

Historical Research in Marketing Strategy: Method, Myths, and Promise

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Introduction

Research on marketing strategy is in a period of methodological flux. Many scholars have voiced concerns about the limitations of the field's dominant empirical methods. Some have noted that commonly used methods of strategy research are so sterile and narrow that they risk missing key elements of the phenomena they are meant to study (e.g., Day and Montgomery 1999; Lehmann 2003). Empirical descriptions often lack rich details. Promises of confidentiality prevent the revelation of the context of strategic actions. Causal inferences are suspect, especially when data come from one-shot surveys. In addition, researchers of marketing strategy must traverse a thicket of potential biases, often emerging bloodied and bruised from the experience. These biases include potential reverse causality, caused by the concurrent measurement of the dependent and independent variables; memory bias, caused by a reliance on retrospective accounts; and self-report bias, caused by a reliance on respondents who respond in a socially desirable manner (Golder and Tellis 1993; Golder 2000; Chandy 2003; Sorescu, Chandy, and Prabhu 2003).

For all these reasons, the recent literature in marketing has seen multiple calls for greater diversity in the use of empirical methods (e.g., Tellis, Chandy, and

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After selecting a topic, researchers should prepare questions of interest or a set of rival hypotheses, rather than one-sided hypotheses from a single theory (Goodman and Kruger 1988). A commitment to a single theory or one-sided hypotheses may foreclose the search for all evidence and lead to biased interpretations and conclusions. The general principle is that the evidence must guide interpretations and conclusions. The questions or rival hypotheses define the domain of the study and focus the search for evidence.

Stage 2: Collect Evidence

The next step is to search for data relating to the questions or hypotheses. In many ways, this search resembles an archeological hunt or a detective's investigation. One looks for leads everywhere one can while striving to piece together the events as they occurred. Long dry spells may be followed by discovery of a rich vein of valuable information and insights. Sometimes a researcher may even set aside a problem while waiting for a breakthrough or for a difficult source to open up.

In nearly all cases, research will begin in the library, where books and periodicals cover nearly every topic. Researchers learning the historical method should start by familiarizing themselves with their local university and city libraries. Researchers should not hesitate to search libraries in distant cities and states with which their home library has exchange privileges, and they should be willing to travel to distant libraries that contain the sources they want, if those libraries will not lend those sources to other libraries. Nowadays, however, quick e-mails can accomplish what used to take weeks of work (and travel) to accomplish. One of the authors of this chapter was able to access Nazi-era German business data within days by simply sending an e-mail to the German Census Bureau.

For more recent topics, electronic databases (for example, Dow Jones-Reuters Factiva, ABI/INFORM, LexisNexis) can be very useful. Older articles can be found using the *Business Periodicals Index* and *Readers' Guide to Periodical Literature*. Researchers should also be sure to identify the trade journals that cover the industries of interest, as sometimes those journals are not covered in these indexes. Single-publication references like the *New York Times Index* and the *Wall Street Journal Index* are often quite useful, too.

In addition, some larger libraries, such as the Library of Congress, will have publications from trade associations (the Electronic Industries Association, for example) that contain much useful information. The University of Minnesota's Charles Babbage Institute has a particularly rich library on the history of information technology. Also, many market research firms (for example, IMS Health in the pharmaceutical industry, and Thomson Financial in the financial industry)

specialize in collecting historical information at the firm level, and over time. These research firms often provide their data to academics at substantially lower rates than they charge their corporate clients, and may even do so for free.

Finally, some topics will already have one or many books about them. These books provide a good starting point for identifying data sources as well as a broader set of leads for further research. When using books, it is important to remember that a single book, however comprehensive, is merely one source within the whole set of potential sources used in the historical method. As we elaborate below, critical analysis of all data sources and corroboration from independent sources are essential elements of the historical method. Data are any pieces of factual information that can be used to address the research questions.

