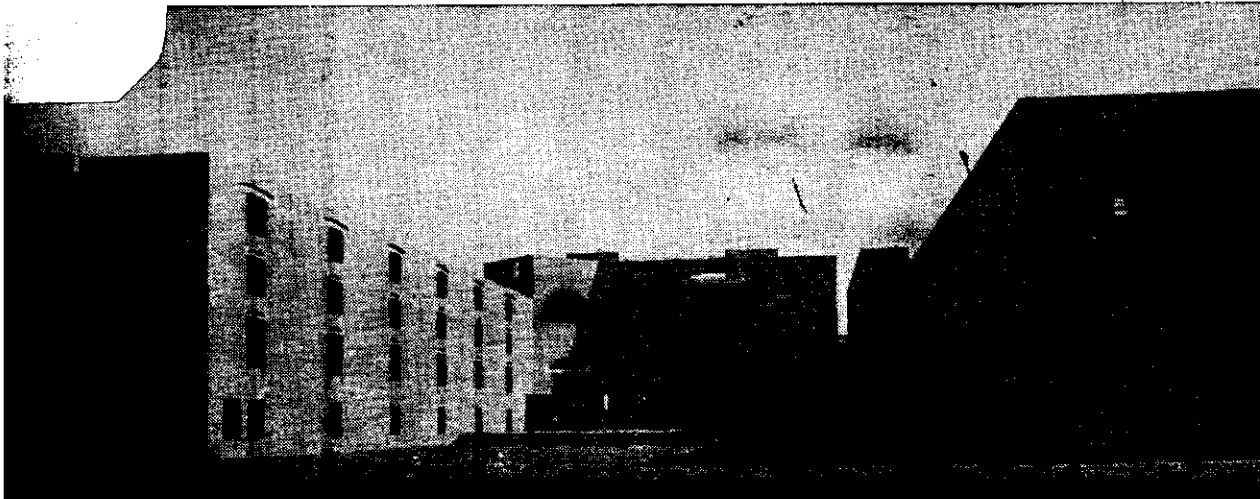




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# Working Paper



MARKETING ORIENTATION IN  
INDIAN INDUSTRY

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## MARKETING ORIENTATION IN INDIAN INDUSTRY

By

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There are four alternative concepts under which organizations can conduct their marketing activities, namely, the product concept, the selling concept, the marketing concept and the societal marketing concept (Kotler, 1979). While all of these concepts recognise the need for the organisations to satisfy their specific goals, the route through which these goals can be achieved and the assumptions about the consumer behaviour and the key tasks of the organisations are different under each of these concepts. It is also recognised that each of these concepts can be a valid orientation under different market conditions and successful organisations have moved from product concept to other three higher order orientations with a change in the marketing environment. While societal marketing concept is still a distant dream for most organisations even in the developed world, adoption of the marketing concept seems to be on the increase in those countries. A number of studies have measured the extent of adoption and implementation of the marketing concept by business firm in the U.S. (Hise 1965; Vizza, Chambers & Cook, 1967; Barksdale

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and Darden, 1971; McNamara 1972; Lusch, Udell and Laczniak, 1976). Also, many conceptual papers have appeared, some pointing to the benefits to be derived from adopting the marketing concept and suggesting guidelines to implement it (Wakefield, 1958; Felton, 1959; Allen, 1959; Veibranz, 1967) and others questioning the desirability and feasibility of adopting the concept (Bell & Emory, 1971; Lundstorm, 1976; Sachs and Benson, 1978; Stampfl, 1978). Most of the above studies indicate that consumer sophistication, strength of organised consumerism and increased competition, with high stake in retaining or gaining market shares, have been the compelling forces in the adoption of the marketing concept.

What can one say about the market orientation of the Indian business organizations? In the absence or partial existence of many of the compelling forces which lead to the adoption of the marketing concept in the West, do companies in India reflect primarily a product or selling concept or even in our type of sheltered market environment is there some attempt to adopt a market orientation which gives a certain central focus to the customer in the marketing activities of the firms? In other words, have the companies in India begun to realise that even in a sellers' market there may be substantial pay off from the adoption of the marketing concept? Based on responses from 91 marketing executives from a cross-section of Indian business organizations, the present study provides some answers to the above questions. It also tries to investigate the relationship between

marketing mix decisions and quality of market performance on one hand and marketing orientation scores of the companies on the other.

