



Assesseing marketing orientation among small and medium-sized auto component manufacturers

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ARTICLE INFO

Article history:

Received: 23 April 2011;

Received in revised form:

5 July 2011;

Accepted: 16 July 2011;

Keywords

Marketing Orientation,
Small & Medium-sized Businesses,
Business Performance,
B2B ,
OEM.

ABSTRACT

With the developing economies like India has opened their flood gates for foreign players as a part of economic reforms many foreign automobile companies like Ford, General Motors, Hyundai, Mercedes-Benz, Peugeot and Volvo etc has entered into Indian market. This has also attracted the giant auto component suppliers throughout the world to come and invest in the Indian automotive industry. As the protection from the government to the small and medium auto component manufacturers has been lifted , the only way they can survive , if they do understand need of market better than their competitors and do adopt better B2B marketing strategies and become marketing oriented rather than production or sales oriented. As it has been found that firms with better marketing orientation has good record of business success. Hence this paper makes an attempt in finding relationship between marketing orientation and performance of small and medium sized auto component manufacturers. It was found that firms with higher level marketing orientation has better profit growth over firms with low level of marketing orientation. The findings are of immense value to marketing practitioners and academicians.

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Introduction

As noted by Peters and Waterman excellent companies are those who are “more driven by customer attributes than either technology or cost”. As we know that marketing is a process whereby a firm aims to satisfy its customers better than its competitors. Marketing-oriented firm is one, which successfully applies the marketing concept. Empirical research reports a positive association between Marketing Orientation and performance of the firm. Thus a marketing oriented firm can face the competition better and achieve its business goals. Globalization and privatization of Indian economy was a major step towards promoting a competitive environment in the country. As competition level increasing day by day one can't think of ignoring the role of marketing in facing the challenge of competition to survive in long run and grow. The entry of foreign auto component manufacturers during the early 90's in to Indian market lead to a sea change in competitive scenario in the county. The small and medium sized auto component manufacturers in the country were left with no choice but to face the competition. In such a competitive business environment firms can survive only by being marketing oriented, as Marketing Orientation culture is crucial for superior performance and long- term success.

Literature Review

A review of the literature reveals that there are number of studies which have investigated the links between Marketing Orientation and performance of the firm. For instance, it has been found that market orientation leads to greater customer satisfaction (Siguaw 1994) and organizational commitment (Jaworski & Kohli,1993). Market orientation emphasizes on identifying consumer needs better, understanding wants and

aspirations and delivering compatible offerings which are competitively better than that of competitors. According to Kohli & Jaworski (1993) marketing-oriented firm is one, which successfully applies the marketing concept. The marketing concept holds that the key to organizational success is through the determination and satisfaction of the needs, wants and aspirations of target markets. In other words, the marketing concept states that if a business is to achieve profitability and/or satisfy its objectives, the entire organization must be oriented towards satisfying consumer needs, wants, and aspirations.

The number studies in the past have pointed to the positive relationship between Marketing Orientation and performance of the firm. However, these studies are confined to large firms situated out side India. Research studies from a few countries have found a positive link between the Marketing Orientation and business performance, the majority of studies reporting a positive association are based on US firms (Narver & Slater 1990) , (Jaworski & Kohli, 1993) , (Slater & Narver, 1994). Narver and Slater's (1990) study was based on a sample of 140 strategic business units (SBUs) from a single US organization to examine the relationship between the extent of market orientation and business unit performance for both commodity and non-commodity firms.

Business performance measures can be objective, subjective, or combinations of the two. Subjective measures center on decision makers' assessment of the performance of their organization relative to their expectations or compared to competitors. In this research 'performance' of the small and medium sized auto component manufacturers has been defined by taking into account profitability growth rate and increase in customer base (new customers added) as measures of

performance. No study in the past has considered these measures of performance in examining the relationship between the extent of market orientation and business unit performance and these measures are objective in nature.

Research Objectives

As market dynamics are fast changing, competition is on rise the firms irrespective of their size and location must respond effectively to the customer needs for their long run survival. As there is ample literature available on poor marketing practices among small and medium sized enterprises. Hence this study intends to look into level of Marketing Orientation among small and medium sized auto component manufacturing firms located at Hubli-Dharwad, Karnataka. Further the study aims to determine the link between Marketing Orientation and business performance among these firms. In order to achieve this objective following workable objectives have been set.

1. To study market-orientation level among small and medium sized auto-components manufacturers.
2. To determine correlation between marketing-orientation and profitability of small and medium sized auto-components manufacturers.
3. To find out correlation between marketing-orientation and increase in customer-base (new customers) of small and medium auto-components manufacturers.
4. To offer useful suggestions.

