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A review of businesses that focus on markets vs. businesses that focus on products in association with market orientation

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Abstract. A white paper written on building market-focused businesses reported that organizations which are market-focused primarily set their competitive advantage by delivering superior value beneficially to their target customers alongside thriving in their financial performance. However, this conclusion was made only for market-focused businesses, but we believe that the same applies to product-focused businesses in light of the research which can be related to such a strategic approach. In this review, we discuss the two forms of business philosophies; the first is market-focused business philosophy which is primarily concerned with satisfying customers and market needs, and the second, a product-focused business philosophy is concerned with leading through the innovation of the core offerings of an organization. Surprisingly, both these strategic options have so far not been widely explored comparatively in the available literature. Regardless, we propose that both have a relationship with a certain degree of market orientation that can help to solve the mystery regarding which strategic option is superior over another. This relationship further needs to be tested with empirical evidence to help the managers so they can guide the right strategic direction of the company. Furthermore, it is suggested that strategic focus in crisis situations also need to be further analyzed with regard to product-focused and market-focused businesses.

Keywords. Market-focused businesses, product-focused businesses, market-orientation, innovation, business performance

Introduction

Many scholars agree on this point that businesses must have a clear focus and purpose where they are willing to invest their potential resources and R&D focal point to excel in innovation for competing in this fast-growing business environment. This focus is defined by the type of orientation that businesses adopt which has been identified in this study to be either product-focused or market-focused. Both these orientations have noticeably been endorsed by businesses these days, but the shaded mystery remains unsolved that which one is unrivalled? Also, the literature doesn't provide a proper theoretical framework for better comprehension of

both kinds of business models. To get to the bottom-line of that, it is important to understand their nature first from the available literature.

A paper written by Lanning & Phillips (1991) explicitly debated on market-focused organizations and inferred their focal point closing on a superior delivery value system. In Exhibit 5, the authors talked about the steps taken by the businesses that are market-focused. It claimed that market-focused businesses are either customer-driven or internally driven. On the other hand, product-focused businesses are internally driven where the focus is on delivering high-value superior products, but they also need to be customer-driven to make sure that the products fit into the customer need or want criteria. Adding to that, Visnjic et al. (2016) claimed that the customer-oriented business model results in higher profit margins than only product-focused business model. Originally, the focal point of product-focused businesses was conceptualized to be internal i.e. product development, while of market-focused businesses' to be external i.e. market needs and demands. But we argue that both are supposed to be customer-driven and internally driven.

Crowley & Jordan (2017) argued that businesses with greater market power can take the risk of investing in innovation as they have greater resources and they can enjoy a fair competitive advantage over others. This points towards strong market-focused businesses who can lead innovation just like product-focused businesses for which they must also come up with high innovation products and work internally as an integrated value-delivery system. As far as product-focused businesses are concerned, they have a tight chance of succeeding in innovation in the case where attention is not paid to customer or market needs in the current period since it's a high-risk strategy on its own. This can be owed to the reason that new products do not always break through diverse or emerging markets but the possibility grows when they are targeted at specific customer needs or demands (Visnjic et al., 2016). Again, this tells us that businesses that focus on products must also be customer-driven and internally driven. With that, another most important point to consider is that both the strategic options require one common thing which is market research and assessment without which businesses cannot generally succeed in giving profitable outcomes for business growth. Use of customer information, competitive analysis, market research etc. all are a part of market orientation, hence we take market orientation as our main variable to study the relationships with both the strategic options.

In our knowledge, no prior studies have examined the outcomes of both product-focused businesses and market-focused businesses in comparison, hence proper research is required in this regard to assist the managers in identifying their strategic focus under different conditions. Though, some scholars have studied various factors related to both market and product focused approaches which we shall correlate to present some meaningful arguments. For this purpose, the study further proceeds with carving out hypothesized relationships and calls the attention of future researches to test and prove the superiority of one of the strategic options over another with the support of empirical evidence.

Market orientation and Market focused businesses

Prior research had thoroughly investigated the essence of market-oriented businesses both through conceptual and empirical advances which can be used to comprehend certain aspects of market-focused businesses and both are considered to be similar in nature. The term 'Market Orientation' given by Narver & Slater (1998) is construed as a business culture that maximizes opportunities to learn about markets in order to develop organization-wide responsiveness to customer needs and demands. Morgan & Strong (1998) also discussed the similar likeness of market-oriented businesses that they are distinguished on the basis of their attention centred on

pinpointing established market needs and addressing those needs by incessantly working on their offerings through carefully planned and timely strategic decisions that are tailored according to the type of heterogeneous market segments. The characteristics of this likeness can be found in many old researches that had defined and established its elements which encompass three different aspects i.e. customer-orientation, competitor-orientation, and inter-functional coordination. Further, it has been already established so far that market orientation has a direct relation with a competitive advantage, whereas, both innovation and competitive advantage has a positive relationship with business performance. (Udriyah et al., 2019) All these factors result in the successful financial performance of the businesses.

