Market innovations driving competitive advantage in MSMEs: An extensive literature review

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Abstract---In the constantly changing business environment, Micro, Small and Medium Enterprises (MSMEs) have to resort to various strategies to strive the competition. The diversity and complexity of the competitive markets necessitate the MSMEs to have a clear vision to achieve efficiency and flexibility. In several cases, MSMEs zero down to owning some kind of innovations. Globally, innovation has been categorised in four types, namely, ‘product, process, marketing and organizational’. Among these, the focus of this paper is on marketing innovation and how much literature supports its impact on attaining competitive advantage. This paper tries to broadly provide a holistic perspective on how impactful are marketing innovations in seeking competitive advantage through marketing capabilities based on extensive literature review. Significant research has been done in the fields of marketing practices, capabilities, newer trends and role of innovations in achieving competitive advantage. Marketing innovation has widely been defined as constituting modifications in product placement, promotion, pricing and packaging (Deshpandé, Farley, &Webster, 1993; Hurley & Hult, 1998; OECD, 2005). The discussion takes into account the imperative factor driving market innovations based on resource-based view i.e., market capability and studies its relation to the determinants of competitive advantage. The future
scope to this is indeed studying the sources of marketing capability in firms in depth for sustaining competitive advantage.

Keywords---market innovations, MSMEs.

Introduction

Technology with the easily accessible information enables marketing innovation for the competitive firms (Freeman, 1995; Sood and Tellis, 2009). As indicated by Rodríguez-Pose and Crescenzi (2008), impromptu creation, alteration, increase or change of existing channels of exchange using innovation can minimise exchange costs. Devising marketing innovation strategies without the utilization of updated information and technology in the process rather costs mobilising the valuable resources of the firm to gain competitiveness (Grewal et. al., 2004; Grimes, 1995; Hunt and Morgan, 1995).

Turbulence in the economy affects the markets to follow dramatic changes. As these markets are functional action centres for the companies to manage their strategies, emergence of newer markets brings new challenges to these companies. This dramatic shift can be due to technological changes or convenience of the customers. The key policy changes to stabilise these markets pose various opportunities for the companies to act on and gain advantage in turbulence over others (Bohnsack et. al., 2014). Most of the newer studies in similar fields further talks about the concepts like "market co-construction" (Read et. al., 2009; Santos & Eisenhardt, 2009), "market driving" (Humphreys & Carpenter, 2018) and "market shaping" (Nenonen et al., 2019). These all lead to the broader concept which is now one of the most winning strategies of promoting growth - "market innovation". Although the concept of innovation and its types have widely been discussed in the Oslo manual, its implication and implementation is now visible at the companies who are adopting for gaining competitive advantage.

Scope of the Review

Innovation

To stay competitive in the globalised world markets, it is imperative to use and adapt to technology advancements. Various science and technology policies also imply usage and adoption of research and development methods by businesses to gain competitiveness. Majority of the policies in the areas on science and technology, entrepreneurship and innovation operates in a standalone approach. The linkages between these are required to come up with the interventions directly dealing with technology entrepreneurship. The capital intensive nature of technology development and deployment impacts the decision making of the entrepreneur. The more advance the technology is, the riskier the output will be. But it also brings upon a high return as well.

The idea of innovation has been seen contrastingly by analysts across various areas of management (Carneiro, 2000; Hunt and Morgan, 1995). Researchers from the field of economics view marketing innovation as a subset of product and
process innovation whereas researchers from marketing field view it from the commercialisation perspective (Freeman, 1995; Sood and Tellis, 2009). Consistently the investigation depicts innovation as an enabler to effectively utilize the resources for attaining competitiveness (Hunt and Morgan, 1995; Knight and Cavusgil, 2004). Uncovering a new function in a prevailing resource, using an unknown method making it valuable enough to compete in market, we have innovation there and the firm is entrepreneurial. Schumpeter in his words suggests that:

“An innovation could take place in product design, organization of the firm, marketing devices or process design. Innovation is what separates the entrepreneur from others who undertake closely related endeavours.”

