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Brand orientation and market orientation — From alternatives to synergy ☆

Mats Urde [a,]*, Carsten Baumgarth [b], Bill Merrilees [c]

[a] Lund University, Sweden
[b] Berlin School of Economics and Law, Marketing Division, HWR Berlin, Germany
[c] Department of Marketing, Griffith Business School, Gold Coast Campus Queensland 4222, Australia

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ABSTRACT

This paper explores the interaction between brand orientation and market orientation. Brand orientation is an inside-out, identity-driven approach that sees brands as a hub for an organization and its strategy. Similarly, market orientation is an outside-in, image-driven approach. Initially, brand orientation and market orientation appear to be two different strategic options. Though synergistic combinations are also possible, they are not explored in previous theories, nor labeled as part of branding practice and philosophy. A new type of orientation, a hybrid between brand and marketing orientation, is among the key findings of this study. The paper articulates typical trajectories for evolving the orientation and aspires to move the discussion from the tug-of-war between the two paradigms by developing a more dynamic view. The study paves the way for better understanding, operationalization and evaluation of alternative approaches to marketing.

1. Introduction

The discussion about market orientation and brand orientation is in essence concerned with a company's or organization's approach to brands and the market. Is it the brand identity or the brand image that serves as a guiding light? Should a company's management primarily take the outside-in perspective or the inside-out perspective when guiding their brands? Or should they select a brand approach that is a combination of these two perspectives? How can management square the general principle that *the customer is king* with the specific belief that *our brands are our greatest assets*?

1.1. The brand and the business

In 1989, Nestlé acquired the British confectionery company Rowntree for 4.5 billion USD, which was six times its book value and twenty-six times its annual profit. The fixed assets were 600 million USD, and Nestlé paid 3.9 billion USD for what were described as ‘other values’. Their head of marketing commented in an earlier research study:

> “How much are brands such as Kit Kat, After Eight, Lion, Polo, and Smarties worth? Brands, brand management, sectors, segments are equities valued differently from one firm to another… The value becomes a strategic value” (Urde, 1997, p. 12).

The Rowntree case is a prominent example, acting as a milestone in the way marketers view, consider and work with brands as strategic resources, a fundamental characteristic of the brand orientation approach. A senior vice president at Nestlé remarked in the same study upon the difference between market orientation and the proposed definition of brand orientation:

> “Market orientation is on a more uncomplicated, short-term, and fundamental level. If an organization is only market oriented, then it's still in the discussion about products and markets. Brand orientation is an additional degree of sophistication. To be brand oriented is market orientation ‘plus’.” (Urde, 1999, p. 118).

Has the understanding of brands, the role of brands, and the management of brands fundamentally changed, or are these examples just anomalies: that is, rare exceptions to the rule that can be disregarded? Kuhn (1962, 1977), discussing paradigm shifts, describes a change of practice, the theoretical applications and the set of fundamental rules that define an area or discipline. In a narrow sense, identifying a shift in a paradigm is about ideas expressed in textbooks, while in a broader sense, it can be viewed as what is seen as the theoretical foundation of a given area. It is now vital to backtrack for further reflection on developments within the area of strategic brand management. For example, if an older edition of a marketing textbook by Kotler were to be compared with a more recent edition of a reader on strategic brand management by Kapferer, what conclusions could be drawn? If attention is paid to ‘new‘ concepts such as identity, brand equity, core values, corporate branding, internal branding, employer

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* Corresponding author at: Department of Business Administration, Box 7080, SE 220 07 Lund, Sweden.
E-mail addresses: mats.urde@fek.lu.se (M. Urde), cb@cbaumgarth.net (C. Baumgarth), bill.merrilees@griffith.edu.au (B. Merrilees).

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branding, brand leadership, and reputation, how has theory evolved? And, how do firms manage brands in a practical sense? How are the manager's approach and mindset evolving, with respect to brands, markets and customers?

2. A tug-of-war between brand orientation and market orientation?

Satisfaction of customer needs and wants: this is what the principle of market orientation very successfully maintains. However, when that becomes a mantra, the brand may morph into an unconditional response to customer needs and wants, thereby creating difficulties for the consistency and management of brands. In contrast to market orientation, it is possible to see the brand as a resource and a strategic hub of the company. Essentially, this means that the brand is made super-ordinate to the needs and wants of customers. According to the dominant paradigm in marketing theory, this idea may seem almost heretical. There could thus be a questioning of such familiar maxims as that the customer is always right, that the company must do everything for the customer, and that it must deliver ‘customer delight’.

The wants and needs of the customer are relevant, but they should not unilaterally steer the development of the brand and determine its identity. Strategically companies may have motives beyond the satisfaction of customers' wants and needs. Prioritizing the brand in the organization gives it integrity in relation to customers' desires and the actions of competitors, but also in internal strategic processes. Satisfaction of customer needs and wants occurs within the framework of the brand. In practice, the essence of the brand-orientation approach evaluates proposals depending upon what the brand stands for. The decisive difference is whether or not the core brand identity represents a strategic hub for the company. If a company starts from its brands and regards them as strategic resources, it is an expression of an approach and a mindset (Urde, 1999). Fig. 1 visualizes the basic ideas of market and brand orientation.

