim and Mauborgne, 1999b), suggests that successful products emerge by looking across sector boundaries and combine key benefits from both sectors in one product, because products do not compete only with products in their own industry, but also with their substitutes, filling the space between substitute industries. However, this was not confirmed.

Table 6-55 Benefits from Substitute Sectors Included: Differences in Means

	Hard-to-copy?		Dif.	Sig.
	No	Yes		
The product included benefits previously available only in a substitute sector (P.14)	3.68	4.02	0.36	
N = 144 *** $p < 0.01$ (1-tailed); ** $p < 0.05$ (1-tailed); * $p < 0.10$ (1-tailed)				

Industries compete on the basis of function (price and functional performance) or on the basis of emotion (feelings, glamour, human relationships). Breaking out this convergent behaviour by offering emotion to a functionally-oriented sector or function to an emotionally-oriented sector is the same as changing the rules of the

game. Two options are possible: (1) to offer more function to an emotionally-dominated emotion/functional mix; or (2) to add more emotion to a functionally-dominated emotion/functional mix. The qualitative phase provided some interesting examples of these strategies. On one hand, we have Direct Line, which added more function (low cost). Similarly, Asda provided more function by filling their 60.000 sq foot stores with most consumers' weekly needs. Hence, we proposed:

Proposition 15: Hard-to-copy products are more likely than products that are not hard-to-copy to offer more function to an emotionally-oriented sector.

On the other hand, Legoland applied the Lego brand to the rides, turning them into a unique themed ride. Similarly, The Co-operative Bank added more emotion by offering an alternative of having one's banking affairs handled by an environmentally-aware bank. Likewise, Direct Line established the 'little red telephone' in the nation's mindset and made the relationship direct, friendly and relevant. Therefore, we maintain:

Proposition 16: Hard-to-copy products are more likely than products that are not hard-to-copy to offer more emotion to a functionally-oriented sector.

Table 6-56 shows that only *Proposition 16* was supported, even though not very satisfactorily. Although a definition of "functionally-oriented" or "emotionally-oriented" segment stems from the qualitative research, it is not possible with current quantitative data to isolate functionally- or emotionally-oriented segments and test *Propositions 15* and *16* properly. Nevertheless, current findings seem to find support in the theory on competitive advantage, which suggests that successful products/brands rely more on sustained emotional relationships between the customer and the brand than on functional characteristics (e.g. Storey and Easingwood, 1998). De Chernatony (2001), for instance, argues that it is becoming more difficult to sustain a valued functional advantage.

Table 6-56 Breaking the Prevailing Function/Emotion Mix: Differences in Means

	Hard-to-copy?		Dif.	Sig.
	No	Yes		
The product breaks free from the prevailing mix by offering more function than competition (P.15)	4.98	5.11	0.13	
The product breaks free from the prevailing mix by offering more emotion than competition (P.16)	4.07	4.73	0.66	***
N = 144 *** $p < 0.01$ (1-tailed); ** $p < 0.05$ (1-tailed); * $p < 0.10$ (1-tailed)				

New concepts can also emerge by offering more of a 'total solution' to customers, shifting from selling discrete products to supplying total systems and solutions (Govindarajan and Gupta, 2001). We found that First Direct replaced a service previously performed by the customer (visiting the bank), by offering 24-hours a day, seven days a week telephone access and paperless authorisation. Therefore, we propose:

Proposition 17: Hard-to-copy products are more likely than products that are not hard-to-copy to provide more of a "total solution" for the customer by including extra services.

This was confirmed (see Table 6-57). Hard-to-copy products scored significantly higher on this innovation strategy. This finding confirms qualitative results, as well as the theory, whereby successful service products not only cater for customer needs during their consumption but also include added services valued by customers. Other well-known examples not examined in this thesis also confirm this. For example, Virgin Entertainment's stores combine CDs, videos, computer games, and stereo and audio equipment under one roof to satisfy customers' needs.

Table 6-57 Providing a Total Solution: Differences in Means

	Hard-to-copy?		Dif.	Sig.
	No	Yes		
The product provided more of a "total solution" for the customer by including extra services (P.17)	4.32	5.09	0.77	***
N = 144 *** $p < 0.01$ (1-tailed)				

The qualitative work provided yet another innovation path: new concepts can emerge by expanding the service offering, by including significant benefits wanted by customers but not previously included in the offering. For example, Accessorize brings together in one shop all the items of clothing and jewellery needed by a woman to complete an outfit. Likewise, Virgin One Account is a financial product that combines a current account and savings account with a mortgage product. Thus, we propose:

Proposition 18: Hard-to-copy products are more likely than products that are not hard-to-copy to include significant new benefits wanted by customers but not previously offered.

This was confirmed (see Table 6-58). Customers value products with significant new benefits included. A link could be made here to the previous section on customer benefits. We found that not only is it important to add new valued benefits but also to deliver a whole range of benefits, mostly non-functional (e.g. Dickson and Ginter, 1987; Day and Wensley, 1988; Storey and Easingwood, 1998).

Table 6-58 Significant New Benefits Included: Differences in Means

	Hard-to-copy?		Dif.	Sig.
	No	Yes		
The product included significant new benefits wanted by customers but not previously offered (P.18)	4.63	5.68	1.05	***
N = 144 *** $p < 0.01$ (1-tailed)				

In summary, this section suggests that hard-to-copy products followed one or more of the following innovation strategies:

- Appealed to and served new segments;
- Offered more emotion to a functionally-oriented prevailing mix;
- Provided more of a “total solution”; and
- Included significant new benefits valued by customers.

6.4.5 Competitive Strategy

Porter combined the concepts of cost leadership, differentiation and focus to give a typology of three strategic directions. All these have been investigated in the literature. However, it is relevant to find out whether hard-to-copy products fit into these three strategic options, because the interviews provided interesting example of the previous strategies.

A firm can adopt a broad-target strategy that addresses many segments, or exclusively address a small number of segments in a focus strategy (Porter, 1980). Too often, Porter argues, firms serve too many segments, running the risk of sub-optimisation, and increasing its vulnerability to focusers. However, some scholars (e.g. Kotler, 1997; Kim and Mauborgne, 1997) maintain that too often companies begin by targeting one segment, and then expand their offer into other segments. For example, Kim and Mauborgne (1997) concluded that SAP, the world’s leading business application software, succeeded because whilst competitors were fine-segmenting and customising their offerings, SAP aimed at the mass of buyers, looking at the important commonalities valued by customers.

The qualitative findings also support the notion that successful products target broad target segments. For example, Center Parcs targets from young professional couples to retired groups of friends. Similarly, Direct Line started with motor insurance and has moved into home, and then into a range of financial services such as mortgage insurance and pet insurance. Hence, we postulate:

Proposition 19: Hard-to-copy products serve more broadly defined market segments than products that are not hard-to-copy.

Table 6-59 shows that both hard-to-copy and not hard-to-copy products serve broadly defined segments. As such, *Proposition 19* is not supported. Hard-to-copy products did score higher on the size of segments served. However this was a non-significant result, and a link between broad segments served and hard-to-copy products could not be established.

Table 6-59 Targeting: Differences in Means

	Hard-to-copy?		Dif.	Sig.
	No	Yes		
Serve broadly defined segments (P.19)	4.24	4.34	0.10	
N = 147				
*** $p < 0.01$ (1-tailed); ** $p < 0.05$ (1-tailed); * $p < 0.10$ (1-tailed)				

Porter (1980) suggests two more strategies to create a desirable competitive advantage: cost leadership and differentiation. Lower cost emphasises the ability of the firm to deliver a product more efficiently than its competitors. On the other hand, differentiation is the ability to provide unique and superior value in terms of the core functional benefits or the augmented service offer.

The qualitative work has shown that a number of hard-to-copy products have very controlled costs. For example, Asda's Marketing Director is convinced that keeping costs low has been fundamental to Asda's success. This has been achieved through opening large stores in inexpensive locations, and a 'lean and mean' management structure. Direct Line beat competition on costs by cutting down intermediaries, implementing a flat structure, and by doing the majority of development in-house. Equally, First Direct centralised its distribution and manufacturing base in a single location. Majestic Wine chose to trade in secondary retail locations.

In addition, some hard-to-copy products analysed also exhibit highly differentiated offerings. Previously, we found that hard-to-copy products improve customer productivity, simplify something previously complex, offer extra convenience and reduce hassle, reduce risk, are fun, or are environmentally aware. Thus, we proposed:

Proposition 20: A Hard-to-copy position is secured by gaining a competitive advantage in cost leadership or in differentiation.

Porter (1985, p.17) argues that cost leadership and differentiation represent opposite ends of a continuum and that each strategy is a “fundamentally different approach to creating and sustaining competitive advantage.” However, he concedes, it is not impossible to be both lower cost and differentiated relative to competitors. According to Porter (1980), the worst strategic error is to be “stuck in the middle”. Cronshaw et al (1990) agree with the previous assertion and conclude that companies with multiple strategic objectives are generally less successful than those with a single goal. However, despite these reservations, the possibility of a firm deriving competitive advantage from both a low-cost position and differentiation is theoretically appealing (Chrisman et al, 1992; Hill, 1988; Murray, 1988; De Castro and Chrisman, 1995). We interviewed two examples that seem to exhibit both low costs and differentiated offerings: Direct Line and Asda. Direct Line succeeded to smash the prevailing high expense ratio whilst developing a well-known brand name and icon. Similarly, Asda keeps costs under tight control (overheads cannot represent more than 2% of sales), whilst still offering stunning fresh food in agreeable surroundings. However, considering the prevailing wisdom, we posited:

Proposition 21: A hard-to-copy position is secured by pursuing either a cost leadership strategy or a differentiation strategy, but not both at the same time.

The next table shows nine possible combinations of differentiation and cost leadership, according to the questions and scoring system used in the survey.

Table 6-60 Differentiation vs. Cost Leadership: Cross Tabulation

		Cost Leadership		
		Low (1)	About the same (2)	Higher (3)
Differentiation	Higher (3)	I (24)	II (40)	III (31)
	About the same (2)	IV (8)	V (28)	VI (3)
	Lower (1)	VII (2)	VIII (1)	IX (0)

Note: Numbers in brackets next to the roman numbers refer to cases that satisfy that condition

We can now test if hard-to-copy products score significantly different than products that are not hard-to-copy on one or more of the six following combinations:

- More likely to exhibit Cost Leadership – Products on quadrants I, IV, and VII;
- More likely to exhibit Differentiation - Products on quadrants I, II, and III;
- More likely to exhibit Cost Leadership but not Differentiation - Products on quadrants IV and VII;
- More likely to exhibit Differentiation but not Cost Leadership – Products on quadrants II and III;
- More likely to exhibit Differentiation or Cost Leadership, but not both – Products on quadrants II, III, IV, and VII;
- More likely to exhibit Differentiation and Cost Leadership – Products on quadrant I.

Table 6-61 compares the differences between hard-to-copy products and products that are not hard-to-copy for the combinations above.

Table 6-61 Low Cost vs. Differentiation: Differences in Means⁸

	Hard-to-copy?		Dif.	Sig.
	No	Yes		
Cost Leadership	0.34	0.19	-0.15	**
Differentiation	0.55	0.80	0.25	***
Cost Leadership but not Differentiation	0.15	0.03	-0.13	***
Differentiation but not Cost Leadership	0.36	0.64	0.28	***
Differentiation <i>or</i> Cost Leadership but not both (P.20)	0.51	0.66	0.15	**
Differentiation <i>and</i> Cost Leadership (P. 21)	0.19	0.16	-0.03	
N = 137				
* $p < 0.10$ (1-tailed); ** $p < 0.05$ (1-tailed); *** $p < 0.01$ (1-tailed)				

Table 6-61 shows that hard-to-copy products are more likely to be associated with differentiation than with cost leadership. Hard-to-copy products are significantly more differentiated than products that are not hard-to-copy. On the contrary, products that are not hard-to-copy are more likely to score higher on cost leadership than hard-to-copy products. *Proposition 20*, stating that a hard-to-copy position is secured by gaining a competitive advantage in cost leadership *or* in differentiation was supported. The fact that established firms have brand reputation, word-of-mouth recommendation, or first-mover advantage may explain why hard-to-copy products succeed in achieving one of the two desirable positions.

Although some academics (Chrisman et al, 1992; Hill, 1988; Murray, 1988; De Castro and Chrisman, 1995) find it appealing to pursue simultaneously a low cost and differentiation strategy, Table 6-61 shows that hard-to-copy products do not pursue both strategies at the same time. Therefore, *Proposition 21* was supported. The fact that some interviews suggested that it was possible to pursue both strategies at the same time is intriguing. Could Asda and Direct Line be just exceptions? It may well be the case. However, it is generally accepted that providing additional values adds costs to the service provider. This does not mean that hard-to-copy products do not keep a tight control on costs. According

⁸ This was tested for by re-coding into a different variable. For example, "Differentiation and Cost Leadership" was tested as follows: If "Cost Leadership" = "1" and "Differentiation" = "3", re-coded as "1". All other combinations re-coded as "0." Then, the average scores of hard-to-copy and not hard-to-copy products were compared.

to the qualitative work this is certainly the case (e.g. Asda, Accessorize, and First Direct). However, results show that it is not easy to be highly differentiated and simultaneously have a low cost environment. The possibility of achieving both differentiation and low costs remains highly desirable, though.

6.5 CONCLUSION

The theory has it that innovations in the service sector, particularly successful ones, are rapidly and easily copied, and thus successful services will find their position eroded by copycat products. However, quantitative results, which confirmed most of the qualitative insights, have shown that this is definitely not the case of hard-to-copy products found in the services sector. These products out-perform typical products on a wide range of measures, from profitability to market share, from customer retention to growth.

It was found that a hard-to-copy product has a distinct profile. It is particularly likely to score highly on 10 individual variables, which can be summarised under the headings of three factors: hard-to-copy products are produced in a 'learning' culture; provide superior branding, service and benefits; and are built on innovation from the beginning. In addition, it was also found that a hard-to-copy position is protected by simultaneously performing well on approximately seven out of 10 key individual variables. It is the simultaneous performance that makes it so difficult for competition to come up with an effective copycat.

Amplified research into the factors that generated more discussion in the interviewing process provided yet more insights into the nature of hard-to-copy products. Factors further investigated included: culture of the organisation, customer benefits, branding, innovation, and competitive strategy. We found that hard-to-copy products are more likely to have a high fit between the organisational culture and the brand than products that are not hard-to-copy. Likewise, we found that hard-to-copy products are born in organisations with cultures that fit well with the values of the brand.

In terms of customer benefits provided, we found that the average number of benefits for hard-to-copy products was 2.7 versus 2.0 for the not hard-to-copy.

We concluded that delivering well on a given customer benefit is not enough; products must perform well on a range of benefits valued by customers, and only by performing well on several can the hard-to-copy position be protected.

Three branding themes were investigated: positioning, communication, and differentiation. We found that hard-to-copy brands are built around a consistent precise positioning, supported by mass media advertising and word-of-mouth, although the former is more from the point of view of prompting sales. In addition, we found that hard-to-copy brands are highly differentiated from competitors because they occupy positions competitors find it hard to follow, and because they have established strong relationships with their target customers.

Innovation strategies of hard-to-copy products were also analysed in this Chapter. It was found that hard-to-copy products followed one or more of the following innovation strategies: they appealed to and served new segments; they offered more emotion to a functionally-oriented prevailing mix; they provided more of a "total solution"; and they included significant new benefits valued by customers.

Finally, this Chapter investigated the three generic competitive strategies suggested by Porter (1980), and its applicability to hard-to-copy products. We concluded that hard-to-copy products scored significantly higher on cost leadership or in differentiation but not on both. Thus, we found no empirical support that hard-to-copy products pursue both competing strategies at the same time.

CHAPTER 7 - DISCUSSION AND CONCLUSION

7.1 INTRODUCTION

This chapter provides a concluding discussion of the overall findings from both qualitative and quantitative research projects. The chapter brings together the qualitative and quantitative findings, and reviews them in relation to the extant literature on competitive advantage. Finally, the chapter discusses the implications of these findings, as well as the limitations that affect generalisation. An agenda for further research is also suggested.

7.2 PURPOSE AND OBJECTIVES OF THIS THESIS

Bharadwaj et al (1993) observe that some firms are more profitable than others, regardless of whether the average profitability of the industry is high or low. Therefore, superior performers must possess something special and hard to imitate that allows them to out-perform their rivals. A review of the literature on competitive advantage suggests that it is the unique skills and assets that provide the foundation of a competitive advantage and long-term performance (e.g. Aaker, 1989; Fahy, 1993; Day and Wensley, 1988). Therefore, this research has the following purpose:

Purpose: To empirically explore a number of skills and assets, which form the basis of competition and provide the foundation of a competitive advantage and long-term performance.

According to some academics (e.g. O'Farrell et al 1993), there has been a tendency to generalise research findings from the manufacturing sector across all industries, thus not accounting for differences between the manufacturing and service sectors. Hence, a "closer examination of the sources of competitive advantage in the context of services industries can provide unique managerial insights" (Bharadwaj et al, 1993, p.83). Therefore, this work adds to the ongoing debate on how service companies can attain a sustainable competitive advantage (e.g. Dickson, 1992; Ghemawat, 1986; Fahy, 1996; Hoskisson et al, 1999; Rouse



and Daellenbach, 1999). It addresses two research questions:

RQ 1: Do hard-to-copy products exist in the services sector?

RQ 2: What is special about hard-to-copy services and what makes them hard to copy?

These questions were investigated following Rouse and Daellenbach's (1999) and Reed and DeFillippi's (1990) recommendations that researchers should look for sources of competitive advantage in firms with performance that is consistently above the industry average. This work focuses specifically on products, and their organisations, which exhibit sustained superior returns compared to competing products. The notion of a hard-to-copy product is introduced and defined as:

A hard to copy product is one which competitors have found difficulty copying effectively. This does not mean that competitors have not copied it. They may well have attempted to do so, but have not been nearly so successful in terms of impact and in terms of revenues and profits generated.

Sometimes it is difficult to understand why one firm consistently out-performs others (Demsetz, 1973). Barney (1991) provides three clues why this may happen. Firstly, firms are historical and social entities and therefore their ability to acquire and exploit resources is bound in place and time. For example, a firm may be located on what turns out to be a much more valuable location than was anticipated. Secondly, some firms out-perform others because of causal ambiguity, i.e. there is no clear understanding of resources controlled and the firm's competitive advantage. It is therefore difficult for firms that are attempting to duplicate a successful firm's strategy through imitation of its resources to know precisely what to imitate. Finally, when competitive advantages are based in complex social phenomena, such as interpersonal relationships, organisational culture, and reputation, the ability of other firms to imitate these resources is also significantly constrained. Nevertheless, barriers to imitation will eventually be overcome, and the factors that generated an advantage imitated (Reed and DeFillippi, 1990). Therefore, to sustain advantage, firms must continually reinvest in the factors that create the ambiguity and barriers to imitation

(Dierickx and Cool, 1989; Fahy, 1996).

