

MARKETING PRINCIPLES

1

WEEK TWO

Learning Outcome One (1)

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- LO1 Understand the concept and process of marketing

Objective

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- By the end of this lesson you should be able to:
- 1.2 evaluate the benefits and costs of a marketing orientation for a selected organisation



Overview

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- Marketing orientation is quite important in marketing. It is one of the many marketing philosophy/concepts used to guide the marketing activities of companies.
- It is very important that you understand the cost and benefits of marketing orientation, as well as, be able to evaluate the benefits and costs of a marketing orientation for a selected organization.

Reminder: What is Marketing concept

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- “the marketing concept takes an outside-in perspective. It starts with a well-defined market, focuses on customer needs, coordinates all the marketing activities affecting customers, and makes profits by creating long-term customer relationships based on customer value and satisfaction. Under the marketing concept, companies produce what consumers want, thereby satisfying consumers and making profits (Kotler et al., 2008).”

Links between marketing orientation and building competitive advantage

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- What is competitive advantage?
- “Competitive advantages are conditions that allow a company or country to produce a good or service at a lower price or in a more desirable fashion for customers (Investopedia, 2007).”
- It is assumed that if a firm concentrates on meeting the needs of different target customers based on their demand and supply, then overtime, you will have more customers buying the product. If more customers are buying the product then the company may be able to produce in bulk and thus sell at lower prices.

Links between marketing orientation and building competitive advantage

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- There are many research about the link between marketing orientation and building competitive advantage:
- “market orientation has a positive effect on business performance in both the short and the long run. However, the sustained advantage in business performance that market orientation provides is greater for the firms that are early to develop a market orientation within an industry (Kumar et al., 2011).”
- “These firms also gain more in sales and profits than firms that are late in developing a market orientation. Furthermore, firms that adopt a market orientation realize additional benefit in the form of a lift in sales and profit due to a carryover effect. In addition, a market orientation has a more pronounced effect on a firm’s profits than sales because a market orientation focuses a firm’s efforts on customer retention rather than on acquisition (Kumar et al., 2011).”

Benefits of marketing orientation

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Benefits of building customer satisfaction:

- When a business builds a relationship with customers by supplying them with the types of products that they demand based on the marketing orientation philosophy then customers will experience customer satisfaction.
- This one of the benefits of marketing orientation/concept.

Benefits of marketing orientation

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- Marketing orientation can result in the following benefits:
- desired quality-service and customer care;
- relationship marketing;
- customer retention;
- customer profitability;

Costs of marketing orientation

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- Costs of a too narrow marketing focus

- Less Product Differentiation

“Spending more time on customer interaction and research can detract from fine-tuning your product features. Having a product differentiation strategy is more difficult with a marketing orientation. Your competitors may be able to develop more distinct features and more cutting-edge advances in their products. The hope for marketing-oriented businesses is that these more-advanced products miss the mark on what customers want or cost too much (Yourbusiness.azcentral.com, 2016).”

Costs of marketing orientation

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- Lack of Predictability

“A marketing orientation makes advanced planning on product development and product much more difficult. Your business must respond to the perpetual changes in consumer desires from your solutions. Marketing-oriented companies must have strong technology infrastructures and clearly defined communication channels to allow for efficient response times. Production processes must flex to the new features customers want and marketing, and sales employees need to know what benefits to use in persuasive selling (Yourbusiness.azcentral.com, 2016).”

Review Question

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- Explain two advantages of marketing orientation.
- Explain two disadvantages of marketing orientation.
- Select a company and then evaluate the benefits and costs of marketing orientation for that selected country.

References/Additional Reading List

1. Yourbusiness.azcentral.com. (2016). [online] Available at: <http://yourbusiness.azcentral.com/advantages-disadvantages-having-marketing-orientation-organization-1510.html#> [Accessed 9 Sep. 2016].
2. Investopedia. (2007). *Competitive Advantage*. [online] Available at: http://www.investopedia.com/terms/c/competitive_advantage.asp [Accessed 9 Sep. 2016].
3. Kotler, P., Armstrong, G., Wong, V. and Saunders, J. (2008). Marketing in a Changing World: Creating Customer Value and Satisfaction. In: P. Kotler, G. Armstrong, V. Wong and J. Saunders, ed., *Principles of Marketing*, 5th ed. [online] Prentice Hall. Available at: http://www.prenhall.com/marketing/armstrong/38187_01_p1-33.pdf [Accessed 30 Aug. 2016].
4. Kumar, V., Jones, E., Venkatesan, R. and Leone, R. (2011). Is Market Orientation a Source of Sustainable Competitive Advantage or Simply the Cost of Competing?. *Journal of Marketing*, 75(1), pp.16-30.