

Achieving customer satisfaction via market orientation, brand orientation, and customer empowerment: Evidence from Australia

Aron O'Cass and Liem Ngo*
Newcastle Business School, The University of Newcastle

Abstract

The strategic importance of effective branding and customer management has been the focus of much recent research in marketing. This study posits that the ultimate pursuit of market orientation requires brand focused and customer empowerment practices, which enhance customer satisfaction. The results of a survey of 524 firms in Australia show that brand orientation and customer empowerment mediate the effect of market orientation on customer satisfaction. Moreover, brand orientation enhances customer satisfaction indirectly via customer empowerment.

Keywords: branding, brand orientation, market orientation, customer empowerment

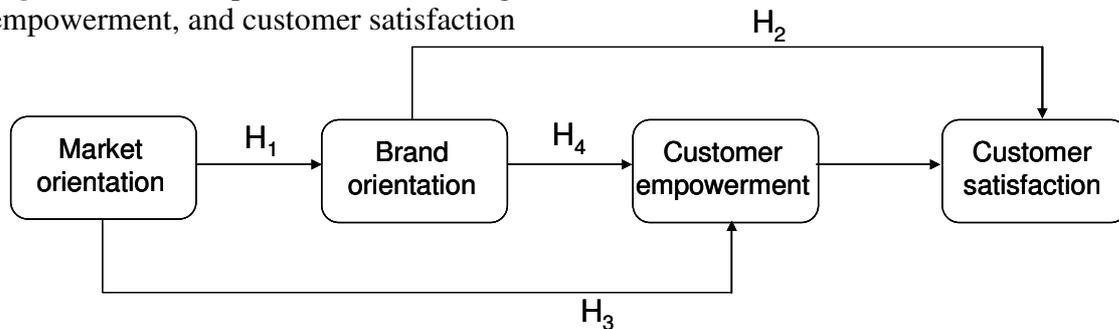
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Introduction

Possessing market sensing (the ability to understand customers' expressed and latent needs) and customer linking (the ability to create and manage customer relationships) is essential in understanding and satisfying customers (Day, 1994). The marketing literature posits that market orientation captures the essence of market sensing and that being market-oriented enhances customer satisfaction (Jaworski and Kohli, 1993; Slater and Narver, 1994; Kirca, Jayachandran, and Bearden, 2005). However, given less attention in this stream of research has been how market orientation contributes to customer satisfaction. Kirca, Jayachandran, and Bearden (2005, p.181) assert that "a market orientation involves multiple departments sharing information about customers and engaging in [customer-linking] activities designed to meet customer needs". Urde (1999) indicates that to be brand-oriented is market orientation "plus" (*an additional degree of sophistication*) and further research should uncover brand orientation as a source of satisfaction of customer needs and wants. Further, Ramani and Kumar (2008) emphasize that customer empowerment is an important customer linking activity that shapes customer-firm interactions and call for further research on the contribution of market orientation and customer empowerment to business success.

Our study addresses the above gaps by examining the structural relationships among market orientation, brand orientation, customer empowerment, and customer satisfaction as shown in Figure 1. In the following section, we integrate the distinct and yet related bodies of literature of market orientation, brand orientation, and customer empowerment, proposing a set of specific hypotheses.

Figure 1. Conceptual model linking market orientation, brand orientation, customer empowerment, and customer satisfaction



Theory and hypotheses

Recently, a small body of marketing literature has emerged focusing on the prominence of brand orientation in the implementation of marketing strategy (e.g. Urde, 1999; Hankinson, 2001; Noble, Sinha and Kumar, 2002; Bridson and Evans, 2004; Ewing and Napoli, 2005; Reid, Luxton and Mavondo, 2005). In this literature there has interest in exploring the relationship between market orientation and brand orientation. Market orientation from the behavioral perspective refers to the generation and dissemination of, and responsiveness to market intelligence (Kohli and Jaworski, 1990), while brand orientation is the organizational wide process of generating and sustaining a shared sense of brand meaning that provides superior value to customers and stakeholders (Ewing and Napoli, 2005). To be brand-oriented

regards the firm as a brand with which its actions and attitudes are consistent in an ongoing interaction with target customers (Hankinson, 2001; Urde, 1999). Market orientation and brand orientation are linked via their extensive focus on customers. Urde (1999) suggests that brand orientation provides the basis of the firm's interaction with customers, and brand orientation should be built on the foundation of market orientation. Indeed, "the necessary understanding of customers, competitors, and organizational processes associated with successful branding suggests a tie to the market orientation" (Noble, Sinha and Kumar, 2002, p.28). We further argue that as market orientation captures the essence of market sensing, it is about understanding customers instead of satisfying them. By this we mean market orientation does not provide the satisfying mechanism, the brand orientation does. Brands exist to serve customers (Rust, Zeithaml, and Lemon, 2004) and as such, in this study we hold the view that brand orientation is an imperative customer-linking activity that facilitates the contribution of market orientation to customer satisfaction. Thus, we hypothesize that:

Hypothesis 1: Market orientation is positively related to brand orientation

Hypothesis 2: Market orientation's indirect impact, mediated by brand orientation on customer satisfaction is positive.

