

Chapter 5

The Consequences of Market Orientation on Performance, New Product Success, and Customer Satisfaction in Traditional Sectors: The Case of the Portuguese Wine Sector

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ABSTRACT

The market orientation concept used has been used as a way to measure the implementation of marketing strategies and tactics. Although it is still widely accepted and used as a framework for various researches, it is still open for debate as there is not yet a consensus on its consequences on business performance and in other consequences such as new product development and customer satisfaction. This chapter discusses the application of market orientation in a traditional sector (the Portuguese wine sector) using a market orientation model that integrates both the cultural and the behavioural streams. The results of the research lead us to conclude that market orientation favours in a moderate way new product success and customer satisfaction and that it is not directly related with business profitability.

INTRODUCTION

The concept of Market Orientation (MO) has attracted a great deal of attention since the early 1990's because it made a significant contribution to the measurement of the marketing concept (Foley & Fahy, 2009). In recent years MO has been shown to provide a valuable resource-based advantage in domestic markets on the level of export performance (He, Brouthers & Filatotchev, 2018). Some of the main expected MO outputs are, therefore, related to business performance, sustained by authors such

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as Narver and Slater (1990), Ruekert (1992), Deshpandé Farley and Webster (1993), Diamantopoulous and Hart, (1993), Greenley, (1995). These are still a matter of debate since many did not find this direct connection between MO and business performance (Langerak, 2001; Dobni & Luffman, 2003; Gray & Hooley, 2002). More recent studies in a similar context (Ho, Nguyen, Adhikari, Miles & Bonney, 2018) indicate that there was no significant relationship between market orientation and performance, but related constructs such as customer orientation and inter-functional coordination were positively related to innovation. Also a positive relationship between innovation and financial performance was found. Han, Namwoon and Rajendra (1998) found that innovation has a mediating role in the MO and corporate performance relationship. What seems less questionable is the link between MO and the impact on new product success (Lukas & Farrell, 2000; Hult, Hurley & Knight G. 2004; Baker & Sinkula, 2005; 2007). Although less explored, the relationship between MO and customer satisfaction was sustained by Kohli and Jaworski (1990) and Gray, Matear and Boshoff (1998) and by Morgan and Vorhies (2018). This paper will evaluate some of the main outcomes of MO in a traditional environment where production orientation may still prevail: the Portuguese wine sector. This paper initially presents the MO construct and its main streams. The expected outcomes of the MO are further discussed and three main hypotheses are formulated. Finally, the results are discussed and recommendations for future research are made.

THE PORTUGUESE WINE SECTOR

According to OIV (2018) Portugal is the 5th producer in the Europe and the 11th in the world in 2018 with a production around 6.7 million hectolitres. In terms of consumption it is the 12th biggest market in the world with 5.2 million hl with the highest *per capita* consumption of around 54L per year (OIV, 2018). In 2017 it amounted to around 1,5% of Portugal's total exports and 11,5% of all agri-food sector exports and amounts to 66% the share of Portuguese wines within the export of all Portuguese beverages, spirits and vinegar products (ViniPortugal, 2018). As for the exports Portugal is the 9th biggest exporter with 3 million hl which represents 0.8 billion euros and exports 45% of its wine production. In terms of imports is 12th biggest importer with 2.1 million hl. (ViniPortugal, 2018). In recent years the production of wine stabilized significantly at around 6 million hectolitres (OIV, 2018). From January to September de 2019 the wine exports increased 3,6% in volume and 5% in value and increase the average price by 1,3% to 2,66 €/l. (ViniPortugal, 2019; IVV, 2018).

On the Ramos, Martins and Barandas (2012) research on the market orientation within the Portuguese wine sector, it was suggested that producers and wine intermediaries tend to over appreciate their own self concept of being "Market Oriented". They tended to overemphasize the MO cultural aspects (values and beliefs) without fully implementing most of the MO activities, namely the necessary and organized systems of information gathering and flow. This research also suggested that both wine producers and intermediaries were still in an embryonic stage of market orientation. The most critical aspect was the obvious information gap between wine consumer's and the supply side (producers and intermediaries). This made clear a need for a more market oriented approach in this sector.

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