

Different types of Business Orientation

Ibrahim Sameer (MBA - *Specialized in Finance*,
B.Com – *Specialized in Accounting & Marketing*)

Learning Objectives

- Different types of business orientation.
- Definition of production orientation, sales orientation and market orientation.
- Advantages of different types of orientation

Different types of business orientations

- There are basically three types of business orientation namely:
 1. Production Orientation
 2. Sales Orientation
 3. Marketing Orientation

Production Orientation

- Production orientation exist in 18th, 19th and 20th centuries.
- The main purpose of production orientation firm is on focusing on producing more as much as they can.
- In the production orientation firm the key figure head is the production manager, and it was from there that most managers reached senior position of such companies.
- Manufacture were in a 'suppliers market', faced with insatiable demand to produce more. These kind of firm concentrate on improving productive efficiency and bringing down the cost.

Production Orientation (cont...)

- Production orientation firm think that understanding customer requirements was not important. A classic statement reflecting this thinking was: “Build a better mousetrap and the world will beat a path to your door”.
- This production orientated philosophy was feasible as long as a sellers market pertained.
- The recession that hit USA and UK in 1920s and 1930s indicate that just simply producing was no longer good enough as lots of good were unsold and many business became bankrupt.

Production Orientation (cont...)

- Some firms still have this outdated attitude and put forward reasons like: “the consumer does not appreciate good quality.” Many firm produce excellent products but not necessarily of the type or design that customer wants to buy. For example: the British motor company produce an exceptional machine in 1950s and early 1960s, but lost their market to the Japanese on points of styling, design and choice.
- The production oriented firm, the role of selling is minor and the emphases are on production, finance and R&D. The sales function exists primarily to process the order.

Sales Orientation

- In the UK sales orientation was the main business philosophy in 1960s.
- After the second world, when there was a slowdown in the economy and the sales are low, something called ‘hard sell’ came into UK from USA. Under this sales technique the customer put into a position where they cannot say “no”. And these kind of sales techniques are now under the criminal code.

Sales Orientation (cont...)

- Management began to appreciate that in a competitive environment when more goods available than purchasers, it is not enough to produce quality goods as efficiently as possible.
- The sales concept states that effective demand must be created through persuasion using sales techniques.
- The sales department was seen to hold the key to economic prosperity and survivals.

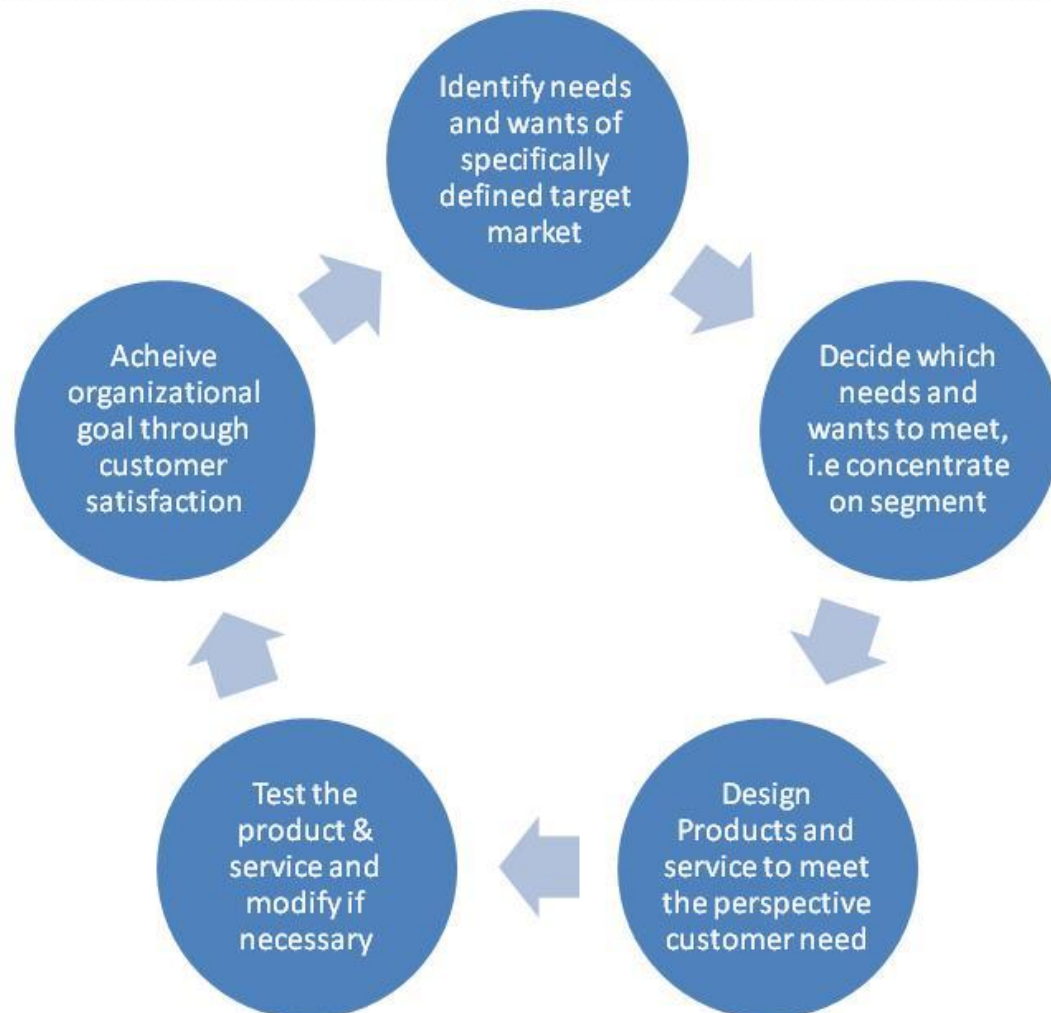
Sales Orientation (cont...)

