

CUSTOMER ORIENTATION IN THE MARKETING ACTIVITY OF ROMANIAN COMPANIES

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Abstract:

Market orientation is used to describe the actual implementation of the marketing concept or in other words induces the idea that organizations which are market-oriented act according to the marketing principles. The scope of this article is therefore to investigate and empirically assess the perceived impact of customer orientation as main component of market orientation on business performance using a sample of Romanian companies. The research results reveal the importance of this dimension and of the items used to assess customer orientation on business performance and represents a starting point for further research in the field.

Keywords: market orientation, customer orientation, business performance, Romania

JEL Classification: M31

1. Introduction

A constant concern of economic literature was to identify the recipe for business success. What makes some businesses to grow faster than others, to be profitable in an increasingly competitive environment, to survive in times of crisis rather than others?

It is today widely accepted that in the face of increased competition strongly accentuated by phenomena such as economic and financial integration and globalization, performance cannot be achieved otherwise but giving the marketing activity an important role in the overall strategic approach to business.

Based on marketing principles crystallized in the literature in the 1960-1970's and continuing with more nuanced concepts as market orientation and further customer orientation, studies, both theoretical and empirical, proved that a long-term strategy cannot be set up without taking into account the needs, the characteristics and the types of customers the company addresses, without keeping in mind the market (competitors, political environment, specific conditions as national or regional particularities).

International flow of scientific research has shown since the 1990's an increasing interest for the concept of market orientation / customer orientation especially in relation to business performance.

In Romania, the absence of a competitive environment for forty years before 1990 annihilated the capacity of individuals and companies to conduct business taking into account the basic principles of market economy.

The Romanian economic environment has been characterized by a rocky evolution during the last twenty five years: major political, legislative and structural changes, the need to learn the market economy principles, several financial, and economic crises, the adhesion to the European Union in 2007, and the increased competition due to the accession in the common European market. Under these conditions, the researchers' interest for entrepreneurship in Romania began to emerge after 2000.

In this context the researchers, the practitioners, the entrepreneurs, and the companies became interested in developing marketing activities, build strategies or strategic orientations in order to successfully face the challenges posed by the economic environment.

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Building market orientation or more specifically, customer orientation as a strategic approach has been a widely debated topic raising many directions of research: how to define the concept, which are the components of such a strategic orientation, how to measure the market/customer orientation and how to determine the existence and the nature of the relation of these concepts to business performance. All these directions benefit of very little or no scientific investigation for the Romanian companies.

In this paper we intend to investigate how customer orientation impacts company performance. The paper is divided into two sections: the first part represents a review of the literature that addresses the concepts of customer orientation as the main component of market orientation, while the second part presents the results of an empirical study conducted on a sample of Romanian companies, aiming at testing the impact of customer orientation on perceived business performance.

2. A dual conceptualization market- customer orientation

The market orientation concept is a relatively new one in the literature but it benefits from an extensive research work over the last three decades, proving, on one hand the importance of this concept for the business activities developing in a growing competitive environment, and on the other hand, the fact that research conclusions did not draw the line but instead opened constantly new directions for investigation.

The market orientation concept initiated many debates in the literature: is it a philosophical concept or on the contrary is it the operational side of a wider philosophy? Is it a different concept or is it identical to the marketing orientation concept? What are the components of this concept? Which items might be investigated in order to obtain a clear proof that market orientation is present as a strategic baseline in the general business strategy?

The starting point in defining the market orientation is represented by the work of Narver and Slater (1990, p. 21) considering market orientation as the “*organizational culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and thus, continues superior performance for the business*”.

Subsequently, Kohli and Jaworski (1990, p. 6) conceptualized the market orientation as a firm behaviour rather than an organizational aspect stating that market orientation is the “*organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it*”.

Narver and Slater (1990) defined market orientation as a one dimensional construction combining three components: customer orientation, competitor orientation, and inter-functional coordination, with two items of decision making criteria (long term perspective and profit focus), and were pioneers in the process of measuring the market orientation. In their opinion to determine the existence of a market orientation and the liaison with the firm profitability it was relevant to include in the research 15 items out of which six regarded customer orientation and the rest were related to competitor orientation and inter-functional co-ordination.

Kohli and Jaworski (1990) and later Sin et al. (2003, p. 912) considered three dimensions of market orientation – intelligence generation, intelligence dissemination, and responsiveness to market intelligence.

The customer orientation as part of the market orientation according to Narver and Slater (1990, p. 21) “*includes all of the activities involved in acquiring information about buyers...in the target market and disseminating it throughout the business(es)*”.