As customers are increasingly well-informed, connected and value-conscious, both marketing practitioners and academics more than ever acknowledge that focusing on the connection and collaboration between the firm and the customer results in greater customer satisfaction (Ramani and Kumar, 2008). The market has become a venue for proactive customer participation (Prahalad and Ramaswamy, 2000; Vargo and Lusch, 2004), thus empowering the customer becomes an essential mechanism through which the customer and the firm co-create value at various points of their interaction. Customer empowerment reflects the extent to which a firm provides its customers avenue for proactive customer involvement (Ramani and Kumar, 2008). Particularly, firms seek to interact with customers to design offerings that meet customers' unique, changing needs. They also provide customers with supporting systems to help them get more value out of their consumption. Customer empowerment practices help institutionalize market orientation and brand orientation through interaction activities that center on the use of market intelligence and shared sense of brand meaning. Therefore, we believe that to be effective, market orientation and brand orientation should manifest in customer empowerment. Thus, we hypothesize that:

Hypothesis 3: Market orientation's indirect impact, mediated by customer empowerment on customer satisfaction is positive.

Hypothesis 4: Brand orientation's indirect impact, mediated by customer empowerment on customer satisfaction is positive.

Method

We obtained a sample of 1000 Australian companies that identified one senior marketing or brand executive per company from a well-known, commercial database vendor. Each respondent in the sample was contacted via email and asked to fill out an online survey. They were also questioned about their knowledge of the strategy and activities of the firm to ensure they were suitable respondents and asked about their confidence to complete the survey. A reminder email was sent one week after the first one. Totally, we received 524 usable responses, which represent a 52.4% response rate. The sample profile of responding firms consists of 79.6% that are small and medium in size (with less than 200 fulltime employees) and 20.4% large (with more than 200 fulltime employees). Of these respondents, 51% are

involved in service branding, while 49% in goods branding. The sample profile also shows that 68% of the firms operate within domestic markets, while 32% export.

All items used to measure the focal constructs were closed-ended with 7-point scales of *strongly disagree* to *strongly agree*. Market orientation was measured through a twelve-item scale adapted from Jaworski and Kohli (1993), tapping three components (e.g. intelligence generation, intelligence dissemination, and responsiveness). Brand orientation was measured via a twelve-item scale adapted from Ewing and Napoli (2005), tapping three components (e.g. interaction, orchestration, and affect). Customer empowerment was measured via three indicators adapted from Ramani and Kumar (2008) and Prahalad and Ramaswamy (2000). Customer satisfaction was measured via three indicators adapted from Kano (1984) and Jayachandran et al. (2005).

Results

Measurement model

We used PLS (variance based path analysis) to analyse the data and test the hypotheses. We assessed the adequacy of the measurement model through examining individual-item reliabilities, convergent validity, and discriminant validity. Of the 30 items, 29 had loadings greater than 0.70 and 1 item had loading greater 0.65. Overall, these statistics are above the cut-off suggested by Hulland (1999). Following Fornell and Larcker (1981), we calculated composite reliabilities of the four constructs (ranging from 0.91 to 0.94), which are above the 0.70 benchmark. The average variances extracted (AVE) in all constructs were greater than 0.50 cut-off. The exceptional case includes market orientation, which demonstrates the marginal but acceptable AVE value of 0.45 (Barclay 1991; Green, Barclay, and Ryans 1995). Thus, these measures demonstrate adequate reliability and convergent validity. On the basis of Fornell and Larcker (1981), we found that the square root of AVE values (ranging from 0.67 to 0.91) were consistently greater than individual correlations (ranging from 0.35 to 0.66), thus providing evidence of discriminant validity.

Structural estimates

We used a bootstrapping method with 500 bootstrapping runs to assess the statistical significance of the parameter estimates. Table 1 presents the results of direct and indirect effects of market orientation, brand orientation, and customer empowerment on customer satisfaction. The results indicate that market orientation is positively related to brand orientation ($\beta=0.66$, $p<.05$). Hypothesis 1 is supported. As hypotheses 2, 3, and 4 focus on the mediating logic, we followed Baron and Kenny's (1986) procedure to test linkages in the mediating model. Hypotheses 2 hypothesizes that market orientation's indirect impact, mediated by brand orientation on customer satisfaction is positive. As shown in Table 1, market orientation positively affects customer satisfaction ($\beta=0.39$, $p<.05$); brand orientation positively affects customer satisfaction ($\beta=0.36$, $p<.05$); and the positive effect of market orientation on customer satisfaction becomes weaker when brand orientation is included ($\beta=0.39$ vs. 0.16). Thus, brand orientation partially mediates the relationship between market orientation and customer satisfaction, in support of hypothesis 2. Hypothesis 3 indicates that market orientation's indirect impact, mediated by customer empowerment on customer satisfaction is positive. Results show that market orientation positively affects customer satisfaction ($\beta=0.39$, $p<.05$) and customer empowerment ($\beta=0.41$, $p<.05$); customer

