

Studying the Effect of Market Orientation on Marketing Effectiveness Case Study: Hotels in Isfahan province

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Abstract

According to today's managers, marketing contains customer growth, i.e. paying attention to satisfaction and quality from the viewpoint of customer as well as his/her loyalty and effective relationship with the customer. Hence, organizations try to have loyal customers and inattention to the customer will be led to collapse of any business. As a result, market orientation is the prerequisite for successful operations of businesses. Therefore, firms can provide a superior value for consumers through considering market orientation and innovation and enhance customer loyalty. This enables the firm to achieve competitive advantage in comparison with other firms and obtains a better performance than its competitors accordingly and the planning in different scopes will have more effectiveness. The purpose of the current study was to investigate the effect of market orientation on marketing effectiveness. The hypotheses were studied using regression analysis and Friedman test by means of SPSS software. The study was conducted using descriptive-field method. All hotel managers and assistant directors in Isfahan province constituted the statistical population. The obtained results of regression test indicate the positive effect of market orientation on marketing effectiveness. Market orientation has a positive and

significant effect on components of marketing effectiveness including customer philosophy, operational efficiency, strategic orientation and marketing information.

Keywords: Marketing Effectiveness, Customer Philosophy, Operational Efficiency, Strategic Orientation, Marketing Information, Market Orientation

Introduction

The major changes that have been occurred in markets in recent decades due to latest advances of information and communications technology have persuaded the firms to look for strategies to enhance the ability to maintain their competitive advantage. One of the critical success factors in competition and maintaining the survival of firms is the ability of successful marketing of goods and services. Marketing can be helpful in directing the purposes, strategies and programs of the firm and makes it possible to achieve a superior performance and higher share of the market. Businesses have to improve their marketing capabilities in order to obtain superiority than their competitors and attract and maintain the customers. In other words, it can be stated that the condition for survival in any market is innovation and its prerequisite is to accept the principle of competition due to intensification of the competitive environment. It has been led to the importance of market orientation process instead of product orientation.

The global rapid and inclusive changes at the beginning of the 21st century have transformed the firms' operational environment so that managers and corporations have been forced to find new ways for actions to be able to remain in the global and domestic competition environment (Feizi, 2008). Nowadays, competition in the market has become a deeper and more professional concept and the least negligence in coordination with market changes and needs can be resulted in the firm's destruction. Given that competition in the market is intensified increasingly, responding the customers' needs to attract their satisfaction and create loyalty in them will become more important and firms should emphasize maintenance of current customers and establishment of long-term and profitable relationship with them. The main viewpoint of customer maintenance is that customer satisfaction should be provided through supplying superior value permanently. It is noteworthy that customer satisfaction is not adequate in modern business; rather customer loyalty should be considered in addition to satisfaction.

Tourism industry development is highly important for developing countries that are faced with problems such as high unemployment rate, foreign exchange restrictions and single product economy. Iran's economy too is highly dependent on crude oil export revenues and macroeconomic variables experience severe fluctuations during the time following the global oil price. Exhaustibility of economic resources and reserves like oil and gas has forced different countries to utilize the highly profitable tourism industry that has been introduced as the third pioneer and developing economic activity in the world to obtain more revenue. But why this industry has not been used well in Iran given to its high capacities and what are the obstacles and problems due to which this country ranked over 70 in the world in terms of tourism attraction? Considering these obstacles and challenges from one side and ignoring the modern marketing plans from the other side and necessity of paying attention to convergence with the market to attract customers and their loyalty the present study investigates the effect of market orientation on effectiveness of marketing activities in order to pave the way for the progress of this industry.

