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Research Article

Impact of Market Orientation and Business Performance: Examining The Mediating Role of Customer Loyalty

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ABSTRACT:
The ultimate goal of any business unit is enhancing its performance through various measures. Towards the fulfillment of this goal, practitioners and scholars have been studying various aspects of business units. However, most of such researches those address such concerns were considering the customer related factors and organization factors, in separation. Keeping this fact as a research gap, our study explores the nature of the relationship between market orientation and business performance. Further, we test the also. Questionnaire responses were collected from 215 employees, working in their tourism sector of Nepal. Results of this study show that market orientation has a positive impact on the business performance in the given sample. Further, the mediating role of customer loyalty has also been established in the relationship between market orientation and business performance. Applications of this study could direct the practitioners of tourism sector in Nepal towards enhancing their customer loyalty and thereby the business performance.

KEYWORDS: Business performance, customer loyalty, hospitality sector, market orientation, Nepal.

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1. Introduction

The tourism sector substantially contributes to a nation's economic capacity, employment prospects, and social and environmental considerations (Eurostat, 2017). In 2017, Europe, the foremost global tourism destination, represented 51% of international visitor arrivals worldwide (Narver and Slater, 1990). Since the 1990s, research on market orientation has progressed significantly, demonstrating a favorable association between market orientation and organizational performance. Nevertheless, research in the service sector has been constrained, predominantly concentrating on industrial and consumer products industries (Bazazo et al., 2017).

Market orientation is often seen as a catalyst for customer loyalty, with market-oriented companies excelling in meeting consumer needs and surpassing expectations, thereby enhancing customer satisfaction and fostering loyalty (Gray et al., 2002; Tajeddini, 2010). This study is designed to address two crucial knowledge gaps: investigating the link between market orientation and business performance, and exploring the mediating role firm performance, particularly in Nepal's tourism sector. The study also aims to enhance the global understanding of this topic by incorporating a non-Western demographic.

Relationship between market orientation and business performance. Second, we also intend to examine business performance, specifically in the context of tourism industry in Nepal. The third objective of the study is to expand the knowledge on this a sample obtained in a non-western sample which is an overlooked aspect in this area of research.

A comprehensive examination of the current literature regarding market orientation, business performance, and customer loyalty in the tourist sector, specifically in Nepal, developed a structural research model. A survey was administered, collecting responses from 215 individuals in the Nepalese tourism business. The results demonstrate that market orientation favorably affects business performance in the defined sample, in the corporate performance has been confirmed.

2. Theoretical Background and Hypotheses formation

In the 1990s, substantial advancements were made in market orientation literature. Narver and Slater (1990) characterize market orientation as a facet of organizational culture cultivating extraordinary consumer value and enduring excellent performance. Kohli and Jaworski (1990) characterized market orientation as the cultivation of market knowledge about customer wants, the distribution of this intelligence across departments, and the organization-wide responsiveness to it. Although various market orientation measurement scales have been developed, the hotel industry has been somewhat overlooked in the advancement of contemporary techniques. The scales employed were predominantly based on earlier versions, including the MARKOR and MKTOR scales (Campo et al., 2014; Wang et al., 2012).

The literature firmly establishes a favorable association between market orientation and corporate performance. Despite variable results in the hospitality sector, empirical research demonstrates a positive correlation between market Market orientation promotes customer value creation and improves business performance, fostering a unified goal of customer satisfaction among individuals and departments, thus enhancing overall corporate performance (Qu and Ennew, 2003). It cultivates a sense of belonging among employees and unifies them with the core goal of customer satisfaction, hence improving corporate performance (Sandvik & Sandvik, 2003; Sin basis of such empirical evidences available in the literature on the area of market orientation and business performance, we formulate the following hypothesis:-

H1: Market orientation has a positive and significant direct impact on business performance of tourism sector.

