

[DOI: 10.20472/IAC.2016.025.001](https://doi.org/10.20472/IAC.2016.025.001)

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THE IMPACT OF MARKET ORIENTATION, BRAND IMAGE AND INTERNAL MARKETING ON BRAND ORIENTATION AND STRENGTHENING BR

Abstract:

Brand performance related concepts, such as brand strength and brand equity have been proven out to provide several positive outcomes for a firm. This research study aims to estimate the impact of market orientation, internal marketing and brand image on brand orientation and strengthening brand performance. The study tests whether market orientation, internal marketing and brand image affects brand orientation and in turn whether brand orientation affects brand performance in coffee industry of Aceh - Indonesia. A standardized questionnaire was distributed among different people pertinent to coffee industry (distributors, whole sellers, retailers, sales force and employees etc). A total of 200 questionnaires were used by random sampling technique. A model with hypotheses of the relationships between the constructs was built. The results of the structural equation model suggest that market orientation and internal marketing, has positive effect on brand orientation, while brand image has a non-significant effect. Moreover, the study concludes that brand orientation has a substantial impact on strengthening brand performance. Results of this study can help organizations to improve their company performance through more awareness of the determinants of brand performance.

Keywords:

market orientation, internal marketing, Brand Image, brand orientation, brand performance

JEL Classification: M31, M39, M38

1 INTRODUCTION

The era of free trade becomes the opportunities and challenges for businesses to encourage increased performance and the role of SMEs in the national economy in creating the market both at home and in overseas. However, SMEs still have a lot of classic problem that is not much different from the SMEs at national level and as known, Business Micro, Small and Medium Enterprises (SMEs) occupies a strategic position in the Aceh economy as one of the province in Indonesia. SMEs play a role in creating jobs and economic empowerment of the people. The number of SMEs in Aceh reached 55 783 units, which consist of micro-enterprises 39 571 units (71 %), small businesses 13 728 units (25 %), and medium-sized enterprises 2,484 units (4 %) (Department of Industry, Trade and SMEs in Aceh, 2012). It is estimated that, currently SMEs Aceh has absorbed a workforce of about 275 thousand people. These SMEs engaged mainly in the sectors of trade, services, agriculture, industrial, and marine fisheries. Although it has a prominent position in supporting the local economy, Aceh SMEs do not develop optimally. Various problems of SMEs step twisting motion, which are related to capital, product marketing, managerial capabilities, and business productivity. Weaknesses of the business managerial are a barrier faced particularly by micro and small businesses. There are still a lot of micro and small businesses who conduct business without planning, control and evaluation of an adequate business. It is caused by low of knowledge and characteristics among businesses that many businesses are family businesses

A consequence of SMEs problems impacts on the locally marketing aspects, product quality which is standards and in the end impact on the achievement of low performance. Various attempts have been made to improve SMEs performance both locally and nationally until the defense of government policy through legislation. However

Since, the necessity of measuring the performance in macro level has been prevalent in order to evaluate the performance of an organization, an important point of view was established based on the performance of the products of an organization and that was applied in micro levels of the performance which is called the brand performance. The failure to measure the brand performance is a main weakness that has been widely discussed because brand is the first possession of a company. In fact, Brands today are often the “most valuable capital of a business”. What Kapferer stated in 1992 in his book “The Brand” is proven today through numerous analysis in practice. Especially in times of increased competition and a tendency to orientate oneself on the competition, those responsible for companies and brands are often “forced” to think in monthly or maybe even weekly revenues. Brand also can play the primary role on the success of an organization by creating the competitive advantage via the performance of non-product related means.

Understanding the differences of the products via their branding has given so much benefit to the companies including consistent volume and revenue over the years, resisting the attacks, getting higher fair share and specifically the cash flow and more earnings. According to O’Cass Aron, Ngo Liem Viet, (2007), the brand performance can be taken in to account as a factor that corresponds to the evaluation of brand success in the markets and it can help the brands achieve their goals in the market place. The performance of brand points out that how successful a brand is in the market and aims to evaluate the strategic successes of a brand (Ho, Y. W., Merrilees, B, 2008). Meanwhile, according to Tran Quan Ha Minh, (2006), Performance is often used as a dependent variable in marketing literature.

Brand performance related concepts, such as brand strength and brand equity have been proven out to provide several positive outcomes for a firm. For example, high customer-based brand equity has been observed to correlate positively with financial performance and stock market value (Aaker and Jacobsen 1994). In some recent studies the strength of a brand has been shown to increase also shareholder value (De Mortgages and van Riel 2003; Madden, Fehle and Fournier 2004). While the research concerning brand performance has been multifaceted there seem to be, however, only a little interest in brand orientation of firms. In the prior literature there are only a few empirical studies dealing with the question if brand orientation affects organizational performance or brand performance (Napoli, 2006; Wong and Merrilees 2008). In SME context brand orientation and brand performance are still relatively little researched concepts. Classification of brand orientation typologies for SMEs have, however, been presented (Wong and Merrilees 2005) and it has been suggested that brand and reputation building become key resources in the long run also in SMEs (Abimbola and Wallaster 2007).