Once some useful data sources have been identified, researchers can deepen their investigation by using the genealogical approach—that is, they can access new sources, which were cited in the bibliographies of articles or books they found useful. Going backwards, they can then mine the bibliographies of the new sources. They can continue in this fashion as long as the approach yields useful information.

After collecting data from published materials, researchers would most likely try to obtain data from company archives, personal interviews, government libraries, courthouses, houses of worship, private papers, and possibly even cultural artifacts (advertisements, billboards, structures, and so on). With such an abundance of data, a common mistake is to collect unnecessary data. Researchers must be vigilant in focusing their efforts. The questions of interest and rival hypotheses should help focus data collection. Researchers should constantly ask themselves whether the data being collected relate directly to the research questions.

Complete records of all data are better than notes. For published records, photocopies are best. Researchers can then highlight the relevant information and retain the complete record in case further investigation is necessary. For interviews, recorded conversations are best. However, when informants do not want to be recorded, taking notes during interviews is the next-best option.

Stage 3: Critically Evaluate Sources of Evidence

The primary purpose of this stage is to evaluate the authenticity of documents and to exclude all unauthentic evidence (Gottschalk 1969). Historians refer to this stage as external criticism. During this stage, researchers seek to determine who wrote each document, where, when, and under what circumstances (Shafer 1974). Because the hunt for data can be long and arduous, researchers run the danger of not adequately evaluating their sources and too easily accepting what they encounter (Marwick 1970).

Contradictory evidence can be viewed in the appropriate context and cause-and-effect explanations are more easily recognized.

After organizing their data, historians analyze it. Analysis can take several forms, from very simple counts of events and characteristics to elaborate econometric or psychometric methods. Although researchers typically do not consider econometric or psychometric approaches to constitute the historical method, those approaches are in fact quite compatible with the historical method and help to enhance the analysis of and conclusions drawn from historical data.

Interpretation typically follows organization and analysis. Since most historians seek to understand the meaning of events and not just to report facts, multiple potential causes should be considered (Hughes 1964). Usually evidence must be reviewed many times to consider a variety of potential explanations. Although explanations are a common source of disagreement among historians (Gottschalk 1969), these disagreements tend to focus on the relative importance of a cause rather than on its existence. In terms of the data on which their theories depend, historians have an advantage over scientists in certain other fields: Historical events occur independently of any effort to study them.

Like all researchers, historians must guard against introducing biases in their analyses and conclusions. As discussed in Stage 1, the best defense against bias is to approach data with rival hypotheses or open questions rather than one-sided hypotheses. In general, two key aspects of the historical method help combat bias—its emphasis on evaluating and analyzing data prior to drawing conclusions, and the public nature of the data, which makes it easier to discount misguided interpretations.

Stage 6: Present Evidence and Conclusions

In presenting historical research, a thesis developed from analysis and interpretation of evidence often guides decisions about which evidence to present. It is very rarely possible to present all the evidence that one has collected; having developed a thesis or selected a hypothesis that best fits most of the evidence, historians then focus on those data and events that most strongly support—and most strongly limit—that thesis.

The form of presentation depends on the data that were collected. Different evidence lends itself to presentation in chronologies, descriptive statistics, or model parameters. Typically, historians present some or all of their evidence, analysis, and conclusions in narrative form. This type of presentation enables historians to communicate a rich understanding of events, especially when the evidence collected is primarily qualitative. It enables researchers to link together events in a way that is not possible with simple chronologies.

Seven Myths of the Historical Method

Despite the many benefits of the historical method for studying marketing strategy phenomena, it remains underutilized, at least in part because of misperceptions about the method and its suitability for rigorous, scientific research (Savitt 1980; Bonoma 1985; Calder and Tybout 1987; Fullerton 1987; Nevett 1991; Smith and Lux 1993). We treat these misperceptions as seven myths about the historical method and use examples from our research to dispel those misperceptions.

