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# MARKET ORIENTATION OR PRODUCT VALUE

## WHAT SHOULD BE THE CHOICE OF INDIAN FIRMS?

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*MARKETING concept is a business philosophy, which emphasizes that satisfying customer needs and wants is the key to an organization's profits and growth. It gained acceptance in the industry in the US and other developed countries of the west in the sixties because management in that era was based on the experience of post war shortages and a seller's market and a new outlook was needed to operate into a buyer's market.*

*However, researchers argue that a 'market pull' model yields goods results only for consumer non-durable goods. As it provides little encouragement for innovation, shifting of strategic focus from 'technology-push' to 'market pull' has actually harmed the business. It has, for example, led to the decline of automobile, electronics, white goods and other related industries in the USA.*

*In the post liberalization era, Indian firms are facing stiff competition from multinational brands. In order to compete successfully they need to improve the product quality through up-gradation of technology. At the same time they also need to focus on customer needs and wants. However, in terms of price-quality equation Indian consumer is more price conscious and expects a better value for money from a product. The 'product value' concept as suggested by Bennett & Cooper (1981) could, therefore, be a better choice for Indian firms.*

Bennett & Cooper (1981) shocked the marketing fraternity – academicians and practitioners alike, by denouncing the much-hyped marketing concept for diverting the firms' attention from products and manufacturing to market wants. They are now preoccupied with advertising, selling and promotion and the 'product value' has suffered in the process. In support of their argument the authors cited numerous examples of automobile, colour TV, white goods and other related industries that have consistently declined since the seventies allowing the Japanese and the European firms to dominate the US market.

The marketing concept per se is a business philosophy that places customer at the centre of all activities of a firm. It implies that satisfying customer needs and wants is the key to organization's profits and growth. In a competitive economy no one can possibly deny this, but the researchers argue that a 'market pull' strategy provides little encouragement for technological innovations, especially for a new product development. A market oriented R&D invariably leads to low risk product modifications, extensions and style changes. This is why, the authors argue, the proportion of GNP devoted to R&D has consistently fallen in the USA since the late sixties.

In a hard-hitting statement they lamented, "We spend billions more in convincing the customer that the product is new and improved rather than spending the money in the lab to develop a significantly superior product. In the world of new products, we have become the society of tinkerers and cosmeticians rather than true product innovators" (Bennett & Cooper, 1981). This is an inevitable consequence of ignoring the 'technology push model' once the key of America's competitive success. Nevertheless, the authors admit that 'market pull' model yields good results for the industries such as food products and packaged consumable goods. Whether it suits the more complex high-tech product categories as well, is albeit doubtful. According to them, "Meeting a market need is a necessary but not sufficient condition for success".

The marketing concept emphasizes that rather than producing something based on their own familiarity and competence firms should manufacture what the market demands. The authors obviously disagree. They believe that any deviation from what the firm is best at doing shifts its focus away from the core business and whatever competitive advantage it might be having over its rivals is lost. Two examples have been cited in this regard.

In sewing machines, Singer was an undisputed leader in the US market. The product was known for superior technology and workmanship. However, during the sixties the firm decided to expand its range of products and setup worldwide chain of Singer stores. "As the focus shifted from technology, design and quality to distribution, advertising and promotion the product leadership began to falter". Taking advantage of the situation the European brands such as Nechhi, Bernina and Pfaff attacked the high end of the market. The Japanese meanwhile targeted the middle and lower ends by offering better quality machines at considerably low price. Together, they dislodged Singer from its leadership position. In the opinion of the authors, this happened because the company created a leadership position. In the opinion of the authors, this happened because the company created a leadership void in the industry. It turned its attention to marketing leaving the doors open for others to develop and manufacture superior products (Bennett & Cooper, 1981).

Another example of a doomed company is a Massey Ferguson Tractors. Till the fifties, the firm was leader in combine harvester technology and other aspects of farm machinery design. From the mid-sixties onwards it became equipment and like. Large investments, were needed for the new business. By 1980 the firm lost its market leadership position and reached the brink of bankruptcy. This happened mainly because of its failure to concentrate on what it did best.

In the US, marketing concept gained general acceptance in industry in the sixties. Management in that era was based on the experience of war and post war shortages and a seller's market. A new outlook was therefore necessary to operate into buyer's markets. But, the authors argue that due to over emphasis on marketing, R&D expenditure of industries dropped from 2.07 percent of GNP in 1960 to 1.76 percent in the eighties. Further, the R&D efforts guided only by market needs could rarely produce an innovative and breakthrough product. Asked about their needs, people usually talk in terms of familiar and mostly what they find around them. "The eventual result of market based R&D strategy is the slow death of product innovation" (Bennett & Cooper, 1981). The authors are not opposed to satisfying customer needs per se, what they don't agree with is over emphasis on marketing at the cost of innovation and R&D.

