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An Extended Marketing Paradigm for  
Implementing Supply Chain

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# An Extended Marketing Paradigm for Implementing Supply Chain Management

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## **Abstract**

The purpose of this study is to examine the shortcomings of the existing marketing paradigm and to identify the extended role of marketing in successful implementation of the supply chain management. The study is basically a '*theoretical prescriptive*' one, which is mainly based upon the review of representative literature from relevant disciplines such as marketing, strategic marketing management, strategic management and supply chain management. The study explores the generally accepted paradigms of marketing and associated criticisms, distinguishes supply chain orientation from market orientation, and the marketing management from supply chain management, and discusses the augmented role of marketing in the successful implementation of supply chain management. The study concludes that marketing organizations have gradually become network organizations and that the aggregation of all components of the value system needs not only conceptual and organization skills but also the skills to negotiate mutually beneficial returns for the contributions of all participants. Thus, the market orientation should be collaborated with the supply chain orientation and the marketing mix should be enriched with the supplier and customer relationship management for successful integration of the network to gain sustainable competitive advantage. The major contribution made by this study is the comprehension it spawns for marketing managers to realize that the traditional paradigms of marketing- market orientation, dyadic exchange relations and marketing mix- themselves along are no longer sufficient in dealing with customers in the network context, that unique structural properties of supply chain demand the market orientation shift away from the dyadic exchange paradigm towards the building of long term relationships with suppliers and channel members, and that linkage capabilities have the ability to gain sustainable competitive advantage.

Key words: Dyadic Exchange Paradigm, Market Orientation, Supply Chain Orientation, Net Work Organization, Sustainable Competitive Advantages

## **Introduction**

A paradigm is a “loose consensus regarding the fundamental nature of a discipline. The scope of the paradigm dictates the important questions in the field and thereby guides research and theory development,” (Day and Wensley 1983, p. 81). Judging by the consideration and attention paid by the marketing literature to *marketing concept*, *market orientation* and *marketing mix*, one can treat them as the most accepted general paradigms for the discipline (Kotler 1972; Webster 1988; Narver and Slater 1990; Kohli and Jaworski 1990). Their acceptance is most evident and reflected in the marketing management literature. For example, Kotler (1986, p. 117) states, “marketing is the task of arranging need satisfying and profitable offers to target buyers.” Similarly, stressing the importance of marketing mix, Shapiro (1985, p. 28) contends “one can describe the essence of almost any marketing strategy by presenting the target market segment and the elements of the mix in brief form.” All these arguments and the generally accepted paradigms for marketing have been developed treating an individual firm as the unit of analysis.

Today, however, the generally accepted paradigms for marketing have been vulnerable to criticism (Day and Wensley 1983). For example, Anderson (1982, p.16) argues that “the theories of the firm developed within economics, finance and management are inadequate in varying degrees as conceptual underpinnings for marketing,” and that the marketing discipline has failed to appreciate fully the nature and implications of the objectives that it has adopted. He further asserts that the marketing theory should be grounded in a more relevant constituency based theory of the firm. In the same context, some other authorities on the subjects contend that the present general marketing paradigms are simplistic and incomplete in their consideration of major elements of both the practice and the discipline of marketing and, therefore, the discipline and practice of marketing has been reshaped by the environmental forces (Day and Wensley 1983; Webster 1992).

One of the most significant changes in the modern business environment is that individual businesses tend to compete as supply chain rather than as solely autonomous entities (Webster 1992; Day and Wensley 1983). The realization that optimization of single firm operation does not result in creating competitive advantage led many firms to

develop long term relationships with both extremes- upstream and downstream - of the value system (Defee and Stank 2005). The value system includes the suppliers' value chains, focal firm's value chain, channels' value chains and buyer's value chains (Porter and Millar 1985). The long-term linkages connect value activities inside the company and create interdependencies between its value chain and those of its suppliers, channels, and customers. When firms develop network of multiple business and relationships, the boundary between the firm and its environment becomes blurred. These developments force the business organizations to dissolve their hierarchical bureaucratic organization structures in favour of network relationships (Lambert *et al* 1998; Webster1992). Thus, the competition, now, is found at the supply chain level rather than the company level and the ultimate success of a single business will depend on the firm's ability to integrate the company's complex network of business relationships (Lambert *et al* 1998). These developments represent significant challenges to the accepted paradigms of the field of marketing.

A supply chain is “a set of three or more entities (organizations or individuals) directly involved in the upstream and downstream flows of product, services, finances, and /or information from a source to a customer,” (Mentzer *et al.* (2001, p.4)). The management of multiple relationships across the supply chain is referred to as supply chain management (SCM) (Lambert *et al* 1998). Managing the supply chain is a complex task and cannot be left to chance. Though SCM is viewed as a strategic level concept (Cooper *et al*, 1997; Mentzer et al 2001), emphasizing the multiform focus on creating competitive advantage by delivering high value to consumers, the marketing discipline has directed relatively little attention toward SCM. Webster (1992), one of the authorities on the marketing subject, categorically states “the relatively narrow conceptualization of marketing as a profit maximization problem, focused on market transaction or series of transactions, seems increasingly out of touch with an emphasis on long –term customer relationships and the formation and management of strategic alliances....marketing management needs to be expanded beyond the conceptual framework of microeconomics in order to address more fully the set of organizational and strategic issues inherent in relationships and alliances,” (p. 10).

From this ferment, the central purpose of this study is to examine the shortcomings of existing marketing paradigms and to identify the extended role of marketing for successful implementation of SCM. This study, which is mainly based upon the review of representative literature from relevant disciplines such as marketing, strategic management and supply chain management, is basically a theoretical prescriptive one which attempt to prescribe what roles **marketing concept**, **market orientation** and **marketing mix**, ought to play for carrying out successful implementation of SCM. This paper does not attempt to describe, explain, and predict the marketing activities, processes, and phenomena that actually exist.

The rest of this paper is structured as follows: First, the generally accepted paradigms of marketing are explored with their criticisms. Second, supply chain orientation and market orientation, and the marketing management and supply chain management are distinguished. Third, the augmented role of marketing in successful implementation of supply chain management and its ability to generate sustainable competitive advantages are discussed. And then, implications for managers in the Sri Lankan context and the concluding remarks are presented.

