

THE PRODUCTION/SALES/MARKET CONTROVERSY:
IS A MARKET ORIENTATION REALLY BETTER?

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ABSTRACT

Most major textbooks in Marketing assume that there is a natural progression from production to sales to market orientation. The literature of business is filled with the assertion that a market orientation is superior to the other alternatives. However there appear to be many situations under which a market orientation is not superior.

INTRODUCTION

In the nearly 30 years since McKitterick (1957) introduced the notion of the "marketing concept," marketers have been adopting a "yes-but" attitude. How can anyone argue against customer orientation? This is akin to suggesting that flag and apple pie may not be perfection. And yet a large number of articles have appeared in the past 25 years which are critical of the marketing concept in one way or another. This paper will argue that the marketing concept, as a strictly interpreted conceptual philosophy, is unnecessarily restrictive, and that such an orientation may be inappropriate for many organizations.

Is a customer or market orientation always superior? Are there conditions under which a production focus would be justified? Even the most cursory examination of the less developed countries of the world shows that most of the successful companies are using a production or a sales orientation as a management philosophy. Even in the United States there are examples of successful businesses which exhibit production or selling oriented management styles. As teachers and researchers in the area of marketing, we should be concerned with such issues.

The purpose of any philosophy of marketing management is to guide decision-makers in their efforts to enhance organizational effectiveness. Whether a philosophy is appropriate or not depends upon the validity of its underlying assumptions about environmental conditions. That is, different conditions can call for different philosophies.

The manifestation of differences in philosophies occurs in the allocation of resources, in organizational structure, and in skills to be emphasized. For example, the philosophy of a strong customer orientation, which underlies the marketing concept, will cause companies to operate differently from organizations which subscribe to other philosophies, such as a production orientation. While the former firm may invest heavily in consumer research, the production oriented company may tend to spend time, effort, and funds striving for production efficiency. The sales oriented firm, on the other hand, may devote the majority of its marketing resources to promotion and sales incentives.

Some authors have suggested that there is a logical movement from a production orientation to a sales orientation to a marketing orientation (Kotler 1984). Is the marketing concept merely a direction which, at its extreme, can rarely be obtained? If so, does it truly provide a guideline for policy makers? What seems to be needed is a rethinking of the market verse the production and sales orientation as viable alternatives to serve as the basis of an operating philosophy for marketing organizations.

Production Versus Market Orientation

Often a market oriented philosophy is presented as a polar extreme to a production oriented one. While the production concept is often presented as being inferior to the marketing concept (Drucker 1973), there is no necessary implication of "better" or "worse." In fact there are many strong reasons as to why a company may successfully follow the dictates of a production orientation. For example, Bennett and Cooper (1979) suggest that the market orientation of the marketing concept "has helped to contribute to the death of true product innovation in North America" (p. 77). They further point out that ". . . (I)t can be shown that the marketing concept, backed by marketing research, effectively discourages the development of product innovation" (p. 78).

Hirschman (1983) notes that by the nature of the creative process, artists and ideologists are generally not customer oriented.

There seems to be a series of elements in the business environment which have a strong impact upon the selection of a market versus a production orientation. These influencing factors are summarized in FIGURE 1.

If an organization is in an environment which lends itself to a production orientation, then the adoption of the marketing concept may cause a competitive weakness. The marketing oriented firm in a production oriented environment may be tempted to spend resources in areas which are unnecessary.

For example, if consumer demand greatly exceeded supply, the company might be wise to concentrate upon producing more rather than engaging in extensive corporate image research.

Selling Versus Market Orientation

Underlying a selling orientation is the assumption that consumers may not be willing to buy enough of the organization's product offering without extensive sales stimulation efforts. Marketing and heavy promotional efforts are often viewed as opposites. "The marketing concept replaces and reverses the logic of the selling concept" (Kotler 1984, p. 31). Drucker (1973) adds ". . . selling and marketing are antithetical rather than synon-

ymous or even complementary" (p. 64).

A market orientation places responsibility upon management for actions which are consistent with the best interests of the customers. The underlying assumption is that consumers will patronize organizations which effectively provide products or services that are consistent with their interests.

Conceptually, at least at the extremes, the market and the selling orientation seem to be incompatible. One emphasizes long-run customer satisfaction, the other customer response. One advocates extensive consumer research so that products will "sell themselves," the other stresses heavy sales promotion. One is "soft sell," the other is "hard sell." One is market oriented, the other is company oriented.

