THE MARKETING PHILOSOPHY AND CHALLENGES FOR THE NEW MILLENNIUM

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Abstract. The world has changed a lot during this millennium and it still keeps changing. For this reason it sounds logical, that together with these changes marketing faces a lot of challenges which need to be overcome. That is why the second purpose of this paper is to define the challenges for marketing in the new millennium. Both theoretical considerations will be applied to the selected practical cases from international and Lithuanian markets.

Key words: marketing, marketing orientations, philosophy, millennium challenges, Starbucks, Coffee Inn, the USA, Lithuania.

JEL Classification: M31, O51, O52

1. INTRODUCTION

Introduction of a product, service or idea into the market is always followed by the marketing effort, the functions and forms of which have been changing over the decades. To follow these changes and overviewing the current position of art in marketing philosophy and marketing challenges, the following structure of the papers is offered in Figure 1. This research logic implies that the main research goal is to review the marketing orientations (Dibb and Simkin, 2004; Lancaster and Reynolds, 2005; Blythe, 2005; Drummond and Ensor, 2005; Morgan, 1996; Kotler and Armstrong, 2008; Pranulis et al, 1999, 2000, 2008) as constituted in the marketing philosophy and to determine the marketing challenges (Sutton and Klein, 2003; Blythe, 2005; Kashani, 2005; Brown, 2008; Kotler and Armstrong, 2008; Bishop, 2009) in the new millennium, which could be consequently applied and tested in national (Lithuanian) and international markets.

![Figure 1. The Logic of the Current Research](image-url)
Therefore, the paper also aims at applying the theoretical findings to the practical case studies, namely comparing two coffee bars – one on the international level – Starbucks; and another one from the Lithuanian market – Coffee Inn.

2. LITERATURE REVIEW ON MARKETING PHILOSOPHY AND MODELLING

Efforts of reviewing and modelling marketing elements, concepts and philosophical attitudes were numerous and effective. But with new challenges causing hurdles in making marketing function more effective on macro- and micro-level of the economy, a revision of marketing philosophy is always at place.

Table 1. Elements of marketing philosophy

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<tbody>
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<td>1. Production orientation</td>
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<td>Cost philosophy</td>
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<td>2. Financial orientation</td>
<td>Financial orientation</td>
<td>Product orientation</td>
<td>Product orientation</td>
<td>Product orientation</td>
<td>Product philosophy</td>
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<td>3. Sales orientation</td>
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<td>Sales orientation</td>
<td>Sales orientation</td>
<td>Production philosophy</td>
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<td>4. Marketing orientation</td>
<td>Marketing orientation</td>
<td>Customer orientation</td>
<td>Customer orientation</td>
<td>Financial orientation</td>
<td>Sales philosophy</td>
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<td>5. Customer orientation</td>
<td>Societal marketing</td>
<td>Societal marketing</td>
<td>Societal marketing</td>
<td>Marketing orientation</td>
<td>Societal marketing philosophy</td>
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<td>6. Competitor orientation</td>
<td>Relationship marketing</td>
<td>Relationship marketing</td>
<td>Relationship marketing</td>
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<td>7. Interfunctional coordination</td>
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Source: compiled by the author.

As indicated in Table 1, authors tend to use various terms for the elements of marketing philosophy:

a) ‘orientation’ (Dibb and Simkin, 2004; Lancaster and Reynolds, 2005; Blythe, 2005; Drummond and Ensor, 2005);

b) ‘philosophy’ (Morgan, 1996);

c) ‘concept’ (Kotler and Armstrong, 2008).

Even the Lithuanian authors, who wrote the first university book on marketing, professors Pranulis, Pajuodis, Virvilaite and Urbonavicius (1999, 2000 and 2008) have used the Lithuanian counterpart word ‘orientation’. Following this broad tendency of the term ‘orientation’ usage, here, in this article, the choice of the ‘orientation’ term will be applied.

