How Market Orientation Helps to Gain Competitive Advantages in New Product Offering

(Comparative Analysis between Market Oriented & Non-Market Oriented Firms)

Sher Zaman Khan¹, Sana Arshad², Kalsoom Rafique³, Abdul Waheed⁴*, Muhammad Laeeq²

¹Gomal University, DI Khan-Pakistan.
²Comsat Institute of Information and Technology, Lahore.
³University of Punjab (Gujaratwala Campus).
⁴Donglinks School of Economics and Management, University of Science and Technology Beijing-China.

Abstract

The core objective of this research is to identify the affect of market oriented firms on its ability to gain competitiveness during new product offering. This study also shows that how an organization can be a market oriented. Study based on past & modern perspectives and compiled after extensive literature review. Market orientation (MO) is found as vital antecedent in product offering through innovation and differentiation approach which leads an organization to gain competitive advantages over time. In this research, it is found that there is positive relationship between market orientation (MO) and firm’s ability to offer product in more affectively by understanding needs & wants of customers. This study helps organizations in order to understand the importance of being market oriented in order to achieve competitive edge and to survive competitive environment.

Keywords: Market Orientation, Competitive advantages, New product offering.

Keypoints

- Being market oriented is very important for an organization to gain competitive advantages.
- Market oriented firms are most affective than non-market oriented firms.
- There is positive relationship between market orientation (MO) and firm’s ability to offer product more affectively than competitors.

Introduction

In this competitive environment an organization need to keep itself as competitive by making effective competitive strategies [1]. According to researchers competitiveness can be achieved by creating superior value for the customers [2,3]. Further, to achieve competitiveness, an organization needs to move for cost leadership strategy, differentiation strategy or focus strategy [4]. For this purpose, distribution of market intelligence which is composed of information about the customer’s current and future needs and exogenous factors that influence those needs [6]. The concept of Market orientation (MO) organizations need to be market-oriented having the ability to understand the changing conditions of market to respond quickly in order to value creation for the customers [5]. Market orientated organizations focus to meet the hidden needs & wants of customers and try to build long term relationship with them by value creation. Market orientation (MO) is also defined as the generation & concept is studied and defined by various schools of thought in different span of periods including; [6-11]. Competitive advantages can be gained being market oriented as well according to research.
competitive advantages can be gained being learning organization [12,13]. Furthermore, according to [5] who defined MO (Market Orientation) as a firm’s ability to keep itself in changing environment and create superior customer value by consistently offering competitive products. More precisely, their definition reflects the importance of conduction and exploitation of market intelligence across all organizational levels where different departments can actively respond to changing market conditions. It is widely believed that market orientation (MO) can lead to superior business performance by various scholars such as; [5,14].

Research Objectives & Research Questions

The purpose of this paper is to discuss the impact of market oriented firms with strategies of new product offering in market with respect to its. The core focus is to discuss the significance of market orientation (MO) for a firm that wants to achieve a competitive advantage. By doing so, this research intends to answer the following questions;

RQ1- How market oriented firms can gain competitive edge?

RQ2- Is there any relationship between market orientation (MO) and new product offering?

Literature Review

Concept of Market Orientation

According to different researchers, concept of market orientation (MO) has great importance for organizations which is necessary for the firm to be market oriented to survive in competitive environment where different schools of thought of market orientation (MO) have shown the importance of marketing orientation such as; [8] and [6]. Market orientation (MO) is very important concept and known as complete implementation of the marketing concept [15]. Further, market orientation (MO) is a business technique which emphasizes to measure and meet the hidden and stated needs of various consumers. Market orientation (MO) concept also explained as the generation of market intelligence that is composed of information related to customer’s current & future needs and exogenous factors which affect on those needs & wants [6].

