CHAPTER I
INTRODUCTION

INTRODUCTION

Around 1950s, there was a revolutionary change in the industrial area in the western developed countries. After that, the marketing concept originated as the key factor of the business success. Before this revolutionary change the main purpose of business was to sell its product at maximum level. Many decades ago, business were two types, one was production orientation and the other sales orientation. When marketing concept did not came, then the main aim of business man to do the production at their maximum level and sell them. At the end of the 1940s, production efficiencies were regarded as essential for achieving and maintaining a successful and prosperous business activity. But in the 1950s, a revolution became in industrial area. Then, researchers began to argue that marketers should pay more attention to the customers` needs and wants (Svensson, 2001). This fundamental principle is often referred to as the ‘marketing concept’ which replaces the product, production and selling oriented philosophies.

SECTION I
HISTORICAL EVOLUTION OR STAGES OF MARKETING CONCEPT

In early 1952, General Electric (USA) stated that their new marketing philosophy would take the marketing man to the beginning of the production cycle rather than to the end of it and integrate marketing into each phase of business(Berkowitz et al., 1989). Dalgic(1998) asserted that General Electric was the first US company to officially accept the
marketing concept as the company philosophy, emphasising customers
needs and wants. This marketing philosophy did not come at chance.
Marketing concept's development came into industrial area in many
stages. In 1960, Keith’s article was published, he stated that in production
era the supply of goods depends on the producer and demand of goods
generally exceeded the supply. The concept of production era moved to
sales phase and after sometime marketing concept or we can say
marketing phase entered in the producer’s mind. Houston(1986) said that
this evolutionary process is the correct one for all organisations. The
following steps of this evolutionary process will discuss the evolution of
marketing phase:

1.1(i) THE EVOLUTIONARY PROCESS

PRODUCTION ORIENTED PHASE

The concept of production oriented market was from 1870 to 1930. In
production oriented phase, Fullerton(1988, p. 108) stated some
characteristics of the production phase.

1. At that time firms focused their attention largely on physical
production. For large scale production they used new technology and
more efficient management techniques.

2. Research and development department were made only for doing
research in the case of quality and quantity of production. Research
regarding customer needs and wants was less important

3. There was no need to do research regarding customer’s needs. Because
demand of products was exceeded supply of products.

Finally we can say that wholesalers and retailers did not need to develop
new methods to sell their products. Because in that time period ‘products
sold themselves’ without much efforts doing by sellers.

In 1999, Kotler also described the production concept in the similar way as I told in the above phrase. According to him, under the production concept, managers used to believe in mass production and making production widely available so that people can buy without much effort. Miller and Layton(2001) stated that the manufacturer in the production oriented stage typically focused on increasing output while assuming that customers would look for and buy reasonably priced, well-made products.

Miller and Layton, say that the production oriented form of organisation predominated until about the start of the Great depression in the 1930s in western countries and is still to be found today in some countries in the world.

SALES ORIENTED PHASE

The depression in the 1930s changed the perception of the production era. Mass production no longer remained the focus, because producers’ new thinking came out that how to sell the products or services. When there is great depression in the market in 1930s and the economic conditions were very poor till 1950s, there were some desperate firms, wanted to do something new for selling their products. In this phase managers began to realize that if the customers were left alone they would not normally buy so that, new promotional efforts were required to sell products or services. So, we can say that the new approach about the promotional activities is the main feature or base of this sales-oriented phase. In that time extra efforts done by firms for selling their products or services were called ‘hard selling’. These efforts influenced customers to purchase the product. Some main features came out from this concept that more selling is the only goal of the firms and not customer’s satisfaction.
At the beginning of the 1950s, with the recovery from the depression, business organisations started realizing that it is almost impossible to face competition with this type of company philosophy and exist in the market place for a long period of the time. This realization pushed the business organisations into satisfying customers better than the competitors do, accepted this as a new philosophy of doing business, called marketing concept. Miller and Layton noted that marketing concept has become the prescription for facing the competition.

THE MARKETING CONCEPT PHASE

As mentioned earlier, this phase holds that customer needs and wants should be the starting point for any process and no longer the aggressive sell.

Mckitterick (1957) stated that the principal task of marketing function in a management concept is not so much about being skilful in making the customer do what suits the interests of the business as to be skilful in conceiving and then making the business do what suits the interests of the customer. Keith (1960, p. 35) asserted that, “Our attention has shifted from problems of production to problems of marketing, from the product we can make to the product the consumers wants us to make, from the company itself to the market place.” Finally we can say that the principle of marketing concept was mentioned in the literature at the beginning of the twentieth century, the realisation of developing marketing concept as a company philosophy was came into existence in the 1950s, and the acceptance of it started in the mid-1960s (Day and Wensley, 1983; McGee and Spiro, 1988). Shaw (1912, p. 708) mentioned that, “today the more progressive business man is searching out the unconscious needs of the consumer, and is then producing the goods to gratify them”.

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1.1(ii) HISTORICAL DEVELOPMENT OF MODERN MARKETING

According to Fullerton’s (1988), there are so many antecedents of marketing. The long gestational period began in the 1500s in Britain and Germany and in the 1600s in North America as the continent began to be settled (Fullerton, 1988). According to Schumpeter (1936) important breakthroughs in business thinking and practice were made in a very difficult environment in this stage as innovations were taking place vigorously without which modern marketing could not have developed later. The detail of development of Modern marketing era is given below;

1. Capitalism was in its early stage of development and the dominant value system held commerce to be little better than criminality.

2. Most of the basic facilitating institutions of finance and distribution did not exist and means of production and transportation were primitive.

3. Political, religious, and social forces resisted almost any increase in the prevailing low levels of consumption.

4. 75-90% of the population was self-sufficient, rural, and viscerally opposed to change.

5. Business people were unable to develop a mass market.

6. The early capitalist business people cultivated markets for luxury goods among the nobility and small but growing urban middle class, for armaments among governments, and for textiles and some staples among 10-25% of the population.

8. The early versions of key distributive institutions such as fixed location retail shops, advertising, wholesale trade, and travelling salespeople originated in this era.

9. Finally, financial institutions (banks, stock exchanges, paper money, and formal credit mechanisms) were also developed at this time (Fullerton, 1988). These observations collectively became the antecedents of modern marketing.