This dichotomized thinking is further reflected in the underlying logic of the importance given to components of the environment. It would appear that the most relevant attribute of this environment consists of the stability of consumer's behavior. If consumer behavior changes rapidly and unexpectedly, then the appropriate philosophy for an organization may be the marketing concept, which orients the firm toward the detection and response to the changes in consumer wants and needs (FIGURE 2).

Thus, if the market environment is friendly and the consumer component is stable, then the competitive environment becomes determinant. Competitive pressures, stemming from the number of competitors seeking to improve their market share in the same segments, may be relatively high or relatively low. If this competitive pressure is high, a sales orientation is required, since non-aggressive promotional efforts may not be sufficient to attract customers away from the more aggressive competitors. If competitive pressures are low, then the company can avoid extensive promotional efforts and pursue an internal orientation such as the production orientation.

It seems clear that the more successful organizations are the ones which have adapted most appropriately to their environments. Unfortunately, neither a market nor a selling orientation alone are sufficient to guide organizations. The marketing concept tends to ignore the realities of competition while the selling concept may sacrifice long run profitability for short run sales.

Assumptions of the Marketing Concept

The Marketing Concept is based upon several key assumptions:

- The organization's target customers generally believe that the organization should act so as to enhance the long-run welfare of consumers.
- The target markets (or other publics) are aware of their economic, legal, and political powers, and are willing and able to activate such powers against organizations which do not behave as desired.
- The target markets act as though they believe

that they must rely upon sellers (as providers of products and services) to help them decide what purchases (or transactions) are the most appropriate. That is, most of the target audience tends to believe the majority of promotional claims. Further, they tend to rely upon these claims in making a purchase decision.

- The society and the competitive marketplace allow neither monopoly nor pure competition to exist over the long-run. That is, the vast majority of organizations exist in a world of competition.

To the extent that these assumptions hold, the marketing concept might be appropriate. However, there is no "rightness" or "wrongness" associated with any of the various positions. There may, however, be certain pressures which are "pulling" a firm in one direction or another. The pressure may be from society as a whole, from target customers, from other public groups, from various groups within the organization, or from pressures of the competitive environment.

Production, Sales, and Market Orientation as a Management Tool

The distinction among production, sales, and market as an orientation can be used as a diagnostic tool, a predictor of competitive action, and a guide to the formation of a marketing strategy.

As a diagnostic tool, the marketer takes a hard look at the business environment. A five-point (or any convenient length) scale can be used to show whether the environment is more susceptible to a production or a sales or a market orientation. The factors which are summarized in FIGURE 1 and 2 can provide a useful guideline.

This analysis should reveal the nature of the business environment. In addition, movements, pressures, and trends should be noted. It is, however, from this analysis that the pulls of societal forces can be identified.

The three orientations can also be used as a predictor of competitive actions. An analysis similar to the previous one can be undertaken for each major competition. Note that from its unique point of view, a firm may interpret the environment differently from a similar yet competitive company.

It is important to note any inconsistencies such as aggressiveness with one product and not with another, or in product promotion but not in corporate attitude, or with one aspect of the 4 P's but not with others. In addition, direction or anticipated direction should be noted. All organizations which compete either directly or indirectly should be positioned. The pressures from society and the various publics, which tend to pull the firm in any given direction, should also be noted.

The final aspect of this analysis is to serve as a guide to formulate a marketing strategy. Based upon the results shown, a company can determine its optimum marketing philosophy. This framework

FIGURE 1
Conditions Which Tend To Favor Production and Market Orientation

		<u>MARKET CONDITIONS</u>		
P R O D U C T I O N	few competitors selling unique, generic, or homogenous products	A. Nature of competition	many competitors selling differentiated products	
	basic needs (food, clothes, shelter)	B. Need to be filled	emotional or psychological needs as viewed by customer	M
	demand exceeds supply	C. Supply-Demand relationship	supply exceeds demand	A
	known or higher than production capabilities	D. Magnitude of demand	uncertain—but assume can know through market research	R
		<u>COMPETITIVE CONDITIONS</u>		K
I N C R E A S E	increase production and/or decrease costs	A. "How-best-to-serve" emphasis	customer needs key	E
	increase production and/or lower costs	B. Key to profit	serve a need—focus on customers—integrated customer orientation	T
	price and availability	C. Marketing emphasis	product image coordination of all marketing factors	O
		<u>CONSUMER REACTION CONDITIONS</u>		R
O R I E N T A T I O N	well defined	A. Customer "need" definition	the focus of market analysis and research	I
	customers who want products will return	B. Repeat business	emphasis on building lasting customer relationships	E
	price-oriented, will take what is offered	C. View of customers	intelligent, sophisticated, knowledgeable, seekers of information to aid in problem-solving	N
		<u>PRODUCT CONDITIONS</u>		A
T I O N	relatively simple—basic utilities	A. Complexity of products	many values, especially psychological	T
	viewed as long	B. Product life cycle	indeterminant length	O
	firm production research and development	C. New product ideas	research and development working with consumer research	N