### Methodology

A structured questionnaire was mailed to about 300 marketing executives representing the alumni of the Indian Institute of Management, Ahmedabad, from both the post-graduate programme as well as the management development programmes. A total of 91 completed questionnaires were received back from executives representing a cross-section of 85 manufacturing and marketing companies in India. The questionnaire attempted to gather perceptual responses of the marketing executives regarding their assessment of the predominant marketing orientation in the companies they represented as reflected from the manner in which their organisations operated and arrived at operating and strategic decisions. Most of the questions were asked indirectly to somewhat disguise the purpose of the study which was titled as "Executive View of Marketing Function in Indian Industry." Besides the background information on executives and their organizations, the questionnaire covered areas like change orientation of the organizations, response to environmental changes, speed of decision-making and their communications within the organization, quality and use of marketing information, role and importance of marketing function within the organization, extent and level of marketing planning and overall adoption of the marketing concept. In addition,

a question on each of the four major elements of marketing mix, namely, product, price, place (distribution) and promotion was asked to assess the primary orientation in these specific decision areas.

All measurements in this study were based on a 5-point scale with 1 reflecting highest marketing orientation and 5 reflecting the least marketing orientation. Therefore, all through the study, data should be seen with lower numbers projecting a favourable picture, i.e., higher degree of marketing orientation.

#### Sample Profile

Forty six per cent of the responding executives represented industrial marketing companies, 21% consumer marketing and the remaining had mixed operations. Only 8% of the companies represented were from the public sector, all the remaining being public or private limited companies from the private sector. Sizewise, 23% of the companies had annual turnover below Rs. 10 crores, 24% between Rs. 10 to 25 crores and the remaining 53% were large size companies with turnover above Rs. 25 crores.

As regards the organisational level of the respondents, 82% were from senior marketing management positions, 5% each from top and middle levels and 8% from junior management positions. All but one respondent had education at least upto bachelors level with 49% of them having engineering degrees, 20% each from commerce and

science and 10% from arts background. Forty eight per cent of the respondents had over 10 years working experience in marketing, 39% between 5 and 10 years and the remaining 13% less than 5 years' experience.

Regarding competitive environment, 88% of the responding executives felt their organisations operated in 'considerable' to 'extreme' competition, while the remaining 12% felt that they faced little or no competition.

Respondents were also asked to rate the overall performance of their organisations in comparison with similar other companies in the industry over the last 3 years period. On sales growth, 78% of the executives perceived their company performance from Good to Excellent, remaining terming it as Poor to Fair. The mean rating on this variable was 1.9 with  $\sigma = .8$ . On profitability criterion, 62% considered their profitability either Good or Excellent while 11% considered it poor and 27% Fair. The mean rating on this variable was 2.3 with  $\sigma = .9$ . As regards increase in market share, 62% considered their performance on this indicator as good to excellent, 25% considered it fair and the remaining considered it poor. The mean rating on this variable was 2.4 with  $\sigma = .9$ . On the whole, therefore, the sample represents organisations which are predominantly operating in a competitive environment and are performing better than average in the industries they represent. This reflects partially

the sampling bias of this study, since placement of IIMA graduates as well as participation of executives in its management development programmes is generally from more progressive and perhaps better managed organizations facing a certain degree of competition in the environment.

There is also a possibility of another type of bias in this study. Since all the respondents had some degree of exposure to professional marketing education or training at the Institute, they could have either used stricter standards of measurement or else their ability to guess the purpose of the study being higher, they could have possibly given responses in the desired direction. These are some of the limitations of the study and the picture that emerges of the marketing orientation in Indian industry from this research is perhaps more favourable than the average prevailing situation in the country. Of course, every effort was made to reduce the impact of these biases by not only asking questions indirectly but also depending more on factual information as well as use of numerous cross checks.



## FINDINGS

Change Orientation

Marketing is a dynamic function and a marketing oriented organization has to constantly keep reviewing, modifying, and extending its product line and its marketing methods to keep pace with the changing environment. It has also to keep exploring opportunities in the newly emerging market segments. Besides the change itself, the source of change, i.e., factors which predominantly drive the organization towards such change and whether their base lies in internal production factors, external competitive forces, or else major push is drawn from an analysis of changing customer needs is an important indicator of marketing orientation in the organisation.

The data indicate that Indian business firms have made only moderate changes in their product lines over the last three years. On a 5-point scale with 1 indicating change to a 'great extent' and 5 'no change,' the average score for product modifications, addition of new brands or new models of existing products, and introduction of new products came to 2.85, 2.77 and 2.80 respectively. Though differences are not statistically significant, the highest score (which indicates least change) for product modifications indicates a certain reluctance to changes in existing products and preference for introducing additional new models of existing products or introducing completely new products. Organizations seem to like

additions to their existing products. This, however, is a tentative hypothesis needing further confirmation.