MODERN MARKETING BEGINS: THE ERA OF ORIGINS

This era started in Britain about 1750 and in Germany and in the United States around 1830. This period marks the beginning of extensive attention to stimulating and meeting demand among nearly all members of society. This attention to stimulating and meeting demand among all the members of all the societies characterises modern marketing. Producers’ thinking was changed. In this time, they moved from product to customers’ needs. This modern marketing is the result of the ‘Industrial Revolution’ in production and high capitalism in business life. The following observations can be made about this period:

Firstly, large-scale markets were developed because of the improvements in production and transportation. Secondly, Producers were taking interest in Promotional activities. They were giving special attention to design the product according to the potential buyers in this era. Finally, competition came in this era and as a result the pervasiveness and impact of marketing activities increased. Marketing began to be considered as one of the central activities of everyday life. The era of origins was over in Britain by 1850 and continued in the United States and Germany till 1870 (Fullerton, 1988).
THE ERA OF INSTITUTIONAL DEVELOPMENT

This era started in Britain from 1850 and in Germany and in the United States from about 1870 and lasted until 1929 in all three countries. Many of the practices of modern marketing appeared for the first time in this era. Braitwaite and Dobbs (1932) and Hirsch (1925) mentioned that the major institutions and marketing activities were changed in this era because of experience from the previous era, e.g. the changes in production and transportation necessitated changes in marketing practices and, especially, changes in institutions. The observations in this era are detailed below:

Firstly, there was an increase in the physical separation between producer and buyer and the need for intermediaries to effectively understand, communicate and distribute products to the present and potential customer. Secondly, the presence of advertising, market research, better physical distribution, and expanded retailing helped in the identification of the customer requirements. Finally, marketing activities were increasing day by day.

Thus, in this era conservative reaction against modernity made marketing (especially advertising) a prime target, resulting in some regulatory restraints as well as a body of criticism (Fullerton and Nevett, 1986).

THE REFINEMENT AND FORMALISATION

The present period is the era of refinement and formalisation, which started from about 1930. Current marketing is a result of continuous development through experiments in the marketing by producers. It has survived from some severe attacks like consumerism and other distrustful movements during the depression decade of the 1930s and again during the late 1960s to mid 1970s. Market analysis is the most important
element in this era where methods of gathering, measuring, and evaluating market information are subject to continuous improvements. The customer has become an important issue of any organisational objective and thus, companies are searching for new methods and tools to serve their customers better than their competitors do. Hollander (1986) stated that the marketing concept has become a formally articulated firm goal, whereas earlier it had been practiced more than was realised but not articulated. Thus, marketing concept was implemented by the business organisations in the earlier periods but the difference between marketing concept of the current era and earlier eras is the nature of its implementation. Currently it is considered as a formal issue whereas previously it was an informal issue.

While there are differences of opinion regarding the evolution of marketing concept, it is generally recognised that marketing concept is the key to modern business success (McKitterick, 1957; McNamara, 1972; Narver and Slater, 1990; Jaworski and Kohli, 1993).

1.1(iii) THE ACCEPTABILITY OF MARKETING CONCEPT BY OTHER PHILOSOPHIES

There are several business philosophies available in the market place from which organisations select their own on the basis of their interests and objectives. It has been argued that the implementation of the marketing concept in organisations requires the maintenance of a particular managerial philosophy or orientation (Levitt, 1960; Drucker, 1973; Bonoma, 1985; Masiello, 1988; and Day, 1990). Payne (1988) noted that most organisations exhibit a range of conflicting philosophies that provide problems for the implementation of such a concept. Thus, in order to achieve its organisational objectives it is important for a
company to choose a particular philosophy. The main managerial philosophies that are identified in the literature are: (1) cost philosophy, (2) product philosophy, (3) production philosophy, (4) sales philosophy, and (5) marketing philosophy.

The acceptability of marketing concept in the modern business world has grown over time because of its importance and also has been identified as the best business philosophy (McKitterick, 1957). A short review of each philosophy is required in order to justify the superiority and acceptability of marketing concept over the other philosophies.

(1) **Cost philosophy:** Some managers accepted this philosophy because they believe that the only way to improve profits is to reduce marketing and production costs. Thompson (1993) mentioned that the cost concept is generally considered to be short-term and is a ‘disinvestment’ approach commonly used as a strategy of retrenchment.

(2) **Product philosophy:** Managers working under this philosophy believe that the quality of the product allows the product to sell itself and the customer will always need quality products. This means that product quality is the tool to attract customers. Dixon and Diehn (1992) noted that the product philosophy used by organisations that have aggressive research and development.

(3) **Production philosophy:** Managers working under this philosophy believe in making the product widely available so that consumers will buy more. The main theme of this concept is ‘the more we make the more profitable it becomes’. This means that the production philosophy is concerned with capacity creation and volume production (King, 1985). Baker (1983) suggested that this approach
requires the identification and development of markets and manufacturing and production issues assume much greater significance in decision-making.

(4) **Sales philosophy:** Managers working under this philosophy believe in placing a major emphasis on selling and promotion activities to ensure sales. The theme of this concept is that if the customers are left alone normally they will not buy. Therefore a massive promotional effort is required. Houston (1986) noted that the sales philosophy engages an organisation to seek out customers aggressively and persuade them to consume existing offerings. The idea here is to sell more in order to make more profit.

(5) **Marketing philosophy:** Managers working under this philosophy believe in placing a major emphasis on the analysis of target market needs and wants and deliver the desired satisfactions more efficiently and effectively than competitors. Raymond and Barksdale (1989) asserted that the marketing concept provides a single prescription for running a successful business.

Thus, the consumer must be recognised and accepted as the focal point for all business activities, and knowledge of customer needs and wants should be the starting point for all major business decisions. Marketing concept is the combination of some specific techniques by which a company seeks to identify and satisfy customer needs (McGee andSpiro, 1988). In this concept managers made an effective marketing mix in a specific way to deal with a specific marketing situation. Webster (1994) defined marketing concept as an involvement of 15 interrelated ideas that includes: (1) creating customer focus throughout the business, (2) listening to the customer, (3) defining and nurturing distinctive competence, (4) defining marketing as market intelligence, (5) targeting
customers precisely, (6) managing for profitability, not sales volume, (7) making customer value the guiding star, (8) letting customer define quality, (9) measuring and managing customer expectations, (10) building customer relationship and loyalty, (11) defining the business as a service business, (12) committing to continuous improvement, (13) managing culture with strategy, (14) growing with partner and alliances, and (15) destroying marketing bureaucracy.

According to Webster managers under the marketing concept are guided by the above ideas, which serve as guidelines for the market driven manager. Thus by capitalising on above discussion, the following arguments can be made in favour of the marketing concept:

(1) Reduction of marketing cost suggested by the cost concept in fact involves the reduction of marketing activities such as, marketing research and development, promotional activities, and intermediary activities. It is true that production cost can be reduced by minimising marketing cost but enough sales cannot be ensured without marketing activities. In the long term, reduction of production cost in fact depends on the large volume of production and this cannot be achieved without initiating appropriate marketing activities. Marketing research helps in identifying customer needs and wants and suggests what to produce and not to produce. Promotional activities such as advertising let the consumers know about the products and services and at the same time persuade them to buy. Sales departments make sure of achieving the target sales, and intermediaries fill the gap in between the manufacturer and consumer. Insurance bear the risk of the manufactured product. This means that marketing activities are critical in every aspect of business function, starting from the beginning of production to consumption and even
after consumption to build a manufacturer-customer relationship.

