

The Role of Market Orientation in Enhancing Customer Loyalty in the Digital Age: Multiple Insights and Perspectives

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Abstract: *In the context of digital evolution, there is still a need to know whether the market orientation enhances customer loyalty or not in light of the change in customer behaviors as a reaction to the digital revolution. Their purchasing decisions in the digital shopping environment have become different from what they are in the traditional shopping environment. Based on the theory of resource dependence, organizations that develop new resources by discovering, absorbing and acquiring all types of external information and expertise, and maximizing and integrating internal and external resources, are able to create a competitive advantage for themselves, by mobilizing these resources to serve their strategic orientations, especially the market ones that focus on the customer, by outlining strategies that start from understanding the customer's needs to meeting them and establishing a relationship with him to retain him for the longest possible period. According to previous studies, we find that some of them have divided the market orientation into several dimensions and explored the impact of different trends on customer loyalty, which has the merit of raising the value of the organization, whether in terms of profitability or market share, some of them divided the market orientation of organizations into customer orientation and competitor orientation in response to knowledge derived from market information, and some of them emphasized the need to distinguish between reactive orientation and proactive market orientation. The results of this literature analysis show that market orientation, whether from a cultural-behavioral perspective or a proactive-reactive perspective in the digital age, has a significant positive impact on enhancing customer loyalty.*

Keywords: Market orientation, cultural-behavioral perspective, proactive-reactive perspective, digital customer behavior, customer loyalty.

JEL Classification: M31, M39, O33, O36.

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1. Introduction

Companies always strive for excellence, so it is essential to understand the approach that enables them to gain a sustainable competitive advantage. The concept of sustainable competitive advantage has evolved across various frameworks. In the past, sustainable competitive advantage generally focused on economies of scale, enabling organizations to provide a wide range of products or services to their customers at a reasonable cost. More recently, market orientation has taken on the role of strategic orientation, focusing on building organizational capabilities by consistently creating differentiated value for customers. On the other hand, researchers found a significant impact of market orientation on customer satisfaction and loyalty (Khan and Ghouri 2018, 25), which led to enhanced organizational performance (Kirca, Jayachandran and Bearden 2005, 25). Market orientation provides a strategic framework that helps organizations implement their marketing ideas and gain a competitive advantage by continuously monitoring and responding to market fluctuations, by focusing on the customer as the core of their strategy. Therefore, adopting effective market orientation practices enhances an organization's sustainability and ensures a competitive advantage in its business. In the context of digital evolution, there is still a need to determine whether market orientation enhances customer loyalty or not, given the changing behaviors of customers in response to the digital revolution. Where, their purchasing decisions in the digital shopping environment became different from those in the traditional shopping environment. The emergence of these new technologies has pushed industries to transform their traditional business models and operations towards digitization, networks, and intelligence. A new form of competition has begun to emerge, represented by digital technology. This serves their strategic orientations, especially the market-oriented one, which focuses on the customer by outlining strategies that begin with understanding the customer's needs, then meeting them and establishing a relationship with them to retain them for the longest possible period. According to previous studies, we find that some of them divided the market orientation into several dimensions and explored the impact of different trends on customer loyalty, which has the merit of raising the company's value, whether in terms of profitability or market share. Some of them divided the market orientation of organizations into customer orientation and competitor orientation, and some of them emphasized the need to distinguish between reactive and proactive market orientation. The results of this analysis study of literatures show that market orientation, whether from a cultural-behavioral or a proactive-reactive perspective, in the digital age has a significant positive impact on enhancing customer loyalty.

