

## **CUSTOMER ORIENTED MARKETING CONCEPT AND STRATEGIC ENTERPRISE DEVELOPMENT IN BALKAN ECONOMIES**

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**Vinka Filipović, Vesna Milićević, Nevenka Zarkić-Joksimović**

Faculty of Organizational Sciences, University of Belgrade, Jove Ilica 154, 11000 Belgrade

**Abstract.** *This paper presents the relationship between the level of marketing organizing and program orientation of an enterprise. The focus is on exploring marketing significance related to the selection of enterprise's program orientation and competitive position in the market in the context of achieving planned goals. The role of marketing management and related new marketing concept supporting strategic enterprise development in transition process of Balkan economies are of special importance.*

### 1. INTRODUCTION

The choice of program orientation and production program is deeply related to the general orientation of an enterprise and with the quality of organizing. The best orientation is the one that is focused on the creation of the values for the customers and it results with superiority in the target market. This orientation requests successful organizing and managing national economy and faster marketing and production progress in the industry of Balkan countries, in order to succeed in the market of European Union, as well as in global market. Marketing activities are very important in scanning environment and in market researches, in order to create quality information basis for selection of prosperous industrial activities and programs.

### 2. ANALYSIS OF MARKETING ORGANIZING LEVEL AND IT'S INFLUENCE ON THE CHOICE OF PROGRAM ORIENTATION

In the current transition process in Balkan countries, one of the basic priorities is reformulation of program orientation, production programs and product quality. The purpose of analysing production programs is to create competitive product portfolio. Com-

petitive "benchmarking" is based on combining marketing management and research and development activities.

Internal values and standards mainly influenced the traditional approach to the market and production in most Balkan countries. The main characteristic was selling and persuasion of possible customers to buy product, without considering their actual needs. The problem of production program modernization and its adaptation to current changes were neglected. Due to objective and subjective circumstances, enterprises of Balkan countries were not followed sufficiently by adequate organizational actions in developing those activities that would systematically, in an organized and well-coordinated way, perform restructuring production program and program line of an enterprise, in accordance with market development end changes in demand.

Today, this has obviously become one of the main problems for the attainment of adequate position of Yugoslav enterprises in the international markets. In the 1990's entire policy in the area of product and innovations consisted of orientating enterprises to development of those production programs and products which were in demand in the local market, and only exceptionally, with certain additions and modifications in the international market also.

This is confirmed by the situation that was characterized by large dependence upon import (technology, raw materials), irrational use of own natural resources, negligence of own knowledge and innovations. All these problems led to the critical point characterized by carelessness about implementation of marketing knowledge in development of products and technological innovations.

This appears to be one of the basic factors that are creating difficulties in the process of transition and faster adjustment to globalisation process.

On the other hand, low level of production and sales organizing has direct influence upon market freshness and relevance of production and sales program and quality of products compared to developed countries. That is one of the restrictive development factors of an enterprise and complete economy. Therefore, "modern" organization and management of enterprises represent important issue. According to K. Simmonds "phenomenon of modern organization and management is something that should be added to an economy in order to stimulate growth and development" [7].

Determination of program orientation and production program means existence of a wide information basis of diverse content. Namely, production program shouldn't be made without establishing well-organized information system in the environment and market first. For, product mix results from demands and needs of future users for whom a product is being created.

Creating values for the customers is base for width, length and depth of product mix. The successful combination is the one that results in continuous creation of real values for the customers.

Realistic recognition of indicators, connected to the existing program orientation and production program of enterprises in Balkan countries, prescribes the essence of the business orientation. It is reflected upon organizational form and the level of implementation of marketing concept. For analysing present situation and the level of implementation of marketing in Yugoslav enterprises, we rely in some of the former statements in literature of which Kotler's is the most important. According to Kotler, there are five rivalling concepts known in practice, which could be applied in business orientation of an enterprise.

