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## Journal of Destination Marketing &amp; Management

journal homepage: [www.elsevier.com/locate/jdmm](http://www.elsevier.com/locate/jdmm)

Research paper

## A multi-stakeholder market oriented approach to destination marketing

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## ARTICLE INFO

## Article history:

Received 19 September 2015

Received in revised form

16 March 2016

Accepted 18 March 2016

## Keywords:

Destination marketing organizations

Market orientation

Stakeholder marketing

Stakeholder theory

## ABSTRACT

In this conceptual paper, the market-orientation construct is considered in the context of destination marketing. Based on a review of the contemporary theoretical perspectives regarding the scope of marketing thought, this paper asserts that certain conceptual and operational issues render the extant conceptualizations of a market orientation incompatible with the unique structure of destination marketing. To reconcile the long-standing market-orientation paradigm to the distinctive conditions of the destination marketing environment, a multi-stakeholder market orientation (MSMO) construct is proposed. This construct is developed to reflect the unique stakeholder structure of the organizations that market destinations. The theoretical and practical implications of such a construct are considered.

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## 1. Introduction

Exploration of the organizational effects of a market-oriented strategic posture has been one of the most vibrant streams of research in the marketing literature over the last two decades. The market-orientation construct, which reflects the extent to which an organization engages in a customer-centric approach to marketing management (Narver & Slater, 1990), has been widely considered in both the for-profit and nonprofit domains. Likewise, the attendant effects of generating, disseminating and reacting to customer and competitor information (Kohli & Jaworski, 1990) have consistently been demonstrated to positively affect organizational performance (Cano, Carrillat, & Jaramillo, 2004; Kirca, Jayachandran, & Bearden, 2005). However, despite the rich contributions of the market-orientation construct to the marketing literature, a clear conceptualization of what it means to implement the marketing concept within the domain of destination marketing remains elusive.

Recently, calls have been made for a more market-oriented approach to destination marketing (e.g. Bieger, Beritelli, & Laesser, 2009; Line & Runyan, 2014; Pike, 2004). Yet while the importance of a market-oriented approach to destination marketing has been tacitly acknowledged (e.g. Fyall & Garrod, 2005; Line & Runyan, 2014; Medlik & Middleton, 1973; Pike, 2004; Ritchie, 1996), an overt account of this construct is conspicuously absent in the

tourism literature. We suggest that this gap in the literature is at least partially attributable to the fact that while destination marketing is similar in a number of respects to more conventional marketing contexts (i.e. goods and services), certain aspects of the former do not translate to the latter (Buhalis, 2000; Fyall & Garrod, 2005). Among the most important of these differences are the external stakeholder markets (e.g. local politicians, private tourism businesses, communities, industry intermediaries, etc) to which a destination marketing organization (DMO) must attend in order to be successful (Wang & Xiang, 2007). We suggest that, due to the highly complex stakeholder structure that characterizes the destination marketing environment, a simple adoption of the traditional customer-centric conceptualization of the market-orientation construct (i.e., Kohli & Jaworski, 1990; Narver & Slater, 1990) to the domain of destination marketing is not theoretically tenable.

Accordingly, the purpose of this research is to extend the traditional customer/competitor-focused view of a market orientation to include additional stakeholder markets in the DMO's operating environment. Specifically, the argument is made that a more broadly defined conceptual approach is needed to appropriately depict the implementation of the marketing concept in the field of destination marketing. We refer to this construct as a multi-stakeholder market orientation (MSMO). Specifically, the MSMO construct is defined as the set of organizational behaviors reflective of an organization-wide commitment to total value creation by: (1) understanding and reacting to the needs of salient stakeholder markets, and (2) generating and communicating relevant information across these markets. The purpose of this paper

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is to lend a conceptual definition to this construct as it applies to the process and structure of destination marketing.

## 2. A multi-stakeholder view of the marketing concept

### 2.1. Market orientation

The marketing concept suggests that firms that can address customer needs more efficiently and effectively than their competitors will achieve a competitive advantage in the marketplace (Anderson, 1982). Accordingly, firms that adopt a strategic posture that places customers at the heart of strategic decision making is said to be market oriented (Kohli & Jaworski, 1990; Narver & Slater, 1990). Positioning customers as the principal stakeholder of strategic marketing decisions, the market-orientation construct (Jaworski & Kohli, 1993) suggests that an organization that is committed to generating, disseminating, and reacting to information from the consumer market will achieve a sustained competitive advantage, and in turn, long-term performance (Kirca et al., 2005).

Kohli and Jaworski (1990) define a market orientation as 'the organizationwide generation of market intelligence pertaining to current and future customer needs, dissemination of intelligence across departments, and organizationwide responsiveness to it' (p. 6). Operationally, this construct is reflected by four dimensions: intelligence generation, intelligence dissemination, response design, and response implementation (Jaworski & Kohli, 1993). Since its inception, Kohli and Jaworski's (1990) activities-based approach (see also Narver and Slater's (1990) cultural approach) has been repeatedly used to demonstrate the positive effects of a market orientation on firm performance across a number of firm types and industry structures (Liao, Chang, Wu, & Katrichis, 2011).

