Retailers’ Fringe Customer Focus and Shareholder Value: The Role of Firm Capabilities to Build and Leverage Market-based Assets

Manjunath Padigar
University of Groningen
Kiran Pedada
University of Manitoba
Ashish Sinha
UTS Business School
Rajendra Srivastava
Indian School of Business

Cite as:
Padigar Manjunath, Pedada Kiran, Sinha Ashish, Srivastava Rajendra (2023), Retailers’ Fringe Customer Focus and Shareholder Value: The Role of Firm Capabilities to Build and Leverage Market-based Assets. *Proceedings of the European Marketing Academy*, 52nd, (114123)

Paper from the 52nd Annual EMAC Conference, Odense/Denmark, May 23-26, 2023

EMAC
EUROPEAN MARKETING ACADEMY

Retailers’ Fringe Customer Focus and Shareholder Value: The Role of Firm Capabilities to Build and Leverage Market-based Assets

Abstract

Popular media and academic journals are replete with commentary about how traditional retailers are increasingly becoming susceptible to disruptive innovations. Literature on disruptive innovation proposes fringe customer focus (FCF) – i.e., strategic intent of a firm to emphasize on the needs of fringe customer segments whose needs are ignored by mainstream market offerings, as a critical firm-level strategic predisposition that can mitigate the risk of disruption and create shareholder value. Drawing on the theories of disruptive innovation and market-based assets (MBAs), the authors argue that the relationship between FCF and shareholder value is contingent upon whether the retailer possesses the complementary capabilities to build and leverage MBAs. The study employs a unique panel data set (N=1,316) consisting of 137 U.S. retailers between 2004 to 2018, created using text mining techniques to measure firm FCF from annual reports, to test the hypotheses. The findings suggest that (1) FCF improves firm value without increasing firm risk; (2) FCF and MBA-building capability work as complementary resources to improve shareholder value via a risk-reducing and return-enhancing mechanism; and (3) FCF acts as a compensatory resource to mitigate the negative effect of MBA-leveraging on firm value. The authors discuss the theoretical contributions and managerial implications of the findings.

Subject Areas: *Market Orientation, Marketing Strategy, New Product Development and Launch, Retailing*

Track: Innovation Management & New Product Development