The contribution of this study is that we examine both market orientation and brand orientation and how market orientation affects brand orientation, and further what kind of relationship brand orientation has on brand performance.

2 LITERATURE REVIEW

2.1 Market Orientation

Market orientation has been described as the realization of marketing activities planned to satisfy customer needs better than rivals are able to satisfy customer needs (Martin and Grbac, 2003). Kohli and Jaworski (1990) identified three elements of market orientation: 1) intelligence generation, 2) dissemination and 3) responsiveness to it. According to Narver and Slater (1990) market orientation consists of three behavioral elements, namely customer orientation, competitor orientation and Inter-functional coordination and, in addition, of two decision criteria: long-term focus and profitability. Customer and competitor orientations include the activities relating to gathering market

intelligence and sharing it throughout the organization and inter-functional coordination means the organization-wide creation of value to customers based on the acquired information. While there is some unevenness in conceptualizations of market orientation, it normally concentrates on three components; 1) customer focus, 2) competitor focus and 3) inter-functional coordination (Celuch et al., 2002).

Researchers have used different measures of market orientation in their studies. Kohli et al. (1993) developed a 20-item market orientation scale (MARKOR) that focuses on generation of market intelligence, dissemination of it within the organization and responsiveness to it. Deng and Dart (1994) adopted Narver's and Slater's (1990) view and established a measure that includes four components: customer orientation, competitor orientation, inter-functional coordination and profit emphasis. Gray et al. (1998) integrated the ideas of Narver and Slater (1990), Jaworski and Kohli (1993) and Deng and Dart (1994) when they developed what they called "a better measure of market orientation". The results of their study showed that some of the variables measuring intelligence dissemination (Jaworski and Kohli 1993) could be combined with the measures of inter-functional coordination (Narver and Slater 1990).

2.2 Brand image

It has been argued that one major role of a brand is creation and increasing the satisfaction which could predict future behaviors regarding the brand (Mittal and Kamakura, 2001). Zhou et al. (2008) argue that marketing orientation can have influential effects on firm's performance through employees' brand image. Besides, with considering the basic idea that every employee in organization can contribute something valuable to end customer, marketing orientation can collect and promote employees' individual efforts in organization (Jaworski and Kholi, 1993). Consequently, these collective efforts can help employees to reach and maintain more satisfaction.

2.3 Internal Marketing

A common view among researchers supports the role of internal marketing as encouraging employees to adopt and display market orientated behavior (Gronroos, 1981; Gummesson, 1991). Gronroos (1990) suggests that internal marketing can change employee's attitude and behaviors, and establish the corporate culture. Accordingly, Dennis (1995) claims that internal marketing is a strategic management approach which attracts, develops, motivates, and maintains employees by providing work products satisfying employees' needs.

In the study of Berry and Parasuraman (1991) internal marketing is the approach of treating employees as customers and considering and shaping job products for fitting

human needs. This definition is in accordance with definition of internal marketing as a mean of motivating personnel towards customer-consciousness and marketing orientation by a marketing-like internal approach (Gronroos, 1985). With consideration of the relationship between internal marketing and corporate culture, Gronroos (1990) proposed seven components for internal marketing including: training, large quantities of external communication, management support and international communication, human resource management, market dividers and market research. Additionally, in the model of Tansuhajet al., (1998), internal marketing was composed of five aspects including: training, communication, keeping employees, incentives and recruitment. As a result, internal marketing is composed of elements that are influential on promotion of corporate culture.

After a review of relevant literature it has been found that the majority of the literature on internal marketing focused upon the issue of employee motivation and satisfaction. Additionally, with taking into account the importance of internal marketing for transferring brand promise made to recruits into the organization and incorporate it as part of the organizational culture (Frook, 2001), internal marketing would be influential on brand orientation, in that it helps developing a workforce committed to the organization's established goals and values.

2.4 Brand Orientation

Urde (1999) defined brand orientation as “an approach in which the processes of the organization revolve around the creation, development and protection of brand identity in an ongoing interaction with target customers with the aim of achieving lasting competitive advantages in the form of brands”. According to Merrilees (2005) brand orientation refers to the “extent to which the brand becomes a central and coordinating element or core of a marketing strategy”. Brand orientation lays the foundation for all marketing activities and, thus it should be taken into account in the strategic marketing planning of a firm (Urde 1999).

Wong and Merrilees (2008) argue that brand may be seen as a means to achieve competitive advantage and that it becomes a strategic asset for the firm in the long run. They state further that brand orientation should be seen as a precondition for companies that seek brand related performance.

2.5 Brand Performance

In the previous marketing literature brand performance is often discussed together with the concept of brand equity. According to Aaker (1991) brand equity is composed of brand name awareness, loyal customers, perceived quality and brand associations that

add (or subtract) value to the product or service. Several empirical studies have been conducted testing the determinants of Aaker's brand equity model in different industries (Pappu, Quester and Cooksey 2005; Baldauf, Cravens and Binder 2003; Kim, Kim and An 2003; Calderon, Servera and Molla 1997). In recent studies measures of brand equity have been adapted to assess also brand performance (Chaudhuri and Holbrook 2001; Wong and Merrilees 2007; Wong and Merrilees 2008).

