

## Characteristics of Production and Marketing Oriented Firms

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Agriculture always has been a production oriented activity. However, some people are beginning to realize that agriculture is marked not by a scarcity of goods, but by a scarcity of markets. As a result, these individuals see agriculture gaining more by being oriented outward—toward the market, instead of inward—toward the commodity. The

purpose of agriculture must be to satisfy people, not to produce endless piles of food and fibers.

The shift from “production orientation” to “market orientation” is not easy. Yet, it is essential if farmers and ranchers are going to share in profits generated by marketing systems. The first essential to achieving this shift is an understanding of the differences between a production and marketing orientation in the business of agriculture.

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### CHARACTERISTICS OF PRODUCTION AND MARKETING ORIENTED FIRMS

Business Elements or Functions	Characteristics		Organizational Effect or Viewpoint
	Production Orientation	Marketing Orientation	
<b>THE FIRM</b>			
Organizational Arrangement	Each farmer sells his own	Groups of farmers working together in marketing	Production: Each farmer sells his products after harvest in “existing” market. Marketing: Large scale firms with expert management employ wide varieties of marketing tools to learn, create and satisfy customer needs at a profit.
Management	Farm considerations dominate	Consumer considerations dominate	Production: Production and engineering personnel in highest executive positions. Marketing: Marketing personnel in highest level executive positions.
Environment	Agrarian and independence	Industrialization and interdependence	Production: Farming is a distinct identifiable activity; land oriented. Marketing: Farming is only part of the whole industry; people oriented.
Public Image	Outstanding farmer, first to try new varieties and techniques	Style and market leader	Production: Manage a farm that employs good techniques and workers. Marketing: Manage a market oriented business that is in tune with and cares about customers.
Competitor	One who produces the same product	One who satisfies the same customer needs	Production: Wheat is wheat. Marketing: Classifies products according to end use.
<b>THE PRODUCT</b>			
Concept	What it “is”	What it “does”	Production: The product is so many bushels, cwt. or tons. Marketing: Product is a bundle of customer need satisfiers.

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<b>THE PRODUCT (Continued)</b>			
Line	Narrow	Broad	Production: Few models and infrequent changes with little quality control. Marketing: Many models and frequent model changes with tight quality control.
Design	Yield and cost prime consideration	Style and appearance prime consideration	Production: The breeder and engineer dominate. Marketing: The stylist dominates.
Development	Suggestions stem from field performance and cost reduction	Suggestions stem from customer needs and whims	Production: Field testing (breeding, selection and yield). Marketing: Consumer testing (preference and market).
Packaging	Viewed as shipping protection device	Viewed as sales tool	Production: Chief concern is material handling and product protection. Marketing: Chief concern is boosting sales promotion effectiveness.
<b>THE MARKET</b>			
Market	All the people	Those who are benefited similarly by your product	Production: The market will get bigger as population grows. Marketing: Create variations of product to have as many markets as possible.
Demand	Aim to fulfill existing market	Manage consumer demand through advertising, promotion and product design	Production: What and how much people consume depends on production. Marketing: Develop sales through customer motivation and complete marketing program.
<b>THE FUNCTIONS</b>			
Order of Importance	1. Production 2. Financing 3. Marketing	1. Marketing 2. Financing 3. Production	Production: Begin by producing goods and end with their sale . . . maybe. Marketing: Create a market and produce to satisfy customers in that market.
Objective	Profits through volume	Profits through customer satisfaction	Production: Sell all that's produced. Marketing: Gear quantity, quality, form and timing of product to customers' needs.
Planning	Informal plans	Formal plans	Production: Short range; more emphasis on efficiency and cost. Marketing: Long range; more emphasis on goals, strategies and tactics to guide future effort.
Research	Technical research (inventive with the physical sciences)	Marketing research (analytical with the social sciences and physical sciences)	Production: Need to create new varieties, new technology to reduce unit costs and increase efficiency. Marketing: Need to cope with the growing size of markets and the large sums of money involved in marketing decisions.
Operational Emphasis	Maximize production	Maximize markets	Production: To produce as much as possible. Marketing: To find sufficient customers for the output.
Pricing	Emphasis on cost rather than market value	Emphasis on market value rather than cost	Production: Thinks in terms of cost and varying price to move the supply. Marketing: Thinks in terms of what customers will pay; how competition will react.
Production	Inflexible	Flexible	Production: Everything starts with farm and production. Marketing: Everything starts with markets and marketing.