### **Paradigms of Marketing**

Marketing has long been thought of as a process that focuses upon the necessary components of creating and fulfilling satisfactory exchanges between consumers and companies (Kotler 1988). Regis McKenna (1991, p.69) suggests that “marketing today is not a function; it is a way of doing business.” McKenna’s assertion concurred with an earlier comment by Drucker (1954) who articulates that the marketing is not a separate management function but rather the whole business as seen form the customer’s point of view. Deshpande and Webster (1989) consider Drucker’s view a reflection of the marketing concept. The marketing concept is a cornerstone of the marketing discipline (Kohli and Jaworski 1990) and the most accepted general paradigm for the field (Day and Wensley 1983)

### **Marketing Concept**

Though the marketing concept has been given diverse definitions in the literature (e.g. Bell and Emory 1971; Felton 1959; Kotler 1988; Levitt 1969), Deshpande and Webster

(1989) hold a broader view and note that marketing concept as a distinct organizational culture. They define marketing concept as a fundamental shared set of beliefs and values that put the customer in the center of the firm's thinking about strategy and operations. They highlight the centrality of organization culture in addressing the marketing issues. Some scholars consider marketing concept as a business philosophy. For example, McNamara (1972, p.51) defines marketing concept as “ a philosophy of business management, based upon a company wide acceptance of the need for customer orientation, profit orientation, and recognition of the important role of marketing in communicating the needs of the market to all major corporate departments”. In the same context, Deshpande and Webster, (1989) also argue that an absence of marketing embedded culture within the firm would jeopardize the marketing as a business philosophy.

The definitions of marketing concept emphasize four core aspects: market focus, customer focus, coordinated marketing, and profitability (Kohli and Jaworski 1990; Kotler 1988). Market focus refers to the segmentation and selection of market where the firm can compete with its resources more effectively and efficiently than competitors (Kotler 1988). Customer focus refers to the obtaining information from customers about their needs and wants and acting accordingly. Coordinated marketing means the coordinated utilization of company resources in creating superior value for customers after being cognizant of customer needs (Kotler 1988; Narver and Slater 1990). Profitability involves finding profitable means and ways of satisfying the customer (Kotler 1988). However, Levitt (1969) strongly disagree to viewing profitability as a component of marketing concept.

Despite the admirable attention given by marketing literature, the marketing concept is criticized due to the limitation of its practical value and difficulty of operational definition (Barksdale and Darden 1971). And, it was unclear to the practitioners seeking to implement the marketing concept as to what precisely the marketing concept is, what specific activities that translate the philosophy into practice and what actual effect the concept has on business performance (Kohli and Jaworski 1990; Narver and Slater 1990).

## **Market Orientation**

However, the situation begins changing after a number of conceptual and empirical studies clearly describe what a marketing concept is and what it consists of. Specially, Kohli and Jaworski (1990), based on the literature, assert that the implementation of marketing concept is the market orientation. But, Hunt and Morgan (1995) argue that market orientations is not the implementation of marketing concept which focuses only on customers, and therefore, marketing orientation, as it focuses on both customers and competitors, should be considered a supplementary to the marketing concepts. This argument is invalid since the marketing concept, which holds that an organization's purpose is to identify the needs and want of the target market and to satisfy those needs more effectively and efficiently than competitors, highlights the value of both the customers and the competitors. Kohli and Jaworski (1990, p.6) define the market orientation as “ the organization-wide *generation* of market intelligence pertaining to current and future customer needs, *dissemination* of the intelligence across departments, and organization-wide *responsiveness* to it” Further, they divide *responsiveness* dimension into two parts - response design and response implementation. By the same token, Navar and Slater (1990) propose that marketing orientation consists of three behavioural components (customer orientation, competitor orientation, and inter-functional coordination) and two focuses (a long term focus and a profit focus). Customer orientation involves the systematic process of gathering and sharing information regarding present and potential customers. Competitor orientation is the understanding the strength, weakness, strategic assets and competencies of current and future competitors. Inter-functional coordin-ation emphasizes the integrated marketing – all company resources, including human resources, be efficiently coordinated to create a superior value to customer.

Conceptual account suggests that market oriented firms differ from their more internally focused rivals who maintain an ad hoc, reactive, constrained and diffused stance toward their commercial environment. For example, Narver and Slater (1990) claim that market orientation to be the heart of modern marketing management and its strategy and that it is an important precondition for the realization and improvement of profitability, and customer. Day (1994) argues that market driven organizations are

superior in their market sensing and customer linking capabilities and that when these two capabilities are deeply embedded within the organization, all functional activities and organizational processes will be better directed toward anticipating, and responding to changing market requirement ahead of competitors. The ability of the market oriented firm to outperform its less market oriented competitors is based on the premise that the former can create long term superior value for the firm's customers in comparison with the latter.

However, the fundamental assumption that firms nurturing greater market orientation as their strategic orientation will show better performance holds mixed support in research to date (Noble *et al.*, 2002).

Several studies have found support for the fundamental market orientation – performance relationship (e.g. Jaworsky and Kohli, 1993; Narver and Slater 1990; Narver *et al.*, 1999; Pelham 2000; Pelham and Wilson 1996; Slater and Narver 1994; Hooley and Lynch 1985). Hult and Ketchen (2001) showed that as a component of positioning advantage, market orientation positively affect firms' performance, but they noted that the potential value of market orientation should be considered together with other important firm capabilities, such as entrepreneurship and organizational learning. Matsuno *et al.* (2002) also found that entrepreneurship in combination with market orientation positively affects firm performance.

Conversely, some studies criticize customer orientation for contributing to many unfavourable tendencies including incremental and trivial product development (Bennet and Cooper, 1979), short sighted research & development programs (Frosch, 1996), confused business process (Macdonald, 1995), and firms loosing their position of industry leadership (Christensen and Bower, 1996). A study done in international setting has confirmed no relationship between the performance and market orientation (e.g. Bhuian 1998). Noble *et al.* (2002, p. 25) suggest that the “data in ‘market orientation- performance’ studies have been largely limited to cross-sectional examination of current organizational attitudes and practices and their relationship to performance and other outcomes”. Issues of abstractness and subjectivity have also been raised in market orientation studies.

