

MARKET ORIENTATION PRACTICES AMONG SMALL AND MEDIUM HOTELS (SMHs) IN TOURIST DESTINATION ISLAND OF LANGKAWI

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ABSTRACT: *The purpose of the study is to investigate the underlying components of market orientation practices and their effect on the Small and Medium Hotels (SMHs) performances on tourist destination island of Langkawi. Fifty SMHs were randomly selected from a sampling frame of a list of SMHs registered with Malaysian Tourism Board. For data collection purposes, structured questionnaires were personally delivered and collected. Rotated component matrix factor analysis of the data extracted four underlying factors which explain seventy nine point four six percent of the total variances and alpha reliability coefficient of ninety eight percent. Those components were named as customer orientation, interfunctional orientation, service orientation, and competitor orientation. One sample Kolmogorov-Smirnov Test indicates that SMHs in Langkawi practices market orientation in their operations and businesses. However, the finding of the study showed that their performances in 1998 are lower than in 1997. We believed that this outcome is due the effect of national and regional economic downturn in 1998.*

INTRODUCTION

Lodging activities have existed for centuries. Since then, the elements of product related to these activities and the conditions of the marketplace have also changed due to the growth of tourism industry. Therefore, there should also be a corresponding requirement for a change in the overall epistemology of doing business including the application of marketing tools. To satisfy the mass tourism market, tourism product could be delivered effectively by applying marketing strategies and techniques. As tourism market matures, marketing has become a vital component for all tourism enterprises. Marketing is a business philosophy that places the consumer and his/her needs at the forefront of all activities (Cooper, Fletcher, Gilbert and Wanhill, 1993).

Customs and tradition have characterized the high service based content of the product in the tourism industry. These two components have been described as lack of vision in the industry and this indirectly has resulted in the demise of many companies (Cooper *et al* 1993). Recent investigation into the effect of market research on firm performances has revealed a new concept called market orientation. Marketing scholars refer marketing orientation as the generation of market intelligence, dissemination of that intelligence across departments, and organizational responsiveness to future customer needs (Kohli and Jaworski, 1990; Narver and Slater, 1990; Ruekert, 1992). Some authors argued that the adoption of market-oriented business philosophy is all but essential for survival in a competitive environment (Crawford, 1983; Kotler, 1977; Kotler and Andreasen, 1987; Levitt, 1960). This suggests firms should become more marketing oriented and more aware of their customers needs. Market orientation facilitates outward looking, customer-oriented, and flexible businesses. Quite a number of research is done to determine the needs of customer and action is taken to ensure that those needs are met in the most

profitable fashion.

Product is anything that is being offered to the market which include physical goods, services, events, organizations, people, and ideas (Dalrymple & Parsons, 1995). In this case, tourism products can be included within this definition as it falls within a continuum of services and goods, but most commentators of tourism studies recognize the differences between tourism-related product and consumer related product. The former are characterized by its intangibility, perishability, heterogeneity and inseparability (Holloway, 1992; Cooper *et al* 1993). An understanding of the complexity of the service concept is an essential prerequisite for successful marketing in the tourism industry.

THEORETICAL BACKGROUND

Inherent to any discussion of marketing concept or market orientation is "all activities of the firm should be judged against the litmus test of client's needs" (Saxe & Weitz, 1982) (p. 18). Several authors have placed consumer's need as the utmost important in applying the marketing concepts (Saxe & Weitz, 1982; Michaels & Day, 1985; Hart, 1989). Michaels & Day, (1985) identified that there are several factors or dimensions in market orientation: 1) customer orientation, 2) competitor orientation, 3) interfunctional orientation, and 4) profit orientation.

The first dimension is the customer orientation or the extent to which the marketer engages in behaviors aimed at increasing long-termed customer satisfaction. In fact some work has been undertaken to provide a more detailed interpretation of customer orientation among particular corporate functions.

The second dimension is the competitor orientation that involves an understanding of capability of competitors, both current and potential, to serve the same markets. Kohli and Jaworski, (1990), note that in certain situation, such as when a business has a monopoly or when the industry as a whole is in an under capacity situation, a firm financial success may well be unrelated to market orientation.