The term Market Orientation can be associated with the businesses that focus on markets in a way that both are set about to create superior value for the customers and market-focus is the key focal point that leads the strategic planning and execution. This sets a relation between market-focused businesses and market-orientation with superior customer value as the main outcome. Aside from that, Slater & Narver (1998) mentioned that market-focused businesses resemble customer-led businesses on the surface level. This is because it primarily begins and ends with understanding the customers and meeting their needs, hence customer satisfaction is what serves as the primary measure of evaluation of the overall success factor of the businesses that focus on markets. Therefore, we expect that businesses that focus on markets are impelled by the need to achieve greater customer satisfaction by offering superior value to the customers as they keep pace with the market in which they operate. With that, they have some degree of market orientation which can help to understand the strength of their strategic focus.

While reviewing the competitive strategy in the market-oriented businesses, Ruekert (1992) claimed that there is a positive relationship between market orientation and measures of business unit performance. The link between the degree of market orientation and strength of strategic focus can be experimented to check the level of outcome. It is presumed that the stronger the strategic focus, the greater there is a chance for the businesses to achieve the outcome of customer satisfaction in case when there is a strong execution of the strategic planning. However, the result of the level of strength of strategic focus will lead further towards the cognizance of the success rate of market-focused businesses on the basis of the positive influence on business performance

Market-Orientation and Product-focused businesses

In today's chaotic world, it is extremely challenging to come up with a unique product that can enter into new market segments. As a matter of fact, the success rate is very critical, but the payoff sustains for a very long time if the strategy becomes successful. Taking a case example, Dolata (2017) presented the innovation cases of Microsoft and Apple and proposed some recommendations as to how to create a competitive advantage while operating in a highly challenging environment. In this case, Apple can be taken as a product-focused business that invested all its strategic energy on its products being delivered, while Microsoft as a market-focused business was bent on determining new and emerging market needs and serving them. The analysis of the paper revealed that Microsoft led the competitive advantage in the operating system market when Apple lost its market share in the 1980s and the reason for that was that Microsoft responded more accurately and quickly to the needs of the customers. But with the passage of time when Apple made its entry into the market, it regained its competitiveness and since that time, it is enjoying a huge market share as a result of investing great time and resources earlier back then when it was in the process of establishing its own technology as an industry standard and it kept launching high-performance innovations as can be seen now. This shows that highly unique superior products sustain for a longer time and give a long-standing

competitive advantage to product-focused businesses. Whereas market-focused businesses can also enjoy the competitive advantage if they respond in the right time to the market emerging needs, but that might not necessarily last for a longer period.

In light of the past research, product-focused strategy was mainly associated with those businesses that aimed to thrive on innovation and creativity as they are expected to lead the market and overpower the competition by taking huge risks. Cooper (2019) identified three categories of success drivers in product development: individual product projects based on product characteristics, organizational and strategic factors such as R & D investment decisions leadership and innovation strategy; systems and methods for managing NPD. Moreover, Roach et al. (2018) discussed that product superiority has a relation with innovativeness of the product in which the innovative superior product must outperform other competing products while being highly visible and getting easily perceived by the customers.

Cooper & Kleinschmidt (2007) proved that winning businesses in product development ensure a strong association of new product strategy with their business strategy. In addition, businesses that focus on products can mainly be distinguished on the basis of differentiation tied to ensuring product superiority where the central focal point is on developing unique products with unique features and benefits not being offered by the competition. Hence, the ability and extent of product-focused businesses to deliver differentiated products is what defines their strength of strategic focus. Just like the case of market- focused businesses, the stronger the strategic focus, the greater there is a success rate of the businesses that focus on developing and delivering unique products as it will have a positive influence on the business performance. Also, businesses that focus on products work to provide superior value to the customers.

