Development of Market Orientation for Marketing Strategy Formulation

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Abstract

The formulation of marketing strategy is augmented with the firm making efforts to develop market orientation. Market orientation is the ability of the firm to “orient” its marketing strategy to the requirements of the market and continually re-orient its marketing strategy to the changes that occur in the market and business environment. The paper examines the nature of market orientation through literature review and outlines the meaning of the types of strategic thrusts, with specific focus on introducing a new position of competitive advantage called “market mechanisms.” The paper then postulates aspects of enabling reorientation of marketing strategy to keep up with changes in the market and business environment. The paper then extends the understanding of market orientation in extant literature by outlining the details of accommodating the convergence between the business purpose of firm orientation and the business purpose of value creation that encapsulates the firm-customer relationship or the market. An empirical section on certain “orient” aspects is laid out. Implications for marketing strategists are discussed.

Keywords: fructification of competitive advantage, market orientation, market mechanisms, product leadership, performance superiority, reorient marketing strategy

1. Introduction

The marketing concept revolves around the conceptualization, design, build-up, execution, and monitor of marketing programs to identify and satisfy customers, based on their needs and wants, through exchange processes simultaneously fulfilling organizational objectives. Marketing strategy involves the identification, creation, capture, communication, and delivery of superior customer value and customer meaning to gain in business for the firm. Marketing strategy thus involves the positivism aspects (understand, explain, and predict marketing strategy phenomena as in product life cycle strategies, scenario planning, and building); and normative aspects that suggest how marketing strategy ought to be, ought to be performed, and managed for gaining business (Cadogan, 2009). Marketing strategy could at times be supported by the occurrence of elements of realization of the business environment that could be called insights.

The formulation of marketing strategy is for direction setting of the marketing programs (as mentioned in the marketing concept previously), making strategic marketing decisions to achieve the desired revenues / market share, and improve the long term financial performance of the firm; strategic decision making in this context involves important decision making that arise due to huge investments involved in such decisions, and / or long term implications of such decisions, and / or the need to manage uncertainty and risk of markets (most often done through contingency build-ups).

Market orientation could mean the implementation of the marketing concept (Kohli & Jaworski, 1990). Definitions of the marketing concept in the 1980s suggests that the marketing concept includes three components (Jaworski & Kohli, 2017) (i) customer focus, (ii) profitability, and (iii) inter-functional coordination. The formulation of marketing strategy is augmented with the firm making efforts to develop market orientation. Market orientation is the ability of the firm to “orient” its marketing strategy to the requirements of the market, and continually re-orient its marketing strategy to the changes that occur in the market and business environment. The philosophical foundation of marketing strategy is for a firm to engage in and develop the business purposes of value creation and firm orientation; the philosophical foundation of market orientation as a part of the philosophical foundation of marketing strategy is to accommodate the convergence between the business purposes...
of firm orientation and value creation, that encapsulates the firm-customer relationship or the market. Market orientation is especially useful in oligopolistic markets where few firms are big players with major shares of the market.

2. Method

The paper examines the nature of market orientation through literature review and outlines the meaning of the types of strategic thrusts, with specific focus on introducing a new position of competitive advantage called “market mechanisms.” The paper then postulates aspects of enabling reorientation of marketing strategy to keep up with changes in the market and business environment. The paper then extends the understanding of market orientation in extant literature by outlining the importance of accommodating the convergence between the business purpose of firm orientation, and the business purpose of value creation that encapsulates the firm-customer relationship or the market. An empirical section on certain “orient” aspects is laid out. Implications for marketing strategists are discussed.

3. Orient Marketing Strategy

A firm’s market orientation efforts to orient its marketing strategy to the requirements of the market requires investments in assets, and development of capabilities in terms of skill, knowledge, and behaviors in both technical systems and management systems; market orientation thus requires the development of competencies (wherein competencies are asset-capability combinations). The “orient” aspect of market orientation also requires the firm to have the ability to cater to key success factors (KSF) of market through (i) development and choice of strategic thrust or competitive advantages by a match of the KSF of the market with the competencies of the firm; sustainability of competitive advantages; (ii) fructification of competitive advantages through development of appropriate competitive marketing strategies, functionality, and business model gains.

The “orient” aspect of market orientation applies both in market driven and market driving scenarios. Market driven scenarios apply when (i) the needs and wants emanate from the market, (ii) marketers do well to conduct need-want gap analysis, and (iii) firms make products and services to suit these needs-wants and the gaps in needs and wants. In such scenarios the markets hold the key business drivers. In market driving scenarios firms tap latent needs, and create demand through their products and services; technology is a potent arsenal for market driving wherein firms with their innovation and R&D hold the key to tap latent needs, create markets, and satisfy customers based on these tapped latent needs.

Development of strategic thrust is examined next followed by sustainability of competitive advantages, and the concepts related to the fructification of competitive advantages / strategic thrusts.

3.1 Development of Strategic Thrust / Competitive Advantage

Obtaining and sustaining competitive advantages is at the heart of marketing strategies that leads to long run above average performance. Competitive advantages are needed to convert a marketing opportunity to an organizational opportunity. This means that competitive advantages are more likely to be found when the firm has a defined target market space - either geographical, or product market space, or both. When a marketing opportunity exists in the area where the firm likes to do business, key success factors of the market should be met by core competencies of the firm, if the firm likes to go through with the opportunity. As such competitive advantages arise in these areas of core competencies that are meeting the key success factors of the market. For example if for introduction of a new soap into the market, distribution strength is a key success factor of the market, and if a firm has the needed distribution power then distribution is a competitive advantage. Several competitive advantages are needed to strategize in the market place.

