PERSPECTIVES AND APPROACHES OF MARKET ORIENTATION- A STUDY

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Abstract

In an era of increasing market turbulence and intensifying competition, a robust market orientation has become a strategic necessity. Robust market orientation can enhance the effectiveness of any strategy, and serve as one of the few sustainable sources of advantage left in an environment of rapid technological change and aggressive competitive imitation and leap-frogging of strategies' (Day, 1998). Market orientation is the major determinant in creating sustainable competitive advantage and hence long term profit (Levitt, 1970).Researchers in the past conceptualized market orientation as a set of specific behaviors and activities, a basis for decision making, as a resource and capability, an aspect of organizational culture. The market orientation has been studied from a number of perspectives; namely, decision-making perspective, market intelligence perspective, culture based behavioral perspective, strategic perspective, customer orientation perspective, system-based perspective, market-based organizational-learning perspective and customer relationship perspective So, in this paper an attempt has been made to study the appropriate opportunity, they are in a position to make significant contribution to the socio-economic development of the nation and side by side ways and means to woo the consumers.

"If there is one place on the face of earth where all the dreams of living men have found a home from the very earliest days when man began the dream of existence, it is India"

- Nobel Laureate Romain Rolland

Keywords- Introduction, Objectives, Approaches and Perspectives of Market Orientation

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Introduction

Market orientation has been defined in terms of three components: (1) obtains and uses information from customers; (2) develops a strategy which will meet customer needs; and (3) implements that strategy by being responsive to customers' needs and wants" (Ruekert, 1992). Hunt and Morgan (1995) define market orientation as: (1) the systematic gathering of information on customers and competitors, both present and potential, (2) the systematic analysis of the information for the purpose of developing market knowledge, and (3) the systematic use of such knowledge to guide strategy recognition, understanding, creation, selection, implementation, and modification. Lado et al. (1998) have taken broader perspective to explain market orientation. Market orientation can be conceptualized as consisting of nine facets:-

- Analysis of the final customers
- Analysis of intermediate customers (distributors)
- Analysis of the competitors
- Analysis of the market environment
- Strategic actions on the final customers
- Strategic actions on intermediate customers (distributors)
- Strategic actions on the competitors
- Strategic actions on the market environment
- Inter-functional coordination

The different researchers have defined market orientation in a different way, For instance:-

- **Kohli and Jaworski (1990) 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 market intelligence*".

- **Narver and Slater (1990) define** *"market orientation as the sufficient understanding of one's target buyers to be able to create superior value for them continuously"*.

- **Becker and Homburg (1999) states** "*that market orientation is the degree to which the different management systems of an organization are designed in a market-oriented way*".

- **Ruekert (1992) defines the level of** *"market orientation as the degree to which the business unit (1) obtains and uses information from customers; (2) develop a strategy that meets customer needs; and (3) implements that strategy by being responsive to customers' needs and wants"*.

- **Day (1994) says that** *"market orientation represents superior skills for understanding and satisfying customers"*.

- **Hunt and Morgan (1995) have described** *"market orientation as; systematic gathering of information on customers and competitors, both present and potential, systematic analysis of the information for the purpose of developing market knowledge and systematic use of such knowledge to guide strategy recognition, understanding, creation, selection, implementation, and modification"*.

- **Lado et al., (1998) explain** "*market orientation as the extent to which firms use information about their stakeholders to coordinate and implement strategic actions*".

Objective of study

The main objective of this research paper is to study and evaluate the benefits, role and implications of Market orientation. Its real –time cost benefits helps to fulfill the emerging needs of today's business. This is a research paper which after briefly presenting the current market orientation situation in India. The primary objective of this paper is to study the market orientation conceptualized as consisting of following nine facets:-

- Analysis of the final customers
- Analysis of intermediate customers (distributors)
- Analysis of the competitors
- Analysis of the market environment

- Strategic actions on the final customers
- Strategic actions on intermediate customers (distributors)
- Strategic actions on the competitors
- Strategic actions on the market environment
- Inter-functional coordination

Research Design

The present study is exploratory and based on the secondary data collected from journals, internet and publications of various business enterprises.

