

# When Innovation Fails to Deliver: Explaining the Innovation–Commercialisation Gap in Premium Technology Brands

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## Abstract

Innovation-driven brands are frequently perceived to achieve enhanced market performance due to their capacity to develop technologically advanced products. However, growing evidence indicates that innovation itself does not ensure commercial success, especially in dynamic and digitally intensive markets. This study examines a premium, engineering-driven technology brand known for its engineering excellence to understand why robust innovation capabilities do not always lead to improved market performance. This conceptual paper adopts a multi-theoretical perspective that integrates Customer-Based Brand Equity (CBBE), Dynamic Capabilities Theory (DCT), and Service-Dominant Logic (SDL) to argue that the primary challenge lies in the misalignment between innovation and commercialisation between innovation and commercialization. The study specifically identifies five key areas of strategic misalignment: the tension between technology-push innovation and market readiness, the contrast between premium pricing and perceived value, the conflict between hardware-centric capabilities and competition within ecosystems, the dilemma of expanding into high-uncertainty domains versus effective market sensing, and the challenge of direct-to-consumer control in relation to distribution scale. The findings indicate that innovation-driven firms may underperform not because of a lack of technological capability, but rather due to inadequate alignment between their internal innovation processes and external market dynamics. This study enriches the branding and innovation literature by redefining innovation failure as an issue of strategic alignment instead of technological shortcomings. It also proposes a multi-theoretical framework to explain branding effectiveness in today's markets. From a managerial perspective, the study emphasizes the importance of integrating customer perceptions, value co-creation, and adaptive capabilities to ensure that innovation effectively translates into sustainable commercial performance.

**Keyword:** Innovation–Commercialisation Gap, Strategic Alignment, Commercialisation Performance, Branding Strategy, Innovation Management

**Introduction**

In the contemporary global economy, innovation has become a central pillar of competitiveness, particularly in digitally intensive and technology-driven industries. In this environment, firms invest heavily in research and development with the expectation that superior technological capabilities will translate into market success and sustained differentiation. However, recent empirical evidence increasingly challenges this assumption, demonstrating that innovation does not consistently translate into improved firm performance, particularly in dynamic and digitally intensive markets (Latifi et al., 2021). This inconsistency is further reinforced by ongoing digital transformation, platform-based competition, and rising consumer expectations for integrated and experience-driven value, which collectively reshape how innovation is evaluated in contemporary markets. (Huang & Rust, 2021a; Peter Verhoefa, 2021) .

The increasing complexity of market ecosystems, characterised by accelerated product life cycles, rapid imitation, and shifting customer expectations, has exposed a critical paradox in innovation research: firms with strong technological capabilities often fail to achieve corresponding market success. This paradox suggests that the relationship between innovation and firm performance is not inherently linear, but contingent upon the alignment between internal capabilities and external market conditions. When such alignment is absent, innovation may fail to create value or, in some cases, may even undermine commercial performance.

Despite extensive scholarly attention to this paradox, existing literature remains limited in its ability to explain why innovation-driven firms continue to experience inconsistent performance outcomes. First, prior research predominantly conceptualises innovation as an internally driven capability, with insufficient attention to how value is realised externally through customer interaction, usage, and experience (Dwivedi et al., 2021; Huang & Rust, 2021b) . Second, the dominant assumption of a uniformly positive relationship between innovation and performance overlooks evidence that innovation may generate diminishing or even adverse outcomes under conditions of strategic misalignment (Latifi et al., 2021). Third, existing studies lack integrative frameworks that simultaneously capture customer perception, value co-creation, and organisational adaptability in explaining innovation effectiveness, particularly in digitally intensive environments where multiple interdependent factors shape firm performance (Pitelis et al., 2024). Consequently, current literature fails to provide a comprehensive explanation of how these interdependent factors collectively influence the translation of innovation into commercial outcomes.

This limitation is particularly salient in the context of premium, engineering-driven brands, where technological superiority does not necessarily translate into perceived value or successful market adoption. Consequently, understanding why innovation fails despite strong technological capabilities remains a theoretically and managerially significant yet underexplored problem.

To address these limitations, this study introduces the concept of the innovation–commercialisation gap, defined as the misalignment between a firm’s ability to generate innovation and its capacity to translate that innovation into market success. Drawing upon Customer-Based Brand Equity (CBBE), Service-Dominant Logic (SDL), and Dynamic

Capabilities Theory (DCT), this study argues that innovation effectiveness is fundamentally contingent upon strategic alignment across technological development, customer value creation, and adaptive organisational processes.