Production concept emphasizes priority of production itself. It is considered to be one of the oldest, but traditionally the most applied concept in enterprises of Balkan countries. This concept is based on the assumption that customers will buy offered products. Manufacturers do not pay much attention to the width, depth and consistency of the production program, but concentrate on finding ways of increasing production. Volume of production is the main indicator of business success, but not invoiced sales and position of the product in the market. Manufacturers proceed from their internal possibilities and resources, not caring about future development tendencies of needs and consumption. This approach creates a wrong structure of production and sales program either quantity or quality. Such orientation of manufacturers contributes to a downward tendency in the quality of organization and weakening of responsibility of people in production, especially in choosing production program and product quality range, design, fashion trend, etc. This is because most of the enterprises are concentrating on themselves alone, on the problems of disproportion between production and the needs of the market and environment. Quality of organization here drops on the level of the whole organization. Many activities that are performed in the business process of the enterprise are not synchronized with production activities, which weaken communication and organization connections between business functions, management and employees. Inadequate structure of the production program and supply leads to wrong formation of consumption and channeling of income, which have a reverse effect on channeling production. Namely, due to inadequate supply of the sales range of product, such structure of consumption is formed in the market that does not correspond to the needs of the most potential customers. Customers are not supplied from the domestic resources and that leads to creation of the inventory, to the lack of the working capital, to the decrease of the level of living etc. All these problems decrease chances for the survival of an enterprise and its connecting with the other partners.

Product concept proceeds from the assumption that customers will buy those products that are by quality and properties representing an achievement in an area. Enterprise directs its potentials to the production of high quality products and continuously works on their improvement, not noticing often-large changes that occur in the supply market. And the changes are often going in different direction of the strategic orientation of enterprise. When a product, instead of a need, is the center of attention there is a risk of missing the wanted degree of capital turnover and utilization of the market, because sales of products depend on whether customers will be willing to buy the product and how many such customers there will be.

Quality of marketing organizing is evaluated based on annual success and the current efficiency and organization level by momentary profitability of the product. Those developing countries that are deprived of the clear competitive product positioning are not very familiar with this conception, except in the case of licensed production.

Sales concept is the most often applied in Yugoslav enterprises. The starting point is the so-called aggressive sales, i. e. putting maximum efforts into promotion and advertising of a product. Such concept originates from two reasons: either production capacities are over dimensioned and need to be kept busy or is achievement of program targets and their realization conditioned by the level of technical-technological equipment and development of the enterprise, so that what is produced has to be sold. It is clear, then, that the aim is to sell what can be produced and what the program has planned long time ago, but not to change the production program and not to make large investments into develop-

ment of new products or technology. It should be pointed out here that today there are strong tendencies in our practice for this concept of aggressive sales and commercial advertising to settle with the belief that it is a type of modern marketing. Therefore, there is a misunderstanding when it is said that marketing is not only sales.

Such business and program orientation is often cause of dissatisfactory quality of organizing and leads to disturbances in functioning of the elements of business system influencing directly business results. In the first place, if the complete production is not sold, stocks are accumulated. Accumulation of stocks automatically slows down vital functions of the enterprise. Administrative and management bodies and other functions in an enterprise don't concentrate on problems of further improvement of organization quality, but on solving the problem of stocks. This means that production program and sales possibilities in the market must be harmonized. Program orientation based on sales concept did not appear effective in practice and did not show visible results in increasing the quality of organization. Even the best organization of individual functions in the enterprise – sales in the first place, cannot guarantee sufficient quality of organizing of the enterprise on the whole, if product range of program orientation does not fulfil demands of the market.

Many enterprises today are confronted with ever decreasing quality of organizing and danger of total disintegration, if problem of sales of products and production program is not approached from marketing aspect. They are forced to seek more efficient organization structures, and to reconsider assumptions of their business and program orientation in the first place, for creating conditions for complete business transformation. Yugoslav enterprises must not neglect intense environmental changes in the process of establishing the elements of supply and production.