Myth 1: The Historical Method Is Qualitative

In fact, historical studies can be highly quantitative. Studies that combine qualitative and quantitative approaches are especially powerful because the use of triangulating methods provides greater confidence in a study's results. For example, Bohlmann, Golder, and Mirra (2002) combine game theory with narrative discussion and econometric analysis of archival data to examine the impact of consumers' valuations of quality and variety on the performance of market pioneers. All of their methods indicate that pioneers perform poorly overall, but that they tend to do better when consumers value variety and even worse when consumers value quality. One additional insight came solely from their historical analysis of Procter & Gamble. They found that P&G's success with multiple brands in laundry detergent may have led to a misguided launch of a second brand, Luvs, in disposable diapers. Multiple brands are a good strategy for laundry detergent, because consumers as a whole value variety. However, with diapers, consumers value quality. In such markets, firms should concentrate on a single, high-quality brand.

Using the historical method to generate simple descriptive statistics can provide useful insights, especially when combined with econometric models to assess the relative importance of multiple variables. For example, the common wisdom (e.g., Utterback 1997) on radical innovation suggests that dominant firms in an industry are rarely the sources of radical innovation, and that radical innovations tend to be substitutes for incremental innovations. Sorescu, Chandy, and Prabhu (2003) examined these assumptions in a recent study of radical innovation in the pharmaceutical industry. Simple counts of the sources of innovations in that industry revealed that contrary to common wisdom, dominant firms are also the most radically innovative firms, and radical innovations tend to go hand in hand with incremental innovations. Sorescu, Chandy, and Prabhu (2003) combined the historical analysis with an econometric analysis of innovation counts that accounts for the effects of additional control variables, unobserved heterogeneity, and the count (nonnegative integer) nature of the innovation data.

relative importance of factors in the interpretation rather than about the existence of any given factor. Moreover, all methods require interpretation during data collection and analysis. For example, regardless of the method, researchers must decide which sample to study, how to write questions, which models to specify, and so on. The historical method has a unique advantage with respect to experiments and surveys in that archival data are recorded independently of a researcher's attempt to study a phenomenon. The data are also publicly available and thus open to inter-researcher certification. When other methods use nonpublic data or place less emphasis on data collection and certification, faulty interpretations are more likely.

One such example of a faulty interpretation was the widespread belief that most market leaders remain leaders for decades. By applying the historical method, Golder (2000) showed that this conclusion was based on a self-selected sample from a very old, yet comprehensive study of market leaders. A more complete data set, based on the old study and his new study, showed that market leaders are more likely to fail in the long run than they are to remain leaders. The historical method's requirement of multiple data sources and the scrutiny of each data source were the means of overturning this faulty interpretation.

Myth 5: The Historical Method Is Atheoretical

The historical method starts with research questions or rival hypotheses rather than an attempt to prove one established theory or set of hypotheses. This approach is useful to maintain a noncommittal position in the face of vast amounts of sometimes-conflicting evidence. What is often most exciting about applying the historical method is that it is useful for resolving long-standing disputes in the literature and for generating new insights and theories.

For example, in the 1980s and early 1990s, some theories held that pioneering firms would be more likely to be successful, while others held that pioneering firms would be less likely to be successful. Golder and Tellis (1993) showed that after controlling for self-report and survival bias with the historical method, the supposed rewards accruing to pioneers were much less than previously asserted by survey data. Indeed, pioneering was not even the primary cause for the success of such firms.

In a subsequent study Tellis and Golder (2002) sought to understand the real drivers of success. Based on an analysis of 66 new product markets, they identified five common factors that drove the success of leaders: vision of the mass market, persistence, relentless innovation, financial commitment, and asset leverage. Because these factors are difficult to quantify, they used the historical method to

present rich evidence supporting each. The description and illustration of these factors constitutes a new theory of the causes of long-term market leadership.

