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Research Paper

Facilitating the chain of market orientation to value co-creation: The mediating role of e-marketing adoption

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ABSTRACT

Although the direct link between market orientation (MO) and firm value has been considered, few studies have examined the benefits of MO on co-creation of value. Therefore, a new perspective for determining how MO can facilitate the link between co-creation and customers and sellers is presented. Specifically, this study examines a chain of MO to value co-creation, and describes how to adopt e-marketing systems to facilitate this chain. The results of a survey of 166 international tourist hotels in Taiwan confirmed that the seller's integrated MO is critical to their adoption of e-marketing systems, which consequently facilitates the co-creation of value for sellers and their customers. The findings also show that both legal contracts and trust between partners are crucial governance mechanisms that facilitate the relationship between e-marketing adoption and value co-creation. Adopting e-marketing systems provides practical insights into business opportunities for destination marketers.

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1. Introduction

In recent decades, an increasing number of scholars and practitioners have focused on the concept of market orientation (MO) and its effect to firm performance (Harris & Ogbonna, 2001; Uncles, 2011). At the firm level, relevant literature has primarily addressed the contribution of MO with regard to firm value and its economic effects (Matanda & Ndubisi, 2009). Although adopted in various approaches of theory, methodology, and analysis, previous studies have elucidated specific market behaviors to improve the effectiveness of market responses (Chen, Li, & Evans, 2012; Kaynak & Kara, 2004). The body of extant research on MO valuation has confirmed that a relationship exists between MO and certain aspects of firm value (Chad, 2013; Matanda & Ndubisi, 2009).

In current dynamic and customer-driven environments, MO-based value co-creation is particularly crucial (Hsieh, Chiu, & Hsu, 2008), where MO involves observing factors that are exogenous to individual firms, and the value of implementing an MO business model can extend to inter-firm relationships (Elg, 2007). In MO-based value co-creation, strong interactive or collaborative relationships among firms facilitate the creation of value. To achieve value co-creation, customer feedback must be encouraged, such as preferences and opinions about products and services (Day & Bens, 2005). These conditions explain why implementing e-marketing as an extension of transaction marketing actually fosters the value co-creation.

E-marketing adoption shapes how the generation of relational rents are maintained and developed, and promotes information exchange between sellers and customers. Furthermore, e-marketing confers a competitive advantage to the firms involved (Bianchi & Mathews, 2016; Brodie, Winklhofer, Coviello, & Johnston, 2007; Trainor, Rapp, Beitelspacher, & Schillewaert, 2011). Despite the critical role of the relevant parties, and the necessity to study them to show the relevance of marketing management, currently very few studies have examined how the adoption of e-marketing can facilitate the value co-creation and provision of benefits to each of the involved parties. Although business managers and researchers continue to question the value of integrated MO (Nasution & Mavondo, 2008), integrated MO has not yet been examined in the emergent research on e-marketing adoption. Previous studies have attempted to identify integrated MO as being crucial to innovation and customer value (Nasution, Mavondo, Matanda, & Ndubisi, 2011). This study, however, focuses on e-marketing adoption in terms of integrated MO, which understands both expressed and latent customer needs or delivers superior value to customers.

Based on these considerations, this study examines the chain of market orientation to value co-creation, where the integrated MO of the seller encourages customers to use e-marketing in terms of co-creating value for customers and sellers. First, the study identifies how integrated MO influences e-marketing adoption, and identifies an approach to implementing e-marketing with customers to improve the benefits of selling and co-create value. Second, it assesses the effect of governance mechanisms on increasing value co-creation. Empirical validation for the proposed

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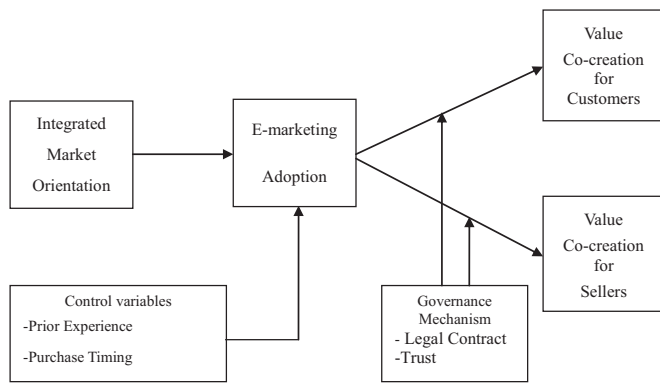


Fig. 1. Research model.

framework (Fig. 1) is provided based on data on international tourist hotels in Taiwan.

The rest of this study proceeds as follows. The next section presents the background literature on relational view, e-marketing, market orientation, and value co-creation, and develops the research hypotheses. The subsequent section presents an empirical study testing the hypotheses. The final section discusses the findings, theoretical and managerial implications.