The renowned American professors Kotler and Armstrong (2008, pp.9-12) indicated that their choice of marketing management orientations were as follows:

• the production concept,
• the product concept,
• the selling concept,
• the marketing concept.
• the societal marketing concept.

A similar opinion was expressed by a group of Lithuanian marketing professors, where they classified marketing orientations as follows (Pranulis et al., 1999, 2000): a) production
orientation, b) product orientation, c) selling orientation, d) marketing orientation; e) social-ethical marketing orientation.

Because of the difficulty of incorporating all the various facets of marketing into a single definition, Lancaster and Reynolds (2005) distinguished features of the subject in the following statements (Lancaster and Reynolds, 2005, p.16):

- “Marketing is dynamic and operational, requiring action as well as planning.
- Marketing requires an improved form of business organisation, although this on its own is not enough.
- Marketing is an important functional area of management, often based in a single physical location. More importantly, it is an overall business philosophy that should be adopted by everybody in the entire organisation.
- The marketing concept states that the identification, satisfaction and retention of customers is the key to long-term survival and prosperity.
- Marketing involves planning and control.
- The principle of marketing states that all business decisions should be made with primary consideration of customer requirements.
- Marketing focuses attention from production towards the needs and wants of the market place.
- Marketing is concerned with obtaining value from the market by offering items of value to the market. It does this by producing goods and services that satisfy the genuine needs and wants of specifically defined target markets.
- The distinguishing feature of a marketing orientated organisation is the way in which it strives to provide customer satisfaction as a way of achieving its own business objectives.”

![Figure 2. Proposed orientations in marketing philosophy](image-url)
The author of the article proposes the following perception on the classification of marketing orientations, which constitute the marketing philosophy essence (see Figure 2 and Figure 3):

1) the production orientation,
2) the product orientation,
3) the financial orientation,
4) the selling orientation,
5) the marketing orientation,
6) the market orientation (which extends to internal and external orientations),
7) the social-ethical marketing orientation,
8) the holistic marketing orientation (which extends to internal marketing orientation, integrated marketing orientation, social marketing orientation, relationship marketing orientation).

The holistic marketing concept was proposed by Kotler and Keller (2007) but it was not mentioned or wider discussed in the textbook of Principles of Marketing (Kotler and Armstrong, 2008), but introduced in their co-operative book on Marketing Management (2007). For this reason, it is viable to include this new orientation in the proposed model (Figure 3), as it integrated at least four other sub-orientations: a) internal marketing orientation, b) integrated marketing orientation, c) social marketing orientation and d) relationship marketing orientation.

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**Figure 3. Extended proposed orientations in marketing philosophy**

*Internal marketing orientation will be directly dealing with a Marketing Department within an organisation. It will directly subordinate to the senior management level and other organisational department, emphasising the organisational culture and micro-climate, suitable for effective work and success factors in marketing performance.*
**Integrated marketing orientation** would focus towards integrated marketing communications, the cost-effective selection of marketing channels and integrated development of products and services within the scope, demand and challenges of the national and international markets.

**Social marketing orientation** would be focusing on the concept of societal marketing proposed by Kotler and Armstrong (2008), where the basic societal marketing triangle is based on the well-being of the community, incorporating the corporate social responsibility of companies and non-profit organisations, legal issues and environmental protection issues, which altogether streamline the sustainable development of the economy and consumption patterns.

**Relationship marketing orientation** would be concerned with fostering the customer-company relationship with consumers, offering value added products and services. This orientation will also foster the company-partner company (B2B) relationship, seeking trust and reliability in partner selection process and its maintenance for coming years. Therefore, marketing channels should be effectively developed to reduce costs and enhance profitability ratios for all three market participants: a) producers, b) distributors and sellers, c) consumers.