The third dimension is the interfunctional orientation that is a simple recognition that all parts of the organization must accept responsibility for servicing the market. Whether a firm is organized around functions or markets, there will be a need to share information and coordinate efforts in this direction.

The fourth dimension is the profit orientation that ensures efficient and cost-effective methods to the customer at acceptable or minimum cost to the company.

In addition to the above four dimensions, there is another one, the fifth dimension as what been given by Cooper, *et al.* (1993). He identified the goals orientation which concerns with the strategic planning and tactical activity of the company. Items relating to this dimension should be included despite arguments in the literature that profits result from the adoption of marketing concept and should not be treated as a behavioral component of market orientation (Levitt, 1969; Narver and Slater, 1990).

Most researchers and authors acknowledge that there is a positive relationship between being marketing oriented and having a more profitable business. Webster (1988) writes:

while, one of the hallmarks of a marketing-oriented firms is a striving for profitability rather than sales volume or market share alone, it is long-term profitability and market position that are the objective (p. 38)

An empirical test of this preposition is found in the same study that discovered a mixed relationship between strategic management tasks and business health (Robinson, 1986). He also found that collecting information on both customer and competitors was positively and significantly related to business performance. Narver and Slater, (1990) also concluded that a market orientation is an important determinant of profitability. Similarly, Kohli and Jaworski, (1990) write:

A market orientation appears to prove a unifying focus for the efforts and projects of individual and departments within the organization, thereby leading to superior performance. Not surprisingly, virtually all of the executives interviewed noted that a market orientation enhances the performance of organization (p. 13).

The primary reason for its acceptance is that a marketing oriented firm achieves greater customer satisfaction; therefore more business, including more repeat business (Kohli and Jaworski, 1993). Market orientation leads to greater market share which, as Szymanski et. al. (1993) found, is significantly and positively related to profits. Numerous researchers have investigated the relationship between the adoption of this business philosophy and various aspects of corporate performance but with mixed results (Hise, 1965; Barkdale and Darden, 1971; McNamara, 1972; Lawton and Parasuraman, 1980; Edgett and Thawaites, 1990; Hooley et al., 1990; Narver and Slater 1990; Naidu and Narayana, 1991).

An extensive review of the literature shows that no study about market orientation in small and medium scale hotels in Malaysia was found. This, indirectly, limits the knowledge on the extent of utilization of market orientation practices among the hotel entrepreneurs. To date, there is no information about the effect of market orientation on hotel performances to justify its practices. Therefore, this study aims to address the issues.

THE OBJECTIVES OF THE STUDY

The objectives of this study are:

1. To investigate the underlying factors that make up market orientation for small and medium scale hotels (SMHs).
2. To examine the effect of market orientation practices on SMHs performances in tourist destination island of Langkawi.

SCOPE OF THE STUDY

This study will focus on small and medium hotel accommodation registered with Malaysian Tourism Promotion Board (MTPB) and who are members of the regional hotel association. Accommodation sector in this context will include hotels, motels, inns, resorts, lodges, campground, bed and breakfast type accommodation, and time-sharing facilities. The study will include all SMHs gazetted by MTPB in Langkawi. Samples of SMHs from Langkawi will be utilized in the study.

METHODOLOGY

Forty items or constructs were developed to measure the market orientation practices. Those operational definitions were derived from conceptual definition of market orientation. The dependent variables are: 1) Sales volume; which represents overall growth of the business (Acklesberg and Arlow, 1985; Miller & Toulouse, 1986; Venkatram and Ramanujam, 1985; Boyle and Desai, 1990,1991); 2) Profit; which represents the ultimate outcome measure (Acklesberg and Arlow, 1985; Miller and Toulouse, 1986; Venkatram and Ramanujam, 1985; Boyle and Desai, 1990,1991); 3) Cash flow; which collectively represents management of revenue and expenditures (Acklesberg and Arlow, 1985; Boyle and Desai, 1990,1991); and 4) Occupancy rate, (Cooper, Fletcher, and Wanhill, 1993; Rodenburg, 1980).

