

## **The Effect of Practising the Marketing Concept Philosophy on Export Performance in International Markets: A Study of Exporting Companies in China.**

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### ***Introduction***

Although for many decades the literature has been repeatedly stressing the importance of adopting the marketing concept philosophy (Allen, 1959; Barksdale et al., 1971; Cravens, 1994; Hise, 1985; Kotler et al. 1989, 1994, 1998; Armstrong and Kotler, 2011, 2013; Kotler and Keller 2009; Kotler, Keller, et.al. 2013; Lusch et al., 1976; McCarthy 2010; McColl et al.1994; McNamara, 1972; Ogunmokun and FitzRoy,1995; Perreault, Cannon and McCarthy 2013; Peterson 1989; Pride and Ferrell, 2010, 2012; Vizza et al., 1967), little or no research has been devoted to determining whether any of the exporting organizations in China have adopted this philosophy. Much of the empirical research on the marketing concept has been confined to studies measuring the extent to which it has been adopted by US firms (Barksdale et al., 1971; Hise, 1985; Jaworski, and Kohli, 1990, 1993; Lusch et al., 1976; McNamara, 1972; Peterson, 1989; Vizza et al., 1967) but such studies have generated mixed findings. For example, while the study by Levitt (1960) argues that the marketing concept is not widely used by US firms, others believe that large (Hise, 1985), consumer (McNamara, 1972) and small (Peterson, 1989) US organisations have to a great extent adopted the marketing concept. McNamara (1972), found that companies dealing with consumer goods and large firms in the US have adopted the marketing concept to a greater degree than industrial and small firms. These results are consistent with Barksdale and Darden's (1971) finding that company presidents and marketing educators believe that the marketing concept has been adopted as an operating philosophy by most business firms in the US.

According to Ogunmokun and FitzRoy (1995), in carrying out marketing work, an organization may use one or a combination of the following philosophies or concepts which Kotler described as: (1) the production concept (2) the product concept (3) the selling concept (4) the marketing concept and (5) the societal marketing concept. "The production concept holds that consumers favour products that are available at low cost and that management's task is to improve production efficiency and bring down prices. The product concept holds that consumers favour quality products and that little promotional effort is thus required. The selling concept holds that consumers will not buy enough of the company's products unless they are stimulated through heavy selling and promotion. The marketing concept holds that a company should research the needs and wants of a well-defined target market and deliver the desired satisfaction. The societal marketing concept holds that the company should generate customer satisfaction and long-run consumer and societal well-being as the key to achieving both its goals and responsibilities." (Kotler, et al. 1994 p. 18)

This paper presents the findings of an exploratory study that seeks to identify (1) whether any of the exporting organizations in China have adopted the marketing concept or the societal marketing concept philosophies and (2) whether there are significant differences in the marketing philosophies pursued by exporting firms in the People's Republic of China when they were successful in their product export ventures versus when they were unsuccessful.

### ***Methodology***

Based on the level of export earnings made by different city states in P.R.C., exporting firms from the following three city states were selected and used in this study: Beijing (representing the north), Shanghai (representing the east), and Guangdong (representing the south). These three city states served as the sampling base for this study.

Using the membership directories of manufacturers, a systematic random sample of 100 was drawn for each of the three cities, and each sampling unit was contacted by mail beforehand to solicit their cooperation in participating in this study. Out of the total 300 exporters randomly selected 280 firms indicated their willingness to participate in this study.

A copy of the survey instrument was provided via personal delivery to each of the 280 exporting firms that indicated their willingness to participate in the study. Out of the 280 exporting firms that were asked to complete the questionnaire, a final total of 111 exporting firms fully completed the questionnaires resulting in a response rate of 39.6 per cent. The response rate is comparable to the rates reported in other studies involving exporting firms (e.g. Moini 1995; Burton and Schlegelmilch 1987). Since the questionnaire for this study involves specific issues regarding export marketing and exporting in general, the selection of knowledgeable respondents must be a key consideration in the data collection process. The authors therefore felt that the most appropriate person to complete the questionnaire in the companies selected should be the export manager or the marketing manager. However, in very small firms where there are no export or marketing managers, the director or general manager was asked to complete the questionnaire.

Of the total 111 exporting firms used in the sample, 34 per cent were involved in manufacturing final consumer goods, while about 57 per cent of the firms were engaged in manufacturing final industrial products and the remaining 9 per cent of the firms were manufacturing other things such as component parts. Using firms that are engaged in manufacturing final industrial products as well those engaged in manufacturing non-industrial products is an indication that firms in this study represented a broad spectrum of exporting firms in China. However, although the achieved sample is not generally representative of the total set of firms in China, the findings are at least suggestive of the control mechanisms used by the exporters in the population from which the sample was drawn.

