

Assess the Marketing Philosophy of Commercial Bank of Ethiopia

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Abstract: *This paper aims to explore the concept of marketing philosophy and its significance in case of Commercial Bank of Ethiopia. It delves into the various marketing philosophies that have evolved over time and examines their impact on organizational strategies and consumer behavior. The paper also discusses the role of marketing philosophy in building strong customer relationships and achieving long-term business success. Through an extensive review of literature and case studies, this research paper provides valuable insights into the importance of adopting an effective marketing philosophy in today's competitive marketplace.*

Keywords: Marketing Philosophy, Production Concept, Product Concept, Selling Concept, Marketing Concept, Societal Marketing Concept

Introduction

Background of the study

Marketing philosophy refers to the underlying beliefs and principles that guide an organization's approach to marketing (Kotler P, 2012). It sets the tone for how a company interacts with and delivers value to its customers. There are various marketing philosophies that businesses may adopt, including production orientation, product orientation, selling orientation, marketing orientation, and societal marketing orientation (Kotler P, 1994). The production orientation philosophy focuses on internally driven production capabilities and efficiency. An organization that follows this philosophy prioritizes mass production and cost reduction, assuming that if products are readily available and affordable, customers will buy them (Kotler p et al., 2015). The product orientation philosophy emphasizes the superior features and qualities of a product. Companies following this approach focus on continuous product innovation and improvement, assuming that customers will be attracted by these product features. The selling orientation philosophy assumes that customers will not purchase a product unless a significant selling effort is made. Organizations adopting this philosophy prioritize sales techniques, promotions, and persuasion to convince customers to buy their products, regardless of whether they truly meet customers' needs and wants. In contrast, the marketing orientation philosophy places the customer at the center of the marketing efforts. Companies following this approach conduct market research to understand customers' needs and wants develop products that satisfy those needs, and deliver superior value and customer satisfaction. Finally, the societal marketing orientation philosophy goes beyond customer needs and takes into account broader societal concerns. Organizations adopting this philosophy consider the long-term impact of their marketing activities on society and strive to balance profits with the well-being of customers, stakeholders, and the environment. It is important for businesses to carefully consider their marketing philosophy as it influences their overall marketing strategy, customer relationships, and long-

term success (Kotler, 2012, Kotler and Armstrong, 2008). Companies that prioritize customer-centric philosophies such as marketing orientation and societal marketing orientation tend to build stronger customer loyalty and sustainable competitive advantage. Hence, in this paper we will try to assess the marketing philosophy of Commercial Bank of Ethiopia.

Literature Review

Marketing Philosophy

The process of developing, promoting, and delivering goods to consumers in order to meet their needs and desires is known as marketing. Finding and meeting those needs is the aim of a marketing philosophy. Various marketing philosophies are adopted by companies based on their specific needs. However, there are generally five marketing philosophies or concepts, and a business should adhere to the appropriate philosophy based on its needs and those of its customers.

The five marketing philosophies are:

1. Production Concept
2. Product Concept
3. Selling Concept
4. Marketing Concept
5. Social Marketing Concept (Societal Marketing Concept)

Production Concept

Production concept is based on the idea that customers will prefer products that are affordable and are produced in bulk. In this marketing concept, the aim of organizations is to produce in bulk, increasing production efficiency, reducing costs and distribution performed on a large scale. The idea of consumer demand for affordable products comes from the Say's law that states that "supply will create its own demand". By increasing the production of the products, the companies utilize the advantage of economies of scale. The reduced cost price makes the product appear inexpensive to the customer which generates more sales. Lower price may be able to generate more customers, but with the decline in quality the

sales volume will decrease. This theory holds good when demand is more than the supply, but a customer will not always be looking for cheaper products; there will be many factors that will impact the customer purchase decision.

