

## **BUSINESS MARKETING - TECHNOLOGY FOCUS**

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### **Lecture 31 : Marketing Orientation**

Hello, welcome back to our next session on B2B marketing with technology focus. I am Jayanta Chatterjee from IIT Kanpur.

In this session, we are going to look at market orientation. In a previous session, we discussed about the importance of cross-functional integration and interaction in B2B companies, particularly in the high-tech sector.

We discussed about the requirement of market orientation. So what does market orientation mean? How it impacts this marketing and R&D interaction integration is what we are going to take up today.

## Market Orientation

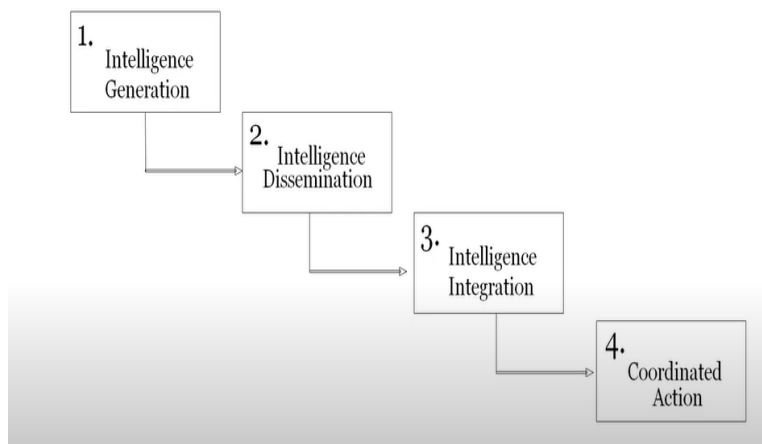
- A philosophy of decision making focused on customer needs
- Market oriented firms gather, disseminate, and utilize market-based information
  - They exhibit a customer focus
    - Decisions grounded in analysis of the intended user
  - They harness the power of cross-functional teams to deliver customer value
- Result:
  - Increased creativity
  - Improved new product performance

So, market orientation is actually a philosophy of decision making which is focused on customer needs always giving highest priority to customers requirement as opposed to our own product and service projection.

So, market oriented firms they gather, disseminate and utilize always what the customers want, what the customers feel, what the customers problems are. So, customer problem solution orientation is another way of looking at market orientation. So, this customer focus comes right on top. Decisions are always grounded in analysis of the intended user and intended use.

And lastly, market oriented companies, they harness the power of their cross-functional teams to deliver customer value. And the result is that such companies display more innovativeness, higher creativity and possibly increased product performance because their solutions are always much better integrated.

## 4 Dimensions of a Market Orientation



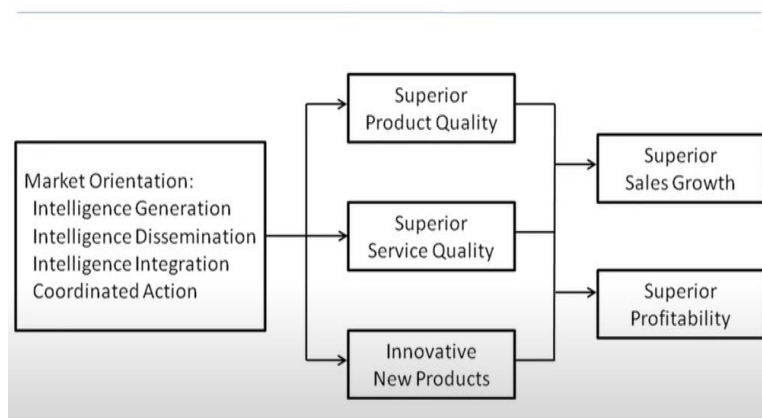
So, dimensions of market orientations are presented to you in this waterfall model. We have intelligence generation from the marketplace. This intelligence generation by analyzing market information and developing insights is what we discussed in a previous session.

We are bringing it all together now. So our discussion on the need of marketing R&D interaction and integration. Our earlier discussion on market orientation and our earlier discussion on market intelligence gathering, business intelligence gathering, competitive intelligence gathering and interpreting that for developing business strategy. We will bring all of those discussions together in today's this particular session. So, intelligence

generation, intelligence dissemination, remember we discussed about marketing role of sensing, sharing and responding.

So, this is the intelligence dissemination is that sharing role and then intelligence integration within the organization to come up with a coordinated action. This is what we mean by market orientation in real action terms.