Prior to that Shapiro (1988) designed a more specific definition of customer-orientation as “*the dissemination of information about customers throughout an organization, formulation of strategies and tactics to satisfy market needs inter-functionally and achievement of a sense of company-wide commitment to these plans*” (Shapiro, 1988).

In the same way that market orientation was investigated in extensive empirical researches mainly regarding the relationship to business performance, several authors linked customer orientation to firm profitability. Deshpande et al. (1993, p. 27) defined customer-orientation as “*the set of beliefs that puts the customer's interest first, while not excluding those of all other stakeholders such as owners, managers, employees, in order to develop a long-term profitable enterprise*”.

Since the 1990's the discussion regarding the components of market orientation evolved and new directions of investigation were raised. The initial opinion that seemed to be generally accepted seeing the customer orientation as a part of the market orientation found opponents as Deshpande et al. (1993) who considered customer orientation as part of the corporate culture and almost similar to the market orientation concept, or supporters as Grinstein (2008, p.117) who concluded in his study that the literature viewed market orientation as “*the organizational elements – culture and behaviours – that implement customer orientation*”.

The work of several researchers investigated the link between customer orientation and business performance. The results were heterogeneous even though a significant number of studies proved an association between customer orientation and profitability/business performance (Piercy, Harris and Lane, 2002; Liu, Luo, and Shi, 2003).

3. Research methodology and results

The research was aimed at assessing the perceived impact of several factor related to customer orientation on company performance. The study was conducted as an e-mail survey targeted at owners/managers of companies from Constanta County, between 30th of June and 15th of July 2014. The companies were contacted both via the local Chamber of Commerce and using the contact data from online companies catalogues. Finally, after eliminating the incomplete questionnaires, the analysis was conducted on a sample of 30 companies using SPSS (Statistical Data Analysis, version 20).

Customer orientation was measured using a five item scale considered to embody its' essence, partly adapted from Blesa and Ripoles (2009) – i1: research conducted in order to investigate customer satisfaction; i2: periodical meetings with customers to investigate their opinion on the company, company products/services, and means to improve company offer; i3: complete information offered to customers on company products/services; i4: periodical revision of products/services in order to meet customer needs; i5: monitoring closely customer relationships and taking action to communicate the advantages of company products/services. The importance of each item within the marketing activity of the company was evaluated using a five point semantic differential scale (from 1 – very low impact to 5 –very high impact). Regarding the business performance, we took up the subjective approach and relied on the perceived business performance. The respondents were asked to provide (also using a five point semantic differential from 1 (very poor) to 5 (very good)) an assessment of their business performance based on previous two years results in terms of profitability and sales growth.

The objectives of the research were therefore to assess the importance for marketing activity and the impact of the items considered to objectify most appropriately customer orientation on perceived company performance, and grasp the eventual differences of assessment due respondent characteristics.

Subsequently, the following *hypotheses of research* were formulated:

H₁: There is a statistically significant relationship between customer orientation and company performance.

H₂: There are statistically significant differences in assessing customer orientation importance due to the socio-demographic characteristics of the respondents.

The sample

In table no.1 there are presented the socio-demographic characteristics of the respondents. Most of the respondents are male (76.7%); as far as the age is concerned, the best represented interval is between 35 and 44 years old (46.7%), followed by 33.3% aged between 45 and 54 years old.

Table no. 1. Socio-demographic characteristics of the respondents

| Characteristic | Frequency | Percentage |
|-----------------------|------------------|-------------------|
| Gender | | |
| Male | 23 | 76.7 |
| Female | 7 | 23.3 |
| <i>Total</i> | <i>30</i> | <i>100.0</i> |
| Age | | |
| 26-34 years | 3 | 10.0 |
| 35-44 years | 14 | 46.7 |
| 45-54 years | 10 | 33.3 |
| 55-64 years | 3 | 10.0 |
| <i>Total</i> | <i>30</i> | <i>100.0</i> |

The profiles of the companies are presented in table no.2. Most of them are service providers (health services, consultancy and management services, tourism, security services, and IT), while the rest represent the fields of commerce, constructions and agriculture.

Table no. 2. Profile of the companies

| Company profile | Frequency | Percentage |
|------------------------|------------------|-------------------|
| Services | 16 | 53.3 |
| Commerce | 9 | 30.0 |
| Constructions | 3 | 10.0 |
| Agriculture | 2 | 6.7 |
| <i>Total</i> | <i>30</i> | <i>100.0</i> |

Most of the companies have less than 49 employees (80%), while 5 companies have between 50 and 249 employees and only one company has more than 250 employees (table no.3).