- In sales oriented firm, sales volume is the criterion for success.
- Customer perceived the value of goods, is of secondary importance.
- The implicit principals of sales orientation are as follows:
 1. The main task is to establish a good sales team
 2. Consumers resist purchasing and the salesperson's role is to overcome this resistance.
 3. Procedures are needed to induce consumers to buy more.

Sales Orientation (cont...)

- Peter Drucker (1954, 1973) explained the relationship between selling and marketing when he stated: “There will always, one can assume, be a need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sell itself. Ideally, marketing should result in a customer who is ready to buy.”

Marketing Orientation



Marketing Orientation (cont...)

- Marketing orientation is a development from sales orientation.
- The marketing orientation concept assumes that to survive in the long term, an organization must ascertain the needs and wants of its target market.
- It must then produce goods or service that satisfy these target customer requirements at a profit.
- The customer becomes the centre of attention and production or sales are no longer the key to prosperity, growth and survivals; they are simply tools of business.

Marketing Orientation (cont...)

- The main difference between production and marketing orientation is that production orientated firms focus on existing products, paying little attention to the changing needs of the market. The marketing orientated firm produces goods and services it has established prospective customers will purchase.
- Sales orientated firms have short production runs & are preoccupied with achieving sales target. In the Sales orientated firms, dealing with customer is often restricted to the sales department. But in market orientated firm, everyone appreciates the fundamental importance of customers, for without satisfied customers there is no business.

Marketing Orientation (cont...)

- To be able to progress from 'sale' to a 'marketing' orientation, management must work to cultivate a company wide approach to the satisfaction of customer requirements.
- The main problem facing a move from sale to marketing orientation is managing organizational change. Marketing is likely to require more influence & authority over other departments to bring about an integrated organization in which all units consistently strive to achieve customer satisfaction.

Marketing Orientation (cont...)

- The adoption of a proper organizational structure is a condition for marketing orientation, but is not the sole condition.
- It is the adoption of the marketing concept as a business philosophy, rather than the organizational structure, that is important.
- A business philosophy that puts customer satisfaction at the centre of management thinking throughout the organization is what characterizes a marketing orientated firm.

Marketing as a business philosophy

- The subject of marketing as an overall business philosophy takes a holistic view of the discipline. Drucker (1973) explain:
- “Marketing is not only much broader than selling, it is not a specialized activity at all. It encompasses the entire business. It is the whole business seen from the point of view of its final results, that is from the customer’s point of view. Concern and responsibility for marketing must, therefore, permeate all areas of the enterprise”

Marketing as a business philosophy (cont...)

