

MARKET ORIENTATION OF COMPANIES WITH THE BRAND “ZNAČKA KVALITY SK”

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Abstract: Market orientation represents an established concept whose implementation leads to the achievement of superior performance. Specific features of market-oriented companies are the subject of many studies for years. The purpose of this article is to examine the market orientation of two types of companies from foodstuff industry in Slovakia. In this article we compare the market orientation of food producers who are holders of certificate of quality “Značka kvality SK” and those who are not. “Značka kvality SK” is a certificate awarded by Ministry of Agriculture and Rural Development of the Slovak Republic. In our research, we would like to find out if the companies which are awarded as leaders in food quality have a predisposition for market-oriented behavior. In our research we used statistical parametric t-test and the non-parametric Mann-Whitney test. The results indicate that there is no significant difference between market orientation of producers who hold the certificate of quality “Značka kvality SK” and those who do not. These findings support the assumption that concept of market orientation is applicable for all kinds of companies. This article presents partly the results of complex research focused on investigating the relationship between market orientation and business performance.

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Introduction

Businesses operate in increasingly intensive competitive environment and therefore become necessary for them to generate, distribute and use market information efficiently. This market-oriented behaviour could be the competitive advantage for all kinds of businesses. The purpose of this article is to examine the market orientation of two types of companies from foodstuff industry in Slovakia. In this article, we compare the market orientation of food producers who are holders of certificate of quality “Značka kvality SK” and those who are not. In our research, we would like to find out if the companies which are awarded as leaders in food quality have a predisposition for market-oriented behaviour. We used the MARKOR scale developed by Kohli and Jaworski (1993) for data gathering, and statistical tests for data processing. The results of our research could be useful for companies in the foodstuff industry during the process of developing their market orientation.

Theoretical background

Business and market environment are changing in different countries what influence consumer perception, needs, and behavior in various ways. Dynamic changes, such as the consumers' increasing access to information allow them to make smarter decisions about their consumption, or intensifying of the buyer's market made it critical for businesses to monitor situations in the market and satisfy the evolving needs and wants of customers. Regarding the current situation in the market, businesses need to be more market-oriented than ever before in order to succeed in the global economy (Chakravorti, 2013). Since the 1990s, market orientation one of the key concepts in marketing literature, which was the subject of numerous empirical studies (Bodlaj and Rojšek, 2010). Market orientation has been developed from two perspectives, which are market orientation as behavior and market orientation as philosophy (Cadogan and Diamantopoulos, 1995).

Market orientation

Market orientation from the behavioral perspective was defined by Kohli and Jaworski (1990, p. 6) as an “organization-wide generation of market intelligence, pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it.” Kohli et al. (1993) characterize market intelligence generation, the first element of behavioral perspective, as the collection and assessment of customer needs and also the forces that affect the development and refinement of these needs (Dong et al., 2013). Market intelligence dissemination refers to the quick distribution of information and involvement of all members of a business unit into the generalized discussion about customers and competition. This is the way how to maximize the

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value of generated information. Lastly, the responsiveness to market intelligence is characterized as implementation of activities consistent with the accumulated market intelligence, and planning the supply in line with the customer needs and wants (Varela and Río, 2003). Piercy (1992) developed the behavioral-strategic approach to market orientation which according to him is comprised of three elements: strategies, plans, and information. Strategies are related to the critical decisions about the market definition, market segmentation and the differentiation of products in comparison with competitors. Plans concern the marketing mix policies, development, and information as referred to the whole market and used for strategy design, planning, and control (In: Avlonitis, Gounaris, 1997). In the original study of Narver and Slater (1990, p. 21), they defined market orientation from cultural perspective as an “organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and thus, continuous superior performance for the business.” The cultural perspective of market orientation consists of three components, which are customer orientation, competitor orientation and inter functional coordination (Ngai and Ellis, 1998). Gadimi et al. (2013, p. 3495) summarized approaches to customer orientation and concluded that “it definitely involves a focus on customers by identifying, analyzing, understanding, and answering their needs, demands, and expectations, and generating, creating and increasing their satisfaction, acceptance and reliability.” Competitor orientation can be understood as knowledge of competitors’ short-term strengths, weaknesses and also long-term strategies and capabilities (Narver and Slater, 1990). Woodside (2005) explain that inter functional coordination consists in the willingness of different functional departments’ members to cooperate in order to achieve their objectives, competitive advantages, effectiveness and better performance (Gadimi et al., 2013). Abiodun and Mahmood (2015) concluded that behavioral and cultural perspectives are both based on efforts to understand market needs and wants, and to react to market opportunities and overall cross functional integration. Grbac and First (2011) add that many researchers have examined the impact of market orientation on business performance irrespective of whether market orientation is viewed as the culture or as the behavior of a business.

