Article:

Musarra, G orcid.org/0000-0002-7963-5919 and Morgan, NA (2020) Outside-in marketing: Renaissance and future. Industrial Marketing Management, 89. pp. 98-101. ISSN 0019-8501

https://doi.org/10.1016/j.indmarman.2020.01.001

Outside-in Marketing: Renaissance and Future

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Abstract: Marketing is an applied discipline. As new generations of technology affecting marketing practice develop, marketing theories have to be re-visited, adjusted, and sometimes scrapped and replaced with new theory as new phenomenon emerge in the increasingly dynamic world of marketing practice. This technology-enabled aspect of why and how some firms may be more successful in becoming and maintaining strong O-I marketers is clearly worthy of scholarly exploration. This research commentary extends Quach et al.'s review paper that synthesizes and consolidates what is known as outside-in marketing, recognizes some key changes in relevant aspects of the business context, and extends thinking in new directions for outside-in marketing to consider important unanswered questions regarding the O-I construct and its relationship with other constructs and performance outcomes. For example, can O-I marketing activities such as leveraging customer data for segmentation and targeting be undertaken in more or less O-I ways? When and how might I-O marketing potentially lead to better firm performance outcomes? Should O-I marketing and performance relationship be hypothesized and tested in terms of O-I alone or O-I vs. I-O or O-I + I-O? How should firms measure O-I performance?
Key Words: Outside-in marketing, outside-in (O-I) vs inside-out (I-O), short-term efficiency vs longer-term effectiveness

Highlights

As new generations of technology affecting marketing practice develop, marketing theories have to be re-visited, adjusted, and sometimes scrapped and replaced with new theory as new phenomenon emerge in the increasingly dynamic world of marketing practice.

The technology-enabled aspect of why and how some firms may be more successful in becoming and maintaining strong O-I marketers is clearly worthy of scholarly exploration.

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1. Introduction

Quach et al. (2020) make a compelling case for the importance and benefits of outside-in (O-I) marketing as a driver of superior firm performance and growth in dynamic and highly competitive markets, and the need for theory development to reflect and enhance understanding of this phenomenon. The authors synthesize prior work from three perspectives—the evolution of O-I marketing, prior empirical research, and practical business insights—to conceptualize new multidimensional aspects of a theory of O-I marketing, and present four tenets and seven propositions to guide research on O-I marketing and business practices. The authors support their O-I arguments by underlining that resource-based and dynamic capability theory viewpoints are prone to inside-out (I-O) myopia that drives firms to focus on internal efficiency and short-term cost reduction to achieve a competitive advantage. Yet, such I-O myopia may also limit firms' ability to continually reconfigure, combine, transform or add new resources and capabilities to respond to frequent changes in markets to achieve and maintain a sustainable competitive advantage.

Review papers of this type can perform a number of valuable functions in knowledge development including: synthesizing and consolidating what is known about a phenomenon; recognizing key changes in relevant aspects of the business context; pinpointing important gaps in extant knowledge; and refining and extending thinking in new directions. Quach et al.'s (2020) review of O-I marketing contributes important new insights on all of these dimensions. In addition, understanding the historical context and arc of development of a school of thought that is central to marketing's distinctive contribution to understanding how and why firms perform differently is important for all marketing students and scholars. Capturing the scope of where and how O-I marketing has informed—and been informed by—research in different sub-areas within the discipline is also helpful.

Perhaps the biggest contribution of the paper, however, is the new conceptualization of the external boundaries of the O-I marketing construct and identification of sub-components of O-I marketing. Inevitably, such efforts are rarely ever the final word on any important phenomenon—and in many ways stimulating and providing impetus for sharper debate around these issues can often be one of the biggest contributions of such review papers. It is in this spirit that our commentary is framed. In doing so, we organize our thoughts around three key issues: the O-I construct; proposed O-I relationships; and unanswered O-I questions.

2. The O-I Marketing Construct

The updating and re-defining of any established theoretical construct should start with the fundamental question “what is really new and different here?”. O-I’s conceptual origins can be traced historically to the “marketing concept” which was fundamentally a philosophical belief (at least as much as a theoretical proposition) that firms which understood their customers’ needs and wants, and satisfied those better than rivals would enjoy superior performance over time. This vein of thinking became more of a “traditional” theoretical construct with the pioneering work of Kohli and Jaworski (1990), and Narver and Slater (1990) on “Market Orientation” (MO). This led to an explosion of both renewed interest and empirical study that has become the foundation of marketing strategy thinking and theorizing regarding marketing-based explanations for why some firms outperform others over time.

