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The role of perceived market orientation in the higher education sector

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ABSTRACT

The purpose of this paper is to examine the relationship between perceived market orientation, satisfaction, loyalty, and post-enrolment communication behaviour in the higher education context. 258 questionnaires were completed by undergraduate students of a particular university in Australia. Perceived market orientation (PMO) was found to be significantly related to satisfaction, loyalty, and post-enrolment communication behavior. Satisfaction was also found to perform significant mediating roles on the relationship between PMO, loyalty, and post-enrolment communication behaviour. The findings have generated relevant managerial implications as to how universities can enhance student satisfaction, loyalty, and positive word-of-mouth (WOM) through strong engagement in each dimension of market orientation.

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1. Introduction

The increasingly competitive environment being experienced by both the commercial and non-profit sector has led to the adoption of market orientation by various organisations, including higher education institutions. This has led to an extensive research of how higher education institutions can effectively implement market oriented activities and behaviour to remain competitive in the international education market (Flavián and Lozano, 2006; Ma and Todorovic, 2010).

Since its conception, the notion of market orientation has been largely regarded as an employee-perceived phenomenon as most studies have utilised employees as study participants (Gounaris et al., 2003). In contrast, the notion of market orientation from a customer perspective—so-called perceived market orientation (PMO)—has received relatively little attention in the marketing literature on the non-profit sector, despite the fact that PMO has been shown to have a significant influence on organisational performance through such constructs as customer satisfaction and customer commitment (Baker et al., 1999; Krepapa et al., 2003). Indeed, within the higher education sector, only two empirical studies have examined the impact of PMO on organisational performance (Voon, 2006, 2008). It is thus apparent that there is a significant gap in the research literature in this area.

Due to the intensified competition within the sector, higher education institutions are becoming more customer-oriented and resorted to the implementation of integrated marketing approaches to attract enrolments (Wasmer et al., 1997; Wright, 2000). Higher education institutions must focus on developing a strong market orientation as part of their integrated marketing approaches (Judson et al., 2009). While the notion of market orientation has been linked with organisational performance in commercial context (Jaworski and Kohli, 1993; Narver and Slater, 1990; Ruekert, 1992; Slater and Narver, 2000), little attention has been devoted to the examination of market orientation within the higher education sector.

The examination of market orientation from the perspective of the students is an important topic of research. Previous studies have examined market orientation from customer perspective because "... the adoption of [an] 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" (Webb et al., 2000, p. 102). With this research gap in mind, this study focuses on the examination of market orientation from student perspective (perceived market orientation). More specifically, this study examines the impact of perceived brand orientation on satisfaction, loyalty, and post-enrolment communication behaviour. With perceived market orientation as the focal construct, this study seeks to accomplish two objectives:

- (i) To examine the relationship between PMO, satisfaction, loyalty, and post-enrolment communication behaviour and,
- (ii) To examine the mediating effects of satisfaction on loyalty and post-enrolment communication behaviour.

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2. Literature review and theoretical framework

2.1. Perceived market orientation in the higher education sector

Since the early 1990's, universities have embraced the notion of market orientation and customer orientation in designing its program to appeal to the international student market (Wilkinson, 1993). The recent economic downturns and government funding cuts experienced throughout the world have further intensified the competitions within the education sector. This, coupled with the increasing student mobility, the growing attractiveness of vocational alternatives, and the increasing geographical vicinity between universities have necessitated the need for universities to adopt a market orientation philosophy (Flavian and Lozano, 2007). Trang Phuc (2011) argued that the adoption of market orientation is a logical response by universities to cope with the increasingly competitive environment.