The methodology used in this study reflects its complexity. Hoskisson et al (1999) argue that integration of quantitative and qualitative methodological tools is likely to be a fruitful course. Consequently, this thesis adopts a pragmatic view and combines qualitative and quantitative approaches in sequential order, which is expected to improve research outcomes (Jick, 1979).

The objectives for the qualitative and quantitative phases are summarised below, followed by a discussion of results.

7.2.1 Qualitative objectives

Objective 1: To identify a number of service products that had enjoyed market and financial success, and had proven difficult to imitate.

Objective 2: To gather information on the factors behind the hard-to-copy positions for some of the products identified previously.

7.2.2 Quantitative objectives

Objective 3: To develop a profile of hard-to-copy products in the service sector.

Objective 4: To explore the relationship between organisational culture and hard-to-copy products in the service sector.

Objective 5: To explore the relationship between customer benefits and hard-to-copy products in the service sector.

Objective 6: To explore the relationship between branding issues and hard-to-copy products in the service sector.

Objective 7: To explore the relationship between innovation and hard-to-copy products in the service sector.

Objective 8: To explore the relationship between competitive strategy and hard-to-copy products in the service sector.

7.3 SUMMARY AND DISCUSSION

7.3.1 Qualitative objectives and findings

Objective 1: To identify a number of service products that had enjoyed market and financial success, and had proven difficult to imitate.

The main drive in the earlier stages of research was to identify a number of service products that had enjoyed success and had proven difficult to imitate. After evaluating possible alternatives of data collection, it was found that industry experts from leading consulting firms were in a privileged position to identify successful products in their areas of expertise. The proximity with the industry helps consultants to keep up-to-date with the latest trends and superior performers. In addition, previous research (e.g. De Chernatony and Dall'Omo Riley, 1999) also found consultants' opinions very informative and useful. Thus, fieldwork with expert consultants was deemed appropriate for this stage of research.

A sample of 64 consulting firms from the *Directory of Management Consultants in the U.K. 1999-2000* (MIP, 1999), specialising in financial services, retail, leisure and entertainment, business-to-business, travel and transportation, and accommodation and eating out, were invited to participate in group discussions. Fourteen firms agreed to participate, including world-class firms such as:

- Arthur D. Little,
- Brand Futures,
- Booz.Allen & Hamilton,
- Ernst & Young,
- Fitch,
- Gemini Consulting,
- Interbrand,
- KPMG Consulting,

- Logica,
- P Four Consulting,
- New Solutions,
- Management Horizons,
- Landor Associates, and
- Price Waterhouse Coopers.

Six focus groups were run in the first quarter of 2000. Group participants were told that although prevailing reasoning asserts that most innovations in the service sector are quickly copied, that assertion may not be true all of the time. Exceptions may exist, namely successful products in the service sector that have not been effectively copied. Therefore, the purpose of each focus group was to identify some hard-to-copy examples in the service sector.

A general definition of a hard-to-copy product was provided. This was defined as:

A product which is successful in terms of generating more sales and/or profits in its target sector, perhaps several times more, than its nearest competitor in that same sector, yet which has not been effectively copied.

Experts were informed that the product's success should have been demonstrated over a reasonable length of time, at least over 12-18 months, although this constraint could be relaxed in the case of Internet products. In addition, it was emphasised that although this research is looking for products, sometimes the product is the company, and vice-versa.

The outcome of group discussions with expert consultants suggested that hard-to-copy products do exist in the services sector. In the six meetings we identified more than 70 products considered as unique, highly differentiated, and showing sustained superior market and financial performance (see Table 4-1). Therefore, the first objective was achieved successfully.

Objective 2: To gather information on the factors behind the hard-to-copy positions for some of the hard-to-copy products identified.

The focus groups helped to identify a list of possible hard-to-copy products. The

next logical step was to analyse some of these products in detail and investigate the factors related to the possible hard-to-copy position. Fourteen meetings were arranged with senior marketing managers or chief executives responsible for the products below. These meetings started in May 2000 and ended in December 2000.

- Nike Town
- Asda
- Virgin One Account
- Lands' End
- Direct Line
- Legoland
- First Direct
- Center Parcs
- Blackwell's Retail
- Ann Summers
- Regus
- Majestic Wine
- Accessorize
- The Co-operative Bank

Interviewees were asked to provide a product description, the product strategy, the target sector and the success achieved. They were also asked to comment on topics relating specifically to the factors that may contribute to the hard-to-copy position, including:

- Being first, or early to market
- Innovation
- Customer benefits provided
- Ability to learn and to adapt to change
- Quality of customer service provided by staff
- Economies of scale achieved
- Alliances and partnerships formed
- Branding
- Distribution network

- Financial strength of the organisation
- Culture of the organisation
- Understanding of customers
- Low costs achieved
- High-level of market research skills
- Pricing below competitors
- Support from parent company
- Leadership provided by top management
- Strength of the customer retention program

The content analysis of interview transcripts provided preliminary insights about what contributes to the hard-to-copy position. These can be summarised under two headings:

Hard-to-copy products:

- Are mainly early movers;
- Provide superior innovation that challenged prevailing market rules at the time;
- Deliver superior emotional and functional customer benefits;
- Exhibit positive brand associations; and
- Are generally expensive.

And their organisations:

- Show a superior ability to learn and to adapt to change;
- Have a special culture that fosters human development;
- Demonstrate a superior understanding of customers;
- Are financially sound; and
- Value alliances and partnerships as a means of adding stability, authenticity, and credibility to the business.

The second objective was thus achieved. The interviews provided clues into the aspects that characterise hard-to-copy products, which were further explored in the quantitative phase of the research.

During the interviewing process some competitive advantages generated more discussion than others and seemed to carry more weight amongst participants.

Such advantages included:

- Culture of the organisation
- Customer benefits provided
- Branding
- Innovation
- Competitive strategy (focus, cost leadership, and differentiation)

Interestingly, the previous factors were also widely discussed in the competitive advantage literature. Therefore, the survey included some sections that explored in detail the aforementioned advantages.

7.3.2 Quantitative objectives and findings

In the last quarter of 2001, a comprehensive self-completion questionnaire was mailed to 1,527 marketing managers. Managers were asked to identify, if possible, a hard-to-copy product, based on a definition provided, and complete the questionnaire for that product. If they did not have responsibility for a hard-to-copy product, they were asked to select another product that was or had been successful but had been copied. It was hoped that a range of products, some copied, some not, would be included in the survey. After the cut-off date, three weeks after the second mail out, 155 usable questionnaires were returned. In addition, 178 blank questionnaires were also returned – 153 companies refused to participate as a matter of policy not to reply to questionnaires, and 25 questionnaires were returned because of incorrect addresses. The quantitative findings are discussed in the next sections.

Objective 3 : To develop a profile of hard-to-copy products in the service sector.

The survey asked managers if their product corresponded to the definition of hard-to-copy provided. In total, 90 products were considered by managers as hard-to-copy⁹. This is an interesting finding, because the conventional wisdom has it that most successful products are rapidly copied. Ghemawat (1986), for example, sustains that competition secures detailed information on 70% of all

⁹ Or, using a stricter definition, 53 products were considered hard-to-copy.

new products within a year of their development, and that 60% to 90% of process improvements ultimately diffuses to competitors. Whilst Ghemawat's (1986) assertions may be true most of the time, it seems they are not true all of the time.

Resistance to imitation is valuable only if it leads to superior market and financial performance. The quantitative findings show that hard-to-copy products are positively associated with profitability, return on investment, sales, market share and customer retention. Results show that hard-to-copy products scored more than products that are not hard-to-copy on all performance measures, ranging from an average of 11% superiority in profitability, customer retention and sales growth, to 29% superiority in market share. The fact that superior performers excel on both marketing and financial measures finds support in the literature. For example, Doyle and Wong (1998) found that high performer business units scored consistently better with performance ranging from an average of 55% superiority in market share, to 74% in return on capital. In summary, a hard-to-copy product is one that has:

- High profitability and high ROI;
- Particularly high sales and market share;
- Sharply increasing sales;
- A good customer retention performance.

A group of service products which exhibit superior performance on a number of measures has been identified and, in addition, has proven hard-to-copy. But, what is special about hard-to-copy service products and what makes them hard-to-copy? In the survey managers were asked to comment on the importance of 18 potentially explanatory variables of the hard-to-copy position. Seven competitive advantages scored particularly high for both b2b and for b2c (see Table 6-4). These are, in descending order:

- Superior customer benefits provided
- The reputation of the brand
- The quality of customer service
- Superior innovation, initial and on-going
- Superior understanding of customers

- The special culture of the organisation, and
- The ability to learn and to adapt to change.

Ranks are very consistent across markets served. The only big difference is “early to market” which ranks number three for b2c and only number ten for b2b. Because b2b is mostly about building relationships with customers (Hutt and Speh, 2001), being first to market is probably not as important as in the b2c market, where imitation of functional benefits is something managers have to deal with on a daily basis. The last three positions in the ranking were occupied, respectively, by alliances and partnerships formed, support from parent organisation, and low prices charged. Again, ranks did not vary much by market served. Interestingly, “low prices charged” ranked in the last position for both b2b and b2c markets. If we link this result with the fact that “superior customer benefits delivered” ranked first in all markets, it seems that differentiation carries a price premium.

Albeit informative, ranks provide little information about the importance of each source of advantage for hard-to-copy products versus products that are not hard-to-copy. Therefore, we compared the average scores of each variable for hard-to-copy products and for products that are not hard-to-copy. In general it can be said that a hard-to-copy position is secured by having/developing a product and an organisation with the following ten characteristics:

The product:

- Is consistently first or early to market
- Has superior innovation
- Provides superior customer benefits
- Has a superior brand reputation
- Does not compete by offering low prices

The organisation:

- Is able to learn and to adapt to change
- Has a special culture
- Has a superior understanding of customers
- Is financially sound
- Does not favour alliances and partnerships

A deeper analysis by market served revealed that in the b2c market hard-to-copy products are first or early to market, provide superior customer benefits, have a superior brand reputation, and are generally expensive. Similarly, their organisations are able to learn and to adapt to change, exhibit a special culture, show superior market research skills and good customer retention. Hard-to-copy products in the b2b market share many of the aforementioned variables found significant for the b2c market, although only five significant variables were found in this market compared to the b2c one.

It is interesting to note that although "being first to market" did not top the rank in the b2b market, this is now a significant difference between hard-to-copy products and products that are not hard-to-copy. Therefore, we concluded that hard-to-copy products in the b2b market exhibit innovative behaviour, a necessary condition to continue ahead of competition. This finding finds wide support in the relevant literature. For example, Porter (1985) argues that firms must offer competitors a moving target. This could be achieved by reinvesting in order to continually improve its position and protecting the firm's competitive advantages (Bharadwaj et al, 1993; Javidan, 1998; Day and Wensley, 1988; Reed and DeFillippi, 1990).

Because some of the 18 sources of advantage tested in the survey could be associated with one another, an exploratory factor analysis was run to identify which variables were associated with which factors. This procedure extracted five factors, named: (1) learning culture; (2) efficiency and financial strength; (3) customer benefits and branding; (4) marketing skills; and (5) innovation. After testing for the differences between hard-to-copy products and products that are not hard-to-copy we found that hard-to-copy products:

Are produced in a 'learning' culture:

- The organisation is able to learn and to adapt to change;
- The organisation has a special culture;
- The organisation has a superior understanding of customers;
- Leadership provided by top management.

Provide superior branding, service and benefits:

- Superior customer benefits provided;
- The brand has a strong positive reputation;
- High quality customer service provided by staff.

Are built on innovation from the beginning:

- The product is first, or early, to market.
- It has superior innovation, both initially and on-going.

In order to predict with which category (hard-to-copy or not hard-to-copy) the sources of competitive advantage (Model 1) and related factors (Model 2) were best associated, a logistic regression was carried out. The two models, although with modest predictive powers, classified more than 82% of hard-to-copy products correctly. The first model included only two variables in the final solution: superior innovation and low prices. We found that the odds of a product being innovative and hard-to-copy are almost 1.8 times higher than a product that does not score highly on innovation. The second model, based on the five hard-to-copy factors listed above, produced more interesting findings. Three factors were part of the final solution and were positively associated with a hard-to-copy position: learning culture, customer benefits and branding, and innovation. Again, scoring highly on innovation almost doubles the odds of being a hard-to-copy product.

Finally, we investigated if the hard-to-copy position is linked to performing well simultaneously on a number of competitive advantages. We found that hard-to-copy products perform well on approximately seven out of ten key individual variables referred to previously. This is another interesting result. It seems that the hard-to-copy position is protected not just by excelling on a specific competitive advantage but rather by delivering on a number of significant advantages.

A hard-to-copy product has thus a distinct profile. It is particularly likely to score high on ten individual variables, which can be summarised under three headings: hard-to-copy products are produced in a 'learning' culture; provide superior branding, service and benefits; and are built on innovation from the beginning. In addition, it was found that hard-to-copy products secure their position by

excelling on seven out of ten competitive advantages. These findings confirm the competitive advantage literature. For example, Coyne et al (1997) argue that replication is much easier when advantage rests on few elements. Along similar lines, Ghemawat (1986) and Baghai et al (1999) argue that sustainability depends on performing above average on several kinds of advantages.

Objective 4: To explore the relationship between organisational culture and hard-to-copy products in the service sector.

The relationship between organisational culture and hard-to-copy products was explored at two levels: the fit between culture and hard-to-copy brands; and the type of organisational culture associated with hard-to-copy products.

Sadri and Lees (2001) argue that an effective culture must be aligned with employee values and be consistent with the environment in which the organisation operates. The qualitative findings show that, rather than fitting with the environment, culture is evaluated by managers in terms of its appropriateness for the brand. For example, the Asda culture of cost control fits the brand's position of lowest prices, Majestic's staff's enthusiasm about wine, and Nike Town's sport-driven people. Kapferer (1997) supports this assertion. He argues that whilst brands are driven by organisational culture they also convey culture. Identically, Dall'Olmo Riley and De Chernatony (2000, p.147) found that "service brands are enacted by the company staff" and can be used to strengthen the internal culture. Therefore, Proposition 1 postulated that hard-to-copy products are more likely to exhibit a strong culture fit with brand than products that are not hard to copy. This was verified.

Because showing a good fit between the organisational culture and the brand is not the same as having a good fit between the brand and the environment, a second proposition was advanced. It was proposed that hard-to-copy products are more likely to *simultaneously* exhibit high brand fit with the environment and high culture fit with the brand than products that are not hard-to-copy. This corresponds to the "Perfect Match Made in Heaven" quadrant presented in Figure 6-2. Proposition 2 was also confirmed. Whilst exhibiting a good culture-brand fit,

hard-to-copy products are also valued by customers. This result finds support in the literature. For example, Keller (2000) argues that a brand that fails to establish a positive relationship with consumers is most likely to be under-performing.

Finally, we tested which culture type, as proposed by Deshpandé et al (1993), is best associated with hard-to-copy products. In their work with Japanese firms, the authors found corporate cultures stressing competitiveness (markets) and entrepreneurship (adhocracies) out-performed those dominated by internal cohesiveness (clans) or by rules (hierarchies). The interviews suggested that, of the four culture types, the *market* culture prevails amongst hard-to-copy products studied in depth. Therefore, Proposition 3 posited that cultures stressing competitiveness (market) and entrepreneurship (adhocracy) are more likely to be related to hard-to-copy positions than cultures stressing internal cohesiveness (clans) or rules (hierarchies). The findings show that market and adhocracy cultures score higher on hard-to-copy products. Also as expected, both clan and hierarchy cultures scored higher on products that are not hard-to-copy. However, differences between hard-to-copy products and products that are not hard-to-copy were non-significant, although all cultures were in the expected direction. Thus, Proposition 3 was not supported. The non-significant differences may be explained by the low reliability of the scales. Also, the fact that Deshpandé et al (1993) conducted their work in Japan whilst the present research was carried out in England may explain the lack of support for previous results.

Objective 5: To explore the relationship between customer benefits and hard-to-copy products in the service sector.

The relationship between customer benefits and hard-to-copy products was analysed based on six benefits valued by customers: productivity; simplicity; convenience; less risk; fun and image; and environmental friendliness. These are considered the main reasons for customers to buy a new product (Kim and Mauborgne, 2001).

The qualitative findings, discussed in Chapter 4, suggest that hard-to-copy

products score well on many of the benefits described. For example, we found that Direct Line improves customer productivity by allowing customers to insure directly and share some of the money saved by cutting the middleman. Identically, we found that The Co-operative Bank is associated with ethical values because of its strict policy of not doing business with firms that pollute the environment. Hence, Proposition 4 posited that hard-to-copy services offer significantly more of one or more of the utility levers than do services that are not hard-to-copy. Results confirmed our expectations. The average number of benefits for hard-to-copy products was 2.7 versus 2.0 for products that are not hard-to-copy.

The fact that superior performers provide extra benefits confirms the theory (c.f. Day and Wensley, 1988; Storey and Easingwood, 1998). In order to succeed, service products must deliver on a range of services valued by customers, well beyond the product functional benefits. In fact, according to Kotler et al (1999), successful companies add benefits to their offerings that will not only satisfy, but also delight the customer.

Objective 6: To explore the relationship between some branding issues and hard-to-copy products in the service sector.

In the quest for differentiation, brands can be a source of competitive advantage because they are ascribed unique added values by customers. This is especially important in services because customers find it difficult to evaluate the service beforehand. A strong brand becomes thus an effective differentiating device. This research deals with three brand themes frequently discussed in the literature: brand position, brand communication, and brand differentiation.

Many authors (e.g. Aaker, 1997; Keller, 1998; Kapferer, 1997) argue that brands should have a clear position. The question that then arises is: Should the position evolve to adapt to times or remain fairly constant? De Chernatony (2001, p.78) holds that brands should stay "refreshed and relevant for a changing environment." Similarly, Keller (1998) argues that managers should not be afraid to make changes in the marketing program to keep the brand relevant. The

qualitative findings produced mixed results, although many hard-to-copy brands have changed their position over time. For example, Center Parcs has moved from the "British holiday the weather can't spoil" to an "up-market break that I can take in the U.K." Similarly, The Co-operative Bank started out as the "ethical" bank and is changing to "smile", a modern version appealing to young and fashion-conscious people. Therefore, Proposition 5 maintains that hard-to-copy brand positions usually evolve over time to adapt to changing market circumstances.