However, while not necessarily true in the dominant cultural and market information processing conceptualizations of MO, the allied measures of MO fundamentally focused on *what* firms do (e.g., “we poll our customers at least once a quarter”, “we analyze our competitors’ strengths and weaknesses”, etc.). Empirical work on MO therefore focused on whether or not firms engaged in particular types of behaviors, and not *how well* firms did those things identified as “market-oriented” relative to others. In addition, while empirical work on the performance consequences of MO behaviors ballooned—providing convincing evidence of the performance benefits of MO under almost all conditions studied—understanding of the antecedents of MO was (and remains) relatively undeveloped.

Both of these conditions led to the addition of a “capabilities” perspective to the MO research stream, beginning with Day (1994). Originally conceived as combinations of employees' knowledge and skills exercised through organizational processes that enable firms to coordinate and deploy their resources, the capabilities perspective that Day (1994) introduced identified the types of organizational processes required to engage in and benefit from MO behaviors. This new perspective also provided the foundation for later developments emphasizing a "how well relative-to-rivals" (vs. simple engagement in behaviors) aspect to capabilities-based explanations of firm performance.

While the addition of capabilities to the MO stream helped understanding of the types of organizational processes that underpin MO behaviors and how well these are performed, it did not explore *why* some firms' employees may engage in such behaviors to a greater extent than others. This left the original cultural perspective on MO relatively undeveloped both theoretically and empirically (Homburg & Pflesser, 2000; Morgan & Vorhies, 2018). From this perspective, Quach et al.'s (2020) addition of a "metrics" component to the O-I construct is a welcome development. Jaworski and Kohli (1993) suggested that the use of "market-based" reward systems involving market-focused metrics such as customer satisfaction was a key predictor of firm engagement in MO behaviors. This is consistent with a cultural perspective on measurement and reward-systems as signals of desirable behaviors to employees resulting in the "what gets measured gets done" truism (e.g., Morgan, Clark, & Vorhies, 2019). In addition, recent theorizing and empirical work in the domain of marketing performance assessment systems suggests that systems including market-based metrics may both enable greater understanding of "cause-and-effect" relationships linking marketing actions with marketplace and financial performance outcomes, and also aid with the implementation of marketing strategy by providing earlier indicators of progress (e.g., Homburg, Artz, & Wieseke (2012). While not explicitly addressed in this way by Quach et al. (2020), this provides additional reasons to believe that their addition of metrics to the O-I construct is well-founded and useful.

Quach et al. (2020) also identify two additional components of O-I marketing. The first of these—leveraging market-based data for segmentation and targeting—is theoretically interesting and useful. Both the original MO and later MO capabilities perspectives conceptualized the need for firms to use market-based insights to make appropriate strategy choices given the current and likely future marketplace conditions. However, neither perspective detailed how this "translation" of a market knowledge advantage is (or should be) connected with the strategic choices made by firms. Market segmentation and targeting are logically two key marketing strategy processes that may enable superior market knowledge to lead to better (i.e. more appropriate in the sense of matching existing and evolving marketplace conditions) marketing strategy choices. Of note, both of these marketing strategy phenomena have traditionally been woefully under-researched (and the focus of almost all of the research undertaken has been on the technical "mechanics" of bases for segmentation).

The addition of leveraging market-based data for segmentation and targeting also raises the intuitive but largely ignored idea that an important element in how superior market knowledge may lead to competitive advantage involves enabling firms to identify which customers' needs they are best placed to fulfil relative to rivals. This logic suggests that "benefit" segmentation approaches to identifying customer segments may play a particularly important role in leveraging market data for competitive advantage. This contrasts with prior simplistic "close to customer" explanations for O-I marketing that either implicitly assume that all customers want largely the same thing or that the right "customer" has already been identified and selected by the firm.

If the addition of leveraging data for segmentation and targeting identifies the customer "who" question, a focus on building relationships with those customers and collaborators to create value deals with the "what" question regarding the value offering that will be delivered to customers. While it may be argued that using market knowledge to design appropriate value offerings was implicit in original MO and later MO capabilities thinking, it is clear that collaborating with customers and others to develop and deliver value to target customers is a critical step in enabling firms to benefit from market-based learning (Mu, 2015). Doing so in ways that lead to customer value from their relationship with the supplier firm over time rather than simply satisfaction with their most recent transaction is also consistent with Slater and Narver's (1998) distinction between firms that are "market-oriented" vs. "customer-led".