As regards the push factor for these changes, quality problems and improvement in production methods received the top ranks and customer related forces the second rank. Push from competitive forces was considered of least importance in forcing companies to bring about changes in their product lines. Predominance of technical reasons coupled with lack of competitive pressure do indicate production orientation of Indian companies, despite the fact that 88% of the responding executives had reported their organisations operation in 'considerable' to 'extreme' competitive situation.

As regards attempts to serve new market segments during the last three years, overall effort appears to be of a moderate level. The most important means of entry into new markets was found to be change in marketing methods through modifications in pricing, distribution, selling or promotion, which received a score of 2.66 on a 5-point scale with 5 indicating no change. This was followed by entry through introduction of new products. Modification of old products to suit the specific needs of new market segments was considered the least important mode of entry into new markets with score of 2.99. This, again, is indicative of absence of efforts to explore the need for modifications in existing products and a preference for introduction of new products or else a change in marketing strategy to suit the new segments.

### Response to Environmental Changes

Respondents were asked to indicate the factors that were expected to change the markets for their products over the next ten years, the effects of these changes and the major ways in which their organisations would have to respond to these changes. The changes in the magnitude of competition, changes in government policy and general changes in the economy were considered to be the primary factors which would change their markets in the future. Changes in technology and changes in customer needs were considered relatively of minor importance. To the extent changes in competition in a planned economy and general economic changes are intimately related to government policies, this appears to be the single most important factor expected to be of great significance in bringing about changes in the future markets.

As regards the effect of these changes, the respondents felt that these factors would change the size of the market to a considerable degree and amount of competition and market dynamics to some extent. As for the organisational response to these forces, the respondents felt that organisations would have to expend considerable effort in research and development and in the conduct of market research and information systems. Also, companies will have to reorient their marketing methods considerably. Respondents don't expect a great deal of emphasis being put on organisational changes or widespread introduction of management systems to cope with changed needs of the organisations in the next ten years.

These responses do indicate the expectation of a greater orientation in the future, with major stress being laid on market originated or consumer oriented R & D work.

#### Speed of Decision-Making and Their Communications

On operational decisions, 59% respondents felt that decisions were taken fast and communicated effectively within the organisations, while 37% felt that usually decisions were taken slowly and with too much of unnecessary thinking. The remaining 4% felt that decisions were often delayed causing hardships. Thus, a substantial number of 41% executives were not satisfied with the speed with which the operational decisions were taken and the effectiveness of their communications.

Regarding decision-making on policy matters, only 43% of the respondents felt that such decisions were formally documented. As many as 57% indicated that policy decisions were never documented and were taken mostly when a policy matter became an operational urgency.

Regarding clarity of marketing policies and procedures, while 63% of respondents expressed satisfaction, as many as 37% felt that either the policies were not clear to most managers or else the policies were clear but the reasoning behind these policies were rarely known to most managers.

It is thus clear that strategic orientation of Indian companies is weak and policy matters are decided as and when the need arises. Also, reasoning behind many policy decisions is not fully understood and appreciated within the organisation. Moreover, decision-making process appears more efficient in operational decisions than in vital policy matters which are perhaps considered the sole domain of the top management, with resultant alienation or lack of involvement at other levels of organisations.

#### Marketing Information System

For effective decision-making, marketing oriented companies require a continuous flow of qualitative as well as quantitative information on sales, stocks, outstandings, customer complaints on products, service or other aspects of marketing and intelligence about competitive activities from the field sales staff. Regularity with which this information is collected, its format for collection and processing, the level to which such information is passed on and the extent to which it is used in marketing planning, are all indicative of marketing orientation.

Seventy six per cent of the executives reported regular collection of such information. Though regular system of collecting such information was missing in the remaining organisations, 15% executives reported that such information was collected quite frequently and the remaining resorted to occasional collection of such information.

Regarding format, 34% executives reported using a highly structured format, 49% said their format was partially structured, while 17% did not use any standard format or asked for completely open ended market information reports. As regards processing of information, 39% reported the existence of a very concrete subjectwise compiling system in their organisations, 50% reported that only important selected information was compiled subjectwise, while 11% of the executives believed that in their organisations there was hardly any systematic processing and compilation of information. Twenty per cent of executives reported that such field reports were sent upto top management level, while 57% opined that such reports were sent upto marketing heads' level. Remaining 23% respondents reported that such field information was sent only upto branch office level or in some cases only to first level supervisors.

Effective use of such field information for evolving company plans was reported by 36% of the executives. Another 35% reported that important pieces of such information, to the extent they could be recalled from memory, were used in planning. For the rest 29%, plans were made either without reference to such information or else only some indirect use of such information was possible by planners which was hard to pinpoint.