Contrary to our expectations, quantitative findings indicate that hard-to-copy brands change their position less often than brands that are not hard-to-copy. Thus, Proposition 5 was not satisfied. This was a surprising result. Although Asda has kept the same position for the last ten years, most hard-to-copy products studied suggested otherwise. Maybe sometimes the position is exactly right for the brand and there is no need to change it. Another explanation could rely on managers' understanding of brand position. It could be the case that they were thinking in terms of the brand core values/identity, which most authors argue should remain fairly consistent over time. However, one's expectation is that managers should tweak brand intangibles to fit the times (Keller, 2000).

Academics (e.g. Aaker, 1997; Keller, 1998; Kapferer, 1997) hold that brands benefit from a clear position. The interviews seem to confirm the theory. For example, it is clear in most people's minds that Co-operative Bank and ethical values are synonymous. Thus, Proposition 6 posited that the positioning of a hard-to-copy brand is very precise. Moreover, because a precise positioning could benefit from a simple value proposition, Proposition 7 stated hard-to-copy brand positions are built around simple propositions that can often be captured in a few words. The quantitative findings support both propositions. Thus, hard-to-copy brands are built around well-defined positions, supported by concise descriptions of their essence.

One issue that lacks consensus in the branding literature is the role of advertising in brand building. If, on the one hand, Kapferer (1997) argues that advertising writes the history of the brand, on the other, Joachimstahler and Aaker (1997)

argue that brands can be created without mass media, recommending "alternative communication channels to create product awareness, convey brand associations, and develop loyal customer bases" (p.39). The interviews, also, produced mixed results about the importance of advertising. For example, Ann Summers, Blackwell's, The Co-operative Bank, First Direct, Majestic Wine and Accessorize are low advertisers. On the contrary, Asda, Direct Line, Legoland and Center Parcs spend vast amounts of revenue in advertising. However, because on many occasions advertising aims mainly at prompting sales, Proposition 8 posited that mass media communication is a relatively less important part of the communication mix of hard-to-copy brands than of brands that are not hard-to-copy.

Results show that hard-to-copy brands use more mass media advertising than brands that are not hard-to-copy. Proposition 8 was not supported. It is possible that managers who answered the questionnaire were thinking more in terms of the share of the communication budget than on the ability of advertising to build the brand. For example, although Center Parcs and Legoland spend vast amounts of money on TV advertising, this is scheduled in order to maximise bookings. The fact that managers of hard-to-copy brands considered word-of-mouth to be the most important component of overall communication effectiveness is also remarkable.

Accessorize spends little on advertising, therefore word-of-mouth is considered very important in brand building. Similarly, word-of-mouth works well for Direct Line to be seen as an innovator. Hence, Proposition 9 posited that hard-to-copy brand's creation is driven more by word-of-mouth than by mass advertising. This was not supported. Although word-of-mouth turned out to be significantly more important for hard-to-copy brands than for brands that are not hard-to-copy, there was no significant excess of word-of-mouth over advertising between the two types of brands. Therefore, this study failed to support the notion that a brand's creation is driven more by word-of-mouth than by advertising, despite the fact that it found that hard-to-copy brands are supported by a comprehensive mix of communication vehicles.

It is becoming increasingly difficult to sustain a functional advantage (De Chernatony, 2001). Aaker (1996) goes further and argues that even brands are struggling to find points of differentiation. Surprisingly, according to Dall'Olmo Riley and De Chernatony (2000), there are only a few notable financial services brands with emotional values, including First Direct and Co-operative Bank. Nonetheless, De Chernatony and McDonald (1998) maintain that brands can create emotional bonds with customers and thus differentiate from competitors. Therefore, Proposition 10 posited that hard-to-copy brands are differentiated from their competitors. This was supported. Hard-to-copy products scored significantly higher on brand differentiation than brands that are not hard-to-copy.

The Co-operative Bank become highly differentiated by moving into areas where other High Street banks were afraid to go, such as campaigning for refugees, and for preservation of wildlife. Likewise, Virgin One Account enjoys an entry barrier because High Street banks would reduce their profits significantly if they adopted the current account mortgage concept and applied it to their customer base. Hence, Proposition 11 maintained that hard-to-copy brands occupy positions competitors find hard to follow. Again, this was confirmed.

Brands have the power to establish relationships (Kapferer, 1997). Along similar lines, Dall'Olmo Riley and De Chernatony (2000) perceive the services brand to be the focus and the inspiration for relationship building, both inside and outside the organisation. The authors note, however, that most service brands are devoid of emotional values. On contrary, the interviews provided some interesting examples of brands with emotional values. For example, the Co-operative Bank marketing director argues that every time a Co-operative customer writes a cheque he/she is making a statement. Similarly, people go to Legoland mainly because of what Lego represents to them and less because of the exciting rides they may find. Therefore, Proposition 12 posited that hard-to-copy brands develop emotional ties between themselves and their customers. This was verified. Hard-to-copy brands scored 32.5% more on emotional ties between the customer and the brand than brands that are not hard-to-copy.

In summary, we found that hard-to-copy brands are built around a consistent and precisely defined positioning; are supported by a comprehensive mix of vehicles of communication, including advertising and word-of-mouth; and are highly differentiated because they occupy positions competitors find hard to follow and because they have established relationships with their targeted customers.

Objective 7: To explore the relationship between innovation and hard-to-copy products in the service sector.

Competitive advantage has been linked to a firm's ability to change the rules of the game (e.g. Govindarajan and Gupta, 2001). Kim and Mauborgne (1999g) argue that it is possible to create new market space if firms use a different pattern of strategic thinking. This may include shifting the focus of attention to other buyers, combining reasons for purchase from substitute sectors, changing the prevailing functional/emotional mix, and providing more of a 'total solution'. The qualitative work described in Chapter 4 identified yet another innovation possibility: to include significant new benefits wanted by customers but not previously included in the offer. These innovation strategies are investigated here.

When Direct Line shifted from selling to and through brokers to selling directly to end-customers it was basically changing the definition of who the target customer was. Similarly, Ann Summers moved from serving males to targeting women looking to brighten up their lives. Therefore, Proposition 13 maintains that hard-to-copy products are more likely than products that are not hard-to-copy to appeal to a new segment. This was verified. Hard-to-copy products changed the prevailing rules and target new customers often overlooked by previous offerings.

Kim and Mauborgne (1999g) state that the space between substitute industries provides opportunities for innovation. Identifying the key reasons why customers buy products in one sector and why sometimes they buy products in the substitute sector and combine them in a single product could be a fruitful strategy. Center Parc contains some elements of this strategy. It combines the holiday in Britain

with some elements of a holiday abroad, such as controlled temperatures and protection from storm and rain. Thus, Proposition 14 posited that hard-to-copy products are more likely than products that are not hard-to-copy to include benefits previously available only in a substitute sector. This proposition was not confirmed, despite the fact that hard-to-copy products scored higher on this question. Kim and Mauborgne (1999g) argue that trade journals and consumer ratings reinforce the vertical wall that stands between one industry and another. Perhaps managers have difficulty in thinking consciously about how their customers make trade-offs across substitute sectors.

Every product offers some combination of function/emotion; some products compete largely on price, while others compete on feelings. One way to innovate is to alter the prevailing mix in the industry, for example by offering more function to an emotionally-oriented market, or by offering more emotion to a functionally-oriented market. We found that Asda provided more function by catering for most customers' weekly needs under a single roof while delivering excellent service. Hence, Proposition 15 suggests that hard-to-copy products are more likely than products that are not hard-to-copy to offer more function to an emotionally-oriented sector. The interviews also provided some examples of products that added more emotion to apparently emotionless products. For example, Legoland applied the Lego brand to the park turning it into a unique place. Likewise, The Co-operative Bank added more emotion to an industry where only a few brands developed emotional values (Dall'Omo Riley and De Chernatony, 2000). Thus, Proposition 16 holds that hard-to-copy products are more likely than products that are not hard-to-copy to offer more emotion to a functionally-oriented sector. Findings show that only Proposition 16 was confirmed, even though not very satisfactorily. The problem with the testing of this hypothesis is in defining what constitutes a "functionally-oriented" or "emotionally-oriented" market. However, the fact that managers considered that their products offered more emotion than competitors is aligned with the theory on competitive advantage. For example, Storey and Easingwood (1998) maintain that successful products rely more on emotional relationships than on functional characteristics. Identically, De Chernatony (2001) sustains that it is increasingly

difficult to sustain a valued functional advantage.

New concepts can also emerge by shifting from selling discrete products to supplying total systems and solutions (Govindarajan and Gupta, 2001; Kim and Mauborgne, 1999g). For example, Virgin Entertainment's stores combine CDs, videos, computer games, stereo and audio equipment in a single store to satisfy a range of customers' entertainment needs. Similarly, First Direct replaced the need to visit the bank during opening times by offering a 24-hours a day, seven days a week, paperless personal banking. Hence, Proposition 17 posits that hard-to-copy products are more likely than products that are not hard-to-copy to provide more of a 'total solution' for the customer by including extra services. This was confirmed. Hard-to-copy products untapped value hidden in complementary services, such as easy access or complementary goods.

Some interviews suggested that successful products innovate by expanding the service offering so as to include significant benefits wanted by customers but not previously included in the offering. For example, we found that Virgin One Account combines a current account with a savings account with a mortgage account, with obvious financial benefits for their customers. Thus, Proposition 18 holds that hard-to-copy products are more likely than products that are not hard-to-copy to include significant new benefits wanted by customers but not previously offered. This was verified. Managers of hard-to-copy products believe that the new added benefits, such as productivity, simplicity, less risk, convenience, fun and image, or environmental friendliness, contribute positively to the hard-to-copy position.

In summary, we found that hard-to-copy products are more likely than products that are not hard-to-copy to appeal to a new segment, to offer more emotion to a functionally oriented sector, to provide complementary services to the customer, and to include significant new benefits wanted but not previously offered.

Objective 8: To explore the relationship between competitive strategy and hard-to-copy products in the service sector.

Competitive strategy was assessed based on Porter's (1980) generic strategies:

focus, differentiation, and cost leadership. Porter affirms that a firm can adopt a broad-target strategy that addresses many segments, or exclusively address a small number of segments in a focus strategy. According to Porter, broad-target firms often serve too many segments, increasing their vulnerability to focusers. Other scholars (e.g. Kotler, 1997; Kim and Mauborgne, 1999g), on the other hand, hold that more often than not companies begin by targeting one segment, and then expand their offerings into other segments. Center Parcs fits well into the latter strategy. They target from young professional couples to retired groups of friends who share the same passion for a quiet break in the midst of a forest. Likewise, Direct Line started with motor insurance and then moved into a range of financial services, including mortgage insurance and pet insurance. Therefore, Proposition 19 maintains that hard-to-copy products serve more broadly defined market segments than products that are not hard-to-copy. This was not verified because both hard-to-copy and not hard-to-copy products seem to serve broadly defined segments, although hard-to-copy products scored higher on this question. It seems that rather than focus on a niche of consumers, fulfilling the needs of particular buyers in an industry, most managers believe their product's success relies on serving broad segments. This adheres well to Kotler's (1997) contention that companies end up expanding into other segments. However, we cannot say that hard-to-copy products serve broad segments any more than products that are not hard-to-copy.

According to Porter (1980), firms can achieve a desirable competitive position by opting for cost leadership or differentiation. As a consequence, a firm stuck in the middle is almost guaranteed low profitability because it either loses the high-volume customers, who demand low prices, or must bid away its profits to get this business away from low-cost firms. Along similar lines, Cronshaw et al (1990) affirm that companies with multiple strategic objectives are generally less successful than those with a single goal. This debate has received wide attention in the literature. However, the possibility of a firm deriving competitive advantage from both a low-cost position and differentiation is still theoretically appealing (Wright, 1987; Chrisman et al, 1992; Hill, 1988; Murray, 1988; De Castro and Chrisman, 1995).

During the interviewing process we found that, for example, Asda and First Direct fit well into the simultaneous low-cost differentiation strategy. Asda people are "mad" about keeping costs down, for example through sharing hotel rooms and opening large stores in inexpensive locations, in order to offer "everyday low prices, low prices forever" at a profit. In addition, Asda prides itself on high quality products, stunning fresh food and excellent service. Similarly, First Direct centralised its manufacturing and distribution operations in a single location, in the outskirts of Leeds, whilst offering renowned service quality. Therefore, two propositions were advanced. Proposition 20 suggests that a hard-to-copy position is secured by gaining a competitive advantage in cost leadership *or* in differentiation. However, Proposition 21 maintains that a hard-to-copy position is secured by pursuing either a cost leadership strategy or a differentiation strategy, but not both at the same time.

Findings show that hard-to-copy products scored significantly higher on differentiation than products that are not hard-to-copy. On the contrary, products that are not hard-to-copy scored significantly higher on cost leadership. It was also found significant that hard-to-copy products pursue a differentiation or cost leadership strategy, thus supporting Proposition 20. Finally, we tested if hard-to-copy products pursued both strategies at the same time. This was not verified, therefore Proposition 21 was validated. Although to many academics (Chrisman et al, 1992; Hill, 1988; Murray, 1988; De Castro and Chrisman, 1995) both differentiation and low cost is possible – some interviews seem to support this notion – it seems both strategies are very difficult to combine successfully. Wright (1986) puts it best when he says that if a firm decides to offer products that are considered unique in the industry this implies combining marketing and production efforts to allow for quick responses and product modifications, and thus low costs are not of crucial importance.

7.4 CONTRIBUTION TO THEORY

The received wisdom on competitive advantage is that today a firm's competitive advantage is rapidly copied (Dickson, 1992; Ghemawat, 1986), more so in service firms because innovations cannot be patented. The services industry is

best described by Loomis (1989) who described the service sector as "a world of ferocious rivalry in which competitive advantages can disappear overnight. But it is also a world in which innovative and flexible companies can outshine the field for years" (p. 33). Therefore, how service companies can attain a sustainable competitive advantage is a central issue in business research (Fahy, 1996). This thesis adds to this debate. Firstly, it studies competitive advantage from a sustainable perspective, responding to a call for more empirical research from a sustainable advantage perspective (e.g. Rouse and Daellenbach, 1999). It does so, on the one hand, by proposing the notion of hard-to-copy products, as products that competitors have found difficult to copy effectively, i.e. they have not been nearly so successful in terms of revenues and profits generated. On the other hand, it develops a profile of hard-to-copy products. These were found to be associated with 'learning' cultures, superior branding, service and benefits, and with innovation. It was also found that the hard-to-copy position is protected by excelling simultaneously in seven competitive advantages.

Secondly, this thesis contributes to the ongoing debate on which resources can give rise to competitive advantage (Hoskisson et al., 1999) by specifically identifying the skills and assets that contribute to differences in financial and market performance. We found that hard-to-copy products are first or early to market, show superior innovation, provide superior customer benefits, have a superior brand reputation, and are priced at a premium. In turn, hard-to-copy products belong to organisations that are able to adapt and to change to market dynamics, with an organisational culture that promotes informality and fairness amongst employees, and that is always ready to listen and understand customer wants. In addition, these organisations are financially sound and are not too keen on engaging into alliances and partnerships.

Thirdly, this study takes into account some scholars' arguments (e.g. Powell 1992; Amit and Shoemaker, 1993; Collis 1994) arguing for a holistic approach for researching the distinctive characteristics of sustainable superior performers. This study has accounted not just for the firm's unique resources aforementioned but also its position vis-à-vis the competition in terms of competitive strategy pursued. We found that hard-to-copy products secure their position of advantage

by excelling at cost leadership or differentiation, although they seem to prioritise differentiation. In addition, it was also confirmed that, desirable though it may be, hard-to-copy products do not follow cost leadership and differentiation strategies at the same time

Fourthly, this thesis focuses on the U.K. services industry, thus expanding previous findings obtained mainly in the manufacturing sector (O'Farrell et al, 1993). In addition, this study responds to a call for additional empirical work outside the United States (Hoskisson et al, 1999).

7.5 MANAGERIAL IMPLICATIONS

It is suggested that it is possible to create/develop a product that is not easily imitable by competitors. The findings show that hard-to-copy products do exist in the services sector. The challenge posed to managers in general, and leadership in particular, is thus to create the internal conditions that foster a learning culture that leads to a superior understanding of customers and prepares the organisation for the future. This research could help managers to understand, preserve, and deploy their organisation's competitive advantages. For example, it helps managers to differentiate between resources that might support a competitive advantage from others which are less valuable.

In addition, this study suggests that a hard-to-copy position can be protected by performing well *simultaneously* on a greater number of competitive advantages based on skills and assets. It appears that a hard-to-copy position is achieved through performing well on approximately seven out of ten key competitive advantages. It was found that it is this simultaneous performance that makes it so difficult for competition to come up with an effective "copycat". Thus, decision-making may be enhanced when considering how imitable the product is. If the product is no more than a clever and complex assembly of tangible aspects, managers might want to think more carefully about whether or not there may be some advantages related to intangible resources. For example, they might consider trying to build valuable and hard-to-copy resources that are less available to others for copy, such as a learning culture, superior benefits provided

to customers, or superior brand reputation. The general point is that by analysing their resource position, this study helps managers to achieve a clearer understanding of whether their situation meets the necessary conditions for sustainable advantage.

Finally, the study implies that attainment of a sustainable competitive advantage is not an end in itself, but a means to superior long-term financial and market performance. Results show that hard-to-copy products are positively associated with profitability, return on investment, sales, market share and customer retention. Thus, the objective of the firm is not to create superior advantages over its competition but to create wealth for the company.

7.6 LIMITATIONS OF THE STUDY

As with most research efforts, this study is not without limitations. The use of managers' perceptions as data creates familiar problems of accuracy and causality. Data obtained for both dependent and independent variables were self-reported rather than obtained from independent sources, and only one reply from each company was obtained. There is also an inevitable trade-off between depth and breadth in a postal survey, although the use of personal in-depth interviews helped to improve the richness of conclusions.

The study used a set of competitive advantages drawn from previous research and from the insights that emerged during the interviewing phase. However, this list may not have been as comprehensive as it could have been hence firms might benefit from competitive advantages not included in this study.

This study could also be improved by having even larger samples, which would increase the number of respondents in each service sector and allow for deeper analysis within each service sector and across markets served. Interestingly, the number of blank questionnaires returned surpassed the actual number of completed questionnaires. This might be explained by the sensitive information requested. A larger sample would permit further analyses across service sectors

and segments served (e.g. entirely business-to-business vs. entirely business-to-consumer). Other variables could also be included in the analysis, such as the size of the company by number of employees. It would be interesting too to extend the study over time and assess whether the characteristics of hard-to-copy products identified in this study hold over time. The use of non-parametric tests used in the study, because the assumption of normality is not tenable, increases the chance of accepting that there is no difference between hard-to-copy products and products that are not hard-to-copy when, in reality, a difference exists. Thus, although parametric tests were always used in conjunction with non-parametric tests, there is always the possibility of missing a significant difference because of the test used.