The first step to the study of competitive advantages for any market is a market-by-market assessment of the existence and sources of competitive advantage. If there are markets where little or no competitive advantages exist then operational effectiveness and efficiency arguments hold for the success of the business. However if competitive advantages are found to exist then it is necessary to take a stand on the choice of competitive advantage/s to be pursued by the firm, by a study of (i) the nature of competitive advantage, (ii) the types of competitive advantage, and (iii) issues on sustainability. In markets where there are competitive advantages, the question arises whether the firm under consideration is in a dominant position or not. If the firm is in a dominant position then the only issue is of management of competitive advantages; however if not a single firm were to be in a dominant position then the issue of competitive interactions arises.

Competitive advantage grows fundamentally out of the value a firm is able to create for buyers that exceeds the firm’s cost of creating it (Porter, 1985). The bases of competitive advantages are sources of competitive advantages, or/and superior positions in the industry over competition. The sources are assets and capabilities of
It is postulated in this study that (6) “market mechanisms” be a position of competitive advantage that can be excellence. (Treacy & Wiersema, 1993) to include (5i) customer intimacy; (5ii) product leadership; and (5iii) operational performance superiority; and (5c) operational excellence. The second approach considers “value discipline” the scope within which it will attain the competitive advantage; not choosing could lead to mediocrity (detailed advantages. A firm to attain competitive advantage must make a choice of the type of competitive advantage and

In addition literature postulates (7) “preemption;” and (8) “synergy” as two other positions of competitive strategies. 

an alignment of customer end positioning and firm end brand identity results in repositioning and rebranding positioning given by the consumer aligned with the brand identity enunciated by the firm - deviations from such and establishment of effective brand identity; it is a constant effort of the marketing strategist to keep the
differentiation, and this is the aspect of branding. Addressing brand building efforts includes the development and establishment of effective brand identity; it is a constant effort of the marketing strategist to keep the positioning given by the consumer aligned with the brand identity enunciated by the firm - deviations from such an alignment of customer end positioning and firm end brand identity results in repositioning and rebranding strategies.

Associated with both “product leadership,” and “performance superiority” is the basic pre-requisite of adequate differentiation, and this is the aspect of branding. Addressing brand building efforts includes the development and establishment of effective brand identity; it is a constant effort of the marketing strategist to keep the positioning given by the consumer aligned with the brand identity enunciated by the firm - deviations from such an alignment of customer end positioning and firm end brand identity results in repositioning and rebranding strategies.

In addition literature postulates (7) “preemption;” and (8) “synergy” as two other positions of competitive advantages. A firm to attain competitive advantage must make a choice of the type of competitive advantage and the scope within which it will attain the competitive advantage; not choosing could lead to mediocrity (detailed

Without the support of assets and competencies it is unlikely that the competitive advantage will be enduring. The choice of competitive scope or the range of firm’s activities can play a powerful role in determining competitive advantage (Porter, 1985). Further the choice of the target product market is an important determinant of competitive advantage (Aaker, 2002); the target market must be supplied with products and services that are of value to them, for example Pringle chips were not so successful in the market because they did not score high on taste though they scored high on consistent product, long shelf life, crushproof container, and national distribution. Lastly the identity of the competitors suggesting that the firm has assets and competencies on dimensions that competitors lack in strength is vital to enduring competitive advantages.

Barriers to entry enhance competitive advantage (Greenwald & Kahn, 2005). Similarly holding onto customers enhances the competitive advantages; these are called as demand side advantages (Greenwald & Kahn, 2005). Such advantages arise because of customer captivity based on habit, on the costs of switching, and / or on the difficulties and expenses of searching for a substitute provider. Habit succeeds in holding customers captive when purchases are frequent and virtually automatic. Customers are captive to their current providers when it takes substantial time, money, and effort to replace the supplier with a new one. Customers are also tied to their existing suppliers when it is costly to locate an acceptable replacement.

Sources of competitive advantage leads to positions of competitive advantage. Possible positions taking the effect of competitive scope could include those due to (1) cost leadership; (2) differentiation; (3) cost focus; (4) differentiation focus (Porter, 1985). Extant literature gives explanation of (5) “value discipline” as a position of competitive advantage. There are two different approaches of delineating “value discipline”. One approach considers “value discipline” (Day & Reibstein, 1997) to include those of (5a) customer responsiveness; (5b) performance superiority; and (5c) operational excellence. The second approach considers “value discipline” (Treacy & Wiersema, 1993) to include (5i) customer intimacy; (5ii) product leadership; and (5iii) operational excellence.

It is postulated in this study that (6) “market mechanisms” be a position of competitive advantage that can be contrasted to “value discipline”. “Market mechanisms” includes (6a) “product leadership,” and (6b) “performance superiority”. Integral to both “product leadership” and “performance superiority” is product quality. Product quality includes conformance quality or adherence to standards; performance quality or adequate delivery of product benefits, functionality and performance of product; operational quality or adequate maintenance of support and associated services. Product leadership includes (i) product innovation; (ii) effective market entry strategies including product to market fit or market selection; (iii) appropriate go to market strategies including segmentation, targeting, and effective positioning; (iv) product line management; (v) appropriate resource allocation between various elements of marketing mix, or / and the product line, or / and the product mix, including the use of product portfolio analysis; (vi) effective contingency planning; (vii) systematic post launch monitor, evaluation, and control. “Performance superiority” exceeds “operational excellence” which includes both operational efficiency and operational effectiveness; performance superiority in addition has (i) possibility of causal ambiguity in operations; (ii) requires alignment with technology strategies; (iii) has cross-functional integration with other strategies including quality strategy, people strategy, manufacturing strategy, and financial strategy; and (iv) on an ongoing basis line modernization strategies.