As an antithesis to the 'technology push' doctrine of Bennett & Cooper protagonists of marketing concept argue that a firm obsessed with technology fails to consider the needs and wants of the consumer. It simply tries to do what it is best at doing. The result is disastrous for the business. The well-known examples cited in this regard are the Concord super sonic airplane and Du Pon't Kevlar fiber. The much maligned 'product concept' is said to be responsible for firms developing a myopic view about their markets and the business (Levitt Theodore, 1960).

However, if the concept is not stretched to its extremes, it simply says that if product quality is good and price is reasonable it should not be difficult for the firm to sell it. Though nothing sells on its own in a competitive market, good quality and reasonable price are undoubtedly the most admired qualities of a product even today. If the firm is capable of providing a service back up even a product-oriented approach of marketing may work well in many situations. Probably, this is what Bennett and Cooper wanted to establish, though in a different manner.

The meteoric success of Japanese firms in the seventies and eighties is attributed largely to the 'technology push' approach rather than to their marketing efforts. Between 1965 and 1980 R&D expenditure tripled in Japan, white it grew only a third in the US. During the eighties about 13 percent budget of the Japanese government was spent on promoting industrial growth as compared to just one percent being spend in America. In 1988, out of 100,000 foreign students studying in the US about 12.5 percent were Japanese, mostly in the engineering and science streams. In 1986, the US patent office granted 14,000 patents to Japanese firms and 38,000 to Americans (Shukla Madhukar, 1997). Rising from the debris of the war and devastation in 1945, Japan emerged as an economic super-power in the late eighties mainly because of its ability to acquire, create and utilize new technologies.

American automobile industry faltered due to over emphasis on marketing or they neglected the technology, there is no direct answer to this question. But the matter of fact is, when they were busy launching 'new' models each fall with great fanfare and little technologically new, Japanese were quietly perfecting new technologies such as front wheel drive, multi-point fuel injection, better controls and agronomic designs. Japanese offered better quality cars to the market at low price as compared to the US firms. Ironically, today those vary 'market driven' firms are begging protection from the government against Japanese and Korean imports.

RCA of the US was the first company commercially produce and market colour television. Sylvania, GE and other domestic suppliers dominated the US market till the seventies but thereafter Sony, Hitachi and Toshiba stepped into the leader's shoes. Japanese flooded the market with slew of varieties and models even without bothering to segment the market and contrary to the marketing logic this technology driven product strategy saw that achieve market leadership in a short span of a few years.

The 'technology push' approach is best exemplified by the following quote from the biography of Akio Morita, the founder President of Sony Corporation: "Our plan is to lead the public with new products rather than ask them what kind of products they want. The public doesn't know what is possible, but we do. So instead of doing a lost of market research, we refine our thinking on a product and its use and try to create a market for it by educating and communicating with the public. Sometimes a product idea strikes me as natural" Akio Morita, 1987).

Be it a motorcycle, camera, computer, music system, air-conditioner, wristwatch or any other durable, Japanese have always focused on technology (product quality) and designing. Rather than trying to know what consumer wants they offer a wide range of products for each customer segment. The much-hyped Japanese philosophy of delighting the customer aims more at delighting through product quality than through the peripheral aspects of marketing mix. If the Japanese approach is not 'product concept', it doesn't qualify as 'marketing concept' either. The product variety marketing as practicised by Japanese falls short of targeted marketing, a pre-condition for effective marketing strategy, still it worked because of product quality.

Back home, the situation is entirely different. Till recently, most industries were operating under the protective policies of government and most markets were sellers' markets. Indian firms, therefore, didn't spend anything on R&D on improving the product quality. Service to the customer was considered unnecessary and sales were taken as granted. However, with the opening up of economy the scenario changed abruptly. Several well-known multinational firms armed with a slew of time-tested marketing strategies entered the market forcing domestic firms to change their attitude towards market and the customer. With the advent of competition markets for most products, durable and non-durable both, turned into buyer's markets.

Having been accustomed of operating in a sheltered market for about 40-45 years many Indian firms are still finding it difficult to adjust to the new realities. If they don't acquire a marketing approach and care for the customer they won't survive the competition. Understanding customer needs and wants and satisfying them with better quality products or services is critical for their existence. The economic reforms, as a spin off, have also ushered in the era of consumerism in the country. The consumer today is better informed, more demanding and choosy as compared to a decade ago (Panwar J.S., 1997). A 'market pull' approach is therefore inevitable for the consumer goods and service industries in India.

Talking about technology and product quality, a large majority of Indian firms are way behind their multinational counterparts. Little wonder they are losing their market shares fast, even in the domestic market. Let us examine the following table.