Finally, although the mail survey was complemented by the richness of data gathered during the interviewing process, several single-item measures were used in the study to take managers less time to complete the questionnaire and in order to evaluate the maximum number of possible competitive advantages. For example, the hard-to-copy measure was limited to a single question, rather than including multiple measures in operationalising the construct. According to Gardner et al (1998, p.898), "it is possible that one 'good' item can be better than many 'bad' items when evaluated on criteria of reliability and validity". We believe the conclusions of this study would not change significantly because of usage of single-item measures for a number of reasons. Firstly, exploratory factor analysis was carried out on single-item measures and the factors extracted very much overlap with the profile of hard-to-copy products that emerged from the analysis of individual variables. Secondly, most single-item measures used were taken from previous scales and/or were drawn from the interpretation of interview transcripts by two independent coders. Finally, the questionnaire was reviewed by ten academics, mainly professors and senior lecturers from the Strategy and Marketing Department at the Manchester Business School, before it was sent to managers, which helped to clarify the meaning of every statement used in the survey.

7.7 FURTHER RESEARCH

Some of the hypothesised relationships did not receive any support, such as the low importance of mass media advertising in building hard-to-copy brands, although it was found that word-of-mouth is the most important component of overall communication effectiveness. However, further investigation is necessary to clarify the importance of advertising in brand building and add to the ongoing debate about the role of advertising and mass media in building strong brands.

Since the data was collected at a single point in time, albeit specifically asking managers to look at past performance, longitudinal studies are needed for a better understanding of hard-to-copy products. In particular, such research could provide insights about the durability of advantage of hard-to-copy products, as well as on the continuous process of development and deployment of competitive advantages. Such research could help answer the following questions: How long does a hard-to-copy product's competitive advantage resist before it is copied? What type of activities do service firms engage in to protect their advantages? What is the impact of time on the performance differential between hard-to-copy products and products that are not hard-to-copy? Does the gap close or widen over time?

The U.K. context of this study places limitations on the generalisation of findings to services in other countries, especially those with recognised different cultures or in different stages of development. The directions of this study could be explored from an academic and managerial perspective by looking for the main similarities and contrasts between various countries from three main geographic areas: Europe, North America, and Asia.

Finally, a single measure of hard-to-copy was used to test the research questions. Future research should include multiple measures in operationalising the construct.

7.8 CONCLUSION

Received wisdom has it that innovations in the service sector, particularly successful ones, are rapidly copied. This research has shown that this is definitely not the case for some products. Hard-to-copy products do exist in the services sector. Furthermore they seem to out-perform typical products on a wide range of measures, from profitability to market share, from customer retention to growth.

A hard-to-copy product has a distinct profile. It is particularly likely to score highly on ten individual variables, which can be summarised under three headings: hard-to-copy products are produced in a 'learning' culture; provide superior branding, service and benefits; and are built on innovation from the beginning.

Furthermore, this study found that the hard-to-copy position is protected by performing well simultaneously on approximately seven out of ten key individual variables. It is this simultaneous performance that makes it so difficult for competition to come up with an effective 'copycat'. Thus, we found support for the works of Day and Wensley (1988) and Bharadwaj et al (1993) which suggest that delivering multiples sources of advantage creates the conditions for superior performance.

REFERENCES

- Aaker, David A. (1989), "Managing Assets and Skills: The Key To a Sustainable Competitive Advantage", *California Management Review*, Vol.31, No.2, pp.91-106.
- Aaker, David A. (1991), *Managing Brand Equity*. London: Free Press
- Aaker, David A. (1996), *Building Strong Brands*. London: Free Press
- Aaker, David A. (1997), "Building Brands Without Mass Media", *Harvard Business Review*, Vol.75, No.1, pp.39-50.
- Aaker, David A. and Joachimsthaler, Erich (2000), *Brand Leadership*, New York: NY, The Free Press.
- Alderson, Wroe (1937), "A Marketing View of Competition", *Journal of Marketing*, Vol.1, No.1, pp.189-190.
- Alderson, Wroe (1965), *Dynamic Marketing Behaviour: A Functionalist Theory of Marketing*, Homewood, IL: Richard D. Irwin.
- Almeida, P. (1996), "Knowledge Sourcing by Foreign Multinationals: Patent Citation Analysis in the U.S. Semiconductor Industry", *Strategic Management Journal*, Vol.17 (Winter), Special Issue, pp.155-165.
- Amabile, Teresa M.; Conti, Regina; Coon, Heather; Lazenby, Jeffrey and Herron, Michael, (1996), "Assessing the Work Environment for Creativity", *Academy of Management Journal*, Vol.39, No.5, pp.1154-1184.
- Amit, R. and Shoemaker, P. J. (1993), "Strategic Assets and Organisational Rent", *Strategic Management Journal*, Vol.14, No.1, pp.33-46.
- Andrews, K. (1971), *The Concepts of Corporate Strategy*, Homewood, IL: Dow Jones-Irwin.
- Andrews, K. (1980), *The Concepts of Corporate Strategy*, 2nd ed., Homewood, IL: Dow Jones-Irwin.
- Appiah-Adu, Kwaku and Singh, Satyendra (1999), "Marketing Culture and Performance in UK Service Firms", *The Services Industries Journal*, Vol.19, No.1, pp.152-170.
- Appiah-Adu, Kwaku; Fyall, Alan and Singh, Satyendra (2001), "Marketing Effectiveness and Business Performance in the Financial Services Industry", *Journal of Services Marketing*, Vol.15, No.1, pp.18-34.
- Armstrong, S. and Overton, T. (1977), "Estimating Non-response in Mail Surveys", *Journal of Marketing Research*, Vol.14 (August), pp.396-402.
- Arnold, Stephen J. and Fernie, John (2000), "Wal-Mart in Europe: Prospects for the UK", *International Marketing Review*, Vol.17, No.4-5, pp.416-432.
- Arnold, Stephen J.; Handelman, J. and Tigert, D. J. (1998), "The Impact of a Market Spoiler on Consumer Preference Structures (or, what happens when Wal-Mart comes to town)", *Journal of Retailing and Consumer Services*, Vol.5, No.1, pp.1-13.

- Baghai, Mehrdad A.; Coley, Stephen C. and White, David (1999), "Turning Capabilities into Advantages", *The McKinsey Quarterly*, No.1, pp.100-109.
- Barley, S. P. (1983), "Semiotics and the Study of Occupational and Organizational Cultures", *Administrative Science Quarterly*, Vol.28 (September), pp.393-413.
- Barnett, W. P.; Greve, H. R. and Park, D. Y. (1994), "An Evolutionary Model of Organizational Performance", *Strategic Management Journal*, Vol.15 (Special Issue), pp.11-28.
- Barney, Jay B. (1986), "Organizational Culture: Can It Be a Source of Sustained Competitive Advantage", *Academy of Management Review*, Vol.11, No.3, pp.656-665.
- Barney, Jay B. (1991), "Firm Resources and Sustained Competitive Advantage", *Journal of Management*, Vol. 17, No.1, pp.99-120.
- Barr, P. S.; Stimpert, J. L. and Huff, A. S. (1992), "Cognitive Change, Strategic Action and Organizational Renewal", *Strategic Management Journal*, Vol.13 (Special Issue), pp.15-36.
- Bateson, John E. G. (1977), "Do We Need Service Marketing?", in *Marketing Consumer Services: New insights*, Marketing Science Institute, Report # 77-115 (December).
- Bateson, John E. G. (1995), *Managing Services Marketing*, 3rd Ed. London: Dryden Press
- Bateson, John E. G. and K. Douglas Hoffman (1997), *Essentials of Services Marketing*. London: The Dryden Press
- Beard, Larry H. and Hoyle, Valarie A. (1976), "Cost Accounting Proposal for an Advertising Agency", *Management Accounting*, Vol.58 (December), pp.38-40.
- Bell, Martin L. (1981), "Tactical Service Marketing and the Process of Remixing", in *Marketing of Services*, J. H. Donnelly and W. R. George (eds.), Chicago: American Marketing, pp. 163-167.
- Berry, Leonard L. (1980), "Services Marketing is Different", *Business*, Vol.30, No.3, pp.24-29.
- Berry, Leonard L. (1981), "The Employee as Customer", *Journal of Retail Banking*, Vol.3 (March), pp.33-40.
- Berry, Leonard L. and Parasuraman, A. (1991), *Marketing Services*, New York: The Free Press.
- Berry, Leonard L.; Lefkowitz, Edwin F. and Clark, Terry (1988), "In Services, What's in a Name?", *Harvard Business Review*, Vol.66, No.5, pp.28-30.
- Berry, Leonard L.; Parasuraman, A. and Zeithaml, Valarie A. (1994), "Improving Service Quality in America: Lessons Learned", *Academy of Management Executive*, Vol. 8, No. 2, pp. 32-52.
- Bessom, Richard M. and Jackson, David W. (1975), "Service Retailing — A Strategic Marketing Approach", *Journal of Retailing*, Vol.51, No.2, pp.137-149.

- Bettis, R. A. and Hitt, M. A. (1995), "The New Competitive Landscape", *Strategic Management Journal*, Vol.16 (Special Issue), pp.7-19.
- Bharadwaj, Sundar; Varadarajan, P. Rajan and Fahy, John (1993), "Sustainable Competitive Advantage in Service Industries: A Conceptual Model and Research Propositions", *Journal of Marketing*, Vol. 57, No. 4, pp. 83-99.
- Bitner, M. J. (1992), "Servicescapes: The Impact of Physical Surroundings on Customers and Employees", *Journal of Marketing*, Vol.56, No.2, pp.57-71.
- Blaikie, Norman (2000), *Designing Social Research*. Cambridge: Blackwell Publishers
- Bonoma, Thomas, V. (1984), "Making Your Marketing Strategy Work", *Harvard Business Review*, Vol. 62, No.2, pp. 69-76.
- Booms, Bernard H. and Nyquist, Jody (1981), "Analysing the Customer/Firm Communication Component of the Service Marketing Mix", in *Emerging Perspectives on Services Marketing*, L. L. Berry, G. L. Shostack and G. D. Upah (eds.), Chicago: American Marketing Association.
- Booms, Bernard H., and Bitner, Mary J. (1981), "Marketing Services and Organisation Structures for Service Firms," in *Marketing of Services*, J.H. Donnelly and W. R. George (eds.), Chicago: American Marketing, pp.47-51.
- Bower, J. L. (1974), *Managing the Resource Allocation Process*, Boston: MA, Harvard Business School Press.
- Bowman, Edward H. and Helfat, Constance E. (2001), "Does Corporate Strategy Matter?", *Strategic Management Journal*, Vol.22, No.1, pp.1-23.
- Brewer, J. and Hunter, A. (1989), *Multimethod Research: A Synthesis of Styles*, Newbury Park: CA, Sage.
- Bryman, A. (1988), *Quantity and Quality in Social Research*, London: Unwin Hyman.
- Bryman, A. and Cramer, Duncan (1999), *Quantitative Data Analysis with SPSS Release 8 for Windows: A Guide for Social Scientists*, London: Routledge.
- Bucklin, Louis P. and Sengupta, Sanjit (1993), "Organizing Successful Co-Marketing Alliances", *Journal of Marketing*, Vol.57, No.3, pp. 32-46.
- Burgelman, R. A. (1994), "Fading Memories: A Process Study of Strategic Business Exit in Dynamic Environments", *Administrative Science Quarterly*, Vol.39, No.1, pp. 24-56.
- Cadogan, John W. and Diamantopoulos, A. (1995), "Narver and Slater, Kohli and Jaworski and the Market Orientation Construct: Integration and Internationalisation", *Journal of Strategic Marketing*, Vol.3, No.1, pp.41-60.
- Campbell, Andrew; Goold, Michael and Alexander, Marcus (1995), "The Value of the Parent Company", *California Management Review*, Vol.38, No.1, pp.79-97.
- Campbell, D. T. (1955), "The Informant in Quantitative Research", *American Economic Journal of Sociology*, Vol. 60, pp.339-342.

- Campbell, D. T. and Fiske, D. W. (1959), "Convergent and Discriminant Validation by the Multitrait-multimethod Index", *Psychological Bulletin*, Vol. 56, pp.81-105.
- Carmen, James M. and Langeard, Eric (1980), "Growth Strategies of Service Firms", *Strategic Management Journal*, Vol.1, No.1, pp.7-22.
- Carroll, Peter J. (1982), "The Link Between Performance and Strategy", *The Journal of Business Strategy*, Vol. 2, No. 4, pp. 3-20.
- Caruana, Albert; Pitt, Leyland F. and Berthon, Pierre (1999), "Excellence-Market Orientation Link: Some Consequences for Service Firms", *Journal of Business Research*, Vol.44, pp.5-15.
- Caruana, Albert; Pitt, Leyland F. and Morris, Michael H. (1995), "Are There Excellent Service Firms, and Do They Perform Well?", *The Service Industries Journal*, Vol.15, No.3, pp. 243-256.
- Chamberlain, E. H. (1933), *The Theory of Monopolistic Competition*. Cambridge: Harvard University Press.
- Chandler, A. D. (1962), *Strategy and Structure*, Cambridge, MA: MIT Press.
- Chase, Richard B. (1978), "Where Does the Customer Fit in a Service Operation", *Harvard Business Review*, Vol.56, No.6, pp.137-142.
- Chattopadhyay, P.; Glick, W. H.; Miller, C. C. and Huber, G. P. (1999), "Determinants of Executive Beliefs: Comparing Functional Conditioning and Social Influence", *Strategic Management Journal*, Vol.20, No.8, pp.763-789.
- Chrisman, J. J.; Hofer, C. W. and Boulton, W.R. (1992), "Toward a System for Classifying Business Strategies", *Academy of Management Review*, Vol.17, No.3, pp.413-428.
- Christensen, Clayton (2001), "The Past and Future of Competitive Advantage", *Sloan Management Review*, Vol.43, No.2, pp. 105-109.
- Churchill, Gilbert A. Jr. (1979), "A Paradigm for Developing Better Measures of Marketing Constructs", *Journal of Marketing Research*, Vol.16 (February), pp.64-73.
- Churchill, Gilbert A. Jr. and Peter, J. Paul (1984), "Research Design Effects on the Reliability of Rating Scales", *Journal of Marketing Research*, Vol.21 (November), pp.360-375.
- Clark, B. R. (1972), "The Organizational Saga in Higher Education", *Administrative Science Quarterly*, Vol.17 (June), pp.178-184.
- Clark, K. B. and Fujimoto, T. (1991), *Product Development in the World Automobile Industry*, Boston: MA, Harvard Business School Press.
- Cockburn, Iain M.; Henderson, Rebecca and Stern, Scott (2000), "Untangling the Origins of Competitive Advantage", *Strategic Management Journal*, Vol.21, No.10-11, pp.1123-1145.
- Cohen, Jacob (1960), "A Coefficient of Agreement for Nominal Scales", *Educational and Psychological Measurement*, Vol.20, pp.37-46.

- Cohen, Jacob (1968), "Weighted Kappa: Nominal Scale Agreement with Provision for Scaled Disagreement or Partial Credit", *Psychological Bulletin*, Vol.70 (October), pp.213-220.
- Collis, David J. (1991), "A Resource Based Analysis of Global Competition: The Case of the Bearings Industry", *Strategic Management Journal*, Vol.12, No.1, pp.49-68.
- Collis, David J. (1994), "How Valuable Are Organizational Capabilities?", *Strategic Management Journal*, Vol.15, pp.143-152.
- Collis, David J. and Montgomery, Cynthia (1995), "Competing on Resources: Strategy in the 1990's", *Harvard Business Review*, Vol.73, No.4, pp.118-128.
- Conner, K. R. (1991), "A Historical Comparison of Resource-Based Theory and Five Schools of Thought within Industrial Organisation Economics: Do We Have a New Theory of the Firm?", *Journal of Management*, Vol.17, No.1, pp.121-154.
- Cool, K. and Schendel, D. (1987), "Strategic Group Formation and Performance: The Case of the US Pharmaceutical Industry", *Management Science*, Vol.33, No.9, pp.1102-1124.
- Coyne, Kevin P. (1986), "Sustainable Competitive Advantage - What It Is, What It Isn't", *Business Horizons*, Vol.29, No.1, pp.54-61.
- Coyne, Kevin P. (1989), "Beyond Service Fads - Meaningful Strategies for the Real World", *Sloan Management Review*, Vol.30, No.4, pp.69-76.
- Coyne, Kevin P.; Hall, Stephen J.D. and Clifford, Patricia (1997), "Is Your Competence a Mirage?", *The McKinsey Quarterly*, No.1, pp.50-54.
- Crawford, Leslie (2000), "Putting on the Style with Rapid Response", *Financial Times*, September 26th, pp.18.
- Creswell, J. W. (1995), *Research Design: Qualitative and Quantitative Approaches*, Thousand Oaks: CA, Sage.
- Cronbach, L. J. (1951), "Coefficient Alpha and the Internal Structure of Tests", *Psychometrika*, Vol.16 (September), pp.297-334.
- Cronbach, L. J. and Meehl, P. E. (1955), "Construct Validity in Psychological Tests", *Psychological Bulletin*, Vol.52, pp.281-302.
- Cronshaw, M.; Davis, E. and Key, J. (1990), "On Being Stuck in the Middle or Good Food Costs Less at Sainsburys", *Paper presented at the British Academy of Management Annual Conference*, Glasgow, pp.1-29.
- Dall'Olmo Riley, Francesca and De Chernatony, Leslie (2000), "The Service Brand as Relationship Builder", *British Journal of Management*, Vol.11, No.2, pp.137-150.
- Damanpour, Fariborz (1991), "Organizational Innovation: A Meta Analysis of Effects of Determinants and Moderators", *Academy of Management Journal*, Vol.34, No.3, pp.555-590.
- Damanpour, Fariborz and Evan, William M. (1984), "Organizational Innovation and Performance: The Problem of Organizational Lag", *Administrative Science Quarterly*, Vol.29 (September), pp.392-409.