In light of the absence of student-perceived market orientation studies in the literature, Voon (2006) developed and validated a measure of measurement of university market orientation which is examined from student perspective. Voon (2006, p. 219) labelled the construct as service-driven market orientation (SERVMO), which is defined as "the set of beliefs, behaviours, and cross-functional processes that seriously focuses on continuous and comprehensive understanding, disseminating as well as satisfying the current and future needs of the target customers for service excellence." SERVMO consists of the following six dimensions:

- *Customer orientation*: Organisational activities that aim to acquire information about consumers to facilitate an understanding of the target market's present and future needs (Narver and Slater, 1990).
- *Competitor orientation*: Organisational activities that are designed to provide an understanding of the short-term strengths and weaknesses, together with the long-term capabilities and strategies, of key competitors (existing and prospective) and their environments (Slater and Narver, 1994).
- *Inter-functional coordination*: "The coordinated utilization of company resources in creating superior value for target customers" (Narver and Slater, 1990, p. 22).
- *Long-term orientation*: "Forward looking and futuristic orientation of serving the target market" (Voon, 2008, p. 220).
- *Performance orientation*: An emphasis on quality and excellence to create superior customer value (Narver and Slater, 1990).
- *Employee orientation*: An employee-centred organisational climate which provides a warm and supportive environment to support staff with the goal to deliver superior customer service (Zhang, 2010).

2.2. Loyalty

Customer loyalty is defined as a 'deeply held commitment to rebuy or repatriate a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour' (Oliver 1997, p. 392). In the context of higher education, student loyalty consists of attitudinal and behavioural components. The attitudinal component relates to cognitive, affective, and conative elements whereas the behavioural component relates to decisions that students make regarding their options to move to another university for their current or future studies (Henning-Thurau et al., 2001). Helgesen and Nasset (2007) suggested that student loyalty can relate to the period when a student is enrolled at the university as well as after the student finishes his or her studies. This is important because the goal of universities is not only to encourage students to maintain

their current enrolment, but also to encourage them to do further studies at the same university.

The relationship between market orientation and loyalty has been examined mainly in business to business relationships. A market-oriented firm endorses the growth of long-term relationships with its customers (Gereffi and Memedovic, 2003). Past studies have found that market orientation is positively related to loyalty through communication, satisfaction, and trust (Maria Josa et al., 2007). A study by Dean (2007) has also found a positive link between perceived customer orientation and customer loyalty in the form of affective commitment.

A recent study by Raciti (2012) has confirmed that the relationship between students and university staff positively affects student loyalty. Market-oriented universities tend to prefer long-term relationships with students, perhaps because they understand the needs of the students and the potential of the students continuing their studies at the same university. Moreover, market-oriented universities focus on the creation of greater value for students and being able to react to students' demands quickly through offering relevant courses or improving student services. This could have significant implications on students' intentions to continue with the same university for their future studies, which leads us to the first hypothesis:

H1. Student perception of the university's market orientation has a positive impact on student loyalty.

Post-enrolment communication behaviour: Post-enrolment communication behaviour concerns with the extent to which students talk to their friends about their university subsequent to their enrolment. Athiyaman (1997) found that student attitude to the university is positively related to their post-enrolment communication behaviour. Previous studies have also provided empirical evidence on the link between customer orientation and positive word-of-mouth communication behaviour within the service context (Macintosh, 2007). The present study suggests that students' perception of the extent to which their university engages in market-oriented behaviour could have a significant impact on post-enrolment communication behaviour. Students may feel more confident talking about their university to their friends if they believe that the university constantly monitor and address their needs effectively.

H2. Student perception of the university's market orientation has a positive impact on student post-enrolment communication behaviour.

2.3. Satisfaction

Consumer satisfaction has been defined as an evaluative, affective, or emotional response that develops along with the experience a consumer has with goods or services over a period of time (Oliver and Swan, 1989). Similarly, within the context of higher education, student satisfaction is perceived as 'a short-term attitude resulting from an evaluation of a student's educational experience' (Elliott and Healy, 2001, p. 2). While satisfied students can be a source of positive endorsements for universities, dissatisfied students may engage in direct or indirect complaining behaviour which could have adverse effects on university reputation (FitzPatrick et al., 2012).

Two components of market orientation, namely intelligence dissemination and responsiveness were found to be significantly related to student satisfaction (Trang Phuc, 2011), and the SERVMO construct was found to be significantly related with perceived service quality, student satisfaction, and loyalty (Voon, 2008). A recent study by Bianchi and Drennan (2012) found that service

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