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The Impact of Market Orientation and Brand Orientation on Strengthening Brand Performance: An insight from the Beverage industry of Pakistan.

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Abstract

This research study aims to estimate the impact of market orientation and brand orientation on strengthening brand performance. The study tests whether elements of market orientation like customer orientation, competitor orientation and internal marketing function affects brand orientation and in turn whether brand orientation affects brand performance in beverage industry of Pakistan. A standardized questionnaire was distributed among different people pertinent to beverage industry (distributors, whole sellers, retailers, sales force and employees etc). A total of 2000 questionnaires were sent through emails and 483 effective responses were collected. The response rate is 24%. A model with hypotheses of the relationships between the constructs was built. The results of the structural equation model suggest that customer orientation and interfunctional coordination, has positive effect on brand orientation, while competitor orientation has a non-significant effect. Moreover, the study concludes that brand orientation has a substantial impact on strengthening brand performance.

Keywords: *interfunctional coordination, Market orientation, brand orientation and brand performance.*

Introduction

It is recognized fact among academics and savvy practitioners that market orientation and branding positively affect brand performance of firms. Although in some of the studies no clear relationship between the two has been found, researchers generally agree that market orientation affects positively on firm performance (González-Benito and González-Benito) directly or indirectly (e.g. Matear et al. 2002). Market orientation is seen to have a positive impact e.g. on profitability (Narver and Slater 1990), overall performance, employees' organizational commitment (Jaworski and Kohli 1993), market share growth, percentage of new product sales to total sales and return on investment (Matsuno, Mentzer and Ozsomer 2002).

Brand performance related concepts, such as brand strength and brand equity have been proven out to provide several positive outcomes for a firm. For example, high customer-based brand equity has been observed to correlate positively with financial performance and stock market value (Aaker and Jacobsen 1994). The research concerning brand performance has been multifaceted but only a little interest is given in brand orientation of firms. And very few studies in the prior literature deals with the question if brand orientation affects brand performance (Napoli 2006; Wong and Merrilees 2008). So in this context brand orientation and brand performance are still relatively little researched concepts. The study contributes in existing literature by examining both market orientation and brand orientation and how market orientation affects brand orientation, and further what kind of relationship brand orientation has on brand performance.

Review of Existing Literature:

Market orientation, brand orientation and brand performance

Market orientation has been specified as a culture of the organization that calls for customer satisfaction to be placed at the center of business activities (Liu et al, 2002) and as a result creates superior value for customers and stupendous performance for the firm (Day, 1994; Narver and Slater, 1990). Customer needs and expectations grow over time and delivering time after time high quality products and services and responsiveness to changing marketplace needs turn out to be vital for the success of firms (Jaworski and Kohli, 1993). Responsiveness to changing market needs often calls for the introduction of new products and services together with innovation capacity for a firm. Market orientation has also been described as the realization of marketing activities planned to satisfy customer needs better than rivals are able to satisfy customer needs (Martin and Grbac, 2003). While there is some unevenness in conceptualizations of market orientation, it normally concentrates on three components; 1) customer focus, 2) competitor focus and 3) interfunctional coordination (Celuch et al., 2002). All conceptualizations have an operational focus on information gathering, information diffusion and the aptitude to behaviorally respond to what is received (Baker and Sinkula, 1999).

According to Merrilees (2005) brand orientation refers to the "extent to which the brand becomes a middle and coordinating element or hub of a marketing strategy" Brand orientation lays the foundation for all marketing activities and thus it should be taken into account in the strategic marketing planning of a firm (Urde 1999).

Wong and Merrilees (2008) argue that brand may be seen as a means to attain competitive advantage and that it becomes a strategic plus for the firm in the long run. They state further that brand orientation should be seen as a prerequisite for companies that seek brand related performance.