In the prior literature some empirical evidence about the relationship between brand orientation and brand performance has been presented. According to the results of Wong and Merrilees (2008) brand orientation has a direct influence on brand performance.

Based on explanations above, so research hypothesis as follow:

H1 : Market orientation influence to brand orientation positively and significantly

H2 : Brand Image influence to brand orientation positively and significantly

H3 : Internal marketing influence to brand orientation positively and significantly

H4 : Brand orientation influence to brand performance positively and significantly

From the formulation of hypothesis, research model can be form as follow:

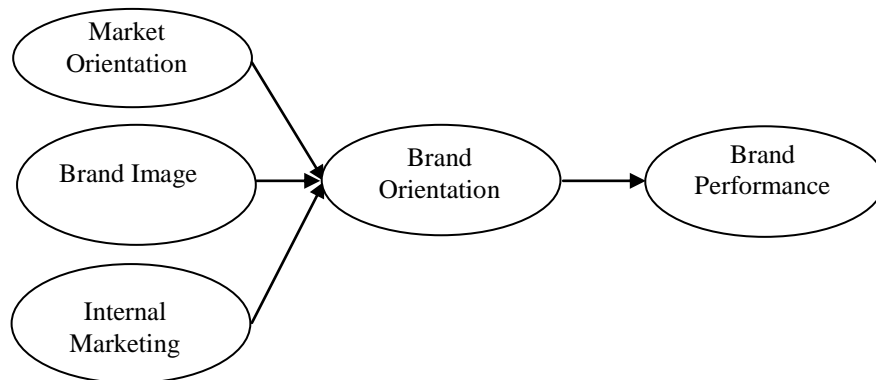


Figure 1. Research Model

3 METHOD

3.1 Measure

To test these hypotheses, a structured questionnaire was designed focusing on market orientation, Brand Image, internal marketing and brand orientation affecting brand performance. To assess the content and face validity, the questionnaire was submitted to three marketing professionals who assessed each item for representativeness,

specificity, and clarity. The final questionnaire was divided into two parts. The first part contained questions regarding respondents' demographics, and the second part focused on measurement scales. All variables in the second part of the questionnaire were closed-ended five-point scales, with 1 indicating "strongly disagree" and 5 indicating "strongly agree".

3.2 Sampling and Data Collection

These research populations are coffee industry (distributors, whole sellers, retailers, sales force and employees etc). Sample determination was calculated using SEM condition that stated if using SEM samples are 200 minimal. Questionnaires are given to respondents who work in Aceh coffee industry by using sample random sampling technique.

3.3 Method of Data Analysis

Data obtained from the questionnaire were analyzed using tables, simple percentages, cross tabulations, charts, Pearson's Product Moment Correlation (PPMC). Data which contain variables were measured using a 5-point Likert scale (Malhotra, 2010) In order to effectively carryout inferential analysis, the items coded for descriptive analysis were transformed into dummy variables Statistical computation was done with the aid of SPSS 17.0 for Windows and SEM by using Lisrel 8.0.

4 RESULT AND DISCUSSION

The results confirm that a strong correlation exists among market orientation, brand image and internal marketing to brand orientation and brand performance. Market orientation has the biggest and positive impact on brand orientation because standard estimate is 0.39 for market orientation. It can be observed in the figure of SEM that internal marketing also producing positive impact on brand orientation with standard estimate 0.25 but this impact is small as compared to market orientation. These two estimates are positive and produce favorable results for H1 and H3. Thus hypothesis H1 and H3 are true.

However, H2 cannot be accepted because the regression weights show that brand image has a non-significant effect ($p > 0.05$) on Brand orientation. Similarly, brand orientation has a positive impact on brand performance (0.57) suggesting that H4 is also true and providing further evidence of the positive relationship between these two constructs.

The results of this study show that market orientation, brand orientation and brand performance are related constructs. Moreover market orientation and internal marketing,

has the positive effect on brand orientation which in turn affects brand performance positively. This article therefore suggests that organizations could increase the internalization of organization's brand among the employees through encouraging employees to adopt and display market orientated behavior. The study also indicates that brand image has no significant effect on brand orientation. As mentioned in the prior literature (Urde 1999; Wong & Merrilees 2008) the model of this study also shows that market orientation precedes brand orientation. This indicates that with increasing brand orientation of organization, employee's loyalty toward organization brand will increase. As a result, this will lead to more alignment of employees behavior with organization's brand and this in turn can improve the performance of employees toward fulfilling customers expectations

5 CONCLUSION

From results, it can be concluded that market orientation, Brand Image and brand orientation are related to enhance brand performance. Thus those firms that are more market- and brand-oriented have stronger brands than those companies which are not oriented towards markets and brand building. Better brand performance lays down the foundation for higher brand loyalty and good image building. Thus better brand performance provides high ROI. Therefore, managers should pay attention to market sensing and brand building activities. They should realize that brands are strategically important assets through which companies can achieve market-driven competitive advantage.

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