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Marketing Philosophies and Market Orientation: A review and conceptual analysis

Why some companies are more successful than another? The answer probably depends by organizations ability to provide and deliver superior customer value. Marketing concept and market orientation are the aspects of business culture that motivates employees throughout the organization to place the highest priority on the profitable creation and maintenance of superior customer value.

INTRODUCTION

During many years, managers and researchers have tried to recognize: why some companies are more successful than another? The answer probably depends by organizations ability to provide and deliver superior customer value, which perception through last two hundreds years has been changed under influence of evolution process in industry and service sphere. For better explanation, it seems necessary to set a number of definitions. In past, a place where buyers and sellers gather to exchange goods and services named the market. Today, state Kotler et al. (1999, 338) under term "market" we understand "the set of all actual and potential buyers of a product or service". The term "marketing" derived from term "market", market's needs, and means "a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others" (Kotler et al. 1999, 10). Baker (1990, p.148) defines marketing as "getting the right goods and services to the right people at the right time at the right price with the right communication and promotion". For successful achieving organizational objectives, these exchanges with buyers should be managed, in terms of analyzing, planning, implementation and controlling. All this creates the system of beliefs or in other words philosophies of how we should manage marketing. Even over two hundreds years ago, Adam Smith described the "sovereignty of the consumer" (Levitt 1969), and this effectively states one of the main principles of marketing – focus on the customer. Two centuries later, Levitt (1969) reaffirmed Smith's view, saying that the purpose of an enterprise is to create and keep a customer. But, during this long period, a number of other different approaches took place under which organizations allowed to pass through.

In the framework of Kotler et al. (1999) , five alternative concepts of marketing activities has been provided. They are the production, product, selling, marketing and societal marketing concepts.

MARKETING PHILOSOPHIES

The Production Concept

The one of the oldest philosophies that guides sellers, the *production concept* suggests that consumers are positive related with products that are available and easy for purchasing, and that management should focus on improving production and distribution. The well-known Henry Ford's sentence that his customers could order the mass-produced Model T in any colour they wanted, as long as it was black, is an example of production concept philosophy when the demand for a product exceeds the supply. Focusing on production and improving productivity leads to reducing costs of product, which could also make better company position at the market.

The Product Concept

Another philosophy that guides sellers is the *product concept*. According to the product concept, consumers will be benevolent to products that offer the most quality, performance and innovative features and that an organizations should make continuous product improvements. Sometimes, during periods of shortage, the providers, mostly service provider, could returns and operate in an otherwise, for example when supply limitations caused by strikes or bad weather or it could be the result of sudden increase in demand relative to supply. For example, during a public transport strike, taxi operators may realize that there is a temporary massive excess of demand relative to supply and so may make lower their standards of service to casual customers (like longer waiting times). In Israel, for example, when cellular telephone company Cellcom started their penetration, with very cheap tariff, customers "forgave" the frequent service interruptions.

The Selling Concept

According to the philosophy of *selling concept*, customers will not purchase enough of the company's goods and services, unless it undertakes a large-scale selling and promotion effort. Facing with an increasingly competitive market, the natural reaction of some organizations has been to shout louder to attract customers to purchase its products. Product policy was driven by the desire to produce those products that the company felt it was good at producing. Advertising, sales promotions and personal selling were increasingly used to emphasize product differentiating and branding. A selling concept or sales orientation was a move away from a strict product orientation. But by definition it is not focused on satisfying customer's needs. When a company had identified customer's needs and provided a product offering that satisfied these needs, then customers should be interesting to buy the product, better than the company will start with intensive sales techniques. According to Drucker (1973), the purpose of marketing is to know and understand the customer so good that the product or service fits him and sells itself, all that must be necessary is to make the product or service available.

In politics, a political party practiced the selling concept, state Kotler et al. (1999, 18) "...will vigorously sell its candidate to voters as a fantastic person for the job. The candidate works hard at selling him or herself – shaking hands, kissing babies, meeting donors and making speeches. Much money also has to be spent on radio and television advertising, posters and mailing. Candidate flaws are often hidden from public because the aim is to get the sale, not to worry about consumer satisfaction afterwards." O'Cass (2001, 1023) argued, with previous suggestion and offered that "marketing techniques and theories have the potential to offer political parties and candidates the ability to analyze and address diverse voter concerns and desires in a more programmatic and strategic manner. Marketing has the ability to help determine resource allocation much more pragmatically than the *ad hoc* gut feel approach that often dominates decision making in political parties. More importantly, a marketing orientation allows a party a mechanism to understand and address the basic needs and wants of voters and attempt to deliver an offering effectively via sound marketing management."