## The Effect of Market Orientation on Company Performance



The effect of market orientation on the company performance are many and as we just now saw that because of that waterfall model which will lead to superior product quality, superior service quality and innovative new products and then ultimately that will lead to superior sales growth and superior profitability. So, look at this diagram. On the extreme left, we have the aspects of market orientation by way of intelligence generation, intelligence dissemination, intelligence integration and coordinated action.

That leads to superior product quality, superior service quality and innovative new products. And that leads to superior sales growth and superior profitability. You can easily see in this diagram that a leading role is provided here to marketing professionals to make this kind of interlinking, interaction, integration happen.

## Impact of Market Orientation on Firm Performance

- Superior sales growth and profitability
- Effects of market orientation on performance may be stronger in dynamic (high-tech) markets
  - Firms with a strong R&D base gain the most from a strong marketing capability
- Proactive, market-oriented firms generate more innovative products

Superior sales growth and profitability may also mean or may also stem from the strong R&D base in such organizations.

Market Orientation:

### 1. Intelligence Generation

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- **Market intelligence:** useful information about market trends/stakeholders
  - Current and future customer needs
  - Competitors' capabilities and strategies
  - Emerging technologies across industries

So, we are therefore entering into the discussion on how marketing and R&D get integrated through these activities. So, first let us take market intelligence, intelligence generation. Market intelligence means useful information about market trends and our users and our customers and our stakeholders in general. So, we will be tracking current and future market needs, we will be tracking our competitors capabilities and strategies

and we will track the emerging technologies across industries. Remember all of these we have discussed in previous sessions.

This need of the zoom lens as well as the wide angle lens, the focus on what is happening today and what might happen tomorrow, all those visions, activities we discussed when we discussed about marketing as strategy. Now, that is what we are bringing out here and that is some of the key activities under market intelligence gathering. Of course, if we want to do this, we have to allocate resources to such activities and we have to budget for it.

### Gathering Information: Market Research Expenditures and Staffing

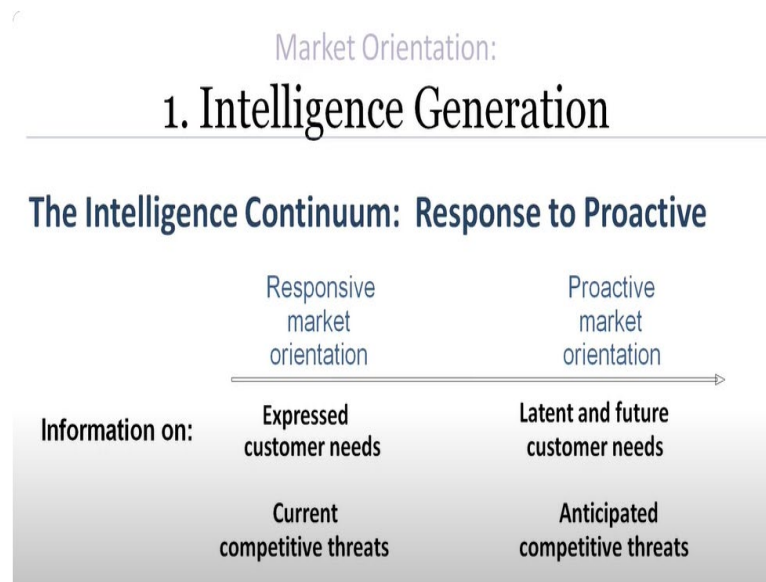
	% of Revenue	# of Market Research Personnel
<b>By Industry Sector</b>		
Pharmaceuticals	0.78 %	52
Media Companies	0.68 %	22
Consumer Goods	0.51 %	18
Technology (B2B Sector)	0.25 %	15
Telecommunications	0.07 %	15
<b>By Company Size (\$ Revenue)</b>		
< \$1 Million	0.07 %	5
> \$5 Million	0.5 - 0.69 %	13-41

\* Source: Corporate Executive Board, Market Research Executive Board, Member Benchmarking Survey Analysis. "2003-2004 Benchmarking the Research Function"

This market research here is a little different from the marketing research that we discussed earlier. So, this is market research for market intelligence gathering and this is an interesting slide that shows that how different industries spend different percentage of revenue and you can immediately see that the spending by pharmaceutical industries quite high because they are always looking for the breakthrough products.

They are very very technology focused and as a result in such organizations lot of competitive intelligence are gathered, lot of customer requirements are understood, lot of doctors requirements are understood that means doctors who are like consultants in this case. In some sense they are the customers and we as patients are the customers

customer, so such organizations spend significant amount for market research. Again, I emphasize market research is distinctive from marketing research.