Reliability Assessment

Since this research will use Likert-type scale items, the Cronbach's alpha test is the best method and almost universally adopted both because of the practical problems and because the alpha coefficient provides direct estimate of the means. Because internal consistency of a set of measurement items refers to the degree to which items in the set are homogeneous, Cronbach's alpha estimate of reliability easily calculated for score of any subset of items.

Sampling and Data Collection

The samples include those hotels registered with MTPB. Out of the total number registered, only hotels that fall under small and medium scale was considered as the final sampling frame. Fifty samples were randomly collected from the final frame.

Structured questionnaires were personally delivered and collected. Out of the fifty five questionnaires delivered, fifty responded. The high response rate is due to personal contact between researchers and the respondents.

DATA ANALYSIS

Factor analysis will be carried out to examine the underlying factors of market orientation. This procedure is also used to reduce the constructs into some common factors that will provide possible underlying variables that could be more than five as mentioned in the literature or theory. Because the total samples are considered

small and the samples distribution are not normal, each items or constructs were analyzed using One Sample Kolmogorov-Smirnov Test to determine intensity of market orientation practices by SMHs in Langkawi.

FINDINGS

Rotated component matrix factor analysis produces four underlying factors (table 1). These four factors explained 79.42% of the total variance. We named those factors one as customer orientation, factor two as interfunctional orientations, factor three as service orientation, and factor four as competitor orientation. Reliability coefficients for each factor, as well as for the overall items are more than 0.9.

TABLE 1: Rotated Component Matrix Factor Analysis For Underlying Factors Of Market Orientation

ITEMS	FACTOR 1	FACTOR 2	FACTOR 3	FACTOR 4
We minimize our marketing expenditure	0.844			
We manage to penetrate new markets with existing products/services	0.787			
We charge lower prices than our competitors	0.750			
We have good idea of where the industry is heading	0.734			
We look for ways to create customer value	0.707			
We carry out advertisement and other promotional activities	0.667			
We segment our market	0.623			
We react if competitors campaign our customer	0.618			
We meet with customers	0.598			
We detect fundamental shift in our industry	0.565			
We collect competitors' information		0.827		
We attend conferences and related functions		0.802		
We offer discount prices		0.774		
Our marketing personnel discuss with other departments in the organization		0.712		
We review changes in business environment on customers		0.686		
We collect data to direct our plan		0.650		
Our customers are import sources of new ideas		0.640		
We provide uniform services			0.852	

ITEMS	FACTOR 1	FACTOR 2	FACTOR 3	FACTOR 4
Marketing is everybody's responsibility in our business			0.752	
Serving customers is most important to our business			0.752	
We define product/service quality in terms of customers satisfaction			0.739	
We try our best to satisfy every customer			0.736	
We measure customer satisfaction			0.712	
We review our products/services to ensure that we are in line with customer wants			0.689	
Our business plans are driven more by technological advance than by market research				0.707
We target opportunities base on competitive advantage				0.674
We are quick to response to significant change in competitors' price structure				0.623
We analyze our competitors' marketing plan				0.623
We are sensitive to our competitors				0.550
We take corrective action immediately when customers are unhappy				0.503

NOTE: Those four factors explained 79.462% of cumulative variance and extraction sum of squared loading.

Table 2: Reliability Assessment Of Overall Items And Items In Each Underlying Factors

FACTORS	RELIABILITY COEFFICIENT
Factor 1	0.9636
Factor 2	0.9436
Factor 3	0.9400
Factor 4	0.9117
All Items	0.9812