Research literature

The concept of marketing can be defined as a different organizational culture or business philosophy that places the customer at the center of firm's thinking about its strategy and operations. Sin et al. (---) believe that the concept of marketing has three elements of customer philosophy, achieving the purpose and integrated marketing. Although dimensions of market orientation are the focus of marketing literature, the number of studies in terms of creating a reliable measurement scale and empirical testing of this construct are very few. The concept of marketing is usually defined as a mental philosophy or method that directs allocation of resources and formulation of strategies for a firm. Market orientation is applied to activities that contain using the term marketing in practice. Paying attention to market orientation refers attempts of Narver and Slater (1990) and Cohli and Jovorski (1990). Since then this term was proposed as a scientific subject in marketing literature and several studies were performed to explain it. Taylor et al believe that market orientation is creating awareness about the market to predict the current and future needs of customers in order to disseminate this insight across all organizational units and extensive reaction towards it. This concept is more focused on obtaining, dissemination and application of the information as well as effective service relation about consumers' needs and demands. King and Kira (2004) claimed that market-oriented companies have information about all important buyers that affect efficiency of firms. They make strategic decisions about all sectors and implement them in full commitment. Also according to them market orientation in a business unit is the degree through which the business unit gains the information from customers and utilize it; devise a strategy for realization of customers' needs and utilize that strategy to respond customers' needs and demands. They have mentioned that the concept of market orientation is the heart of marketing theory. Such stimulation to create value for customers and obtain stable competitive advantage is the product of organizational culture that tries to promulgate and achieve a high degree of market orientation and at the same time creates superior performance too (Taleghani et al., 2012).

Intelligence market orientation across the firm associated with current and future needs of customers is dissemination of intelligence among the sectors in a firm and general reaction towards that intelligence. Market orientation is considered both inside and outside the firm and in the domestic market as well as the international and global markets (Divandari et al., 2009).

According to Narver and Slater (1990) market orientation is an organizational culture which is led to behaviors in a highly efficient manner that are essential for creating more value for customers and thus enhancing the business performance in the firm (Moradi & Moradi, 2010, p. 36).

Market orientation establishes some norms regarding information collection and extensive organizational responsiveness to the information related to customers (potential and actual) so that firms can precede the competitors in market analysis and reacting to its needs. They can do this through innovation in goods and services as well as capability to create customer value. It seems that market-oriented firms have competitive advantage in both the speed and effectiveness of their reaction towards opportunities and threats (Chirani & Pakpour Rudsari, 2011).

Effectiveness: one of the indexes for measuring success in any firm is the realization degree of the firm's purposes. Here success of any firm is determined given to that firm. This approach has been introduced as effectiveness in management literature. Indeed by effectiveness it is meant to examine effectiveness degree of performed actions to achieve

predetermined purposes. It is a degree according to which a firm achieves its intended purposes (Robins, 2007).

Effectiveness has a general concept. In a simpler term, it can be referred to as "doing things right". To put it differently, effectiveness shows to what extent the intended results have been obtained. This is while manner of utilization of resources to achieve the results is related to efficiency. In management literature, effectiveness has been defined as doing things right and efficiency as doing the right thing. The term effectiveness is placed inside the term efficiency. Efficiency has quantitative aspect but effectiveness has qualitative aspect (Mortazavi, 2011).

In order to evaluate effectiveness, familiar and conventional criterions such as s5 implementation, job security, training, participation, desirable and appropriate relations among employees and the management and priority of quality in all affairs can be considered. Several models have been proposed for the evaluation of effectiveness that are as follows:

Rational goal model: This model evaluates the corporation in achieving its purposes.

Resources system model: This model measures the ability of decision-makers in effective distribution of resources among the needs of corporate sub-systems.

Management process model: This model evaluates the capacity and productivity of various processes of management and decision-making, planning and budgeting in achieving the purposes.

Improvement model: This model evaluates the ability of the corporation as a work group in estimation of members' needs.

Bargaining model: This model evaluates the ability of decision-makers in achieving the resources and using them to solve the important problems of the firm.

Structural-functional model: This model measures usefulness of the firm's activities for social groups (Fegghi Farahmand, 2011).

Kotler's model is composed of five characteristics of effectiveness of the marketing unit that involve customer orientation philosophy, integrated marketing, marketing information, strategic orientations and operational efficiency. Each of these characteristics can be measured. Effectiveness of the marketing unit model adopts internal and external perspectives for marketing capabilities. Marketing effectiveness is not necessarily disclosed by the current sales and profitability. Satisfactory consequences might be due to the fact that a sector is located in an accurate time and place and not merely having a good and effective marketing management. Corrective action in marketing of that sector might change its position from good to excellent. Another sector might not show a good performance despite the proper planning in the marketing field. Marketing effectiveness standard is on the basis of the belief that the power of integrating customer orientation and organizational performance depends on the level of the integrated marketing effectiveness which covers different issues of marketing operations. Customer orientation philosophy, integrated marketing, marketing information, strategic orientations and operational efficiency are characteristics of Kotler's marketing effectiveness that adopts both internal and external perspectives for marketing capabilities. In this study four factors, i.e. customer orientation philosophy, marketing information, strategic orientation and operational efficiency were considered as components of marketing effectiveness. Hypotheses have been proposed according to this basis.