Associated with both “product leadership,” and “performance superiority” is the basic pre-requisite of adequate differentiation, and this is the aspect of branding. Addressing brand building efforts includes the development and establishment of effective brand identity; it is a constant effort of the marketing strategist to keep the positioning given by the consumer aligned with the brand identity enunciated by the firm - deviations from such an alignment of customer end positioning and firm end brand identity results in repositioning and rebranding strategies.

In addition literature postulates (7) “preemption;” and (8) “synergy” as two other positions of competitive advantages. A firm to attain competitive advantage must make a choice of the type of competitive advantage and the scope within which it will attain the competitive advantage; not choosing could lead to mediocrity (detailed
exposition of: (1) to (4) is in Porter, 1985; (5a) to (5c) is in Day & Reibstein, 1997; (5i) to (5iii) is in Treacy & Wiersema, 1993; (7) and (8) is in Aaker, 2002).

Competitive strengths or advantages in each of those positions mentioned above may be with respect to (a) a particular value chain activity, or several value chain activities; (b) linkages of value chain activities within the firm value chain; and (c) interrelationships between value chains of different organizations, or the organization and the buyer (Porter, 1985). Exploiting linkages that allow optimization or coordination, requires information systems. Managing linkages is a more complex organizational task than managing value chain activities by themselves. Effective management of linkages by itself leads to competitive advantage, for example FedEx next day delivery advantage. Interrelationships are not a zero sum game and could be synergistic. Interrelationship advantages are best exploited by hard bargaining.

Appropriate organizational structures are needed that correspond to the value chain to create and sustain competitive advantage.

3.2 Sustainability of Competitive Advantages

A Competitive advantage to be sustainable has to have one or more of the following characteristics (Day & Reibstein, 1997): (1) it should be valuable in the market to be classified as a competitive advantage; Sam Walton spotted the sustainability advantage of being the first to open a discount store in a town large enough to support one such store but not two. Thus the first mover advantage turned to be a sustainable competitive advantage; (2) it should be durable and not subject to obsolescence and depreciation: (2a) competitive advantages are durable more easily in industries where development of a loyal customer base is possible, and where information asymmetry advantages are important / continuously obtained in a better manner than competition; (2b) technology obsolescence occurs more rapidly in some industries such as computers, and innovation should keep pace; (3) it must be hard to obtain; hard to obtain advantages are classified in two categories: (3a) hard to obtain investments in which case structural competitive advantages arise, a common example of which is Wal Mart’s investment in its supply chain systems; (3b) hard to obtain processes in which case causal ambiguity arises; causal ambiguity is said to be brought about by a complex coordination among diverse set of resources that only a few people are able to grasp the system; there is ambiguity about the causal connections between the actions of the firm and its results; causal ambiguity is especially characteristic of distinctive capabilities such as FedEx next day delivery advantage; (4) hard to replicate such as the creation of one of kind resources, for example Rupert Murdoch’s Fox Network; (5) threats of retaliation - under such a condition competitors do not imitate for fear of retaliation in their own markets.

The conditions for sustainability of value / competitive advantage has been well put forward as the combination of three factors (Ghemawat, 1991): (a) there must be a commitment of the firm to develop a set of capabilities superior to those of competitors that is required for the obtainment of competitive advantage; (b) there must be a scarcity factor associated with the added value of the product and services delivered - meaning thereby that it should be hard to obtain / hard to replicate; (c) the company should be able to extract some of the value added for itself in the face of siphoning off the value by non-owners such as the government with its taxes (this is called holdup); and in the face of dissipation of value by the employees (this is called slack). Forces of imitation and substitution threaten scarcity value and hold up and slack threaten appropriability value.

Imitation is fought by various methods. Three methods mentioned above that are elements to sustainability: (1) causal ambiguity; (2) hard to replicate; (3) threats of retaliation; are also barriers to imitation. Other methods include (Ghemawat, 1991) the following: (4) learning and private information; private information is costly for competitors to tap into, and privacy is most likely to obtain when information is tacit rather than specifiable; learning barriers could occur because of patents - sometimes learning leaks when key officers are bought out by competitors; (5) size economies of which there are three kinds: (5a) scale economies; (5b) learning economies; (5c) scope economies; (6) contracts and relationships; by getting into contracts and relationships early it may be possible to get at better terms and conditions that competitors later find hard to succeed and hence desist from imitation; (7) threats of retaliation; early movers can come up with credible signals of retaliation with both the ability and willingness to retaliate; (8) response lags; imitation requires a minimum length of time and this time can be used as the early mover to continuously upgrade and hold back or defer the forces of imitation; (9) reputation for being good is an indirect way of fighting imitation as customers remain steadfast to the particular advantage of the firm being reputed, for example low price at Wal-Mart.

Substitution is fought by (Ghemawat, 1991) (1) not responding; for example if your assessment is that online bookselling is not going to catch-up then not responding to the introduction of a new online bookseller is one way of fighting substitution; (2) fight with better technology, for example introduction of RISC (Reduced
Instruction Set) Computing as against CISC (Complex Instruction Set) computing; (3) do both old business model and new business model also called straddling; for example Barnes & Nobles with store retailing and online retailing; (4) recombining old and new to get third new method.