This study contributes to the literature on innovation and branding in three important ways. First, it challenges the prevailing assumption that innovation capabilities inherently lead to superior firm performance by demonstrating that innovation effectiveness is contingent upon strategic alignment rather than technological intensity alone. In doing so, the study reframes innovation failure not as a limitation of capability, but as a misalignment between internal development logic and external value realisation.

Second, the study advances existing theoretical perspectives by integrating Customer-Based Brand Equity (CBBE), Service-Dominant Logic (SDL), and Dynamic Capabilities Theory (DCT) into a unified explanatory framework. This integration responds to recent calls for multi-theoretical approaches that capture the complex interaction between customer perception, value co-creation, and organisational adaptability in digitally intensive markets.

Third, the study conceptualises the innovation–commercialisation gap as a central mechanism linking strategic misalignment to commercialisation performance. By identifying five distinct dimensions of misalignment, it provides a structured framework that explains performance variability among innovation-driven firms and offers a foundation for future empirical investigation.

## **Strategic Misalignment in Innovation-Led Branding**

### *Introduction*

While innovation-driven firms are frequently presumed to achieve superior performance due to their capacity for developing technologically advanced products, recent research indicates that the outcomes of innovation are significantly contingent upon the alignment of internal capabilities with external market conditions (Huang & Rust, 2021a). In digitally intensive environments, where consumer expectations evolve rapidly and competition is increasingly ecosystem-based, technological superiority alone is insufficient to ensure commercial success (Verhoef et al., 2021).

This section posits that the challenges encountered by premium, engineering-driven technology brands can be characterized as a form of strategic misalignment, wherein robust innovation capabilities fail to translate effectively into market performance. By utilizing frameworks from Customer-Based Brand Equity (CBBE), Dynamic Capabilities Theory (DCT), and Service-Dominant Logic (SDL), this analysis identifies and discusses five critical dimensions of misalignment.

### *Technology-Push Innovation versus Market Readiness*

A key tension in innovation-led firms lies in their reliance on internal research and engineering capabilities to drive product development. Although this technology-push approach can facilitate breakthrough innovations, it may also lead to the creation of products that are misaligned with market demand or consumer readiness.

While prior studies emphasise the importance of integrating technological development with customer-centric insights (Huang & Rust, 2021a), they often assume that such integration naturally occurs, overlooking situations where firms prioritise internal capabilities over market signals. This misalignment is especially critical in consumer-facing industries, where successful adoption hinges on perceived relevance and the ease of integration into everyday life.

From an SDL perspective, value is not embedded in products but co-created through use and experience (Weiss et al., 2020). From an SDL perspective, value is not embedded in products but co-created through use and experience. Therefore, innovation that is not aligned with customer practices may fail to generate meaningful value, resulting in limited commercialisation success.

This suggests that the effectiveness of technology-push innovation is not determined by technical superiority alone, but by its alignment with customer usage contexts, reinforcing the role of the innovation–commercialisation gap in shaping market outcomes.

#### *Premium Pricing versus Perceived Value*

Premium positioning is a prevalent strategy among innovation-driven brands, enabling firms to extract value from technological differentiation and brand equity. However, in increasingly competitive markets, consumers tend to evaluate products based on perceived value rather than technological superiority alone.

Although research on digital transformation highlights that value perception is shaped by functional performance, user experience, and complementary features (Verhoef et al., 2021), it often underestimates how quickly perceived value erodes when competitors offer comparable functionality at lower price points. This situation creates a value perception gap, wherein elevated prices are not substantiated by proportionate customer benefits.

CBBE theory suggests that strong brands must maintain perceived superiority and relevance to sustain their premium positioning (Santos et al., 2024). When consumers perceive that alternative products offer comparable outcomes at lower costs, brand-based differentiation diminishes. This shift results in heightened price sensitivity and an increased tendency toward substitution behavior.

This indicates that premium pricing strategies are only sustainable when supported by strong perceived value, and misalignment between price and customer perception contributes significantly to the widening of the innovation–commercialisation gap.

#### *Hardware Strength versus Ecosystem Competition*

A critical shift in contemporary markets lies in the transition from product-based competition to ecosystem-based competition, where value is increasingly generated through the integration of products, software, services, and data.