Market orientation and the quality in the context of foodstuff industry

Gellynck et al. (2012) summarize two consequent phenomena of the European agro-food market over the past ten years. On the one hand, globalization caused an increase in competition from large enterprises while trade liberalization led to the decrease in market protection. On the other hand, there is an increase of interest of consumers in food quality not only in the range of health and safety, but also from the country of origin point of view. Origin and methods of production became the important criterion for consumers while choosing the product. Musová (2013) states that in the context of Slovak consumers there is an increase of interest in the origin of food products while the majority of consumers would like to be better informed about the origin of food products from Slovakia. The brand “Značka kvality SK” is connected to the origin of food products and it is used as a marketing tool which has the impact on ethnocentric behavior of consumers while it emphasizes the country of origin and also quality of the product. This claim is also supported by Táborecká-Petrovičová, Ďado, Zajková (2014) who state that ethnocentric behaviour is closely linked to the country of origin. Product orientation is considered an opposite to the market orientation in marketing literature Kotler (1988). Poliačiková (2007) states that the product concept is guided by the view that consumers look for those products that offer superior quality, operational reliability, performance and modern design. Product improvement and innovations are crucial in businesses applying this concept. The problem with this concept is the fact that the enhancement of the product may not meet the needs and demands of consumers. Lewis et al. (2001) cite Harmsen et al. (2000) who consider product orientation as a supplement to market orientation in the meaning that objective quality of product can definitely enhance performance and satisfies the customers’ needs and wants, especially those segments which seek product quality.

Data and methodology

The main aim of this article is to examine the market orientation of food producers in Slovakia who are holders of certificate of quality “Značka kvality SK.” “Značka kvality SK” is a property of the Ministry of Agriculture and Rural Development of the Slovak Republic and is used as certificate of quality for Slovak producers of food products. It was put into practice in 2004 when the program of a national quality mark for Slovak agricultural products and foodstuffs was established. The main

priority of the program was to promote domestic quality products and thus strengthen their competitiveness in the domestic market. The next priority was to differentiate domestic products from foreign products and provide customers a better orientation in food products. This mark of quality on a product is a guarantee for the consumer that this product was produced in compliance with the requirements of national legislation and the legislation of the EU, while the determined technological process was followed during the production. “Značka kvality SK” can be awarded to a Slovak manufacturer whose products are produced from domestic raw material. The next condition is to maintain the declared technological process parameters of quality and food safety, while at the same time required the declaration of raw materials, i.e. from the total raw material consumption by at least 75% must be consumption of domestic raw materials and all stages of the production process must take place in the Slovak Republic. The quality mark is awarded by an expert commission to registered products. The commission is appointed by the Minister of Agriculture and Rural Development, who based on the recommendations of this commission and the principles for assessing and qualifying the quality mark, awards “Značka kvality SK” to manufacturers (Ministry of Agriculture and Rural Development of the Slovak Republic, 2017).

Image 1: Logo of quality mark “Značka kvality SK”



Source: Ministry of Agriculture and Rural Development of the Slovak Republic

Our research was conducted on the sample of Slovak manufacturers of food products. The research sample consists of 33 manufacturers, while 45.45 % of them (i.e. 15) hold the certificate of quality “Značka kvality SK” and 54.55 % of manufacturers (i.e. 18) do not hold this certificate of quality. We addressed companies of all sizes from the number of employees’ point of view. Questioning was realized through the online questionnaire sent via email. For measuring market orientation, we used the MARKOR scale (Kohli and Jaworski, 1993). We reduced the original 32-item MARKOR scale to a 20-item scale as a resulted from pilot questioning and feedback from manufacturers. We applied a 7-degree Likert scale like other authors (Pitt et al., 1996; Puledran et al., 2003, Hooley et al., 2003). In our article, we wanted to find out if there is a difference in the market orientation level between holders of quality certificate “Značka kvality SK” and non-holders of quality certificate “Značka kvality SK.” We were interested in the assumption that the product’s quality might be a predictor of market orientation. We have formulated following the research question (RQ):

RQ: Are food producers with the certificate of quality “Značka kvality SK” more market-oriented than the other food producers?

In order to answer this research question, we conducted a statistical verification. We used the Kolmogorov-Smirnov test of normality and a t-test for equality of means.