In essence thus, while considerable field information is collected by the Indian companies, most of it is unstructured or

partially structured, its compilation is less than adequate, and its reach to the top management for policy decision-making is poor. Nor is the information used effectively in marketing planning tasks. The quality of marketing information systems will have to be substantially strengthened and their compilation and processing considerably improved to bring in an adequate degree of marketing orientation in Indian business organisations.

#### Marketing Planning

For effective management of their target markets, companies have to set annual sales and profit goals and develop, both, short and long term marketing plans and budgets. Only 21% of the executives reported the absence of any formally documented marketing plan in their organisations. Forty seven per cent of the executives reported having only an annual plan while the remaining 32% reported the existence of a long term plan in their organisations extending to five year period or more.

While marketing planning, at least of an annual nature, was fairly widespread in Indian companies, there are doubts about the quality of dissemination of these plans to different levels of management within the organisation. Unless plans are properly communicated to those who have to implement them, the usefulness of such planning exercise is substantially diminished. Nearly 25% of the executives believe that most managers within the organisation did not know about the existence of such plans which were perhaps known only to top

management. Another 28% believed that though plans were known to most managers, these were generally top-down plans with very little appreciation of the process and the reasoning which formed the basis for the formulation of these plans. Only 47% of the executives expressed satisfaction with the planning process and its communication within the organisation.

As regards the content of the plans, primary emphasis appears to be on productwise sales targets which received a rating of 1.28 on a 5-point scale with 1 as 'to a great extent'. Considerable attention is also paid to market segmentwise sales targets with a rating of 1.98 on a similar scale.

A good marketing plan should not only set the sales goals but also spell out the strategic elements of the marketing programme that would be instrumental in the achievement of the targets. On this, the marketing plans in India seem to emphasis, to some extent, the area of new products to be introduced, and the new type of markets the company intends entering. Plans regarding product modifications, advertising and promotional efforts, sales force changes, price changes and changes in the channel arrangements, etc., are all given only limited or no attention. Marketing planning task, thus, appears to have primarily a sales orientation in the Indian organisations and strategic aspects of implementing the plan are somewhat ignored as a part of the planning process. It is perhaps not fully realised



that sales target is not a fixed number but is a function based on inputs in terms of marketing efforts.

### Marketing Concept

Marketing concept implies that for a firm to operate successfully the marketing organisation in the enterprise must play an expanded role. Felton (1959) defines marketing concept as a 'corporate state of mind that insists on the integration and coordination of all the marketing functions, which, in turn, are melded with all other corporate functions for the basic objective of producing maximum long-range corporate profits.' It, thus, implies three basic elements: (1) customer orientation, (2) integrated effort and (3) attention to long term profits rather than sales volume.

Respondents were asked to indicate their degree of agreement/disagreement with the statement that all marketing activities of their company were centred around accumulated and updated knowledge of their customer needs and behaviour. Forty one per cent strongly agreed, 46% partially agreed, and the remaining 13% either were neutral, or disagreed with the statement. Thus, a very substantial majority of executives, at least philosophically, seem to believe that their operations are highly customer oriented. However, on profits and sales volume focus, the picture reflects a certain lack of marketing orientation. Thirty three per cent of executives opined that their focus was more on immediate profits against 19% who

considered their companies focussing more on long run profits, remaining 48% indicating a middle (mixed) approach. Similarly, 35% believed that their focus was more on sales volume as compared to 25% who considered customer satisfaction as the primary focus, remaining 40% again taking a neutral position.

On the relative importance of marketing organisation, 16% believed that marketing was subservient to functions like finance and production in their organisations, while 32% considered it as equal in importance to other major functions. Eight per cent opined that marketing was considered more important than other functions, another 26% reported that marketing was the major coordinating function in the company to bring about integration between different functions and the remaining 18% considered marketing as a controlling function of the company with other departments getting directions from it.

Similarly, involvement of marketing head in top level policy decisions like expansion, diversification, new product introduction, etc., was found to be generally widespread with only 12% of the executives saying that marketing heads' views were not fully respected.

How do Indian organisations ensure that marketing orientation is imbibed by all the business functions? This can be achieved either through having a certain proportion of managers in other functions who have had some experience or training in marketing or

else through inter-departmental transfers and inter-disciplinary committees/meetings. In half of the companies, the managers in production, finance, purchase and personnel departments did not have any training or experience in marketing. Other companies seemed to have 25 to 30% of their managers in these departments with some exposure to marketing. Similarly, inter-functional transfers of managers from marketing to other functions and vice versa was not found to be a significant phenomenon in Indian industry. Only 8% of the executives reported that such transfers were generally made in their organisations. However, use of inter-departmental committees to resolve problems is fairly extensive with only 30% of the executives reporting absence of such mechanisms in their organisations.