## **Marketing Mix**

The essence of marketing, when the marketing concept is transformed to marketing in practice, becomes that of defining a target market and developing the marketing mix that meets the wants and needs of the particular target segment (Kotler 1988). Marketing mix- marketer's relatively controllable tool kit, which includes *product, price, place,* and *promotion* (4Ps) - is considered the core of marketing (Gronroos 1989). The marketing mix, one of the most powerful concepts ever developed for managers, gives managers a way to ensure that all elements of their programme are considered in a simple yet disciplined pattern (Shapiro, 1985).

However, recently, the 4Ps of the marketing mix are viewed to be too limited. For example, Crittenden (2005) asserts that marketing as a truly integrated organizational function must use its 4Ps as necessary components, but it is insufficient for long term success. In the context of "Mega-marketing", Kotler (1986) adds two additional Ps – *power* and *public relation*- to traditional marketing mix in order to create influences at the right times and in the right amount for non-consumers. In services marketing, three new Ps – *physical evidence, people* and *process*- are added to the traditional marketing mix (Bitner 1990). The study done by Bennett and Cooper (1982) contents that marketing concept has shifted the emphasis from research and development and product innovation toward the supporting elements of the marketing mix, which do not offer a basis for long run competitive advantage.

However, the major arguments against the marketing paradigms are aimed at their inability to consider the broader social and economic functions and issues associated with marketing, beyond the level of the firm (Webster 1992). Another study questions the value of satisfied customers in the short run, at the expense of unnecessary product proliferation, inflated cost, unfocused diversification, and a weak commitment to research and development (Hayes and Abernathy 1980). Furthermore, Anderson (1982) argues that the marketing paradigms rely on inappropriate neoclassical economic premises and thus they should be grounded in a more relevant constituency-based theory of the firm

### **Market Orientation vs. Supply Chain Orientation**

Strategic orientation guides an organization's alignment with its environment by shaping its strategic attributes and competencies (Hambrick 1983; Manu and Sriyam 1996; Gatignon and Xuereb (1997). The issue of adapting has become very important in marketing because of a number of environmental factors such as increasing competitive pressures, rapid technological changes, deregulation, and increasing emphasis on quality (Day and Wensley, 1983; Jain, 1985). An organization can integrate or align itself to its environment in a variety of ways. Common alternative strategic orientations firms normally adopt are market orientation, production orientation, product orientation, and selling orientation. Apart from these, supply chain orientation (SCO) has become a key alternative strategic orientation business firms adopt in the present time (Mentzer *et al.* 2001; Min and Mentzer 2004; Stank *et al.*, 2005).

Fostering of SCO inside the firms directly involve in the supply chain is a prerequisite for implementation of SCM (Mentzer *et al* 2001; Min and Mentzer (2004). In other words, companies implementing SCM must first have a SCO. Mentzer *et al* (2001, p.11) define SCO as the “recognition by an organization of the systemic, strategic implications of the tactical activities involved in managing the various flows in a supply chain.”

In the supply chain literature SCO is considered as a manifestation of managerial philosophy (e.g. Mentzer et al 2001; Min and Mentzer 2004). SCO as a philosophy requires supply chain members to focus on developing solutions to create customer value (Langley and Holcomb 1992; Ross 1998). Mentzer *et al* (2001) contend that SCO embraces the SCM philosophy within the firm and will demonstrate varying levels of the following:

- a) A system approach to viewing the supply chain as a whole, and to managing the total flow of goods from the supplier to the ultimate customer;
- b) A strategic orientation toward cooperative efforts to synchronize and converging intra-firm and inter-firm operational and strategic capabilities into a unified whole;
- c) A focus on customer to create unique and individualized sources of customer value, leading to customer satisfaction.

Though the marketing literature considers market orientation as a manifestation of organization culture (e.g. Day 1994; Kohli and Jaworski 1990; Shapiro 1988), in the

supply chain literature SCO is considered as a manifestation of managerial philosophy (e.g. Mentzer et al 2001; Min and Mentzer 2004). Treating SCO as a management philosophy may limit the orientation to certain individuals in an organization since managerial philosophy implies beliefs shared within a management group only (Mellow and Stank 2005). While it is important that top management embraces the SCO, the employees who implement SCM practices on a daily basis must also hold this philosophy.

Both market orientation (Day and Wensley 1983) and SCO are strategic level concepts (Cooper *et al*, 1997; Mentzer et al 2001). When the two concepts are lined up, it can be clearly noticed some similarities as well as differences among their characteristics. An area of consensus is that both orientations emphasize the importance of understanding present and future needs of customers (i.e. Kohli and Jaworski 1990; Navar and Slater 1990). However, supply chain orientation does not focus on just the immediate customer per se but, rather, focuses on both upstream and downstream relationships (Min and Mentzer, 2004). It considers the customer as a part of the supply chain. What companies can offer to their immediate customer depends on the supply chain relationship with suppliers as well as with customers of the immediate customer.

Top management emphasis on orientation is another area of consensus. Both the market orientation and supply chain orientation highlight the critical role the top management should play in shaping an organization's values and orientation. For examples, the study done by Jaworski and Kohli, (1993) indicates that market orientation is facilitated by the amount of emphasis top managers place on market orientation through continual reminders to employees to be sensitive and responsive to market trends and developments. Lambert et al, (1998) suggest top management support, leadership, and commitment to change are critical to the implementation of SCM. Similarly, Loforte (1991) (cited in Mentzer *et al* 2001) asserts that the lack of strategic leader's support is a barrier to SCM.

Furthermore, the both orientations emphasize the importance of inter functional coordination to gain competitive advantage (Kohli and Jaworski 1990; Lambert et al, 1998). Inter-functional coordination refers to the application of resources of the company as a team to create a superior value for target customers. The literature supports a direct

positive relationship between integration and performance success or achievement of a competitive advantage (e.g. Kahn and Mentzer, 1998; Mollenkopf *et al.*, 2000).