The primary goal of any company, especially within the hospitality industry and Nepal's tourism sector, is to ensure customer satisfaction. This is not just a goal, but a profound impact on customer loyalty (Kandampully and Suhartanto, 2000). Meeting customer demands is a critical determinant of repeat purchases, positive word-of-mouth, and consumer loyalty (Tanford, 2016). The significance of customer satisfaction cannot be overstated, as it depends on expected and perceived service, with expectations and perceptions significantly influencing satisfaction and service value (Mullins, 1993). Hotel guests depend on past experiences to guide future purchasing choices, resulting in enhanced product satisfaction and a greater propensity for repeat visits and customer loyalty (Gallarza and Saura, 2006).

Market-oriented enterprises foster client loyalty by dedicating themselves to comprehending consumers' dynamic demands, incentivizing personnel to prioritize customer delight, routinely evaluating customer contentment, and sustaining communication with customers after purchase (Pan et al., 2012). products and the competitive environment, firm's ability to gain insights into clients and competitors is essential for improving customer loyalty (Slater and Narver, 1994). Since market orientation is very much related to the customer loyalty in any collectivistic context, we hypothesize the following relationship between these two variables:- is crucial in the correlation organizational, especially within the hospitality sector (Kirca et al., 2005). It is a relationship founded on trust and dedication between the purchaser and the supplier, beyond mere economic considerations (Yoo et al., 2011). To foster and sustain client loyalty, a company must develop a long-term, reciprocal relationship with its customers, providing financial and non-financial advantages. Loyalty is essential for establishing knowledge relationships, which stem from consumer analysis and data acquisition (Bowen and Shoemaker, 1998).

Providing outstanding customer value is intrinsically linked to loyalty since a corporation must comprehend its target consumers and gather insights about them (Siu et al., 2013). These insights, derived from a deep understanding of and underlying, enable the company outstanding, hence increasing customer loyalty and contributing to business success (Kandampully et al., 2015). Generating outstanding value for clients necessitates a balanced viewpoint of both clientele and competition.

It is very much possible that loyal customers do repeat their previous purchases. It is also evident that such loyal customers function as carriers of positive word of mouth which a very much important aspect in the context of tourism and hospitality (Bowen and Shoemaker, 1998). This is because it hotel. It is also noted that the 'their hotel'.

Dedicated clients exhibit recurrent purchasing behavior, procure additional participate in collaborative activities, including favorable promotion (Shoemaker and Bowen, 2003). This has substantial financial implications for hotels, auguring their commercial success. Loyal customers demonstrate reduced sensitivity over time, and their favorable word-of-mouth results in cost savings. Devoted clientele primarily acquires services (Chang, 2013). Given the empirical evidences available in the literature around these topics, we are hypothesizing a relationship between customer loyalty and business performance. Further, it is also evident from the literature that customer loyalty can significantly mediate the relationship between market orientation and business performance. Accordingly, we derive at the following two hypothses:-

3. Methodology

A survey was administered to 215 employees in the Nepali tourism sector to evaluate hypotheses. Based on the multidimensional construct by Sampaio et al. (2019), the market orientation measurement scale assesses intelligence generation, distribution, and coordinated reaction across client, competition, and market structure domains. The customer loyalty scale evaluates retention and recommendation, whereas the business performance scale gauges profitability, sales growth, and occupancy rate. The survey sought to assess these theories and offer insights into the Nepali tourism industry.

Table No. 1: Descriptive Statistics

Descriptive statistics

Frequency Distribution	
Position	
Staff	38.60465
Management	30.69767
Other	30.69767
Years of Experience	
7-10 years	22.7907
4-6 years	21.86047
Less than 1 year	21.86047
1-3 years	16.74419
More than 10 years	16.74419
Type of Service	
Tour Operator	24.65116
Other	20
Travel Agency	18.60465
Accommodation	18.60465
Transportation	18.13954

The table displays the frequency distribution across three categories: Position, Years of Experience, and Type of Service. The predominant category of respondents is staff (38.60%), succeeded by management (30.70%) and others (30.70%). The predominant proportion of respondents has 7 to 10 years of experience, with 22.79% falling within this range. Notably, the 4-6 years and less than 1-year categories are equally represented, each comprising 21.86% of the total, demonstrating a balanced and comprehensive dataset. Respondents with 1-3 years of experience and those with over ten years of experience each constitute 16.74% of the total.

