

Exploring the concept of “Marketing Myopia”

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Abstract

The present study focuses on exploring the concept of “Marketing Myopia” which is identified as a one of the most influential management philosophies invented in the recent past. In the present study the author has explored the concept of marketing myopia based on the theoretical foundation provided by Theodore Levitt. The discussion is further strengthening with an analysis on four industries which authors identified as ones which are having myopic conditions. As an extension to the argument, present study provides suggestions for improvement for the industries under examination. In the conclusion authors are taking their stance on whether marketing myopia is a concept related to marketing or a concept which goes beyond marketing.

Keywords: Marketing Myopia, Theodore Levitt, myopic conditions

1. Introduction

The present study focuses on exploring the concept of “Marketing Myopia” which is identified as a one of the most influential management philosophies invented in the recent past. In the present study the author has explored the concept of marketing myopia based on the theoretical foundation provided by Theodore Levitt. The discussion is further strengthening with an analysis on four industries which authors identified as ones which are having myopic conditions. As an extension to the argument, present study provides suggestions for improvement for the industries under examination. In the conclusion authors are taking their stance on whether marketing myopia is a concept related to marketing or a concept which goes beyond marketing.

2. Marketing Myopia

Marketing Myopia is a concept which was introduced by Theodore Levitt in his article titled “Marketing Myopia” in which he discusses how business organizations get misled due to lack of customer orientation. In elaborating the concept of marketing myopia, Theodore Levitt highlights four principles which apply on a wider scale. Those are,

- The belief in growth and expansion in the market demand
- The belief that there is no substitute for a leading or a superior products
- Having excessive confidence on mass production and reducing unit cost
- Declining unit costs and orientation towards experimentation and cost reduction

Theodore Levitt in his article has considered number of industries such as Railway, Petroleum, and Retailing etc. to emphasize the notion that in the absence of a broader view of the business any organization or an industry might become extinct.

Marketing myopia is a concept which looks at business failures from a different paradigm to the conventional ways. A detailed analysis on business and industry

failures highlight the fact that the above principles apply more or less in each case. From a broader perspective Theodore Levitt suggests a paradigm shift in the way organization view the business. In short, organisation must learn to think of itself not as producing goods or services but as buying customers, as doing the things that will make people to want to do business with it (Levitt, 1960, p. 149) ^[4].

The “new marketing myopia” occurs when marketers fail to see the broader societal context of business decision making, sometimes with disastrous results with their organization and society. It includes three related phenomena 1) a single-minded focus on the customer to the exclusion of other stakeholders, (2) an overly narrow definition of the customer and his or her needs, and (3) a failure to recognize the changed societal context of business that necessities addressing multiple stakeholders. (N. Craig Smith, Minette E. Drumwright, and Mary C. Gentile).

3. Traditional Learning versus Second Life Learning

Traditional learning system (higher education) in Sri Lanka is based on the policies and an institutional framework that has been developed several decades back. There are strong criticisms against the traditional learning system in Sri Lanka mainly based on the argument that it has not evolved with the necessities of the modern society. Another major area of concern is the traditional methods of learning, which is basically class room based in which there are lot of developments that can be made with a focus on the technology.

Considering the pace of the development of the technology, “Second Life” may be one of the major technological factors which will affect almost every industry. When better methodologies for teaching and learning are being added daily, and when Information Technology sector is rapidly growing than ever before, it is obvious that second life affects the education industry making the synergy.

3.1 Excessive Focus on Research & Development

In government higher education industry in Sri Lanka policy makers make policies, rules and regulations totally concentrating on 'The Education system itself'. A careful analysis on the industry reveals that a significant number of researches are being conducted with the assistance of both local and friend agencies. These extensive researches are aimed at enhancing the relevance and quality of the higher education sector of Sri Lanka. However, it is questionable whether they really look at the development in the education sector. This example emphasizes one of the key factors of the self-deceiving cycle proposed by Theodore Levitt, which is Excessive Focus on Research & Development.

3.2 The Impact of Myopic thinking on Higher Education

In traditional higher educational system or the government university system the rules, regulations and procedures are made to enrich the system itself. With a very competitive examination procedure, only a smaller percentage of the students' population is selected to the university, leading to many socio-psychological problems for the rest.

Students are having comparatively fewer study options to select due to the lack of environmental, technological resources and facilities. Additionally it is questionable whether this system produces the right income that industry seeks when these students are graduated. Traditional higher education system in Sri Lanka is in jeopardy as it is lacking on Student focused learning, Emphasis on critical thinking, Process oriented learning, Emphasis on larger concepts and structures and interactivity.

3.3 Second Life

Second Life is an online 3D virtual world where the individual representation happens through avatars.