**Table 1: Growing Market-share of Multinational Companies in Consumer Durables**

| | **Market share MNC/Indian Companies (%)** | | |
|---|---|---|---|
| | **1998** | **1999** | **2000*** |
| Colour TVs | 52/48 | 58/42 | 65/35 |
| Washing Machines | 27/73 | 27/73 | 35/65 |
| Refrigerators | 39/61 | 49/51 | 60/40 |
| Microwave Oven | 16/84 | 30/70 | 60/40 |

* Estimates for the year 2000

**Source:** *The Economic Times (Ahmedabad edition) July 24, 2000, p.1.*

Quick erosion in the market shares of Indian firms in CTV, refrigerator, washing machines and other consumer durables during the last couple of years is an indication of their inability to compete on the product quality basis. Obviously what they need desperately is up-gradation of technology. Fortunately, the argument is not totally lost on the likes of BPL, Videocon, Maruti, Bajaj, Onida, Hero Cycles, IFB, Mahindra, Reliance, HCL, Wipro, Satyam, Godrej, Titan et. al. These and many more have not only hiked their R&D budgets, they are also trying to source contemporary technologies to bridge the existing gap. In the context, the 'technology push' approach is equally or rather more relevant for them.

In fact, the challenge before Indian firms today is more difficult as compared to the laggards of American business. To survive and grow they need both, better technology and a focused marketing approach; and a balance will have to be struck between the two. Logically what Indian firms needs to do now is something similar to what Japanese did in the seventies and eighties. Lagging behind in innovation Japanese concentrated more on refining the acquired technologies rather than reinventing the wheel. Today they are leading in many product categories invented by the US or the European firms. As a long-term measure all Indian firms, big or small, need to spend more on R&D, but in the short run they should focus more on improving the design and feature to make their products better performing and user-friendly. After all, despite competition in the domestic market Sumeet mixer-grinder still outsells the likes of Philips and Braun.

In a country like India, firms can always exploit the price-quality equation to their advantage. Usually technological sophistication of a product and the price charged for it are strongly related.

As a average Indian consumer doesn't have deep pocket, price is very important consideration for him. Looking to the paying capacity, needs and usage pattern of consumers, firms may benefit even by selling a less sophisticated functional product at an affordable price. The logic is also supported by the fact that low end detergent brands (Nirma, Fena, Wheel), CFC filled direct cool refrigerators, Maruti 800 cars (with carburator fitted engines), black & white TV sets, analogue audio systems, semi-automatic washing machines and like are among the best selling products in the country today. Bajaj scooter still sales better than LML-Vespa, TVS-Suzuki and Kinetic. There are examples of many high-tech products falling flat on the market place, either because of high price or people perceiving them unsuitable for Indian usage conditions.

An average Indian consumer is reluctant to pay the type of price some firms expect for their high-tech products or services. He may, for example, prefer to wait for half an hour to get his cheque encashed in a nationalized bank rather then opening an account in a private or a foreign bank where he might be asked to maintain a much higher minimum balance. However, the trend may possibly last for a few more years. With the rise in income and sophistication level of the consumer, poor quality products and services would not sell in the long run.

In their paper Bennett and Cooper proposed a new approach to American firms as alternative to marketing concept. They called it 'Product Value' concept, which is defined as follows:

"The product value concept is a business orientation that recognizes that product value is the key to profits. It stressed competing on the basis of customer need satisfaction with superior, high value products. Value depends on the customer's perception of the product attributes, which are largely a function of the firm's technological, design, and manufacturing strengths and skills" (Bennett & Cooper, 1981).

Going by this definition, the firms should not merely aim at satisfying customer needs, but offer them a product of superior value.

There is no evidence to suggest how or whether the value concept has made any impact on American business, but the Indian firms in their own interest must give a serious thought to it. The consumer at home is more value conscious as compared to his western counterparts. Technology, product features and service are important to him only to the extent they help delivering better value for money. Technology for the sake of its will not sell. Even a good quality product offered at a price perceived to be exorbitant could bounce back on the market. There are brands like Kellogg's breakfast cereals, Nike shoes, Ray-bon sunglasses, Arrow shirts, Ford cars and many more that have not been particularly successful due to the unfavourable price-value equation.

The product value concept may provides a useful framework to Indian firms for designing proactive marketing strategies to face the competition. Any firm offering a better value for money stands better in the marketplace. Brands like Bajaj (scooters), Maruti 800 cars, Hero Honda bikes, BPL TV, Videocon washing machines, Tata (commercial vehicles), MRF tyres, VIP luggage, Rin, Nirma, Brook Bond, Amul, Wipro, SBI, EMS Speed Post, HDFC and like have been successful not because of strong market orientation or technology but people prefer them because they offer a better value for money.

This is not to suggest that marketing concept is not relevant for India. In fact, it has started sinking into the consciousness of Indian business only recently after the advent of competition. Its impact on the business and the market is yet to be evaluated. The 'technology push' is also welcome if it helps in raising the quality of Indian goods and services to the global standards. But more than these two things what Indian firms need to internalize for success is the 'product value' concept. That is, to satisfy customer needs through better value and to win their patronage.

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