empowerment positively affects customer satisfaction ($\beta=0.39$, $p<.05$); and the positive effect of market orientation on customer satisfaction becomes weaker when customer empowerment is included ($\beta=0.39$ vs. 0.24). Thus, customer empowerment partially mediates the relationship between market orientation and customer satisfaction, in support of hypothesis 3. Hypothesis 4 suggests that brand orientation's indirect impact, mediated by customer empowerment on customer satisfaction is positive. As expected, brand orientation positively affects customer satisfaction ($\beta=0.46$, $p<.05$) and customer empowerment ($\beta=0.35$, $p<.05$); customer empowerment positively affects customer satisfaction ($\beta=0.37$, $p<.05$); and the positive effect of brand orientation on customer satisfaction becomes weaker when customer empowerment is included ($\beta=0.46$ vs. 0.33). Thus, customer empowerment partially mediates the relationship between brand orientation and customer satisfaction, supporting hypothesis 4.

Discussions and implications

The purpose of our study was to investigate how market orientation contributes to customer satisfaction. Drawing on the extant literature of market orientation, brand orientation, and customer empowerment, we theorized that market orientation emphasizes the firm's ability to sense and understand the customer, while brand orientation and customer empowerment are customer-linking capabilities that enable market-oriented firms to deliver superior customer satisfaction. Through our study, we establish that market orientation leads to greater brand orientation. This finding is in line with that of Reid, Luxton and Mavondo (2005) and provides empirical support for Urde's (1999, p.118) proposition that "to be brand-oriented is market orientation plus".

Importantly, our study offers a greater understanding of the underlying processes through which market orientation contributes to customer satisfaction. Specifically, our findings indicate that brand orientation and customer empowerment capture the effect of market orientation on customer satisfaction. Given the focus of market orientation on customers, these findings indicate the importance of brand focus and co-opting customer involvement in the marketing effort if the firm wants to translate the understanding of market intelligence into superior customer satisfaction. Similarly, we found that customer empowerment does matter in the contribution of brand orientation to customer satisfaction. These findings support an emerging stream of research, which indicates that marketing should place more emphasis on capitalizing customer empowerment practices that enable customers to participate in the marketing effort (Berthon, Holbrook and Hulbert, 2000; Ramani and Kumar, 2008). In terms of future research direction, we suggest that richer insights might be available if the moderating impact of environmental influences (e.g. competitive intensity) and organizational structure could be examined.

Table 1 Direct, indirect, and total effects of market orientation, brand orientation, and customer empowerment and customer satisfaction: Standardized Partial Least Square coefficients

| Dependent variable | Independent variable | Without mediation effects | | With mediation effects | | | R ² |
|---|----------------------|---------------------------|----------------|------------------------|-----------------------|--------------|----------------|
| | | Direct ^a | R ² | Direct ^a | Indirect ^b | Total effect | |
| Hypothesis 1: Market orientation → Brand orientation | | | | | | | |
| Brand orientation | Market orientation | 0.66* | 0.44 | 0.66* | NA | – | 0.44 |
| Hypothesis 2: Market orientation → Brand orientation → Customer satisfaction | | | | | | | |
| Customer satisfaction | Market orientation | 0.39* | 0.16 | 0.16* | 0.24 | 0.40 | 0.23 |
| | Brand orientation | – | | 0.36* | NA | – | |
| Hypothesis 3: Market orientation → Customer empowerment → Customer satisfaction | | | | | | | |
| Customer satisfaction | Market orientation | 0.39* | 0.16 | 0.24* | 0.16 | 0.40 | 0.28 |
| | Customer empowerment | – | | 0.39* | NA | – | |
| Customer empowerment | Market orientation | – | – | 0.41* | NA | – | |
| Hypothesis 4: Brand orientation → Customer empowerment → Customer satisfaction | | | | | | | |
| Customer satisfaction | Brand orientation | 0.46* | 0.22 | 0.33* | 0.13 | 0.46 | 0.33 |
| | Customer empowerment | – | | 0.37* | NA | – | |
| Customer empowerment | Brand orientation | – | – | 0.35* | NA | – | 0.12 |

Note: ^a standardized coefficients of direct effects (β_{direct}); ^b $\beta_{indirect} = \sum_{m=1}^n \beta_{X_{independent} \rightarrow X_m} * \beta_{X_m \rightarrow X_{dependent}}$, m is mediator; NA = Not available; * $p < 0.05$

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