

Testing interaction effects of the dimensions of market orientation on marketing program creativity

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Abstract

Despite the plethora of research on market orientation, our understanding of how different dimensions of market orientation interact with each other in generating new intelligence for marketing programs is limited. In this paper, we develop and test a model that examines the interaction effects of the three dimensions of market orientation—customer orientation, competitor orientation, and cross-functional integration—on generation of marketing program creativity, composed of novelty and meaningfulness dimensions. In empirically testing such effects, we illustrate how to use two-stage least squares (2SLS) estimation. We find significant positive interaction effects between customer orientation and competitor orientation and between competitor orientation and cross-functional integration in predicting marketing program novelty. We also find that competitor orientation and cross-functional integration significantly and positively interact with each other in improving marketing program meaningfulness. Our empirical results provide implications and directions for market orientation research.

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1. Introduction

Recently Nissan Motors launched a creative promotional campaign for the new 2007 Altima, targeted at African-Americans 28 to 38 years in major U.S. cities. The campaign wanted to introduce the 2007 Altima's Intelligent Key with push-button ignition feature to early adopters. Equipped with relevant customer information—that 26% of monthly “bar-goers” are early adopters of new products—Nissan dropped 20,000 “Lost Keys” in bars, concert halls, sports arenas, and other public places (Elliott, 2007). A tag attached to the key ring asked the finder not to return it to the owner because the Altima “has Intelligent Key with push-button ignition, and I no longer need these.” The tag also invited the finder to go to a Nissan web site to find out more about the 2007 Altima. This creative promotional campaign was spurred by the need for competitive differentiation to attract potential customers, and required a fair amount of internal coordination between marketing, sales and

purchasing. This example illustrates the concepts of competitor orientation, customer orientation and cross-functional integration, important dimensions of market orientation that can lead to creative marketing promotions.

The role of market orientation in generating new intelligence for marketing programs has been emphasized in marketing strategy (e.g., Kohli and Jaworski, 1990; Slater and Narver, 1995). One of the keys to success in competitive markets is to implement creative marketing programs to better meet customers' needs and market trends over time (Jaworski and Kohli, 1993). In order to achieve sustainable growth firms must provide *novel and meaningful* incentives to customers by implementing creative marketing programs encompassing advertising, promotion, warranty, package, pricing strategy, and distribution channels (Andrews and Smith, 1996).

Extant literature on market orientation (MO) has focused on examining the influence of market orientation on a firm's performance (e.g., Kohli and Jaworski, 1990; Slater and Narver, 1995; Han et al., 1998; Im and Workman, 2004; Langerak et al., 2004; Lukas and Ferrell, 2000), or on organizational learning (Hurely and Hult, 1998; Slater and Narver, 1995). Some

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researchers further investigate how environmental factors such as market and technological turbulence moderate the link between market orientation and innovation outcomes (e.g., Gatignon and Xuereb, 1997; Han et al., 1998). Despite the plethora of research on the effect of MO on innovation outcomes, our understanding of how *different dimensions* of MO interact with each other in generating market intelligence is limited. In order to narrow this gap, recent research calls for studies to examine potential interaction effects among dimensions of MO (Kirca et al., 2005; Jimenez-Jimenez and Cegarra-Navarro, 2007).

Hence, the goal of this research is to empirically test a model that explores the interaction effects of different dimensions of MO on marketing program creativity. We first define marketing program creativity as the degree to which marketing programs, associated with new product development, are perceived to be different from competitors' programs as well as more meaningful to target customers (Andrews and Smith, 1996; Im and Workman, 2004). Following Andrews and Smith (1996), we choose marketing program creativity as a dependent variable for the following reasons. First, market orientation is inherently viewed as a market learning process where firms generate, disseminate, and react to new market intelligence (e.g., Kohli and Jaworski, 1990; Slater and Narver, 1995), which results in promoting creative ideas and incentives for consumers. Second, marketing program creativity, often considered as a gestalt of product development activities, helps a product achieve the innovation-related performance goal of product differentiation by providing unique and meaningful incentives to customers (Andrews and Smith, 1996).