This is an interesting slide. It basically tells you that responsiveness to in market orientation is just the beginning. Your ultimate aim is to be a proactive market sponsor.

So, we are therefore looking at expressed or articulated customer needs and current competitive threats and from there we are going to latent and not articulated customer needs or future market needs, customer needs that might arise and anticipated competitive threats. Again you see here this is an example of the combining of the zoom lens and the wide angle lens. The here and now and what if tomorrow both kinds of questions need to be addressed in this kind of activities.

Market Orientation:

## 1. Intelligence Generation

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- **Responsive market orientation:** responding to current intelligence
  - Customers articulate their needs (difficult in high-tech market)
- Can result in marketing myopia and the tyranny of the served market
- Reacting to existing threats means the firm is always behind

Responsive market orientation is responding to current market intelligence as we just now said. and it should not lead to the served market tyranny that we talked about.

Market Orientation:

## 1. Intelligence Generation

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- **Proactive market orientation:** gather anticipatory intelligence (latent needs, future trends)
    - Bifocal vision: current *and* future customer needs
    - Marketing driving firms seek to:
      - Redefine market structure
      - Introduce an innovative value proposition
      - Focus on multiple stakeholders
- \* Market driving can be risky (high risk/high reward)

It should not result into marketing myopia and the tyranny of the served market and we have to react to the existing threats as well as future emanating threats. So, this bifocal vision we have talked about earlier and marketing therefore, in such organizations, this market-oriented organization redefine the market structure continuously, introduce innovative value propositions continuously and focus on multiple stakeholders.

## Contingency Theory of High-Technology Marketing

- Responsive market orientation
  - Associated with development of incremental innovations
- Proactive market orientation
  - Associated with development of radical innovation
  - Firms must be ambidextrous
    - both responsive and proactive
    - pursue both incremental innovations (serve known customer needs) and radical innovations for markets of the future.

This is a little tangential slide. We are talking about the contingency theory of high technology marketing.

The contingency theory means that technology focused marketing needs to be responsive to market orientation. It has to be always associated with development of radical innovation. And as we said, bifocal, both responsive to the current needs and proactively seeking out the future needs.

Market Orientation:

## 2. Intelligence Dissemination

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- **Disseminate information:** actively encourage information sharing
  - Obstacle: knowledge hoarders
  - Goals:
    - Create a “boundary-less” organization
    - Cultivate a team orientation



So, this is the sensing part of it. Market intelligence gathering and now we are talking about how in these companies they do intelligence dissemination. So, dissemination of information is actively encouraging information sharing.

Some of the obstacles are there the so called knowledge holders which often happens in very hierarchical bureaucratic organizations. So, those kind of approaches or attitudes are detrimental to intelligence dissemination that is the point we are trying to make in this slide. And therefore, our aim should be creating boundary-less organizations where there are not functional silos or departmental silos and there is a continuous focus on cross-functional team formation and free flow of information or intelligence that has been gathered and analyzed.

Market Orientation:

### 3. Intelligence Integration

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- **Integrate intelligence:** shared interpretation of the information
  - Debate, discuss, disagree, & dialogue
  - Create an organizational memory to retain knowledge
    - Explicit knowledge: can be documented
    - Tacit knowledge: not easily recorded

If you are able to this sense, gather good intelligence, if you are able to share that intelligence freely within the organization, then we will be capable of integrating the intelligence. So, we are again talking about sensing, sharing to create the capability of responding. So shared interpretation of the information through various debates, discussions, dialogues can create an organization's knowledge management orientation where both explicit knowledge as well as tacit knowledge are freely exchanged. Explicit knowledge exchange is kind of easier, but tacit knowledge, that means where what you cannot easily see what is there in the other person's knowledge base, if that is available

through sharing mode in a forthcoming manner, then obviously that creates a much better flow and develops much better capability.

Market Orientation:

### 3. Intelligence Integration

- Knowledge Management
  - Practices used to document, preserve, store, & disperse “knowledge assets”
  - Creates an organizational memory
  - Associated with a learning orientation
  - Requires investments in hardware, software, and Web 2.0 technologies (wikis, etc.)

So, this is the domain of knowledge management as we call it. So, the practice of open storage and accessible storage of documents, preserve, store and disperse knowledge assets, creating some kind of an organizational memory which is available on tap to the various departments and associated with the so-called organizational learning orientation. All these require investments in hardware, software and web technologies.