Major difference between supply chain orientation and market orientation lies in the unit of analysis. The market orientation paradigm provides the rationale for system approach taking the firm as the unit of analysis. In contrast, supply chain orientation views the system approach taking supply chain as a whole. It stresses a systemic view, stretching beyond the focal firm to include coordination of business processes and flows with those of other members of the supply chain for the purpose of creating a strategic advantage based on end customer value delivery (Stank *et al* 2005). It utilizes the inter-firm coordination as the capability that facilitates achievements of objectives focused on customer satisfaction, value, profitability and competitive advantage. And it requires identification of firms that share a mutual belief in the value of supply chain as a competitive differentiation mechanism. Hence, having link with other firms that do not assess the supply chain highly will reduce the effectiveness of supply chain (Ellram, 1993). The objective of taking supply chain as a whole is to enable a firm to compensate for its weaknesses and/ or resource constraints by linking with other firms having offsetting strengths, thereby allowing all firms to apply their resources toward areas that are seen as important. Supply chain management can generate value by synchronizing logistical activities among participant to reduce costs associated with duplication of effort and positioning the entire supply chain to better serve key customers (Stank *et al* 2001).

However, the weak aspect of supply chain orientation is that it overlooks the competitor actions. Market orientation also neglects the importance of supplier value chain, channel value chain and the influence of non-marketers for the creation of complete advantage. It also overlooks the need to integrate and manage multiple key processes across the value chain though it focuses on marketing activities and flows across the channel.

### **Marketing Management and Supply Chain Management**

Developing a supply chain orientation inside each of the firms directly involves in the supply chain is very important for SCM implementation (Min and Mentzer, 2004). The actual implementation of SCO, across various companies in the supply chain, is called

SCM (Min and Mentzer 2004). Recent academic researches view SCM as a strategic level concept. Mentzer *et al* (2001, p. 18), for example, define SCM as “ the systemic, strategic coordination of the traditional business functions within a particular company and across businesses within the supply chain, for the purposes of improving the long term performance of the individual companies and the supply chain as a whole.” Lambert *et al.* (1998) consider the SCM as the integration of key business processes across the supply chain for the purpose of adding value for customers and stakeholders. Each of these definitions highlights the fact that the objective of SCM is the creation of strategic differential advantage obtained by the total value delivered to end-users.

In contrast, underlined philosophy of the marketing concept is taken as the basis of marketing management. This is evidenced by the standard literature on marketing management. For example, Kotler (1988) defines marketing as social and managerial process by which individuals and group obtain what they need and want through creating and exchanging products and values with others. Likewise, American Marketing Association describes marketing as the process of planning and executing of ideas, goods, and services to create exchange and satisfy individual and organizational objectives (American Marketing Association 1985 cited by Gronroos 1989).

Marketing management is based on the conceptual framework of micro economics and depends most heavily on statistics, mathematics, psychology, and social psychology (Webster 1992). Microeconomic model centers on consumers, transaction and profit maximization. The basic units of analysis are market transactions in a competitive market and bureaucratic, hierarchical firm controlling almost all of the factors of production. The characteristics of a bureaucratic, hierarchical organization includes multiple layers of management, functional specialization, integrate operations, and clear distinction between the line and staff responsibility. It has a pyramid shape with increasing authority and responsibility from bottom to the top. Dominant forms of bureaucratic, hierarchical organizations are functional, multidivisional, and matrix form of organization (Achrol 1997).

In contrast to the traditional marketing management, which is based on the micro economic paradigm where the units of analysis are products, prices, firms and transactions (Webster 1992), supply chain management is based on the broad view of

relationships. SCM moves business organizations from hierarchical bureaucratic structures to network organizations.

A network is a combination of a larger number of actors and patterns of relations that glue them together (Iacobucci and Hopkins 1992). Network emphasizes the long-term perspective: it takes time for sellers and buyers to establish a smooth work relationships. This is particularly obvious when a product requires complex technology and customized design as well as when R & D, production and installation involve active participation from the buyer (Gummesson, 1987). Achrol (1997,p. 59) contends “a network organization is distinguished from a simple network of exchange linkages by the density, multiplexity, and reciprocity of ties and a shared value system defining memberships roles and responsibilities.”

SCM is exercised within the strategic network which has long-term, purposeful arrangements among distinct but related for-profit organizations that allow those firms in them to gain or sustain competitive advantage vis a vis their competitors outside the network (Jarillo 1988). It is a mode of organization that is not strictly based on the price mechanism, or on hierarchical structure, but on coordination through adaptation (Jarillo 1988). Firms in the network are independent along some dimensions and, though, the interdependency defines the social structure of the network organization more than it defines its hierarchy. The relationships enjoyed by the firms in the network are essential to their competitive position (Jarillo 1988). From this perspective, the orientation towards relationship is a key aspect, which differentiates marketing management from SCM.

The current exchange paradigm in marketing could fit quite comfortably into the dyadic exchange paradigm, which focuses on two way or transactional relations between sellers and buyers (Achrol 1997). It is not strategic. The outcome of these relationships depends on bargaining, negotiation, the balance of power, and the sources of conflict between the parties. The process of bargaining and negotiation is at least minimally adversarial and not always conduce to developing relational norms. Trust and goodwill will be endangered in bilateral negotiations over the time (Achrol 1997). Each partner on his/her own shares the amount of risk and rewards.

Relationship orientation of the SCM, on the other hand, is long term and strategic. Firm in a supply chain treats other members in the supply chain as partners. They

involves in on-going long term relationship for achieving strategic goals, which delivers value to customers and profitability to partners. To solidify the relationship, firms demonstrate commitment over an extended period of time. Each party anticipates future, satisfying encounters. This enables both parties to achieve goals not individually attainable. Partners mutually share the amount of risk and reward. Partners in a strategic relationship recognize each other as an extension of their own firm (Mentzer *et al* 2000).

The distinction between dyadic exchange perspective and network view of relationship can further be examined in terms of power, commitment, trust, and social norms ((Achrol 1997).