(2) Manufacturers should consider the needs and wants of the customers while providing quality products, otherwise they will suffer from ‘marketing myopia’, that results in a loss of market share to the competitors (Levitt, 1960). Levitt (1960) argued that, when considering only the current profitable situation, manufacturers neglect the changes in the marketplace that require much attention and care. As a result competitors who pay attention to changes capture the market share. Thus, not only making the quality product but also customer needs and wants should be a priority.

(3) Customers in this era do not purchase if a product does not match their requirements regardless of its wide availability and low cost. They purchase only if a product meets their requirements. This means that meeting the customers’ requirements is the most important precondition of the wide availability and low cost of a product.

(4) Kotler (1991) stated that the selling concept assumes that consumers typically show buying inertia or resistance and have to be coaxed into buying, and that the company has available a whole battery of effective selling and promotion tools to stimulate more buying. But a product that is not required by the customers cannot be sold with mass promotional efforts. Therefore, companies have to change their attitude from ‘selling what they make’ to ‘selling what the market wants’.

(5) None of the philosophies, except marketing concept, considers customers needs and wants in making a product. Business performance is in fact a consequence of the marketing concept. Thus both economic and non-economic performance including
profitability, repeat business, customer satisfaction, large-scale advantage, employees’ organisational commitment and team spirit are the results of marketing concept (Kohli and Jaworski, 1990; Jaworski and Kohli, 1993; Narver and Slater, 1990). It can be concluded from the above discussion that marketing concept is the best philosophy to be implemented by any kind of organisation. Akimova (2000) supported this conclusion when he examined the relationship between performance and different philosophies and found only marketing concept related to business success. Marketing concept has attracted the attention of many marketing scholars because of its superiority over other philosophies. Thus, the next section will provide a brief history of market orientation literature.

In this chapter the five different perspectives of market orientation including decision-making, market intelligence, culturally based behavioural, strategic, and customer orientation perspective are discussed in order to develop a synthesis dimension of market orientation. The chapter also progresses towards the building of a theoretical model of market orientation components including all the elements resulting from the five perspectives.

Over the years, market orientation has been considered as the central ingredient of a successful organisation’s culture (Houston, 1986; Lusch and Lacznia, 1987; Peterson, 1989; Wong and Saunders, 1993; Baker et al., 1994; Hunt and Morgan, 1995; Slater and Narver, 1995). While much of the research on market orientation was carried out in the USA, the importance of this orientation has been addressed worldwide too and found to be critical in achieving business success (Mitchell, 1984; Hooley et al., 1990; Marinov et al., 1993; Ennew et al., 1993; Greenly, 1995a;
Most of the studies to date, that have been carried out on market orientation have been based upon the five different perspectives developed by Shapiro (1988), Kohli and Jaworski (1990), Narver and Slater (1990), Ruekert (1992), Deshpande et al. (1993). Despite the acceptance of these studies in the market orientation literature, no effort has yet been made to test the ‘synthesis dimension’ of market orientation that can be derived from the work of these authors.

The ‘synthesis dimension’ is a dimension that combines the general areas of agreement that result from the analysis of the five different perspectives. The ‘synthesis dimension’ is required because, the current market orientation perspectives are subject to criticism (Dreher, 1993; Kohli et al, 1993; Deshpande et al, 1993; Cadogan and Diamantopoulos, 1995; Oczkowski and Farrell, 1997; Mavondo and Farrell, 2000) and these can be reduced by combining the general areas of agreement among the different perspectives.

Other researchers have emphasised that the current market orientation needed revisiting, revision, and replacement (Gummesson, 1987; Rapp and Collins, 1990; McKenna, 1991; Nilson, 1992; Thomas, 1993; Cervera et al., 2001). Pitt et al. (1996) stated that there has not been complete agreement as to what constitutes market orientation and thus, implementation of market orientation differs considerably. Therefore, it is preferable to develop a market orientation construct synthesising all the five different perspectives so that the criticisms and differences among the market orientation perspectives may be reduced. This new dimension of market orientation will also produce a better and comprehensive
picture of market orientation within an organisation because it intends to include the necessary components that may be lacking in a particular perspective.

In addition, this researcher is dealing with a developing country setting where economical and cultural differences to a developed country are notable. Thus, it might be more worthwhile working on the synthesis dimension of market orientation instead of dealing with a particular perspective that may produce an irrelevant and inappropriate picture of market orientation. Therefore, in the next section the five different perspectives will be discussed in detail in order to identify the general areas of agreement for the development of a synthesis dimension/model of market orientation.

SECTION II
MARKET ORIENTATION PERSPECTIVES

1.2(i) The Decision-Making Perspective

Shapiro (1988) considered to be the ‘promoter’ of this decision-making market orientation perspective, as he stated that, “After years of research, I’m convinced that the term ‘market-oriented’ represents a set of processes touching on all aspects of the company, it’s a great deal more than the cliché getting close to the customer” (p. 120). Hence he proposed that three characteristics make a company market driven. Firstly, information on all-important buying influences permeates every corporate function; secondly, strategic and tactical decisions are made inter-functionally and inter-divisionally; and thirdly, ‘divisions and functions’ make well-coordinated decisions and execute them with a sense of commitment.
Shapiro (1988) conceptualised market orientation as an organisational decision-making process starting from information and proceeding to execution. At the centre of this process is a strong commitment by management to share information interdepartmentally and to practice open decision-making between functional and divisional employees. However, considering the above characteristics, the following arguments are notable in Shapiro’s decision-making perspective.

(a) Markets and customers must be understood. A company can be market-oriented only if it completely understands its markets and customers and also the decision makers who decide whether to buy its product and/or services. In some cases, wholesalers, retailers, and other parts of the distribution channel have a profound influence on the choices that the customers make. Therefore, it is also important to understand the trade (intermediaries).

(b) Information needs to permeate into every corporate function. The information that is generated regarding the markets, customers, trade partners and decision makers through various mechanisms such as market research reports, taped customer responses, industry sales analysis, and trade show visits by the top executives should be disseminated to every corporate function.

(c) Ability to make strategic and tactical decisions is important. A market or customer oriented company must possess the ability to make strategic and tactical decisions inter-functionally and inter-divisionally in spite of potentially conflicting objectives that mirror differences in modes of operation.

(d) There must be an open decision-making process. For a company to be a market driven, ‘functions and divisions’ must be willing to listen to each other and should express their ideas in an open and honest
manner. In order to make wise decisions, functions and divisions must recognise their opinions and differences with due respect and also be willing to exercise an open decision making process.

(e) Decisions must be well co-ordinated. Emphasis must be placed on well-coordinated decisions among the different divisions and functions of an organisation, and those decisions must be executed with a sense of commitment. A market-oriented company can formulate its strength and power by joint sharing of ideas and discussions of alternative solutions. Hence, it is argued that the powerful internal connections make clear communication, strong coordination, and high commitment, while poor coordination results in misuse of resources and failure to seize market opportunities.

(f) Strength and weaknesses of competitors must be understood. Although decision-making perspective did not include competitors in its conceptualisation, however, it was recognised that understanding the strengths and weaknesses of competitors is a part of being a market-oriented organisation. Thus, a market-oriented company should consider the competitors and collect and analyse information regarding competitors accordingly.