Although not explicitly articulated by Quach et al. (2020), an additional potential benefit of their focus on "relationships" with customers is the longer-term timeframe implied. The original Narver and Slater (1990) MO work made explicit that creating a MO takes time and costs money—which may lead to inferior firm performance in the short-term and therefore requires that managers focus on the longer-term if they aim to enhance a firm's MO. As the O-I and allied research streams have developed from this original MO foundation, it has also been suggested that one way in which marketing may contribute to superior firm performance is by encouraging such a longer-term perspective in all firm decision-making (e.g., Feng, Morgan, & Rego, 2015). By introducing a focus on customer relationships, this longer-term orientation in deciding which customers to target and how to best create value for them over time is embedded in Quach et al.'s (2020) updated O-I construct.

3. Proposed (and missing) Relationships

One welcome addition made by Quach et al.'s (2020) to the O-I perspective in terms of its impact on firm performance is their identification of specific new mechanisms linking O-I sub-components with outcomes. Importantly, they also identify likely trade-offs such as that between short-term efficiency and longer-term effectiveness in the performance impact of O-

I marketing. This is particularly helpful in moving debate beyond simplistic (and often unhelpful) “more of everything is always better” thinking with respect to O-I marketing. This exploration should be extended by future researchers to examine other potential trade-offs such as speed-to-market vs. quality of value offerings.

However, there also remain a number of questions to be addressed in terms of the core O-I marketing construct and its underlying relationship with performance outcomes to bolster the conceptual and theoretical base of O-I theory. In terms of the core construct for example, in conceptualizing O-I marketing how should it be framed relative to “non O-I” marketing? Can O-I marketing activities such as leveraging customer data for segmentation and targeting be undertaken in more or less O-I ways? Alternatively, is “non O-I” marketing simply all marketing that is not O-I (the specific activities defined by Quach et al.) and is I-O marketing a sub-set of “non O-I”?

Similarly, in terms of the O-I marketing → performance relationship, should this relationship be hypothesized and tested in terms of O-I alone or O-I vs. I-O or O-I + I-O? When Day (1994) introduced the O-I / Spanning / I-O capability distinction, his conceptual framing suggested that all three types of capabilities were required for a firm to become market-driven and benefit from being so. It is unclear how “non O-I” marketing may relate to Day’s (1994) Spanning / I-O distinction in Quach et al.’s (2020) new theoretical framework. One potential argument that could be developed and tested based on their theorizing may be that firms need both O-I and I-O marketing to enjoy superior performance over time, but that O-I marketing has a multiplier effect on the value of I-O marketing.

Alternatively, it is also worth exploring the obverse question—when might O-I marketing potentially lead to better outcomes? Quach et al. (2020) recognize that unlike O-I approaches, I-O marketing emphasizes short-term efficiency via cost-reduction. Logically, this suggests that firms pursuing strategies and business models focused on efficiency and cost-reduction may benefit from I-O marketing—and there are many firms that adopt such competitive stances in their industries, and some seem to do so successfully over at least reasonably long periods (e.g., Walmart, Xiaomi). Thus, in addition to exploring contingencies that may affect the value of O-I marketing, researchers should also consider and examine when O-I marketing may be more or less valuable.

Quach et al. (2020) also begin the important process of hypothesizing about external contingencies such as marketplace volatility and internal contingencies such as employees' learning efforts that may affect the value of O-I marketing. Identifying and empirically exploring such contingencies is a key task in theory development, and further research efforts in this domain are clearly required. This could usefully begin by addressing whether and to what extent key variables identified in the prior literature may be connected with O-I marketing. For example, does a firm's structural choices explain the performance effects of O-I marketing? In addition, even though senior executives may believe that O-I marketing creates superior firm performance and growth, it is key for them to understand linkages between O-I marketing sub-components and performance under different conditions. In this respect, future research building on Quach et al.'s foundation can usefully focus on identifying and testing the mechanisms that explain when (the conditions under which) and how (the process by which) O-I marketing may contribute to greater firm performance, innovation, product development, and ability to adapt to marketplace changes.