- Davidson, David S. (1978), "How to Succeed in a Service Industry – Turn the Organisation Chart Upside Down", *Management Review*, Vol.67 (April), pp.13-16.
- Davis, Duane L.; Guiltinan, Joseph P. and Jones, Wesley H. (1979), "Service Characteristics, Consumer Search, and the Classification of Retail Services", *Journal of Retailing*, Vol.55, No.3, pp.3-21.
- Davis, E. (1990), "High Quality Positioning and the Success of Reputable Products", *Business Strategy Review*, Vol.1, No.2, pp.61-75.
- Day, George S. (1994), "The Capabilities of Market-Driven Organizations", *Journal of Marketing*, Vol.58, No.4, pp.37-52.
- Day, George S. and Nedungadi, Prakesh (1994), "Managerial Representations of Competitive Advantage", *Journal of Marketing*, Vol.58, No.2, pp.31-44.
- Day, George S. and Wensley, Robin (1988), "Assessing Advantage: A Framework for Diagnosing Competitive Superiority", *Journal of Marketing*, Vol.52, No.2, pp.1-20.
- De Castro, Julio and Chrisman, James J. (1995), "Order of Market Entry, Competitive Strategy, and Financial Performance", *Journal of Business Research*, Vol.33, pp.165-177.
- De Chernatony, Leslie (2001), *From Brand Vision to Brand Evaluation*. Oxford: Butterworth Heinemann.
- De Chernatony, Leslie and Dall'Olmo Riley, Francesca (1997), "The Chasm Between Managers' and Consumers' Views of Brands: The Experts' Perspectives", *Journal of Strategic Management*, Vol.5, No.2, pp.89-104.
- De Chernatony, Leslie and Dall'Olmo Riley, Francesca (1998), "Expert Practitioners' Views on Roles of Brands: Implications for Marketing Communications", *Journal of Marketing Communications*, Vol.4, No.2, pp. 87-100.
- De Chernatony, Leslie and Dall'Olmo Riley, Francesca (1999), "Experts' Views about Defining Services Brands and the Principles of Services Branding", *Journal of Business Research*, Vol.46, No.2, pp.181-192.
- De Chernatony, Leslie and McDonald, Malcolm (1998), *Creating Powerful Brands in Consumer, Service and Industrial Markets*. Oxford: Butterworth Heinemann.
- De Geus, Arie P. (1988), "Planning as Learning", *Harvard Business Review*, Vol.66, No.2, pp.70-74.
- Deal, Terrence E. and Kennedy, Allan A. (1982), *Corporate Cultures*, Reading: MA, Addison-Wesley.
- Dearden, John (1978), "Cost Accounting Comes to Service Industries", *Harvard Business Review*, Vol.56, No.5, pp.132-140.
- Dekimpe, Marnik G.; Steenkamp, Jan-Benedict E. M.; Mellens, Martin and Abeele, Piet Vanden (1997), "Decline and Variability in Brand Loyalty", *International Journal of Research in Marketing*, Vol.14, No.5, pp.405-420.

Demsetz, H. (1973), "Industry Structure, Market Rivalry, and Public Policy", *Journal of Law and Economics*, Vol.16, No.1, pp.1-9.

Deshpandé, Rohit (1983), "Paradigms Lost: On Theory and Method in Research in Marketing", *Journal of Marketing*, Vol.47, No.4, pp.101-110.

Deshpandé, Rohit; Farley, John U. and Webster Jr., Frederick (1993), "Corporate Culture, Customer Orientation, and Innovativeness in Japanese Firms: A Quadrant Analysis", *Journal of Marketing*, Vol.57, No.1, pp.23-27.

Deshpandé, Rohit and Parasuraman, A. (1986), "Linking Corporate Culture to Strategic Planning", *Business Horizons*, Vol.29, No.3, pp.28-37.

Deshpandé, Rohit and Webster, Frederick E. (1989), "Organizational Culture and Marketing: Defining the Research Agenda", *Journal of Marketing*, Vol.53, No.1, pp.3-15.

DeSouza, Glenn (1992), "Designing a Customer Retention Plan", *The Journal of Business Strategy*, March-April, pp.24-28.

Dess, G. and Beard, P. (1984), "Dimensions of Organizational Tasks Environments", *Administrative Science Quarterly*, Vol.29, No.1, pp.52-73.

Dess, Gregory G. and Davis, Peter S. (1984), "Porter's (1980) Generic Strategies as Determinants of Strategic Group Membership and Organizational Performance", *Academy of Management Journal*, Vol.27, No.3, pp.467-488.

Dess, G. and Robinson, R. (1984), "Measuring Organizational Performance in the Absence of Objective Measures: The Case of the Privately-Held Firms and Conglomerate Business Unit", *Strategic Management Journal*, Vol.5, No.3, pp.265-273.

Dibb, Sally and Simkin, Lyndon (1993), "The Strength of Branding and Positioning in Services", *International Journal of Service Industry Management*, Vol.4, No.1, pp.25-35.

Dickson, Peter R. (1992), "Towards a General Theory of Competitive Rationality", *Journal of Marketing*, Vol.56, No.1, pp.69-83.

Dickson, Peter R. and Ginter, James L. (1987), "Market Segmentation, Product Differentiation and Marketing Strategy", *Journal of Marketing*, Vol.51, No.2, pp.1-10.

Dierickx, Ingemar and Cool, Karel (1989), "Asset Stock Accumulation and Sustainability of Competitive Advantage", *Management Science*, Vol.35, No.12, pp.1504-1513.

Dillman, Don A. (2000), *Mail and Internet Surveys: The Tailored Design Method*. New York: John Wiley & Sons.

DiMaggio, P. and Powell, W. W. (1983), "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields", *American Sociological Review*, Vol.48, No.2, pp.147-160.

- Dobni, C. Brooke and Luffman, George (2000), "Market Orientation and Market Strategy Profiling: An Empirical Test of Environment-Behaviour-Action Co-Alignment and Its Performance Implications", *Management Decision*, Vol. 38, No.8, pp. 503-519.
- Donnelly, James H. (1980), "Service Delivery Strategies in the 1980s – Academic Perspective," in *Financial Institution Marketing Strategies in the 1980s*, Leonard L. Berry and James H. Donnelly, Jr. (eds.), Washington, DC: Consumer Bankers Association, pp.143-150.
- Donnelly, James H. Jr. (1976), "Marketing Intermediaries in Channels of Distribution for Services", *Journal of Marketing*, Vol.40, No.1, pp.55-70.
- Dowling, G. R. (1993), "Developing Your Company Image into a Corporate Asset", *Long Range Planning*, Vol.26, No.2, pp.101-109.
- Dowling, Grahame R. and Uncles, Mark David (1997), "Do Customer Loyalty Programs Really Work?", *Sloan Management Review*, Vol.38, No.4, pp.71-82.
- Doyle, Peter (1998), *Marketing Management and Strategy*. London: Prentice Hall Europe.
- Doyle, Peter and Wong, Veronica (1998), "Marketing and Competitive Performance: An Empirical Study", *European Journal of Marketing*, Vol.32, No.5-6, pp.514-535.
- Doz, Y. (1996), "The Evolution of Co-operation in Strategic Alliances: Initial Conditions and Learning Processes?", *Strategic Management Journal*, Vol.17 (Special Issue), pp.55-84.
- Doz, Y. and Hamel, G. (1993), *The Competitive Logics of Strategic Alliances*, New York: The Free Press.
- Dutton, J. E.; Dukerich, J. M. and Harquail, C. V. (1994), "Organization Images and Member Identification", *Administrative Science Quarterly*, Vol.39 (June), pp.239-263.
- Easingwood, Chris and Storey, Christopher (1997), "Distribution Strategies in the Financial Services Sector", *Journal of Financial Services Marketing*, Vol.1, No.3, pp.211-224.
- Edgett, Scott and Snow, Kim (1997), "Benchmarking Measures of Customer Satisfaction, Quality and Performance for New Financial Service Products", *Journal of Product and Brand Management*, Vol.6, No.4, pp.250-259.
- Eiglier, Pierre and Langeard, Eric (1975), "Une Approche Nouvelle pour le Marketing des Services," *Review Française de Gestion*, Vol.2 (Spring), pp.97-114.
- Eisenhardt, K. M. and Tabrizi, B.N. (1995), "Accelerating Adaptive Processes", *Administrative Science Quarterly*, Vol.40, No.1, pp. 84-110.
- Fahy, John (1993), "How Service Firms Can Attain a Sustainable Competitive Advantage", *Irish Marketing Review*, Vol.6, pp.29-37.



- Fahy, John (1996), "Competitive Advantage in International Services: A Resource-Based View", *International Studies of Management & Organisation*, Vol.26, No.2, pp.24-37.
- Fahy, John (2000), "The Resource-based View of the Firm: Some Stumbling Blocks on the Road to Understanding Sustainable Competitive Advantage", *Journal of European Industrial Training*, Vol.24, No.2-3-4, pp.94-104.
- Farjoun, M. (1994), "Beyond Industry Boundaries: Human Expertise, Diversification and Resource-Related Industry Groups", *Organization Science*, Vol.5, No.2, pp.185-199.
- Field, Andy (2000), *Discovering Statistics Using SPSS for Windows*. London: Sage.
- Fiol, C. Marlene and Lyles, Marjorie A. (1985), "Organizational Learning", *Academy of Management Review*, Vol.10, No.4, pp.803-813.
- Fisk, Raymond P. (1981), "Toward A Consumption/Evaluation Process Model for Services", in *Marketing of Services*, J. H. Donnelly and W. R. George (eds.), Chicago: American Marketing, pp. 191-195.
- Fisk, Raymond P.; Brown, Stephen W. and Bitner, Mary Jo (1993), "Tracking the Evolution of the Services Marketing Literature", *Journal of Retailing*, Vol.69, No.1, pp.61-103.
- Fombrun, C. J. (1996), *Reputation: Realizing Value from the Corporate Image*, Boston: MA: Harvard Business School Press.
- Fombrun, Charles J.; Gardberg, Naomi A. and Sever, Joy M. (2000), "The Reputation Quotient: A Multi-Stakeholder Measure of Corporate Reputation", *The Journal of Brand Management*, Vol.7, No.4, pp.241-255.
- Fombrun, Charles J. and Shanley, M. (1990), "What's in a Name? Reputation and Corporate Strategy", *Academy of Management Journal*, Vol.33, No.2, pp.233-258.
- Free, Conrad (1999), "The Internal Brand", *The Journal of Brand Management*, Vol.6, No.4, pp.231-236.
- Fulmer, William E. and Goodwin, Jack (1988), "Differentiation: Begin with the Consumer", *Business Horizons*, Vol.31, No.5, pp.55-63.
- Gardner, Donald G.; Cummings, L. L.; Dunham, Randall B. and Pierce, Jon L. (1998), "Single-item versus Multiple-item Measurement Scales: An Empirical Comparison", *Educational and Psychological Measurement*, Vol.58, No.6, pp.898-915.
- Garvin, David A. (1993), "Building a Learning Organization", *Harvard Business Review*, Vol.71, No.4, pp.78-91.
- Gelb, Betsy D.; Smith, Samuel D. and Gelb, Gabriel M. (1988), "Service Marketing Lessons from the Professionals", *Business Horizons*, Vol.31, No.5, pp.29-34.
- George, William R. (1977), "The Retailing of Services: A Challenging Future", *Journal of Retailing*, Vol.53, No.3, pp.85-98.

- George, William R. and Berry, Leonard L. (1981), "Guidelines for the Advertising of Services", *Business Horizons*, Vol.24, No.4, pp.52-56.
- Ghemawat, Pankaj (1986), "Sustainable Advantage", *Harvard Business Review*, Vol.64, No.5, pp.53-58.
- Ghemawat, Pankaj (1991), *Commitment: The Dynamic of Strategy*, New York: Free Press.
- Gill, John and Johnson, Phil (1997), *Research Methods for Managers*, 2nd Ed. London: Paul Chapman Publishing.
- Gimeno, J. and Woo, C. Y. (1996), "Hypercompetition in a Multi-market Environment: The Role of Strategic Similarity and Multi-market Contact in Competitive De-escalation", *Organization Science*, Vol.7, No.3, pp.322-341.
- Ginsberg, A. (1988), "Measuring and Modelling Changes in Strategy: Theoretical Foundations and Empirical Directions", *Strategic Management Journal*, Vol.9, No.6, pp.559-575.
- Ginsberg, A. (1989), "Constructing the Business Portfolio: A Cognitive Model of Diversification", *Journal of Management Studies*, Vol.26, No.4, pp.417-438.
- Glazer, Rashi (1991), "Marketing an Information-Intensive Environment: Strategic Implications of Knowledge as Asset", *Journal of Marketing*, Vol.55, No.4, pp.1-19.
- Goold, M. (1996), "Parenting Strategies for the Mature Business", *Long Range Planning*, Vol.29, No.3, pp.359-369.
- Govindarajan, Vijay and Gupta, Anil K. (2001), "Strategic Innovation: A Conceptual Road Map", *Business Horizons*, Vol. 44, No.4, pp.3-12.
- Grant, Robert M. (1991), "The Resource-Based Theory of Competitive Advantage: Implications for Strategy Formulation", *California Management Review*, Vol.33, No.3, pp.114-135.
- Gray, Edmund R. and Balmer, John M.T. (1998), "Managing Corporate Image and Corporate Reputation", *Long Range Planning*, Vol.31, No.5, pp.695-702.
- Green, Donna H.; Barclay, Donald W. and Ryans, Adrian B. (1995), "Entry Strategy and Long-Term Performance: Conceptualisation and Empirical Examination", *Journal of Marketing*, Vol.59, No.4, pp.1-16.
- Gregory, Kathleen L. (1983), "Native-View Paradigms: Multiple Cultures and Conflicts in Organisations", *Administrative Science Quarterly*, Vol.28 (September), pp.359-376.
- Greve, H. R. (1996), "Patterns of Competition: The Diffusion of a Market Position in Radio Broadcasting", *Administrative Science Quarterly*, Vol.41 (March), pp.29-60.
- Gronroos, Christian (1978), "A Service-Oriented Approach to Marketing of Services", *European Journal of Marketing*, Vol.12, No.8, pp.588-601.
- Gronroos, Christian (1990), "Relationship Approach to Marketing in Service Contexts: The Marketing and Organizational Behaviour Interface", *Journal of Business Research*, Vol.20, No.1, pp.3-11.

- Grove, S. J. and Fisk, R. P. (1983), "The Dramaturgy of Services Exchange: An Analytical Framework for Services Marketing", in *Marketing of Services*, J. H. Donnelly and W. R. George (eds.), Chicago: American Marketing, pp.172-177.
- Gulati, R. (1995), "Social Structure and Alliance Formation: A Longitudinal Analysis", *Administrative Science Quarterly*, Vol.40 (December), pp.619-652.
- Hair, Joseph F.; Anderson, Rolph E.; Tatham, Ronald L. and Black, William C. (1998), *Multivariate Data Analysis*, 5th Ed., Upper Saddle River: New Jersey: Prentice-Hall.
- Hakim, Catherine (1987), *Research Design: Strategies and Choices in the Design of Social Research*. London: Routledge.
- Hall, Richard (1989), "The Management of Intellectual Assets: A New Corporate Perspective", *Journal of General Management*, Vol.15, No.1, pp.53-68.
- Hall, Richard (1991), "The Contribution of Intangible Resources to Business Success", *Journal of General Management*, Vol.16, No.4, pp. 41-52.
- Hall, Richard (1992), "The Strategic Analysis of Intangible Resources", *Strategic Management Journal*, Vol.13, No.2, pp.135-144.
- Hall, Richard (1993), "A Framework Linking Intangible Resources and Capabilities to Sustainable Competitive Advantage", *Strategic Management Journal*, Vol.14, No.8, pp.607-618.
- Hall, William K (1980), "Survival Strategies in a Hostile Environment", *Harvard Business Review*, Vol.58, No.5, pp.75-85.
- Hambrick, Donald C. (1987), "Top Management Teams. Key to Success", *California Management Review*, Vol.30, No.1, pp.88-108.
- Hamel, Gary and Prahalad, C. K. (1989), "Strategic Intent", *Harvard Business Review*, Vol.67, No.3, pp.63-76.
- Hamel, Gary and Prahalad, C. K. (1991), "Corporate Imagination and Expeditionary Marketing", *Harvard Business Review*, Vol.69, No.4, pp.81-92.
- Hamel, Gary and Prahalad, C. K. (1994), *Competing for the Future*, Cambridge, MA: Harvard Business School Press.
- Han, Jin K.; Kim, Namwood and Srivastava, Rajendra K. (1998), "Market Orientation and Organizational Performance: Is Innovation a Missing Link?", *Journal of Marketing*, Vol.62, No.4, pp.30-45.
- Hankinson, Graham and Cowking, Philippa (1997), "Branding in Practice: The Profile and Role of Brand Managers in the UK", *Journal of Marketing Management*, Vol. 13, No. 4, pp. 239-264.
- Hankinson, Philippa (1999), "An Empirical Study which Compares the Organisational Structures of Companies Managing the World's Top 100 Brands with those Managing Outsider Brands", *Journal of Product and Brand Management*, Vol.8, No.5, pp.402-414.
- Hankinson, Philippa and Hankinson, Graham (1998), "The Role of Organisational Culture in Successful Global Brand Management: A Case Study of the Pierre Smirnoff Company", *Journal of Brand Management*, Vol.6, No.1, pp.29-43.

- Hansen, G. S. and Wernerfelt, B. (1989), "Determinants of Firm Performance. The Relative Importance of Economic and Organisational Factors", *Strategic Management Journal*, Vol.10, No.5, pp.399-411.
- Harris, Lloyd C. and Piercy, Nigel F. (1999), "A Contingency Approach to Market Orientation: Distinguishing Behaviours, Systems Structures, Strategies and Performance Characteristics", *Journal of Marketing Management*, Vol.15, No.7, pp.617-646.
- Hart, Christopher (1988), "The Power of Unconditional Service Guarantees", *Harvard Business Review*, Vol.66, No.4, pp.54-62.
- Henderson, Bruce (1983), "The Anatomy of Competition", *Journal of Marketing*, Vol.47, No.2, pp.7-11.
- Henderson, R. M. and Clark, K. B. (1990), "Architectural Innovation: The Reconfiguration of Existing Product Technologies and the Failure of Established Firms", *Administrative Science Quarterly*, Vol.35 (March), pp.9-30.
- Heskett, James L. (1987), "Lessons in the Service Sector", *Harvard Business Review*, Vol.65, No.2, pp.118-126.
- Hill, C. (1988), "Differentiation versus Low Cost or Differentiation and Low Cost: A Contingency Framework", *Academy of Management Review*, Vol.13, No.3, pp.401-412.
- Hitt, Michael A. (1998), "Twenty-first Century Organizations: Business Firms, Business Schools, and the Academy", *Academy of Management Review*, Vol.23, No.2, pp.218-224.
- Hitt, Michael A.; Hoskisson, R. E.; Ireland, R. D. and Best, A. (1998), "Attributes of Successful and Unsuccessful Acquisitions of U.S. Firms", *British Journal of Management*, Vol.9, No.2, pp.91-114.
- Hitt, Michael A.; Hoskisson, R. E.; Johnson, R. A. and Moesel, D. D. (1996), "The Market for Corporate Control and Firm Innovation", *Academy of Management Journal*, Vol.39, No.5, pp.1084-1119.
- Hitt, Michael A. and Ireland, R. Duane (1986), "Relationships Among Corporate Level Distinctive Competencies, Diversification Strategy, Corporate Structure and Performance", *Journal of Management Studies*, Vol. 23, No. 4, pp. 401-416.
- Hitt, Michael A.; Ireland, R. Duane and Hoskisson, Robert E. (2001), *Strategic Management: Competitiveness and Globalisation*, 4th Ed. South-Western College Publishing.
- Hitt, Michael A. and Tyler, B. B. (1991), "Strategic Decision Models: Integrating Different Perspectives", *Strategic Management Journal*, Vol.12, No.5, pp.327-351.
- Hofer, C. and Schendel, D. (1978), *Strategy Formulation: Analytical Concepts*, St. Paul, MN: West.
- Hoffman, K. Douglas and Bateson, John E.G. (1997), *Essentials of Services Marketing*. London: Dryden Press.