Hold-Ups (Ghemawat, 1991) can also be viewed as delays, stoppages caused by partners in the relationship process between two partners; for example firm and its channel. The possibility of a partner asking for a renegotiation of business after an investment has been sunk in lowers competitive advantage. This lessens the appropriated value. Methods to fight hold ups includes (1) contracts; (2) vertically integrate; (3) build up bargaining power, for example with suppliers by multi-sourcing; (4) build mutual dependence; (5) reduce asset specificity; and (6) build trust.

Imitation, substitution, hold up are external threats to sustainability. The internal threat to sustainability is slack. Slack (Ghemawat, 1991) is the excess of organizational resources that have been spent to get to a particular market value. The more the slack the is, the lower is the ability to sustain competitive advantage. Firms need to be careful as to how they spend their free cash in business. Some of the methods to fight slack include incentive and monitoring schemes for employees, and changing governance structures.

Finally competitive dynamics erode competitive advantages, and further investment needs to be made to renew competitive advantages. This is the competitive advantage cycle. Investments can be made to develop brand name as Intel did with its “Intel Inside” campaign, upgrade existing capabilities, acquiring alternate resources such as a landline telephony company acquires cellular service; for example Indian state owned BSNL.

3.3 Fructification of Strategic Thrusts / Competitive Advantages

Competitive Advantages are at the heart of marketing strategy. Competitive Marketing Strategy is postulated to be a business-cum-functional strategy and as such addresses the use of competitive advantages for achieving a market orientation. To enable achieve this market orientation, it is postulated that competitive advantages be fructified in the market place; fructification of competitive advantages or the strategic thrusts is possible when several competitive marketing strategies are put in place by the marketing organization. Such competitive marketing strategies include (1) competitive customer value proposition; (2) competitive assurance; (3) competitive freewheeling; (4) competitive communication; (5) competitive loyalty; (6) avoidance of customer dissatisfaction; (7) competitive trial; (8) competitive alliances and cluster advantages; (9) competitive dominance; (10) competitive rivalry; (11) competitive transaction; (12) turnaround of competitive disadvantages; and (13) competitive innovation. Each one these competitive marketing strategies is briefly examined below.

3.3.1 Competitive Customer Value Proposition

Advantages based on assets and competencies should result in a superior value proposition to the consumer. For instance if a consumer goods company claims for its value proposition, wide availability of “value for money” detergents for the rural and semi urban market, then distribution is a key advantage, and so is branding. The company should be able to deliver on these two competitive advantages for their value proposition to succeed. As such a firm should leverage its core competencies in the value proposition or should be able to deliver on the competitive advantages demanded by the value proposition. The value proposition so framed should take into account the competitive scenario thereby making it a competitive customer value proposition. Competitive advantages often take the competitive value from the price line to non-price based factors.

3.3.2 Competitive Assurance

The firm should be able to deliver consistently on the relevant competitive advantages to give the consumer a certain degree of confidence and assurance about the firm. This is sometimes called “Reputation”. During repeated transactions of the consumer with the firm, the sum total of the experiences should result in a positive utility with the customer for the firm to obtain a reputation. Quality certifications by ISO for example, customer satisfaction studies by independent rating agencies such as JD Power, and usage satisfaction statements by key opinion leaders in the market are some tools that firms can use to convert the competitive advantage to competitive assurance. This concept of competitive assurance can act as a major hygiene factor in consumer / customer purchases.

3.3.3 Competitive Freewheeling

It is said that for marketing strategy to be dynamically appropriate for a firm, the firm should have flexibility in decision-making, and focus of marketing action. Flexibility refers to the freedom in decision making with respect to market entry / exit, technology choice, competition, and reconfiguration of value chains. The presence of flexibility and focus simultaneously leads to a state of perennial renaissance or competitive freewheeling (Drumwright & Kosnik, 1992). In emerging markets, this makes a very useful strategic strength, as the past
cannot be extrapolated in to the future. Tatas made a careful choice to be in the software services business in the 1980s and today they are a market leader in India. Reliance a petrochemical giant forayed in to telecom in the 2000s and they are on the growth path. Competitive freewheeling demands the skill of the organization to develop competitive advantages in untested product market space when that product market space has been chosen with marketing acumen.

3.3.4 Competitive Communication

There is growing emphasis on integrated marketing communication (IMC) that is concerned with integrating the communication across different tools—promotions, advertising, direct marketing, public relations and personal selling. Integrated marketing communication includes firm to market communication, and within the market communication. Within the market communication is well managed by what is called as buzz marketing and viral marketing. Firm to market communication influences selectivity (or perception), involvement, and persuasion in the consumer. Selectivity refers to selective attention, selective retention, and selective distortion. Low involvement products can be handled by peripheral routes to communication (such as celebrity advertising) and high involvement products can be handled both by the central route to persuasion and the peripheral route to persuasion as detailed in the elaboration likelihood model of communication (Petty & Cacioppo, 1986).

It is necessary though not sufficient that an effective integrated communication is in place. The communication has to be competitive resilient so that the messages are differentiated from the other competing firms in the market place. Competitive advantages should be leveraged into visible attributes that will influence customers; for example Maytag is known for reliability as its product design and product performance make the reliability claim believable (Aaker, 2002). The visible attributes must be clearly specified and communicated; thus leveraging of visible attributes is possible only if there is effective competitive communication. Slogan writing is one way of competitive communication; for example “Just do it” as in Nike.