Approaches of Market Orientation

Jaworski et al. (2000) stated that there are **two approaches** to being market-oriented a "market-driven approach" and a "driving-market approach". These are described as follow:-

- **Market-Driven**: Market-driven refers to a business orientation that is based on understanding and reacting to the preferences and behaviors of actors within a given market structure or refers to learning, understanding and responding to customer and stakeholder perceptions and requirements within a given market structure (Jaworski & Kohli & Sahay 2000). Market driven firms put the customer first throughout the organization – the goals and objectives, the strategy, the culture, and the structure (1), demonstrate superior ability to understand attract and keep valuable customers (day, 1999), gain a more sustainable competitive advantage by delivering a leap in customer value through a unique business system (1).

The aim of market driven organization is to demonstrate a pervasive commitment to a set of processes, beliefs and values reflecting the philosophy that all decisions start with the customer and are guided by a deep and shared understanding of the customers need and behavior and competitor capabilities and intentions, for the purpose of realizing superior performance by satisfying customers better than competitors (Day, 1994). Market driven firms have superior market sensing, customer linking and channel bonding capabilities. In market driven firms the processes for gathering, interpreting, and using market information are more systematic, thoughtful, and anticipatory than in other firms (Day, 1994).

- **Driving Market:** Market driving implies influencing the structure of markets and/or the behaviors of actors in a direction that enhances the competitive position of the firm (Jaworski & Kohli & Sahay 2000). Market driving organizations anticipate the changing nature of the market in the future and develop strategies to adapt the organizations to ensure long-term success (1). Two perspectives have been discussed in market driving studies: internal perspective and external perspective.

  1) **Internal Perspective**: From internal perspective market driving firms are characterized by radical business innovation on two dimensions: uniqueness of business system and revolution in customer value proposition. Business system was defined as the configuration of different activities required to create, produce, and deliver the value proposition to customer. Value proposition as the combination of benefits, acquisition efforts/costs, and price offered to customers (Kumar, 2000).
  2) **External Perspective:** According to the external perspective market driving is associated with changing the composition and/or roles of players in a market and/or behaviors of players in the market (Jaworski et al., 2000).

Further, Narver et al. (2004) divided market orientation into responsive (market driven) and proactive market orientation (market driving). Responsive market orientation (addresses the expressed needs of the customer) is generally regarded as being market-driven whereas proactive market orientation (addresses the latent needs of the customer (i.e. those needs that are not expressed) and creates opportunities for providing value to the customer or refers to discovering, understanding and satisfying latent customer needs) is more compatible with the emerging concept of market driving (Mohr, 2009). Consequently, market orientation incorporates both responsive and reactive behavior.

1) **Responsive Market Orientation**: A responsive market orientation is a business's attempt to understand and to satisfy customers' expressed needs (John Narver, 2004).

2) **Proactive Market Orientation**: Proactive market orientation is the attempt to understand and to satisfy customers' latent needs (i.e about which the customer is unaware) (John Narver, 2004).

Both approaches (market driven and market driving) focused upon the customer, competition and market conditions and are needed for long term performance (Boldaj, 2010). Jaworski et al. (2000) stated that market driven and market driving approaches are complementary.

Perspectives of Market Orientation

Lafferty &Hult (2001) proposed market orientation can be categorized in to **five perspectives**, namely **(1) The decision making perspective (2) The strategic perspective (3) The customer orientation perspectives (4) The market intelligence perspectives (5) The culturally based behavioral perspectives**.

The decision making perspective of market orientation includes three components:

(1) Obtains and uses information from customers

(2) Develops a strategy which will meet customer needs

(3) Implements that strategy by being responsive to customers' needs and wants (Ruekert, 1992).