In terms of how to tap the effectiveness of O-I marketing, Quach et al. (2020) suggest using measures that reflect customer-focused indicators of firm performance such as customer engagement (e.g., likes, comments, shares, etc.), brand sentiment, and net promoter scores (NPS). While conceptually focusing on customer-oriented measures makes sense, this also raises potential concerns regarding the reliability of such measures (Katsikeas et al., 2016). For example, in online customer data there is the likelihood of computer-generated fake likes/ shares/ comments, etc. or as P&G's CMO Mark Pritchard calls such data "murky at best". In addition, NPS has been widely criticized as an unreliable indicator of customer satisfaction. Furthermore, the theory of O-I marketing would benefit from exploration of when and how reliable measures of customer performance translate into more traditional accounting and financial market measures of firm growth and performance.

4. Unanswered but Important O-I Marketing Questions Arising

In the spirit of building on the new foundation of Quach et al.'s (2020) review, we also identify a number of unanswered O-I marketing questions arising directly from their work that we believe are important to stimulate new research in this domain.

First, is O-I marketing rare and if so, why? Theoretically, if it is not rare then O-I marketing cannot provide a source of competitive advantage unless it is accompanied by complementary assets that are rare (at least in combination with O-I marketing). This raises obvious questions. If O-I marketing is rare, why is that the case? What are the barriers to achieving O-I marketing that make it difficult to attain? Are they different from those for achieving MO? In general, theoretical and empirical understanding of the antecedents of O-I marketing in the literature has historically been very weak compared that of the consequences of O-I marketing. This needs to change if academic research developments in O-I marketing are to really impact management practice. Perhaps a "gaps model" (like that which accompanied the development of SERVQUAL) would be a useful research lens on this key question. Alternatively, if O-I marketing is not rare but adds value to other rare complementary assets, what are these assets? Are they the same complementary asset types across industries and firms or do they differ? These are theoretically important and practically very relevant questions.

Second, much of the original explosion of interest in MO was spurred by the development and publication of survey measures of the MO construct that allowed empirical examination using common indicators. Given the theoretical developments in thinking about O-I marketing, the next phase of measurement development is now required. Clearly, this is a non-trivial exercise. For example, Quach et al. (2020) posit that O-I marketing refers to the “belief in and practice of…..” suggesting a combined “cultural” and “activity” perspective to measuring O-I marketing is required. This also raises questions regarding the unit of analysis (upper echelons, marketers vs. non, etc.) that will have to be addressed. In addition, developments in data sources and construct indicators over the past thirty years suggest that any measures relying solely on key informant surveys may be challenging (e.g., Morgan et al. 2019). What other data sources and measurement approaches may supplement or substitute for such traditional measurement approaches?

Third, a focus on customers is a key part of what distinguishes marketing as both an academic discipline and a functional area within firms. This focus is (rightly) embedded in Quach et al.’s O-I marketing review and theory development. However, this also raises the interesting question of how other stakeholder groups may be affected by (or even included in) O-I marketing thinking. If Quach et al.’s (2020) intuition is correct then presumably, shareholders may be beneficiaries of firms with O-I marketing-based sustainable competitive advantage, superior performance and stronger growth. While Quach et al. (2020) touch on the effect of firms’ employees on O-I marketing, the reverse relationship is also likely to be of great interest. The original MO literature indicated that MO’s effect on performance outcomes included an effect via employee productivity, presumably through employees being more attracted to—and staying longer working for—firms with a strong MO. Is a similar effect expected at strong O-I marketing companies? Will it be stronger or weaker than for MO? The effects of O-I marketing on other stakeholders (suppliers, governments, communities, natural environment, etc.) will also need to be explored. This is particularly true where (and when) the goals of different stakeholder groups may not be well aligned with those of the customers served by a firm.

Finally, much of the business practice examples identified and unpacked by Quach et al. (2020) highlights how much technology has influenced the practice of O-I marketing. As an applied discipline, marketing theories have to be re-visited, adjusted, and sometimes scrapped and replaced with new theory as new phenomenon emerge in the increasingly dynamic world of marketing practice. There can be little question that technology has dramatically impacted marketing practice over the past decade or so. Yet, the business press is also replete with headlines suggesting that firms' "marketing transformation" efforts often fail to live up to leaders' expectations. This technology-enabled aspect of why and how some firms may be more successful in becoming and maintaining strong I-O marketers is clearly worthy of more exploration.

5. Conclusion

Review papers should aim not just to synthesize and contextualize what is known about a phenomenon but also provide new insights as a result. By bringing an up-to-date understanding of how marketing practice is and has been changing over the past decade, and unpacking the implications of this for understanding O-I marketing in its historical context, Quach et al.'s (2020) paper clearly delivers on the promise of offering new insights. We hope that our commentary helps build on this important new foundation to inspire others to take these new insights and use them to propel both new thinking and empirical research.

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