The majority (96.4 per cent) of the respondents were in middle/senior level management positions. Only 3.6 per cent of respondents described themselves as junior managers in their firms. Given that nearly all the respondents used in this study were in middle/senior management positions they should have a reasonable knowledge regarding the export practices of their firms. Most (80 per cent) of respondents had college or university qualifications. On the whole, the exporting firms used for this study consisted of small, medium, and large sized exporting firms but the majority (86.5 per. cent) of the respondents employed more than 99 full time employees. Only 13.5 per cent of the respondents employed less than 100 employees. More than a third (37.8 per cent) of the respondents employed 1,000 employees or more (see table 1).

**Table 1: Number of Full-Time Employees**

Number of Full-Time Employees	N	%
Less than 100 Employees	15	13.5
100-400 Employees	25	22.5
401-999 Employees	29	26.1
1,000 Employees or more	42	37.8
TOTAL	111	100.0

The rationale of the inclusion of small, medium, and large sized firms in this study is that, according to (Aaby and Slater, 1989), there is little agreement in the literature regarding the impact of organizational size on either export propensity or export success. According to the literature, although large sized firms tended to have more financial and human resources for export, firm size is not a barrier on export success for small firms.

### ***Instrument Used for Data Collection***

The primary data collection for this study commenced with a series of informal personal interviews with business managers and executives in P.R.C. who are familiar with the exporting activities of their firms. For these informal interviews, open-ended questions were used to gain free and uninhibited responses from the interviewees about the export practices of their firms. The information collected from this first step, combined with secondary data obtained from a literature review, provided the basis for the development of a structured questionnaire used for this study. This was followed by the translation of the original English questionnaire into its Chinese version.

To avoid the problem of an overly literal word-for-word type of translation, the Chinese questionnaire was forwarded for comment to several academic researchers who are familiar with not only the international marketing literature but also the business environment in mainland China. The feedback obtained from these researchers was used to improve the questionnaire before pre-testing.

Twenty exporting firms in China were used for pre-testing the questionnaire through personal interviews. Some of the respondents used in pre-testing the questionnaire completed it in Hong Kong because the pre-testing was scheduled to coincide with the time they were attending a course in Hong Kong. During the pre-test, respondents were asked to complete the questionnaire and indicate any difficulties they experienced and to offer suggestions for improvement. This second step ensured that ambiguity and confusion was minimized.

The final structured questionnaire was delivered personally to each firm and later collected. Each firm was asked to provide information on one successful product export venture and one unsuccessful product export venture initiated not more than three years ago. This method of asking respondents to choose one successful case and one unsuccessful case within a specific period of time was used in a study by Madsen, (1989) and utilized for this study because the approach is useful for comparative purposes. Another reason for using this approach according to Madsen, (1989) is the desire to exclude ad hoc export activities from the study.

## Research Findings

### Marketing Philosophies Pursued When Product Export Ventures Failed

In order to determine the marketing philosophies pursued when product export ventures failed, respondents were asked to select a failed/unsuccessful product export venture. In this case, a failed or unsuccessful export venture refers to a product export venture which is unprofitable and does not meet the objectives set by the firm. As shown in table 2 none of the respondents pursued either the marketing concept or the societal marketing concept philosophy. The majority (60.4 per cent) of the respondents pursued the production concept while the rest (39.6 per cent) pursued the selling concept philosophy.

**Table 2: Marketing Philosophies Pursued When Product Export Ventures Failed**

Marketing Philosophies Pursued	Number of Firms that pursued this Philosophy when export ventures were unsuccessful.	
	N	%
<b>Product/Production Concept Philosophy</b> The key to our business operations is the production of quality goods and services at reasonable cost. Our products and services do not have to be promoted, as they will sell themselves. Therefore, our management task is to improve production efficiency and bring down prices.	67	60.4
<b>Selling Concept Philosophy</b> The key to our business operations is our ability to persuade potential customers, through advertising, personal selling, or other means, to buy our goods and services. We believe that consumers will normally not buy enough of our products unless they are reached with a substantial selling promotion effort. Customers must therefore be informed and convinced of the benefits of our products or services.	44	39.6
<b>Marketing Concept</b> The key to our business operations is the integration of all our company's activities and personnel towards satisfying customers, while at the same time providing satisfactory profits to the firm. Our firm finds out what benefits customers want, and then provides these benefits through our goods and services.	0	0.0
<b>Societal Marketing Concept</b> The key to our business operations lies in satisfying the "public" (i.e. consumers, employees, stockholders, government agencies, suppliers and society at large) of our company. We consider all our public's interests when making decisions. In our firm, long-term consumer welfare takes precedence over short-term customer need satisfaction.	0	0.0
	111	100.0

### Marketing Philosophies Pursued When Product Export Ventures were Successful

In order to determine the marketing philosophies pursued when product export ventures were successful, respondents were asked to select a successful product export venture. In this case, a successful export venture refers to a product export venture which is profitable and meets objectives set by the firm. As shown in table 3 nearly a half (47.8 per cent) of the respondents pursued either the marketing concept or the societal marketing concept philosophy when their product export ventures were successful. It is however, surprising that about a half of the respondents were successful in their product export ventures without pursuing either the marketing concept or the societal marketing.