Hypotheses

Market orientation has a significant effect on existence of operational efficiency in service organizations.

Market orientation has a significant effect on existence of strategic orientation in service organizations.

Market orientation has a significant effect on existence of marketing information in service organizations.

Market orientation has a significant effect on existence of customer philosophy in service organizations.

Methodology

The statistical population included all hotel managers and assistant directors in Isfahan province. The number of hotels was equal to 55. All members of the statistical population were participated in the study because the sample size was small. Therefore, one-hundred thirty five questionnaires were distributed in the hotels and one-hundred five questionnaires were returned. The required data was collected using historical study and field study methods. Cronbach's alpha method was used to determine reliability; hence thirty five questionnaires were first distributed randomly among the participants and then the Cronbach alpha was obtained using SPSS software. This value for the whole questionnaire was equal to 0.933. Therefore, the questionnaire has a high reliability.

Quantitative statistical analysis methods including regression analysis and Friedman test as well as SPSS software were used for testing of hypotheses.

First, Kolmogoroff-Smirnoff test was applied to study data normality. The results indicated normality of data, because coefficient of significance was more than 0.05.

Table 2- Kolmogoroff-Smirnoff test to study normality of research variables

	Marketing effectiveness
Kolmogoroff-Smirnoff statistic	1.488
Significance level	0.07

Testing of hypotheses

Market orientation has a significant effect on existence of operational efficiency in service organizations.

The effect of market orientation on existence of operational efficiency in service organizations was studied using regression analysis. The following table shows indexes of the regression model.

Table 3- Indexes of the regression model

Durbin-Watson statistic	Estimating the standard deviation	Adjusted coefficient of determination	Coefficient of determination	Significance level	F
1.501	3.49545	0.265	0.273	0.000	34.600

Significance level of F-test related to the coefficient of market orientation is less than 0.05. Therefore, market orientation is effective on operational efficiency in service organizations. Value of the effect is equal to 0.715; it means that if operational efficiency is increased equal to one unit, market orientation in service organizations is increased equal to 0.715. As a result, the hypothesis regarding market orientation has a relatively weak effect on existence of operational efficiency in service organizations is confirmed.

Table 4- Results of the regression model

Model	Standard coefficient	Non-Standard coefficients		T	Significance level
	Beta	Standard deviation error	B		
Intercept	----	2.467	8.058	3.266	0.002
Market orientation	0.523	0.122	0.715	5.882	0.000

Market orientation has a significant effect on existence of strategic orientation in service organizations.

The effect of market orientation on existence of strategic orientation in service organizations was studied using regression analysis. The following table shows indexes of the regression model.

Table 5- Indexes of the regression model

Durbin-Watson statistic	Estimating the standard deviation	Adjusted coefficient of determination	Coefficient of determination	Significance level	F
1.512	3.00646	0.211	0.220	0.000	250.33

Significance level of F-test related to the coefficient of market orientation is less than 0.05. Therefore, market orientation is effective on strategic orientation in service organizations. Value of the effect is equal to 0.569; it means that if strategic orientation is increased equal to one unit, market orientation in service organizations is increased equal to 0.569. As a result, the hypothesis regarding market orientation has a weak effect on existence of strategic orientation in service organizations is confirmed.

Table 6- Results of the regression model

Model	Standard coefficient	Non-Standard coefficients		T	Significance level
	Beta	Standard deviation error	B		
Intercept	----	2.328	9.405	4.040	0.000
Market orientation	0.469	0.114	0.569	5.003	0.000

Market orientation has a significant effect on existence of marketing information in service organizations.

The effect of market orientation on existence of marketing information in service organizations was studied using regression analysis. The following table shows indexes of the regression model.

Table 7- Indexes of the regression model

Durbin-Watson statistic	Estimating the standard deviation	Adjusted coefficient of determination	Coefficient of determination	Significance level	F
1.849	4.02858	0.394	0.401	0.000	57.555

Significance level of F-test related to the coefficient of market orientation is less than 0.05. Therefore, market orientation is effective on marketing information in service organizations. Value of the effect is equal to 1.149; it means that if marketing information is increased equal to one unit, market orientation in service organizations is increased equal to 1.149. As a result, the hypothesis regarding market orientation has a strong effect on existence of marketing information in service organizations is confirmed.

