An Exploration of The Meaning and Outcomes of a Customer-Defined Market Orientation

Dave Webb
University of Western Australia
Cynthia Webster
Mississippi State University
Areti Krepapa
Cardiff Business School

To date the marketing literature has failed to substantiate the linkage between market orientation and customer satisfaction. This is surprising particularly when considering the attention that has been given to the implementation of the marketing concept in recent years. Furthermore, market orientation is not yet commonly positioned as a customer-defined organization state, despite the literature strongly promoting the importance of customer perceptions when determining extent of organization success. The exploratory research reported here supports the customer-defined position and seeks to redress this gap in the context of the services industry. An analysis of customer perceptions of market orientation suggests that a reduced and amended version of a well-known market orientation measurement instrument can meaningfully be applied to customers, and that a strong relationship exists between customer-defined market orientation and both service quality and customer satisfaction. The discussion of findings is facilitated through the adoption of an amended satisfaction/dissatisfaction motivation theory model. In addition, areas for further research are proposed. J BUSN RES 2000. 48.101–112. *© 2000 Elsevier Science Inc. All rights reserved.*

The key to a firm's economic success is developing a sustainable competitive advantage (SCA) (Porter, 1985), and the key to developing a competitive advantage is consistently creating superior value for customers (Slater and Narver, 1992; Narver, Slater, and Tietje, 1998). The marketing literature suggests that a necessary prerequisite to achieving a competitive advantage and providing superior value for customers is the development of a market orientation (e.g., Kohli and Jaworski, 1990; Narver and Slater, 1990; Pitt, Caruana, and Berthon, 1996). However, past research has almost exclusively considered a market orientation as an "employee-perceived phenomenon," and as a result, subsequent studies pertaining to a firm's market orientation generally have been based on employee self-reports.

Although Drucker's (Drucker, 1954) comment that marketing is not a specialized activity, but rather "the whole business seen from the customer's point of view," was made over four decades ago, only recently has a customer-defined market orientation position been proposed. Adopting a customer-centered view of market orientation, Deshpandé, Farley, and Webster (1993) used the term "customer orientation" synonymously with "market orientation" to argue that the evaluation of a firm's level of customer-orientation should come from customers rather than the company itself. They emphasize that it is the customers'—as opposed to the sellers'—perceptions of the level to which a firm is customer oriented that will be the critical measure of business performance. Indeed, their empirical rejection of the hypothesis stating that marketer self-reported customer orientation is related positively to business performance, and their acceptance of the hypothesis stating that customer self-reported customer orientation is related positively to business performance adds further testimony to the importance of a customer-defined market orientation. Furthermore, in a contrasting model assessment incorporating three market orientation measurement instruments (i.e., those advanced by Kohli and Jaworski, 1990; Narver and Slater, 1990 and Deshpandé, Farley, and Webster, 1993), a factor analysis resulted in a synthesized 10-item marketing orientation scale (Deshpandé, Farley, and Webster, 1993). The authors note that the 10 items seem to have intuitive integrity because they all regard a customer-focused notion of market orientation.

Thus, drawing on Drucker's (Drucker, 1954) comment and Deshpandé and colleagues' (Deshpandé, Farley, and Webster,

Address correspondence to C. Webster, Mississippi State University, Department of Marketing, Box 9582, Mississippi State, MS 39762. Fax: 601-325-7012; E-mail: cwebster@cobilan.msstate.edu

Journal of Business Research 48, 101–112 (2000)

655 Avenue of the Americas, New York, NY 10010
ISSN 0148-2963/00/$–see front matter
PII S0148-2963(98)00114-3

1993; Deshpandé and Farley, 1998) research, it seems not only intuitively logical but also necessary to view market orientation from a customer vantage. This view appears even more compelling in cases where organization "perceptions of reality" are out of sync with those of its customers (Deshpandé, Farley, and Webster, 1993). In such cases, defining and evaluating market orientation from an employee vantage appears even more tenuous.