In essence, therefore, while marketing departments seem to have come of age in the Indian companies, the marketing concept still appears to be primarily a concern of the marketing segment of the organisations. For the entire firm to be in tune with the market, and the marketing orientation to permeate within the entire organisation, a considerable distance has yet to be traversed. It is also worth realising here that our respondents were marketing executives who may have projected more importance for themselves and their function than what it really is in the organisation.

### Marketing Mix Decisions

Marketing mix is the set of controllable variables that the firm can use to influence the buyers responses. Though many variables can qualify as marketing-mix variables, McCarthy popularised a four-factor classification called the "four Ps", namely, product, place (distribution channels), promotion and price (McCarthy, 1978). An attempt was made in this study to investigate the extent to which emphasis in the four Ps reflects marketing orientation in the Indian companies.

(a) Product: Marketing orientation in an organisation should result in heavy reliance on customer-oriented sources for new product ideas or for clues towards product modifications. Kollat, Blackwell and Robeson (1972) have reported that "as increasing numbers of companies have adopted the marketing concept, added emphasis has been placed on customer-oriented sources of new product ideas." Moreover, adoption of the marketing concept implies greater reliance on marketing research in various stages of new product planning, including generation of ideas for new products or product modifications. The present research indicates that field sales staff, distributors, suppliers and competitors were the most important sources of new product ideas or product modifications. The second most important source was indicated as research and development work within the company, technical developments abroad and experience based suggestions of production staff. The suggestions and complaints of customers or

ultimate users got a poor third rank and formal market research was considered as the least important source of new product ideas. Thus, as far as this particular aspect of new product ideas is concerned, marketing orientation in the Indian companies appears to be weak. Greater reliance on field staff, R & D, and other technical factors as source of new product ideas may partially be explained by the fact that nearly half the sample in the study was drawn from industrial marketing companies.

(b) Place (Distribution): The situation on distribution element of the marketing mix is relatively more reflective of a marketing orientation in the Indian companies. Fourteen per cent of the executives believed that policies and procedures of distribution in their companies were decided in close collaboration and consultation with the trade to arrive at mutually acceptable terms. Another 60% opined that company worked closely with the distribution system and treated it as an extension of its own marketing organisation. Among the remaining, 26%, 13% reported that though distribution system was independent, company assisted the system in designing its selling methods, stocking policies and trade terms. Only a small minority of 12% executives reported that in their companies, distribution system was not only independent but was also primarily responsible for deciding its own selling methods, stocking policies and trade terms. It thus appears that Indian companies work closely with the channel system and co-operation rather than conflict is the primary mode of channel operations.

(c) Price: In this element of the marketing mix, the major interest of the research was to find out if companies' primary emphasis in pricing policy reflected cost-orientation, demand orientation or competition orientation. Nearly 45% of the executives reported that their firms set prices largely or even wholly on the basis of their costs. Eighteen per cent of the executives reported primary emphasis in their pricing as competitive parity or going-rate pricing. The remaining 37% reported demand-oriented pricing. Of these 29% believed that price was set on the basis of customer perceived value for the product, which in turn is often based on total performance as well as psychological and service characteristics of the total offering. The rest 8% considered overall cost of using the product to the consumer as the major basis of pricing policy. Pricing element of the marketing mix, thus, presents a somewhat mixed picture of marketing orientation. To the extent cost orientation is the major basis in the maximum number of companies, marketing orientation in the element is on weaker side of the scale.

(d) Promotion: In the area of promotion, the only question asked was about the nature of primary emphasis in company's advertising and communication strategy. It was hypothesised that marketing oriented companies would lay more emphasis on customer oriented communications, while other companies would put major focus on product oriented communications. The data were quite encouraging with 58%

of the executives reporting customer oriented communications. Of these, 17% believed that primary emphasis in their communications was on showing how the use of the product fitted into the overall consumption or use system of the consumer, while 41% believed the emphasis to be on projecting benefits of using the products to the customers.

Among executives who reported primary emphasis in their communications on products, 28% reported that their companies primarily projected positive product features while 13% indicated emphasis on projecting competitive advantages of using their products.

The research thus gives considerable evidence of the existence of marketing orientation in the communication element of the marketing mix. To the extent communications in most companies are handled by advertising agencies, which relatively are supposed to be more marketing oriented, use of customer oriented themes in advertising should be generally expected.