Market Orientation:

### 4. Coordinated Action

- **Execute:** implement decisions through coordinated actions
- Requires cross-functional (interfunctional & interdivisional) integration
- Barriers
  - Culture that disregards marketing input
  - Organizational politics
  - “Coopetition”

Coordinated action is the outcome of that kind of effort. That means implemented decisions through coordinated actions.

Again, there are barriers here and there are methods of attending to addressing those barriers.

## Assessing a Firm's Market Orientation

### **Responsive Customer Intelligence Generation:**

- We continuously work to better understand of our customers' needs.
- We pay close attention to after-sales service.
- We measure customer satisfaction systematically and frequently.
- We want customers to think of us as allies.

### **Responsive Competitor Intelligence Generation:**

- Employees throughout the organization share information concerning competitors' activities.
- Top management regularly discusses competitor's strengths and weaknesses.
- We track the performance of key competitors.
- We evaluate the strengths and weaknesses of key competitors.

How do we assess organization market orientation? Are they responsive to customer intelligence generation? We ask those questions. We continuously, if the answers to that query are that we continuously work to better understand our customer needs.

We pay close attention to after sales service. We measure, I would add one more point here that not only we pay close attention to after sales service, we pay close attention to the learnings from the after sales service. In fact, in market oriented organizations, the customer support and service representatives play as important a role as the sales and marketing personnel and they actually often provide market leads, sales leads, they actually bring very distilled information even on competitors from the customers installations and sites. And customers, it has been seen always welcome the service experts, support experts because they are seen as consultants and they prefer such expertise more than an interaction with the sales marketing personnel.

So, in market oriented organizations, all marketing sales people have very strong service attitude and their activities are well integrated with those of the service representatives. So, these are responsive ways of gathering not only customer use related intelligence but also competitor intelligence because employees throughout the organization can share the information regarding competitor activities because there are many departments who are on touch points not only the marketing people, the service representatives, but also engineering people who meet competitors at various conferences and seminars or observe computer equipment and offerings at exhibitions.

## Assessing a Firm's Market Orientation

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All these have to come together to improve our responsiveness and sharing of knowledge.

## Assessing a Firm's Market Orientation

### **Proactive Customer Intelligence Generation:**

- We continuously try to discover additional needs of our customers of which they are unaware.
- We incorporate solutions to unarticulated customer needs in our new products and services.
- We brainstorm about how customers' needs will evolve.
- We work with lead users, customers who face needs that eventually will be in the market – but face them months or years before the majority of the market.

### **Proactive Competitor Intelligence Generation:**

- We try to anticipate the future moves of our competitors.
- We monitor firms competing in related product/markets.
- We monitor firms using related technologies.
- We monitor firms already targeting our prime market segment but with unrelated products.

And that allows us to anticipate the future moves of our competitors. We monitor the competitors in almost real life and we also observe related technologies and how those technologies are moving. So, you see here If we are able to integrate the interaction among departments like sales, marketing, service, engineering, R&D and so on, then we are able to again implement what we have been again and again saying the bifocal vision, we are able to focus on today's problems and today's customer needs as well as future technologies and anticipated customer needs.

## Assessing a Firm's Market Orientation

### **Intelligence Dissemination:**

- We have interdepartmental meetings to discuss market trends and developments.
- Marketing personnel spend time discussing customers' needs with other functional departments.
- We share information about major market developments.
- Data on customer satisfaction are shared at all levels in the organization.
- When one function acquires important information about customers or competitors, it shares that information with other functions.

The intelligence dissemination which is the interdepartmental sharing that happens through meetings, that happens through structured knowledge sharing, that happens through proper documents management and knowledge sharing applications and when one function acquires important information about the customer or competitor, automatically it gets disseminated to all the other departments.

## Assessing a Firm's Market Orientation

### Intelligence Integration:

- We have cross-functional meetings for the purpose of intelligence integration.
- We reach organizational consensus regarding the holistic meaning of related pieces of information before taking action.
- We utilize cross-functional teams or task forces for important initiatives to ensure that all points of view are considered before decisions are made.
- Collaboration is valued in this business.

### Coordinated Action:

- We are quick to take advantage of market opportunities.
- The activities of different functions in this business are well-coordinated.
- We make sure that all critical functions understand our objectives and strategy before we take action.
- There is a high level of cooperation and coordination among functional units in setting the goals and priorities for the organization to ensure effective response to market conditions.

That is the nature of a market-oriented organization. So, you will, I will ask you to request you to go through the detail point by point on these charts and if you have any further question on these details, please do raise your questions on the forum.