Research Methodology

For the purpose of the study, small and medium sized auto component manufacturers were selected. The 20 firms were selected for the purpose of the study which are in the business for more than 5 years. These units are located in industrial estates namely Gokul and Tarihal industrial estate in Hubli city and Bellure industrial estate at Dharwad. The sample for the study was selected at random. The primary data was collected for the purpose of the study by administering the questionnaire. It was also possible for the researchers to collect additional data by means of personal interaction with respondents apart from data collected by means of administering the questionnaire. The data was collected on profit growth rate over period of 5 years and number of new customer added for the same period. In order to analyze the data statistical tools such as correlation and Averages were used. The study is causal in nature.

Data Analysis

Calculation of Marketing Orientation level was developed by the researchers with key dimensions derived from Jaworski & Kohli (1993) and Narver & Slater (1994) work on Marketing Orientation.

Calculation of the Marketing Orientation Level

The framework for the calculation of the Marketing Orientation level is as follows:

STEP1: There are six components which has been considered (for the purpose of this study) which constitute Marketing Orientation. These six components are namely : Customer Orientation(C1), Competitor Orientation(C2), Inter-Department Interaction(C3), Marketing Intelligence Generation(C4), Marketing Intelligence Dissemination(C5), Responsiveness to Intelligence(C6). Under each component there are four items/questions. 5 point scale was used to collect data on each item.

STEP2: Data collected on each component was aggregated and average was calculated. This will result into average score of each component.

STEP3: After calculation of average score of each component (C1 to C6) , then all the 6 average scores (representing average score of each component) were added and divided by six (06) which gives Marketing Orientation Score of the firm. This represents Marketing Orientation level of the firm.

Based on the Marketing Orientation level of the firms, they were classified as firms with 'High Level' of Marketing Orientation (Marketing Orientation score ≥ 4.5), 'Moderate Level' of Marketing Orientation (Marketing Orientation score < 4.5 but ≥ 4) and 'Low Level' of Marketing Orientation (Marketing Orientation score < 4) As shown in Table-1.

Calculation Of Profitability Growth Rate And Number Of New Customers Added.

The rate of profit of each firm over a period of five years was recorded and average was calculated (of individual firm). This gives 'Profitability Growth Rate' of each firm. Similarly number of new customers added by each firm over a period of five years was recorded and average was calculated this gives 'Number of New Customers Added' by each firm. From the data analysis it was found that out of twenty firms (sample) 09 firms has Marketing Orientation score of more than or equal to 4.5 (i.e. high level of Marketing Orientation). These nine (09) firms with higher Marketing Orientation level has average profitability growth rate of 39.87% per annum as shown in the Table-2, where as average profitability growth rate of all the 20 firms (sample) is 22.79% per annum , as shown in the Table-5.

The analysis of data further reveals that there are 09 other firms whose Marketing Orientation level is low, in other words Marketing Orientation score of these 09 firms is less than 4. These nine (09) firms with low level of Marketing Orientation has average profitability growth rate of 9.87% per annum as depicted in the see Table-3, on the other hand average profitability growth rate of all the 20 firms (sample) is 22.79% per annum (From Table-5).

The study also reveals that there are 02 firms whose Marketing Orientation level is Moderate, in other words Marketing Orientation score of these 02 firms is greater than or equal to 4 but less than 4.5. These two (02) firms with Moderate level of Marketing Orientation has average profitability growth rate of 20.6% per annum (refer Table-4).

The data analysis further indicates that there is positive association between Marketing Orientation and new business generation. The nine (09) firms with higher Marketing Orientation level has better performance over firms with low Marketing Orientation when it comes to generation of new business is concerned (i.e. adding new account) . As the firms with high level of Marketing Orientation has average score of 7.55 in terms of new business generation as shown in Table-6, whereas firms with low level of Marketing Orientation has average score of mere a 3.11 when it comes to generation of new business is concerned as exhibited in the Table-7.

Small and medium sized auto component manufacturing firms with moderate level of Marketing Orientation level has average score of 4 when in comes to addition of new accounts is concerned as shown in the Table-8.

Research Objective 2:

To determine correlation between marketing-orientation and profitability of small and medium sized auto-components manufacturers.

The calculations for computing the correlation coefficient (r) between the marketing-orientation and profitability growth rate are summarized in Table-9. The correlation coefficient (r)

between the marketing-orientation and profitability growth rate is 0.79 which indicates that there is strong and positive correlation between Marketing Orientation level and profitability growth rate of small and medium sized auto-components manufacturers.

Research Objective 3:

To find out correlation between Marketing Orientation and increase in customer-base (new customers added) of small and medium sized auto-components manufacturers.

The calculations for computing the correlation coefficient (r) between the marketing-orientation and increase in customer-base (new customers added) are summarized in Table-10. The correlation coefficient (r) between the marketing-orientation and increase in customer-base (new customers added) is 0.62 which indicates that there is strong and positive co-relation between marketing-orientation level and increase in customer-base of small and medium sized auto-components manufacturers.