The strategic perspective conceptualizes market orientation by focusing on strategy development and execution. The customer orientation perspective "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 profitable enterprise" (Deshpande, Farley, & Webster Jr., 1993).The market intelligence perspective refers to the collection and assessment of both customer needs/preferences and the forces (i.e., task and macro environments) that influence the development and refinement of those needs (Jaworski and

Kumar, 1993). The culturally based behavioral conceptualize market orientation as an organizational culture, comprises three behavioral components: customer orientation, competitor orientation and inter-functional coordination. Though the aforementioned authors differ in their preferred conceptualizations there are four common areas of agreement in the five perspectives, which comprises:

(1) An emphasis on customers

(2) The importance of shared knowledge (information)

(3) Inter-functional coordination of marketing activities and relationships.

(4) Being responsive to market activities by taking the appropriate action (Lafferty &Hult, 2001).

Commonly used Perspective of Market Orientation

Reference	Perspective	Definition
Kohli and Jaworski (1990)	**Behavioral perspective**	Market orientation is the organization-wide generation of market intelligence pertaining to current and future customers needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it.
Narver and Slater (1990)	**Cultural perspective**	Market orientation is the organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, superior performance for the business.

The literature on market orientation suggest that culture based perspective based on Narver and Slater (1990) and behavioral perspective based on Kohli and Jaworski (1990), are two perspectives which have been extensively examined by researchers and practitioners. Both perspectives include an element which require each and every employee of a firm to focus on needs, wants, and preferences of their customers (Dursan, 2011).

- **Cultural Perspective of Market Orientation**--From cultural perspective, Narver and Slater (1990) defined market orientation as the organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior performance for the business. Several researchers in the past consider market orientation as corporate culture (Hartline et al., 2000 and Deshpande, 1993) that influences how employees think and act (Dobni and Luffman, 2000) and are committed to place the highest priority on the profitable creation and maintenance of superior customer value (Slater and Narver, 1994; Narver and Slater, 1990; Slater and Narver, 1995; Deshpande and Webster, 1989; Deshpande, Farley and Webster, 1993; Day, 1994). 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 (Slater, 2001). Many scholars in the past have adopted the cultural perspective when conducting research into market orientation (Gatingnon, 1997; Han, Kim, 1998). According to Holley (1990) market orientation is "a unifying corporate culture" a guiding philosophy for the whole organization.

The literature indentifies 'customer orientation', 'competitor orientation', 'interfunctional coordination' (Narver and Slater, 1990) and 'profit orientation' (Deng and Dart, 1994), as different dimensions of market orientation and two decision criterion long term focus and profitability. To create continous superior value for customer, a business must be customer roiented, competitor oriented and interfunctionally coordinated, which in turn enhance long term profitability (Narver and Slater, 1990).

- **Customer Orientation**: Customer orientation refers to the firm's sufficient understanding of its target buyers to be able to create superior value for them continuously (Narver& Slater, 1990), which puts "the customer's interest" first (Deshpande, Farley & Webster, 1993). Customer orientation of firm's is crucial because it requires that a seller understands a buyer's entire value chain, not only as it is today but also as it will evolve over time subject to internal and market dynamics that enables customer-oriented salespeople not only discuss a product's pros, but also to point out its disadvantages and limitations (Swan et al. 1985; Narver& Slater, 1990).
- **Competitor Orientation**: Competitor orientation of an organization has been defined as the seller understanding of the short-term strengths and weaknesses and long-term capabilities and strategies of both the key current and key potential competitors. Competitor orientation enables the business to continuously learn and monitor the strategies and capabilities of the business that are the principal alternative current or

future satisfiers of the target customer's needs (Mamat, 2011). A company that adopts a competitor orientation tracks competitors' moves and their levels of market share on a market by market basis (1). Competitor orientation enables a firm to compare its capacities and offerings with those of its competitors (HasanSafarnia, 2011). Companies must do competitor analyses and contemplate possible solutions that might fulfill current and future customer needs and expectations (Levitt, 1960 as cited in Schalk, 2008).