NO.	ITEMS	MEAN	K-S Z (two-tailed)
1.	We measure customer satisfaction	5.40	0.035**
2.	We meet with our customers	4.06	0.371
3.	We collect data to direct our plan	4.10	0.159
4.	Our customers are import sources of new ideas	4.14	0.402
5.	We attend conferences and related functions	3.35	0.057*
6.	We collect competitors information	3.24	0.130
7.	Our marketing personnel discuss with other departments in the organization	3.57	0.151
8.	We look for ways to create customer value	4.00	0.355
9.	We review changes in business environment on customers	3.92	0.168
10.	We detect fundamental shift in our industry	4.15	0.059*
11.	We response to competitors' action immediately	4.12	0.015*
12.	We use formal policy guideline in setting and implementing our competitive strategies	3.68	0.111
13.	We define product/service quality in term of customers satisfaction	5.02	0.238
14.	We review our products/services to ensure that we are in line with customer wants	4.56	0.207
15.	Serving customers is most important to our business	5.64	0.016**
16.	Marketing is everybody's responsibility in our business	4.96	0.040**
17.	We have a good idea where industry is heading	4.12	0.296
18.	We segment our market	4.00	0.482
19.	We provide uniform services	4.46	0.067*
20.	We charge lower prices than our competitors	3.94	0.082*
21.	We carry out advertisement and other promotional activities	3.72	0.068*
22.	We offer discount prices	4.18	0.198
23.	We try our best to satisfy every customer	5.06	0.036*
24.	We manage to penetrate new markets with existing products/services	4.00	0.072*
25.	We minimize our marketing expenditure	3.78	0.031**
26.	We analyze our competitors' marketing plan	3.78	0.071*
27.	We target opportunities base on competitive advantage	4.15	0.059*
28.	We are sensitive to our competitors	4.12	0.015**

TABLE 3: Kolmogorov-Smirnov One Sample Test for Market Orientation Constructs

One Sample Kolmogorov-Smirnov Tests for each item measurement indicate that SMHs in Langkawi practice market orientation. However overall performances for the 1998 are lower as compared to 1997. One should take note that economic turmoil hit Malaysia and South East Asia region by mid 1997 and all year long in 1998. Therefore the overall poor performance experienced by SMHs in Langkawi could be due to economic factors rather than normal business practices.

** P < 0.01

Mean Difference	t-Value	Significant
2.06	16.603**	0.000

Table 5: T-Test Comparing 1997 And 1998 Performances

** P < 0.01 (two-tailed)

Cash Flow				
Occupancy Rate				0.619** n=47
Profits			0.480** n=48	0.730** n=48
Sales Volume	0.683** n=48	0.569** n=48	0.754** n=47	
Sales Volume	Profits	Occupancy Rate	Cash Flow	

Table 4: Performance Indicators Correlation Matrix

NOTE : Each item is measured on Likert scale 1 to 7, 1 for not practiced all and 7 for widely practiced.

* P < 0.10
** P < 0.05
*** P < 0.01

29.	Our business plans are driven more by technological advance than by market research	2.62	0.001***
30.	We are quick to response to significant change in competitors' price structure	3.82	0.330
31.	We take corrective action immediately when customers are unhappy	4.72	0.111

From the study, four underlying factors namely customer orientation, interfunctional orientation, service orientation, and competitor orientation make up market orientation in Small and Medium Hotel Industry in tourist destination like Langkawi. These underlying orientations should be integral components in designing and implementing overall business strategy and practices. If practiced, these components of market orientation will assist marketing managers of SMHs in a broad array of business operations.

Although the SMHs in Langkawi showed declining performances in 1997 as compared with 1998, we believed that this outcome is not due to market orientation practices but due to the national and regional economic downturn which reduced tourist arrivals to the island.

CONCLUSIONS

- 1 => 15% decline
- 2 = 2-15% decline
- 3 = stable
- 4 = 2-15% increase
- 5 => 15% increase

Note: The Performance (1998) indicators are measured on the scale of 1 to 5

* P < 0.01

Performance Indicator	Mean	t-value
Sales Volume	1.75	11.87*
Profits	1.90	12.43*
Occupancy Rate	1.83	11.56*
Cash Flow	2.00	14.34*

Table 6: Assessment Of Performance Of Smhs: Sales Volume, Profits, Occupancy Rate, Cash Flow

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