The respondents' organizations also specified the nature of the services offered. Tour operators constitute the predominant segment, employing 24.65% of the workforce. Twenty percent offer services classified as "Other," encompassing various non-specific service kinds. Travel agencies, housing, and transportation services exhibit about equal presence, with approximately 18% employed in these industries.

The frequency distribution elucidates the demographic and professional backgrounds of the respondents in this dataset. Staff roles are predominant, although management and other positions are evenly represented. Tour operators predominate in the sample, succeeded by a nearly equal distribution among individuals employed in travel agencies, housing, transportation, and other services.

Correlation

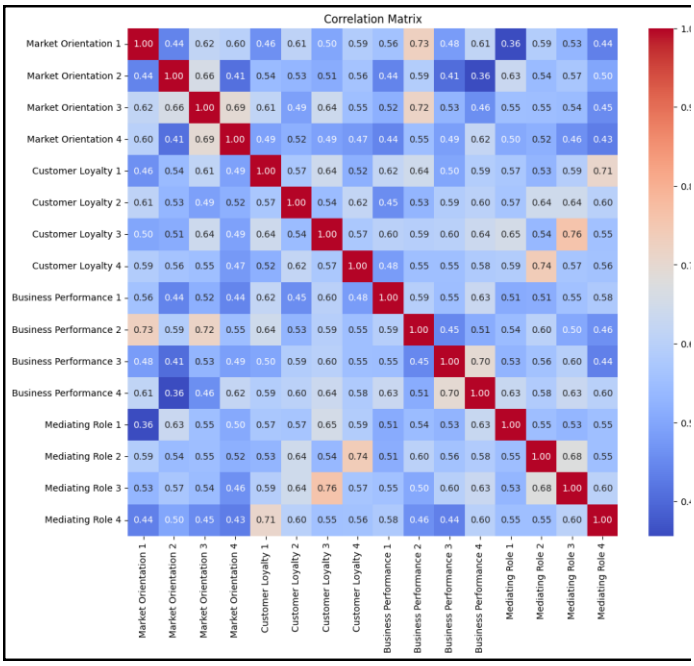

Figure No. 1: Correlation Matrix

The correlation matrix indicates robust, positive associations between Market Orientation and Business Performance, as well as between Customer Loyalty and Business Performance. Market Orientation exhibits a moderate to strong positive association with Business Performance, specifically a robust correlation of 0.56 with Business Performance 1 and 0.73 with Business Performance 2. As Market Orientation enhances, Customer Loyalty generally increases, although the association is not as robust as that with Business Performance.

A more significant number of loyal consumers correlate with improved business success, as seen by the positive association between Customer Loyalty and Business success. Mediating role characteristics exhibit moderate associations with business performance and customer loyalty, indicating their potential significance in elucidating the link between market orientation and business performance. The correlation matrix reveals robust, positive associations between Market Orientation and Business Performance, as well as between Customer Loyalty and Business Performance.

Table No. 2: H1: Market Orientation and Business Performance

Model Summary H1: Market Orientation → Business Performance			
R-squared:	0.637	Adjusted R-squared:	0.63
F-statistic:	90.1	Prob (F-statistic):	4.58E-44
Log-Likelihood:	-157.04	AIC:	324.1
No. Observations:	210	BIC:	340.8
Durbin-Watson:	1.715	Df Model:	4
Diagnostics			
Omnibus:	89.646	Prob (Omnibus):	0
Jarque-Bera (JB):	506.138	Skew:	-1.55
Prob (JB):	1.24E-110	Kurtosis:	9.945