### 3. CUSTOMER ORIENTED MARKETING CONCEPT

In order to be successful it is necessary to realize that good reputation is based upon quality and attractive product/services and putting customers in the first place.

Today, it is obvious that customer focused concept of marketing is developing towards strategic marketing approach. The very essence of this concept means knowing customers, but the primary goal, instead of profit, is satisfying stakeholders' expectation. Stakeholders are known as the individuals or groups interested in company's activities, such as employees, managers, customers, suppliers, government etc. Furthermore, the focus is on the advantages of the environment. The environment, that is constantly changing, requires flexibility for which it is necessary to have strong marketing function. Combining marketing activities may neutralize some of the negative environmental influences. It is necessary to be aware of all the current changes in order to achieve modern, marketing oriented organization.

Beside the importance of product capacities and marketing strategies, success depends also upon the effort of employees. Human resources are the key, integrative component for both internal and external factors and, therefore, they must be treated carefully.

Three basic processes, innovation, operations and customer creation and services, are the basis for competitive position (Figure 1).

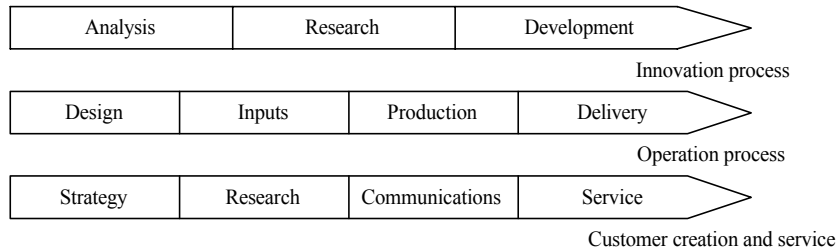


Fig. 1. Basic processes for competitive position of company

Neither of these activities is related to marketing only. These three groups of mentioned activities are depending upon the effort of entire organization and cooperation with other organization - external partners (Figure 2).

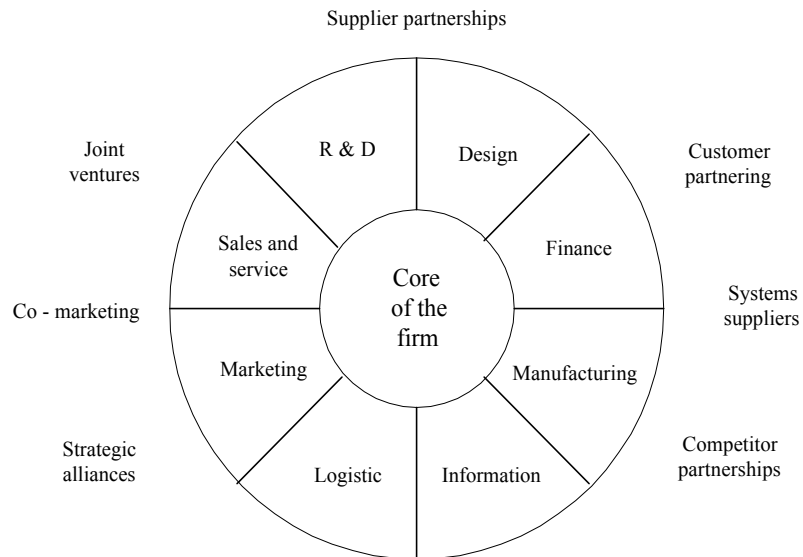


Fig. 2. Interaction between marketing and other internal and external elements

Nowadays, many companies are not product or sales oriented, but are focusing on financial resources. They believe that primary goal is to achieve the greatest possible financial result from the existing resources. These companies are developing marketing concept "one-on-one", that includes servicing known customers, creating strong brand and monitoring constant changes related to the market and technological environment.

Nevertheless, customer oriented marketing concept still is the most often used marketing approach today. Five essential elements of customers' orientation are given in Figure 3.



Fig. 3. Customer oriented marketing concept

Customer orientation requires organizational changes and increased level of product quality in order to gain competitive advantage.