Following Narver and Slater's (1990) conceptualization of three dimensions of MO—customer orientation (CUO), competitor orientation (COO), and cross-functional integration (XFI), we empirically explore a model where these dimensions interact with each other, synergistically improving a firm's generation of creative ideas for marketing programs in the product development context (Han et al., 1998; Im and Workman 2004). From an empirical perspective, our study also contributes to testing nonlinear interaction effects using a two-stage least squares estimation (2SLS) following the recommendations of Bollen and Paxton (1998) and Li and Harmer (1998). This method, that uses composite variables based on multi-item measures, helps test the robustness of the results against the problems (e.g., the inadequacy of significance tests, consistency tests, or fit statistics) involved in testing interaction effects in OLS regression and subgroup analysis (see Bollen, 1996; Bollen and Paxton, 1998; Jaccard et al., 1990 for review).

The next section presents a brief background and literature review. Later, the details on the econometric procedure using 2SLS estimation are described before estimation results. The paper concludes with a discussion of implications and future research directions.

2. Background

While a firm's MO is mainly concerned with the importance of generating and disseminating market intelligence that responds to customers and competitors, it also focuses on inter-functional

coordination within an organization in regards to acquisition and dissemination of market intelligence (Kohli et al., 1993). We adopt Narver and Slater's (1990) component-wise perspective because this is suitable for marketing program development in the new product development context. In new product development, a firm's ability to manage cross-functional integration in response to customers and competitors significantly improves creative marketing programs (Cooper, 1979, Langerak et al., 2004). Our study follows others (e.g., Han et al., 1998; Im and Workman, 2004) that examine how the Narver and Slater's (1990) behavioral dimensions of MO impact innovation outcomes in the new product development context.

3. A proposed model

We develop and empirically test an exploratory model where the three dimensions of MO interact with each other to synergistically influence the generation of creative marketing programs. We expect these constructs to complement each other in a manner that an increase in the level of one construct enhances the contribution of the other construct. Customer orientation (CUO) is defined as the degree of a firm's efforts to understand its own target customers in order to provide superior value to them continuously. Competitor orientation (COO) refers to the degree of a firm's efforts to understand the short-term strengths and weaknesses and long-term capabilities and strategies of key competitors, both current and potential. Cross-functional integration (XFI) is defined as the degree of a firm's coordinated efforts to utilize a firm's resources in generating superior value for target customers.

Based on a review of the management and marketing literature (i.e., Amabile, 1983, 1988; Andrews and Smith, 1996; Sethi et al., 2001), as well as exploratory field interviews in 15 firms, we define marketing program (MP) creativity as the degree to which MPs are perceived to represent unique differences from competitors' products and programs in ways that are meaningful to target customers. Consistent with Amabile (1983), this definition identifies two distinct dimensions of creativity: *novelty*, defined as the degree to which marketing programs are perceived to represent unique differences from competitors and *meaningfulness*, defined as the extent to which marketing programs are perceived as appropriate and useful to targeted customers. Amabile (1983) argues that both dimensions must be included in the concept of creativity, because novel ideas may be perceived as weird or bizarre for the target audience if they do not carry meaning. Firms must provide *novel* incentives to customers when they implement marketing programs, to get their attention and exceed expectations from the market that continually evolve over time (Jaworski and Kohli, 1993). Additionally, the marketing programs must also be *meaningful* so that they appear relevant and interesting to potential customers. While novelty attracts attention and increases the likelihood of a product being in a customer's consideration set, meaningfulness enables a customer to better evaluate alternatives, try the product, and eventually transform preference into conviction.

Though our literature review provides anecdotal evidence of the possible interaction effects of the MO dimensions on

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