### **Role of Marketing in SCM**

Though the existing marketing paradigm is based on the micro economic and dyadic exchange paradigms, marketing is more than an economic optimization problem. Marketing which is an intangible that the customer must experience to appreciate (McKenna, 1991) should be seen as a central component of the guidance system of the firm (Webster 1992). In the following section the enriched role of marketing in a firm within a complicated structure of supply chain is discussed.

### **Merging Customer Orientation with SCO**

The role of marketing, at the strategic level, is to merge market orientation with SCM to deliver superior value to customers in the competitive market place. The implementation of market driven SCM requires supply chain orientation be market driven, and the focus of supply chain be shifted from the idea of cost as the order winner to responsiveness to market as the market winner, (Christopher and Towill, 2002). The needs and wants of end consumer (ultimate customer), the starting point of the entire value system, will ultimately drive all actions in the rest of the supply chain. Thus, the SCO should be guided by the market orientation since customer satisfaction should be the supply chain's ultimate priority and organizing mechanism (Bovet and Sheffi 1998). Market orientation should keep all of the partners focused on the customer and informed about competitor product offerings and changing customer needs and expectations (Webster 1992).

However, the existing dimensions of market orientation do not capture all the aspect of supply chain orientation into its domain. Figure 1 depicts this scenario. It shows that a firm within a supply chain directly involves with the upstream and downstream value

chains in order to ensure smooth flow of the product, services, finances, and information from a source to a customer. And, it also illustrates that marketing actions of competitors and third parties directly or indirectly influence the marketing actions of the firm. But, market orientation of the focal firm encompasses only three core actors in the marketing environment. That is, it captures customers through *customer orientation*, competitors through *competitor orientation* and the focal firm through *integrated marketing*. There is a vast vacuum in the existing paradigm of market orientation in that it fails to incorporate the value of channel members, suppliers and non-marketers into its domain.

### **Channel Value Chain**

The existing marketing paradigm deals with channel members based on the dyadic exchange paradigm. This seems increasingly obsolete with an emphasis on supply chain orientation. In the context of supply chain management, the channel members should also be considered as customers who create value to the consumers. The distinction between customer and consumer is clearly explained by Webster (2000). According to him, customers refer to all types of marketing intermediaries or channel members who buy for resale to their customers.

Single company alone rarely controls an entire supply chain, and success of the supply chain depends on how well the combined capabilities of the member firms can be integrated to achieve competitive advantage (Cook *et al.*, 2001). Starting with the target market, firm works backward through the value system to determine the configuration of the processes and the trading partners that best serve the target market and provide the greatest competitive advantage (Lummus *et al.*, 1998). And, the single firm operation alone is not sufficient to search for a way to sustain competitive advantage since competition is found at the supply chain level rather than the company level (Christopher, 1992). The resources, which confer market power, may be formed jointly. Thus, both the manufacturer and the channel members deliver value to the consumer, and consumer-buying motivations involve both sources of value (Webster 2000). Moreover, the manufacturer and the channel members are in a partnership relationship, delivering value to consumers (Narus and Anderson 1986). Furthermore, formulating a strategy that reflects the reality of the downstream market place will be instrumental to new

approaches to upstream supplier management (Sheridan, 1999). According to McKenna (1991, p. 68) “the marketer must be the integrator, both internally – synthesizing technological capability with market needs- and externally-bringing the customer into the company as a participant in the development and adaptation of goods and services.”

Based on the above perspective, it can be argued that the existing paradigm of market orientation should be broadened to include the strategic relationship with channel members into its domain.

### **Supplier Value Chain**

The market orientation paradigm has totally overlooked the importance of the supplier value chain as a potential area for achieving sustainable competitive advantage though the closer relationship with suppliers helps firms to militate against risk. Suppliers’ bargaining power is a strong determinant of industry attractiveness (Porter 1979). Suppliers can exert their bargaining power on customers by raising prices or reducing the quality of goods and services. Thus, the strength of suppliers can improve or erode the profit making ability of a firm (Porter, 1979). Therefore, restricting firm’s marketing attention only to customers, channel members and competitors will be myopic in a dynamic environment.

Furthermore, competition can stem from several sources such as advances in industrial technology, increased globalization, tremendous improvements in information availability, plentiful venture capital, and creative business design. And even customers keep demanding better service, wider choices, and lower costs. To meet all these increasingly demanding business requirements, firms will have to deliver remarkably higher levels of performance. Product design or marketing brilliance of the firm alone cannot meet this challenge. As the multidimensional nature of creating superior value for customers, firm’s interdependencies with upstream value and down stream value must be thoroughly understood and systematically incorporated in the firm’s marketing strategy. Forester (1958 p.52) proposes that “ there will come general recognition of the advantage enjoyed by the pioneering management who have been the first to improve their understanding of the interrelationships between separate company functions and between the company and its markets, its industry, and the national economy.” The major advantage of multiple firms working together through shared goals and integrated

processes is that the possible improvements of the performance of each member enhance the end customer's perception of value.

“In a boundary-less company, suppliers aren't outsiders. They are drawn closer and become trusted partners in the total business process,” (Webster 1992, p. 12). Supplier orientation (supplier relationship management) should therefore be included into the dimensions of the existing market orientation paradigm..

### **Third Parties**

Sometimes, firms in supply chain want to operate in certain markets where non-marketers –governments, labour unions, and other interest group- singly or collectively, can bar profitable operation of the firm (Kotler 1986). This aspect is very important especially in international marketing. It is necessary to create additional incentives and pressures at the right times and in the right amount of non marketers to gain their cooperation in order to smoothly and profitably operate in the market place (Kotler 1986).

It is clear that a firm in a supply chain usually does not control all the resources needed in a business venture; it links up with other firms and individuals to form a complete business. The firms that constitute the supply chain attempt to maintain or even increase the level of task specialization while disaggregating its locus across multiple organizations within the supply chain. By forming supply chains individual firms are attempting to reap the benefits of increased task specialization in terms of adaptability and responsiveness while sharing the risks of specialized investments and reducing internal complexity and administrative cost. The increased specialization increased the need for coordination (Walker 1997). Increased demand for new and more effective and efficient forms of governance to coordinate the disparate knowledge, expertise, and activities of the many specialists who are disaggregated across the network requires marketing to shift away from the current dyadic paradigm to multilateral forms of relational governance (Snow 1997).