- The distinctive feature of marketing firm are as follows:
 - Marketing is dynamic and operational, requiring action as well as planning and control.
 - Marketing requires an improved form of business organization.
 - The marketing concept states that the identification, satisfaction & retention of customers is the key to long term survival and prosperity.
 - It is an overall business philosophy that should be adopted by everybody in the entire organization.

Marketing as a business philosophy (cont...)

- Business decisions should be made after considering customer requirements.
- Marketing focuses attention from production towards the needs and wants of the market place.
- Marketing is concerned with obtaining value from the market by offering items of value to the market.
- Marketing firm produce goods and services that satisfy the need and wants of specifically defined target market.
- Marketing orientated firm is distinguished by the way it tries to provide customer satisfaction as a way of achieving its business objectives.

Past Paper Q & A

December 2009 / Q5

- (a) Explain each of the following terms, using examples:
 - (i) Product Orientation
 - (ii) Sales Orientation (7 marks)
- (b) Identify and explain four benefits to an organization of introducing Marketing Orientation. (18 marks)

Past Paper Q & A

(a)

- (i) **Product Orientation.** This orientation focuses on the production of the product and is based on the assumption that the more you can produce, the more you can sell. There is an assumption that customers wish only to buy the product produced and have no other motivations for purchasing. For product orientation to be successful, monopoly market conditions normally have to exist and this is rarely seen today.
- (ii) **Sales Orientation.** The focus in a sales orientated organization is on persuading customers to buy the product by employing aggressive sales techniques which focus on the short term rather than building lasting relationships with customers that would lead to repeat business. Sales orientation usually exists in markets where it is very difficult to differentiate products. Examples of sales orientation have been seen in industries such as double glazing and even in recent years some energy companies have employed short-term, aggressive sales techniques to persuade a customer to switch energy suppliers.

Past Paper Q & A

(b)

Customer satisfaction/loyalty.

By understanding a customer's needs an organization can ensure that it produces products/brands that satisfy the needs of their customers. If a customer is satisfied with a product/brand they are more likely to make a repeat purchase. Retaining customers in this manner is far cheaper than having to gain a new customer for each sale and therefore good customer retention means higher profit margins for the organization.

Marketing knowledge.

Marketing orientation requires an organization not only to understand its customers, but also to understand the competitive environment in which the organization operates. This understanding will enable an organization to develop a marketing mix to differentiate its product/brand from its competitors. It is through the development of this unique market position that an organization can effectively compete, thus ensuring customers choose its products over its competitors.

Past Paper Q & A

Sustainable competitive advantage

Through marketing orientation an organization will understand the needs of its customers and understand the market conditions in which it operates. Time and resources will be invested in the continued understanding, and ensuring this information is fed back into the organization in order that the organization can continually meet the needs of its customers and retain its competitive position, thus providing the organization with long-term sustainable competitive advantage. Sustainable competitive advantage enables the organization to remain competitive in its existing markets, which is far cheaper and lower risk than developing new markets and/or products. Also, by remaining successful in existing markets, profit margins are likely to be high, which means that resources can be invested in product and market development for the future.

Integrated Approach

Marketing orientation requires all departments to work together to fulfill customer needs. Marketing will play an important role through techniques such as internal marketing to ensure all departments understand the needs of their customers and that the output of each department is focused on satisfying those needs. For example, the production department will develop products that provide benefits to the customers, the finance department will ensure that pricing is competitive and meets customer perceptions, and human resource department will ensure that staff are trained to deliver the appropriate levels of customer service.

Past Paper Q & A

December 2007 / Q-1

- (a) Outline three benefits an organization may gain by following a marketing orientation. (6 marks)


Past Paper Q & A

- Ans: Refer Dec 2009 Q5 (b)

Past Paper Q & A

June 2011 Q – 7

- (a) Briefly describe what is meant by: (Ans: Refer 2009 Q5)
- (i) Production Orientation
 - (ii) Sales Orientation
 - (iii) Marketing Orientation (9 marks)
- (b) For each of the above orientations, give an example of an organization using it, and describe the advantages and disadvantages to the organization of doing so. (16 marks)



Q & A