The achievement of an innovative marketing strategy relies on its capacity to work homogeneously and without upsetting the regional marketplace (Hunt and Morgan, 1995; Hurley and Hult, 1998). However, as a result of the long term scope and effects of the innovative marketing strategy, the related stakeholders of the value chain reap the similar benefits over a period of time (Roy, Sivakumar, and Wilkinson, 2004). Marketing innovation concept in the global context combines the strategies of marketing, supply chain and logistics (Gupta and Malhotra, 2013; Jones, Suoranta, and Rowley, 2013; Kim, Cavusgil, and Calantone, 2006).

**Market Innovation**

Porter explained that competitive advantage can be attained by an enterprise by either cost advantage or differentiation advantage. Either of these involves introducing some kind of innovation by the enterprise. Schumpeter (1938) while describing the process of innovation as a creative destruction cycle had classified innovation into four major types – product, process, marketing and organizational. The Oslo manual (OECD) defines all four types of innovation. The focus here in this paper is on marketing innovation. With the background of theory of diffusion of innovations by E M Rogers (1983), the scope of marketing innovation is very broad. Oslo manual narrows the scope to the measure it, and defines marketing innovation as “the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing”. Marketing innovation involves activities across various domain areas as per the literature. These are depicted in the table 1.

<table>
<thead>
<tr>
<th>Sub domain activities under marketing innovation</th>
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<tbody>
<tr>
<td><strong>Product innovativeness</strong></td>
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<tr>
<td>Han et al. 1998; Hurley and Hult 1998; Kirca et al. 2005; Theoharakis and Hooley 2008; Garcia and Calantone 2002</td>
</tr>
<tr>
<td><strong>Service innovativeness</strong></td>
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<tr>
<td>Garcia and Calantone 2002; Kleijnen et al. 2005; Zolfagharian and Paswan 2009</td>
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<tr>
<td><strong>Consumer innovativeness</strong></td>
</tr>
<tr>
<td>Goldsmith et al. 1998; Im et al. 2003; Im et al. 2007; Truong 2013; Roehrich 2004</td>
</tr>
<tr>
<td><strong>Brand innovativeness</strong></td>
</tr>
<tr>
<td>Alam and Perry 2002; Boisvert and Ashill 2011; Sethi et al. 2001; Daneels and Kleinschmidt 2001; Lee and O'Connor</td>
</tr>
</tbody>
</table>
A definitive point of marketing innovativeness is to improve and support firm performance however more noteworthy consumer satisfaction, commitment, and involvement in value co-creation, likewise accomplishing competitiveness. A key factor in a company’s business performance is its ability to innovate (Hurley and Hult 1998; Henard and Szymanski 2001), and the capacity to come up with newer products and services continually and additionally newer marketing tactics to gain sustainability and competitiveness thereof (Wang and Ahmed 2007). The degree of firm innovativeness generally decides a company’s abilities to develop or modify products and services as per the market needs and trends, contributing to its competitiveness in the marketplace (Tripsas 1997; Lazonick and Prencipe 2005; Rubera and Kirca 2012). The more a firm can assimilate and allocate resources, the almost certain it is to be innovative through the formation of new information and knowledge that converts into all the more fulfilling deliverables for its consumers. The innovation process consists of a usual sequence of five stages, each characterized by a particular range of events, actions, and decisions made at that point. Later stages in the innovation process cannot be undertaken until earlier stages have been settled, either explicitly or implicitly. The five stages in the innovation process are described as below: Opportunity Identification - Ideation - Pilot testing - Feasibility analysis - Execution

**Competitive Advantage**

With reference to the earlier studies on competitive advantage, the general definition of the concept goes like this:

“the delivering of superior value to customers and, in doing so, earning an above average return for the company and its stakeholders.”

The dual approach acts as a barrier while implementation by firms as competitive advantage shall not be simply attained by reducing the costs, by modifying the quality parameters without having any implications on the market price. The concept of competitive advantage is required to implemented by the firms in a way that it stays competitive for a longer duration or we may call sustainable. For attaining the sustainability, close monitoring and analysis of competitors is necessary with continuous implementation of newer strategies to improve quality and attract customers for premium priced products. Having quoted so, type of competition will have a greater impact on the power to regulate prices of the products. The competitive advantage exists with the preconceived notion that there lies gap in the quality and price package within competitors which is also termed as “performance-to-price ratio”.