However, while the existing conceptualizations of a market orientation have been widely used as the empirical basis for the operationalization of the construct, the traditional approaches have been increasingly criticized as taking too narrow a view of the value-creation process (Ferrell, Gonzalez-Padron, Hult & Maignan, 2010; Greenley, Hooley, & Rudd, 2005; Smith, Drumwright & Gentile, 2010). Implied within the traditional conceptualizations of the market-orientation construct is the idea that customers and competitors (i.e. market-level stakeholders) represent the locus of value creation to the exclusion of other actors in the marketing environment. Critics of the existing market-orientation paradigm argue that, although market-level information is an essential strategic consideration, customers and competitors are not the only entities with a stake in the value creation process. In fact, in many environments (including destination marketing), a number of important stakeholder markets (e.g. suppliers, governments, intermediaries, etc) exist that should be considered in decisions related to the implementation of the marketing concept (Matsuno & Mentzer, 2000).

These critics further argue that in such environments, marketing can no longer be seen as merely customer oriented and value proposing. Rather, they suggest that the increasingly networked nature of the contemporary marketing environment has shifted the concept of value creation to a systems approach in which the market oriented firm co-creates value by unifying all stakeholders in the network (Lusch & Webster, 2011). Perhaps not surprisingly, this new perspective on stakeholder-based value creation has resulted in renewed discussion of the relevance of stakeholder theory to marketing scholarship.

### 2.2. Stakeholder theory and value creation networks

The evolving notion of value creation has led to calls for increased attention to stakeholder theory in the conceptualization of

what it means to effectively implement the marketing concept. For example, in his account of the evolving identity of marketing and the future of the discipline, Lusch (2007) mandates that 'more attention to stakeholder theory must be central to marketing scholarship' (p. 265) in order for the field to truly understand the importance of collaborative processes in the creation of value. Similarly, Gundlach and Wilkie (2010) advocate the potential for stakeholder theory to act 'as the basis for a broadened conception and theory of marketing management' (p. 92).

In response to such sentiments, the tenets of stakeholder theory have increasingly been used to inform marketing scholarship (Bhattacharya & Korschun, 2008). The stakeholder model of the firm (Freeman, 1984) suggests that organizational performance is a function of the bilateral interaction between a firm and the actors that exert influence in its operational environment (Clarkson, 1995; Donaldson & Preston, 1995). As such, proponents of stakeholder theory suggest that, in addition to customers, any other organizational actor deemed to be of strategic importance by the focal organization should be considered a worthwhile target of marketing management (Gundlach & Wilkie, 2010) and included as part of the conceptual domain of a market orientation. Ferrell et al. (2010) suggest that these 'actors' can be identified as a salient stakeholder of an organization when at least one of the following conditions is met: (1) the actor can potentially be affected (either positively or negatively) by the organization's activities and/or the actor has an interest in the organization's potential to affect its own or others' well being, (2) when the actor has the power to give or take away resources necessary for the continuation of the organization's activities, and/or (3) the overall culture within the organization values the activities of the actor.

Thus, according to the tenets of stakeholder theory, managers should be concerned with any such entities that hold a legitimate interest in the organization's operation and/or its contribution to value creation. Lusch and Webster (2011) have suggested that rather than focusing only on the customer and the market, the goal of marketing should be the creation of value for all salient stakeholders. They further suggest that rather than being 'customer oriented and value proposing' as it once was, the new approach to marketing can be characterized as 'stakeholder unifying and value co-creating' (p. 130). Accordingly, the locus of value creation is no longer rooted in exchange (i.e. value in use), but within the overall efficiency of a networked system of stakeholders.

Likewise, if the locus of value creation has shifted, then so too has the purpose of the marketing function. Within this new paradigm, the purpose of marketing is not to satisfy customers but to maximize value across the stakeholder spectrum (Lusch & Webster, 2011). But if this is true, then what of the existing market-orientation framework that places customers as the lone stakeholder of the value creation process? If the purpose of marketing is to maximize stakeholder value, then should not the operational construct that reflects a market orientation be expanded to include an account of non-market stakeholders? In answer to these questions, we suggest that the market-centric (customer- and competitor-based) conceptualization of a market orientation does not accurately reflect the complexities of the new value creation paradigm that places stakeholder networks (as opposed to markets) as the locus of value creation. Instead, relevant information must be generated not only from the market but from all salient stakeholders within the marketing environment. Likewise, this information must be disseminated not only within the company but also across all stakeholders in the value-creation network. In this way, the implementation of a market orientation becomes not a zero-sum game but a process through which each organization in the network can achieve its goals through knowledge and information sharing. We define this concept as follows as a multi-stakeholder market orientation.

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