3.3.1 Second Life in higher education industry

The Second Life in the virtual learning environment provides the platform for a new mode of learning for the learners allowing full engagement and interactions

Researchers have emphasized the importance of active involvement in the learning process. Through second life, most of the practical problems which hinder for effective learning will be eliminated. Lecturers will find it easy to make the students understand on various complex scenarios, while students will see learning as an enjoyable thing. Students will be able to learn a wider range of areas more easily with less cost, time & effort.

3.3.2 Second life learning and customer orientation

Second life answers for the following basic questions well, giving an idea of how customer oriented the new learning mode

- Where do they buy? Students have to be physically present in the class rooms in traditional learning way. But practically students prefer to learn in the following places with the introduction of second life:
 - Classrooms-the traditional classroom learning will be vanished in recent future, when the knowledge

and experience of dealing with second life gets matured with development of technology

- Home environment-mostly the students will tend to study at the home environment considering the flexibility and convenience
- Other places-With the rapid development of the technology, you get free accessibility to the internet via free Wi-Fi spots from almost everywhere.
- How do they buy? Consumers simply buy this due to the availability and accessibility of quick information. In addition to the e advertising in the virtual world, word of mouth communication through the avatars would be a one of the main marketing stimuli, because of the wider social network enables avatars to communicate each other.
- Who is important? In second life there are trials available before buying. There are virtual tours of programs, so students can get an idea before choosing a subject. Also reliability can be assured by Avatars' comments and recommendations
- What are their choice criteria? Having few choices would be easy for students, but there would be high evaluation criteria for these choices when they are tied up with value added services.
- When do they buy? Students will have the opportunity to engage at any time with their studies in the virtual world. This is more convenient, especially for the professionals with busy schedules.

4. Automobile Industry

As an industry which evolved through decades and also as an industry which supported human nation to evolve, automobile industry is giving us crystal clear examples to the concept of Marketing Myopia while providing both best and negative practices. Further, they illustrate clearly the four elements of self-deceiving cycle.

4.1 Population Myth

General Motors EV1 was First Purpose-built Electric Car was introduced in 1996. It was marketed as completely environmental friendly, efficient and as a cheap car. But it failed to capture the market. Automobile Industry was growing and moving towards Green Energy Concerns. GM was marketing and mulling over environmental benefits of their product. The consumers were not willing to buy EV1 because the top management at GM failed to structure their marketing program in such a way that it would offer the consumers the personal benefits of driving an EV1. Green marketing must satisfy two objectives which are improved environmental quality customer satisfaction. Though GM marketed the EV1 well, including the use of extensive customer surveys, they let the technology languish by focusing on more imminently profitable segments like SUVs. That is hardly a solace for investing more than \$1 billion on the EV1, including mass marketing, and having sold less than 800 units of it. The EV1 offered environmental benefits, but simply failed to meet consumer preferences. EV1 production was discontinued after 1999 and eventually it was taken off the road in 2003 by GM (Witzberg, 2008).

4.2 Cost Reduction through Mass Production

A comparison between KIA and Toyota is provided in Table 3.2 in understanding the customer orientation of two organizations.

Table 4.2.1: KIA versus Toyota on Cost Reduction through Mass Production

| KIA | Toyota |
|---|------------------------------|
| Mass Production | Mass Production |
| Rigid and supply-oriented production system | Demand-oriented production |
| Product Orientation | Flexible to market dynamics |
| Less Unit Cost of Production | Less Unit Cost of Production |
| Not fulfilling customer wants | Fulfilling customer wants |

Source: Author

KIA and Toyota both went for mass production but KIA lagged behind Toyota because of their product oriented attitude. Because of this, during the Asian financial crisis, Kia declared bankruptcy in 1997.

4.3 Extensive Focus on Research & Development

For a betterment of any business, investing on new technology, experiments, research and development is a vital factor. In automobile industry, focus on R&D creates a great competitive advantage on the business compared to the others in the market. At present the most attractive and appealing new feature of a vehicle is not related to comfort or a differentiated attribute of vehicle components. Rather, the focus on present automobile industry is on fuel efficiency. Fuel being a limited resource and soaring petroleum prices has created this situation in the industry.

GM has a very strong R&D capacity and Toyota too has an unmatched capacity for its R&D. With that, GM has introduced hybrid power trains, cylinder deactivation, six-speed transmissions and direct injection gasoline engines. But it is a costly bet on fuel cells has yet to pay off, and it is pursuing a risky, go-for-broke plan to develop the Chevrolet Volt. Similarly, Toyota also is developing its own plug-in hybrid. But even if it fails, Toyota still has the Prius.