#### Impact of Marketing Orientation on Marketing Mix

For each respondent, a marketing orientation total score was computed for the company he represented. In all there were 54 items which formed this index (Exhibit I) and theoretically the scores could range from 54 representing highest marketing orientation to 270 representing least orientation. The actual scores obtained had a range of 65 to 187 with a mean of 140.6 and standard deviation of

21.9. The responses were divided into three groups with scores upto 120 forming highest marketing orientation, scores between 121 to 150 forming medium marketing orientation group and the remaining with scores above 150 being the least marketing oriented group. An attempt was made to examine the relationship between marketing orientation scores and the extent of emphasis in the marketing-mix decisions towards customer/market orientation. This was done for each element of the marketing mix. The following were the specific hypotheses to be tested:

1. The greater the extent of adoption of the marketing orientation by an organization, the greater will be its use of customer oriented sources for new product ideas.
2. The greater the extent of adoption of the marketing orientation by an organisation, the greater will be its emphasis on designing its policies and procedures of distribution in close collaboration and consultation with the channel.
3. The greater the extent of adoption of the marketing orientation by an organization, the greater will be its emphasis on customer oriented pricing policies.
4. The greater the extent of adoption of the marketing orientation by an organisation, the greater will be its emphasis on customer oriented communications in advertising.



Tests of Hypotheses1. Orientation vs. New Product Sources

The first hypothesis suggested that greater the marketing orientation, greater the likelihood that a firm will use market/customer oriented sources for new product ideas. Table I presents chi-square analysis of this relationship.

Table I

Market Orientation	Sources of New Product Ideas		
	Customer oriented market research	Field oriented (Suppliers, competition etc)	R&D & Tech. facilities
High (score $\leq$ 120)	4	6	4
Medium (score 121 to 150)	10	18	18
Low (score $>$ 150)	0	15	16

$\chi^2 = 9.31$        $df = 4$       Level of significance = .1

The hypothesis is thus supported at .1 level. Marketing oriented companies do seem to rely more on marketing/customer oriented sources of new product ideas. The correlation between these two variables was found to be .63. These results were different from a study conducted in the US which found no significant relationship between new product customer-oriented sources and extent of marketing concept adoption (Lawton and Parasuraman, 1980).

## 2. Orientation vs. Distribution Policies

The chi-square analysis of the relationship between extent of marketing orientation and distribution policies was performed. The results are presented in Table II.

Table II

Market Orientation	Mutual collaboration	Close working relation. ship	Distribution Policies		
			Assistance	Channel totally independent	
High (score $\leq$ 120)	2	11	1	0	14
Medium (score 121-150)	8	28	6	4	46
Low (score $>$ 150)	3	16	5	7	31

$$\chi^2 = 7.61 \quad \text{df} = 6 \quad \text{Level of significance} = .3$$

As Table II indicates the chi-square analysis does not confirm hypothesis 2. We also computed Pearson's product moment correlation co-efficient between market orientation scores and ratings on distribution policies scale. The correlation co-efficient between these two variables was found to be .24 which though significant at .05 level, does not reflect a strong relationship between the two. These findings suggest that marketing orientation of a company does not have a significant impact on the distribution policies of the company. Irrespective of their extent of market orientation, companies in India do emphasise distribution function and generally work closely with the channel system. This is particularly true of industrial marketing companies which formed 46% of the sample.

### 3. Orientation vs. Pricing Policies

The relationship between marketing orientation scores and primary emphasis in pricing, whether demand-customer oriented, competition oriented or cost oriented, was examined. The correlation between these two variables was found to be .23, significant at .05 level. The results of the chi-square analysis are presented in Table III.

Table III

Marketing Orientation	Pricing Policies		
	Customer-Demand oriented	Competition oriented	Cost oriented
High (score $\leq$ 120)	9	3	2
Medium (score 121-150)	18	7	21
Low (score $>$ 150)	7	6	18

$$X^2 = 8.94 \quad dF = 4 \quad \text{Level of significance} = .1$$

The chi-square analysis indicates that there is a significant relationship between marketing orientation and pricing policies.

There is a tendency towards demand-customer oriented pricing in high orientation group while the low market orientation group seems to be inclining towards cost oriented pricing.

### 4. Orientation vs. Communications

An examination of the relationship between the primary emphasis in advertising and communication and the marketing orientation indicated poor association between the two. The correlation between

the two variables turned out to be extremely low ( $r = .05$ ) and non-significant. So were the chi-square analysis results presented in Table IV.