The foundation of production philosophy is the idea that demand is generated by supply. It implies that as production and distribution facilities grow, sales will rise naturally. Based on the premise that consumers favor affordable and easily accessible products, managers of production-oriented businesses focus on attaining high production efficiency, low cost, and mass distribution. It is widely acknowledged in the literature that production philosophy is the original marketing philosophy, with the exception of some authors who contend that cost philosophy (Morgan, 1996) and the simple trade era (Gale, 2001) are where marketing philosophy originated. This way of thinking was prevalent from just after the turn of the 20th century until 1930 (Fullerton, 1988). It's a common belief that if someone produces a good, someone else will want to purchase it. Therefore, the general belief among businesses that adhere to this philosophy is that producing goods correctly is the most important thing. Furthermore, buyers weren't as concerned with the product's quality as they were with just getting it. Getting products to market was the main goal of marketing at this point (Lusch, 2007).

Product Concept

This is another marketing philosophy that is concerned with quality of the product rather than the quantity of the product. The consumers are always looking out for quality products and are not worried about price and the availability of the product. Companies following this approach will be creating high quality products that will satisfy the requirements of such customers, but it will be expensive in the process. Since the focus of the companies is on producing quality products, they lose out on customers that seek inexpensive products or are influenced by availability and usability of the product.

According to some writers (Kotler, 2012, Kotler and Armstrong, 2008), the product philosophy dominated marketing until 1930 and is cited as the marketing philosophy that comes after production philosophy and before selling philosophy. It contends that customers favor goods with the best performance, quality, or cutting-edge features. Managers who adhere to this philosophy concentrate on creating superior products and continuously improving them. The assumption is that the company is the expert on its product, better than any other company. The company may choose to highlight the high quality or low cost of their products because they are aware of what will and won't work in the design and production of the product.

Selling Concept

This is the third philosophy and it is based on actual selling of the product. In the earlier two philosophies or concepts the emphasis was on production whereas selling concept is more focused on making sales for every product, which is irrespective of quality of the product or the needs of the

customer. Companies following this approach have a short life span and thus have very less repeat customers.

Around 1930, the selling philosophy started to gain traction (Fullerton, 1988), and it remained popular until the 1940s (Nickels et al., 2002). It asserts that customers won't purchase enough of the product if they are left on their own. As such, the company needs to make a strong effort to sell. Also, it was believed that an efficient sales force could sell anything to anybody and thus get rid of the excess inventory as manufacturing capacity rose and supply outpaced demand. According to this theory, any product that a company produces can be sold by using marketing strategies like advertising and personal selling.

Marketing Concept

The selling concept is not for a long duration. The market is customer centric, therefore any product that should be able to fulfill the customer needs. Marketing concept is based on the assumption that a consumer will purchase products. Companies conduct research in order to identify customer needs and create a product that meets those needs in a better way than their competitors. It results in businesses developing relationships with customers that lead to profit generation in the long run.

From 1950 until the present, the marketing philosophy—which is predicated on the marketing concept—has dominated marketing thought. It contends that outperforming competitors in meeting customer needs is essential to attaining organizational goals. The marketing concept acknowledges that customers' needs may not always be met by the firm's knowledge and skill in product design. It also acknowledges that not every product can be sold, especially ones that don't satisfy the needs of the customer, even with a strong sales force. Customers will select the option that best suits their needs when presented with multiple options. It also presupposes that the customer is at the center and that businesses achieve their goals by learning about and remaining in touch with the needs and desires of prospective clients, after which they satisfy them by creating a suitable product. According to the marketing concept and philosophy, the company should make an effort to meet the needs and desires of its clients while still achieving its objectives (Kotler and Armstrong, 2008). It highlights how important it is to ascertain client needs before developing and manufacturing a product. Sales and profit will rise when the product is designed and manufactured with the needs and desires of the customer in mind. Additionally, it makes the assumption that everyone in the company should embrace the overarching business philosophy of marketing orientation (Kotler, 2012, Kotler and Armstrong, 2008).

Societal Marketing Concept

This is the fifth marketing concept that is mainly concerned with meeting the needs of customers as well as working towards protecting the environment, its natural resources and overall well-being of the society. According to societal marketing philosophy, also known as societal-ethical

marketing philosophy (Grundey, 2010), businesses shouldn't prioritize meeting the needs and desires of their customers over those of society. As a result, businesses should assess the requirements, desires, and needs of their target market and provide customers with superior value, which will improve both the customers' and society's general well-being. It demands that businesses incorporate moral and social factors into their marketing strategies. This marketing philosophy believes that business is a part of the society and therefore businesses should give it back to society in the form of social services like poverty eradication, promoting literacy, etc. (Gundlach, G.T, 2007).