Digital innovation literature indicates that firms must move beyond product-centric strategies to develop platform-based and ecosystem-oriented capabilities (Stonig et al., 2022)

In such environments, standalone product excellence is inadequate, as consumers prioritize seamless integration, automation, and overall system performance.

From a DCT perspective, this requires firms to reconfigure their capabilities to address emerging technological paradigm (Gobena et al., 2025) . Firms that remain predominantly focused on hardware innovation may encounter disadvantages when competing against ecosystem-driven competitors that leverage software, data, and network effects to enhance customer value.

This highlights that competitive advantage in contemporary markets is increasingly ecosystem-driven, and firms that fail to align hardware capabilities with broader ecosystem integration risk intensifying the innovation–commercialisation gap.

#### *Strategic Expansion versus Market Sensing*

Innovation-driven firms frequently pursue expansion into adjacent markets to capitalize on their technological capabilities. While such diversification can generate new growth opportunities, it also introduces significant uncertainty regarding market structure, customer behaviour, and competitive dynamics.

While Dynamic Capabilities Theory emphasises the importance of sensing opportunities and threats before committing resources (Sun et al., 2024), firms with strong engineering capabilities may overestimate the transferability of their expertise across domains, leading to strategic overextension.

Recent research highlights that effective innovation requires not only the ability to develop new technologies but also the capability to align these innovations with market conditions and customer expectations (Kandemir & Acur, 2022). Failure to do so can lead to investments that are technologically viable but commercially unfeasible.

This implies that successful strategic expansion depends not only on technological capability, but on effective market sensing, and failure to align these dimensions may result in innovation efforts that are commercially misdirected.

#### *Channel Control versus Distribution Scale*

A key strategic dilemma in contemporary markets lies in balancing direct-to-consumer (DTC) control with the need for broader distribution scale. While DTC models enable closer interaction with customers, they may also limit market reach, particularly in regions where traditional retail channels remain dominant (Knapp et al., 2025).

Channel strategy research suggests that firms must balance control and accessibility to maximise market penetration (Chinonso Benjamin Obiajulu et al., 2025) . Over-reliance on direct-to-consumer (DTC) models can hinder growth, while excessive dependence on third-party retailers may dilute brand identity and diminish pricing power.

This creates a challenge for companies trying to balance brand control with the need for broader distribution. In fast-changing markets, businesses should consider hybrid channel

strategies that combine direct and indirect approaches to enhance customer experience while also expanding their market reach.

This suggests that optimal commercialisation outcomes depend on balancing channel control with distribution reach, and misalignment in channel strategy can significantly constrain the ability of firms to translate innovation into market success.

#### *Erosion of Differentiation in Competitive Markets*

Technological differentiation, once a primary source of competitive advantage, is increasingly difficult to sustain due to rapid imitation and accelerated technological diffusion. With advancements in digital technologies, competitors can quickly replicate features, shortening the lifespan of innovation-driven advantages

Recent studies highlight that digital transformation accelerates knowledge diffusion and competitive convergence, intensifying price competition and reducing product uniqueness (Agustian et al., 2023). As a result, firms must progressively innovate not only in products but also in branding, customer experience, and value delivery mechanisms.

From a CBBE perspective, sustained brand equity requires continuous reinforcement of perceived uniqueness and relevance (Marmara, 2025). When differentiation erodes, even strong brands may struggle in maintaining their premium positioning.

This indicates that sustaining competitive advantage requires continuous alignment between innovation, branding, and customer experience, as the erosion of differentiation further amplifies the innovation–commercialisation gap in dynamic markets.

While prior studies consistently emphasise the positive role of innovation in driving firm performance, emerging research highlights the conditional and often inconsistent nature of this relationship. Some studies position technological capability as the primary driver of success, whereas others emphasise customer alignment, ecosystem integration, and organisational adaptability. This divergence suggests that innovation effectiveness cannot be explained through a single theoretical lens, but requires a more integrative perspective. However, existing studies often examine these factors in isolation, limiting their ability to explain complex real-world scenarios where multiple misalignments occur simultaneously. Consequently, current literature lacks a holistic understanding of how different strategic factors interact to influence commercialisation outcomes.