Finally, it is important to mention that this perspective found no meaningful difference between market driven and customer orientations, both could be used interchangeably.

The decision-making perspective is shown in the Figure 1.1.

Figure 1.1. Decision-Making Perspective

Source: Shapiro (1988)
1.2(ii) The Market Intelligence Perspective

Kohli and Jaworski (1990) developed the intelligence perspective of market orientation. They viewed market orientation as the implementation of the marketing concept. According to them, market orientation is a mixture of three activities: organisation of market intelligence pertaining to current and future needs of the customer, dissemination of intelligence within the organisation and also responsiveness to it. Their perspective of market orientation entails the following three key elements: (1) intelligence generation, (2) intelligence dissemination, and (3) intelligence responsiveness.

According to Kohli and Jaworski (1990), the starting point of market orientation is market intelligence. Their analysis of the above elements resulted in the following arguments that are notable in their perspective of market orientation.

(a) Effective market intelligence involves not just customers’ current needs but also future needs and so it should go beyond the verbalised needs and preferences of customers.

(b) Market intelligence also includes monitoring competitors’ actions and their effect on customer preferences as well as analysing the effect of other factors such as government regulation, technology and environmental forces.

(c) The generation of market intelligence relies on both formal and informal mechanisms such as customer surveys, meetings and discussions with customers and trade partners, analysis of sales reports, and formal market research.

(d) Intelligence generation is not the exclusive responsibility of the
marketing department. Therefore, all the functional departments in the company such as R&D, manufacturing and finance, production and engineering should also obtain information regarding customers and competitors.

(e) In order to create an effective communication and dissemination system within the organisation, the collected information should be disseminated effectively and efficiently in all parts of the organisation.

(f) This dissemination and communication of information is important as it provides a shared basis for concerted actions by the different departments of the company.

(g) The company should respond according to market needs, for example according to collected and disseminated information. Responsiveness takes the form of selecting target markets, designing and offering product/services that cater to their current and anticipated needs, and producing, distributing, and promoting the products in a way that elicits favourable end-user response.

(h) Finally, responding to market trends in a market-oriented company is not only the responsibility of the marketing department but of virtually all departments in the company. Therefore, all the departments of the company should be well coordinated in order to be responsive to the market trends.

The proposed definition of market orientation under the intelligence perspective suggests that a measure of market orientation need only assess the degree to which a company is market-oriented, that is, generate intelligence, disseminate intelligence, and takes action accordingly (Kohli and Jaworski, 1990). In this connection Wood and Bhuian (1993) noted
that intelligence generation, dissemination, and responsiveness determine the nature and extent of market orientation of a company individually and collectively.

This perspective of market orientation was basically built as a result of a literature review in marketing and related fields and from field interviews with managers in diverse functions, hierarchical levels, and organisations. In this connection Kohli and Jaworski (1990) used a discovery-oriented approach suggested by Deshpande (1983) and Mahrer (1988), and similar to the qualitative practitioner based approach used by Parasuraman et al. (1985). In addition, their research was designed to tap the ‘cause and effect’ maps of managers (Zaltman et al., 1982). The intelligence perspective is shown in Figure 1.2.

![Figure 1.2. Market Intelligence Perspective](image)

Source: Kohli and Jaworski (1990)

1.2(iii) The Culturally Based Behavioural Perspective

Narver and Slater (1990) defined market orientation as the organisational 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.

According to them, market orientation consists of the three behavioural components. These are: (1) customer orientation, (2) competitor orientation, and (3) inter-functional coordination.
Since 1990 further studies have been undertaken to develop a greater understanding of these components (Slater and Narver, 1992; 1994a; 1994b; 1995; Slater, 1997; Narver and Slater, 1998; Narver et al., 1998). It has been shown that the key requirements for a company to become market-oriented are as follows.

(a) There must be a sufficient understanding of target buyers to be able to Create continuous superior value for them (Narver and Slater, 1990).

(b) A seller must understand a buyer’s entire value chain (Day and Wensley, 1988) today and in the future subject to internal and market dynamics.

(c) A company must create value by increasing benefits to its buyers or customers while decreasing their costs (Narver and Slater, 1990).

(d) A company must acquire information about customers or buyers in the target market and disseminate the acquired information throughout the company (Kohli and Jaworski, 1990).

(e) A company must understand the economic and political constraints at all levels in the channel (Narver and Slater, 1990).

(f) A company must understand the short-term strengths and weaknesses and long-term strategies and abilities of both the current and potential competitors (Porter, 1980; 1985; Aaker, 1988; Day and Wensley, 1988).

(g) The competitor orientation must parallel the customer orientation in information gathering and include a thorough analysis of the competitors’ technological capabilities in order to assess their ability to satisfy the same buyers (Levitt, 1960).
(h) A company must be coordinated in utilising its resources in order to create superior value for the target customer. Thus, anyone in the organisation can potentially create value for the buyer (Porter, 1985). This means that creating value for buyers is much more than a marketing function, concurring with the findings of Kohli and Jaworski (1990).

(i) The coordinated integration of the company’s resources in creating superior value for buyers must be tied closely to both customer and competitor orientation (Narver and Slater, 1990).

(j) Given the multidimensional nature of creating superior value for customers, marketing’s inter-dependencies with other business functions must be systematically incorporated in a business marketing strategy (Wind and Robertson, 1983).

(k) In developing effective inter-functional coordination, marketing or any other suggested department must be extremely sensitive and responsive to the perceptions and needs of all other departments in the company (Anderson, 1982).

(l) Finally, if a company lacks proper inter-functional coordination, it must strive to develop it by stressing the advantages inherent to the different areas in cooperating closely with each other.

Narver and Slater (1990) developed this perspective of market orientation through a major conceptual literature review on both sustainable competitive advantage (SCA) and market orientation (e.g. Levit, 1960; 1980; Kotler, 1977; 1984; Porter, 1980; 1985; Anderson, 1982; Ohmae, 1982; Peters and Waterman, 1982; Day, 1984; Aaker, 1988). This perspective also incorporated two decision criteria of market orientation: long term focus and profitability. The culturally based behavioural perspective is shown in Figure 1.3.
1.2(iv) The Strategic Focus Perspective

Ruekert (1992) defined the strategic focus perspective of market orientation as the degree to which a strategic business unit obtains and uses information regarding its customers, develops a strategy considering the obtained information regarding customers needs satisfaction and implements that strategy meeting those needs and wants. Ruekert (1992) took information and responsiveness aspects of his perspective from Kohli and Jaworski (1990) and Narver and Slater (1990).

Firstly, this perspective focused on the business unit in an organisation rather than the whole organisation or individual market as the unit of analysis. Secondly, it emphasised strategy development and implementation in responding to the customer needs and wants. This perspective followed Walker and Ruekert’s (1987) earlier work where they focused on marketing’s role in the implementation of business strategies. The strategic focus consists of the following elements:

(a) The approach recommends managers to collect and interpret information from the external environment in order to set goals and objectives and to allocate resources to programs in the business unit on the basis of their area of success.