Importance of Marketing Philosophy in Business

A company's marketing philosophy is essential to its development and success. It includes a collection of values and tenets that direct the company's strategy for comprehending customer needs, adding value, and establishing enduring connections. The following main ideas emphasize how crucial marketing philosophy is to business: Firstly, marketing philosophy places a strong emphasis on the necessity of placing the customer at the core of all company operations. Businesses can create goods and services that live up to the expectations of their customers by learning about their needs, preferences, and behaviors (Grundey, 2010, Gundlach, G.T, 2007, Kotler, 2012, Kotler and Armstrong, 2008). Strong customer relationships, increased customer satisfaction, and customer loyalty are all facilitated by this customer-centric approach. Secondly, marketing philosophy recognizes that customers look for value in the goods or services they buy. It pushes companies to concentrate on delivering superior value by setting themselves apart from rivals with special features, advantages, and experiences. Businesses can obtain a competitive edge and attract a large number of customers by providing value. Thirdly, marketing philosophy places a strong emphasis on the value of regular and efficient consumer communication. It pushes companies to create integrated marketing communication plans that use social media, direct marketing, public relations, and advertising to convey a single message through a variety of platforms. This influences consumer behavior, shapes brand perception, and raises brand awareness. Fourthly, marketing philosophy acknowledges the importance of establishing enduring bonds with customers (Zinkhan, G.M. and Williams, B.C, 2007). It highlights the necessity of concentrating on fostering customer advocacy and loyalty rather than just transactional interactions. Businesses can strengthen customer loyalty, boost customer lifetime value, and reap the benefits of positive word-of-mouth referrals by offering exceptional customer service, personalized experiences, and continuous support. Lastly, the philosophy of marketing recognizes the dynamic and ever-changing nature of markets. It pushes companies to be flexible and responsive to shifting consumer demands, technology developments, and market dynamics. Businesses can remain relevant, grab new opportunities, and fend off threats by keeping a close eye on

the market and making necessary adjustments to their strategies. To sum up, marketing philosophy is crucial for companies because it directs how they perceive and address customer needs, generate value, and establish enduring connections. In today's fast-paced business environment, companies can gain a competitive edge, spur growth, and achieve long-term success by putting effective marketing strategies into practice (Kotler, 2012, Kotler and Armstrong, 2008).

Case Study in Commercial Bank of Ethiopia

Commercial Bank of Ethiopia (CBE) is one of the oldest public banks established in 1942 as a State Bank. Since then, CBE has gone through different reforms and mergers coming out as one of the most reputable and biggest commercial banks in the country.

In the banking sector, the most effective marketing philosophy to adopt is the marketing orientation or customer orientation philosophy. This philosophy recognizes that customers are the central focus of any successful business, including banks. By adopting a customer-centric approach, banks can better understand and meet the needs and wants of their customers, ultimately building long-term relationships and driving customer loyalty.

The key reasons why a marketing orientation is beneficial for CBE may include:

1. Customer satisfaction: Banks need to ensure their customers are satisfied with their products and services. By being customer-oriented, banks can tailor their offerings to meet customer expectations and provide personalized experiences.
2. Customer retention: A customer-centric approach helps banks in building and maintaining long-term relationships with their customers. Retaining customers is crucial in the banking sector, as it can lead to increased customer lifetime value and reduced customer acquisition costs.
3. Market segmentation: Marketing orientation involves understanding different customer segments and their unique needs. This allows banks to effectively segment their target market and develop tailored marketing strategies for each segment.
4. Innovation: By focusing on customers, banks can continuously innovate to meet changing customer demands. Understanding customer preferences and pain points enables banks to develop new products, services, and digital solutions that address those needs.

In general, adopting a marketing orientation philosophy gives CBE a competitive edge. By providing exceptional customer experiences and meeting evolving customer expectations,

CBE can differentiate themselves from their competitors and attract new customers.

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