FIGURE 2
Conditions Which Tend To Favor Sales and Markets

		<u>MARKET CONDITIONS</u>		
S A L E S	many competitors selling products perceived as similar or substitutes	A. Nature of competition	many competitors selling differentiated products	
	generally emotional or psychological	B. Need to be filled	emotional or psychological needs as viewed by customer	M
	supply exceeds demand	C. Supply-Demand relationship	supply exceeds demand	A
	may be increased through promotion	D. Magnitude of demand	uncertain—but assume can know through market research	R
		<u>COMPETITIVE CONDITIONS</u>		K
O R I E N T A T I O N	make product seem as attractive as possible through promotion	A. "How-best-to-serve" emphasis	customer needs key	E
	sales volume	B. Key to profit	serve a need—focus on customers—integrated customer orientation	T
	sales and promotion	C. Marketing emphasis	product image coordination of all marketing factors	O
		<u>CONSUMER REACTION CONDITIONS</u>		R
I N C R E A S E	may be stimulated or redefined through promotion	A. Customer "need" definition	the focus of market analysis and research	I
	one-time-sale emphasis	B. Repeat business	emphasis on building lasting customer relationships	E
	may be manipulated through high pressure sales and promotional efforts	C. View of customers	intelligent, sophisticated, knowledgeable, seekers of information to aid in problem-solving	N
		<u>PRODUCT CONDITIONS</u>		T
O R I E N T A T I O N	generally more complicated with "hidden" or non-apparent values	A. Complexity of products	many values, especially psychological	A
	relatively short	B. Product life cycle	indeterminant length	T
	emphasis upon what will sell	C. New product ideas	research and development working with consumer research	I

can also serve as the basis of customer research to gain input as to how customers feel about the firm's current philosophy vis-a-vis the competition as well as relative to market conditions.

Some Caveats

The production-sales-market dimensions provide the marketing strategist with a concrete framework upon which to base current and future judgments. The user of this paradigm should be aware that several potential limitations may exist in the implementation of this model.

The first potential danger is to view this analytical structure as the sole source of strategic information. The final marketing strategy must reflect corporate goals as well as the personal aspirations of the decision makers. That is, a company or a marketing manager may adopt a highly market oriented posture even though all competitors are relatively production centered. The production verses sales verses market concepts should be viewed as only one framework upon which analytical marketing decisions can be based.

The second potential limitation is that the production-sales-market orientation attempts to work with existing and well publicized marketing ideas. The orientations known as "Market," "Selling," and "Production" may have built-in connotations. Since these terms are so frequently used in the marketing literature, they may elicit certain biases.

The final limitation is that this concept is presented in a physical "product" setting. It is assumed that the concept will apply equally to "services" as well as to any promotable idea. This, however, is currently an untested assumption.

CONCLUSION

Most markets, as they become larger, exert pressure upon competitors to become increasingly market oriented. The production orientation appears to disappear as goods become more plentiful and markets move to a situation of supply exceeding demand.

At the same time the competitive environment may dictate an aggressive marketing posture. This competitive drive may give a countervailing force toward a hard sell orientation or production efficiency.

If a marketing manager is to take full advantage of the production verses sales verses market orientation, he (she) must:

1. Stop thinking that customer orientation as a philosophy is always best.
2. Take each competitive situation as unique.
3. Separate a general marketing philosophy from promotional aggressiveness.

What must emerge from all of these competitive and societal pressures is a composite which is not necessarily the marketing concept with all of the

forces of the organization focused toward the achievement of marketing goals, or a production orientation with its drive for efficiencies, or the selling organization trying to make immediate sales often at the expense of longer-term customer satisfactions. The proper orientation shows recognition of different marketing environments and may become the basis of a more realistic marketing philosophy.

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