3.3.5 Competitive Loyalty

Competitive advantages should be translated into loyal customers who are profitable for the firm. This means that customer satisfaction and customer ecstasy should be built into marketing programs. British Airways has an excellent operation, which is its competitive advantage, but on time arrival is a customer benefit resulting from excellent operations that help in building customer satisfaction and ecstasy that leads to loyalty. Customer intimacy should be built with loyal customers who are profitable, to be able to gain customer end advantages, which leads to the continued well-being of the firm.

Buyers can be grouped into four groups (Kotler, 2004)—hard core loyal (who stay with one brand); split loyal (who is loyal to two brands); shifting loyal (who shifts from one brand to another); switchers (who show no specific loyalty to one specific brand and who may be deal-prone). Competitive loyalty includes firm developing customer intimacy with hard core loyal, and adequate coping mechanisms to deal with split loyal, shifting loyal, and switchers. This means the benefits derived from competitive advantages must be continually updated to offer split loyal, shifting loyal, and switchers what may be called state of the art benefits.

3.3.6 Avoidance of Customer Dissatisfaction

Fructification of competitive advantages can result only if customer dissatisfaction is avoided. Avoidance of customer dissatisfaction is a hygiene factor. Nestle has great baby food but in the 1970s it got into customer dissatisfaction due to quality control problems on account of bacterial contamination, and the inability of market to use the product correctly. No amount of convincing could please the customer till it got into marketing guidelines under the aegis of WHO (World Health Organization) (Hartley, 1986).

3.3.7 Competitive Trial

An important axiom is the Luce choice axiom which postulates that the probability of choice of a given brand is in proportion of the utility of a given brand to the consumer to the total utility of all given and considered brands to and by that consumer. Utilities that a brand provides to the consumer are directly depending on the benefits offered by the firm for the brand, but the competitive aspect that enters is the relative position of this utility of the brand to the utilities of the other brands in the market. This means a development of competitive utilities from the consumer end relative to competition could be a useful exercise in promoting consumer trial purchase behavior. What guides trial is preference, and competitive advantages should directly correspond with preference building factors. The preference factors mapped on to macro terms are called key success factors. In micro terms the customer is asking a simple question as to why the brand / product should be bought.
3.3.8 Competitive Alliances / Cluster Advantages

With the advancement of technology and formation of value chains across industries to better serve customer needs and wants, competition is no longer among firms; it is among network of firms. Each firm does its best to have a family of its own, comprising of channel members, suppliers, and collaborating firms. Firms with better alliances win. For example in the battery industry of India in the 1990s, there were two major firms in the industrial nickel cadmium space—Hyderabad Batteries was collaborating with Sabnife, Sweden and AMCO was collaborating with SAFT, France. Hyderabad Batteries was the earlier entrant. In the global market, SAFT took over Sabnife and in the domestic market, Hyderabad Batteries emerged the clear winner, as the competitive alliance of Hyderabad Batteries with Sabnife was a longer and more robust relationship. Similarly cluster advantages exist that tend to fructify the competitive advantage of firms in the cluster.

3.3.9 Competitive Dominance

Competitive advantages could also be fructified by competitive dominance. This means the firm develops a sense of ownership of the market and excels in delivering quality products, the top of mind recall is very clear, and the firm is able to take shocks of other firms (such as price drops or technological breakthroughs). For example in the blades market in the 1990s, Malhotra Shaving Products Ltd was a dominant incumbent player in the blades market in India and tried its best to withstand the technological prowess of a company such as Gillette. Malhotra came up with comparable products in the moving and fixed blade cartridge category, and firmly stood against Gillette; this came only with a sense of market ownership on the part of Malhotra.

3.3.10 Competitive Rivalry

Firms compete among many dimensions such as distribution, branding, and innovation. Rivalry among firms exists on competitive dimensions that are easily identifiable from the point of view of rational expectations, also called open dimensions of competition. Rivalry exists to (i) offset competitor action; (ii) demonstrate strategic intent; (iii) disturb equilibrium, and gain long run advantage. So competitive rivalry is a healthy means to achieve the above objectives and convert competitive advantage to useful performance measures, be it market share or dominant portfolio position in industry. Excessive competitive rivalry leads to quick erosion of competitive advantages and gradual erosion of profit margins. Such excessive rivalry is also called hyper-competition and this should be preferably avoided.

3.3.11 Competitive Transaction

It is to be noted that at the core of all marketing is exchanges. This being the case, a transaction is a qualified exchange action (qualified on account of (i) being a measurable exchange, and (ii) accrual of expenses to the marketed), and a contract is a transaction with a legal recourse. In the market place it is to be noted that there exists a written contract or a formal contract between the firm and customer for any class of product. Along with the formal contract is an unwritten obligation to the customer from the firm, for the business the firm procures. Successful firms excel in the fulfillment of both the formal contract and the unwritten obligation. For example, Wal Mart excels in both the written and the unwritten obligation for economy / value for money products but does not succeed that well for luxury products. This means Wal Mart has to develop competitive advantages in the direction of the luxury segment if it wants to move up the price-performance ladder. It is to be noted that formal contract expectations leads to customer satisfaction processes and unwritten obligations if not fulfilled leads to moral hazard.

Thus the fructification of any competitive advantage is dictated to an extent by the competitive transaction in the market. Competitive transaction is guided both by the terms of the formal contract, and the nature of the unwritten obligation, that the firm wants to enter into with the customer.

3.3.12 Turnaround of Competitive Disadvantage

In emerging markets and rapidly evolving high technology markets, it is useful to identify the major competitive disadvantage that is hindering success, and pay attention to it so as to convert it into a competitive advantage. For example General Electric Medical Systems in the late 20th century, converted its number one dissatisfier—“Applications Training” to a number one satisfier and moved ahead with resounding success in the market place.