While brand orientation illustrates firm's internal inclination to build and develop a brand, brand performance measures the success of the brand in the market. In the previous marketing literature brand performance is often discussed together with the concept of brand equity. According to Aaker (1991) brand equity is composed of brand name awareness, loyal customers, perceived quality and brand associations that add (or subtract) value to the product or service. Several empirical studies have been conducted testing the determinants of Aaker´s brand equity model in different industries (Pappu, Quester and Cooksey 2005; Baldauf, Cravens and Binder 2003; Kim, Kim and An 2003; Calderon, Servera and Molla1997). In recent studies measures of brand equity have been adapted to assess also brand performance (Chaudhuri and Holbrook 2001; Wong and Merrilees 2007; Wong and Merrilees 2008). In the prior literature some empirical evidence about the relationship between brand orientation and brand performance has been presented. According to the results of Wong and Merrilees (2008) brand orientation has a direct influence on brand performance.

Development of Hypotheses

In the light of above discussed literature four main hypothesis were developed

H1: Customer orientation positively affects brand orientation

H2: Competitor orientation is positively associated with brand orientation

H3: Interfunctional coordination has a positive effect on brand orientation

H4: Brand orientation is directly and positively related to brand performance.

Data Collection and methodology

An online questionnaire was sent out to 2000 people covering varying sizes from the region of southern part of Punjab Pakistan and 483 responses were received, the response rate being 24 percent. To estimate market orientation 17 preliminary item were evaluated based on literature discussed above while brand orientation and brand performance was estimated with four items each, these four items were extracted from the work by Wong & Merril

ees 2008. First of all, exploratory factor analysis was performed with the principal component method. While varimax rotation was used to verify that each construct of study is separate from each other.

Thereafter, to test the expected relationship between constructs the structural equation modeling was applied.

Results

Preliminary factor process shaped a five-factor solution with eigenvalues greater than 1. This factor method was applied to 25 items in which 17 items were to estimate market orientation, 4 were estimating brand orientation and remaining 4 were measuring brand performance. Factor loading less than 0.50 were dropped from the analysis

To assure practical significance, factor loadings less than 0.50 were suppressed (Hair et al., 1998) and as a result one measure item from market orientation section is deleted and another factor solution was generated with the remaining 24 items. It consists of five factors with eigenvalues greater than 1 representing 76.3 percent of the total variance of the variables (Table 1).

Table 1: Factor Solution

Measure items (Alpha)	Initial eigven value	Varience explained %	Factor loading
Customer orientation (0.889)	11.558	17.210	
We are very much committed to customers			0.721
We search innovations to create customer value			0.715
We use customer feedback to do a better job			0.773
Customer satisfaction is our top objective			0.800
We review customer satisfaction on a regularly			0.564
After-sales service is an important part of our business strategy			0.710
Competitor orientation (0.917)	2.560	17.110	
We regularly monitor our competitors' marketing efforts			0.849
We frequently collect data about our competitors to help support our marketing			0.829
Our people are instructed to monitor and report on competitor activity			0.782
We respond rapidly to competitors' actions			0.788
Our top managers often discuss competitors' actions			0.686
Inter-functional coordination (0.896)	1.493	13.779	
Market information is shared inside our organization			0.660
Persons in charge of different business operations are involved in preparing business plans/ strategies			0.754
We do a good job integrating the activities inside our organization			0.737
We regularly have inter-organizational meetings to discuss market trends and developments			0.750
In our firm we regularly discuss customer needs			0.571
Brand orientation (0.966)	1.564	14.952	
Branding is essential to our strategy			0.840
Branding flows through all our marketing activities			0.812
Branding is essential in running this company			0.852
The brand is important asset for us			0.824
Brand performance (0.895)	1.150	13.351	
We have reached desired image in market			0.829
Our firm has a strong reputation			0.868
Our firm has built a strong customer brand loyalty			0.786
Our brand has a strong brand awareness in the market			0.738

Note: KMO measure of sampling adequacy = 0.948; Chi-square = 8205.080; Bartlett's test of sphericity, $p<0.001$