- **Inter-Functional Coordination or Integrated Marketing**: Inter-functional coordination of an organization has been defined as the coordinated utilization of company resources in creating superior value for target customers. Inter-functional coordination describes the ability of different functional areas to accommodate disparate views and work around conflicting perspectives and mental models by putting aside functional interests for the better of the organization as a whole (Auh, 2005). Inter-functional orientation means that every functional area must work collectively to create superior value for customers. All departments must be sensitive and responsive to the perceptions and needs of all other departments in this effort (Mamat, 2011).
- **Profit Orientation**: The fundamental aim of every enterprise is to increase the profitability and stay ahead of competitors. Few scholars in the past have incorporated profit focus notion within their definition of market orientation. Profit orientation is an inherent practice in day to day operations of most successful business organizations. Thus, if a firm does not have a strong profit emphasis, its market orientation is reduced (Deng and Dart, 1994; Dobni, 2000).

Thus, market orientation has been defined as the process of gathering information from marketplace (customers, competitors, supply chain partners, and environmental trends), analyzing, distributing and sharing the information throughout the organization (Moorman, 1995; Jaakkola et al., 2009; Song et al., 2009).

- **Behavioral Perspective of Market Orientation--**From behavioral perspective, market orientation is defined as the organization-wide generation of market intelligence pertaining to current and future customers' needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it (Kohli and Jaworski, 1990). Market intelligence is seen to be based not just on "verbalized customers' opinions but a much broader concept that includes consideration of: exogenous market factors (e.g. competitors, regulation) that affect customer needs and performance; and current and future needs of customers (Kohli and Jaworski, 1990; Pitt, 1996). Researchers, such as Kohli and Jaworski (1990), Kohli et al., (1993) and Thaurau (2002) view market orientation as a behavioral component. According to Kohli and Jaworski (1990), the behavioral perspective of market orientation entails;

- **Generation of Market Intelligence**: Intelligence generation refers to the collection and assessment of both customer needs/preferences and the forces (i.e., task and macro environments) that influence the development and refinement of those needs. Intelligence generation goes beyond the verbalization of customer needs and includes consideration of exogenous market factors that affect customer needs and preferences, and current as well as future needs of customers (Kohli and Jaworski, 1990, Alhakimi, 2009). Market intelligence refers to the collection and assessment of both customers‟ current and future needs, plus the impact of government regulation, competitors, technology and other environmental forces (Mamat, 2011).

- **Dissemination of Market Intelligence**: Intelligence dissemination refers to the process and extent of market information exchange within a given organization. Effective dissemination of market intelligence is seen as vital act since it provides a shared basis for collaborative efforts by different departments (Mamat, 2011).

- **Organization-wide Responsiveness to Market Intelligence**: Responsiveness is action taken in response to intelligence that is generated and disseminated (Kohli et al., 1993). Responsiveness involves the extent to which companies adjust their marketing policies in the light of market intelligence (1). The responsiveness involves the selection of target markets, the design and selection of products and services, the production, distribution and promotion of the product (Seroz, 2007). Furthermore, responsiveness composed of two set of activities: Response design (i.e. using market intelligence to develop plans) and Response implementation (i.e. executing such plans) (Jaworki and Kohli, 1993).

Thus, behavioral perspective describes market orientation as obtaining, distributing and sharing the information throughout the organization to meet selected customer needs.

Several researchers in the past assumed that these two perspectives are similar. Both perspectives highlight the importance of gathering information about customers, competitors and disseminating among departments to create superior value for them. A study by Mavondo et al., 2005 have shown that in behavioral perspective, gathering and transferring knowledge are the essence of market orientation. However in cultural perspective, gathering and transferring .

Conclusion

The subject or concept of market orientation has received a great deal of attention in literature (Kohli&Jaworski, 1990, Narver& Slater, 1990) is a cornerstone of marketing discipline (Kohli&Jaworski, 1990). A market-oriented firm is one which successfully applies the marketing concept (Kohli and Jaworski, 1990; Pitt et al., 1996; Caruanna et al., 1999) or whose actions are consistent with the marketing concept (Kohli and Jaworski, 1990). The heart of market orientation is customer focus. Firms are more successful, when they focus on customer needs (Kelly, 1992; Donavan, 2004). Market orientation emphasizes competitiveness and profit based on identifying consumer needs, wants and aspirations and delivering compatible offerings which are competitively better than that of competitors (Charles Blankson, 2005).

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