Conclusion

The research strongly demonstrate the link between Marketing Orientation and the business performance among small and medium auto component manufacturers. The data analysis reveals that firms with higher Marketing Orientation level has better profitability growth rate over the firms with low level or moderate level of Marketing Orientation. It was also found that there is strong positive correlation between Marketing Orientation and profitability growth rate of the firms. In other words with increase in level of Marketing Orientation, accordingly there is increase in profit growth rate. From the study we can further conclude that the firms with higher Marketing Orientation level is more successful in generating new business over the firms with low level or moderate level of Marketing Orientation. This can be noted from the fact that the firms with higher level of Marketing Orientation was able to add more number of new accounts as against the firms with moderate or low level of Marketing Orientation.

Suggestions

1. As it is evident from the study that small and medium sized auto component firms with high Marketing Orientation level has better business performance against firms with low Marketing Orientation level. Hence small and medium sized auto

component manufacturing firms having low level of Marketing Orientation can take note of performance of firms with higher level of Marketing Orientation and should accordingly put efforts towards increasing their Marketing Orientation level.

2. In order to enhance Marketing Orientation level they should focus on areas like increasing Customer Orientation by inviting customer suggestions regularly , fulfilling promise to deliver the product on time always and cut the cost and pass the benefits to the customers. They should be Competitor Oriented by monitoring marketing activities of competitors and respond to that. Firms should collect information regarding change in customer (OEMs) expectations by undertaking marketing research on regular basis. These efforts may enable firms in increasing Marketing Orientation level.

3. Small and medium auto component firms with low Marketing Orientation level need to direct their efforts towards building competitive advantage by producing components at lowest price and by manufacturing high quality auto components. (They can cut the cost by reducing wastage, training their employees, technology up gradation and effective capacity utilization). As it was observed there is very little efforts on part of firms with low Marketing Orientation level towards building competitive advantage.

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Table-1 : Classification Of Firms Based On Level Of Marketing Orientation

MARKETING ORIENTATION SCORE	MARKETING ORIENTATION LEVEL
Marketing Orientation level Score >= 4.5	HIGH LEVEL
Marketing Orientation level Score < 4.5 but >= 4	MODERATE LEVEL
Marketing Orientation level Score <4	LOW LEVEL

Source: Field Survey

Table-2: Profitability Growth Rate of the Firms with High Marketing Orientation Level

MO Level	4.5	4.5	4.5	4.5	4.5	4.54	4.54	4.58	4.63	Average
Profitability Growth Rate (%)	25.34	25.93	35.77	36.01	38.12	47.54	50.44	54.80	44.84	39.87%

Table-3: Profitability Growth Rate of the Firms with Low Marketing Orientation Level

MO Level	3.79	3.83	3.88	3.88	3.88	3.92	3.92	3.96	3.96	Average
Profitability Growth Rate (%)	10.39	7.36	3.07	5.08	7.04	12.07	12.75	13.12	17.91	9.87%

Table-4: Profitability Growth Rate of the Firms with Moderate Marketing Orientation Level

MO Level	4.29	4.33	Average
Profitability Growth Rate (%)	21.02	20.18	20.60 %

Table-5: Average Profitability Growth Rate of All the Firms

MO LEVEL (X)	Profitability Growth Rate (%)	MO LEVEL (X)	Profitability Growth Rate (%)
4.58	54.80	3.88	7.04
4.33	20.18	3.88	5.08
3.96	17.91	3.88	3.07
3.96	13.12	4.63	11.84
3.92	12.75	4.54	47.54
3.92	12.07	4.5	38.12
4.54	50.44	4.5	36.01
4.29	21.02	4.5	35.77
3.79	10.39	4.5	25.93
3.83	7.36	4.5	25.34
Average profitability Growth Rate of All firms = 22.79%			

Table-6: Average Number of Customers Added By Firms with High Marketing Orientation Level

MO Level	4.5	4.5	4.5	4.5	4.5	4.54	4.54	4.58	4.63	Average
Number of New Customers Added	4	4	5	5	7	8	13	9	13	7.55

Table-7: Average Number of Customers Added By Firms with Low Marketing Orientation Level

MO Level	3.79	3.83	3.88	3.88	3.88	3.92	3.92	3.96	3.96	Average
Number of New Customers Added	7	4	1	2	3	3	3	2	3	3.11

Table-8: Average Number of Customers Added By Firms with Moderate Marketing Orientation Level Is

MO Level	4.29	4.33	Average
Number of New Customers Added	4	4	4

Table-9: Correlation Analysis: Marketing Orientation Level And Profit Growth Rate