Market Orientation as Product Differentiation

According to researcher, firms adopt product innovation and differentiation strategies to meet the current and future needs of target market or customers [16]. The literature on Marketing and Management practices suggests product innovation and differentiation strategies for those firms that wish to keep themselves competitive in the marketplace [17]. Market orientation (MO) must also accompany entrepreneurial orientation which helps organizations in differentiating their products from those of their competitors through innovation strategies [17]. Therefore, it is vital for market-oriented firms to focus on both; product differentiation as well as innovation if they wish to effectively encounter the competitive threats from the industry. On one side, market orientation (MO) helps a firm in effectively satisfying its customers’ needs based on market information and quick responsiveness to changing environmental conditions [5] and at the same time, it takes support from entrepreneurial orientation and customer orientation in order to help the firm in finding the ways how it can effectively differentiate its product or service offerings against its competitors [17]. Thus, market orientation (MO) may not solely suffice for organizations to be competitive in terms of product differentiation with only focuses on satisfaction the present and future customer needs [5] while missing the fact that firms also need to innovate and differentiate their product and service offerings in order to outclass the competitive threats [18].

Market Orientation as Innovative Product

According to Slater and Narver [14]; Slater and Olson [2] market orientation (MO) is directly linked with product innovation, competitiveness, and performance where this school of thought supported by Jaworski and Kohli [5] by believing that market orientation (MO) allows firms to effectively satisfy the customer needs by keeping an eye on the changing market conditions and
disseminating this information across employees in entire levels of organization. According to Slater and Narver [14] market orientation (MO) is directly linked to the product innovation & its performance. They have supported their arguments by stating that a market-oriented firm is more likely to understand the present and future customer needs which ultimately help it in innovating and differentiating its products according to what customers expect from it. Therefore, if any organization truly understands the needs of its target customers then it will be able in a better way to design, develop, and present its products to these customers exactly accordingly Pelham [19]. According to Pelham [19] market orientation (MO) helps in collecting information and developing capabilities in organizations which are vital to understand needs of customers. Moreover, with capabilities & information, the firm is able to provide quick respond to the changing market conditions and may develop more innovative and unique product than competitors [1].

Market Orientation as Product Repositioning

According to Carpenter [20] market-oriented behavior of firms along with its core marketing strategies including; branding, advertising, promotion, distribution may help firms to enhance competitiveness. As far as the impact of market orientation (MO) on a firm’s repositioning strategy is concerned, a firm may use market knowledge and internal capabilities to effectively design and improve its offerings. But, it need to think again towards marketing approach while presenting its products under the umbrella of repositioning strategy [20]. Therefore, the firm has to make greater efforts in order to achieve differentiation through its marketing orientation approach [21].

Marketing Orientation as Preliminary Risks

The biggest risk which firms face while adoption of product differentiation strategy or simply go for new product development [22,23]. It has proved empirically, new and differentiated products fail when they do not satisfy the target customers’ present needs [24]. This risk can effectively decreased while focusing at a time as being market-oriented, customer-oriented as well as entrepreneurial-oriented [17]. According to Cooper [25] specifically explains that risk of failure can be decreased in product differentiation. According to another researcher who believes that a market-oriented organizations are more vigilant, cautious, practical and proactive in its approach to target [25, 26]. Market oriented firms adopts such kind of strategies which are purely backed up by comprehensive market analysis and extensive industry which is also based on competitor knowledge [27,28].

This research also carried out all the steps related to product differentiation and new product development processes on prior knowledge based and understanding [29]. So, if the market conditions are favorable, they continue implementing the differentiation or innovation strategy [25]. In contrast, they postpone and wait for the situation to get better approch in near future [17]. This proactive approach has shown that organizations are more market-oriented than competitors that prefer and stick towards its current product strategies [30].

Market Orientation as Buyer Behavior

According to various researchers to understand the buying behavior of different consumer is very necessary for any an organization to target them in more efficient and effective way and in order to meet the present and future needs of their organizations need to keep themselves abreast in changing environment over time [10] The behavior of the consumers, choice of product as well as preferences are affected by a large number of factors such as; design of product, name of brand, packaging of product, product price, product quality, origin of product, manufacturer of product etc [31,32]. Further, in order to find and evaluate some product in buying decision parameters, customers need to expend certain amount of money; commonly known as cost of buyer search [33].

While designing their product differentiation strategies, firms also need to have concentration on buyer search costs.
According to Kuksov [33] who explain that low search costs of buyers leads to price increases the price competition in industry and in order to encounter this issue, organizations need to adopt differentiation strategy for its product design. Moreover, a highly distinctive product design results in lower buyer search costs [33]. It may affect the firm’s performance in both positive and negative way. Positively, the product easily develops its unique identity in the minds of the customers which ultimately leads to strong brand image and high sales performance of the firm. Conversely, highly differentiated products lock in the customer choice [34] limited attributes to make their purchase decision [32]. It is beneficial for the customers to decrease search costs of produc [33].

