Influence of market orientation and strategy on travel industry performance: an empirical study of e-commerce in Taiwan

Jyh-Jeng Wu*

Graduate School of Business Administration, Providence University, 200 Chungchi Rd., Shalu 433 Taichung, Taiwan

Abstract

The purpose of this research is to investigate the effects of strategy and market orientation on the performance of the travel industry. Using the Taiwanese travel industry's electronic commerce as a primary research target, this paper will use the "contingency–structure–result" framework. Employing factor analysis and the Linear Structural Relations method for verification, the results indicate that the marketing departments still possess influence, and that strategy and market orientation affect performance through "customization" and "marketing influence".
© 2003 Elsevier Ltd. All rights reserved.

Keywords: Electronic commerce; Strategy; Market orientation; Marketing influence

1. Introduction

The Internet is an unprecedented invention that has reached 50 million users after only a short period of time. Because of its low cost, high speed, and ability to link physically disparate bodies of information, the emergence of e-commerce has had a significant impact on both marketing methods and consumer behavior. According to a report put out by MIC (Market Intelligence Center, Taiwan's leading IT industry analysis and consulting service provider) in 2001, the growth rate of businesses in the Asian electronics market from 2000 to 2004 will be 87%, which is only slightly less than the growth rate in Europe (118%). The report also states that the Asian electronics market in 2000 is the equivalent of 5.4% of all global electronic transactions and will grow to 8.9% in 2004. This research states that Taiwan's electronics market in 2000 did business totally NTD\$ 3.95 billion (USD\$ 0.11 billion), which increases 142% in 2000 than in 1999. Most of this business is found in three industries: travel services (52%), 3C (Computer, Communication, and Consumer) products (27%), and books and journals (5%). Furthermore, there will be an estimated 6 million users in

Taiwan by the end of 2001. The report also states that e-commerce will continue to grow: the number of mail orders is swelling, on-line banking business will open, the on-line environment is developing well, and Internet gaming is becoming quite popular. According to other investigation by the Yam search engine (www.yam.com.tw), the number of people who have never used the Internet for shopping is gradually decreasing every year in Taiwan (76.3% in 1999, 60.6% in 2000, and 44.5% in 2001). However, there is still room for tremendous growth. Internet shopping behavior related to travel and tourism has grown from 7.2% in 2000 to 10.7% in 2001.

The extant literature, however, has not yet to address how market orientation and strategy together influence organization performance (Kohli & Jaworski, 1990; Han, Kim, & Rajendra, 1998). The main goal of this research is to investigate the strategies and market orientations that travel and tourism service providers have considered ever since the advent of the Internet. The secondary goal is to discuss how the effects of strategy and market orientation on the performance of customization and marketing influence form an overall model to verify the changes in the travel and tourism industry in the electronic commerce environment.

This paper seeks to propose a "contingency–structure–result" framework. Section 2 will discuss some literatures, including the introduction of Taiwan's on-line travel

*Tel.: +886-4-2632-8001x13313; fax: +886-4-2631-1187.

E-mail address: jjwu@pu.edu.tw (J.-J. Wu).

industry, market orientation and strategy typology, marketing influence and customization, and performance and concept framework. Section 3 will analyze research designs, including pilot-test, measurement of variables, and sampling method. Section 4 will show the research result, including factor analysis and structure model fit. The discussion of the result and a conclusion will be presented in Section 5. We argue that the marketing departments still possess influence, and that strategy and market orientation affect performance through "customization" and "marketing influence".

2. Literature review

2.1. Internet and the travel industry

Nothing seems to have affected the travel industry as much as the Internet. It is clear that this is no fad, and that the Internet is reshaping all forms of commerce and competition. The world now functions in a 24×7 (24 h/day, 7 days a week) economy (Connolly & Olsen, 2001).

According to the distinctive approaches practiced by Buhalis and Licata (2002), currently, travel industry in Taiwan could be distinguished into "Traditional tourism e-Mediaries" and "New tourism e-Mediaries". Traditional tourism e-Mediaries mainly applies Global Distribution System (GDS) and Computer Reservation Systems (CRS). The three systems employed by GDS are ABACUS, AMADEUS and GALILEO, which were introduced to Taiwan around 1990. CRS acts as a medium between upstream supplier and downstream travel agency (or it could contact the customers directly). CRS comprises a massive database and rapid communication system to provide travel information and transmit reservation data to the customers, and through it, the customers could also access the instant reservation information.

New tourism e-Mediaries, rising along with the growth of Internet and electronic commerce, has changed entire "Business to Business (B2B)" and "Business to Consumers (B2C)" relationships, and at the same time, changed consumer behavior and attitude. The consumers have gradually accepted independent search and reserving travel packages on the Internet. The broad application of the Internet also creates a new traveling market on the Net.

The trade amount of traveling market on the Internet has long been the top of B2C electronic commerce in Taiwan. According to the result investigated by NetValue, in a single month, the average number of visitors searching on Taiwan's traveling websites came up to 1,820,000 in the second quarterly of 2002. Comparing to the same period in 2001, it raised 1.7 times of visitors. Among the traveling websites, the most popular ones include Easy Travel (www.eztravel.com.tw), Lion Travel (www.liontravel.com.tw), and Easy Fly (www.ezfly.com.tw). Priceline (www.priceline.com), which has obtained profit in America, hold good expectations for Taiwan's market; it has prepared its website for a long time and is ready to join this competitive market.

2.2. Market orientation and strategy typology

Many scholars have investigated the application of strategy in the travel and tourism industry (Olsen, West, & Tse, 1998; Connolly & Olsen, 2001), and an increasing number of scholars are discussing the relationship between market orientation and performance (Narver & Slater, 1990; Kohli & Jaworski, 1990; Han et al., 1998). Whether or not market orientation directly affects performance, or affects performance via other variables, has also invoked much academic discussion (Han et al., 1998). However, most scholars agree that market orientation is one of the important variables (Jaworski & Kohli, 1993).

Market orientation could be divided into consumer orientation, competitor orientation, and cross-functional coordination, and pointed out that market orientation is the value system of an organization (Kohli & Jaworski, 1990; Narver & Slater, 1990). Market orientation denotes market information regarding the present and future needs of consumers, the dispersion of cross-department information, and the reaction of the organization towards information. "Consumer orientation" is information gathering focused on the preferences and needs of consumers. "Competitor orientation" is information gathering about competitor potential and tendencies. "Cross-functional coordination" is the coordination of organization resources for collating and dispersing market information. In support of their framework, each of which is engaged in intelligence generation, dissemination, and responsiveness to the collected information. Moreover, scholars proposed that the three core components are equally important and positively impact to performance (Narver & Slater, 1990; Kohli & Jaworski, 1990; Han et al., 1998).

Scholars have investigated whether or not market orientation and innovation conflict with each other, and separated strategy orientation into market orientation and innovation orientation. Innovation orientation means being able to produce goods capable of generating the maximum profit, quality, and monetary value in accordance to consumer preferences, or possessing a technological advantage (Han et al., 1998; Berthon, Hulbert, & Pitt, 1999).

Another determinant in the dimension of contingency is strategy typology. Miles and Snow (1978) claim different functional departments will employ different strategies. Naturally, as their idea was formed in the 1970s, prior to the introduction of the Internet, we