**Table 3: Marketing Philosophies Pursued When Product Export Ventures were Successful**

Marketing Philosophies Pursued	Number of Firms that pursued this Philosophy when export ventures were successful.	
	N	%
<b>Product/Production Concept Philosophy</b> The key to our business operations is the production of quality goods and services at reasonable cost. Our products and services do not have to be promoted, as they will sell themselves. Therefore, our management task is to improve production efficiency and bring down prices.	39	35.1
<b>Selling Concept Philosophy</b> The key to our business operations is our ability to persuade potential customers, through advertising, personal selling, or other means, to buy our goods and services. We believe that consumers will normally not buy enough of our products unless they are reached with a substantial selling promotion effort. Customers must therefore be informed and convinced of the benefits of our products or services.	19	17.1
<b>Marketing Concept</b> The key to our business operations is the integration of all our company’s activities and personnel towards satisfying customers, while at the same time providing satisfactory profits to the firm. Our firm finds out what benefits customers want, and then provides these benefits through our goods and services.	41	37.0
<b>Societal Marketing Concept</b> The key to our business operations lies in satisfying the "public" (i.e. consumers, employees, stockholders, government agencies, suppliers and society at large) of our company. We consider all our public’s interests when making decisions. In our firm, long-term consumer welfare takes precedence over short-term customer need satisfaction.	12	10.8
	111	100.0

**Table 4: A Comparison of the Type of Marketing Philosophies Used When Product Export Ventures Were Successful Versus When They Were Unsuccessful**

Marketing Philosophies Pursued	Number of Firms that pursued this Philosophy when export ventures were successful.		Number of Firms that pursued this Philosophy when export ventures were unsuccessful.		Sig. Level
	N	%	N	%	
<b>Product/Production Concept Philosophy</b> The key to our business operations is the production of quality goods and services at reasonable cost. Our products and services do not have to be promoted, as they will sell themselves. Therefore, our management task is to improve production efficiency and bring down prices.	39	35.1	67	60.4	.00
<b>Selling Concept Philosophy</b> The key to our business operations is our ability to persuade potential customers, through advertising, personal selling, or other means, to buy our goods and services. We believe that consumers will normally not buy enough of our products unless they are reached with a substantial selling promotion effort. Customers must therefore be informed and convinced of the benefits of our products or services.	19	17.1	44	39.6	.00
<b>Marketing Concept</b> The key to our business operations is the integration of all our company’s activities and personnel towards satisfying customers, while at the same time providing satisfactory profits to the firm. Our firm finds out what benefits customers want, and then provides these benefits through our goods and services.	41	37.0	0	0.0	.00
<b>Societal Marketing Concept</b> The key to our business operations lies in satisfying the "public" (i.e. consumers, employees, stockholders, government agencies, suppliers and society at large) of our company. We consider all our public’s interests when making decisions. In our firm, long-term consumer welfare takes precedence over short-term customer need satisfaction.	12	10.8	0	0.0	.00

(Note: Chi-square test with D.F. = 1 was used for the above analysis. If Chi-Square test does not indicate statistically significant difference at .10 level, it is reported as N.S.).

## Marketing Philosophies Pursued When Product Export Ventures Failed Versus When They Were Successful

The findings showed significant differences between successful and unsuccessful/failed export ventures regarding the use of the marketing philosophies covered in this study. For example, according to the data, the claim by the respondents that they used the product/production concept or the selling concept were cited more frequently for export ventures that were unsuccessful as compared to the successful export ventures. All the respondents of the unsuccessful product export ventures used either the product concept/production concept or the selling concept when their product export ventures were unsuccessful. None of them used either the marketing concept or the societal marketing concept when their product export ventures were unsuccessful.

### Summary and Conclusion

For the export ventures that failed, all the respondents claimed that they used either the product concept/production concept or the selling concept when marketing their product export ventures in foreign markets. This tends to indicate that export performance may be adversely affected if managers fail to use either the marketing concept or the societal marketing concept in their international marketing operations.

Moreover, the claim by the respondents that used either the marketing concept or the societal marketing concept when marketing their product export ventures in foreign markets was more frequently cited for successful export ventures than for unsuccessful export ventures. This result seems to suggest that firms that used either the marketing concept or the societal marketing tend to enjoy a better export performance and success rate.

However, to further investigate the validity of these findings a similar study on a much larger scale should be conducted. Future studies could also identify why some organizations are motivated to use either the marketing concept or the societal marketing concept while others do not see any need to pursue such marketing philosophies.

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