2. Literature Review

2.1. Cultural and Behavioral Perspective on Market Orientation

The existing literature indicates that the trend towards the market is a wide endeavor for the organization, as two streams of research have been identified regarding the market orientation: The first current of Narver and Slater (1990) focused on studying the organizational and philosophical culture to assess the degree of companies' orientation towards the market, which is known as the cultural perspective (Narver and Slater, The Effect of a Market Orientation on Business Profitability 1990) The second stream of research by Jaworski and Kohli (1990; 1993) focused on understanding how market-oriented activities are determined by the types of organizational systems that promote these activities, which is known as the behavioral perspective (Jaworski and Kohli 1993) ,

(Kuada and Buatsi 2005) (Hwang and Norton 2014). The cultural perspective of Narver and Slater (1990) views market-oriented firms as follows: customer-oriented firms (i.e., they gain insight into customer needs and market service requirements); competitor-oriented firms (i.e., they gain an understanding of competitors' capabilities and market response patterns); and firms that exhibit a high level of cross-functional coordination (i.e., they coordinate the use of firm resources to create superior value for customers) (Narver and Slater, The Effect of a Market Orientation on Business Profitability 1990). Narver and Slater (1990) view market orientation as an organizational culture that enlists the participation of all employees for the purpose of creating high value for the company's customers as well as high performance for the company (Narver and Slater, The Effect of a Market Orientation on Business Profitability 1990). The behavioral perspective of Jaworski & Kohli (1993) views market-oriented organizations as those that respond to customer needs and can meet their preferences well, and thus have higher levels of performance (Jaworski and Kohli 1993, 57). Kohli and Jaworski (1990) also defined "market orientation" as consisting of three elements: the organization of the generation of market information related to current and future customer needs; the dissemination of intelligence information among the organization's departments; and the organization's response to knowledge derived from market information (Jaworski and Kohli 1993) (Kuada and Buatsi 2005, 63). Where the response component was defined as consisting of two groups: designing response activities (i.e., using market information to develop plans) and implementing the response (i.e., implementing these plans). This definition focuses on specific behaviors and facilitates the activation of market orientation (Jaworski and Kohli 1993, 54). Market orientation prioritizes the creation and maintenance of superior customer value from the perspective of Narver and Slater (1990) and emphasizes the organization's need to obtain, disseminate, and respond to market information from the firm's target buyers and current and potential competitors from the perspective of Jaworski and Kohli (1993) (Zhou, Yim and Tse 2005, 45).

2.2. Proactive and reactive perspective of market orientation

Kohli and Jaworski (1990) introduced the concept of market orientation as a behavior or process of collecting, disseminating, and responding to current or future consumer demand and preference information, while Narver and Slater (1990) referred to market orientation as a way in which organizations can achieve business performance by consistently delivering value to customers. In light of the visions of both Kohli and Jaworski (1990; 1993) and Narver and Slater (1990), many scholars have expanded and improved the meaning of market orientation. Narver et al. (2004) divided customer-oriented logic and market-oriented logic into proactive and reactive market orientation (Narver, Slater and MacLachlan 2004, 334-336). A proactive market orientation seeks to meet the future needs of customers, emphasizing that organizations will innovate products by exploring the potential needs of consumers (Iyer, et al. 2019, 18). A reactive market orientation focuses on the current market structure and the current explicit needs of

consumers, and discourages initiative to find other opportunities to meet customer needs that they are not aware of (Zhao, et al. 2023, 136).

2.3. Digital Customer Behavior

Consumer behavior has changed in response to the digital revolution. Shi and Zhang (2014) confirmed in their study that consumers evolve through distinct behavioral states over time, with their purchasing decisions in online stores differing from those in traditional shopping environments (Shi and Zhang 2014, 871). According to Kannan & Li (2017), consumers are shifting their purchases to online stores, and thus digital touchpoints play an important role in customer decisions across both digital and traditional environments (Kannan and Hongshuang 2017, 26). Studies by Verhoef et al. (2017) and Hoffman and Novak (2017) suggest that new digital technologies have the potential to alter customer behavior (Hoffman and Novak 2017, 4) , (Verhoef, et al. 2017, 2). The Internet of Things has the potential to revolutionize the consumer experience, as consumers can actively interact with smart objects. Therefore, the use of new digital technologies can become the new norm and challenge traditional business rules (Hoffman and Novak 2017, 2). If companies cannot adapt to these changes, they become less attractive to customers and are likely to be replaced by companies that take advantage of these technologies (Verhoef, et al. 2021, 891).