The OLS regression results for the hypothesis "Market orientation → Business performance" are of significant importance, as they indicate that market orientation exerts a statistically significant and beneficial influence on business performance. All independent variables (x1, x2, x3, x4) possess positive coefficients, and their p-values indicate significant contributions to the model. The R-squared result demonstrates that Market orientation characteristics account for 63.7% of the variance in Business Performance, signifying a relatively robust model fit. The modified R-squared value, which signifies that the independent variables account for 63.0% of the variability in Business Performance, is a strong indicator of the model's reliability. This value indicates that the model is not over-fitted. The F-statistic test evaluates the overall relevance of the model, where a high F-statistic and a very low p-value suggest that market orientation factors collectively strongly predict business performance. The coefficients indicate that a one-unit increase in x1 results in a 0.3647 unit improvement in Business Performance. For each unit increment in x2, Business Performance rises by 0.1406 units. For each unit increment in x3, Business Performance rises by 0.1329 units. For each unit increment in x4, Business Performance rises by 0.1747 units. Model diagnostics indicate possible non-normality in the residuals, warranting additional examination. The Omnibus Test (Prob = 0.000) reveals potential non-normality in the residuals, while the Jarque-Bera statistic (JB = 506.138) confirms that the residuals are not normally distributed. The Durbin-Watson statistic (1.715) assesses autocorrelation in the residuals, with a value near 2 indicating an absence of significant autocorrelation concerns.

Table No. 3: H2: Market Orientation and Customer Loyalty

Model Summary H2: Market Orientation → Customer Loyalty			
R-squared:	0.628	Adjusted R-squared:	0.621
F-statistic:	86.56	Prob (F-statistic):	6.06E-43
Log-Likelihood:	-151.45	AIC:	312.9
No. Observations:	210	BIC:	329.6
Durbin-Watson:	1.804	Df Model:	4
Diagnostics			
Omnibus:	95.834	Prob (Omnibus):	0
Jarque-Bera (JB):	543.533	Skew:	-1.682
Prob (JB):	9.40E-119	Kurtosis:	10.128

The OLS regression study demonstrates a robust correlation between Market Orientation (independent variables) and Customer Loyalty (dependent variable). The model's R-squared value of 0.628 signifies that 62.8% of the variance in customer loyalty is elucidated by the independent variables associated with market orientation, demonstrating a favorable fit. The corrected R-squared value of 0.621 indicates that the model retains significant explanatory power at 62.1%.

The F-statistic and Prob(F-statistic) assess the model's overall significance, where a high F-statistic suggests that the model effectively predicts customer loyalty. The coefficients indicate the correlation between each independent variable and customer loyalty, with a positive value implying a favorable association.

The findings indicate that all predictors are statistically significant, with p-values around 0.05, signifying their substantial contribution to forecasting consumer loyalty. The tests, specifically Jarque-Bera, Skew, and Kurtosis, evaluate the normality of the residuals, with results like Omnibus (95.834), Jarque-Bera (543.533), and Prob(JB) = 9.40e-119 indicating that the residuals deviate from normal distribution.

The Durbin-Watson statistic assesses autocorrelation in the residuals, where a value near 2 signifies the absence of significant autocorrelation problems. The regression model indicates that market orientation has a considerable positive effect on customer loyalty, with all coefficients statistically significant. Nonetheless, the normality assessments suggest that there may be apprehensions regarding the normality of residuals. The evidence robustly supports the notion that market orientation positively influences consumer loyalty.

Table No. 4: H3: Customer Loyalty and Business Performance

Model Summary H3: Customer Loyalty → Business Performance			
R-squared:	0.709	Adjusted R-squared:	0.704
F-statistic:	125.1	Prob (F-statistic):	7.30E-54
Log-Likelihood:	-133.82	AIC:	277.6
No. Observations:	210	BIC:	294.4
Durbin-Watson:	1.671	Df Model:	4
Diagnostics			
Omnibus:	121.001	Prob (Omnibus):	0
Jarque-Bera (JB):	1701.822	Skew:	-1.862
Prob (JB):	0	Kurtosis:	16.44

The OLS regression model indicates that customer loyalty substantially influences corporate performance. The model accounts for 70.9% of the variability in business performance, signifying a solid fit. The adjusted R-squared is marginally lower than the R-squared but remains elevated, signifying that the model accounts for considerable variance after accounting for the number of predictors.