Table IV

Marketing Orientation	Advertising & Communications		
	Customer oriented	Competition oriented	Product oriented
High (score $\leq 120$ )	11	2	1
Medium (score 121-150)	23	7	16
Low (score $> 150$ )	18	5	8

$\chi^2 = 4.58$        $df = 4$       Level of significance = .3

Thus, most of the companies seemed to be focussing on customer and his benefits in using the product in their communications and this was not related to the extent of their marketing orientation. As said earlier, since most of these companies in the sample are professionally managed and are operating in competitive situations, in all probability they avail of the services of advertising agencies which might have some influence on their use of customer oriented communication themes.

The data, therefore, provided support only for two of the four hypotheses, namely, 1 & 3 concerning sources of new product ideas and pricing policies of the companies, where marketing orientation was found to have significant impact. On the other hand, both distribution and communication elements of the marketing mix had considerable customer orientation in most companies and this was irrespective of the extent of marketing orientation found in those organisations.

Marketing Orientation as a Predictor of Performance

The respondents in the survey were asked to indicate as to how, looking back about three years, they would rate the overall performance of their company in comparison with similar other companies in the industry with regard to three indicators, namely, sales growth, profitability and increase in market share. The chi-square analysis of the impact of marketing orientation on these performance indicators is presented in Tables V, VI & VII.

Table V

Marketing Orientation	Sales growth performance			
	Excellent	Good	Fair	Poor
Highest (score $\leq$ 120)	7	5	1	1
Medium (score 121-150)	21	20	4	1
Low (score $>$ 150)	8	10	12	1

$\chi^2 = 28.0$        $df = 6$       Level of significance = .005

A regression of orientation score as a predictor variable on sales growth rating as a criterion variable gave the following results:

$$R^2 = .6 \quad F_{1, 89} = 5.6$$

Level of significance = .05

$$\text{Relative Sales Growth} = .55 + .0093 (\text{orientation score})$$

The market orientation score was, thus, able to explain 60% of the variance in relative sales growth rating and the  $R^2$  was highly significant.

Market orientation score, therefore, proved to be a reasonably good predictor of relative sales growth.

Table VI

Market Orientation	Relative Profitability Rating			
	Excellent	Good	Fair	Poor
High (score $\leq$ 120)	5	4	3	2
Medium (score 121-150)	11	20	13	2
Low (score $>$ 150)	3	13	9	6

$\chi^2 = 8.31$        $df = 6$       Level of significance = .2

Though the chi-square analysis did not suggest a significant impact of degree of market orientation on relative profitability rating, a regression of orientation score as a predictor variable on relative profitability rating as a criterion variable resulted in a highly significant model.

$$R^2 = .59 \quad F_{1, 89} = 5.56$$

Level of significance = .005

$$\text{Relative Profitability} = .85 + .01(\text{orientation score})$$

Again, market orientation score proved to be a good predictor of relative profitability performance and explained 59% of the variance in that measure.

Table VII

Market Orientation	Relative Increase in Market Share			
	Excellent	Good	Fair	Poor
High (score $\leq$ 120)	4	5	4	1
Medium (score 121-150)	8	24	10	4
Low (score $>$ 150)	2	13	9	7

$$\chi^2 = 7.75 \quad df = 6 \quad \text{Level of significance} = .25$$

The chi-square analysis again did not give significant results but regression of orientation score on relative increase in market share rating gave highly significant results.

$$R^2 = .88 \quad F_{1,89} = 8.6$$

$$\text{Level of significance} = .005$$

$$\text{Relative Increase in Market Share Rating} = .65 + .012 (\text{Market Orientation Score})$$

Thus, market orientation score was able to explain 88% of the variance in market share increase rating.

CONCLUSIONS

An instrument with 54 items was developed to measure marketing orientation of Indian companies. Ninety-one senior marketing executives from a cross section of Indian manufacturing companies provided data on their perceptions about the marketing orientation of their company through a mail questionnaire. These executives also provided perceptual measures of the extent of customer/market orientation in the different elements of the marketing mix used by their organization and also gave an assessment of the relative performance of their company on three indicators of sales growth, profitability and increase in market share over the last three years. The following were the major conclusions of the study:

1. The average marketing orientation of the Indian companies was found to be 2.6 on a 5-point scale with 1 representing the highest orientation. On a 54-item scale the average total score was found to be 140.6 with a standard deviation of 21.9. The conclusion is, thus, clear that Indian companies are still at a stage where primary orientation in their marketing activities is that of selling concept and adoption of the marketing concept is still a far off dream. Only 14 out of 91 responses could be classified into high orientation group with total score upto 120. This picture emerged despite the fact that sample was biased in favour of better managed companies in highly competitive situations. The actual average of the Indian companies in general would be expected to be considerably lower than the figures that emerged out of this study.