The purpose of this conceptual paper is to explore the interaction between brand orientation and market orientation. The concept of brand orientation is positioned in relation to the ruling paradigm of market orientation. The aim is to broaden the debate and introduce a more dynamic view of both brand orientation and market orientation. The broader objective is to pave the way for better understanding, operationalizing and evaluating of alternative approaches to branding and marketing.

3. Concepts of strategic orientations

The concept of strategic orientation is defined as “… the guiding principles that influence a firm's marketing and strategy-making activities” (Noble, Sinha, & Kumar, 2002, p. 25). Discussion is limited here to an overview of brand and market orientation. The strategic orientation of a company is not always the explicit choice of the management. It can include the pattern of decisions or the results of organizational learning (Mintzberg, 1989) and other factors. This issue is relevant to note.

Previous research addresses the conjunction of market orientation with other strategic orientations: (1) innovation or technology orientation (Berthon, Hulbert, & Pitt, 1999; Gatignon & Xuereb, 1997; Olson, Slater, & Hult, 2005; Zhou, Yim, & Tse, 2005), (2) learning orientation (Baker & Sinkula, 1999), (3) entrepreneurial orientation (Miles & Arnold, 1991; Zhou et al., 2005) and (4) production and cost orientation (Noble et al., 2002; Olson et al., 2005). In addition, one paper has differentiated between distinctive types of market orientation (Noble et al., 2002). Much of the debate in theory and practice has been how to lift a production or product orientated firm to a state of market orientation. There is minimal research relevant to the broad relationship between brand orientation and market orientation.

From a performance perspective, Keiningham et al. (2005) analyze in two empirical studies, of a truck manufacturer and a financial institution, the influence of the brand-centric construct brand preference and the customer-centric construct customer satisfaction on the performance outcome, measured as share of spending. In an exploratory study for one non-profit organization, Weisenbach Keller and Conway Dato-on (2010) compare the influence of brand and marketing orientation on performance.

The literature discusses the more specific topic of the relationship between brand equity and customer equity (Keller, 2008; Leone et al., 2006). Keller (2008), and Burmann et al. (2009) underpins the

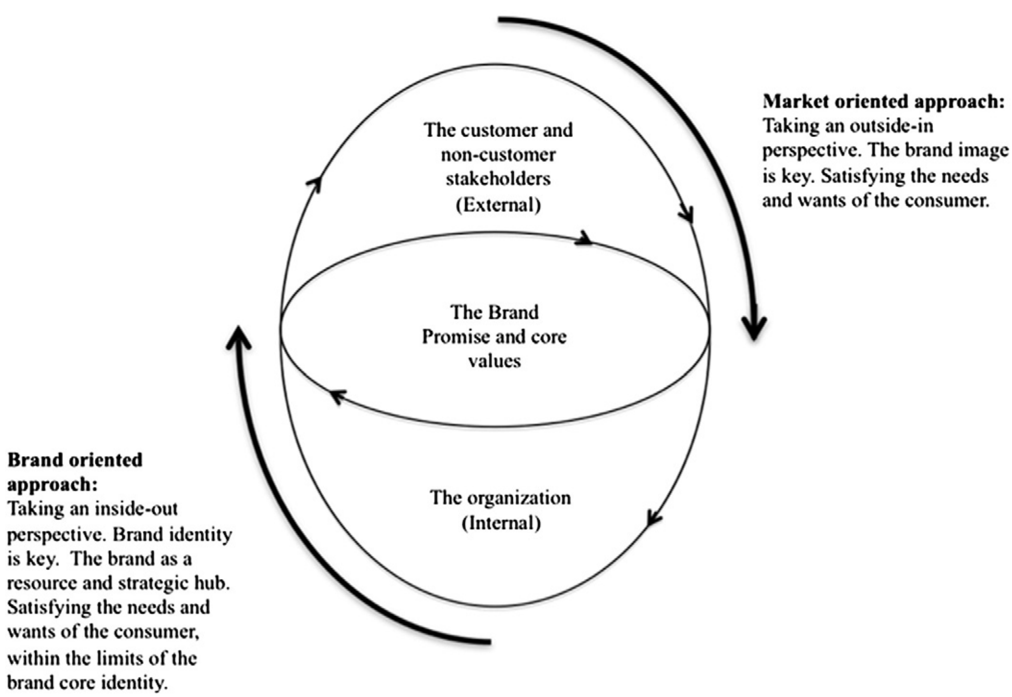

Fig. 1. The market and brand-oriented approaches (based upon ‘The Egg Model’, Urde, 1997).