3. The Role of Market Orientation in Enhancing Customer Loyalty Through Customer Satisfaction in the Digital Age

Kohli and Jaworski (1990) and Narver and Slater (1990) assert that market orientation encompasses the entire organization. An organization that adopts a market orientation can effectively and efficiently apply the marketing concept to its operations. Market orientation can influence organizational strategy, employee behavior, and customer attitudes and behavior, thus being considered an additional and distinct form of sustainable competitive advantage (Kohli and Jaworski 1990, 16) , (Narver and Slater, The Effect of a Market Orientation on Business Profitability 1990). According to Jaworski and Kohli, (1993), market orientation is the comprehensive organizational generation of market information regarding current and future needs, the distribution of information across departments, and the response to market information (Jaworski and Kohli 1993), (Kuada and Buatsi 2005, 63). According to Narver and Slater (1990), market orientation is an organizational culture that focuses on generating superior value for customers through interfunctional cooperation, competitor orientation, and customer orientation (Narver and Slater, The Effect of a Market Orientation on Business Profitability 1990). Day (1992) presented his view of market orientation as a way of doing business to understand and satisfy the customer by integrating it into product design and designing a systematic process of interaction, in addition to customer communication skills that drive market-led organizations to organize according to market requirements (Day 1992, 323). Kotler (2009) in Khan and Ghouri (2018) suggest that monitoring market fluctuations will encourage

identifying the impact of customer satisfaction, improving product development, and implementing strategies in developing superior value (Kotler 2009), (Khan and Ghouri 2018, 27).

Based on these findings, it can be argued that a comprehensive understanding of customer satisfaction is crucial in the marketing literature. Given the complexity and intense competition, companies strive to enhance customer satisfaction. Researchers confirm that market orientation and business performance are closely related to customer satisfaction. In building long-term business relationships, an organization's focus goes beyond market orientation. It also includes customer insights that help the organization better understand market needs and, consequently, identify ways to enhance customer satisfaction. Khan and Ghouri (2018) were able to emphasize that it is important for companies to be not only customer-oriented, but also competitor-oriented, to meet purchasing expectations in order to maximize customer satisfaction and thus the organization has created value for them (Khan and Ghouri 2018, 28). According to Khan et al. (2022), managers apply the idea of market orientation to generate value by prioritizing the needs of the consumer while also considering those of other stakeholders. Through his study, he was able to confirm that the market orientation determined by the customer has a positive impact on customer satisfaction, and to increase this satisfaction, it is important for companies to strive to provide value to their customers, which is the focus of the marketing strategy to enhance customer satisfaction for growth in the face of fierce competition (Khan, et al. 2022, 2-3). In light of this literature, we find that customer satisfaction mediates the relationship between companies' market orientation and customer loyalty. Oliver (1999) expressed his view on customer loyalty and defined it as a firm commitment to repurchase or re-patronize a favorite product or service in the future, leading to repeated purchase of the same brand despite the presence of situational influence and marketing efforts that may cause behavior change (Oliver 1999, 34). Alrubaiee and Al-Nazer (2010) were able in their study to confirm that the relationship marketing approach is an important factor in building long-term relationships with current and potential customers, with the aim of increasing customer loyalty and achieving their satisfaction (Alrubaiee and Al-Nazer 2010, 157). Additionally, Khan and Ghouri (2018) were able to make clear how crucial market orientation is to establishing a lasting relationship with customers and producing unique value for them, both of which boost customer satisfaction and loyalty (Khan and Ghouri 2018, 25). The results of Armin et al.'s (2021) study show that customer satisfaction is one of the considerations that must be taken into account when looking at customer loyalty, as pleasant satisfaction leads to increased customer loyalty, which contributes in the long term to improved business performance, while disappointment leads to decreased customer loyalty (Armin, et al. 2021, 3-6). Sampaio et al.'s (2019) findings indicate that market-oriented companies can build customer loyalty through their long-term commitment to understanding their customers' expectations and how to change them, motivating employees, making customer satisfaction a primary goal, continuously monitoring their satisfaction, and staying in touch with them after the sale. Thus, market orientation has a

positive impact on customer loyalty, which in turn positively impacts business performance (Sampaio, Mogollon and Rodrigues 2019, 3-8).