Although these studies provide valuable insights into innovation and firm performance, they are often grounded in linear and isolated assumptions, treating innovation as an independent driver of outcomes. Such approaches fail to capture the complex and interdependent nature of contemporary markets, where technological capability, customer perception, and ecosystem dynamics interact simultaneously. Consequently, existing literature provides limited explanatory power in understanding how multiple dimensions of strategic misalignment interact to influence commercialisation outcomes, highlighting the need for a more comprehensive and integrative framework.

*Synthesis: The Innovation–Commercialisation Gap*

The preceding analysis suggests that the challenges faced by innovation-driven firms can be conceptualised as an innovation–commercialisation gap, where the firm’s ability to generate technological innovation exceeds its ability to translate these innovations into market success(Nieto Cubero et al., 2021).

This gap is driven by five interconnected misalignments:

- Technology-push innovation versus market readiness
- Premium pricing versus perceived value
- Hardware-centric capabilities versus ecosystem competition
- Strategic expansion versus market sensing
- Channel control versus distribution scale

These misalignments reveal the shortcomings of seeing innovation as a separate factor for performance. In reality, commercial success relies on a company's ability to connect innovation with customer value, market trends, and organizational flexibility.

Therefore, a critical gap remains in understanding how these interdependent misalignments collectively shape the translation of innovation into commercialisation performance, necessitating the development of an integrative framework.

**Propositions Development**

*Introduction*

Expanding on the innovation–commercialization gap, this section introduces theoretical propositions that explore how strategic misalignments can impact the ability of innovation-driven firms to succeed commercially. While prior research often assumes a direct positive relationship between innovation and firm performance, recent studies suggest that this relationship is contingent upon multiple organisational and market-level factors(Latifi et al., 2021)

Drawing on Customer-Based Brand Equity (CBBE), Dynamic Capabilities Theory (DCT), and Service-Dominant Logic (SDL), this section conceptualises innovation effectiveness as the degree of alignment between internal capabilities and external value creation processes. Five propositions are presented to highlight the main dimensions of misalignment discussed in Section 2

*Technology-Push Innovation and Commercialisation Performance*

Innovation-driven companies typically depend on their internal R&D and engineering strengths to create new products. However, when innovation is primarily driven by technological capability rather than market demand, firms may struggle to achieve widespread adoption.

While research highlights the importance of customer-centric innovation for ensuring market relevance (Akbar, 2024), it often assumes that such alignment is effectively achieved in practice.From an SDL perspective, value is co-created through customer interaction and usage, implying that innovation must align with customer needs and practices to generate value (Osorno-Hinojosa et al., 2022). When such alignment is lacking, even technologically superior products may fail to achieve commercial success.

*Proposition 1 (P1)*

Technology-push innovation is negatively associated with commercialisation performance through the innovation–commercialisation gap, particularly when market readiness and customer integration are weak.

*Premium Pricing, Perceived Value, and Market Response*

Innovation-driven companies often use premium pricing strategies to leverage the value of their technological differences. However, in competitive markets, customers are increasingly swayed by perceived value rather than just objective performance

Studies in digital marketing highlight that consumers evaluate products based on a combination of functionality, experience, and price, leading to a value-performance trade-off (Osorno-Hinojosa et al., 2022). From a CBBE perspective, perceived value plays a critical role in shaping brand equity and purchase intention (Zheng et al., 2025). When the perceived benefits of a product do not justify its premium price, consumers are more likely to switch to lower-cost alternatives.

*Proposition 2 (P2)*

Premium pricing is positively associated with the innovation–commercialisation gap, which in turn negatively affects commercialisation performance when perceived value does not proportionately justify price levels.

*Hardware-Centric Capabilities and Ecosystem Competitiveness*

Traditional innovation strategies tend to focus on product performance, especially regarding hardware capabilities. However, modern markets are increasingly influenced by ecosystem-based competition, where value comes from the integration of products, services, and digital platforms

Digital innovation research indicates that firms must develop ecosystem capabilities to remain competitive in technology-intensive markets (Linde et al., 2021). From a DCT perspective, this requires the ability to reconfigure resources to align with emerging technological paradigms (Dzreke, 2025). Firms that remain focused on standalone product excellence may face disadvantages when competing against ecosystem-oriented competitors.

*Proposition 3 (P3)*

A strong focus on hardware-centric capabilities increases the innovation–commercialisation gap in markets where ecosystem integration is a dominant source of customer value.