3.3.13 Competitive Innovation

In technology markets, successful fructification of the innovation competitive advantage in addition to fructification of competitive advantages in other value chain activities puts the firm ahead of competitors. Quickness to market, shortened product development times, continuous innovation or constant upgrading, and
innovations leading to technological leapfrogging are some of the methods to having successful fructification in innovation.

4. Reorient Marketing Strategy

As a part of firm’s efforts to continually reorient its marketing strategy to the changes in the market and business environment, the firm needs to develop the (i) ability to be sensitive and responsive to changes in customer requirements and reformulate marketing strategy as required; (ii) ability to be sensitive and responsive to changes in market and business environment and reformulate marketing strategy as required; (iii) ability to reformulate marketing strategy arising due to appropriate performance control in marketing management and marketing strategy. Reformulation situations under these ability conditions is laid out. In addition the firm should make efforts to effectively manage its public image management processes and the customer satisfaction processes in the market.

4.1 Reformulation Situations

On account of being sensitive and responsive to changes in customer requirements, marketing strategy reformulation may be required for each of the following situations: (i) changes in consumer needs, wants, tastes and preferences and demand changes; (ii) changes in value proposition (case of a domestic firm building a global brand as for WIPRO, India, that changed over time from operational excellence to customer responsiveness); (iii) segment redefinition as in separation of biscuits product market (Britannia, India) into wellness biscuits (Nutrichoice) and indulgence biscuits (Pure magic); (iv) repositioning; (v) rebranding (due to changes necessitated by brand image / brand identity considerations); (vi) re-launch as in microwave ovens in India, which was not successful in 1990s and then succeeded in 2000s; as in the failure of Gillette Presto in 1994, that was re-launched successfully in 1995 at a lower price to succeed.

On account of being sensitive and responsive to market and business environment, marketing strategy reformulation may be required for each of the following situations: (i) changes in market context when there is high context specificity such as government regulation, channel changes; (ii) changes in market-society and institutional environment, which includes conducting business effectively through appropriate inter-organization orientation with vendors, channel members, collaborators, banks and financial institutions, and consumer action groups; (iii) evolution of the market and consequent breakaway positioning strategy, as with the launch of Swatch as a fashion category product moving away from a utility category product; (iv) brand extensions as part of product strategy, that includes changing rules of the game while keeping brand identity same; (v) product life cycle (PLC)—cycle / recycle patterns with reformulation at each downturn into upturn as in Scissors cigarette, India; (vi) successive generations of technology / successive versions / line modernization / line stretching as part of product strategy; (vii) revival requirements of the brand / product; (viii) resource allocation changes manifesting as reformulation, as occurs when there are changes in the promotion-advertisement split; (ix) blue ocean strategy / changes in competitive space or rules of the game (increase differentiation and decreasing price situations).

On account of appropriate performance control in marketing management and marketing strategy, reformulation of marketing strategy may be required for each of the following situations: (i) feedback and control aspects of the strategic marketing process may lead to reformulation of marketing strategy as and when the performance in the market of a strategic move or strategy initiative is deviating from the objectives set; (ii) contingency planning and action may sometimes require a reformulation of marketing strategy as in the initial stages of a strategic marketing decision; (iii) changes in firm objectives / goals / vision; (iv) change in competition.

4.2 Management of Public Image Processes

The public image of a firm / brand refers to the image of the firm / brand beyond the target market under consideration for the firm / brand, and among the stakeholders to the firm / brand. The relevant image of the firm / brand in the target market is the corporate / brand image.

In developing market orientation, the firm would pay attention to the firm identity / brand as part of the strategic thrusts chosen by the firm that includes the differentiation strategy; despite the choice of strategic thrusts other than differentiation strategy, the firm / brand needs to adhere to a minimum level of differentiation to compete in oligopolistic markets. To this extent the corporate / brand image is given the necessary attention; the competitive marketing strategy of competitive communication would include aspects of corporate / brand communication.

In such a scenario, the aspect of public image management needs separate and specific attention of the marketing strategist. Public image management includes both public relations and publicity. It is quite possible that at times the coverage and awareness built for the firm / brand in the target market through publicity exceeds paid forms
of communication. In addition firms can enter into institutional advertising, and advocacy advertising in the
business environment. Public relations can lead to partnerships with the market-society and institutional
environment that leads to the buildup of the firm as a market credible firm. Public image management includes
the management of firm/brand crisis as may happen due to technical snags in the products being sold; regulatory
interventions; issues related to demands from consumer actions groups and independent product testing
laboratories; and financial crisis. Public image management at times of crisis needs good public relations;
swiftness and sincerity in response to the public; recognition of the dual principles of moral idealism vs.
utilitarianism; avoidance of moral hazard; and a mentality to be ready for corrective action.

Public image problems includes (i) bad image as may happen due to damages caused in the target market or
society at large due to firm’s offerings or activities; (ii) fading image as may occur when the firm is going out of
business or is in decline due to technological obsolescence, product category decline, poor performance; (iii)
upgrade image when the competitive transaction establishes the firm / brand at a lower price point in the
perceptions of the public and the firm grapples to move up the price point ladder; (iv) dull image as may occur
when the firm / brand stagnates in the market without appropriate refurbishment and / or revitalization by the
firm.