The Marketing Concept

During the 1960s things began to change. Markets started to show the first elements of maturity and saturation. New technologies and new market trends were came out. As a result companies began pioneering the new concept, which concentrate on satisfying customer needs for company's long-term financial success in the marketplace. Keith (1960) proposed that organizations go through an evolutionary process and move towards the marketing concept and Webster (1992) advanced this proposition by arguing that marketing becomes the culture of the organization

Figure 1
The selling and marketing concepts contrasted

	Starting point	Focus	Means	Ends
The selling concept	Factory	Existing products	Selling and promoting	Profits through sales volume
The marketing concept	Market	Consumer needs	Integrated marketing	Profits through customer satisfaction

Source: Kotler et al. (1999)

and is part of everyone's job description. Such a conception of marketing implies that the ultimate position or philosophy for an organization is marketing or more importantly the marketing concept.

The *marketing concept* is the marketing management philosophy which suggests that "achieving organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more efficiently than competitors do" (Kotler et al. 1999, 19). In opposite to the selling concept which holds an inside-out or stretch perspective, the marketing concept holds an outside-in or fit perspective, based on a well-defined market, focusing on customer needs, co-ordinating all the marketing activities by creating long-time customers relationships focused on customer value and satisfaction. Sometimes borders between selling concept and marketing concept are eroded. Kotler et al. (1999) provide a solid illustration for contrasting the differences between them (see Figure. 1).

Focusing on the customer needs state Kotler et al (1999), marketing concept does not mean that an organization should attempt to give all consumers everything they want. The golden rule is balancing between more value for customer against creating profits for the company.

Nijssen & Frambach (2001) provide a clear framework of the relationships between the different management concepts. In this framework level of product orientation versus customer orientation had been put in matrix versus level of profit orientation and benevolent behaviour (see Figure 2).

The difference between the selling concept and the marketing concept state Nijssen & Frambach (2001, 11) became "now clear. Although the selling concept may appear customer oriented, the person who focused on sales will make a sale whenever possible, even if s/he knows that in the long the customer may be unhappy with the product or that better options are available. In the marketing approach the idea is not so much to make a sale per se, but to provide customer value and earn customers' trust in order to turn customer into loyal customers, ensuring future sales. It may imply 'refusing' a sale and referring the customer to a better solution or competitor in the hope that this is appreciated and may result in future sales. Customer value and facilitating the exchange process by creating customers' trust and customers' willingness to invest in their relationship with the company are at the core of the marketing concept."

The Societal Marketing Concept (SMC)

The societal marketing concept is the newest of the marketing management philosophies. According to the societal marketing concept idea, the organization should determine the needs, wants and interests of target markets and deliver the wished very much satisfactions more effectively and efficiently than competitors in purpose to improve the consumer's and society's well-being. The main question risen in this approach accents on if the company that serves individual wants is always doing everything what is best for consumers and society in the long run? Kotler et al. (1999) suggest that societal marketing concept is balanced upon three considerations (see Figure 3) in marketing policies as company profits, consumer wants and society's interests.

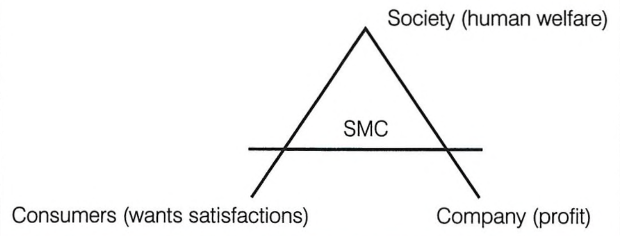
The marketing decisions in the most companies based on the idea of short-run company profit. Now, recognizing of long-run importance of satisfying customer wants began a vogue, and even many companies are starting to understand an importance of so-

Figure 2.
The relationship between different management concepts

	Product oriented	Customer oriented
Profit oriented	Product concept	Selling concept
Benevolent	"In love with one's product"- craftsman	Marketing concept

Source: Nijssen & Frambach (2001)

Figure 3
Three considerations underlying the societal marketing concept



Source: Kotler et al. (1999)

ciety's interests when making their marketing decisions (Kotler et el., 1999).

During the time strategic thinking in marketing dimension has become a functional strategic thinking, which specified it's own domain with new category of market orientation.

MARKET ORIENTATION

Basics of market orientation definition and aims can be tracked back to Peter Drucker and the growth of marketing impact after the Second World War. According to Drucker's (1954) suggestion, each company should be engaged in marketing and rank the customer's needs and wants first, so that marketing is much broader than selling and whole business final results should be looking from the customer's point of view.