(b) The most critical aspect of the external environment in developing a market orientation is the customer. Hence, the needs and wants of the customer should be investigated on a regular basis.
(c) The next dimension of this perspective is the development of a plan to focus on customers. It considers the degree to which the strategic planning process considers customer needs and wants and development of particular strategies to satisfy them.

(d) Finally, the customer-oriented strategy is implemented and executed by the organisation to respond and take care of the needs and wants of the target market.

Thus the strategic focus perspective rests on three basic issues: generating customer information, developing strategy for customer, and implementing the strategy. This perspective is shown in Figure 1.4.

Figure 1.4. Strategic Focus Perspective

Source: Ruekert (1992)

1.2(v) The Customer Orientation Perspective

Deshpande, Farley, and Webster (1993) developed this customer orientation perspective. They proposed that, in order to develop a long-term profitable venture, a company should put the customers’ interest first, while not excluding all the stakeholders such as owners, managers, and employees. They further noted that, “we see customer orientation as being a part of an overall, but much more fundamental, corporate culture” (p. 27). The key points of this perspective are as follows:

(a) The study utilised Kotler’s (1991) definition of the market as ‘the set of all present and potential customers of an organisation’. Thus, it viewed market orientation as synonymous with customer orientation.
(b) It is argued that a competitor orientation can be almost antithetical to a customer orientation and thus, excludes the competitor focus from the market orientation concept.

(c) It is acknowledged that inter-functional coordination is consistent with customer orientation and should be part of its meaning. This concurred with Narver and Slater (1990) and Kohli and Jaworski (1990), who stated that the essence of customer orientation is the coordinated utilisation of company resources in creating superior value for target customers.

(d) Customer orientation is viewed as being part of the overall corporate culture whose values reinforce and perpetuate this focus, as in the culturally based behavioural perspective (Slater and Narver, 1995).

(e) The perspective argued that the set of values and beliefs that consistently reinforce customer focus should be considered, as without considering these values and beliefs information about the needs of actual and potential customers is useless.

Mostaque Ahmed Zebal (2003) made two synthesis issues, initial and vital by combining the similarities from the elements of these five different perspectives that reflect the general areas of agreement as to what constitutes the basic building block of synthesis model of market orientation. The next section will discuss the synthesis model of market orientation.

1.2(vi) SYNTHESIS MODEL OF MARKET ORIENTATION

The proposed synthesis model of market orientation is shown in Figure 1.5. At the beginning of this model is the marketing concept, which embodies a company philosophy or organisational culture. The second
Marketing concept and implementation issues in the model are labelled as ‘initial issues’ of market orientation, and the required conditions, components of market orientation, and the business success factors/outcomes are labelled as ‘vital issues’. At the centre of the vital issues is market orientation and its components that are derived from the general areas of agreement within the five different perspectives. The model views marketing concept as an initial issue because market
orientation depends on the implementation of the marketing concept. Thus, in order to become market-oriented, the first condition of an organisation is to accept marketing concept as its philosophy or culture. The reason for this argument is that some of the organisations may not accept marketing concept as their organisational philosophy or culture, rather, they may choose other concepts such as production, product, selling, or cost as their organisational philosophies or culture.

An organisation may choose the marketing concept as its organisational philosophy, but it cannot be a market-oriented company until it effectively implements the marketing concept. Thus, an organisation should consider the implementation issues with the acceptance of marketing concept as its philosophy of doing business. Again, implementation of the marketing concept requires certain conditions to be fulfilled and once these conditions are met or considered, an organisation becomes market-oriented and that leads to better business success or performance.

The acceptance of marketing concept and its implementation issues are the primary concern of an organisation, thus, these are called ‘initial issues’. The required conditions, market orientation components, and success indicators/outcomes are called ‘vital issues’ because certain conditions determine the level of market orientation of an organisation and that level of market orientation determines the level of success. If the right conditions that determine the level of market orientation are not considered appropriately, market orientation will not effectively do work to achieve business success. Therefore, an organisation should clearly identify which conditions must be fulfilled or considered and which conditions must be given priority over the others, because not all the conditions significantly determine the level of market orientation. Again,
not necessarily all the conditions should work in a positive way, some of
the conditions may in favour of market orientation and some of them may
discourage it. These are ‘vital issues’, because they are linked to each
other and the presence or absence of the first one determines the presence
or absence of the second one and the presence or absence of the second
one determines the presence or absence of the third one.

The marketing concept is viewed as company philosophy or
organisational culture in the model. There were a combination of different
perspectives. Kohli and Jaworski (1990) viewed marketing concept as a
‘culture’ in their definition of market orientation. Similarly, Narver and
Slater (1990) also defined marketing concept as an organisational culture
that most effectively and efficiently creates the necessary behaviours for
the creation of superior value for buyers. Deshpande et al. (1993, p. 27)
described this “as being a part of an overall, but much more fundamental,
corporate culture”.

Sathe (1983) defined organisational culture as the set of important
understandings that members of a community share in common.
According to Daft (1989), an organisational culture is defined as the
values, guiding beliefs, and understandings that members of an
organisation share. Turner and Spencer (1997) stated that culture provides
organisational participants with a clear understanding of how to act and
think. Thus, marketing concept can be viewed as company culture as it
directs and guides an organisation how to act and think appropriately.

McKitterick (1957) stated marketing concept as a philosophy of business.
He viewed marketing concept as a customer oriented, integrated and
profit oriented philosophy of business. McNamara (1972) also asserted
that marketing concept is a philosophy of business management. Baker
(1985), Bernard (1987), and Brown (1987) have discussed that marketing is clearly an organisational philosophy – an approach to doing business. Hooley et al. (1990) stated that marketing is seen as a set of activities confined to the marketing department or, alternatively it may be seen as a guiding philosophy for the whole organisation. Similarly, other authors also viewed marketing concept as a philosophy of doing business that can be the central ingredient of a successful organisation’s culture (Houston, 1986; Wong and Saunders, 1993; Baker, Black and Hart, 1994; Hunt and Morgan, 1995). Most recently, Miller and Layton (2001) asserted that, marketing concept is a philosophy of doing business that recognises customer orientation and coordination of marketing activities in achieving the performance activities in an organisation. Thus, viewing marketing concept as a philosophy or culture in the model is appropriate.

The implementation issues in the model depend on the internal policy of an individual organisation. When a company implements the marketing concept then that becomes the behaviour of that particular company. There were also agreements regarding this implementation issue among the different perspectives. Kohli and Jaworski (1990) and Narver and Slater (1990) identified market orientation as the implementation of the marketing concept. Shapiro (1988) indicated that three characteristics make a company market driven including information permeating to corporate function, inter-functional and interdivisional strategic and tactical decisions, and the execution of well coordinated decisions. These characteristics are nothing but the implementation of the marketing concept.