The key findings indicate a statistically significant intercept (constant) at a baseline level of company performance when all independent variables are set to zero. The correlation between x1 and business performance is statistically significant, with a one-unit rise in x1 leading to a 0.2403 unit increase in business performance. The correlation between x2 and business performance is statistically significant.

Diagnostics indicate that the whole model is statistically significant and possesses predictive capability. The Durbin-Watson test assesses autocorrelation in residuals, with a score near 2 signifying the absence of significant autocorrelation problems. The Omnibus and Jarque-Bera tests indicate that the residuals deviate from normality, suggesting possible violations of model assumptions.

In conclusion, all independent variables associated with customer loyalty substantially enhance the understanding of business success. The model is statistically significant and accounts for around 70.9% of the variance in business performance, although potential non-normality in the residuals may compromise the robustness of the findings.

Table No. 5: Model 1: Market Orientation and Customer Loyalty

Model Summary Model 1: Market Orientation → Customer Loyalty			
R-squared:	0.616	Adjusted R-squared:	0.614
F-statistic:	334	Prob (F-statistic):	3.85E-45
Log-Likelihood:	-154.74	AIC:	313.5
No. Observations:	210	BIC:	320.2
Durbin-Watson:	1.702	Df Model:	1
Diagnostics			
Omnibus:	96.239	Prob (Omnibus):	0
Jarque-Bera (JB):	477.767	Skew:	-1.749
Prob (JB):	1.8E-104	Kurtosis:	9.509

The OLS regression results for Model 1: Market Orientation → Customer Loyalty indicate a robust positive and statistically significant correlation between the two variables. The model's R-squared value of 0.616 signifies that 61.6% of the variance in Customer Loyalty is accounted for by Market Orientation, suggesting a moderately good correlation. The adjusted R-squared value of 0.614 signifies that the model incorporates solely one predictor. The F-statistic of 334.0, which is notably low, signifies that Market Orientation is a substantial predictor of Customer Loyalty. The regression coefficients consist of a constant (0.8028) and a Market Orientation coefficient (0.8951), suggesting a robust positive correlation between Market Orientation and Customer Loyalty.

The model's diagnostics comprise Durbin-Watson (1.702), Omnibus (96.239), and Jarque-Bera (477.767), all exhibiting very low p-values (0.000), signifying that the residuals are not normally distributed and highlighting the necessity for additional diagnostics or model enhancements. The model indicates a robust positive and statistically significant correlation between Market Orientation and Customer Loyalty; nevertheless, non-normality in the residuals may necessitate further refining or additional diagnostics.

4. Conclusion

The correlation matrix demonstrates solid and positive relationships. Market Orientation exhibits a moderate to strong positive correlation with Business Performance, precisely 0.56 with Business Performance 1 and 0.73 with Business Performance 2. As Market Orientation improves, Customer Loyalty typically rises. However, the correlation is less robust than that with Business Performance. A greater quantity of loyal customers is associated with enhanced business success, evidenced by the positive correlation between Customer Loyalty and Business Success. The characteristics of mediating roles show moderate correlations with business performance and customer loyalty, suggesting their importance in clarifying.

The OLS regression results for the hypothesis' Market orientation Business performance' are substantial, demonstrating that market orientation has a statistically significant and positive impact on business performance. All independent variables exhibit positive coefficients, and their p-values demonstrate significant contributions to the model. The model explains a substantial 70.9% of the variability in business performance, indicating a robust fit and providing you with a strong foundation for your understanding.

In conclusion, all independent variables related to customer loyalty significantly improve the comprehension of corporate performance. The model is statistically significant and explains approximately 70.9% of the variance in business performance.

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