*Strategic Expansion and Market Sensing Capability*

Innovation-driven companies frequently venture into new markets to capitalize on their technological expertise. While this expansion can open up growth opportunities, it also brings uncertainty regarding market dynamics and customer behavior

Dynamic Capabilities Theory emphasises the importance of market sensing in identifying opportunities and aligning strategic actions with external conditions (de Aro & Perez, 2021).

Companies that lack strong sensing capabilities might overreach into markets where their innovations don't match customer needs or the competitive landscape.

Recent research further highlights that successful innovation requires not only technological capability but also the ability to interpret and respond to market signals effectively (Yang et al., 2020).

*Proposition 4 (P4)*

Strategic expansion into new domains is positively associated with the innovation–commercialisation gap when market sensing capabilities are insufficient.

*Channel Strategy Alignment and Market Performance*

The choice of distribution channels plays a critical role in shaping market access and customer experience. Direct-to-consumer (DTC) strategies provide greater control over branding and customer relationships, but may limit reach, while reliance on third-party channels can enhance scale but reduce control.

Channel strategy research suggests that firms must balance control and accessibility to optimise performance outcomes (Grewal et al., 2021). Misalignment between channel strategy and market conditions can lead to reduced market penetration and weakened brand positioning.

From an SDL perspective, effective value co-creation requires accessibility and interaction, which may be constrained by overly restrictive channel strategies.

*Proposition 5 (P5)*

Channel strategy misalignment is positively associated with the innovation–commercialisation gap, thereby reducing commercialisation performance.

*Integrated View of Propositions*

Together, these proposed relationships indicate that the success of innovation strategies depends on strategic alignment across various dimensions, not just on innovation capability alone. The five propositions highlight the main ways in which misalignment can obstruct turning innovation into commercial success.

This integrative perspective enhances existing literature by connecting innovation outcomes with branding, organizational capabilities, and value co-creation processes. This approach offers a more comprehensive understanding of performance differences among innovation-driven companies.

*Section Conclusion*

In summary, this section outlines five propositions that demonstrate how various types of strategic misalignment can adversely affect commercialization performance. By integrating Customer-Based Brand Equity (CBBE), Dynamic Capabilities Theory (DCT), and Service-Dominant Logic (SDL), the study emphasizes that the effectiveness of innovation relies not just on the capacity to develop new technologies, but also on aligning those innovations with customer expectations, market structures, and organizational adaptability.

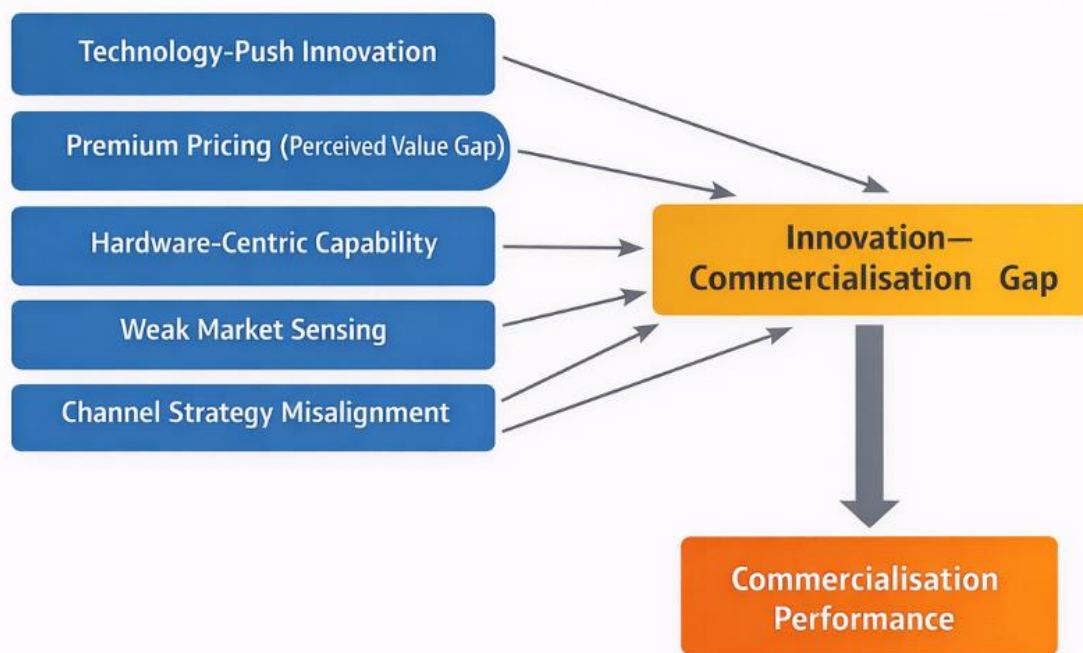
## Conceptual Framework

### Framework Overview

The proposed framework conceptualises the innovation–commercialisation gap as the central mechanism explaining why innovation-driven firms struggle to achieve consistent market performance.