Deng and Dart (1994) synthesised the perspectives of Kohli and Jaworski (1990) and Narver and Slater (1990), and defined market orientation as the implementation of a particular business philosophy, the marketing
concept. Pitt et al. (1996) asserted that the level of market orientation of a
firm depends on the degree of implementation of the marketing concept.
McCarthy and Perreault (1984; 1990) considered market orientation as
the implementation of the marketing concept. Wrenn (1997) made a
difference between marketing concept and market orientation. He
concluded that the marketing concept is a way of thinking about the
organisation, its products, and its customers whereas market orientation is
doing those things necessary to put such a philosophy into practice. Pitt et
al. (1996) asserted that the level of market orientation of an organisation
depends on the degree of implementation of the marketing concept.

The model shows that the implementation of marketing concept requires
certain conditions to be fulfilled by an organisation. Agreements
regarding this issue were observed among the different perspectives.
Shapiro (1988, p. 120) noted, “I’m convinced that the term “market
oriented” represents a set of processes touching on all aspects of the
company”. This statement made by Shapiro (1988) indicates that the
marketing concept implementation conditions are also a part of the
aspects mentioned by him. Narver and Slater (1990, p. 21) defined market
orientation as an organisational culture that “most effectively and
efficiently creates the necessary behaviours for the creation of superior
value”. The stress on creating the necessary behaviour indicates the
importance of considering the conditions necessary for implementation of
the marketing concept. Deshpande et al. (1993, p. 27) noted that, “a
simple focus on information about the needs of actual and potential
customers is inadequate without consideration of the more deeply rooted
set of values and beliefs that are likely to consistently reinforce customer
focus and pervade the organisation”. This set of values and beliefs that
reinforces and pervades the organisation is similar to the conditions that
are required for the implementation of the marketing concept. Although Kohli and Jaworski (1990) did not mention these conditions in their perspective however, they separately stressed the need for these conditions and labelled them as antecedents of market orientation. These conditions are also known as barriers to market orientation (Felton, 1959; Harris and Piercy, 1999; Harris, 2000), or determinants of market orientation (Avlonitis and Gounaris, 1999).

Felton (1959) suggested that inexperienced executives, incomplete integration of functions, lack of management ability, and certain power related problems are the barriers to integrated marketing. Hence, he suggested overcoming these barriers in order to implement the marketing concept. Jaworski and Kohli (1993) summarized that the market orientation of an organisation is significantly determined by the several antecedent factors some of which are in favour and some are against. Thus, the appropriate implementation of marketing concept depends on the successful identification of the favourable and unfavourable conditions.

Harris and Piercy (1999) suggested that certain management behaviours significantly determine the successful implementation of marketing concept. Thus, they argued that these behaviours should be considered in achieving market orientation. Harris (2000) argued that the organisational structure, strategy, and system characteristics ensure the implementation of the marketing concept. Hence, he suggested that a company should consider these conditions when becoming market-oriented. Avlonitis and Gounaris (1999) indicated company specific factors, management factors, and market specific factors as the conditions of implementation of the marketing concept. In this connection, they suggested that the successful market orientation of an organisation depends on the successful
application of the determinants of market orientation.

Therefore, in order to become market-oriented, an organisation should accept the marketing concept as its organisational philosophy, consider the implementation issues and meet the required conditions.

Again, through the implementation of the marketing concept, an organisation can adopt any of the five market orientation perspectives of decision-making (Shapiro, 1988), market intelligence (Kohli and Jaworski 1990), culturally based (Narver and Slater, 1990), strategic focus (Ruekert, 1992), and customer orientation (Deshpande et al. 1993). With the selection of a particular perspective, a company then adopts that perspective in its market-oriented behaviour in acting or operating, competing, and surviving into the market place (Gray et al., 1998).

The synthesis model in Figure 1.5 presents a better, common and comprehensive perspective than a single perspective from the many market orientation alternatives. The model includes four key elements common to the five different perspectives of market orientation including customer emphasis, intelligence generation, intelligence dissemination/inter-functional coordination, and intelligence responsiveness/taking action.

**Customer Emphasis**

Customer emphasis is at the centre of each of the five different perspectives. Since market orientation is the operationalisation and implementation of the marketing concept, it follows that the fundamental premise of satisfying the needs and wants of a firm’s customers should be inherent in any basic conceptualisation of market orientation (Lafferty and Hult, 2001). The following components can be drawn from the five different perspectives regarding the customer emphasis. Firstly, market
orientation stresses the need for the company to understand its markets and customers (Shapiro, 1988). Secondly, market intelligence is a broader concept that goes beyond the verbalised needs and preferences of customers and effective market intelligence involves not just current needs but future ones. Thus, an organisation should meet the customer needs ‘now and in the future’ (Kohli and Jaworski, 1990). Thirdly, the customer orientation element requires a sufficient understanding of the customer in order to create products and superior value for them (Narver and Slater, 1990). Fourthly, develop a strategy in order to meet customer needs and wants (Ruekert, 1992). Finally, put the customers interest first (Deshpande et al., 1993).

Thus by combining these components it can be concluded that, a company should put the customers’ interest first and understand them in order to create value and meet their current and future needs.

**Importance of Intelligence/Information Generation**

The second element of the synthesis dimension is the importance of information/ intelligence generation, which can be approached in two ways, firstly, agreement on information generation regarding customers and factors that affect the customers, and secondly, information regarding competitors.

i) Agreement on the intelligence/information generation regarding customers and factors affecting customers

Firstly, a market driven company is one which acquires and utilises information on the all-important influencing factors that affect the customers (Shapiro, 1988). Secondly, market orientation involves the organisation-wide generation of market intelligence pertaining to current and future customer needs (Kohli and Jaworski, 1990). Thirdly, in order
to create value for the customer, a level of understanding is required which involves acquiring information about the customers or buyers (Narver and Slater, 1990). Fourthly, the extent to which a company obtains and uses information from customers determines the level of market orientation of that company (Ruekert, 1992). Finally, a simple focus on information about the needs of actual and potential customers is inadequate without consideration of the more deeply rooted set of values and beliefs that are likely to consistently reinforce such a customer focus and pervade the organisation (Deshpande et al., 1993).

ii) Agreement on the intelligence/information generation regarding competitors

There is a general agreement on the importance of information generation regarding the competitors among the different perspectives with the exception of Deshpande et al. (1993) and Ruekert (1992). The following agreements are observed among the other three perspectives.

Firstly, market intelligence also includes monitoring competitors’ actions in order to determine their effect on the consumer (Kohli and Jaworski, 1990). Secondly, in order to become market-oriented, a company should understand the strengths and weaknesses of its current and future competitors as well as their long-term capabilities and strategies (Narver and Slater, 1990). Finally, a market-oriented company should also assess the competition and acquire information accordingly (Shapiro, 1988).

Thus by combining these above components it can be concluded that, in order to become market-oriented, a company should collect information regarding the customers and the factors influencing customers as well as the information regarding competitors. The reason for collecting information is to make sure that the company serves its customers better
than its competitors in considering the needs and wants of the customers. This will actually result in both customer satisfaction and continuing prosperity of the market-oriented company.