The research reported here advances the customer-defined position and argues that the adoption of the employee-defined view of market orientation is one-sided and myopic in that it ignores the vital role of customers in terms of value recognition. We suggest that an organization can be described as market-oriented only when the firm's total product offer is both recognized and described by customers in value terms. In other words, a firm can be accurately labeled as "market-oriented" only when customers perceive it as such and when they perceive that the firm offers considerable value to them. We advance therefore that market orientation, as an organization state, is not wholly definable by employees, and that beneficial strategic insights can be gained by firms when they view market orientation from a customer vantage.

In addition, acceptance of the proposed relationship between market orientation and customer satisfaction is more appealing where both constructs are measured from a customer vantage. In other words, if consumers view a firm as being highly market oriented, they are more likely to have a high level of satisfaction with that particular firm. While the explication of the market orientation and customer satisfaction relationship may first appear somewhat tautological, it is important to note that the relationship has not been empirically investigated. If market orientation is a form of organization culture (as proposed by Narver and Slater, 1990; Deshpandé, Farley, and Webster, 1993; Day, 1994; and Narver, Slater, and Tietje, 1998), then we forward that the empirical validation of its proposed linkage to customer satisfaction deserves explicit consideration. Should a positive relationship result, rationalizing the necessity for the development of a market-oriented culture would become all the more palatable for organizations.

Given the considerable extent to which customer satisfaction is discussed as a key strategic issue in the business literature, it is surprising to find that no empirical study has yet explicitly examined the relationship between customer-defined market orientation (CDMO) and customer satisfaction. The current study adds to the existing literature in several ways. First, the market orientation and organization outcome framework is extended by offering a conceptual model in which CDMO is positioned both as an antecedent of service quality (SQ) and customer satisfaction (CS). Second, a market orientation scale is modified to accommodate a customer-defined position. Third, the validity and reliabilty of a number of competing customer-defined market orientation models are examined. And fourth, the relationships between a CDMO and both CS and SQ are investigated.

We begin by reviewing the literature on the conceptualization and implementation of the marketing concept and the linkages among market orientation, service quality, and outcomes (performance and customer satisfaction).

Literature Review

Implementation of the Marketing Concept

For decades, the marketing concept has been heralded by marketing academicians and practitioners to the extent that its acceptance as the optimal marketing management philosophy has been almost universal (Houston, 1986). However, many have expressed concern about the implementation of the marketing concept, declaring it is not a practical basis for managing a business (e.g., Kotler, 1991; Day, 1994).

Perhaps the difficulty associated with the practice of the marketing concept stems from a lack of consensus regarding its meaning, what it means to implement the concept, and the term to describe the latter. In general, the meaning and implementation of the marketing concept has been referred to as being "customer oriented," "market driven," "market oriented," and "marketing oriented."

The terms "market driven" and "customer oriented" are considered as interchangeable concepts by Shapiro (1988). Moreover, he emphasizes that for a company to be considered market driven or customer oriented, three characteristics must be evident. First, information on salient buying influences must permeate each corporate function. Second, strategic and tactical decisions must be made interfunctionally and interdivisionally. And third, divisions and functional units must make coordinated decisions and execute them with a sense of commitment.

The terms "market driven" and "market oriented" are viewed synonymously by Slater and Narver (1992, 1994). They propose that these two terms refer to the development and maintenance of an organization culture that most effectively and efficiently creates superior value for consumers and continuous, superior performance for the firm. They propose further that a market orientation consists of three key dimensions: a customer orientation, a competitor orientation, and interfunctional coordination (coordinated utilization of company resources in creating superior value for target customers).

On the other hand, market driven and market oriented are viewed as different constructs by other authors. For example, Day (1994) applies the term "market driven" to firms that maintain close contact with their customers, more specifically arguing that such firms are superior in their market-sensing and customer-linking capabilities. Shapiro (1988) views being "market oriented" in a more comprehensive manner and posits that it represents a set of processes touching on all aspects of the company. He emphasizes that a market orientation is much more than "getting close to the customer." Similarly, Kohli and Jaworski (1990) argue that a market orientation is an overall organizational value system, one that provides strong norms for the generation, dissemination, and responsiveness to intelligence.