Table no. 3. Size of the companies

| Company size | Frequency | Percentage |
|-------------------------|------------------|-------------------|
| Less than 10 employees | 13 | 43.3 |
| 10-49 employees | 11 | 36.7 |
| 50-249 employees | 5 | 16.7 |
| More than 250 employees | 1 | 3.3 |
| <i>Total</i> | <i>30</i> | <i>100.0</i> |

Reliability test of the used scale

In order to test the reliability of the scale the Cronbach's Alpha score was computed. The score was 0.678 thus indicating an overall reliability of the utilized scale.

Importance of customer orientation scale items

Analysing the answers provided by the owners/managers of the companies in the studied sample, one may conclude that all items subject to investigation were appreciated as important. The most important item was considered to be *i5: monitoring closely customer relationships and taking action to communicate the advantages of company products/services*, with an average score of 4.77.

Correlation test – Customer orientation and company performance

A Pearson’s correlation test was conducted for the customer orientation and company performance and the test results (table no.4) indicate positive correlations between the variables, significant at 0.01 level.

Table no. 5. Pearson Correlation

| | | Customer orientation | Company performance |
|----------------------|---------------------|----------------------|---------------------|
| Customer orientation | Pearson Correlation | 1 | .498** |
| | Sig. (2-tailed) | | .005 |
| | N | 30 | 30 |
| Company performance | Pearson Correlation | .498** | 1 |
| | Sig. (2-tailed) | .005 | |
| | N | 30 | 30 |

** . Correlation is significant at the 0.01 level (2-tailed).

Testing the hypotheses

In order to test the first hypothesis a regression analysis was performed. The results (table no. 6) indicated that there is a statistically significant relationship between customer orientation and company performance, thus confirming the first hypothesis.

Table no. 6. Regression analysis

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|-------|-------------------|
| 1 | Regression | 3.015 | 1 | 3.015 | 9.226 | .005 ^b |
| | Residual | 9.151 | 28 | .327 | | |
| | Total | 12.167 | 29 | | | |

a. Dependent Variable: Company performance

b. Predictors: (Constant), Customer orientation

The second hypothesis was split into two, taking into consideration the two socio-demographic characteristics of the respondents present in the study: gender and age. Therefore, the resulted hypotheses are:

H_{2a}: There are statistically significant differences in assessing customer orientation importance between the two groups (female and male respondents).

H_{2b}: There are statistically significant differences in assessing customer orientation importance due to the age of the respondents.

The results of the Independent Samples T-test conducted in order to test the first of the two hypotheses are presented in table no.7.

Table no. 7. Independent Samples Test

| | | Levene's Test for Equality of Variances | | t-test for Equality of Means | | | | | | |
|-----------------------------|-----------------------------|---|------|------------------------------|-------|-----------------|-----------------|-----------------------|---|-------|
| | | F | Sig. | t | df | Sig. (2-tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference | |
| | | | | | | | | | Lower | Upper |
| CUSTOMER ORIENTATION | Equal variances assumed | .520 | .477 | -.539 | 28 | .594 | -.466 | .865 | -2.237 | 1.305 |
| | Equal variances not assumed | | | -.505 | 9.084 | .626 | -.466 | .923 | -2.551 | 1.619 |

The test revealed no statistically significant differences between male and female respondents in assessing customer orientation importance ($t=-0.539$, $df=28$, $p>0.05$).

For H_{2b} , an ANOVA analysis was conducted and the results are presented in table no.8.

Table no. 8 ANOVA

| CUSTOMER ORIENTATION | | | | | |
|----------------------|----------------|----|-------------|-------|------|
| | Sum of Squares | df | Mean Square | F | Sig. |
| Between Groups | 12.852 | 3 | 4.284 | 1.107 | .364 |
| Within Groups | 100.648 | 26 | 3.871 | | |
| Total | 113.500 | 29 | | | |

Considering the test results in the table above, the null hypothesis is accepted.

Conclusions

Considering the high importance of market orientation on business performance, the present paper aimed at assessing the importance of customer orientation and at empirically testing its' impact, as most significant component of market orientation, on perceived company performance, using a sample of Romanian companies.

The customer orientation scale used contained five items and all were considered as important by the respondents. The research results revealed that the respondents were aware of the importance of customer orientation within the marketing activity of the company and that there is a positive and direct relationship between customer orientation and perceived company performance.

Considering the rather reduced size of the sample used in this research and that the companies were based in only one region of the country, the study represents merely a first attempt and starting point for further research and analysis.

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