In the age of digitalization, today's market is highly dynamic and competitive. Customers are smarter and more informed, and have access to a variety of channels and options that take little time to implement. The customer can easily withdraw and move to a competitor who offers better deals at lower prices. Therefore, the challenge facing all marketers today is to find ways to increase customer loyalty and retention on the one hand, and on the other hand to convert indifferent customers into loyal customers and establish a long-term relationship with them because it is considered important for the success of the organization (Alrubaiee and Al-Nazer 2010, 155). In response to recent developments, another concept of loyalty has emerged that has been adopted by organizations that are always striving for excellence, which is electronic loyalty. Anderson and Srinivasan (2003) defined electronic loyalty as the customer's positive attitude towards an electronic company, which leads to repeated purchasing behavior (Anderson and Srinivasan 2003, 125). According to Ergün and Kuşcu (2013), e-loyalty is a good indicator of e-commerce success, as loyal customers repeat purchases, which increases companies' profitability in the long run (Ergün and Kuşcu 2013, 509). According to the results of the study by Ergün and Kuşcu (2013), they found that electronic satisfaction has a significant impact on electronic loyalty. They also found that all of the company's responsive and proactive orientations have a significant impact on electronic satisfaction and then electronic loyalty (Ergün and Kuşcu 2013, 513). For his part, Jeong et al. (2003) confirmed through his study that satisfaction with information is a strong determinant of behavioral intentions related to purchasing on the Internet, and that the quality of websites is an important antecedent to satisfaction with information (Jeong, Oh and Gregoire 2003, 172).

If we critically review the analyses provided by researchers regarding market orientation, we find that organizations need to gather information from business stakeholders and use this information to implement their strategies with the aim of creating value for stakeholders. Therefore, market orientation can be defined as the pursuit of fulfilling customer desires through information gathered about them, then using it to create value for customers and retain them for as long as possible, under what is known as customer loyalty, in order to gain a competitive position in the market. Whether based on traditional or digital customer behavior, purchasing or repurchase decisions depend largely on the degree to which organizations are market-oriented, whether from a cultural-behavioral perspective or a proactive-reactive one. This orientation has a significant positive impact on enhancing customer loyalty.

4. Conclusion

In the context of digital transformation, it is worth noting that innovative digital technologies have provided a variety of opportunities to develop the economy and create platforms and ecosystems to serve the digital needs of customers. Market orientation for companies in the digital age go beyond traditional consumer needs and focus on meeting their digital needs. This will enable companies, within the framework of their market

orientation, to keep pace with different orientation, compete in a new environment, and offer more innovative digital solutions to consumers. The main objective of this research paper is to provide a market orientation perspective for companies on why companies need to adopt strategic orientations within a digital framework, we concluded that this change is occurring in response to changes in digital technology, increased digital competition, and digital customer behavior. The strategic direction of companies to enhance customer loyalty and digital loyalty has broad organizational implications, as the company's core business model is subject to change through the use of digital technology. Finally, we conducted an analytical study of a group of literature. We were able to conclude that some studies divided market orientation into several dimensions and explored the impact of different orientations on customer loyalty. Some divided the market orientation of organizations into customer orientation and competitor orientation in response to knowledge derived from market information (a cultural-behavioral perspective), and others emphasized the need to distinguish between reactive and proactive market orientation (a proactive-reactive perspective). The results of this analytical study of the literature showed that market orientation, whether from a cultural-behavioral or proactive-reactive perspective, has a significant positive impact on enhancing customer loyalty.

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