The orientation on a customer needs and customer's point of view on business has had different dimensions and today it is possible to find terms such as "Market orientation" (Kohli & Jaworski 1990, Narver & Slater 1990, Ruekert 1992), "Marketing orientation" (Payne 1988, Gummesson 1991), "Customer orientation" (Kelley 1990), "Integrated marketing" (Felton 1959), "Marketing community" (Messikomer 1987). Shapiro (1988), when discussing this topic, suggests that the terms market orientation, marketing orientation, customer orientation, means to be close to the customer, etc. are so similar that it is hard to establish a distinction among them.

Various approaches to the concept of market orientation allow differentiate them in five perspectives as:

- the decision-making perspective;
- the market intelligence perspective;
- the culturally based behavioural perspective;
- the strategic perspective; and
- the customer orientation perspective (Lafferty & Hult 2001).

The decision-making perspective

According to Shapiro (1988), market orientation is an organizational decision-making process which includes a strong commitment by management to share information interdepartmentally and practice open decision making between functional and divisional personnel. Shapiro (1988) suggests that market-driven company based on 1) transferring information on all important buying through every corporate function, 2) sharing a strategic and tactical decisions making between inter-functional and interdivisional staff and 3) good coordination between divisions and functions for decisions and executing them with a sense of commitment.

The first characteristic illustrating a market orientation emphasizes the requirement for the company to understand its markets and customers and to permit this customer information to permeate through every corporate function. Different information that is generated like market research reports, industry sales analyses, taped customer responses, and trade show visits by top managers is scattered to every corporate function.

The second characteristic suggested by Shapiro (1988) means that a market-oriented company must control the skill to make strategic and tactical decisions inter-functionally and inter-divisionally for solving the possible potentially conflicts between objectives of different modes of operation. To make wise decisions, according to Shapiro (1988), functions and units must accept their differences and be willing to use practically and effectively an open decision-making process.

The third characteristic suggested by Shapiro (1988) means doing well-coordinated decisions within the divisions and functions and carrying them with a sense of commitment. The strengths of market-oriented company can leverage by joint sharing of different ideas and discussion. According to Shapiro (1988) powerful internal coordination makes communication clear, connection strong, and commitment high.

The market intelligence perspective

Kohli & Jaworski (1990, 6) defined market orientation as "the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it". In addition, they identified three elements of market orientation: intelligence generation, dissemination, and response. Kohli & Jaworski (1990) consider an operative model of market orientation, described as the interaction among these three kinds of activities:

1. All enterprises must generate a system of market information that facilitates knowing actual and future customer needs.
2. Diffusion of this market knowledge to all enterprise departments.
3. Enterprises need to be receptive to this knowledge, its influence showing in the enterprise actions.

In 1993 Kohli et al. (1993) developed a research methodology called Markor, to measure the market orientation of a company or a strategic business unit. The survey developed by Kohli et al. (1993) specifically determines:

- the effect of three sets of factors on market orientation;
- the hypothesized effect of a market orientation on business performance; and
- the role of environmental characteristics in moderating the relationship between market orientation and business performance.

Using the overall measure of market orientation, Jaworski & Kohli (1993) found that market orientation was positively related to the firm's self-reported performance measure.

The culturally based behavioral perspective

Narver & Slater (1990, 21) defined market orientation as "the organization culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continuous superior performance for the business". Focusing on long-term profitability from target markets, they included three elements in their market orientation measure: customer orientation, competitor orientation, and inter-functional coordination.

According to Narver & Slater (1990), the customer orientation element means that an organization has a sufficient understanding of the customer for creating and providing products or services of superior value for them. This comes about through increasing the benefits to the buyers or customers while decreasing their costs. A customer orientation requirement help to ensure that the company will be understand value to the customers also for the future.

The competitor orientation described by Narver and Slater (1990) means that the organization understands the short-term strengths and weaknesses and long-term capabilities and strategies of current and potential competitors. In parallel to the customer orientation, the competitor orientation includes a solid analysis of the competitors' technological capabilities for self-assessment their ability to satisfy the same buyers.

The third behavioural component cited by Narver & Slater (1990) is inter-functional coordination which refers to the manner in which an organization uses it's resources in making superior value for target customers. This coordinated integration of business resources is closely linked to the customer and competitor orientation. Staff within an organization has responsibility for creating value, and marketing orientation requires that the organization draws on the information generated and through the coordinated use of company resources, disseminates the information within the organization. For higher effect, all departments must be sensitive to the needs of all the other departments in the organization.