At its core:

- Independent Variables (IVs) = Strategic Misalignments
- Dependent Variable (DV) = Commercialisation Performance
- Theoretical Foundation = CBBE + DCT + SDL



The framework conceptualizes the innovation–commercialization gap as a key mediating mechanism through which strategic misalignments impact commercialization performance. Instead of having direct effects, the identified misalignment factors amplify the gap between innovation capability and market realization, which ultimately reduces commercial outcomes. This mediating perspective offers a clearer understanding of why innovation-driven firms may struggle, even with strong technological capabilities.

The proposed framework positions commercialization performance as the primary outcome of innovation effectiveness, shaped by five dimensions of strategic misalignment. These dimensions include:

- **Technology-push innovation:** Focusing on technology development without considering market needs.
- **Premium pricing relative to perceived value:** Charging high prices that may not align with customer perceptions.
- **Hardware-centric capability orientation:** Emphasizing physical products over service or customer experience.

- **Insufficient market sensing:** Lacking the ability to gauge market dynamics and customer expectations.
- **Channel strategy misalignment:** Discrepancies between distribution methods and market demands.

Each of these factors highlights a potential disconnect between internal organizational capabilities and external market conditions.

Grounded in a multi-theoretical perspective, the framework integrates:

- **Customer-Based Brand Equity (CBBE):** Explaining how perceived value affects customer reactions to pricing and product positioning.
- **Service-Dominant Logic (SDL):** Emphasizing the importance of value co-creation in transforming innovation into meaningful customer experiences.
- **Dynamic Capabilities Theory (DCT):** Highlighting the need for organizations to sense, seize, and reconfigure their capabilities to adapt to changing market environments (Teece, 2020; Vargo & Lusch, 2017).

The framework emphasizes that innovation-driven firms can only achieve superior commercial outcomes when their strategies are in sync with customer expectations, the dynamics of the ecosystem, and their own adaptive organizational capabilities. When there's a misalignment in any of these areas, it weakens the firm's ability to turn innovation into market success, leading to a significant innovation–commercialization gap

### Theoretical Contributions

This study makes several significant contributions to the literature on innovation, branding, and strategic management by rethinking the relationship between innovation and firm performance through a multi-theoretical and alignment-based perspective. By integrating various theoretical frameworks, the research provides fresh insights into how effective alignment can enhance a firm's overall performance and competitiveness

First, this study challenges the widely held belief that having strong innovation capabilities automatically leads to improved commercial outcomes. While previous research has established a generally positive connection between innovation and firm performance, this study suggests that this relationship is more nuanced and conditional. It highlights that various factors, such as market dynamics, customer expectations, and organizational adaptability, play critical roles in determining how effectively innovation translates into improved performance.

By introducing the concept of the innovation–commercialization gap, it shifts the perspective from seeing innovation merely as a driver of outcomes to understanding it as a capability that must be strategically aligned with market conditions. This reconceptualization adds to the growing body of literature that highlights the conditional nature of innovation effectiveness, particularly in dynamic and digitally intensive environments

This reconceptualisation contributes to the growing body of literature that emphasises the conditional nature of innovation effectiveness in dynamic and digitally intensive environments (Zhang et al., n.d.)

Second, this study makes a significant contribution to branding theory, particularly in the realm of Customer-Based Brand Equity (CBBE), by broadening its application to include strategic misalignment mechanisms. While traditional CBBE literature primarily focuses on how brand knowledge structures shape customer responses, this study shows that brand equity is also influenced by a firm's ability to align its pricing strategies, innovation outputs, and value delivery systems with customer expectations. By doing so, it positions CBBE not just as a result of branding activities, but as a crucial mediating factor through which strategic misalignment impacts commercialization performance.