2. The change orientation of the Indian companies in product policy matters was found to be low and companies don't seem to fully explore the potential of modifications in existing product line to serve the needs of new customers/markets.
3. The respondents expect the government policies to be the single most important factor in bringing about changes in the future markets and expect considerable increase in R & D as well as in market research efforts on the part of the Indian companies to cope with future changes.
4. The study indicates that strategic orientation of Indian companies is weak and policies are made out of operational necessity. Also reasoning behind many policy decisions is not fully understood within the organisation.
5. While considerable field information is collected by the Indian companies, most of it is unstructured, its compilation ineffective and its reach to the top management is poor. Nor is the information effectively used in marketing planning.
6. Marketing planning, though widespread, appears to have primarily a sales orientation and strategic aspects of implementing the plan are ignored in the process.
7. The marketing concept appears to be primarily a concern of the marketing function alone and marketing orientation is yet to permeate within the entire organization.

8. Extent of marketing orientation within the organisation was found to have more impact on product and pricing policies, and it has no significant effect on promotion and distribution decisions. However, the decisions in the last two elements of the marketing mix were generally found to be market oriented, irrespective of overall marketing orientation of the organisation.

9. The research indicated that market orientation score, as measured in this study, proved to be a good predictor of market performance and explained 60%, 59% and 88% of the variance in measures of relative sales growth, profitability and increase in market share respectively.

All these findings are important indications of the status of the adoption of the marketing concept in Indian companies. However, results should be seen in the light of sampling bias as well as the fact that all the data used were perceptual and depended on the views and opinions of the responding executives. Though a number of precautions were taken in the questionnaire to ensure reliability of the response, no attempt was made to check the validity of the responses from factual or quantitative data on the organisations.

This paper is a preliminary report of the survey data collected in this research, which has considerably more potential for further analysis. Also analysis of the comparative orientation of industrial and consumer product companies has been excluded in this paper for reasons of space limitations and would form the subject matter of subsequent papers on this research data.

## Exhibit I

Variables Used for Measuring Marketing Orientation \*

## I. CHANGE ORIENTATION

1. Changes in productline through - new products
2. - new brands/models
3. - product modifications
4. Nature of factors necessitating such changes - customer/  
competitors/product or production oriented.
5. Extent of market expansions by - new product introduction
6. - product modification
7. - changing marketing methods.

## II RESPONSE TO ENVIRONMENTAL CHANGES

8. Extent of changes in markets expected in next decade due to  
changes in - economy
9. - technology
10. - govt. policy
11. - customer needs
12. - competition
13. Expected impact of such changes on market size
14. competition
15. market dynamics
16. To cope with such changes, extent of/strengthening planned  
in - R&D and new technology
17. - marketing research & information  
collection
18. - marketing methods
19. - organisational changes
20. - management systems

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\*The items have been summarised from the mail questionnaires used in the study.

### III. SPEED OF DECISION-MAKING & COMMUNICATION

21. Speed of operational decisions
22. Speed of policy decisions
23. Clarity within organisation of current marketing policies & procedures and their reasoning

### IV. MARKETING INFORMATION SYSTEM

24. Regularity of information
25. Format of information
26. Highest level of reporting
27. Extent of systematic compilation
28. Extent of formal use of compiled information in planning:

### V. MARKETING PLANNING

29. Duration of formal planning
30. Extent of details in marketing plan on sales targets
  - productwise value/quantity
31.
  - market segmentwise value/quantity
32. Plans for
  - product modification
33.
  - new product development
34.
  - new markets to be entered
35.
  - price changes
36.
  - distribution channel changes
37.
  - advertising promotion & sales force changes
38. Awareness of future marketing strategy & plans among managers.

### VI. EXTENT OF MARKETING CONCEPT ADOPTION

39. Influence of customer needs and past behaviour on company's marketing activities.
40. Focus on customer satisfaction vs. on sales volume
41. Concentration on developing new product market vs. serving developed product markets.

42. Interdepartmental relations
43. Role and importance of marketing function vis-a-vis other functions.
44. Extent of inter-functional transfers
45. Regularity of inter-departmental meetings
46. Dependence on inter-departmental committees/task forces to solve problems.
47. Co-ordination of functional activities to ensure consumer satisfaction
48. Importance of marketing in top level policy decision-making
49. Percentage of managers with work experience, training or formal education in marketing, working in
  - production
50.
  - Finance
51.
  - Purchase
52.
  - Personnel
53.
  - Others
54. Extent of importance to immediate vs. long term profits.

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