The history of the Prius highlights one of Toyota's secret weapons, the patience to wait for the payoff on a big investment. According to Michael Wynn-Williams, a senior analyst at Global Insight, "only the wealthiest of companies can indulge in such projects. Toyota does not have a time horizon on its newest technologies or a deadline for earning a profit. It can afford to play the long game."(Greimel, 2008).

GM has a superior lineup of fuel-efficient diesel engines which may yet attract a mass market in America but Toyota still seems better able to make use of its technology. This is a bit of a myopic decision by GM because, GM has invested a lot in fuel-efficiency which is good and addresses the current tide in global climate changing aspects, but for a vehicle, it should have the affordability and fit to budgets aspect as well. In that case, Toyota has a competitive advantage over GM.

4.4 Idea of Indispensability

This concept of short sightedness is about having the faith of the superiority of the current product that the

organization is focusing on present. Also the feeling of non-availability of substitute products leaves a business in some sort of a stagnant state. This is clearly visible in the case of GM and Toyota. Toyota understood the rising requirement for the cost effective and green safe energy sources. This led to the focus of Toyota as well on the usage of battery power as a fuel instead of petroleum. Hybrid systems facilitated the use of alternating power sources, which have become core technologies for the 21st century. Toyota was not stuck in a myopic thinking about their existing vehicle models. Instead with their far sightedness, they researched about the battery power usage for fueling the car. Toyota grasped the fact that petroleum engines have a certain strengths and weaknesses vice-versa to the characteristics of electric motors. The engineers and researches in Toyota combined the best of both and created the hybrid vehicles which they claim to be the world's best hybrids.

5. Hard Boiled candy versus Sugar Free candy

Candies are popular among both kids and elders regardless of the age. However, today the consumer is moving towards a more diabetic nature due to high usage of sugary products, wrong food practices and bad lifestyle habits etc. With such diseases, people in foreign countries have moved to alternative candy varieties which are not/less sweetened, so the diabetic prone communities too can consume. But in Sri Lankan context, this is not yet popular, instead still the confectionaries are moving along with the past trend of mass production of hard boiled candies.

Darley Butler & Co Ltd is one of the major FMCG companies in Sri Lanka, marketing a range of consumer goods around the country. The major product in the food range is "Hacks" which is a medicated hard boiled candy marketed since 1945. The company has been only producing and marketing this product. However the company needs to look beyond manufacturing hard boiled candy for its long term survival. In this analysis, the foods division of Darley Butler is taken to explain how myopic thinking of the management is putting this division in a vulnerable position in the future.

5.1 Cost Reduction through Mass Production

Hard boiled candy is a mass production industry where the companies are benefited with declining unit costs as output rises. The profit is immense hence the companies are more focused on gaining profit. Selling candy is more focused in order to gain high profits rather than satisfying the customer needs.

According to a survey conducted by Ministry of Health, Sri Lanka, 1/3 of the population are going to be or will be diabetic within the next 10 years. In this backdrop, consumers are going to move away from consuming products which are high in sugar contain. Hence, candy being the most affordable and high in sugar is going to be a less popular product among the consumers.

The customer preference is changing with the possible health threats hence the company should turn their focus on producing healthy candy to cater to consumer requirements. Therefore, it is suggested that company needs to gear themselves to manufacture varied healthy

confectioneries for its long term survival.

5.2 Extensive Focus on Research & Development

In any industry research and development is a competitive advantage where the companies can explore new trends and develop new products. The focus of the said company has been towards developing products which are mainly sugar based. According to clear statistics, the company needs to direct the R&D team to produce new confectionery with sugar substitutes which are nature identical. The company is falling deeper in to the trap of working on economics of scale for its survival and profit making hence, neglecting the ever changing consumer preference. The company with its experience in manufacturing hard boiled candy will need only a few modifications to their existing machinery in order to produce a sugar free candy.

5.3 New product Development

The sugar free ingredient which could be used is ‘Stevia’ which is better than the use of artificial sweeteners that may cause harmful side effects.

Stevia is a sweetener and sugar substitute extracted from the leaves of the plant species “Stevia rebaudiana”. Unlike other sugar substitutes, stevia doesn’t add calories and 200 times sweeter than sugar. Stevia has been used as a medical treatment ingredient for hundreds of years. Today stevia is part of the sugar substitute market. (“What is Stevia?” n.d., para. 3)

The Management could look at developing a variety of new products which could be manufactured by Darley Butler & Co.

1. Soft boiled candy with a sugar substitute like Stevia
2. Sugar free Jelly candy with a center filled liquid
3. Sugar free Soft candy with variety of shapes (Disney characters & Animals)

All the above suggested products could be produced with the base being Stevia. This would make the product healthier and also keep the same appealing taste to the target market.