Third, this study enhances the understanding of Service-Dominant Logic (SDL) by underscoring the importance of value co-creation in innovation contexts. While SDL emphasizes that value is co-created through interactions between firms and customers, this study reveals that innovation-driven firms can struggle when they take a product-centric approach that neglects customer integration. By connecting technology-push innovation with decreased commercialization effectiveness, the study offers empirical support for SDL's assertion that value must be realized through customer experiences rather than simply embedded in products.

Fourth, this study expands on Dynamic Capabilities Theory (DCT) by pinpointing specific types of capability misalignment that can hinder innovation performance. While DCT traditionally emphasizes a firm's ability to sense, seize, and reconfigure resources, this study shows that simply having these capabilities isn't enough; they must also be effectively aligned with market realities. In particular, it underscores the crucial roles of market sensing and capability reconfiguration in ensuring that innovation strategies can adapt to changing ecosystem conditions. This contribution enriches DCT by providing a more detailed understanding of how capability misalignment impacts performance outcomes.

Fifth, this study makes a valuable contribution to the literature on digital transformation and ecosystems by incorporating ecosystem competition into the analysis of innovation effectiveness. Previous research has highlighted the shift from product-based to ecosystem-based competition. Building on this perspective, this study illustrates that firms with strong hardware capabilities can still struggle if they do not also develop complementary ecosystem capabilities. This finding emphasizes the need to reconceptualize innovation not as a standalone activity, but as part of a larger value system that includes platforms, services, and data integration.

Finally, this study contributes methodologically by introducing an integrated conceptual framework that connects dimensions of strategic misalignment to commercialization performance through a multi-theoretical lens. By combining Customer-Based Brand Equity (CBBE), Service-Dominant Logic (SDL), and Dynamic Capabilities Theory (DCT), the study addresses the need for more holistic approaches to understanding complex organizational phenomena. This integrative approach not only provides a stronger theoretical foundation for future empirical research but also offers a structured basis for hypothesis testing.

### **Managerial Implications**

The findings of this study provide several important implications for managers in innovation-driven firms, especially those pursuing premium, technology-led strategies in dynamic and

digitally intensive markets. Understanding these insights can help them navigate challenges and optimize their approaches to achieve better commercial outcomes. The central takeaway is that innovation alone is insufficient to guarantee commercial success; it must be aligned with customer expectations and market conditions (Huang & Rust, 2021).

Direction from management should shift their focus from a technology-push orientation to a market-aligned innovation approach. While strong engineering capabilities remain essential, innovation decisions need to be guided by deep customer insights and usage contexts. This requires firms to integrate data analytics, customer feedback mechanisms, and real-time market intelligence into the innovation process. In line with Service-Dominant Logic, value is co-created through use and interaction, which implies that innovation must be embedded within customer experiences to generate meaningful outcomes .

Additionally, firms must carefully manage the relationship between premium pricing and perceived value. Premium positioning can only be sustained when customers perceive clear and differentiated benefits. Research shows that consumers increasingly evaluate offerings based on overall value, including functionality, experience, and convenience, rather than product performance alone (Verhoef et al., 2021). Therefore, managers should ensure that pricing strategies are supported by strong value communication and continuous benchmarking against competitive alternatives.

Moreover, management need to expand their strategic focus from product excellence to ecosystem competitiveness. In digitally intensive markets, competitive advantage increasingly derives from integrated systems involving products, services, and digital platforms. Firms must invest in complementary capabilities such as software integration, data analytics, and platform partnerships to enhance customer value (Kumar et al., 2024). This shift from a product-centric to an ecosystem-oriented strategy is critical for sustaining competitiveness.

The study also highlights the importance of market sensing capabilities in strategic expansion decisions. Managers should avoid over-reliance on internal technological confidence when entering new markets. Instead, expansion strategies should be supported by robust market analysis, experimentation, and iterative learning. Dynamic Capabilities Theory emphasizes that sensing and adapting to external changes are essential for aligning innovation with market opportunities (Pitelis et al., 2024)

Firms must also achieve a balance between channel control and distribution scale. While direct-to-consumer strategies enhance control over branding and customer relationships, they may limit market access. Research suggests that hybrid channel strategies, which combine direct and indirect channels, are more effective in maximizing reach while maintaining brand consistency (Kumar et al., 2024). Management should ensure alignment across channels to avoid pricing conflicts and inconsistent customer experiences.

Finally, management should recognize that differentiation is increasingly temporary in fast-moving markets. Rapid technological diffusion and imitation diminish the sustainability of product-based advantage. Consequently, firms must continuously innovate not only in products but also in branding, customer engagement, and service delivery. Building

organizational agility and learning capabilities is essential for maintaining long-term competitiveness.