Cooper (2019) also proclaimed that a strong market orientation must be adopted in new product innovation considering many studies that have mentioned a lack of market orientation to be the reason of product market entry failure. This establishes a link between market orientation and product-focused businesses which seems to work more effectively as compared to the one without market-oriented approach. Such products are known to be called market driven products that adopt market orientation in the new product development process in which they also consider customer needs. Moreover, Narver & Slater (1996) expressed that there is always a more likely possibility of buyer's resistance to innovation for product-focused businesses apart from other risks associated with new product development. But this risk can be eliminated if a market-oriented approach is linked with new product development for product-focused businesses. On a contrary, Guo et al. (2018) claimed with the help of empirical evidence that market orientation only helps in establishing the new product's positional strength and does not guarantee the effectiveness of new product performance in the B-to-B context. This shows that the degree of market orientation might not completely justify the product performance in the long run. Yet, the case might differ in the B-to-C context. Further research in this area is required to study the relationship between market orientation and product-focused business performance.

It is presumed that the relationship of market-orientation with both product and market focused businesses will tell about the probability of success rates of both kinds of strategic options on the basis of the strength of their strategic focus. The success rate can then determine which strategy is more superior in terms of greater firm's performance which shall be judged on the parameters of superior value delivery to the target customers. Other than that, the approach of market-focused businesses and product-focused businesses can also be weighed by looking at the stability of market conditions and the level of competition in the time to measure the odds and see which can work the best.

Strategic focus in times of COVID

Amidst of coexisting with the new virus and embracing the new normal, the strategic focus at this time is more on solving real-world issues while tapping unexplored marketplaces or even creating new products and services acting in response to the current situation needs as well as the opportunities it presents for several businesses that are operating digitally. Many kinds of businesses used to take distinctive innovation as a necessity for gaining the competitive edge, but they now see it as a substitute in this uncertain period since for many, it is currently more about focusing on getting through this time as they are stretching further to adapt to the current market realities. Most of them, in fact, had to go through a virtualized transformation in order to survive in this period. Indeed, this outbreak has certainly made its claim that markets are dynamic in nature as they can be created, may disappear, or even get replaced by another at any time (Donthu & Gustafsson, 2020).

Contrarily, it is seen as a fighting chance for some of the businesses who were less motivated to think of innovation-led growth previously and are now determined to take a trial more than ever (Borders & Lester, 2020). For that matter, product-focused businesses like in the pharmaceutical and medicine industry, COVID-19 crisis has presented an incentive to shift the strategic focus towards product-based innovation with the help of the latest technologies to respond to the emerging market needs. But, it appears to be a shortsighted decision at this stage since there is no certainty of how far this situation will extend and whether by that time, the innovation move will stay congruent in the coming time. As far as market-focused businesses are concerned, they are taking advantage of dynamic ecosystems that give value when they occur in unpredictable times.

Even though at some point growth seems inevitable in these times, yet for those businesses who work on innovation as their adrenaline are preparing themselves to come out stronger when this crisis will probably be settled in the years to come. Where the e-commerce businesses are concerned, they have relatively better innovation complexity and competitive advantage whether they are market or product focused. It is not identified yet that either product-focused or market-focused approach is successful in the e-commerce sector in the crisis situation. Nonetheless, these businesses are building their strength for future explorations. Only time can better judge whether the product-focused or market-focused businesses preceded the innovation after the recovery period. Another question arises that which strategy under what conditions should businesses follow in the crisis situations?

Conclusion

First of all, market-focused and product-focused businesses are entirely different business models with similar as well as varied characteristics that must be understood distinctively in order to draw certain strategic decisions for any particular business. The primary attention of any business should be on both the products as well as their markets, but which drives the primary focus of the strategy is what must be clearly established by the senior management of the company and that is where is important to understand both the paths of strategic options to make well-informed choices.

It was observed that many past researches have documented the nature and benefits of being market-focused in the marketing literature, but there is very limited knowledge about the organizational strategy perspective in terms of product-focused approach since a lot of papers are found to be centralized on market-oriented approach. This area, however, needs more attention and a theoretical framework should be developed to first clearly distinguish between both kinds of business philosophies to reach certain judgments about the outcomes that can then

be compared to reveal which one is a more effective strategy under what conditions. Some were discussed in this paper in light of the available old and present studies.

The next focus of research in this paper is guided towards the comparison between both these types of orientations. The relation of market orientation was studied for both market-focused and product-focused businesses and following conclusions were drawn as a result:

1. Businesses that focus on markets have a certain degree of market orientation which tells about the strength of their strategic focus.
2. Greater strength of strategic focus has a positive influence on business performance of market-focused businesses.
3. Businesses that focus on products have a certain degree of market orientation which tells about the strength of their strategic focus.
4. Greater strength of strategic focus has a positive influence on business performance of product-focused businesses.

This requires empirical evidence to further claim the justification about which orientation is more successful in the current age to help the managers to sustain a competitive advantage and support the long-term growth of the company. Last but not the least, another interesting question was raised in this dimension of the study that which approach is more suitable when businesses face global crisis situations

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