Given the importance of long term, strategic relationship, the domain of the market orientation paradigm should be augmented with three types of relationships: channel member relationship management, supplier relationship management and non-consumer relationship management.

As relationship skills reside in people, rather than organization structures or roles or tasks, marketing people at strategic level who have these skills will become a source of sustainable competitive advantage (Webster 1992). The committed relationships are among the most durable of advantages because they are hard for competitors to understand, to copy, or to displace (Day 2000). This does not mitigate the importance of traditional market orientation as a source of competitive advantage. However, unanticipated changes in the economic structure of an industry may make what was, at one time, a source of sustained competitive advantage, no longer valuable for a firm, and thus not a source of any competitive advantage. These structural revolutions in an industry redefine which of a firm's attributes resources are and which are not (Barney 1991).

### **Marketing and Key Business Processes**

Successful SCM involves integration of key business process from end user through original suppliers that provides products, services, and information that add value for customers and other stakeholders (Lambert 2004). A business process is a structured set of activities with specified business outcomes for customers (Davenport and Beers 1995). The structure of activities within and between companies is a critical cornerstone of creating unique and superior supply chain performance (Hakansson and Snehota 1995; cited in Lambert and Cooper 2000). Lambert (2004), drawing from work done by the Global Supply Chain Forum, presents the eight processes that need to be managed and integrated for successful supply chain management. The eight key processes are: ***customer relationship management*** – provide the structure for how relationships with customers are developed and maintained; ***customer service management*** – represents the company's face to the customer; ***demand management*** – balances the customer demands with supply chain requirements; ***order fulfillment***- involves in activities necessary to define customer requirements, design a network, and enable the firm to meet customer request while minimizing the total delivered cost; ***manufacturing flow management***- includes all the activities necessary to obtain, implement and manage manufacturing flexibility and move product through the plants in the supply chain; ***supplier relationship management***- provides the structure for how relationship with suppliers are developed and maintained; ***product development and commercialization*** – provides the structure for

working with customers and suppliers to develop products and bring them to market; and **returns management**- the process of managing returns, reverse logistics, and return avoidance. Customer relationship management and supplier relationship management, both of which have seven sub processes, provide the linkages required to facilitate integration among the supply chain members to coordinate the other six processes (Lambert 2004). Each of the eight processes is cross – functional and cross firm (Lambert *et al* 2005). There is an economic rationale related to the integration of process; that is, economies can be accrued by adopting and coordinating the activities carried out in sequence (Hakansson and Persson 2004). The number and type of business processes that is critical and or beneficial to integrate and manage between companies will likely vary. And even, building relationships with all types of members may cause the total network to become highly complex. It will explode in the number of members added from tier level to tier level (Cooper *et al* 1997). Coordination, supervision and allocation of managerial attention and resources will be difficult if the total network become highly complex. Hence, marketing managers should act as entrepreneurs to identify key business processes which enable the business to deliver superior value to customers in comparison with its competitors. Thus, another key role of marketing is to thoroughly analyze and discuss which key business processes are to integrate and manage to enhance the ability of the firm to increase value and reduce costs associated with value delivery process. Decision on the selection of business processes, which will be linked across the network of firms, should be weighed against firm’s capabilities and the importance to firm. It is also important to note that customer relationship management and supplier relationship management provide the critical linkages throughout the supply chain.

Traditionally, both upstream and downstream value chains of the supply chain have interacted as disconnected entities receiving sporadic flows of products and information over time. And, business processes were also initially viewed as a means to integrate corporate functions within the firm. Conversely, now, the member firms often become involved in supply chain management to integrate planning, implementing, and controlling the effective flow of goods and services, related information, and associated funds for the purpose of conforming to customer requirement (Lambert *et al* 1998). The

business processes are also used to structure the activities between members of a supply chain since successful SCM requires a change from managing individual functions to integrating activities into key supply chain business processes (Lambert 2004). In the mean time, traditional business functions within the firm provide input to the integration of key business processes (Lambert 2004).

Each of the key processes of supply chain management has both strategic and operational elements. Strategic element establishes and strategically manages the processes while the operational element executes the process. The key business processes of supply chain are managed, integrated, and executed link by link. Managing linkages requires unique capabilities. Capabilities are complex bundle of skills and collective learning, exercised through organizational processes that ensure superior coordination and integration of functional activities as well as of business process (Day 1994). An organization process is a specific ordering of work activities across time and place, with a beginning, an end, clearly identified inputs and outputs, and a structure for action (Cooper *et al.* 1997; Ellram and Cooper 1990). Capabilities and organizational processes are closely intertwined, because it is the capability that enables the activities in a business process to be carried out (Day 1994). The capabilities involve complex patterns of coordination between people and between people and other resources (Grant 1991). Consequently, supply chain management requires an enlarge view of the skills and resources needed to operate in the market place. Therefore, the responsibility of marketing is to provide the SCM with the necessary linking services to integrate the internal key process to and between firms collectively with the goal of achieving the best overall network system for adding value.

### **Augmentation of Traditional Marketing Mix**

The marketing mix, core of traditional marketing, consists of four process elements –product, price, promotion and place- that are used for the tactical development of a marketing programme. In spite of the significance of all members within the network, the traditional marketing mix paradigm totally ignores its service to the suppliers, channel members and third parties- in the network. Figure 2 depicts this scenario.

Except for the price variable, all other variables in the marketing mix are resources needed to enter and operate in the market place. Resources are viewed as the tangible and intangible entities that enable a firm to conceive of and implement strategies that improve its efficiency and/or effectiveness (Barney 1991). Firm resources can be considered as *assets* and *capabilities* (Day 1994; Hunt and Morgan 1995).

*Assets* are the resources that the organization has accumulated, such as an economy of scale, reputation, and brand equity. An asset that is a resource in one situation can become a non-resource in another if it no longer contributes towards the creation of value in the firm's market offering (Barney 1991; Hunt and Morgan 1995).

*Capabilities*, complex set of skills and accumulated knowledge, are the glue that brings the assets together through proper coordination of activities. Capabilities differ from assets in that they are difficult to quantify monetarily, and are difficult to discern since they encompass skills that are embedded deeply in organizational routines and practices (Barney 1991; Day 1994).

In these contexts, marketing mix variables consist of both assets and capabilities. For example, advertising is an asset in the sense that it develops brand image, and distribution capacity is a capability, which integrates the internal processes with channel members in order to reduce the gap between the product and the external customers. Resources (assets and competencies), if isolated, do not generate any synergistic effect of forming core competencies (the things a firm does best in creating value for customers). They should be blended in such a way that superior performance of process can be achieved. Similarly, if marketing mix elements are taken individually they do not create any synergistic effect. Shapiro (1985) identifies three types of interaction within the mix: (a) consistency, a logical and useful fit between two or more elements; (b) integration, an active, harmonious interaction among the elements of the mix; and (c) leverage, each element is used to the best advantage in support of the total mix.

However, not every combination of marketing mix permits the attainment of competitive advantage. If a firm has a specific assortment of marketing mix (resource) that is rare among competitors, then, it has the potential for generating a comparative advantage for that firm (Barney 1991).

Crittenden (2005) argues that a firm to be competitive, the tactical components of the 4 Ps should be in conjunction with the four strategic components, customer centrality, competitive capability, company collaboration and cyclical connection (4Cs). In similar content, Shapiro (1985) asserts that the total assortment of marketing mix should be fit with the market, the company, and the competitor. Both views emphasize the fit taking the firm as the unit of analysis.

Like most concepts, the marketing mix is also an abstraction from reality (Shapiro 1985). The 4P combination may not be sufficient in all competitive environments as the structural revolutions in an industry redefine the blend of resources that create competitive advantage (Barney 1991). Thus, in the context of SCM, the assortment of traditional marketing mix has a too narrow focus in the sense that it limits its services to the focal firm, target market, and competitors only (Figure 2). And, the traditional marketing mix needs to be extended beyond the requirements to serve the company, target market, and competitors. The marketing mix for supply chain management should be enriched with linkage capability in addition to the 4Ps to serve all in the supply chain.

The augmentation of traditional marketing mix with linkage capabilities may result in much stronger coordination and integration of flow of the product, services, finances, and /or information from a source to a customer. Such coordination and integration would be good solutions for the two major trends of supply chain - the elimination of the boundaries between traditional management functions within firms and blurring of the boundaries between the firm and its environment.

**Implications for Managers** Marketing is not a separate management function but rather the whole business as seen from the customer's point of view (Drucker 1954), that is, the business is defined by its customers, not its product or resources. This view is more important in the context of supply chain operation than in the single firm operation. Supply chain management involves in ongoing relationships with a set of customers that represent the most important business assets. A major class of customers includes suppliers, marketing intermediaries, third parties, and end consumers. Consequently, marketing organizations have become network organizations. Dealing with these customers in a network type structure is a real challenge for marketing managers who work in hierarchical bureaucratic structures. Unique structural properties of supply chain

network create additional problems of coordination that extend beyond organizational boundaries.

The task of putting a network into operation by linking all the components of the value system needs not only conceptual and organization skills but also the skills to negotiate mutually beneficial returns for the contributions of all participants. Marketing managers should realize that the traditional paradigms of marketing- market orientation; dyadic exchange relations and marketing mix- themselves alone are no longer sufficient in dealing with customers in the network context.

Supply chain orientation should be guided by market orientation since key processes of SCM should be managed as a whole with the customer as the focal point. The market orientation has the ability to learn about consumer and competitor in order to continuously sense and act on events and trends in present and prospective markets. But, it deals with the channel members based on the dyadic exchange paradigm in which a dominant firm has power over dependent firm and cooperation is based on contractual processes, minimization of conflict, and protection against opportunism. And, the market orientation is also deficient in that it overlooks the supplier. However, unique structural properties of supply chain demand market orientation shift away from the dyadic exchange paradigm towards the building of long-term relationships with suppliers and channel members. These relationships should be guided and led by a management team responsible for developing strategies and seeing that they are implemented. The true benefits of strategic relationships of supply chain can be obtained only when managers recognize the unique managerial and economic benefits that emerge when the supply chain is conceived of as a mini-society of interdependent, reciprocal exchange relationships characterized by restraint of power, commitment, trust, solidarity, mutuality, flexibility, role integrity, and harmonization of conflict (Achrol 1997). Supply chain operates effectively when member firms voluntarily behave as if they are all parts of a broader organization sharing common objectives and rewards (Snow *et al* 1992).

Building relationships with all types of members may cause the total network to become highly complex. Coordination, supervision and allocation of managerial attention and resources, and maintaining of key business processes will be difficult if the total network become highly complex. Hence, marketing managers should identify those

relationships, which enable the business to deliver superior value to customers in comparison with its competitors.

Successful SCM requires cross-functional integration of key business process within the firm and across the network of firms that comprise the supply chain. Though the traditional marketing mix is capable of developing marketing programmes that fit the company, market and competitors, it does not serve the other actors in the supply chain. Mega-marketing which involves traditional marketing mix, power, and public relations can be applied to gain the cooperation of non-marketers in order to operate in a given market (Kotler 1986). Even, Mega- marketing mix also does not serve the channel members and suppliers within the supply chain. Therefore, enriching marketing mix with linking capability to integrate the key business processes across the firms in the value chain in order to responding to the changing market place is another responsibility of marketing managers.

The business processes should not disturb intra- company connectedness and replace business functional area (Lambert *et al* 2005). Linking key business process and firm's business functions requires integrating capability. Inter-functional coordination also requires identification of distinctive capabilities to utilize company resources to create superior customer value. The advantages of being integrated with supply chain are sustainable because the integration requires capability for merging of diverse and sometimes conflicting groups within the organization and between the organizations to achieve common goals. These capabilities are scarce, relatively immobile, and non-imitable. Marketing managers should develop these integration and relationship skills within themselves.