Overall, the key managerial implication is that commercialization performance depends on strategic alignment rather than solely on innovation intensity. Managers must ensure that innovation strategies are underpinned by customer-centric value creation, ecosystem integration, and adaptive organizational capabilities.

### **Conclusion**

This study re-examines the common assumption that innovation-driven firms automatically achieve superior commercial outcomes. By introducing the concept of the innovation–commercialization gap, it shows that strong technological capabilities do not necessarily lead to market success. Instead, commercialization performance depends on a firm's ability to align its innovation efforts with customer expectations, market dynamics, and organizational adaptability.

Utilizing an integrated framework that combines Customer-Based Brand Equity (CBBE), Service-Dominant Logic (SDL), and Dynamic Capabilities Theory (DCT), the study identifies five critical areas of strategic misalignment: technology-push innovation, premium pricing relative to perceived value, a hardware-centric capability focus, insufficient market sensing, and imbalances in channel strategy. These misalignments collectively explain why innovation-led strategies may underperform in today's ecosystem-driven markets.

The findings contribute to the literature by reframing innovation effectiveness as an issue of strategic alignment rather than simply technological inadequacy. They also provide a multi-theoretical explanation for the performance variability observed among innovation-driven firms. For practitioners, this study emphasizes the need to move beyond merely focusing on innovation intensity and instead adopt market-oriented, adaptive, and value-driven strategies.

In an era marked by rapid technological change and increasing competitive convergence, the ability to align innovation with evolving market realities is no longer optional; it is essential for achieving sustainable commercial success.

### **Boundary Conditions and Future Research**

While this study offers a comprehensive understanding of the innovation–commercialization gap, its arguments are subject to several boundary conditions that define the scope and applicability of the proposed framework. Firstly, the framework is primarily relevant to innovation-driven, premium-positioned firms operating in technology-intensive and consumer-facing markets. In these contexts, customer perceptions, ecosystem dynamics, and rapid technological change play a crucial role in shaping commercial outcomes. The significance of the proposed misalignments may be less pronounced in low-technology or cost-driven industries, where competitive advantage relies more on operational efficiency than on innovation and branding (Verhoef et al., 2021) Future research should, therefore, investigate whether the identified relationships hold true across various industry contexts, including manufacturing, services, and emerging markets.

Secondly, this study adopts a conceptual approach, and the proposed relationships have yet to be empirically tested. While the propositions are grounded in established theories, their empirical validity needs further exploration. Future studies are encouraged to operationalize the identified constructs and test the framework using quantitative methods, such as survey-based research or structural modeling. In particular, assessing the strength and direction of the relationships across different firm sizes and market conditions would provide valuable insights into the generalizability of the model.

Thirdly, the framework focuses on strategic misalignment as a direct influence on commercialization performance, without considering potential mediating or moderating variables. Future research could extend the model by investigating the role of organizational learning, digital maturity, or AI adoption as moderating factors that affect the relationship between innovation strategies and performance outcomes. Prior research indicates that technological readiness and organizational capabilities significantly shape the effectiveness of innovation in digital environments (Huang & Rust, 2021; Dwivedi et al., 2023).

Fourthly, this study takes a firm-centric perspective, emphasizing organizational strategies and capabilities. However, innovation outcomes are also influenced by broader ecosystem actors, including partners, platforms, and customers. Future research could adopt a multi-actor perspective, exploring how collaboration, co-innovation, and platform participation affect the alignment between innovation and market performance (Nambisan et al., 2022). This would lead to a more holistic understanding of innovation effectiveness in ecosystem-driven markets.

Fifth, the framework assumes relatively stable strategic orientations, while in reality, firms continuously adapt their strategies over time. Longitudinal research could provide deeper insights into how firms dynamically manage alignment between innovation and commercialization. In particular, examining how firms reconfigure their capabilities in response to market feedback would contribute to the development of Dynamic Capabilities Theory (Teece, 2020).

Finally, future studies could explore context-specific applications, particularly within emerging economies and SME environments. Given that resource constraints, digital readiness, and market structures vary significantly across contexts, the nature and impact of strategic misalignment may differ. This is especially pertinent for SMEs, where limited resources may amplify the consequences of misalignment in innovation strategies.

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