Myth 6: The Historical Method Is Limited in Scope

Some strategy research questions may not be amenable to the historical method. Despite recent advances in data availability and access, data on some variables or research questions may simply not exist. Although such situations occur, we believe that the historical method is applicable to a wide range of phenomena. In fact, Golder (2000) describes over 40 applications in which the historical method has not been used, but in which it could be used to obtain promising insights (see tables 1 and 2). Moreover, strategy researchers need not use the historical method alone. For example, they can combine historical research with lab studies and survey data (e.g., Armstrong and Collopy 1996; Chandy, Prabhu, and Antia 2003). Such triangulation is especially appropriate for early research in a field, because it provides thick descriptions of phenomena and facilitates their interpretation (Meyer 1982). Moreover, by using multiple and independent methods one can eliminate the weaknesses or potential biases present in just one (Jick 1979).

Myth 7: The Historical Method Is Only for Books

The book format is common in the field of history. It is often the best way to share the vast amounts of information compiled through the historical method. However, we have found that marketing journals have been quite receptive to single articles that distill the key insights from historical studies. This receptivity may be especially evident in marketing strategy research, given the applicability and attractiveness of this method for strategy issues, many of which are inherently longitudinal. We hope that the examples of our own research will encourage anyone who might be interested in applying the historical method.

Conclusion

The historical method is not as widely used as it should be, given its potential. It is underutilized in part because its benefits are not well known and in part because it suffers from many misperceptions. As a result, research in marketing strategy fails to exploit a powerful and valid method of inquiry.

The historical method offers many opportunities to researchers of marketing strategy. The ability to access and analyze vast amounts of longitudinal data is a major strength of the method. By their very nature, research questions in the field of marketing strategy tend to be longitudinal. Strategic decisions made today

Table 2

The Historical Method: Additional Potential Applications

Topic	Potential Contribution of Historical Method
Market Entry and Exit	Survival durations of brands under various conditions
	The relationship between order of entry and market share after controlling for survival bias across all entrants
New Products	Appropriate marketing-mix investment at time of entry
	Role of patents in successful new product introductions
	Operationalizing innovation in diffusion models by measuring the number of media reports on a new category
	Role of firm size in new product development success
	Role of incumbency in new product development success
	Process by which consumers learn about, adopt, and use new products
	Elements of continuity and discontinuity in new product development, from the firm's perspective
	The determinants of sales takeoff for new products
	Incorporation of product features in sales growth models
	Causes of new product failure
	Organizational decision process behind withdrawing products from the market
Product Life Cycle (PLC)	Profitability or stock market returns over stages of PLC
	Pricing strategies over the PLC, e.g., penetration, skimming
	Entry and failure rates over the PLC
Other	Duration of business relationships, alliances, etc.
	Conditions under which preannouncements are more and less common
	How industry structures evolve over time
	Impact of new media on marketing: lessons from advent of radio and TV for Internet

Source: Golder (2000).

often have their impact many years in the future. Unless researchers want to conduct studies over decades, their only choice is to look back at past events. While it is possible to look back with survey data, survey respondents are subject to many biases in reporting events that occurred years or even decades ago. These biases are reduced when data are based on contemporaneous accounts from objective sources. Indeed, the historical method is uniquely suited for marketing strategy research and should be an important part of the strategy researcher's toolkit.

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Text Analysis as a Tool for Assessing Marketing Strategy Performance

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Introduction

Text analysis, also known as text mining, can be a powerful tool for assessing marketing strategy performance, particularly in the information-intensive 21st century. In contrast to data mining, which starts with small units of information (e.g., transaction information, customer characteristics) and aggregates them to generate a more complete picture, text analysis begins with complex self-contained documents and extracts bits of strategically important information by applying linguistic processing and classification techniques (Sullivan 2001). Academicians and practitioners use text analysis to distill important concepts from those extracted insights and to track underlying trends in market thinking and behavior from the overwhelming volume of text data that information technologies make available. For example, to gain a better understanding of competitors, customers, and the ambient technological and regulatory environment, companies such as Microsoft spend millions to maintain document warehouses and submit their contents to text analysis techniques. More recently, world-class market research firms such as IMS Health Inc. and NOP World have added text-analytic services (American Marketing Association 2003) to help their clients gain a finer

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