**Discussion**

---

**Research Methodologies**

Specifically, diverse research papers are being searched from different database such as Emerald, JSTORE, Elsevier, Google scholar for detail literature review. Further, data collection of this paper is based on secondary data being accessed from some reliable sources of internet including Wikipedia & online libraries along with international journals. Secondly, information is also collected through relevant books as well. APA 5th style is being used to court references of different studies. In this paper a comparative analysis conducted to understand the market oriented firms vs. non-market oriented firms through depth literature review.

---

**Figure 1: Discussion Model**

Above mentioned model in Figure 1, shows two types of organization studied in this paper where one is market oriented firms and second is non-market oriented firms. The ultimate objective of any organization is to compete its competitors to gain competitive edge. Literature of this study shows that organizations that are market oriented have competitive advancing as compare to those organizations which are not market oriented. Because market oriented organization are contineously try to build long term relationship with customers by creation of value for them in new product offering and bringing innovation in current product. Because, it is found that market oriented organizations understand the past, present and future needs, wants and desire of target customer to satisfy them in more efficient and effective way.

Moreover, above discussion represents about two firms to understand its role to gain
competitive advantages; Market oriented and non-market oriented where the nature of market oriented firms are explained in literature. But, this study specifically relates market oriented firm on the behalf on certain objective presented in Figure 1, such as; Innovative, Focus on Differentiation, Repositioning, Risk takers, Long term vision, Customer oriented which shows the organizations which will be innovative, risk take, visionary, customer oriented and have differentiation strategy will lie as market oriented firm that leads toward achieving competitive advantages. On other side, the organizations that have not such kind of strategies can’t be market oriented and can’t survive in competitive environment for long term period. So, after depth literature review and discussion model, this research concluded that in new product offering an organization need to be market oriented to gain competitive edge. And to be market oriented an organization need to be innovative, risk taker, should work on vision, repositioning strategy as well as should be customer oriented. Because, it allows an organization to understand the customer needs & wants either it current or future need. If the organizations not emphasize and didn’t keep itself as up to date then it will considered as non-market oriented which can never be able to gain competitive edge from its competitors.

**Conclusion**

It is concluded that market orientation (MO) has positive relationship with a firm’s ability or efficient to its product offerings in achieving competitive advantages and superior performance as compared to competitors. Market orientation (MO) helps organizations to analyze its external environment that help to understand preferences of consumers, strategies of competitors as well as changes in overall market scannerio. On the behalf of this study organizations may able to effectively differentiate, design, position and improve its product and services for the customers by creating value for them. By doing so, an organization will able to create long term relationship with the customer that is ultimate purpose of any organization. This study further suggested various approaches that an organizations may adopt to get positive advantage than competitors as being market orientated. Further, this research concluded after extensive literature that an organization may get better being customer-oriented as well as entrepreneurial-oriented along with being market oriented. Market orientation (MO) is found very wider concept by different schools of though having positive affect on organization efficiency by focuses and understanding the market patterns and disseminating information across various department of the organization. On other side, entrepreneurial orientation allows the firm to take risks and improve its products to compete in competitive environment.

**Significance of the Study**

This research paper may fruitfull for all organizational strategic makers & entrepreneurs to understand & analyze the decision in product/service offering in the market. This paper also made sure the importance of being market oriented in order to product offering, organizational efficiency as well as in achieving competitive advantages.

**Limitations of the Research**

This research paper discussed few schools of thoughts of market orientation (MO) and also discussed specific aspects and characteristics of organizations as being market oriented. But, it may further be discussed by adding other schools of thought relevant to market orientation. This research paper also discuss the relationship between market orientation (MO) and the firm’s ability to effectively offerings product by differentiating it. But, there are certain limitations that may be considered in future research. Like, it can be analyzed empirically after certain statistical test where this research discussion is totally based on past & modern Literature. Empirical research will allows to understand current situation of the market based on certain assumptions which may tested after certain types of statistical tools.
References