- Hooley, Graham; Greenley, Gordon; Fahy, John and Cadogan, John (2001), "Market-focused Resources, Competitive Positioning and Firm Performance", *Journal of Marketing Management*, Vol.17, No.5-6, pp.503-520.
- Hoskisson, Robert E.; Hitt, Michael A.; Wan, William P. and Yiu, Daphne (1999), "Theory and Research in Strategic Management: Swings of a Pendulum", *Journal of Management*, Vol.25, No.3, pp.417-456.
- Howe, K. R. (1988), "Against the Quantitative-Qualitative Incompatibility Thesis: Or Dogmas Die Hard", *Educational Researcher*, Vol.17, No.8, pp.10-16.
- Hunt, Shelby D. (1997), "Resource-advantage Theory: An Evolutionary Theory of Competitive Firm Behaviour?", *Journal of Economic Issues*, Vol.31 (March), pp.59-77.
- Hunt, Shelby D. (1999), "The Strategic Imperative and Sustainable Competitive Advantage: Public Policy Implications of Resource-Advantage Theory", *Journal of the Academy of Marketing Science*, Vol.27, No.2, pp.144-159.
- Hunt, Shelby D. and Lambe, C. Jay (2000), "Marketing's Contribution To Business Strategy: Market Orientation, Relationship Marketing And Resource-Advantage Theory", *International Journal of Management Reviews*, Vol.2, No.1, pp.17-43.
- Hunt, Shelby D. and Morgan, Robert M. (1995), "The Comparative Advantage Theory of Competition", *Journal of Marketing*, Vol.59, No.2, pp.1-15.
- Hunt, Shelby D. and Morgan, Robert M. (1996), "The Resource-Advantage Theory of Competition: Dynamics, Path Dependencies, and Evolutionary Dimensions", *Journal of Marketing*, Vol.60, No.4, pp.107-114.
- Hurley, Robert F. and Hult, Thomas M. (1998), "Innovation, Market Orientation, and Organizational Learning: An Integration and Empirical Examination", *Journal of Marketing*, Vol.62, No.3, pp. 42-54.
- Hutt, Michael D. and Speh, Thomas W. (2001), *Business Marketing Management*, London: Harcourt College Publishers.
- Itami, H. (1987), *Mobilizing Invisible Assets*, Cambridge, MA: Harvard University Press.
- Jain, Subhash C. (1981), *Marketing Planning and Strategy*, Cincinnati: OH, South Western Publishing.
- Javidan, Mansour (1998), "Core Competence: What Does It Mean in Practice?", *Long Range Planning*, Vol.31, No.1, pp.60-71.
- Jaworski, Bernard J. and Kohli, Ajay K. (1993), "Market Orientation: Antecedents and Consequences", *Journal of Marketing*, Vol.57, No.3, pp. 53-70.
- Jaworski, Bernard J. and Kohli, Ajay K. (1996), "Market Orientation: Review, Refinement and Roadmap", *Journal of Market Focused Management*, Vol.1, No.2, pp.119-135.
- Jelinek, Mariann; Smircich, Linda and Hirsh, Paul (1983), "Introduction: A Code of Many Colors", *Administrative Science Quarterly*, Vol.28 (September), pp.331-338.

- Jick, T. D. (1979), "Mixing Qualitative and Quantitative Methods: Triangulation in Action", *Administrative Science Quarterly*, Vol. 24 (December), pp.602-611.
- Joachimsthaler, Erich and David A. Aaker (1997), "Building Brands Without Mass Media", *Harvard Business Review*, Vol.75, No.1, pp.39-50.
- Johnson, Eugene M. (1981), "Personal Selling in Financial Institutions", in *Marketing of Services*, J. H. Donnelly and W. R. George (eds.), Chicago: American Marketing, pp.21-24.
- Judd, Robert C. (1968), "Similarities or Differences in Products and Service Retailing", *Journal of Retailing*, Vol.43, No.4, pp.1-9.
- Kan, Arshad and Manopichetwattana, V. (1989), "Innovative and Non-innovative Small Firms: Types and Characteristics", *Management Science*, Vol.35, No.5, pp.597-606.
- Kandampully, Jay and Duddy, Ria (1999), "Competitive Advantage through Anticipation, Innovation and Relationships", *Management Decision*, Vol.37, No.1, pp.51-56.
- Kapferer, Jean-Noel (1997), *Strategic Brand Management: Creating and Sustaining Brand Equity Long Term*, 2nd Ed., London: Kogan Page.
- Keller, Kevin Lane (1993), "Conceptualising, Measuring, and Managing Customer-Based Brand Equity", *Journal of Marketing*, Vol.57, No.1, pp.1-22.
- Keller, Kevin Lane (1998), *Strategic Brand Management: Building, Measuring, and Managing Brand Equity*. New Jersey: Prentice-Hall.
- Keller, Kevin Lane (1999), "Brand Mantras: Rationale, Criteria and Examples", *Journal of Marketing Management*, Vol.15, No.1-3, pp.43-51.
- Keller, Kevin Lane (2000), "The Brand Report Card", *Harvard Business Review*, Vol.78, No.1, pp.147-157.
- Kerin, Roger A.; Varadarajan, P. Rajan and Peterson, Robert A. (1992), "First-Mover Advantage: A Synthesis, Conceptual Framework, and Research Propositions", *Journal of Marketing*, Vol.56, No.4, pp. 33-52.
- Kim, W. Chan and Mauborgne, Renée (1997), "Value Innovation: The Strategic Logic of High Growth", *Harvard Business Review*, Vol.75, No.1, pp. 103-112.
- Kim, W. Chan and Mauborgne, Renée (1999a), "The Bright Idea that Conquered America", *Financial Times*, May 6th, p.16.
- Kim, W. Chan and Mauborgne, Renée (1999b), "How Southwest Airlines Found a Route to Success", *Financial Times*, May 13th, p.11.
- Kim, W. Chan and Mauborgne, Renée (1999c), "Emotional Blend of Coffee", *Financial Times*, May 20th, p.26.
- Kim, W. Chan and Mauborgne, Renée (1999d), "Finding Rooms for Manoeuvre", *Financial Times*, May 27th, p.10.
- Kim, W. Chan and Mauborgne, Renée (1999e), "Try Complementary Medicine", *Financial Times*, June 3rd, pp.18.

- Kim, W. Chan and Mauborgne, Renée (1999f), "From Trend to Quantum Leap", *Financial Times*, June 10th, pp.24.
- Kim, W. Chan and Mauborgne, Renée (1999g), "Creating New Market Space", *Harvard Business Review*, Vol.77, No.1, pp.83-93.
- Kim, W. Chan and Mauborgne, Renée (2000), "Knowing a Winning Business Idea When You See One", *Harvard Business Review*, Vol.78, No.5, pp.129-138.
- Kim, W. Chan and Mauborgne, Renée (2001), "How to Tell a Flyer from a Failure", *Financial Times*, January 23rd, pp. 18.
- Klein, B. and Leffler, K. (1981), "The Role of Market Forces in Assuring Contractual Performance", *Journal of Political Economy*, Vol.89 (August), pp.615-641.
- Klein, B.; Crawford, R. G. and Alchian, A. (1978), "Vertical Integration, Appropriable Rents, and The Competitive Contracting Process", *Journal of Law and Economics*, Vol.21, pp.297-326.
- Knisely, Gary (1979), "Financial Services Marketers Must Learn Packaged Goods Selling Tools," *Advertising Age*, Vol.50 (March 19), pp.58-62.
- Kohli, Ajay K. and Jaworski, Bernard J. (1990), "Market Orientation: The Construct, Research Propositions, and Management Implications", *Journal of Marketing*, Vol.54, No.2, pp.1-18.
- Kono, T. (1999), "A Strong Head Office Makes a Strong Company", *Long Range Planning*, Vol.32, No.2, pp.225-236.
- Kotha, S. (1995), "Mass Customisation: Implementing the Emerging Paradigm for Competitive Advantage", *Strategic Management Journal*, Vol.16 (Special Issue), pp.21-42.
- Kotler, Philip (1980), *Principles of Marketing*, Englewood Cliffs, NJ: Prentice-Hall, Inc.
- Kotler, Philip (1997), *Marketing Management: Analysis, Planning, Implementation, and Control*, 9th Ed., New Jersey: Prentice-Hall
- Kotler, Philip; Armstrong, Gary; Saunders, John and Wong, Veronica (1999), *Principles of Marketing*, 2nd Ed. London: Prentice Hall.
- Kotter, J. and Heskett, K. (1992), *Corporate Culture and Performance*, New York: NY: The Free Press.
- Lado, Augustine A.; Boyd, Nancy G. and Wright, Peter (1992), "A Competency-Based Model of Sustainable Competitive Advantage: Toward a Conceptual Integration", *Journal of Management*, Vol.18, No.1, pp.77-91.
- Lafontaine, F. (1999), "Myths and Strengths of Franchising", *Financial Times*, Mastering Strategy (Part Nine), November 22nd, pp.8-10.
- Langeard, Eric; Bateson, John E. G.; Lovelock, Christopher, H. and Eiglier, Pierre (1981), *Service Marketing: New Insights from Consumers and Managers*, Cambridge, MA: Marketing Science Institute.

- Larsson, R. (1993), "Case Survey Methodology: Quantitative Analysis of Patterns across Case Studies", *Academy of Management Journal*, Vol.36, No.6, pp.1515-1546.
- Levinthal, D. A. (1997), "Adaptation on Rugged Landscapes", *Management Science*, Vol.43, No.7, pp.934-950.
- Levitt, Theodore (1972), "Production-line Approach to Service", *Harvard Business Review*, Vol.50, No.5, pp.41-52.
- Levitt, Theodore (1976), "The Industrialisation of Service", *Harvard Business Review*, Vol.54, No.5, pp.63-74.
- Levitt, Theodore (1981), "Marketing Intangible Products and Product Intangibles", *Harvard Business Review*, Vol. 59, No.3, pp.94-102.
- Lewis, Barbara R. (1988), "Customer Care in Service Organisations", *International Journal of Operations and Product Management*, Vol.8, No.3, pp.67-75.
- Lewis, M. A. and Gregory, M. J. (1996), "Developing and Applying a Process Approach to Competence Analysis", in *Dynamics of Competence-Based Competition: Theory and Practice in the New Strategic Management*, R. Sanchez and H. Thomas (eds.), London, UK: Elsevier.
- Lieberman, Marvin B. and Montgomery, Cynthia (1988), "First-Mover Advantages", *Strategic Management Journal*, Vol.9, No.2, pp.41-58.
- Lippman, M. and Rumelt, R. P. (1982), "Uncertain Imitability: An Analysis of Interfirm Differences in Efficiency under Competition", *Bell Journal of Economics*, Vol.13, No.1, pp.418-453.
- Loomis, Carol J. (1989), "Stars of the Service 500", *Fortune*, June 5th, pp.83-86.
- Lovelock, Christopher H. (1981), "Why Marketing Management Needs to Be Different for Services," in *Marketing of Services*, J. H. Donnelly and E. R. George (eds.), Chicago: American Marketing, pp.5-9.
- Lovelock, Christopher H. (1983), "Classifying Services to Gain Strategic Marketing Insights", *Journal of Marketing*, Vol.47, No.3, pp.9-20.
- Lovelock, Christopher H. (1996), *Services Marketing*, 3rd Ed., London: Prentice-Hall International.
- Lumpkin, G.T. and Dess, Gregory G. (1996), "Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance", *Academy of Management Review*, Vol.21, No.1, pp.135-172.
- Lynch, Richard (2000), *Corporate Strategy*, 2nd Ed. Harlow: Pearson Education
- Ma, Hao (2000), "Competitive Advantage and Firm Performance", *Competitiveness Review*, Vol.10, No.2, pp.15-32.
- Mahoney, J. T. and Pandian, J. R. (1992), "The Resource-Based View within the Conversation of Strategic Management", *Strategic Management Journal*, Vol.13, No.5, pp.363-380.

- Markides, C. C. and Williamson, P. J. (1994), "Related Diversification, Core Competencies and Corporate Performance", *Strategic Management Journal*, Vol.15 (Special Issue), pp.149-166.
- Matsuno, Ken and Mentzer, John T. (2000), "The Effects of Strategy Type on the Market Orientation-Performance Relationship", *Journal of Marketing*, Vol.64, No.4, pp.1-16.
- Maxwell, Joseph A. (1996), *Qualitative Research Design: An Interactive Approach*. London: Sage Publications.
- McEvily, Susan K.; Das, Shobha and McCabe, Kevin (2000), "Avoiding Competence Substitution Through Knowledge Sharing", *Academy of Management Review*, Vol. 25, No.2, pp.294-311.
- McGahan, Anita M. (1999), "Competition, Strategy, and Business Performance", *California Management Review*, Vol.41, No.3, pp.74-101.
- McGahan, Anita M. and Porter, Michael E. (1997), "How Much Does Industry Matter, Really?", *Strategic Management Journal*, Vol.18 (Special Issue), pp.15-30.
- Menon, Anil and Varadarajan, P. Rajan (1992), "A Model of Marketing Knowledge Use within Firms", *Journal of Marketing*, Vol.56, No. 4, pp.53-71.
- Middleton, Victor T.C. (1983), "Product Marketing - Goods and Services Compared", *The Quarterly Review of Marketing*, Vol.8, No 4, pp.1-10.
- Miles, Matthew B. and Huberman, A. Michael (1984), *Qualitative Data Analysis: A Sourcebook of New Methods*. Beverly Hills: CA, Sage.
- Miles, Matthew B. and Huberman, A. Michael (1994), *Qualitative Data Analysis*, London: Sage Publications.
- Miller, Danny and Shamsie, J. (1996), "The Resource-Based View of the Firm in Two Environments: The Hollywood Film Studios From 1936 To 1965", *Academy of Management Review*, Vol.39, No.3, pp.519-543.
- MIP - Management Information Publishing (1999), *Directory of Management Consultants in the UK 1999-2000*, 14th Ed., London, Management Information Publishing.
- Morgan, Robert E.; Katsikeas, Constantine and Appiah-Adu, Kwaku (1998), "Marketing Orientation and Organizational Learning Capabilities", *Journal of Marketing Management*, Vol.14, No.4, pp.353-381.
- Murphy, John A. (2001), *The Lifebelt: The Definitive Guide to Managing Customer Retention*. Chichester: John Wiley & Sons.
- Murray, A. (1988), "A Contingency View of Porter's Generic Strategies", *Academy of Management Review*, Vol. 13 (July), pp.390-401.
- Murthi, B. P. Srinivasan, K. and Kalyanaram, G. (1996), "Controlling for Observed and Unobserved Managerial Skills in Determining First-Mover Market Share Advantage", *Journal of Marketing Research*, Vol.33, No.3, pp.329-336.
- Nagelkerke, N. J. D. (1991), "A Note on a General Definition of the Coefficient of Determination", *Biometrika*, Vol.78, No.3, pp.691-692.

- Nagy, Mark S. (2002), "Using a Single-Item Approach to Measure Facet Job Satisfaction", *Journal Of Occupational and Organizational Psychology*, Vol.75, No.1, pp.77-86.
- Naisbitt, John (1997), *Megatrends Asia*, London: Nicholas Brealey Publishing.
- Narver, John C. and Slater, Stanley F. (1990), "The Effect of Market Orientation on Business Profitability", *Journal of Marketing*, Vol.54, No.4, pp.20-35.
- Nelson, R. and Winter D. (1982), *An Evolutionary Theory of Economic Change*. Cambridge, MA: Harvard University Press.
- Norburn, David; Birley, Sue and Dunn, Mark (1988), "Strategic Marketing Effectiveness and its Relationship to Corporate Culture and Beliefs: A Cross-national Study", *International Studies of Management & Organisation*, Vol.18 No.2, pp.83-100.
- Norburn, David; Birley, Sue; Dunn, Mark and Payne, Adrian (1990), "A Four Nation Study of the Relationship between Marketing Effectiveness, Corporate Culture, Corporate Values, and Market Orientation", *Journal of International Business Studies*, Vol.21, No.3, pp.451-468.
- Norusis, Marija J. (1990), *SPSS Advanced Statistics User's Guide*. Chicago: SPSS Inc.
- Norusis, Marija J. (2000), *SPSS 10.0 Guide to Data Analysis*. Upper Saddle River: NJ, Prentice-Hall.
- Nunnally, Jum C. (1967), *Psychometric Theory*, 1st Ed., New York: NY, McGraw-Hill.
- Nunnally, Jum C. (1978), *Psychometric Theory*, 2nd Ed., New York: NY, McGraw-Hill.
- O'Farrell, P.N. and Hitchens, D.M. (1989), "The Relative Competitiveness of Small Manufacturing Firms in Scotland and the South of England", *Environment and Planning A*, Vol.21, no.9, pp.1241-1263.
- O'Farrell, P.N.; Hitchens, D.M. and Moffat, L.A.R. (1993), "The Competitive Advantage of Business Firms: A Matched Pairs Analysis of the Relationship Between Generic Strategy and Performance", *The Service Industries Journal*, Vol.13, No.1, pp.40-64.
- O'Shaughnessy, John (1995), *Competitive Marketing*, 3rd Ed. London: Routledge.
- Olavarrieta, Sergio and Ellinger, Alexander E. (1997), "Resource-Based Theory and Strategic Logistics Research", *International Journal of Physical Distribution & Logistics Management*, Vol.27, No.9-10, pp.559-587.
- Olivier, Christine (1997), "Sustainable Competitive Advantage: Combining Institutional and Resource-Based Views", *Strategic Management Journal*, Vol.18, No.9, pp.697-713.
- Onkvisit, Sak and Shaw, John J. (1989), "Service Marketing: Image, Branding, and Competition", *Business Horizons*, Vol.32, No.1, pp.13-18.
- Ouchi, William G. (1981), *Theory Z*, Reading: MA, Addison-Wesley.

