

Chapter 10

Market Orientation: Concept and Progress

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ABSTRACT

Market orientation is one of the most widely researched topics in the marketing domain, and has matured over time. The purpose of this chapter is to understand its concept and its gradual growth. The authors put light on the work of four research influencers of this field, who works in team. First, they proposed a firm base market orientation theory. Second, they view the utility perspective of market orientation. Third, they bring customer perspective of market orientation. And fourth, they introduce the term customer-defined market orientation. Though researchers have conceptualized market orientation differently and bring new contextual factors in the concept, however, all researchers have consensus on the three dimensions of customer-defined market orientation which includes, customer orientation, competitor orientation and inter-functional orientation. Research in this domain reported that a firm who understands and use market orientation makes good profit and remain competitive in the industry in long run.

INTRODUCTION

The ultimate objective of any organization operating in the market is to maximize its revenue at its optimum level. The companies ought to acquire a sustainable competitive advantage over their competitor to achieve that goal (Gudlaugsson & Schalk, 2009). Hence, it is essential to realize the orientation

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that allows companies to gain sustainable competitive advantage (Khan et al., 2022a). Over time, the concept of sustainable competitive advantage has been evolving through various structures. Previously, the sustainable competitive advantage is generally accentuated on economies of scale, standardization (production orientation) or product line expansion (product orientation), that enables organizations to provide their customer an extensive variety of products/services at a reasonable cost. Recently, market orientation has taken the position of strategic orientation, which emphasizes on the capability building of organization to continuously creating superior values to the customers (Kotler et al., 2010). Firstly, market orientation is specified as a strategic framework which assists organizations to execute the marketing ideas. It prompts organizations to continuously observe and respond to market fluctuation by focusing the customer as the core of their strategy (Jaworski & Kholi, 1993). Since the 1990s, a number of published research identify the substantial effect of market orientation on organizational performance (Borazon et al., 2022). The majority of the research findings affirm that the market orientation significantly links with abilities of the organization to create superior values. According to Day (1994) when the organizations do more exertion to contemplate the market, the more probabilities that organizations will successfully identify and react to unpredictable events in the unsteady market.

The idea of market orientation is established on the same principles as the concept of marketing. The literature of marketing provides solid evidence for this statement. According to Lavidge (1966), marketing is a set of actions that focus three aspects of the business; the customer, the marketing operation, and the profit of the company. Alderson and Green (1964) claim that the idea of marketing consists of activities related to finance, production and research and development. Kotler et al. (2010) proposed that the concept of marketing is based on three pillars which include: customer focused, coordinated marketing and profitability. The market orientation has defined by Kohli and Jaworski (1990) as on the basis of literature it would justifiable to conclude that those organizations are market-oriented who operationally manifest three pillars of marketing concept: “customer focus”, “coordinated marketing” and “profitability”, thus it can be understood that market orientation is the execution of marketing concept into organizational practices.

In successive part, the three pillars of marketing concept: customer focus, coordinated marketing, and profitability are enlightened to define the main concept. Kotler and Armstrong (2010) proposed that customer focus encourage organizations to invest in the research activities that assist organizations to gain information over the customer’s ever-changing needs, wants, demands and expectations. When organizations know the demand and expectations of customers, they need to provide products/services that satisfy those needs of customers. The organization should accomplish this process through marketing planning, survey, market intelligence generation and dissemination (Gudlaugsson & Schalk, 2009). The integrated marketing refers that marketing practices of an organization should be well coordinated and align to look after each other. The third aspect profitability focus refers that profit is a substantial gauge for any venture, strategic decision, and management function as the ultimate objective for the operation of any organization is to earn a profit. Based on Kotler and Keller (2012), the three pillars of marketing concept are demonstrated in Figure 1.

According to Osuagwu (2006), the marketing concept has been extensively approved to divide into two categories: the concept of old-marketing and the concept of new marketing. The old marketing concept is considered as a philosophy which mainly concerns for customer-orientation, innovation, and profit. These concern of old marketing assist in creating satisfied customers. The concept of old marketing is seen as more philosophy whereas the concept of new marketing is considered explicit. The new marketing concept consists customer orientation, customer-oriented culture, continuous learning and

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