**Intelligence Dissemination/Inter-functional Coordination**

The third element of the synthesis perspective is the inter-functional coordination or dissemination of intelligence/information within the organisation. The following agreements are notable among the different perspectives.

Firstly, information should permeate the entire firm and also strategic and tactical decisions should be made and executed inter-functionally (Shapiro, 1988). Secondly, the generated information should be disseminated effectively to all parts of the company (Kohli and Jaworski, 1990). Thirdly, inter-functional coordination is a key component and is equally weighted as customer and competitor orientation (Narver and Slater, 1990). Fourthly, in order to create superior customer value, there is a need for inter-functional coordination (Ruekert, 1992). Finally, inter-functional coordination is consistent with customer orientation and should be part of its meaning (Deshpande et al., 1993).

Thus, in order to become market-oriented, adoption of inter-functional coordination among the various departments of the company is required. This coordination is also known as intelligence dissemination that shares activities (market intelligence) across the various parts/departments of the company.

**Intelligence Responsiveness/Taking Action**

The fourth element of the synthesis model is the action taken in responding to the customers’ needs and wants. Of the five perspectives
four agreed upon the responsiveness part of the company, the exception was Deshpande et al. (1993). The following agreements can be seen among the four different perspectives.

Firstly, companies should execute well-coordinated decisions with a sense of commitment (Shapiro 1988). Secondly, Kohli and Jaworski (1990) emphasized corporate wide responsiveness to market intelligence. Thirdly, utilisation of company resources should be coordinated in developing and creating value for its target customer (Narver and Slater, 1990). Finally, in order to be responsive to the needs and wants of the marketplace an organisation should implement and execute its corporate strategy (Ruekert, 1992).

Thus, in order to become market-oriented, a company should focus on responding to the customers’ needs and wants, as well as to gathering and disseminating information.

In the last stage of the model, market orientation is linked to business success. As the marketing concept is implemented through fulfilling a greater variety of conditions, performance of the company should improve as a result. Narver and Slater (1990), in their perspective of market orientation incorporated superior performance of business that includes two decision criteria, long-term focus and profitability. The motivational point of Deshpande et al.’s (1993) perspective was the development of a long-term profitable enterprise. This indicates a linkage between their perspective of market orientation and long-term business success. Kohli and Jaworski (1990) viewed business success as the consequences of market orientation. Thus, considering the agreements among the different perspectives regarding the market orientation and business success relationship, the linkage between market orientation and
consequences (business performance) in the model is appropriate.

Prior studies have shown that higher degrees of market orientation, which result from executing or implementing the marketing concept, are associated with more favourable outcomes (Jaworski and Kohli, 1993; Narver et al., 1993; Slater and Narver, 1994a; Pelham and Wilson, 1996). The synthesis model of market orientation explains about the implementation issues of the marketing concept, emphasises considering certain conditions in becoming market oriented, and also indicates that the market orientation is linked to the business success or performance. Since, this study of market orientation developed a comprehensive conceptual framework of market orientation, these antecedents and performance indicators needed to identify. The identification of these variables was critical because market orientation does not develop by itself but once it is developed, it leads to better business performance.

In order to develop the conceptual framework of market orientation three areas were considered. These areas included firstly, the market orientation components, secondly, the antecedent variables or conditions of market orientation, and thirdly, the consequences of market orientation. While the next chapter will focus on identifying the antecedents and consequences of market orientation, the following section offers a theoretical model of market orientation components that incorporates the aspects of each component of market orientation.

1.2(vii) THE THEORETICAL MODEL OF MARKET ORIENTATION COMPONENTS

This theoretical market orientation model has four components. Customer emphasis is the most important component of the model. The other three elements are intelligence/information generation, intelligence
dissemination or inter-functional coordination, and intelligence responsiveness or taking action. The theoretical model of market orientation components is shown in Figure 1.6.

**Figure 1.6. Theoretical Model of Market Orientation Components**

<table>
<thead>
<tr>
<th>CUSTOMER EMPHASIS</th>
<th>INTELLIGENCE RESPONSIVENESS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Understanding and commitment:</strong></td>
<td><strong>Response design:</strong></td>
</tr>
<tr>
<td>- Market and customers</td>
<td>- Developing and designing product and services</td>
</tr>
<tr>
<td>- Customers’ current and future needs</td>
<td><strong>Response implementation:</strong></td>
</tr>
<tr>
<td><strong>Creating and Providing:</strong></td>
<td>- Implementing designed plans</td>
</tr>
<tr>
<td>- Superior value on the product</td>
<td>- Altering products and services</td>
</tr>
<tr>
<td>- Customer satisfaction</td>
<td><strong>Encouraging:</strong></td>
</tr>
<tr>
<td><strong>Encouraging:</strong></td>
<td>- Customer comments and complaints</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INTELLIGENCE GENERATION</th>
<th>INTELLIGENCE DISSEMANTION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gathering, monitoring, and Analysing of information Concerning:</strong></td>
<td><strong>Sharing existing and anticipated information concerning:</strong></td>
</tr>
<tr>
<td>- Customers’ current and future needs</td>
<td>- Customers (consumers and trade partners)</td>
</tr>
<tr>
<td>- Exogenous factors</td>
<td>- Exogenous or external factors</td>
</tr>
<tr>
<td><strong>Gathering and monitoring Information using:</strong></td>
<td><strong>Goal:</strong></td>
</tr>
<tr>
<td>- Formal means</td>
<td>- Horizontal and vertical flows of communication</td>
</tr>
<tr>
<td>- Informal means</td>
<td>- Ensure participation of all departments and personnel</td>
</tr>
</tbody>
</table>

Source: Wood and Bhuian (1993) and extended on the basis of the literature review

**(a) Customer Emphasis**

“Customer orientation has become a familiar slogan with pride of place in the strategy statements of many organisations” (Nwankwo, 1995, p. 5). Dalgic (1998) purported that market orientation is a straightforward and logical idea that places the customers at the centre of overall activities of an organisation. Insufficient and inappropriate understanding of the customer can lead to problems for many companies. These problems may
lead a company to question whether it can exist in the marketplace.