6. Traditional Retailing versus Contemporary Retailing

Retailing is the buying and selling of goods and services. Retailing industry initiated with small scale independent specialty stores and thereafter developed into integrated one stop shops which then developed into large scale super markets. Ever since there have been a number of developments in the retail industry as follows:

- A complete shopping experience whereby all different kinds of products were offered under one roof
- Ample parking
- Appealing shopping environment
- Development of discount stores
- E-commerce
- Mobile marketing

In the following section 3.2 and 3.3 of the report, an elaboration of successful companies that avoided marketing myopia and suggestions for local business to being non myopic are provided.

6.1 Successful Non Myopic Companies

6.1.1 IKEA

IKEA being a retail manufacturer and a retailer engages the customer in its designing stage and the value chain. Therefore the customer of IKEA is both a receiver as well as a shaper of the product. This thinking is encouraged by IKEA’s top management which avoids purpose of fateful thinking. Such involvement of customers ensures that customers are provided lower end prices for a higher end design. (“The Evolution of Retailing,” n.d., para. 27).

6.1.2 Adidas

Adidas stores utilize digital innovation (Radio Frequency Identification) in offering the customers a unique experience at some of their stores. Such digital technology is used at various points as follows:

1. Fit on rooms whereby a mirrored display interaction takes place
2. At the point of sale
3. Management of inventory systems
4. Interactive product development system where by a virtual mirror is used to develop the best match of a product for each customer

The company avoids itself from reaching the shadow of obsolescence which is another cause of myopia through the development of new shopping experiences. Further Adidas also highlights how they eliminate the hindrance of production pressures which is another cause of myopia. (“The Evolution of Retailing,” n.d., para. 29).

6.1.3 Singer mega

The Company has implemented a system in all its branches which enables any store assistant in providing a customer with information regarding the availability of a particular product that is not available in the given outlet which will then be followed up with the customer as to when the product can be delivered. The company has done extensive research and development in establishing a system that would indeed offer higher convenience for the customer, hence higher customer satisfaction. This can be identified as an elimination of the dangers of research and development.

6.2 Suggestions for the retail industry in Sri Lanka

Local retailers need to avoid myopic thinking for survival. Therefore the following are suggested for the local retail businesses.

6.2.1 Social networks as shopping platforms

Over the past years, brands have used social media to market their products, to interact with customers, and even make merchandising decisions. In 2015 leaked images from online retailer Fancy.com showed a mock-up of a new platform called” Twitter Commerce.” These branded tweets, which look just like normal tweets, can be expanded to reveal a Buy button that allows consumers to make a purchase from within the Twitter app.

6.2.2 Adopting and experimenting of the technology

- Point of sales technology: cloud based point of sales systems have proven that they can outperform old

fashioned registers in all aspects (performance, functionality) and an increasing number of retailers will recognize this and make the change.

- Beacons: beacon technology provides in store analytics and marketing solutions for brick and mortar retailers. The BLE (Bluetooth low energy) technology will give retailers a greater insight into customer purchases such as observing the customer the time a customer spends in each part of the store and how they navigate the store. There will also be developments to create powerful 1:1 offers for customers on the spot. ("How Beacons Influence Retail Sales," n.d., para. 4)
- Augmented reality: Modern phones have powerful GPS receivers, compasses and accelerometers that make it possible to know exactly where it's located and what they are looking at. Retailers, by combining augmented reality with localized SEO, are using this technology to reach consumers that, previously, were beyond their grasp. Augmented reality makes it easy for retailers to be matched up with relevant customers. Customers know how to locate businesses that are relevant to them, what businesses have to offer, and read up on other consumers' product reviews, all without looking further than their cell phones. ("The Evolution of Retailing," n.d., para. 29).

6.2.3 More commerce sites will set up shop offline

Pop-up shops are here to stay and they're fueling the retail revolution occurring. Bridging the online and offline gap is a necessary next step for small businesses to thrive in today's economy. Retailers who don't have an ecommerce site are selling themselves short just like how successful ecommerce merchants are missing out opportunities that selling offline could provide. Pop-ups are the perfect avenue for online stores to make flash appearances and get customers they couldn't reach before to connect with them in-person and if done properly, have them become intrigued enough to follow them online. ("The Evolution of Retailing," n.d., para. 29).

7. Conclusion

From the present study it was evident that even leading and well-performing industries have the presence of marketing myopic conditions which were proposed by Theodore Levitt. In analyzing the industries it was identified that the presence of myopic conditions was not a result of a limitation in marketing, but a result of the broader view of the industry/organization. Business organizations which are customer oriented adapt themselves to the market dynamics and outperform the rivals in the industry. Based on the analysis of the present study, the authors are of the view that "Marketing Myopia" is a concept which goes beyond marketing and is directly attributable to the management philosophy of an organization.

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