The **market orientation** (No 6 in Figure 3) is proposed to be grouped as **internal** and **external** orientations. Though Narver and Slater (1990) proposed a model that identified the components of **market orientation** as:

- **Customer orientation**, which incorporates customers’ perceptions and understanding by customers’ creating value, offering cost-effective solutions to satisfy their needs.
- **Competitor orientation** emphasises one of the marketing’s functions, i.e., to seek competitive advantage in the market. Competitor analysis, performed in various techniques (e.g. PESTED analysis, Porter’s forces analysis, Boston matrix analysis, etc.), gives a company tools to objectively evaluate competitors’ capabilities and results on the market.
- **Organizational culture** if analysed on an individual basis could be either included into market orientation factor or in the holistic marketing orientation, depending how integrative the marketing philosophy is on an organisational level. Organisational culture should support customer service and customer relationship development through employee performance prism.
- **Interfunctional coordination** should focus on the interaction between internal functional areas of the organization which best serve customer need and satisfaction, which in other cases would correspond to the **relationship marketing orientation** (Kotler and Keller, 2007).
- **Long-term focus** would incorporate the consideration of how the above can be sustained, and financially viable, over the long term.

In this paper the proposition by Drummond et al (2000) is closer to the author’s perception of market orientation, therefore **the constituent parts of the market orientation** are considered to be the balance between:

- a) **External market orientation**: customers, competitors and other external stakeholders.
- b) **Internal market orientation**: employees and other internal stakeholders.
3. LITERATURE REVIEW ON MARKETING CHALLENGES IN THE NEW MILLENNIUM

The precondition, which fostered to review the challenges for the marketing in the new millennium, was the statements in various forms and shapes, which appeared during the past decade in textbooks, social networks, media and social forums. The selection of disturbing statements were selected and presented here for the discussion (see Table 2).

The biased perception of marketing functions and orientations at the dawn of the new millennium is not compelling. Traditional (conventional) marketing is visualised as a dead function, notwithstanding the critics of modern marketing practice. The critics bring up the issues of lost customers, mass marketing and viral marketing (Big Marketing Ideas, 2009; see Table 2). Therefore, a more fundamental change for marketing is at stake – towards a more personal touch in the field, as well emphasised by Spellings (2009).

Boynett and Boynett (2003) in their book on “The Guru Guide™ to Marketing: A Concise Guide to the Best Ideas from Today’s Top Marketers” have also identified a number of citations, which question the future of marketing and its conventional functionality. It is apparent that marketing is becoming a multi-disciplinary theory, which inevitably incorporates postmodern aspects of the markets and consumption patterns and consumer behaviour.

Table 2. Selected statements on the death of traditional marketing in the new millennium

<table>
<thead>
<tr>
<th>Authors/sources</th>
<th>Statements</th>
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<tbody>
<tr>
<td>Boyett and Boyett (2003, p.1)</td>
<td>Death-of-marketing gurus rationalize their hyperbole by explaining that marketing is in the throes of fundamental change.</td>
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<tr>
<td>World of DTC Marketing (2008)</td>
<td>Conventional marketing is dead...</td>
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<tr>
<td>Bishop (2009)</td>
<td>Marketing is dead; long live marketing: Attracting consumers in the post-mass marketing era.</td>
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<tr>
<td>Big Marketing Ideas (2009)</td>
<td>The reason we say viral marketing is dead is not because content no longer spreads in the same way – quite the contrary. But the idea that you could create a flash game or a funny video and expect it to get a million hits and downloads within a week is now patently naïve.</td>
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<tr>
<td>Wymore (2009)</td>
<td>Forget direct mail, television advertising, and other mass media marketing. They just don’t work anymore. Traditional marketing is dead. In other words, these marketing chestnuts simply don’t stand out in today’s noisy media market.</td>
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<tr>
<td>Spellings (2009)</td>
<td>“Mass Marketing is Dead. Make Way For Personal Marketing”: The days of mass marketing are coming to an end as we enter a new era of personal marketing. Personal marketing will require more work, more preparation, and smarter implementation, but the rewards will be vastly better than the mass marketing approach.</td>
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Source: compiled by the author.
### Table 3. Selected marketing challenges in the new millennium