The broader context of competitive advantage in the market as per the scope of this paper is composed of following driving factors:

- A clear motivation to stay competitive
- Tangible benefit to the customer
• A package of uniqueness in product, niche segments that are difficult to cater and a highly competitive cost.
• Tangible advantage, that:
  • Is for sizeable target segment
  • Assures willingness to pay and value
  • Is difficult to replicate in longer run

Majority of the analysis into explaining the competitive advantage comes from the work of Porter, through Porter’s five forces and Diamond model. The research studies have been identifying the factors that affect the sustainability part of the competitive advantage. Additionally, Romer’s hypothesis of relying on internal research and development for bringing in competitiveness adds a very new approach to the discussion. One of the components for gaining such advantage as identified by major studies is through firm capability. The context of capability holistically comprises of focused creation, expansion and further upgradation of the resources, specifically for gaining competitive advantage to sustain for a longer duration (Morgan et al., 2012, 2018; Krasnikov and Jayachandran 2008; Evers et al., 2012; Kaufmann and Roesch, 2012). These marketing capabilities turns out to be the key factor in engaging the company to gain market-oriented learning and achieve key insights to be effective and sustain competitive advantage.

Methodology

This paper tries to capture the extensive literature review through qualitative tools. Researcher used the VOS viewer software developed by Waltman and Van Eck (2012) to conduct the co-occurrence reviews. This software uses the techniques outlined by Cobo et al. (2011) to conduct the bibliometric analysis. The software creates network maps, taking into consideration most cited journals and keywords. The first round of search in SCOPUS for the same terms returned a list of records. Upon refining these search results we obtained a pruned list with an initial list of 486 records. We removed the duplicate occurrences to obtain the final list of 84 records for the co-authorship and co-occurrence reviews. The software was run multiple times with changing the determinant factor at the core and capturing the co-occurrences of related concepts discussed earlier.

Results and Discussion

The relationship of market innovation and competitive advantage was studied through the factors of market capability and performance. The keywords in figure 1 representing the marketing innovation are ‘brand equity’, ‘innovative marketing’, ‘innovation culture’, ‘marketing mix strategy’, ‘information’ and competitive advantage are ‘response strategy’, ‘firm performance’, ‘customer value creation’, ‘market performance’, ‘innovation performance’, ‘influence’ are run across the terms ‘MSME’, ‘SMEs’.
The shortlisted literature was extensively studied across various disciplines to understand and draw some pattern on the scope of marketing innovation, process, the relation with other types of innovations and overall impact on the performance of the firm.
As per figure 2 above, marketing capability is seen to have varied co-occurrence relation with the related factors of performance, information, resources in SMEs.

Table 2
List of determinant factors and their respective link strength in co-occurrence analysis

<table>
<thead>
<tr>
<th>Determinant Factors</th>
<th>Link Strength</th>
<th>Co occurrence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing Capability</td>
<td>492</td>
<td>15</td>
</tr>
<tr>
<td>Performance</td>
<td>132</td>
<td>8</td>
</tr>
<tr>
<td>Resource Capability in SMEs</td>
<td>768</td>
<td>30</td>
</tr>
<tr>
<td>Empirical evidence assessing capability</td>
<td>72</td>
<td>5</td>
</tr>
</tbody>
</table>

The resource-based view to attain capability to innovate in the market leads to the market innovation as a strategy to bring competitiveness (performance) (Gupta et. al., 2016). The cooccurrence analyses of market innovation with its relation to the determinant factors of competitiveness is depicted in figure 3.
Conclusion

This paper tries to highlight the importance of market innovation as one of the cost-effective strategies through building up marketing capabilities of the firm. It definitely relates to gaining of competitive advantage through direct impact on the performance of the firm, the question raised as a result of the review is what additional strategies can be adopted to sustain the competitive advantage in cost effective manner. As the discussion is focused towards MSMEs in particular, the parameters of cost effectiveness of strategies become imperative. With turbulence in economy and shortened technological life cycles, out of the four different types of innovation, product and process innovations are capital intensive strategies and organizational innovation are time intensive exercise with definite outputs, so only market innovation strategy turns out to be providing short term advantages.

References


Schreier, M., Fuchs, C., & Dahl, D. W. (2012). The innovation effect of user design:


