

Marketing orientation and its importance in planning



**ASSIGN
BUSTER**

Harris (2002, p. 247) Defines Marketing Orientation as “ The extent to which an organisation is perceived to act in a coordinated, customer and competitor-oriented fashion.” Narver and Slater’s (1990) also confirm there are three dimensions of Marketing Orientation, customer orientation, competitor orientation, and interfunctional coordination.

With marketing orientation, a business revolves its strategic decisions around the wants and needs of the target market, including potential customers. A company that is marketing-orientated has the commitment to valuing customers and the customers’ needs. In fact, it can even contribute to the transformation of a company’s business culture.

This marketing concept involves three essential steps in being customer-focused. First, the wants and needs of the customers are researched and identified. Then, the research outputs are studied by the marketers and new products are created based on the consumer needs. Finally, customer satisfaction is aimed after public awareness and introduction of the product is made.

A marketing-orientated business is characterised by various attributes. The company makes good and extensive use of marketing research, develops new and broad products, highlights product value and benefits, uses product innovation methods, and designs supplementary services or customer benefits such as delivery, installation, warranty, and credit availability. All these are geared toward customer advantage.

Marketing orientation has three common alternatives which can be adopted by a company and these are sales orientation, product orientation, and production orientation.

Looking at Renault's orientation, the conclusion that we have made is that Renault is a market orientated organisation. The reason for this conclusion is Renault is very focused on the needs and wants for the consumer. They have different types of cars focusing on different markets for their customer base. For example, Clio which is marketed at young adults who may have a low budget for purchasing the car. On the other side of the spectrum where the Laguna or Megane could be classed as a high specification family car.

Also Renault has many of these cars in a range of sports models. Due to the nature of the business which Renault is involved in they have had to diversify the range of car models which they sell due to its competitors. For example Ford and Vauxhall.

Another good example is Renault are in the process of developing hybrid cars and electric cars within its car range. According to Renault (2011) the first electric car will be sold in Israel in 2011 and then in other countries. The reason for this has come from customer demand, consumers are more aware of rises in fuel prices and carbon emissions. This would be a classic example how Renault is a market orientated company.

In terms of R&D Renault listen to their consumers as different customers have different types of criteria when purchasing a car. Mack (1996) states 'That to reinforce customer loyalty they involve existing customer in the design of its cars'. According to Renault (2011) Renault- Nissan Alliance <https://assignbuster.com/marketing-orientation-and-its-importance-in-planning/>

spend 4 billion Euros on the investment on electric parts. Many Eastern European countries would have a different specification of a car compared to someone in the UK. For example countries such as Bulgaria and Romania need cars that cater for larger families.

Also some countries may not require a car which has a soft top due to climate conditions being different in comparison to a country where the weather is hot. Countries where the weather is constantly warm may require cars to have air conditioning. The Renault car called ' Dacia Logan ' has created in 2004, this particular type of car was designed for people in developing countries of the world. The car was first sold in Romania at a very cheap price of 5000 Euros and then moved into South America and India after proving a success when the car was first launched. Demographics would play a major role in the R&D aspect of the business so Renault would know where and how to market their final end product.

Boddy (2008) defines PEST analysis as ' A technique for indentifying and listing the political, economic, social, technological, environment and legal factors'.

Political Factors:

The political factors in any country are largely responsible to alter a business environment as company may decide to change its business strategy based on the political scenario of the region it is based in. The government of any country regulates power supply, telecom and postal services and finance.

The following are the political factors that affect Renault within the UK.

Current taxation policy:

According to the Trade and Investment minister Digby Jones the UK is becoming least attractive to work and invest due to the taxation policy, which was under pressure from opposition to tax rich foreign investors doing business in the UK. Thus the labour party proposed a cut on taxing investors who are non-UK domiciled.

Also a worth mention is VAT which means value added tax. It is charged on most goods and services that are VAT registered.

The recent recession has affected a lot of businesses most importantly the car manufacturing in the UK, it can be seen as going through a bad phase for the automobile industry. Thus UK motor agency served a budget to the current Government in the UK and urged it to create a right mix of policies to sustain growth in the segment.

Renault decided to follow the following measures to counter any future threats in regards to financial aspect of the same by the following measures:

Continue to put pressure on banks to give more loans

Support automotive council

Freeze fuel duty

Following the Kyoto protocol, more political pressure has been imposed to the polluting industries. Regarding the car market, Governments across the

world have established some environmental penalties and bonuses to manufacturers and consumers.

For customers, they need to pay a tax to the government according to the level of CO2 emissions.

This can have a massive influence for buyers, especially with sports car and ones with large engines which are regarded as the most polluting.

Economic factors:

Osborn (2011) mentions Chancellor of Exchequer made a budget statement which is meant to reform the nation's economy and this time the budget is neutral and also becomes the best place in Europe to invest, which is a good sign for car manufacturers as certain taxes applicable have been cut and import duty has been significantly reduced, which is a sign of relief for car manufacturers.

Godlevskaja et al (2011) states: Many OEMs are expanding their model lines to entice new customers and increase overall customer base range. – Often at their competitors' expense. At the same time growth increase is limited within the auto mobility industry as a whole. – in the EU new car demand fell 7.8 per cent to 14.7 million units in 2008 that reflects consumer concerns about the economy' the buying power from consumers this could have been down toward the recession, despite this Renault would continuously market themselves to its potential consumers. Having customer awareness makes people want to purchase their vehicles with newer models being introduced.

Sociological Factors:

These factors constitute various social factors such as cultural aspects, demographics, lifestyles and attitudes. For e. g. Whatever works in one country may not be successful in other, Renault may sell racing cars in France but for a market like India it needs to launch small cars as in this country small cars are much in demand due to the infrastructure of the company and population size.

Demographics:

Renault is the third largest car manufacturer in the world with its presence across Europe, Asia and even Africa thus it needs to be proactive rather than reactive in development in these countries. Its policy of developing strategic alliances with local manufacturers helps it to get an edge in the global scenario as locals know their home market better, they use a tried and tested marketing strategy of targeting the right market segment to see if it works sells. Such alliances apart from fostering industrial harmony also helps in sharing of technological aspects of each firm, and helps develop new products such as the concept of electrical cars to save fuel and protect the environment.

Though Renault is a French company it has alliances across the Globe that helps it foster multicultural aspects. In which the sentiments of local population are not hurt as they continue using the same product such as in case of Romania and Korea. Where in Renault acquired Dacia and Samsung motors respectively. Such alliances also help it to launch existing vehicles from one region to the other, also known as market development from

Ansoff's matrix. Aláez-Aller et al (2010) states knowing your customers needs and wants are vital to success to entry strategy within new regions. In depth analysis of macro and micro environment is key when consumers are looking to purchase vehicles.

Technological Factors:

Any company from any sector catering to any segment needs to change at some point, in order to grow and survive the growing competition from consumers and competitors. Godlevskaja et al (2011) states: ' Firms must constantly adjust their service portfolios because " it is important for companies to have a dynamic service portfolio that is adapted to various customer needs'.

Consequently companies that fail to do so lose in the long term as the outside world is very competitive and brutal to securing a position in the market. Companies worldwide spend millions of money just to make sure that they do not lag behind if they lack the technical expertises. Renault (2011) quotes directly from its website: " Renault is committed to the development and implementation of new technologies into every aspect of our vehicles. Renault's engineers cover every angle – roadholding, safety, comfort, soundproofing, etc. – in their relentless quest to make motoring a pleasurable experience".

Porter's five forces analysis and criticism

In order to settle a strategy, a company must analyse its industry. However the analysis of its competitor is not enough to understand all the aspects of the business. The types of businesses are various and numerous. But in

almost all the industries, Michael E. Porter has identified a common structure composed by five global forces. These are to take into consideration in order to implement a successful strategy.

1. The Analysis

For our topic we will consider these five forces within the car industry adapted to the Renault Company.

Rivalry among existing competitors

Strong competition

Very strong competitive rivalry in the cars sector, especially with the brands focusing on a particular market segment. E. g. Audi are becoming leaders on high standard quality cars, while TATA is undertaking the low cost cars segment

The Asian manufacturers have a very strong growth thanks to their low cost cars and their quality car is very reliable. E. g. KIA and their 7 years warranty.

The structure of the automotive industry is becoming more and more powerful because of all the merges and the joint ventures, so the competition is strong and aggressive.

The threat of new entrants

Low threat

Few new brands entering on the market for these important reasons:

The investment that has to be made is extremely important. Especially in the manufacture part of the activity, where the investment must be important if the brand wants to get a competitive advantage

The experiment and the know-how are essential elements to have its place on its market, in particular on management of the costs and the competitiveness.

The competitors already present are already well known brands. All these companies trend to be restructured into fewer big groups. These implicate that they are more powerful and do not let possibilities for any small new company to enter in the market

The threat of substitute

Mild/ Relative Threat

Even if there are the other ways of transportation, the car remains indispensable nowadays. It is true that sometimes changing the transportation way can have some advantages as the cost (with the low cost airline carrier), the ethic of environment (with ecological way of transports such as trains or the buses) or time in important factor within lsrger cities (with the underground), none of the transport way offer a good mix of “ utility, convenience, independence, and value afforded by automobiles”.

Nowadays, the automotive companies have a wide range of product, which can satisfy every demand, in adapting their cars in satisfying every new need, that increases the loyalty of the consumers to use cars.

Bargaining power of the suppliers:

Dependence Suppliers/Customer

The purpose is being to establish a profitable, reliable relation for both parts.

But the parts suppliers are sometimes small manufactures so Renault has more pressure to put on its supplier in terms of price

However the image of Renault, as a reliable car company also depends on the quality of the car parts

Suppliers are also important to Renault in terms of costs, according to Renault (2011): " Suppliers account for 80% of total vehicle production costs. It is therefore essential for Renault to gain their commitment and to make them part of its approach to sustainable development"

Bargaining power of the buyers

Strong power of negotiation

The consumers are the target of communication campaigns and marketing actions because it is more and more tempted to try other brands

The final product are standardised, customers can put the pressure on the different vendors insisting on the fact that an equivalent car can be find from another company for approximately the same price

The negotiation can be in the price, but also on obtaining more options or services with same price. This affects the costs to organisations

2. Criticism of the Porter's analysis

The three new forces

The Porter analysis remains one of the most influential marketing and strategy tool. However this analysis has been written by Porter during the 1980's, and the economic world has considerably changed during the last decades. Especially due to the Internet and all the e-business that make evolved most of the industries.

Larry Downes, co-author of " Unleashing the Killer App: Digital Strategies for Market Dominance" relates in the article " Beyond Porter" that the Porter's five forces analysis is no longer a complete tool to opt for a viable strategy.

He describes new strategic frameworks composed by three new factors (forces), which permit to analysis the business area more relevantly:

The digitalisation

Due to increase power of information technology, new business models will be born from the market. This allowed the global awareness of the consumers on the global market. The competitors will now not only be part of the same industry. Now the tour operator Thomas Cook can be a competitor of Renault. These two companies will push their clients to use their money to buy their product when there are the same prices

According to Recklies (2008) " The old economy used IT as a tool for implementing change. Today technology had become the most important driver for change".

Therefore mindsets have changed for organisations and how they operate; the final end product will require an element of technological advances for it to be successful in modern society due to social factors.

The Globalisation

The globalisation of the market is nowadays something that a company cannot afford to ignore. The effects of the globalisation on businesses are betterment in the areas of distribution logistics and communication. The Global companies have to adapt their strategies in function of the global network. These strategies remain more complex than what Porter describe. It's not a question of price or quality for the customers, but trying to reach a type of loyal relationship with a network of partners and consumers.

The deregulation

One of the big changes in the business from the Porter's model is the taking into consideration of the intervention of the governments in the business and in the industries. Because of the action of the states (new laws, new quality requirements, new importation/exportation quotas) the industries and the organisations have to adapt their strategies, finding new alternatives to their business models.

These factors became important but they rarely appear into the Porter analysis. So an important Company like Renault cannot focus on this tool to create a solid and successful strategy. The purpose of the five forces model is to define the attractiveness of an industry in relation with these 5 forces.

But according to Dagmar Recklies: “ In economics, the constellation of factors determines issues like profit maximisation or supernormal profits.”

So we can conclude that the Porter’s five forces analysis is a strategy tool that can be used only knowing its limitations and among others tools to be the base of a correct strategy.

Place

Jobber (2006) defines price as ‘ The agreed value placed on the exchange by a buyer and seller’. Price is one of the fixed key factors in the marketing mix and should be blended together with all element of the marketing mix, to create customer value. It can be argued then that price interlinks with the other elements of the marketing mix and must be met by supply and demand to achieve its best.

Price in the marketing mix is very important to a business as it can determine if a company is successful or not when selling the product, it can be perceived that price can reflect quality when selling to consumers. The price can affect the following areas so it’s pivotal to have the right pricing strategy to market the right product.

Pricing Goals - Marketing Mix Price

Price can include the cost of production to an organisation and the strategy they use to market the product at a competitive price so consumers decide to use you, rather than your competitors. The price of a product can be sold at a cut-price to boost volume of sales. This can be a strategy used by organisations to gain market share which can have its positives and

negatives. Walker (2006) states ' Having low prices may be perceived by consumers as being low quality'. Organisation may market themselves so they may be seen as obtain profits on a short term basis. This is where promotion can be interlinked to a pricing strategy. Organisations spend vast amounts on R&D before setting prices on products. It can be argued that ' firms must price the product in a way which reflects the appropriate position of the product within the market'.

The balance for organisations is to maximise profits, but to have a consistent amount of sales. Marketers use this strategy as they maybe price orientated within the marketing mix. This is where product development would occur and knowing your target market well.

Renault uses price within the marketing mix very well. Throughout its range of cars they have luxury cars including the Laguna all the way down to the Clio which is targeted on price with low maintenance costs. In terms of price to the Renault Clio it can be seen as being priced similar to its major competitors. Considering the Vauxhall Corsa, Ford Fiesta and also Peugeot 206.

The pricing strategy of the Renault Clio new ranges from around £9, 000 to £19, 000 plus. There are many factors that can influence the prices of just one particular type of car. For example engine size, motor sport version etc... The Clio range has the sport 2000, Dymanique, Gordini and also Bizu. This shows that the product has been diversified to achieve maximum price when selling the product to consumers.

Clio Series

Price

Sport 2000

£16, 000

Dymanique

£11, 000

Gordini

£19, 000

Bizu

£9, 000

Walker (1996) shows that all other ‘ competitors i. e. Corsa and Fiesta are based around the same pricing strategy’. This is because the car industry is large and production costs are not so important and creating the largest profit is not as necessary as it would be for a smaller organisation. The reason for Clio having the same pricing strategy as its competitors is because it is the only model in Renault range to predominately focus on lower cost with low quality from launch. Therefore it needs to be competitive with its rivals. The Clio model has done this very well as new models for the Clio are designed every few years. The Clio has been on the market for over 15 years proving its successfulness to its consumers who are aware of other markets available to them.

The following is a perceptual map of small commercial cars sold and its comparison with the Renault Clio. It can be seen that the Clio and Corsa can be placed in the same category as each other, as both focus on price mainly. Other small cars including Audi and BMW focus on both high quality and price as the reputation they have is that it's a 'long term investment'. The Skoda Fabia is a low priced car because of the reputation it held from its unreliable past, but its reputation has slowly been built back up.

High Quality

*BMW 1 Series

Audi A4*

*Skoda Fabia Low Price High Price

Vauxhall*

Corsa

*Renault Clio

Low Quality

Relationships can be built up between the consumer and the seller. Mack (1996) states that Renault try and use this strategy as much as possible when selling cars. But why do this? They do this to make the consumer feel they are receiving a personalised service. Some dealerships offer free gift as an indirect way of making customers by their product too its competitors. Walker (1998) also says ' This has been a vital part of our strategy in helping

<https://assignbuster.com/marketing-orientation-and-its-importance-in-planning/>

to persuade customers that we can meet their needs especially targeting smaller cars'. However it can be argued this strategy possibly may not work in modern society. As many people are aware the automotive industry is very competitive, it is becoming quickly cost orientated in particularly markets, indirect costs such as fuel, insurance and tax.

Trade-off analysis could be applied to the Renault Clio. Jobber (2006) says 'Features such as speed, petrol consumption, brand and price are placed in front of consumers and asked which combinations they prefer'. While the Clio Mk 3 was being designed it would have consulted potential buyers, they would have used r&d for this because the car was designed to be low cost and wanted as many luxury as possible while concentrating on its core competence its price.

However this analysis can have its limitations. When r&d is taking place respondents may ask for a lot of things but all these additions may not be feasible. When asked to purchase the car consumers may not be willing to exchange money.

Product

Jobber (2006) defines product as " A good service offered or performed by and organisation or individual, which is capable of satisfying customer needs".

To have an effective product that consumer's desire, it needs to be priced fairly and requires a Unique Selling Proposition. (USP) Walker et al (1998) states there are four elements which creates a well balanced and successful marketing mix. These included:

<https://assignbuster.com/marketing-orientation-and-its-importance-in-planning/>

Matching customer needs

Need for balance

Creates a competitive advantage

Matches corporate resources

The product Renault Clio has historically been targeted at the younger aged population who maybe on a budget. The product is a smaller model compared to other ranges in Renault yet also delivering the majority of luxury that other models offer. Including air-conditioning, climate control, Bluetooth and satellite navigation, this makes Clio very positive when it advertises the model to its consumers. The Clio then however meets the criteria set to have an effective marketing mix.

Jobber (2006) states that ' Product development is important. As technology and tastes change, products become out of date and inferior to those of the competition, so companies must replace them with features that customers value'. The fundamental feature of the new Clio model is the tom-tom feature. Renault and tom-tom have had to come to an agreement to include the satellite navigation to integrate this within the models. This has given Clio a competitive advantage over external competitors. Having a competitive advantage enables them to charge a premium price.

However in few cases charging a premium price for products can have its down fall. Many consumers may not be willing to pay extra for products that may not be essential, consequently consumers will move to Clio's

competitors such as the 206 and Corsa. The balance is conducted by market research to see what consumers want, referring back to trade off analysis.

According to Renault (2011) Clio is its most successful range of car across Europe. This is because the product caters for a broad range of markets. The reason for can be considered when looking at the anatomy of the Clio. The core product (I) would be the car itself and the way it is strategically priced, as being a low value priced car compared to its other cars within its range. The second layer would be products that add value to the overall product. Making it match customer needs and creating a competitive advantage. This could be as mentioned above, tom-tom, Bluetooth, keyless entry system, parking assist sensors and warranties. The outer layer includes extras which maybe indirectly related to the car including after sale support and credit sale. ' Many augmenting features are closely related to establishing a successful relationship between buyer and seller'.