Amos software was used to perform the analysis (Figure 1). Although the chi-square test suggested to reject the resulting model (p<0.001; x 2 (245)=878.1), which is due to larger sample size, the model received an adequate model fit with CFI=0.94, IFI=0.94, RFI=0.90, NFI=0.92, GFI=0.87, AGFI=0.84, RMSEA=0.07. The results confirm that a strong correlation exists among three constructs of market orientation. Customer orientation has the biggest and positive impact on brand orientation because standard estimate is 0.39 for customer orientation and is highest among the three constructs of market orientation. It can be observed in the figure of SEM that interfunctional coordination also producing positive impact on brand orientation with standard estimate 0.25 but this impact is small as compared to customer orientation. These two estimates are positive and produce favorable results for H1 and H3. Thus hypothesis H1 and H3 are true. However, H2 cannot be accepted because the regression weights show that competitor orientation has a non-significant effect (p>0.05) on Brand orientation. Similarly, brand orientation has a positive impact on brand performance (0.57) suggesting that H4 is also true and providing further evidence of the positive relationship between these two constructs.

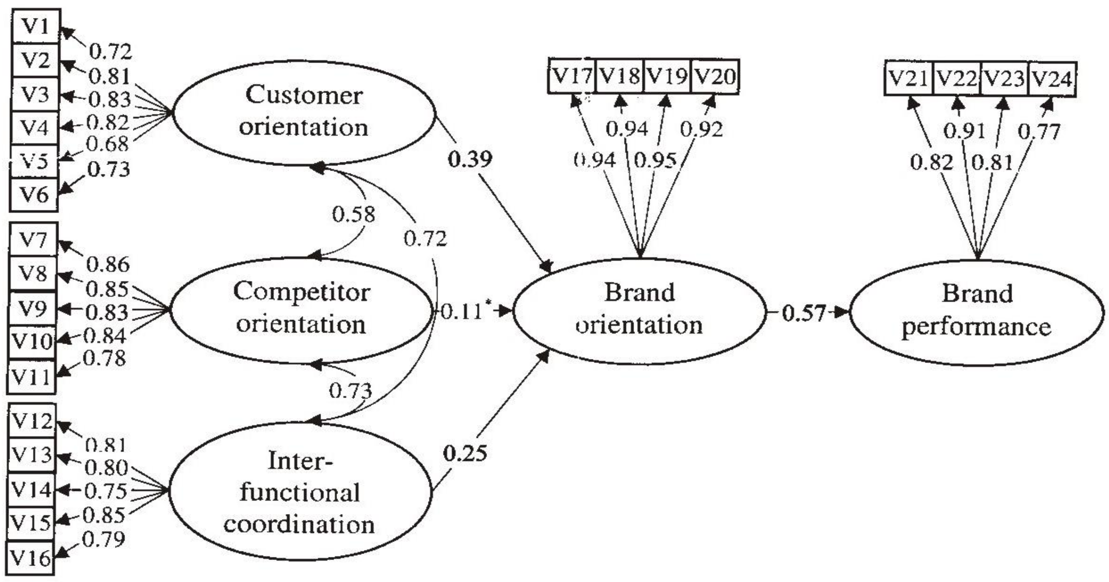

Figure: 1- Structural Educational Model, showing the relationships and results of standard estimates.

Conclusions

The results of this study show that market orientation, brand orientation and brand performance are related constructs. Moreover customer orientation and interfunctional coordination, has the positive effect on brand orientation which in turn affects brand performance positively. The results of the study empirically verify the conceptual work by Reid, Luxton and Mavondo (2005) who suggest that the customer is the major link between market orientation and brand orientation. The study also indicates that competitor orientation has no significant effect on brand orientation. As mentioned in the prior literature (Urde 1999; Wong & Merrilees 2008) the model of this study also shows that market orientation precedes brand orientation. Furthermore, it can be concluded that market orientation and brand orientation are related to enhance brand performance. Thus those firms that are more market- and brand-oriented have stronger brands than those companies which are not oriented towards markets and brand building. Better brand performance lays down the foundation for higher brand loyalty and good image building. Thus better brand performance provides high ROI. Therefore, managers should pay attention to market sensing and brand building activities. They should realize that brands are strategically important assets through which companies can achieve market-driven competitive advantage.

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