- Parasuraman, A. (1991), *Marketing Research*, 2nd ed, Reading: MA, Addison-Wesley.
- Parasuraman, A. and Deshpandé, R. (1984), "The Culture Context of Marketing Management", in *AMA Educators Proceedings*, Series 50, Russell W. Belk (eds.), Chicago: IL, American Marketing Association.
- Parasuraman, A.; Zeithaml, Valerie A. and Berry, Leonard L. (1985), "A Conceptual Model of Service Quality and its Implication for Future Research", *Journal of Marketing*, Vol.49, No.4, pp.41-50.
- Park, C. Whan; Jaworski, Bernard J. and MacInnis, Deborah J. (1986), "Strategic Brand Concept-Image Management", *Journal of Marketing*, Vol.50, No.4, pp.135-145.
- Pascale, R.T. and Miller, A. H. (1999), "The Action Lab: Creating a Greenhouse for Organisational Change", *Strategy and Business*, Vol.17, pp. 64-72.
- Pearce, J.; Freeman, E. and Robinson, R. (1987), "The Tenuous Link between Formal Strategic Planning and Financial Performance", *Academy of Management Review*, Vol.13, No.4, pp.658-675.
- Penrose, E. (1959), *The Theory of the Growth of the Firm*, New York: Wiley.
- Perreault, William D. and Leigh, Laurence, E. (1989), "Reliability of Nominal Data Based on Qualitative Judgments", *Journal of Marketing Research*, Vol.26 (May), pp.135-48.
- Peteraf, Margaret A. (1993), "The Cornerstones of Competitive Advantage: A Resource-Based View", *Strategic Management Journal*, Vol.14, No.3, pp.179-191.
- Peters, Thomas J. (1984), "Strategy Follows Structure: Developing Distinctive Skill", *California Management Review*, Vol.26, No.3, pp.111-125.
- Peters, Thomas J. and Waterman, R. H. (1982), *In Search of Excellence: Lessons From America's Best-Run Companies*, New York: NY, Harper and Row.
- Pettigrew, Andrew M. (1979), "On Studying Organizational Cultures", *Administrative Science Quarterly*, Vol.24, No.4, pp.570-581.
- Pfeffer, Jeffrey (1994), "Competitive Advantage through People", *California Management Review*, Vol.36, No.2, pp.9-28.
- Polanyi, M. (1958), *Personal Knowledge*, Chicago: University of Chicago Press.
- Polanyi, M. (1962), *Personal Knowledge: Towards a Post Critical Philosophy*, London: Routledge.
- Porter, Michael E. (1980), *Competitive Strategy: Techniques for Analysing Industries and Competitors*. New York: Free Press.
- Porter, Michael E. (1985), *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Free Press.
- Porter, Michael E. (1996), "What is Strategy?", *Harvard Business Review*, Vol.74, No.6, pp.61-78.

- Porter, Michael E. and Stern, Scott (2001), "Innovation: Location Matters", *Sloan Management Review*, Vol.42, No.4, pp.28-36.
- Powell, Thomas C. (1992), "Organizational Alignment as Competitive Advantage", *Strategic Management Journal*, Vol.13, No.2, pp.119-134.
- Powers, Thomas L. and Hahn, William (2002), "Skill and Resource Based Competitive Methods: Impact on Firm Performance", *Journal of Services Marketing*, Vol.16, No.2, pp.113-124.
- Prahalad, C.K. and Hamel, Gary (1990), "The Core Competence of the Corporation", *Harvard Business Review*, Vol.90, No.3, pp.79-91.
- Priem, Richard L. and Butler, John E. (2001), "Is the Resource-Based "View" a Useful Perspective for Strategic Management Research?", *Academy of Management Review*, Vol.26, No.1, pp.22-40.
- Quinn, J. Brian (1980), *Strategies for Change*, Homewood: IL, Richard D. Irwin.
- Quinn, Robert E. (1988), *Beyond Rational Management*, San Francisco: Jossey-Bass.
- Ragin, C. C. (1987), *The Comparative Method: Moving beyond Qualitative and Quantitative Strategies*, Berkeley: University of California Press.
- Rao, H. (1994), "The Social Construction of Reputation: Certification Contests, Legitimation and the Survival of Organisations in the American Automobile Industry 1895-1912", *Strategic Management Journal*, Vol.15 (Winter), pp.29-44.
- Rathmell, John M. (1974), *Marketing in the Services Sector*, Cambridge: MA: Winthrop.
- Reed, Richard and DeFillippi, Robert J. (1990), "Causal Ambiguity, Barriers to Imitation, and Sustainable Competitive Advantage", *Academy of Management Review*, Vol.15, No.1, pp.88-102.
- Regan, William J. (1963), "The Service Revolution", *Journal of Marketing*, Vol.27, No.2, pp.57-62.
- Reichardt, C. S. and Rallis, S. F. (1994), "Qualitative and Quantitative Inquiries Are Not Incompatible: A Call for a New Paradigm", In *The Qualitative-Quantitative Debate: New Perspectives*, C. S. Reichardt and S. F. Rallis (eds.), San Francisco: Jossey-Bass, pp. 85-92.
- Reichheld, Frederick F. (1993), "Loyalty-Based Management", *Harvard Business Review*, Vol.71, No.2, pp.64-73.
- Reichheld, Frederick F. (1996), "Learning from Customer Defections", *Harvard Business Review*, Vol.74, No.2, pp.56-69.
- Reichheld, Frederick F. and Sasser, W. Earl (1990), "Zero Defections: Quality Comes to Services", *Harvard Business Review*, Vol.68, No.5, pp. 105-111.
- Reynolds, Thomas J. and Gutman, Jonathan (1984), "Advertising as Image Management", *Journal of Advertising Research*, Vol.24 (February-March), pp.27-38.
- Ricardo, D. (1966), *Economic Essays*, New York: NY, A. M. Kelly.

- Robins, J. and Wiersema, M. F. (1995), "A Resource-Based Approach to the Multibusiness Firm: Empirical Analysis of Portfolio Interrelationship and Corporate Financial Performance", *Strategic Management Journal*, Vol.16, No.4, pp.277-299.
- Roscitt, R. (1990), "Strategic Service Management", *Journal of Business and Industrial Marketing*, Vol.5, No.1, pp.27-40.
- Rouse, Michael J. and Daellenbach, Urs S. (1999), "Rethinking Research Methods for the Resource-Based Perspective: Isolating Sources of Competitive Advantage", *Strategic Management Journal*, Vol.20, No.5, pp.487-494.
- Rumelt, R. P. (1984), "Towards a Strategic Theory of the Firm", in *Competitive Strategic Management*, R. B. Lamb (ed), Englewood Cliffs, NJ: Prentice-Hall, pp.566-570.
- Rumelt, R. P. (1987) "Theory, strategy and entrepreneurship", in *The Competitive Challenge*, D. J. Teece (ed), New York, NY: Harper and Row, pp.137-158.
- Rumelt, R. P. (1991), "How Much Does Industry Matter", *Strategic Management Journal*, Vol.12, No.3, pp.167-185.
- Rumelt, R. P.; Schendel, Dan and Teece, David (1991), "Strategic Management and Economics", *Strategic Management Journal*, Vol.12 (Winter), pp.5-30.
- Rust, Roland T. and Coil, Bruce (1994), "Reliability Measures for Qualitative Data: Theory and Implications", *Journal of Marketing Research*, Vol.31 (February), pp.1-14.
- Sadri, Golnaz and Lees, Brian (2001), "Developing Corporate Culture As a Competitive Advantage," *Journal of Management Development*, Vol.20, No.10, pp.853-859.
- Sasser, R.; Olsen, Paul and Wyckoff, D. Daryl (1978), "Understanding Service Operations", in *Management of Service Operations*, Boston: Allyn and Bacon.
- Sasser, W. Earl, Jr. (1976), "Match Supply and Demand in Service Industries," *Harvard Business Review*, Vol.54, No.6, pp.133-140.
- Sasser, W. Earl, Jr. and Arbeit, Stephen (1978), "Selling Jobs in the Service Sector", *Business Horizons*, Vol.19, No.3, pp.61-65.
- Sayer, Andrew (1992), *Method in Social Science*, 2nd Ed. London: Routledge.
- Schein, E. H. (1983), "The Role of the Founder in Creating Organisational Culture", *Organizational Dynamics*, Vol.12, No.1, pp.13-28.
- Schindehutte, Minet and Morris, Michael H. (2001), "Pricing as Entrepreneurial Behaviour", *Business Horizons*, Vol.44, No.4, pp.41-48.
- Schlissel, Martin R. (1977), "Pricing in a Service Industry", *MSU Business Topics*, Vol.25 (Spring), pp.37-48.
- Schmalensee, R. (1985), "Do Markets Differ Much?", *American Economic Review*, Vol.75, pp.341-351.
- Schwartz, Howard and Davis, Stanley (1981), "Matching Corporate Culture and Business Strategy", *Organizational Dynamics*, Vol.10 (Summer), pp.30-48.

- Scriven, M. (1974), "Maximizing the Power of Causal Investigations: The Modus Operandi Method", in *Evaluation in Education – Current Applications*, W. J. Popham (ed.), Berkeley: CA, McCutchan, pp. 68-84.
- Selltiz, C.; Jahoda, M.; Deutsch, M. and Cook, S. (1964), *Research Methods in Social Science*, New York: NY, Holt, Rinehart and Winston.
- Selznick, P. (1957), *Leadership in Administration: A Social Interpretation*, New York: Macmillan.
- Senge, P. (1990), "The Leader's New Work: Building Learning Organisations", *Sloan Management Review*, Vol.32, No.1, pp.7-23.
- Shostack, G. Lynn (1977), "Breaking Free from Product Marketing", *Journal of Marketing*, Vol.41, No.2, pp.73-80.
- Siegel, Sidney and Catellan, N. John (1988), *Nonparametric Statistics*, 2nd Ed., New York: McGraw-Hill.
- Silverman, David (2000), *Doing Qualitative Research*, London: UK, Sage.
- Silvestro, R.; Fitzgerald, L. Johnston, R. and Voss, C. (1992), "Towards a Classification of Service Processes", *International Journal of Service Industry Management*, Vol.3, No.3, pp.62-75.
- Sin, Leo Y. M. and Tse, Alan C. B. (2000), "How Does Marketing Effectiveness Mediate the Effect of Organizational Culture on Business Performance? The Case of Service Firms", *The Journal of Services Marketing*, Vol.14, No.4, pp.295-309.
- Sinkula, James M. (1994), "Market Information Processing and Organizational Learning", *Journal of Marketing*, Vol.58, No.1, pp.35-45.
- Slater, Stanley F. (1997), "Developing a Customer Value-Based Theory of the Firm", *Journal of the Academy of Marketing Science*, Vol.25 (Spring), pp.162-167.
- Slater, Stanley F. and Narver, John C. (1995), "Market Orientation and the Learning Organization", *Journal of Marketing*, Vol.59, No.3, pp.63-74.
- Smircich, Linda (1983), "Concepts of Culture and Organizational Analysis", *Administrative Science Quarterly*, Vol.28, No.3, pp.339-359.
- Snow, Charles C. and Hrebiniak, Lawrence (1980), "Strategy, Distinctive Competence, and Organizational Performance", *Administrative Science Quarterly*, Vol.25, No.2, pp.317-336.
- Spector, P. E. (1992), *Summated Rating Scale Construction: An Introduction*, Newbury Park: Sage.
- Spender, J. C. (1983), "The Business Policy Problem and Industry Recipes", in *Advances in Strategic Management*, Vol. 2, R. Lamb (ed.), Greenwich: CT, JAI Press.
- Srivastava, R. Shervani, T. and Fahey, L. (1998), "Market-based Assets and Shareholder Value: A Framework for Analysis", *Journal of Marketing*, Vol.62, No.1, pp.2-18.
- Stalk, George; Evans, Philip and Schulman, Lawrence E. (1992), "Competing on

Capabilities: The New Rules of Corporate Strategy", *Harvard Business Review*, Vol.70, No.2, pp.57-69.

Storey, Chris D. and Easingwood, Christopher J. (1998), "The Augmented Service Offering: A Conceptualization and Study of Its Impact on New Service Success", *Journal of Product and Innovation Management*, Vol.15, No.4, pp.335-351.

Strauss, A. and Corbin, J. (1990), *Basics of Qualitative Research: Grounded Theory Procedures and Techniques*, Newbury Park: CA, Sage.

Stuart, T. E. and Podolny, J. M. (1996), "Local Search and the Evolution of Technological Capabilities", *Strategic Management Journal*, Vol.17 (Special Issue), pp.21-38.

Swartz, Teresa A.; Bowen, David E. and Brown, Stephen W. (1992), "Fifteen Years after Breaking Free: Services Then, Now and Beyond", in *Advances in Services Marketing and Management: Research and Practice*, Teresa A. Swartz, David E. Bowen and Stephen W. Brown (eds.), Volume 1, Greenwich, CT: JAI Press.

Szymanski, David M.; Troy, Lisa C. and Bharadwaj, Sundar G. (1995), "Order of Entry and Business Performance: An Empirical Synthesis and Re-examination", *Journal of Marketing*, Vol.59, No.4, pp.17-33.

Tabachnick, Barbara G. and Fidell, Linda S. (1996), *Using Multivariate Statistics*, 3rd Ed. New York: HarperCollins College Publishers.

Tashakkori, Abbas and Teddlie, Charles (1998), *Mixed Methodology*. New York: Sage Publications.

Teece, D. J. (1986), "Firm Boundaries, Technological Innovation and Strategic Management", in *The Economics of Strategic Marketing Planning*, L. G. Thomas, III (ed.), Lexington, MA: Lexington Books, pp.187-199.

Teece, D. J. and Pisano, G. (1994), "The Dynamic Capabilities of Firms: An Introduction", *Industrial And Corporate Change*, Vol.3 (E), pp.537-556.

Thomas, Dan R. E. (1978), "Strategy is Different In Service Businesses", *Harvard Business Review*, Vol.56, July-August, pp.158-165.

Thompson, Victor A. (1965), "Bureaucracy and Innovation", *Administrative Science Quarterly*, Vol.5 (June), pp.1-20.

Tichy, N. (1983), *Managing Strategic Change: Technical, Political, and Cultural Dynamics*, New York: NY, Wiley.

Treacy, Michael and Wiersema, Fred (1993), "Customer Intimacy and Other Value Disciplines", *Harvard Business Review*, Vol.71, No.1, pp.84-93.

Turner, Paul (1991), "Using Information to Enhance Competitive Advantage - The Marketing Option", *European Journal of Marketing*, Vol.25, No.6, pp.55-64.

Upah, Gregory D. (1980), "Mass Marketing in Service Retailing: A Review and Synthesis of Major Methods", *Journal of Retailing*, Vol.56, No.3, pp.59-76.

- Varadarajan, P. R. and Jayachandran, D. (1999), "Marketing Strategy: An Assessment of the State of the Field and Outlook", *Journal of the Academy of Marketing Science*, Vol.27, No.2, pp.120-143.
- Venkatraman, N. and Grant, John H. (1986), "Construct Measurement in Organizational Strategy Research: A Critique and Proposal", *Academy of Management Review*, Vol.11, No.1, pp.71-87.
- Venkatraman, N. and Ramanujam, V. (1987), "Measurement of Business Economic Performance: An Examination of Method Convergence", *Journal of Management*, Vol.13, No.1, pp.109-122.
- Volberda, H. (1997), "Building Flexible Organisations for Fast-Moving Markets", *Long Range Planning*, Vol.30, No.2, pp.169-183.
- Von Krogh, Georg and Roos, Johan (1995), "A Perspective on Knowledge, Competence and Strategy", *Personnel Review*, Vol.24, No.3, pp.56-76.
- Walker, O. and Ruekert, R. (1987), "Marketing's Role in the Implementation of Business Strategies: A Critical Review and Conceptual Framework", *Journal of Marketing*, Vol.51, No.3, pp.15-33.
- Wanous, J. P.; Reichers, A. E. and Hudy, M. J. (1997), "Overall Job Satisfaction: How Good Are Single-Item Measures?", *Journal of Applied Psychology*, Vol.82, No.2, pp.247-252.
- Webster, Cynthia (1993), "Refinement of the Marketing Culture Scale and the Relationship Between Marketing Culture and Profitability of a Service Firm", *Journal of Business Research*, Vol.26, pp.111-131.
- Webster, Frederick E. (1988), "The Rediscovery of the Marketing Concept", *Business Horizons*, Vol.31, No.3, pp.29-39.
- Weight, K. and Camerer, C. (1988), "Reputation and Corporate Strategy: A Review of Recent Theory and Applications", *Strategic Management Journal*, Vol.9, No.5, pp.443-454.
- Wehrich, H. and Koontz, H. (1993), *Management: Global Perspective*, 10th Ed., New York: NY: McGraw-Hill.
- Wernerfelt, B. (1984), "A Resource-based View of the Firm", *Strategic Management Journal*, Vol.5, No.2, pp.171-180.
- Wernerfelt, B. (1989), "From Critical Resources to Corporate Strategy", *Journal of General Management*, Vol.14, No.3, pp.4-12.
- Wernerfelt, B. and Montgomery, C. A. (1988), "Tobin's q and the Importance of Focus in Firm Performance", *American Economic Review*, Vol.78, No.4, pp.246-250.
- Wilkins, A. L. and Ouchi, W. G. (1983), "Efficient Cultures: Exploring the Relationship between Culture and Organizational Performance", *Administrative Science Quarterly*, Vol.28 (September), pp.468-481.
- Williams, Jeffrey R. (1992), "How Sustainable is Your Competitive Advantage", *California Management Review*, Vol.34, No.3, pp.29-51.

- Williamson, Oliver E. (1979), "Transaction-Cost Economics: The Governance of Contractual Relations", *Journal of Law and Economics*, Vol.22, No.2, pp.233-261.
- Williamson, Oliver E. (1985), *The Economic Institutions of Capitalism*, New York: The Free Press.
- Wright, P. (1986), "The Strategic Options of Least-Cost, Differentiation, and Niche", *Business Horizons*, Vol.29, No.2, pp.21-26.
- Wright, P. (1987), "A Refinement of Porter's Strategies", *Strategic Management Journal*, Vol.8, No.1, pp.93-107.
- Yin, R. K. (1994), *Case Study Research: Design and Methods*, 2nd Ed., Thousand Oaks: CA, Sage.
- Yoon, E.; Guffey, H. J. and Kijewski, V. (1993), "The Effects of Information and Company Reputation on Intentions to Buy a Business Service", *Journal of Business Research*, Vol.27, pp.215-228.
- Zack, Michael H. (1999), "Developing a Knowledge Strategy", *California Management Review*, Vol.41, No.3, pp.125-145.
- Zaltman, Gerald; Duncan, Robert and Holbek, Jonny (1973), *Innovation and Organizations*, New York: John Wiley & Sons.
- Zeithaml, Valarie A. (1981), "How Consumer Evaluation Process Differs between Goods and Services", in *Marketing of Services*, J. H. Donnelly and W. R. George (eds.), Chicago: American Marketing, pp. 186-190.
- Zeithaml, Valarie A.; Berry, Leonard L and Parasuraman, A. (1988), "Communication and Control Processes in the Delivery of Service Quality", *Journal of Marketing*, Vol.52, No.2, pp.35-48.
- Zeithaml, Valarie A.; Parasuraman, A. and Berry, Leonard L (1985), "Problems and Strategies in Services Marketing", *Journal of Marketing*, Vol.49, No.2, pp.33-46.
- Zucker, L. (1977), "The Role of Institutionalisation in Cultural Persistence", *American Sociological Review*, Vol.42, pp.726-743.