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<td>- Increasing market complexity</td>
<td>- Relationship marketing development</td>
<td>- Commoditisation (change in technologies, more informed customer, more intense competition)</td>
<td>- Postmodern challenges:</td>
<td>- The new digital age</td>
<td>- Aggressive innovation</td>
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<td>- Accelerating demand for speed to market</td>
<td>- Service quality enhancement</td>
<td>- Consolidation (mergers &amp; acquisitions)</td>
<td>- Hyperreality</td>
<td>- Rapid globalisation</td>
<td>- Building a strong value proposition</td>
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<tr>
<td>- Growing need to capture marketing knowledge</td>
<td>- Internet marketing development</td>
<td>- Power shift</td>
<td>- Fragmentation</td>
<td>- The call for more ethics and social responsibility</td>
<td>- Engagement and connection to the customer</td>
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<tr>
<td>- Increasing availability of innovative marketing technologies</td>
<td>- Marketing ethics</td>
<td>- Margin erosion</td>
<td>- Reversed production and consumption</td>
<td>- Growth of non-profit marketing</td>
<td>- Delivering customer experiences at or above expectations</td>
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<td>- Escalating demand for marketing efficiency and effectiveness</td>
<td>- Marketing strategy revisited</td>
<td>- Value focus</td>
<td>- Decentred subjects</td>
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*Source: compiled by the author.*

It could be generalised that marketing in the 21st century presents many **new postmodern challenges** (see Table 3):

- **shrinking markets**, which in effect implies fragmentation and decentralised subjects (Brown, 2008), followed by increasing market complexity (Sutton and Klein, 2003) and market **globalisation** (Kotler and Armstrong, 2008);
- green issues (Blythe, 2005), more **marketing ethics** (Blythe, 2005; Kotler and Armstrong, 2008) and **social responsibility** (Kotler and Armstrong, 2008);
- **marketing strategy** revisited (Blythe, 2005) through accelerating the demand for marketing efficiency and effectiveness (Sutton and Klein, 2003) and speed to market (Sutton and Klein, 2003), and aggressive innovations (Bishop, 2009);
- advancements in **technologies** in the **digital age** (Kotler and Armstrong, 2008), including Internet, commoditisation (Kashani, 2005), communications (Bishop, 2009), internet marketing development (Blythe, 2005), increasing availability of innovative marketing technologies (Sutton and Klein, 2003);
- engagement and connection to the **customer** (Bishop, 2009), through service quality enhancement (Blythe, 2005), delivering customer experiences at or above expectations (Bishop, 2009), rapidly changing public attitudes towards consumption (Sutton and Klein, 2003);
• building a strong value proposition (Bishop, 2009) through growing need to capture marketing knowledge (Sutton and Klein, 2003), power shift (Kashani, 2005) and reversed production and consumption (Brown, 2008).

Therefore, marketers are facing the re-evaluation of marketing strategy, applying new tools and sophisticated techniques in the new millennium, where changes are of a constant nature. “Ultimately, the firms who take the greatest care of their customers’ interests are the ones most likely to maintain their competitive edge in a cut-throat world” (Blythe, 2005 p.332).

4. THE CASE OF COFFEE BARS: APPLYING MARKETING ORIENTATIONS AND MARKETING CHALLENGES IN THE NEW MILLENIUM

In practice, each company selects business and marketing philosophy which suits it best. The decision depends on the company’s type, size, products and services it produces, distributes and sells and etc. In order to apply marketing orientations and marketing challenges to a practical situation, two companies in coffee bars sector:

a) an international company STARBUCKS (the USA) and
b) a national company COFFEE INN (Lithuania).

Their briefs and marketing philosophies will be discussed bellow.