Narver and Slater (1990) found that market orientation was positively related to the firm's self-evaluative ROA.

The strategic perspective

Ruekert (1992, 228) defined the level of market orientation in a business unit as "the degree to which the business unit obtains and uses information from customers, develops a strategy which will meet customer needs, and implements that strategy by being responsive to customer needs and wants". Borrowing different aspects from the definition of market orientation proposed by Kohli & Jaworski (1990) and Narver & Slater (1990), Ruekert (1992) focused on the business unit rather than the corporate or individual market as the unit of analysis.

A high degree of consensus links between market orientation and firm market performance. Ruekert (1992) suggests that more market oriented firms outperform their less market oriented competitors.

According to Ruekert (1992), customer is the most critical external environment in developing a market orientation of the firm. The second dimension of market orientation according to Ruekert (1992) is the development a customer focused strategy. This impact considers some level of degree to which the strategic planning process includes customer needs and wants and develops specific strategies to satisfy them. In the third layer, the customer-oriented strategy is full depended, implemented and executed by company staff to the needs and wants of the marketplace.

Being market-oriented will expose the enhanced profits this orientation achieves, in sales, innovation and results. Ruekert (1992) also found the relationship between market orientation and results, i.e. market orientation has positive effects on profitability.

The customer orientation perspective

Another definition of market orientation was provided by Deshpande et al. (1993) who defined customer orientation as equivalent to market orientation, as "the set of beliefs that puts the customer's interest first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitability enterprise". Like the previous authors, they also found that customer orientation was positively related to a self-reported performance measure. They argue that since a competitor orientation can be negative related to a customer orientation, they exclude the competitor impact from the market orientation concept. The authors put the main accent on the cultural dimension and view customer orientation as being part of the overall corporate culture.

How market-oriented company could be recognized? How to build a market-oriented company? Lafferty & Hult (2001, 98) provided a synthesized framework, which integrate different conceptions and approaches of market orientation. According to them there are four general spheres of that perspectives, include:

- an emphasis on customers;
- the importance of shared knowledge (information);
- inter-functional coordination of marketing activities and relationships; and
- responsiveness to market activities by taking the appropriate action.

Esteban et al. (2002, 1005) summarized that in the method of marketing thinking, "marketing ceases to be a function to become a way of doing business. There seems to be total agreement, when defining market orientation according to these five dimensions:

- Consumer orientation.
- Competitor orientation.
- Supplier-dealer orientation.
- Environment orientation.
- Inter-functional coordination."

Day (1994) recognizes a six -step framework for companies to become market oriented:

- Analyzing of current capabilities,
- Anticipation of future requirements,
- Bottom-up-redesign of underlying processes,
- Top-down support and commitment for the changes,
- Smart and creative using of information technology,
- Continuous implementation and control of the company's market orientation behaviour.

SUMMARY

Marketing concept and market orientation are the aspects of business culture that motivates employees throughout the organization to place the highest priority on the profitable creation and maintenance of superior customer value. As such, it establishes norms for behavior regarding the organization-wide development of and responsiveness to information about customers and competitors, both current and potential. The market-oriented organization should be well positioned to anticipate marketplace evolution and to respond through the development of new customer value-focused capabilities and the addition of innovative products and services.

Market-oriented firms, state Agarwal et al. (2003, 78), are "usually better at 'sensing' the market and tying their products more closely to what the customer wants. Market-oriented firms should therefore be able to innovate in a way that provides superior value for their target customers. Service companies may do this by developing new services, or by reformulating existing ones, creating new distribution channels or discovering new approaches for management or competitive strategy. Innovation is particularly important to service firms, as their products are difficult to protect through patents and copyrights. Service firms may need continuously to innovate to stay ahead of competitors." Market-oriented businesses have a competitive advantage in both the speed and effectiveness of their responsiveness to opportunities and threats.

A business culture is a source of competitive advantage only when it is valuable, rare, and difficult to imitate.

Market-oriented firms better satisfy their customers. Krepapa et al. (2003, 214) found that in service firms market orientation assessments influence the firm's self-reports and their customers' evaluations, because it is related to customer satisfaction. They suggest that "components of market orientation also have a negative relationship with customer satisfaction, suggesting a synergistic effect between high levels of each. Reducing the gap between the service providers' and customers' perceptions can be achieved by altering the providers' market-oriented behaviours and/or by managing customers' expectations. Greater perception consistency leads to a more positive satisfaction response and enhances the likelihood that a long-term provider-client relationship will develop."

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