According to the model, customer emphasis involves three strategies; understanding and commitment to the customers, creating superior value for the customers, and encouraging customers’ comments and complaints.

i) Customer understanding and commitment

Nwankwo (1995) stated that insufficient understanding of the customer will lead to problems or, at best, superficial changes in organisational practice and such changes endanger a company by creating “an illusion of proactivity that leads to organisational smugness and strategic drift” (p. 5). Capon et al. (1991) noted that a customer emphasis is essential but difficult to sustain. Therefore, an organisation should make sure that it places emphasis on the customer on a continuous basis, but this continuation is impossible without being committed to the customers. Thus, an organisation should place emphasis on to its customers with proper understanding and commitment. This customer understanding and commitment helps to sustain the organisation in the marketplace and also to keep the same customer groups. Therefore, a company should have an understanding of its market, customers, customers’ current and future needs, and at the same time it should show its commitment to fulfill those current and future needs and wants of the customers. Hence, it was purported that this effort would result in business profitability (Narver and Slater, 1990; Williamson, 1991; Hall, 1992; Donaldson, 1993; and Ganesan, 1994). Therefore, to become market-oriented, a company should understand and show commitment to its customers.

ii) Creating superior value and providing satisfaction

The next element of customer emphasis is to create superior value in order to provide maximum satisfaction to the target customers. Narver
and Slater (1990) emphasized creating customer value in order to become market-oriented while Miller and Layton (2001) defined the value as the ratio of perceived benefits to price and any other incurred costs. That means, in offering a product, a company should make sure that the price of the product matches with the perceived benefits of the product. It is argued that perceived benefits result in customer satisfaction, as it is believed to be associated with fruitful customer behaviour from the company’s point of view (Soderlund, 1998). This customer satisfaction actually has a positive relationship with loyalty (Fornell, 1992; Anderson and Sullivan, 1993; Rust and Zahornik, 1993; Taylor and Baker, 1994). Therefore, a company should create customer value in such a way that it can provide maximum customer satisfaction in order to create more loyal customers.

**iii) Point out customer comments and complaints**

Customer comments and complaints should be encouraged because they help a company to evaluate itself and for it to perform well. In this connection Deng and Dart (1994) placed even greater emphasis on customer comments and complaints in measuring market orientation and suggested that these are critical for company success. Thus, the model of market orientation includes customer comments and complaints in order to put more weight on customer emphasis.

**(b) Intelligence/Information Generation**

In order to serve the market better than competitors, market orientation requires the availability of all the various kinds of information regarding existing and latent needs and wants of the customers and the factors affecting the fulfillment of those needs and wants. In this connection, Gounaris and Avlonitis (2001) suggested that, having made this
information available; a company-wide mobilization to satisfy customers’ needs and wants should follow. Thus, availability of information on customers’ needs and wants at a company-wide level becomes a major issue in the development of market orientation (Narver and Slater, 1989; Kohli and Jaworski, 1990; Slater and Narver, 1994a). Therefore, intelligence/information generation in the model is a broader concept than customers’ verbalised needs and preferences. It includes the following three elements:

i) Gathering and analysing information regarding customers’ current and future needs

Modern marketing requires a customer focus with a systematic study of customer needs using appropriate data gathering and data analysis techniques. Deshpande and Webster (1989) and Kohli and Jaworski (1990) asserted that effective market intelligence requires a focus on both current and future needs, and a market-oriented organisation is characterised by proactive responses based on anticipated changes in customer needs.

ii) Monitoring and analysing exogenous factors

Kohli and Jaworski (1990) indicated that a market orientation includes monitoring factors, such as government regulations and competition that influence the needs and preferences of a company’s customers. They again said that, though market intelligence pertains to customer needs and preferences, it includes an analysis of how they may be affected by exogenous factors such as government regulations, technology, competitors and other environmental forces.
iii) Gathering and monitoring of market intelligence through formal and informal means

The generation of market intelligence relies not only on customer surveys, but also on a range of complementary mechanisms. Intelligence can be generated through a variety of formal as well as informal means for example informal discussion with trade partners/distributors (Kohli and Jaworski, 1990). Dobni and Luffman (2000) defined formal and informal intelligence as the extent to which the organisation’s employees and systems formally and informally generate information on customers, competitors, and industry. Wood and Bhuian (1993, p. 13) noted that, “a random sharing of a cup of coffee with relevant groups or an elaborate marketing research undertaking such as a sophisticated customer attitude survey can both be effective”. This information generation through formal or informal means can involve collecting primary data and/or consulting with secondary sources. Thus, the theoretical model of market orientation components includes the mechanisms for gathering and monitoring market intelligence.

(c) Intelligence Dissemination or Inter-functional Coordination

Responding effectively to a market need requires participation of all departments in an organisation. Ignacio et al. (2002) argued internal integration and coordination must be a faithful illustration among the organisations’ members in developing a group of activities aimed at the satisfaction of the target market. In this connection, Kohli and Jaworski (1990) suggested that, for an organisation to adapt to market needs, market intelligence must be communicated, disseminated, and perhaps even sold to relevant departments and individuals in the organisation. It entails two distinct aspects:
i) Sharing existing and anticipated information throughout the organisation

Intelligence dissemination suggests that an organisation should share existing and anticipated information concerning customers’ current and future needs, and exogenous factors. Here the goal is to ensure vertical and horizontal flows of communication within and between departments (Wood and Bhuian, 1993). According to Kohli and Jaworski (1990), various means can be used to disseminate intelligence within organisations including periodic newsletters, formal meetings, and informal story telling. Further, Zeithaml et al. (1988) stated that, to facilitate the different means, both the “vertical communication” system and the “horizontal communication” system are necessary.

ii) Ensuring effective use of disseminated information

Encouraging participation of all departments and personnel in sharing information regarding customers’ current and future needs and exogenous factors can ensure information dissemination (Wood and Bhuian, 1993). Once this dissemination of market intelligence originates from a department or from an individual, the rest of the departments of the organisation should be actively attuned to it. If this does not happen, the dissemination process will be hampered. Since organisational success depends on the appropriate and smooth dissemination procedure, all the departments and employees of the organisation should understand the importance of the effective use of disseminated information and make a favourable climate for using this information through inter-functional coordination.

(d) Intelligence Responsiveness or Taking Action

The fourth and last element of market orientation is responsiveness to market intelligence. Jaworski and Kohli (1993) defined the
responsiveness component as being composed of two sets of activities: (1) response design (e.g. using market intelligence to develop plans), and (2) response implementation (e.g. executing such plans). This means that responsiveness involves developing, designing, implementing, and altering products and services in response to customers’ current and future needs.

The four market orientation components (customer emphasis, intelligence/ information generation, information dissemination or inter-functional coordination, and responsiveness or taking action) adopted in the synthesis market orientation model (Figure 1.5) in this study are similar to those found by Lafferty and Hult (2001) who also synthesized the five different perspectives of market orientation and developed a conceptual framework of market orientation perspectives. According to them, the similarities are: “an emphasis on customers, the importance of shared knowledge (information), inter-functional coordination of marketing activities and relationships, and being responsive to market activities by taking the appropriate action” (p. 100).

Day (1994) also identified these four general areas as principle features in market orientation. According to him market orientation is a set of beliefs that puts the customers’ interest first (Deshpande et al. 1993) which is equivalent to customer emphasis; the ability to generate, disseminate and use superior information regarding customers and competitors (Kohli and Jaworski, 1990) which are equivalent to intelligence generation and intelligence dissemination or inter-functional coordination; and the coordinated application of inter-functional resources to the creation of superior customer value (Shapiro, 1988; Narver and Slater, 1990) which is equivalent to intelligence responsiveness or taking action.