One of possible organizational changes is based upon "team" approach, which consists of the following steps:

1. Identification of important opportunities and chances.
2. Gathering the adequate team for their implementation.
3. Making the most of all the opportunities and improving total quality of business.
4. Realization of every project in correspondence with the actual problem and environmental changes.

Marketing managers are supposed to be leaders of these teams. Basic conditions for the successful implementation of these changes are managers that are experts in marketing and are dedicated to fulfilling customer needs, but also familiar with techniques of marketing researches.

Generally speaking, the basic characteristic of enterprises in Balkan countries is neglecting the marketing concept as business philosophy that involves various changes in entire organization. The managers believe that it is sufficient simply to form marketing department, applying propagand activities or redesigning catalogues and brochures.

The implementation of marketing orientation includes having well-defined goals, long-termed dedication to customers and participation of all employees in creation of the value for the market. The changing process may be observed through six phases given in Figure 4.

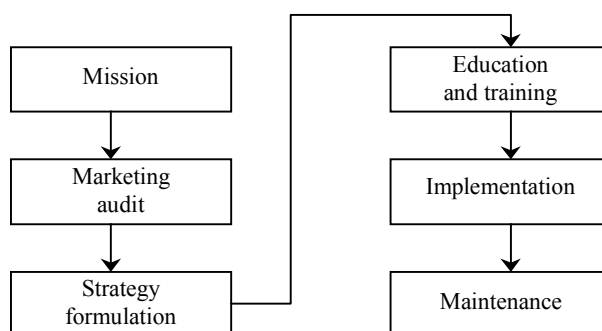


Fig. 4. Phases of the changing process

Today, activities of marketing management may be identified as three core assignments. First of them is identification of opportunities and threats, that are caused by the changes. Under opportunities we consider the possibilities for new products, distribution channels and services, providing the chances of penetration on the new markets. On the other hand, the meaning of threats denotes disability of predicting changes, losing markets and on the very end, the company itself.

The second assignment is developing support process that is going to provide realization of these opportunities. This requires forming project teams and partnerships in order to implement the innovation, new products and services.

The third assignment of marketing management is creation of the strong brands, which are impossible to imitate and focused in customers, thus providing their loyalty. Long-termed point of view requires organization focused on the customer, which is going to constantly seek for the new answer to his needs.

Top management must at first, clearly define the goals related to target groups, and then motivate employees for their realization. The goals must be in accordance with the goals and satisfaction of customers. Employees should realize that being the best results from customers' preferences, which are established by activities of marketing management, such as researching of customers' needs, forming teams for seeking quality solutions and distribution of product/services better than competitors. In Balkan countries, the process of education in a field of marketing is necessary for implementation of market-oriented business.

#### 4. CONCLUSION

Marketing concept is the base of market-oriented business. In competitive economy customers may choose from whom and how to buy, while production program is constantly evolving in accordance with their demands. In order to be successful, enterprise must always provide superior value, better than competitors, when it comes to quality, price and services. Marketing combination of management activities should find the best way to fulfil customers' needs and follow new organizational changes. New organizational changes denote new internal and external dimensions of marketing. Internal are related to teamwork and creation of data basis about customers and business partners, and external with developing partnership relations, not only with the customers, but also with the suppliers and distributors.

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## **RELEVANTNOST NOVOG MARKETING KONCEPTA ZA PREDUZEĆA BALKANSKIH EKONOMIJA**

**Vinka Filipović, Vesna Milićević, Nevenka Zarkić-Joksimović**

*U radu je prikazan odnos između nivoa marketing organizovanja i programa orijentacije preduzeća. Fokus je na istraživanju značaja marketinga za selekciju programa orijentacije preduzeća i konkurentsku poziciju na tržištu u kontekstu postavljenih planskih ciljeva. Uloga marketing menadžmenta i novog marketing koncepta je posebno važna za održavanje strategijskog razvoja preduzeća u procesu tranzicije balkanskih zemalja.*