4.1 THE CASE OF STARBUCKS (THE USA)

Probably one of the most famous brands in the United States and now in the whole world, reflecting the specific lifestyle of the few generations, is definitely Starbucks. Starbucks is the largest coffee-house company in the world, offering a wide range of various coffees, hot and cold coffee and non-coffee drinks, sandwiches and sweet snacks.

Founded in 1979, only as a coffee bean retailer Starbucks became a coffee-house selling coffee drinks as well as beans, when its present headmaster Howard Schultz came in and bought the company from its former owners in 1987. Since then, an extraordinary quick expansion in the Unites States, and from 1996 in the whole world, has begun. Now, Starbucks owns approximately 16 000 stores in the world and announces about opening 900 new stores outside United States in 2009 (on the other hand, Starbucks is closing the same amount of stores in the United States) (www.strabucks.com).

It is obvious, that such a big success would be impossible without well selected and formulated marketing philosophy. As one of the most innovative companies in the world Starbucks has chosen social-ethical marketing orientation and declares care for the environment and common wealth as well as for people. The main idea of their philosophy is defined in the Starbucks mission statement. Starbucks has two mission statements which are placed in the official company’s website: „To inspire and nurture human spirit – one person, one cup, and one neighbourhood at a time“ and „Starbucks is committed to a role of environmental leadership in all facets of our business“ (www.strabucks.com).

Social-ethical marketing orientation is getting a trendy buzz word, as environmental and ecological problems are on the increase. Some years ago Starbucks was criticised for wasting resources by using paper and plastic cups, for wasting water and even funding Israel army (Vitkus, 2009). Now this company is shown as the best example of environmental friendly business in the business schools around the world. Starbucks announces its corporate social responsibility Annual reports for the public; here the company describes their attention to the employees, customers and the environment, manifesting marketing orientation, market
orientation and holistic marketing orientation. They started to use cups from recycled paper or biodegradable plastic. Social responsibility is also emphasised in their coffee-bars’ design, posters and various promotional campaigns (the integrated marketing sub-orientation in the holistic marketing orientation).

According to Pranulis et al (2008), the main idea of marketing orientation is to create the circle of loyal clients rather than one-time buyers. Starbucks could be called a champion in this field too. The chairman of Starbucks Howard Schultz explains, that a person gets more than just coffee when he/she visits Starbucks – „he gets great people, first-rate music and a comfortable and upbeat meeting place” (www.strabucks.com). That’s why people all around the world are willing to pay for coffee more than in other coffee-bars – they buy and experience, not a drink (the selling orientation). According to Howard Schultz, Starbucks build personal relationships with each of their customers (this implies the relationship marketing sub-orientation in the holistic marketing orientation). Even the waiters at Starbucks are called baristas to make them feel exceptional and proud about their workplace, not to feel just simple service workers (internal marketing sub-orientation in the holistic marketing orientation).

Another core element of marketing concept (Pranulis et al., 2008, Kotler and Keller, 2007) is to appeal to customers’ needs. Starbucks does everything to achieve its costumers’ satisfaction. They were the first who offered free internet at their coffee-bars and started to open the stores 10 minutes before the actual opening time just to make customers always feel welcome and happy. Viral marketing has also become one of the most important features of Starbucks’. You can hardly find and advertisement in any newspaper or marketplace, but they build extremely strong relationships by using social networks, internet and mouth-to-mouth marketing, which means Starbucks meets the marketing challenges of a) the digital age, b) value proposition, c) connecting to customers, d) corporate social responsibility, e) green issues and f) overall revised marketing strategy, g) market shrinking factors (as Starbucks was forced to close down 600 coffee-bars in the USA during the economic slowdown (Milasius, 2008)).