ImageAnatomy of a product model

A product life cycle (PLC) can determine where the product lies within its life. Many organisation use different strategies to pro-long the life of its product. When a product reaches maximum maturity and sees's signs its declining it then considers using Product/Market Ansoff matrix. This involves 4 different strategies that can be used:

Product development

Diversification

Market penetration

<https://assignbuster.com/marketing-orientation-and-its-importance-in-planning/>

Market development

The reason for this is to maximise profits for Clio. Renault Clio mainly uses product development to change its model throughout years so customers have the opinion of upgrading and keeping up with trends rather than going to competitors.

When the Clio was first launched it obviously begins in the introduction phase of the PLC and is strategically priced high. Jobber (2006) states that 'the Strategic marketing objective is to build sales by expanding the market for the product'.

The growth stage is next to follow, there is increase of sales and profit growth. The reason for this is due to increase in promotion by creating awareness. Renault Clio use TV advertising predominately to penetrate the market. They also have their own Renault TV channel.

The maturity stage is where the product sales are at its peak whilst time is increasing. This is where the organisation may offer discounts or extra such as warranties. This is also the stage where product improvements occur at the peak of the maturity stage. The reasons for this include:

Maintain competitive advantage

Future growth

First move advantage

The decline stage is the final process of the PLC, the reason for this according to Walker (1998) is due to 'technological superior substitutes' and also consumers change in preferences due to competition.

The Renault Clio was an innovation that Renault developed due to competition from its competitors. According to Bloomberg Businessweek (2006) Renault was at number 49. Its competitors did not even reach the top 100 of innovated companies. Other automotive companies included within the list lower than number 49, Nissan and Volvo. This information could now be argued because companies such as Ford, Volkswagen and Toyota are much more innovated in 2010 as they have developed cars whilst considering external factors such as the environmental factors.

(Development of the Hybrid car)

Distribution Mix Marketing

The distribution policy includes all decisions and actions that can be related to the delivery of our product to the customer.

There are two different ways of distribution existing for Renault's company.

Business to Business (B to B) = Company Retailer Consumer

Business to Consumer (B to C) = Company Consumer

Engineering

Renault is one of the biggest car industries worldwide. It is present through the world in around 201 countries, including Europe, North, Central and South America, Africa, Asia and Oceania.

An international engineering; closer to the markets.

The Techno Center (France)

Engineering:

The Renault Group is deployed globally. It revolves around two components:

Engineering Central, the heart of the system and regional engineering spread over Renault's strategic markets.

Engineering centers:

The Techno Center (France), the heart of the engineering world

Renault Technologies Americas

Renault Technologies Romania

Renault Technologies Spain

Renault Samsung Technical Center

This organisation is based on a standardised process of engineering at Renault World of unified technical standards, defining key functions and technical harmonisation of policies.

A well-developed network of design centers

Renault Design America Latina in Sao Paulo

The group relies on a parallel network of five 'satellites' design centers.

Observatories real trends these emerging centers of vehicles for new markets.

They are involved from the launch of a new project through to the production of the final concept car.

The design centers are:

Renault Design Paris

Renault Design Central Europe

Renault Design America Latina

Renault Samsung Design

Renault Design India

Two objectives are

Warranty the best customer satisfaction all around the world

Produce close to the markets

Renault's industry realises two type of sell: Either to the customers or to companies.

But, all confounded, Renault has realised for the Year 2010 reporting record sales volumes with 2. 6 million vehicles sold. Thanks to its positioning, essentially outside Europe, in the emerging countries, Renault has bounded its sales. Here's a graph which represents the market where Renault is present in 2010:

<https://assignbuster.com/marketing-orientation-and-its-importance-in-planning/>

It is important to understand that the Clio is one of the best vehicles brand for Renault.

In about 20 years, it has won more than 10 million customers around the world (100 countries). This success is thanks to a styling, comfort, safety, versatility and different equipment package worthy of cars from the next segment up.

Renault February 2011 sales in Europe region

In February 2011, by