## **Conclusion**

Marketing concept, market orientation and marketing mix have been the most exhorted traditional marketing paradigms. During the past two decades the generally accepted marketing paradigms that are nurtured by microeconomics paradigms are criticized due to their narrow focus on the network type organizations.

Marketing concept has been a strategic orientation of many organizations though little is known about the operating features and attributes of this orientation. In recent

past, a number of conceptual and empirical studies clearly described the operational features of marketing concept.

The operational aspect of marketing concept is market orientation. Market orientation possesses the superior skills in learning and understanding customers and competitors and in satisfying customers better than the competitors. Market orientation is also considered a part of a more deeply rooted and pervasive culture. Evidences of some empirical studies support the claim that a market orientation is positively associated with superior performance. Major limitation of the market orientation is that it based on the microeconomic paradigm where the units of analyses are products, prices, firms, and transactions.

The market orientation is adopted as the basis of marketing management in which marketing mix plays a critical role. Apart from the price variable, other variables- product, place and promotion- require company resources. The traditional total marketing mix has the ability to generate complete advantages that are not sustainable. However it is too limited in the context of supply chain management.

However, the major argument against the traditional marketing paradigms is aimed at their inability to consider the broader social and economic functions and issues associated with marketing, beyond the level of the firm

Both the market orientation and supply chain orientation are strategic level concepts. Market orientation and supply chain orientation are similar in that both concepts have the objective to give superior value to the end consumer profitably. Major inconsistency between the two concepts rests on the unit of analysis. Though the unit of analysis of market orientation paradigm is the firm, the unit of analysis of the supply chain orientation is the supply chain network as a whole. Supply chain orientation is deficient in that it overlooks the actions of competitors while the market orientation neglects the supplier's actions.

Supply chain orientation is applied through supply chain management. The external focus of SCM is mostly relational. It develops mutually reinforcing, long term relationships with other supply chain members whose complementary resources are needed to conduct the business.

The essence of marketing management is the market orientation. Marketing management is practiced in hierarchical bureaucratic structures. Externally oriented behaviour of the marketing management is focused on dyadic exchange paradigm. The dyadic exchange paradigm focuses on two way or transactional relationships between sellers and buyers. The outcome of these relationships depends on bargaining, negotiation, the balance of power, protection against opportunism, and the sources of conflict between the parties. By contrast, long-term relationship develops cooperation through trust, commitment, and social norms such as solidarity, mutuality, flexibility, role integrity, harmonization of conflict, and restraint of power.

Supply chain orientation should be directed by market orientation. Market orientation has the superior skills in understanding and satisfying customers through customer orientation, competitor orientation and inter-functional coordination. However, to deal with network type organizations, the current domain of market orientation is not sufficient. The market orientation needs to shift its focus away from dyadic exchange paradigm towards the building of long-term relationships. Relationship management with suppliers, channel members and third parties is an important role of marketing in firms that go to market through network relationships. Relationship skills are valuable business assets. Building relationships with all types of members is neither effective nor efficient. Hence, marketing managers should identify members who enable the business to deliver superior value to customers in comparison with its competitors.

The traditional marketing mix is the core of marketing management. It influences customers and competitors in the market place. But, it is too limited in the context of SCM. The traditional marketing mix should be enriched by linkage capabilities since they play a big role in integrating key processes internal to and between firms as a whole with the goal of achieving the best overall system for adding value. Linkage capabilities has the ability to gain sustainable competitive advantage.

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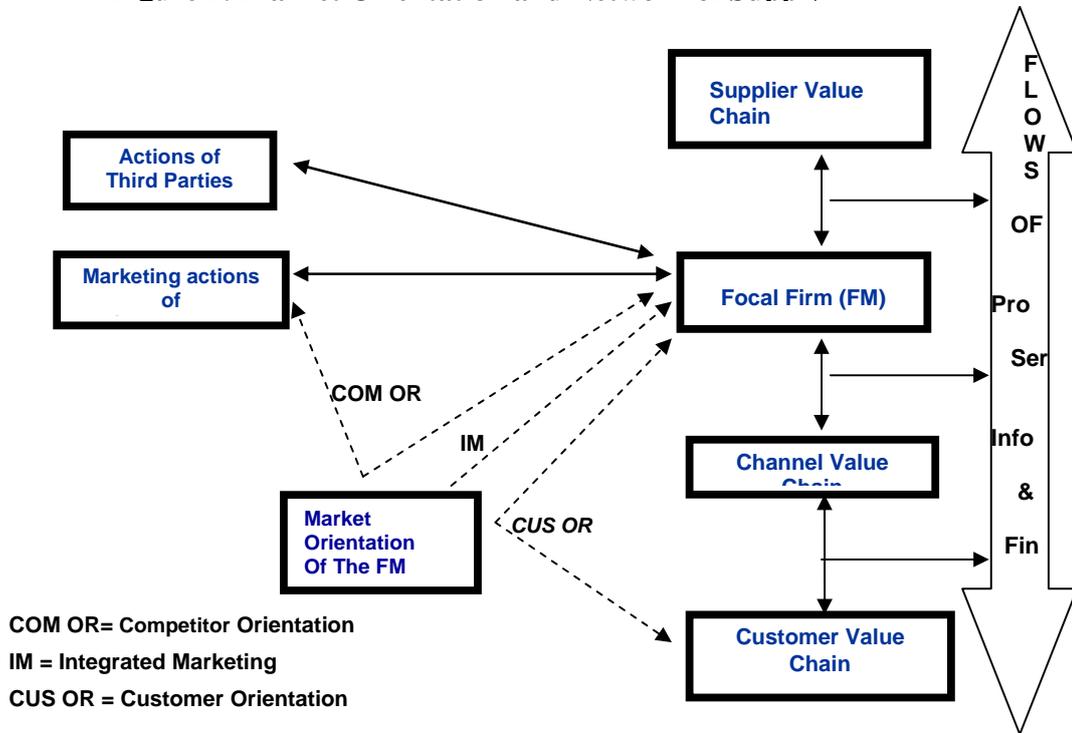
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Notes **Figure 1: Market Orientation and Network of Supply**



**Figure 2: Marketing Mix Operations in SCM**