4.2 THE CASE OF COFFEE INN (LITHUANIA)

The other company selected for a comparative study is a national company, located only in Lithuania. Coffee Inn is a coffee-bars’ chain opened a few years ago in Vilnius, the capital city of the country. Started from just one coffee-bar, Coffee Inn now owns 7 coffee-bars in Vilnius and one in Kaunas in 2007 (Vaitiekuniene, 2007). At first, Coffee Inn came into the market with the same concept as Starbucks did. It sells coffee and various coffee drinks, served in paper cups, sandwiches and desserts in small, cosy coffee-bars, located in the city centre.

The main difference between Starbucks and Coffee Inn is that Starbucks is a big global company (the globalisation challenge) and can afford applying social-ethical marketing orientation, while Coffee Inn is still too small to afford huge investments for various social projects and campaigns and it has chosen the marketing orientation. However, Coffee Inn expands constantly, therefore, sooner or later this company will also apply social-ethical marketing orientation (now Coffee Inn supports various cultural festivals, such as cultural night Tebėnie naktis, or Street music day, not financially, but by helping to promote them, or by prolonging their opening hours during these festivals).

The main idea, the co-owner of Coffee Inn Nidas Kiuberis explains, is that they sell a feeling of pleasure rather than just a cup of coffee (Obcarskaite, 2009). It seems extremely similar to Starbucks idea. The waiters are called baristas too, Coffee Inn also offers free internet access and their menu is quite similar to Starbucks one. Lithuanians sometimes even claim that Coffee Inn tries to copy Starbucks. On the other hand, there are a lot of cafeterias offering similar
facilities (e.g., Vero Cafe, Double Coffee and etc.), and Coffee Inn is not an exception. However, Coffee Inn is a lot smaller as coffee-bars’ chain than Starbucks and for this reason it is much easier to control it. Being small enables Coffee Inn to be more flexible and to react to customers’ demands and wants quicker and to create new demands and wants at the same time (marketing orientation). Coffee Inn constantly offers new drinks, snacks and other features (product orientation). They were one of the first who invited customers to come together with their pets, set free book collection and invited everyone to come to read or to donate a book (the communication challenge).

While talking about customers’ loyalty, new technologies play an important part here too (the technological challenge): Coffee Inn keeps exceptionally close relationships with its customers using Facebook social network, writing the blog and honestly replying to all the letters and comments. The co-owner Nidas Kiuberis maintains the Coffee Inn blog himself – this is very important, as customers notice, that director of the company itself pays attention to their opinion (Milasius, 2008). Nidas Kiuberis explains, they are following “guerilla marketing” ideas, because it is the best solution for a small business without large budget, where creativity and energy are the most important things (Obcarskaite, 2009). “Viral marketing and personal blog writing costs nothing and gives better results, than advertisement on TV – your loyalty for customers loyalty, these are the things every company seeks, especially in a crisis time” (Obcarskaite, 2009). As a result, Coffee Inn has created a steady circle of loyal customers, who are indifferent to similar competitors, such as Vero Cafe, offers.

5. CONCLUSIONS

In the changing market environment with changing customer behaviour and seeking business opportunities, companies face marketing challenges on a daily basis. In the process of theoretical research, a modified model of marketing orientations, which form the marketing philosophy, was proposed, comprising eight major orientations, where market orientation and the holistic marketing orientation are split into further sub-orientations. The other task for the author was to review and structure marketing challenges in the new millennium and test these issues in two cases of coffee-bars sector on international (Starbucks) and national (Coffee Inn in Lithuania) markets.

Starbucks and Coffee Inn both follow similar marketing orientations. Starbucks follows social-ethical marketing orientation as a basis of business, while Coffee Inn is being still guided by the marketing orientation. Both companies sell an experience, rather than just coffee and image is very important for the customers of these companies as they are mainly young people (20-40 years of age, Miksys, 2008). Both companies use viral marketing techniques, though Coffee Inn can create closer relationships with its customers, because it is able to react to changes quicker. Loyal customers could be called the biggest strength and competitive advantage of these companies as they do not compete on price, just by creating exceptional atmosphere.
REFERENCES