2. Theoretical development

2.1. Relational perspective of the firm

Several perspectives offer theoretical lenses for examining inter-firm relationships. Because the chain of market orientation to co-creation of value that has been defined as an inter-firm activity, this study adopts the relational perspective of the firm to examine the co-creation of value in the seller–customer relationship. Previous research on the relational perspective indicates that inter-firm relationships are a unit of analysis, and posits that firm-critical resources define boundaries that are inset in inter-firm processes and routines (Chen, Preston, & Xia, 2013). Furthermore, when interaction among firms enhances both their information stocks and the efficiency of their coordinated action, the synergistic effect of their collective information can add to firm value.

According to the relational view (Chen et al., 2013), several potential sources of inter-firm value are: (1) knowledge-sharing routines, (2) relation-specific assets, (3) complementary resource endowments, and (4) effective governance mechanisms. First, knowledge-sharing routines inherently involve regular patterns of connections, and such connections promote transferring specialized knowledge between sellers and customers (Wang, Bradford, Xu & Weitz, 2008). This description was adopted from previous studies that have suggested that partnerships derive indispensable information (Gray & Handley, 2015); thus, in the present study, the the chain of MO value where e-marketing practices are adopted was considered, which appears to have subsequent effects on value co-creation for sellers and customers. Second, investments in inter-firm relational assets are effectively assets that partners jointly create to develop inter-firm value. Although previous studies on IT value have shown how individual firms can utilize IT to create firm value, this study focuses on value co-creation that can be achieved through adopting e-marketing practices. Third, complementary resource endowments permit exchange partners to generate greater rents than the sum of those obtained from their individual use (Chen et al., 2013). In inheriting from previous studies, this definition demonstrates that the combination of high-

value resources (e.g. governance mechanisms) generates fruitful benefits for firms because crucial collaborative resources are enabling to ensure stable adoption of e-marketing and improve the outcomes of value co-creation. Fourth, governance mechanisms are key determinants in terms of exchanging partners chooses to participate in value co-creation initiatives (Wang et al., 2008). The relational view argues that there are four potential sources of inter-firm value, the implications of which require information sharing of collaborative partners to realize these potential sources of value co-creation. Based on the relational perspective, the study by Brodie et al. (2007) offers a suitable foundation for examining the critical role of e-marketing to facilitate interactive or collaborative relationships. Regarding the relational antecedents of information-sharing for collaborative relationships, the term 'relational interaction routines' is defined as the degree to which formal and informal mechanisms are built; the purpose of such mechanisms is to promote buyer–seller information exchange, which positively influences the integration of information flow in collaborative relationships (Patnayakuni, Rai, & Seth, 2006).

2.2. Facilitating value co-creation by generating relational rents through e-marketing implementation

E-marketing involves establishing an electronic dialog (Brodie et al., 2007); that is, the seller offers individual customers access to information and, in turn, the interactive technologies used allow these customers to offer information to the seller (Bianchi & Mathews, 2016; Brodie et al., 2007; Day & Bens, 2005). Although collaborative relationship benefits (e.g. encouraging customer feedback) have long been considered crucial, efficiency gains, such as allowing customers to communicate their demands or reducing customer service costs, are equally critical (Currie & Falconer, 2014). In this context, e-marketing adoption equates to the degree to which sellers and customers utilize relevant software technology to achieve collaborative relationships (Taylor & Strutton, 2010). This study conceptualizes e-marketing adoption as an innovation by adopting the conceptualization proposed by Trainor, Rapp, Beitelspacher, and Schillewaert (2011), which is defined as the application of integrated information technology and marketing that links customers, sellers, business partners, and employees through the adoption of at least one of the following systems: (a) customer relationship management (CRM) software; (b) extranets such as private websites set up specifically for a customer; and (c) e-commerce websites.

E-marketing adoption can facilitate value co-creation through the generation of relational rents, thereby providing value co-creation to each of the involved parties. Marketing researchers have relied on IT-enabled interactivity in contemporary marketing studies to propose that e-marketing functions as a point of interactivity with customers, and that critical inter-firm relational assets can generate rent, providing benefits to customers and sellers (Coviello, Milley, & Marcolin, 2001). For example, e-marketing adoption has been considered a relational rent because it provides a platform for electronic dialog through which sellers can immediately see their customer-shared information without suffering substantial costs; thus, it has the potential to generate relational rent by reducing communication errors and fostering service innovation (Coviello et al., 2001). Tsiotsou and Vlachopoulou (2011) showed that e-marketing has positive impact on relationship performance (e.g. service quality) and a company's net profit. Chuang and Lin (2013) results also support customer relationship development in the context of CRM systems. Specifically, these researchers indicated that the customer information derived from seller–customer interactions represents the endowment of complementary strategic information; in other words, endowment is characterized by integrating information from various contact

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