APPENDICES

APPENDIX 1: LETTER OF INVITATION TO FOCUS GROUPS

Dear:

Invitation for a Brainstorming Session into Hard-to-Copy Services

This is an invitation for you to join us on an exciting new project started at MBS. We aim to find out, if any, hard-to-copy services on major service sectors such as business services, financial services, travel & transportation, accommodation & eating out, leisure & entertainment, and retail.

We are setting up six panels of 5 to 6 experts from major consulting firms to spend a couple of hours together after work, discussing their sector. This will be an excellent opportunity to exchange ideas and evaluate the state of the art of branding in the service sector, so feel free to bring another colleague or two.

The sessions will take place in a Hotel in London during the first two weeks of December. Food and beverages will be provided, obviously.

One of us will shortly be in touch with you, hoping to count you in for this exciting research.

Sincerely,

Professor Chris Easingwood
Head of Marketing and Strategy
Director, Centre for Services Marketing

José Veríssimo
PhD Student
Researcher

APPENDIX 2: TOPIC GUIDE USED IN GROUP DISCUSSIONS

Background:

It is almost certainly to say that most innovations in the service sectors are quickly copied. Now, whilst true most of the time, this assertion may not be true all of the time. We believe that there are some exceptions, namely successful products in the service sector which have not been effectively copied. We intend to identify the reasons for this.

Purpose:

1. See if this idea is true
2. Identify some hard-to-copy examples
3. Carrying out research into these hard-to-copy examples
4. Look for general lessons and conclusions

Sectors to be researched:

- Business services
- Financial services
- Travel and transportation
- Accommodation and eating out
- Leisure and entertainment
- Retail

Purpose of today's meeting:

Identify some hard-to-copy examples in the service sector

Definition:

A hard-to-copy product is one which is successful in terms of generating more sales and/or profits in its target sector, perhaps several times more, than its nearest competitor in that same sector. In other words, although apparently successful, it has not been effectively copied. Sometimes there may not be a competitor product. This is a rather general definition, but deliberately so.

There is one proviso:

This success should have been demonstrated over a reasonable length of time, perhaps 12-18 months, although this constraint would have to be relaxed in the case of Internet products.

Point worth emphasising:

We are looking for products, although sometimes the product is the company, and vice-versa.

APPENDIX 3: LETTER INVITING COMPANIES TO PARTICIPATE IN THE RESEARCH

Dear:

Research on Hard-to-Copy Services

Manchester Business School is undertaking a major study of 'hard-to-copy' products from companies in the services sector. Panels of experts from organisations such as AD Little, Booz Allen & Hamilton, Brand Futures, Ernst & Young, Fitch, Interbrand, Logica, P Four Consultancy, Price Waterhouse Coopers and others have held discussions on the following service sectors:

- . Business services
- . Financial services
- . Travel & Transport
- . Accommodation & Eating Out
- . Retail
- . Leisure & Entertainment

As a result of these discussions over seventy hard-to-copy products from service companies have been identified one of which is «product selected».

The research has entered the second stage, that of gathering information, and we are now seeking to arrange meetings with representatives from each of the seventy examples.

We would like to visit your organisation, spending some time, say an hour to an hour and a half, with one or preferably two managers, including one in a senior marketing position. A short agenda would be provided.

The purpose of the work is to identify those factors that seem to have made it difficult for competitors to copy your product, or, if it has been copied, identify those

factors that seem to have made it difficult for the competition to do this in an effective manner.

We can reassure you that no confidential information will be placed in any public domain by us. No information would be used without your specific approval.

In return for your participation, we will provide you with a summary report, describing the factors that we find in our on-going research to be key for competitive success in your sector.

I do hope you are able to participate and we look forward to hearing from you if that is the case. If the work is to be representative it is important that all seventy examples be included.

Yours sincerely

Professor Chris Easingwood
Head of Marketing and Strategy
Director, Centre for Services Marketing

José Veríssimo
PhD Student
Researcher

APPENDIX 4: TOPIC GUIDE USED IN THE INTERVIEWING PROCESS

Thank you for agreeing to this meeting. The following are the topics I have in mind.

1. GENERAL BACKGROUND

- Product description
- Product strategy
- Sector targeted
- Product success achieved (market share, return on investment, profitability..)

2. FACTORS THAT MAY CONTRIBUTE TO THE 'HARD-TO-COPY' POSITION

The following is a list of factors some of which may contribute to your hard-to-copy position. Please comment on their importance in your case:

- Being first to market with an innovative product
- Process expertise, for instance in IT or in software
- Size of initial investment/size of ongoing investment/scale effects
- On-going innovation (i.e. product modification since launch)
- Branding
- Advantages derived from the parent organisation such as its resources/expertise or its traditions/reputation
- Distribution channel advantages
- Communication advantages
- Understanding and responding to customer needs
- Customer relationship management
- Learning curve: more effective mode of operations/administration
- Company culture
- Advantages of a chain/network
- Advantages of being part of a product line
- Pricing strategy
- Formation of alliances/relationships

So, what in summary are the most important barriers to entry?

3. RESPONSE BY COMPETITION. IS THE PRODUCT'S ADVANTAGE SUSTAINABLE?

APPENDIX 5 : P RE-NOTIFICATION LETTER BEFORE THE MAILOUT

Dear:

Subject: Survey of Hard-to-Copy Products in the Service Sector

Here at Manchester Business School we have been carrying out a major piece of research into something we call 'hard-to-copy' services. The purpose of the research is to try to identify the factors that make it difficult for competition to copy a successful service product.

An extensive qualitative investigation has been completed and the research is now about to enter its final stage, a survey. This is where we would very much welcome your participation. In a few days' time we will be sending you a reasonably short questionnaire which we hope you will complete and return to us. We will be asking you to identify one of your own products and fill out the questionnaire for that product.

We will explain in more detail when we send you the questionnaire. In return for this, we will at a later date provide you with a summary report

Many thanks.

Sincerely

Professor Chris Easingwood
Head of Marketing and Strategy
Director, Centre for Services Marketing

José Veríssimo
PhD Student
Researcher

APPENDIX 6: COVER LETTER ACCOMPANYING THE FIRST MAILOUT

Dear:

Subject: Survey of Hard-to-Copy Products in the Service Sector

You were recently contacted regarding the research we are conducting at Manchester Business School into the factors that make it difficult for competitors to copy a successful service product.

We would now like you to choose a product that you have some responsibility for that you would rate as one of the most successful in your company in terms of value to the company (profits/ share of sector/ sales). We would then like you to complete the enclosed questionnaire for that service product. The questionnaire is not long and hopefully you will find its completion stimulating.

The information you provide is completely confidential and will be released only in summary form so that no individual company can be identified. On return of your completed questionnaire, your company name will be deleted from the mailing list and will never be connected to your response in any way. We are aiming for a sample in excess of 200.

In return for your participation, we will provide you with a summary report, describing the key factors that prevent competitors from copying service products effectively.

If you have any questions or comments about this research, we would be very happy to talk with you on 0161 275 6482, or you can write to us at the address below.

Thank you very much for your help with this exciting study.

Many thanks and best regards.

Professor Chris Easingwood
Head of Marketing and Strategy
Director, Centre for Services Marketing

José Veríssimo
PhD Student
Researcher

APPENDIX 7: COVER LETTER ACCOMPANYING THE SECOND MAILOUT

Dear:

Survey of Products in the Service Sector

You recently received a questionnaire on the topic of competitive advantages of products in the service sector. To the best of our knowledge, it has not yet been returned.

We are contacting you again to ask you if you would kindly make the time to complete the questionnaire. This does take time we realise, but a high percentage return is critical if we are to generate reliable results. By the way, your reply is just as valuable to us whether your product is or is not hard-to-copy. We do need the full spectrum.

As before, in return for your participation, we will provide you with a summary report, describing the key factors that prevent competitors from copying service products effectively.

We can also guarantee that the information you provide is completely confidential. Each questionnaire has an identification number on its front cover so that we can delete your company from the mailing list when the questionnaire is returned. The list of names is then destroyed making it impossible to connect individual companies to the results in any way. Protecting the confidentiality of company information is very important to us, as well as to the University.

We hope you will fill out and return the questionnaire, but if for any reason you prefer not to, please let us know by returning a note or blank questionnaire in the enclosed stamped envelope.

Yours faithfully

Professor Chris Easingwood
Head of Marketing and Strategy
Director, Centre for Services Marketing

José Veríssimo
PhD Student
Researcher

APPENDIX 8: SELF-COMPLETION QUESTIONNAIRE

Hard-to-Copy Services

Survey

The following questions address perceptions about what it is that makes it difficult for competition to copy a product or service effectively.

Your answers are completely confidential and will be released only as summaries in which no individual answers can be identified. When you return your completed questionnaire, your company name will be deleted from the mailing list and never connected to your answers in any way. If for some reason you prefer not to respond, please let us know by returning the blank questionnaire in the enclosed envelope.

Questionnaire # 1001

HARD TO COPY PRODUCT IN THE SERVICES SECTOR

1.1 Product/Brand name: _____ (optional)

1.2 When was the product launched? 19 _____

A hard to copy product is one which competitors have found difficulty copying effectively. This does not mean that competitors have not copied it. They may well have attempted to do so, but have not been nearly so successful in terms of impact and in terms of revenues and profits generated.

	Definitely Not				Definitely Yes		
	1	2	3	4	5	6	7
1.3 Using this definition, has your product proven "hard-to-copy"?							

	Entirely business to business				Entirely business to consumer		
	1	2	3	4	5	6	7
1.4 What type of market does the product serve?							

Please rank your product's Return On Investment (operating income to assets) for the two periods below. Circle only one option in each period:

	Bottom 20% businesses	Middle 20% businesses	Top 20% businesses
2.1 Average 1995-1997	1	2	3
2.2 Average 1998-2000	1	2	3

FACTORS THAT MAY MAKE IT DIFFICULT TO COPY YOUR PRODUCT

To what extent have the following factors helped prevent competition from copying your product effectively?

	Not at all						Very much so
	1	2	3	4	5	6	7
3.1 Being first, or early, to market.							
3.2 Superior innovation, initial and on-going.							
3.3 Superior customer benefits provided.							
3.4 The ability to learn and to adapt to change.							

3.5	The quality of customer service provided by staff.	1	2	3	4	5	6	7
3.6	Economies of scale (e.g. advertising) achieved.	1	2	3	4	5	6	7
3.7	Alliances and partnerships formed.	1	2	3	4	5	6	7
3.8	The reputation of the brand.	1	2	3	4	5	6	7
3.9	Network of outlets.	1	2	3	4	5	6	7
3.10	The financial strength of the organisation.	1	2	3	4	5	6	7
3.11	The special culture of the organisation.	1	2	3	4	5	6	7
3.12	Superior understanding of customers.	1	2	3	4	5	6	7
3.13	Low costs achieved.	1	2	3	4	5	6	7
3.14	High level of marketing research related skills.	1	2	3	4	5	6	7
3.15	Low prices charged.	1	2	3	4	5	6	7
3.16	Support from a parent organisation.	1	2	3	4	5	6	7
3.17	Leadership provided by top management.	1	2	3	4	5	6	7
3.18	Strength of the customer retention programme.	1	2	3	4	5	6	7
3.19	Other: Please specify. _____	1	2	3	4	5	6	7

BRANDING

Please indicate the extent to which you agree with the following statements.

		Strongly Disagree				Strongly Agree			
		1	2	3	4	5	6	7	
4.1	The brand's position has changed over time.								
4.2	The brand has been supported by effective company communication (i.e. PR, mass media, sponsorship).								
4.3	The use of mass media has been an important part of the communication mix.								
4.4	Word-of-mouth is the most important component of overall communication effectiveness.								

4.5	The brand benefits from having a precisely defined position and would suffer if this were not the case.	1	2	3	4	5	6	7
4.6	The essence of the brand can be captured in just a few words.	1	2	3	4	5	6	7
4.7	Competition would find it difficult to try to move into the position occupied by the brand.	1	2	3	4	5	6	7
4.8	There exists an 'emotional' tie between the customer and the brand.	1	2	3	4	5	6	7
4.9	The brand is differentiated from its competitors.	1	2	3	4	5	6	7

		Very				Very		
		Weak				Strong		
4.10	Overall, the strength of our brand is	1	2	3	4	5	6	7

CULTURE

The following questions refer to that part of the company that is organised around the product. Please distribute 100 points among the four descriptions for each question depending on how *similar* the description is to your company. None of the descriptions is any better than any other; they are just different. *For each question, please use all 100 points.* You may divide the points in any way you wish.

5.1 Which mix of the following company cultures best describes your company?

- _____ (A) My company is a very **personal** place. It is informal, friendly, open, like an extended family. People seem to share a lot of themselves.
- _____ (B) My company is a very **dynamic and entrepreneurial** place. People are willing to stick their necks out and take risks.
- _____ (C) My company is a very **formalized and structured** place. Established procedures generally govern what people do.
- _____ (D) My company is very **production oriented**. A major concern is with getting the job done, without much personal involvement.

Total = 100 Points

5.2 Which mix of the following leadership styles best describes your leader?

- _____ (A) The head of my organisation is generally considered to be a **mentor, sage, or a father or mother figure.**
- _____ (B) The head of my organisation is generally considered to be an **entrepreneur, an innovator or a risk taker.**
- _____ (C) The head of my organisation is generally considered to be a **coordinator, an organizer, or an administrator.**
- _____ (D) The head of my organisation is generally considered to be a **producer, a technician, or a hard-driver.**

Total = 100 Points

5.3 In your opinion, what holds the organisation together?

- _____ (A) The glue that holds my organisation together is **employee loyalty and tradition**. Commitment to this firms runs high.
- _____ (B) The glue that holds my organisation together is **commitment to innovation and development**. There is an emphasis on being first.
- _____ (C) The glue that holds my organisation together is **formal rules and policies**. Maintaining a smooth-running institution is important here.
- _____ (D) The glue that holds my organisation together is the **emphasis on tasks and goal accomplishment**. A production orientation is commonly shared.

Total = 100 Points

5.4 How would you describe the culture of your company?

Very Weak	Very Strong

1 2 3 4 5 6 7

Not
at all

Perfectly

5.5 How well does this company culture fit the requirements of the brand?

1 2 3 4 5 6 7

NEW CONCEPTS

We are interested in the product *when it was introduced and in its early stages*. To what extent do you agree with each of the following statements?

		Strongly Disagree					Strongly Agree	
		1	2	3	4	5	6	7
6.1	The product appealed to a new segment.	1	2	3	4	5	6	7
6.2	The product included benefits previously available only in a substitute sector.	1	2	3	4	5	6	7
6.3	The product provided more of a "total solution" for the customer by including extra services that the customer previously had to arrange him/herself.	1	2	3	4	5	6	7
6.4	The product included significant new benefits wanted by customers but not previously offered.	1	2	3	4	5	6	7
6.5	The product served new segments that were previously not served or significantly under-served.	1	2	3	4	5	6	7
6.6	In your product sector there was likely to be a prevailing mix of <i>function</i> (price, functional performance) and <i>emotion</i> (feelings, glamour, human relationships). To what extent did your product break free from this prevailing mix by:							
	6.6a) offering more <i>function</i> than the competition.	1	2	3	4	5	6	7
	6.7b) offering more <i>emotion</i> than the competition.	1	2	3	4	5	6	7

BENEFITS OFFERED

This section looks at the benefits offered by your product. To what extent does the product provide more of the following benefits than competition?

		Not at All					Very Much So	
		1	2	3	4	5	6	7
7.1	Improves customer productivity.	1	2	3	4	5	6	7
7.2	Simplifies something that was previously more complex.	1	2	3	4	5	6	7
7.3	Offers extra convenience and reduces hassle.	1	2	3	4	5	6	7
7.4	Reduces risk of underperformance.	1	2	3	4	5	6	7
7.5	Provides "extra fun."	1	2	3	4	5	6	7
7.6	Offers a superior "image."	1	2	3	4	5	6	7

7.7 Helps the environment.

1 2 3 4 5 6 7

There may be other benefits not captured above. If so, please list any other benefits that are provided better than competition.

7.8

1 2 3 4 5 6 7

SEGMENTATION

This section looks at your segmentation philosophy.

8.1 What size segments do you serve, compared to that which is typical in your market?

More narrowly defined segments	About the same					More broadly defined segments
1	2	3	4	5	6	7

8.2 What is closest to your segmentation philosophy?

Appeal to 1 or small number of narrowly defined segments	About the same					Appeal simultaneously to several broadly defined segments
1	2	3	4	5	6	7

COMPETITIVE STRATEGY

It is sometimes argued that competitive advantage is gained by lowest cost or differentiation, or a combination.

9.1 Which combination best describes your strategy vs. other companies? Please tick *only one* cell.

Cost Position (vs. other companies)

Lower About the same Higher

Differentiation
(vs. other companies)

More
About the same
Less

Thank you for taking your time to complete this questionnaire. Your assistance in providing this information is very much appreciated. If there is anything else you would like to tell us about this survey, please do so in the space provided below.

PLEASE CHECK THAT YOU HAVE ANSWERED EVERY QUESTION

Please return the questionnaire to us in the envelope provided. We will give you feedback on the survey's results as soon as possible.

THANK YOU

PERFORMANCE

Relative to your product's main competitor, how do you compare on:

		Much less		About the same		Much more	
10.1	Profitability	1	2	3	4	5	
10.2	Return on Investment (ROI)	1	2	3	4	5	
		Much smaller		About the same		Much larger	
10.3	Size (Sales)	1	2	3	4	5	
10.4	Market Share	1	2	3	4	5	
10.5	Customer Retention	1	2	3	4	5	
		Much slower		About the same		Much faster	
10.6	Sales Growth	1	2	3	4	5	

OTHER INFORMATION

11.1 Please circle the option that corresponds best to your job position.

- (1) Marketing Director / Manager
- (2) Sales Director / Manager
- (3) Commercial Director / Manager
- (4) Brand Director / Manager
- (5) Managing Director / Chief Executive
- (6) Other: _____

11.2 Please circle the option that corresponds best to your company size, by number of employees.

- (1) Less than 200 employees
- (2) 201 - 500 employees
- (3) 501 - 1,000 employees
- (4) 1,001 - 2,000 employees
- (5) 2,001 - 5,000 employees
- (6) over 5,000 employees