Becoming Marketing Oriented:

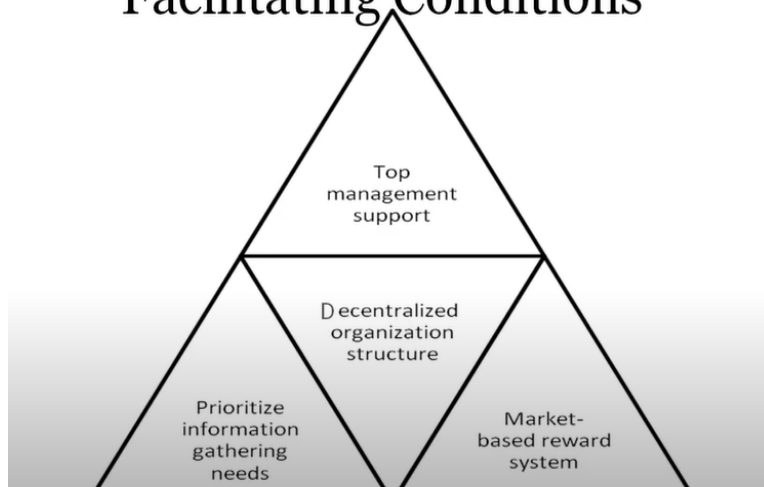
## Facilitating Conditions

- Given the value of being market oriented, why is it so hard?
  - Requires a cultural shift from technology to customer/market focus.
  - Requires resource commitment to gathering data
  - Requires cross-functional collaboration

Now, what are the facilitating conditions for market orientation? Why, we can see the advantage of market orientation, but why it is so hard to implement? Why don't we see it in most organizations? Why in most organizations we see the opposite, which is actually very bureaucratic, silo-oriented, knowledge-holding and not sharing? That is because it needs a cultural shift from technology and product to customer and market.

This is a thinking that is again and again coming up in today's world which is so networked, but it still is not widely practiced, though it should be. And the other important point is that this kind of implementation also needs top management support and top management leadership and allocation of resources.

### Becoming Marketing Oriented: Facilitating Conditions



If you do not have the proper infrastructure for knowledge sharing, then your knowledge management activities may remain lot of theoretical and lot of talks, but not real actions. So, cross-functional collaboration is something that needs both resource allocation as well as top management leadership.

So, top management support decentralized organization structure prioritization of information gathering and information sharing and reward system another very important point reward system that recognizes knowledge sharing interaction interactivity integration all that will make it happen. So, the key point here being made is that just intention is not good enough. Knowing that market orientation is good is not enough. To

make it happen, resources have to be allocated, reward systems have to be properly tailored and top management leadership has to be there.

### Prioritize Scanning Efforts by Strategy Type: **Prospectors** (Pioneers)

- Supply new technology solutions to address customers' expressed and latent needs
- Information focus:
  - highest priority on understanding customers' unarticulated needs through creative market research techniques
- Must stay ahead or abreast of technological developments

Now, let us look at, we discussed the different strategy archetypes in a previous session and let us see how those organizations deal with this information sensing, sharing and responding. So, like prospectors or pioneers, they supply new technology solutions to address customer's expressed and latent needs. Their information focuses on customer's unarticulated needs because that's where the innovation comes from. That's where the good, successful products come from and they must stay ahead or abreast of technological developments.



## Prioritize Scanning Efforts by Strategy Type: Analyzers (Fast Followers)

- Bring out improved or less expensive versions of products introduced by Prospectors
  - Simultaneously defend core markets and products
- Information focus:
  - Closely monitor customer reactions to Prospectors' offerings
  - Monitor competitors' activities, successes, and failures
- Limit new product introductions to categories that have shown promise in the marketplace

This is the kind of information orientation that we see in pioneer companies. As opposed to that, in analyzers or fast followers, we see that they bring out more improved or less expensive versions of products introduced by prospectors. We were discussing this in a previous session.

We are again re-emphasizing that, that what kind of attitude towards information and knowledge will be required to be a fast follower. So, their information focus will closely monitor customer reactions to prospectors offerings, they will monitor competitors activities, successes and failures.

So, basically in these two slides, I tried to show you that information orientation, information interpretation orientation and therefore, knowledge generation orientation will depend on your strategic position or the kind of organization you are. Whether you are a pioneer organization, whether you are a fast follower organization and therefore also, whether you are at a very early adopter stage in the product life cycle, technology life cycle or you are in the early majority stage of in the life cycle.

That will depend on your approach and that also will determine how the knowledge sharing will be encouraged and how your reward systems should be organized. We end our discussion here and we will continue on this thread in the coming session. Thank you.