MO LEVEL (X)	Profit Growth Rate (Y)	$dx = X - \bar{X}$	$(dx)^2$	$dy = Y - \bar{Y}$	$(dy)^2$	$dx*dy$
4.58	54.8044548	0.36	0.1296	32.0044548	1024.285127	11.5216037
4.33	20.1809764	0.11	0.0121	-2.6190236	6.859284617	-0.2880926
3.96	17.9166667	-0.26	0.0676	-4.8833333	23.84694412	1.26966666
3.96	13.1216931	-0.26	0.0676	-9.6783069	93.66962445	2.51635979
3.92	12.7545294	-0.3	0.09	-10.0454706	100.9114796	3.01364118
3.92	12.071835	-0.3	0.09	-10.728165	115.0935243	3.2184495
4.54	50.441621	0.32	0.1024	34.947621	1221.33621	11.1832387
4.29	21.0279487	0.07	0.0049	-1.7720513	3.14016581	-0.12404359
3.79	10.3978495	-0.43	0.1849	-12.4021505	153.813337	5.33292472
3.83	7.36442388	-0.39	0.1521	-15.43557612	238.2570102	6.01987469
3.88	7.04836415	-0.34	0.1156	-15.75163585	248.114032	5.35555619
3.88	5.08911228	-0.34	0.1156	-17.71088772	313.6755438	6.02170182
3.88	3.07877406	-0.34	0.1156	-19.7212259	388.9267526	6.70521682
4.63	11.8476431	0.41	0.1681	-10.9523569	119.9541217	-4.49046633
4.54	47.5420875	0.32	0.1024	24.7420875	612.1708939	7.917468
4.5	38.1261596	0.28	0.0784	15.3261596	234.8911681	4.29132469
4.5	36.0183246	0.28	0.0784	13.2183246	174.7241052	3.70113089
4.5	35.7730383	0.28	0.0784	12.9730383	168.2997227	3.63245072
4.5	25.9358126	0.28	0.0784	3.1358126	9.833320662	0.87802753
4.5	25.3410529	0.28	0.0784	2.5410529	6.456949841	0.71149481
84.43 (Sum)	455.8823679	0.03	1.9105	-0.1176321	4800.98234	76.049608
4.2215 (Mean)	22.79411839	0.0015	0.095525	-0.005882	240.04912	3.80248
Correlation(r) = $\Sigma dx*dy / [\text{SQRT}(\Sigma dx^2)*\text{SQRT}(\Sigma dy^2)]$						
r = 0.7941						
\bar{X} = Mean of X						
\bar{Y} = Mean of Y						
SQRT = Square Root						

Table-10 : Correlation Analysis : Marketing Orientation Level And Customers Added :

MO LEVEL (X)	New Customers Added (Y)	$dx = X - \bar{X}$	$(dx)^2$	$dy = Y - \bar{Y}$	$(dy)^2$	$dx * dy$
4.58	9	0.36	0.1296	-13.8	190.44	-4.968
4.33	4	0.11	0.0121	-18.8	353.44	-2.068
3.96	3	-0.26	0.0676	-19.8	392.04	5.148
3.96	2	-0.26	0.0676	-20.8	432.64	5.408
3.92	3	-0.3	0.09	-19.8	392.04	5.94
3.92	3	-0.3	0.09	-19.8	392.04	5.94
4.54	13	0.32	0.1024	-9.8	96.04	-3.136
4.29	4	0.07	0.0049	-18.8	353.44	-1.316
3.79	7	-0.43	0.1849	-15.8	249.64	6.794
3.83	4	-0.39	0.1521	-18.8	353.44	7.332
3.88	2	-0.34	0.1156	-20.8	432.64	7.072
3.88	1	-0.34	0.1156	-21.8	475.24	7.412
3.88	3	-0.34	0.1156	-19.8	392.04	6.732
4.63	13	0.41	0.1681	-9.8	96.04	-4.018
4.54	8	0.32	0.1024	-14.8	219.04	-4.736
4.5	5	0.28	0.0784	-17.8	316.84	-4.984
4.5	5	0.28	0.0784	-17.8	316.84	-4.984
4.5	7	0.28	0.0784	-15.8	249.64	-4.424
4.5	4	0.28	0.0784	-18.8	353.44	-5.264
4.5	4	0.28	0.0784	-18.8	353.44	-5.264
84.43 (Sum)	104	0.03	1.9105	-352	6410.4	12.616
4.2215 (Mean)	5.2	0.0015	0.0955	-17.6	320.52	0.6308

$$\text{Correlation}(r) = \Sigma(dx * dy) / [\text{SQRT}(\Sigma dx^2) * \text{SQRT}(\Sigma dy^2)]$$

$$r = 0.62 \text{ Root}$$

$$\bar{X} = \text{Mean of X}$$

$$\bar{Y} = \text{Mean of Y}$$

$$\text{SQRT} = \text{Square}$$