4.3 Management of Customer Satisfaction Processes

Customer satisfaction occurs when performance meets expectations; in the event that expectations are exceeded,
customers are delighted. Customer satisfaction is a consumption psychology construct that sometimes also
includes expectations of the purchase process or the marketing / selling process. Management of customer
satisfaction processes in a firm is most necessary for developing market orientation. Firms often make
organizational changes to adapt the organization to the customer satisfaction processes that includes formation
of groups and teams, adoption of a customer satisfaction goal or objective, development of metrics for customer
satisfaction, and the efforts of the firm to measure and manage the customer satisfaction in the market. Customer
satisfaction measurement is routinely conducted through surveys, although lost customer analysis, sales problem
referrals, sales reversals, customer service records also indicate the causes of customer dissatisfaction. Customer
satisfaction is best pursued by firms as a joint objective with other objectives such as quality leadership, state of
the art technology, market dominance or market leadership, and product leadership; pursuing customer
satisfaction as a sole objective may lead to reactionary trends and hence a loss of focus in the organization.
Customer satisfaction is also managed by appropriately managing “moments of truth;” effective service or
market failure recovery systems; a well laid out service policy; effective complaint management systems,
appropriate choice of warranties and guarantees; adequate communication for confidence in the service provider.
The marketing strategist should continually attend to the customer satisfaction requirements of the market.

5. Accommodating the Convergence between Value Creation and Firm Orientation

In accommodating the convergence between value creation and firm orientation, the firm requires from a
customer perspective: (i) good customer information; (ii) understanding of key buying influences; (iii) customer
selection as to how to pick the important customers or identify key accounts, understand their specific
requirements, their challenges and issues; (iv) better market organization to outreach to customers; (v) useful
market research. A self-examination could include checks on how easy is the firm to do business with in terms of
information provision; does the firm keep up its’ promises with its customers; are the standards set by the firm
matched by good performance; and is the firm customer responsive (Shapiro, 1988).

In accommodating the convergence between value creation and firm orientation, it is required from the firm side:
(i) cross functional synchronization / integration and reconciliations and trade-offs with one another; (ii) open
decision making (that includes inter-functional decision making) with balance in decision making between the
specialists and top management who integrate the organization, with adequate management information systems;
(iii) commitment to successful implementation with open-dialogue, conflict resolution and resource sharing; (iv)
clear communication and adequate coordination within the organization; (v) requirement of a philosophy and
culture that includes informal social systems to promote discussion, dialogue, and build trust within the
organization. In short does the organization work together; is teamwork effective; and is there a give in of
individual objectives to group objectives and group objectives to firm objectives called the unification of minds
(Shapiro, 1988; Kohli & Jaworski, 1990). The convergence requires managers doing business by thinking about
customers as well as for their own departments.

Impact of market orientation is ultimately seen on business performance through effective marketing strategy
formulation and reformulation. Firms with higher degree of market orientation (Kohli & Jaworski, 1990), show
better ability towards intelligence generation (including those that pertain to current and future customer needs),
intelligence dissemination (horizontal communication is an important form of dissemination), and organization responsiveness both in the design of the plans and the implementation of the plans. Digital technologies have made it possible for firms to improve (i) generation of, (ii) dissemination of, and (iii) responsiveness to market intelligence, and thus making it more relevant for firms to be market oriented (Kohli, 2017). The impact of market orientation is influenced by top management commitment (a sense of risk taking, attitude towards change, trust winning ability with other managers to reduce interdepartmental conflict, reduced gap between communications, and actions to lessen ambiguity in middle managers), greater interdepartmental connectedness, and concern for ideas of other departments. Further greater is (i) the perceived expertise, (ii) perceived trustworthiness, (iii) political acceptability of the source generating market intelligence; and smaller the challenge to the status quo posed by the market intelligence; greater is the organization responsiveness. Formalization, centralization and departmentalization leads to lowering of the ability towards intelligence generation, dissemination, and response design, but better response implementation. Market orientation efforts leads to better organizational commitment on the part of employees, build- up of organizational spirit both of which positively moderates business performance (Jaworski & Kohli, 1993).

6. Empirical Understanding of the Fructification of Competitive Advantages

The Director of a multinational Indian startup was interviewed after the fructification concept was explained to him. The following were his judgments of how his company was preparing for, or implementing the competitive market strategies that were fructifying the competitive advantages of the firm. The competitive marketing strategies delineated, keep in mind the overall position of the parent company multinationals. The company in India is into the business of making fine formal shirts from European / Italian like fabric (fabric produced in India by a subsidiary of the Italian yarn firm in India). The Italian Yarn firm has a subsidiary in India to make Italian like fabric; the firm under consideration is partly held by the Italian firm and partly by an apparel Mauritian based firm.

The global market for dress shirts includes formal and casual shirts. It can be split into three categories based on price: (i) under $ 20 shirts are the basic shirts normally made of polycotton, and made by countries such as Bangladesh, and China; (ii) $20 - $50 shirts are the branded shirts category made by countries such as China, and India or produced by local mills of the buyer countries; (iii) shirts in the range of $50-$200 are the branded premium shirts normally made by a good brand equity firm, made normally out of Italian Fabric, and are aspirational shirts. The driver of the Indian startup firm is that Italian like fabric is produced in India, the shirt is tailored in India, and this premium like shirt is sold in world markets in the $50 category. This is the “Competitive Value Proposition,” that tantamount to a super value proposition. The value proposition emanates from (i) the global competitive advantages of the Italian yarn firm; (ii) the quality standards of the Mauritian based apparel firm; and (iii) the low cost of production of the Indian startup. The competitive advantage that drives this firm is the “cost leadership advantage” in a premium category, in terms of the value chain in India from making fabric to completing the formal dress shirts.