Table 8- Results of the regression model

Model	Standard coefficient	Non-Standard coefficients		T	Significance level
	Beta	Standard deviation error	B		
Intercept	----	3.094	8.712	2.716	0.006
Market orientation	0.633	0.151	1.149	7.586	0.000

Market orientation has a significant effect on existence of customer philosophy in service organizations.

The effect of market orientation on existence of customer philosophy in service organizations was studied using regression analysis. The following table shows indexes of the regression model.

Table 9- Indexes of the regression model

Durbin-Watson statistic	Estimating the standard deviation	Adjusted coefficient of determination	Coefficient of determination	Significance level	F
1.878	3.33168	0.250	0.258	0.000	31.952

Significance level of F-test related to the coefficient of market orientation is less than 0.05. Therefore, market orientation is effective on customer philosophy in service organizations. Value of the effect is equal to 0.687; it means that if customer philosophy is increased equal to one unit, market orientation in service organizations is increased equal to 0.687. As a result, the hypothesis regarding market orientation has a relatively weak effect on existence of customer philosophy in service organizations is confirmed.

Table 10- Results of the regression model

Model	Standard coefficient	Non-Standard coefficients		T	Significance level
	Beta	Standard deviation error	B		
Intercept	----	2.480	7.374	2.974	0.004
Market orientation	0.508	0.122	0.687	5.653	0.000

Freidman test

Mean rank of the variables are compared in this section using Freidman test. The hypothesis was tested as below:

- H0: Mean ranks of variables are equal to each other.
- H1: At least one pair of mean rank of factors has a significant difference.

According to results of the following table, importance of the factors or independent variables under study is not equal in view of respondents, because significance level is less than 0.05. Therefore, mean ranks of different dimensions are not equal.

Table 11- Results of Freidman test

Chi square statistic	1435.305
Degree of freedom	9
Significance level	0.000

Mean ranks of these factors is shown in the below table. Mean ranks of customer philosophy and --- are higher than other factors and mean rank of operational efficiency is lower than other factors.

Table 12- Mean rank of factors

Factors	Mean rank
Market orientation	5.03
Operational efficiency	3.70
Strategic orientation	6.20
Marketing information	4.81
Customer philosophy	7.10
Marketing effectiveness	5.20

Discussion and conclusion

Market orientation creates some norms associated with data collection or extensive organizational responsiveness towards information related to customers (potential and actual) so that firms can precede the competitors in market analysis and reacting to its needs. They can do this through innovation in goods and services as well as the capability to create customer value. Based on the obtained results in the current study market orientation has a significant effect on existence of marketing effectiveness in service organizations.

Given that the effect of market orientation on existence of operational efficiency in service organizations has been confirmed through statistical tests it is recommended to managers to eliminate the weaknesses regarding product differentiation in the scope of marketing capabilities by coordination of services with the modern technology. Also, they can consider rapid offering of new services, reliable services, creating a distinct image of services and improvement of current services than the competitors in their operational plans.

Considering that the effect of market orientation on existence of strategic orientation in service organizations has been confirmed through statistical tests it is recommended to managers to eliminate weaknesses regarding competition orientation in the scope of market orientation culture through responding towards competitors' acts, identification of competitors' strategies as well as market opportunities based on competitive ability. Also it is recommended to managers to devise business purposes on the basis of customer satisfaction; propose the strategy of their firm based on accurate and on-time understanding of customer

needs. Moreover, strategies of the firm must be based on the issue that how it is possible to be valuable for customers and create value for them.

Given that the effect of market orientation on existence of marketing information in service organizations has been confirmed through statistical tests it is recommended to managers to consider customer satisfaction in their plans and recognize customers' viewpoints, environmental changes and consumers' preferences intelligently. Also it is recommended to act towards market orientation and consider customer needs using the obtained intelligence distribution among the sectors and employees through continuous relationship among different organizational units with the marketing sector, inform all employees of customers' satisfaction and show suitable reaction against competitors' actions, pay attention to customer's complaints and eliminate their dissatisfaction.

Considering that the effect of market orientation on existence of customer philosophy in service organizations has been confirmed through statistical tests it is recommended to managers to attach importance to customers' tastes and offer services according to their tastes; ask customers' idea about the quality of service offering to become aware of the quality and manner of service offering to customers; pay attention to customers' complaints about the type and manner of service offering to be able to attract customer satisfaction and create loyalty in customers and improve their performance indexes in this way.

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