Results and Discussion

We examined if there is difference of the market orientation level between holders of the quality certificate “Značka kvality SK” and non-holders of the quality certificate “Značka kvality SK.” In Table 1 are presented the means of the market orientation components and overall market orientation of respondents. Respondents could reach from 1 to 7 points for each component. The first component of market orientation is intelligence generation. Surprisingly, non-holders of “Značka kvality SK” achieved higher means (5.269) of intelligence generation than holders of “Značka kvality SK” (5.189). The second component of market orientation, intelligence dissemination, achieved higher means (5.390) by holders of “Značka kvality SK” in comparison to non-holders of “Značka kvality SK” (5.005). The biggest difference of means between these two groups of respondents was in responsiveness to market intelligence. Non-holders of “Značka kvality SK” achieved mean 5.201 and

holders of “Značka kvality SK” achieved mean 5.938. We were also interested in the means of the overall market orientation. Non-holders of “Značka kvality SK” achieved 5.172 points and holders of “Značka kvality SK” achieved 5.577 points.

Table 1: Means of market orientation of food producers		
Market orientation components	Non-holder of “Značka kvality SK”	Holders of “Značka kvality SK”
Intelligence generation	5.269	5.189
Intelligence dissemination	5.005	5.390
Responsiveness	5.201	5.938
Overall market orientation	5.172	5.577
Source: Authors		

For statistical verification, we used IBM SPSS 19.0 and we set the significance level $\alpha=0.05$. We used statistical tests for the examination of significant differences between market orientation of holders and non-holders of the quality mark “Značka kvality SK.” Firstly, we tested the normality of the data. The results of the non-parametric Kolmogorov-Smirnov test of normality are shown in Table 2. Data are normally distributed (Sig. = 0.074, resp. 0.200).

Table 2: Test of normality							
Tests of Normality							
ZK		Kolmogorov-Smirnov ^a			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
MO	0	,193	18	,074	,885	18	,032
	1	,153	15	,200*	,923	15	,212
a. Lilliefors Significance Correction							
*. This is a lower bound of the true significance.							
Source: SPSS output.							

If the data could not be normally distributed we would use a non-parametric Mann-Whitney test. However, the data were normally distributed. Thus, we could use the t-test for verification of difference between the variables. According to the result of this t-test there is no significant difference between market orientation of holders and non-holders of “Značka kvality SK” (Sig. = 0.235).

Table 3: Independent Samples Test									
Independent Samples Test									
		Levene's Test or Equality of Variances		t-test for Equality of Means					
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference
									Lower Upper
MO	Equal variances assumed	2,077	,160	-1,211	31	,235	-,40041	,33064	-1,07477 ,27394
	Equal variances not assumed			-1,252	30,094	,220	-,40041	,31992	-1,05368 ,25286
Source: SPSS output.									

On the basis of our results we can state that our assumption that food producers which hold the certificate of quality “Značka kvality SK” are more market-oriented than food producers which do not hold the certificate of quality “Značka kvality SK” was not confirmed. This kind of study is very specific and it is difficult to find similar studies. In scientific literature, there are several studies which partly deal with the issue of market orientation and quality. Through this research we can understand the studied issue from a little bit different point of view. Raju and Lonial (2001) examined the relationships of market orientation and quality context with organizational performance within the hospital industry. The results show that both constructs have significant effect on performance. However, the direct effect was proved only within the market orientation and organizational performance relationship. Quality context is only indirectly linked to organizational performance through its effect on market orientation. Ramayah et al. (2011) investigated the mediating role of service quality in the relationship between market orientation and organizational performance. According to this study, service quality partly mediates the market orientation – organizational performance relationship. Both studies indicate only partial links between quality and market orientation. There are several studies which deal with the market orientation of foodstuff businesses (Lewis et al., 2001; Gellynck et al., 2012; Nwokah, 2008). However, these studies are focused mainly on the investigation of the level of market orientation and its relationship to business performance.

Conclusion

The main aim of this article was to examine the market orientation of food producers in Slovakia who are holders of the certificate of quality “Značka kvality SK.” From this research results it can be stated that certificate of quality “Značka kvality SK” does not influence the level of market orientation, because there was no significant difference between two groups of businesses (non-holders and holders of “Značka kvality SK”). We consider this result partly positive, because it indicates that all businesses could be market-oriented and the certificate of quality is not a warrant of a higher level of market orientation. This research has several limitations. The research sample of 33 businesses is relatively small and we would expect different results if we would use larger sample. For measuring market orientation, we used the MARKOR scale according to the (Kohli and Jaworski, 1993) which covers the behavioural approach to market orientation. However, there is also the possibility to use another scale which refers to the cultural approach.

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