The firm moves ahead on “Competitive Rivalry,” by producing a better product than competition. In an instance of a first time order by a European based buyer, the Indian startup delivered the shirt to 100% perfection of the buyer. In addition the firm obtains a competitive edge in rivalry due to the marketing links all over the world, of its parent companies, especially in target markets of USA and Europe; this takes years to develop, and is hard to replicate; “Competitive Assurance” is delivered based on just the “Reputation” of the Italian yarn firm and the Mauritian apparel firm. The Italian firm has a 100-year-old reputation for making high-end fabric, and the Mauritian firm parent has an experience and reputation for reliable garments that understand customer needs. Untested competitive edge was developed by the Indian firm in wrinkle free shirts for which fabric is available in Asia - China, and Thailand. This is in turn is providing “Competitive Freewheeling” for the firm as a one-stop shop for customers. India suffers from the Country-of-Origin effect for selling the upper end formal dress shirts as India has an image of producing low value volume items. This “Competitive Disadvantage” has been turned around” by “ethical sourcing”; ethical sourcing refer to the production of products by free trade mechanisms in the home country. “Competitive Loyalty” is achieved through performance; the QCDS model is followed (Quality, Cost, Delivery, Service); service is provided to suit the target market needs. The management of the first few transactions of the customer personally by the top management of the Indian firm underscores the importance of and improves “Competitive Transaction”. “Competitive Innovation” is managed by the parent Italian firm with respect to the designs of fabrics. “Competitive Communication” is achieved through best of the class marketers who continually keep in touch with buyers through personal visits. “Competitive Trial” is promoted by offering what is called as a “full package solution” to the buyer. The buyer is no longer required to firm up a design, and then find converters to get the shirts of their choice. A wide range of dress shirts are
parents to get higher chances of trial. These agents are well trained in the target markets. Not much of “Competitive Dominance” is seen as the market is fragmented. “Customer Dissatisfaction” leads to “Regret” and is not “Dissonance Reducing.” Market orientation standards are updated by the means of benchmarks. In addition operations are targeted for world-class performance through appropriate plant and equipment, technology, people, and training.

In a simple sense competitive advantages are built by superior performance of value chain activities, and these competitive advantages should be fructified by these competitive marketing strategies mentioned above to achieve market orientation. The value chain activities to perform these functions above should be ordered in importance, and carried out to achieve optimal market orientation for business success.

7. Implications for Marketing Strategists

Market orientation is a marketing strategy formulation enabler that the marketing strategist needs to pay attention, to achieve superior performance results in the market place for the firm’s market offerings. It has been examined (Morgan et al., 2009) that market orientation along with marketing capabilities enable resources to be deployed in the marketplace to drive firm performance; findings indicate that market orientation has a direct effect on firms’ return on assets (ROA), and marketing capabilities directly influence both ROA and perceived firm performance. Extant research (Hurley & Hult, 1998) indicates that organizational learning and development impact innovativeness, and thus the capacity to innovate; and in the process influence competitive advantage and performance. Firms successfully making a transition to market orientation embrace six values (Carpenter, 2017) (i) they are in existence due to the market; (ii) firms have empathy—this is especially seen in firms having customer focus; (iii) firms believe in respect, and collaboration; (iv) firms exhibit trust, and openness. Further in the case of services firms, it has been suggested (Matear et al., 2002), that market orientation contributes to performance directly, and also through innovation, with innovation mediating the contribution.

Developing market orientation is synergistic with the firm’s efforts to become customer centric. Customer centricity includes the firm’s efforts to effective sales and distribution; communicating value through advertising and promotion, online and social media initiatives; customer responsiveness, and complaint management; customer relationship management and direct marketing; marketing of services, and support services; and all efforts in frontline or customer facing activities (customer centricity could indeed be a source of competitive advantage).

It can be inferred from this study that market orientation reflects the organization’s internal ability to interface, and successfully cope up with the market, and market forces in an appropriate and effective way. Organizational learning as a distinct concept moderates the efforts of each and every firm (including the innovative firms), as the resources of the firm (assets and capabilities) are being transformed to positions of competitive advantage (or strategic thrusts) for the firm. Further, appropriate competitive marketing strategies are to be in place if the positions of competitive advantage (strategic thrusts) of the firm have to result in superior business performance; in other words competitive marketing strategies moderates the competitive advantage to business performance relationship. Both the transformation of resources to positions of competitive advantages, and the moderation by competitive marketing strategies of competitive advantages to result in superior business performance, are part of the market orientation efforts of the firm. Innovativeness is fostered by facilitating organizational culture, and capacity to innovate reflects the capabilities and assets position of the firm, as well as the organizational learning skills and abilities. It can be surmised from this study, that the influence of market orientation through other constructs is more impactful on firm performance than the direct impact on firm performance; such constructs could include capabilities, organizational learning, choice of positions of competitive advantages, choice of competitive marketing strategies, innovativeness and innovative capacity, sustainability of competitive advantages, ability to withstand erosion of competitive advantages, and choice of renewal investments in resources. Outcomes of public image, and customer satisfaction are better driven by effective market orientation efforts; also important is the marketer’s ability to reorient marketing strategy as required due to changes in customer, market, and business environment. Not paying attention to market orientation could lead to mediocrity in market performance, missed opportunities, and loss of opportunities that might have otherwise materialized.

Appropriate market orientation is also a stepping stone to effective management of competition. Market orientation, thus leads to improvement in success for competitive choice in the firm’s favor, as well as results in competitive gain (through operations excellence); competitive choice together with competitive gain would result in improved market share and ROI, and if sustained could lead to above average long-term performance of the firm.
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