

MARKET ORIENTATION AND FINANCIAL PERFORMANCE (AN EMPIRICAL STUDY ON TEA EXPORTERS IN TEA EXPORT INDUSTRY IN SRI LANKA)

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Abstract-*This study aims to examine the effect of market orientation on financial performance in relation to Sri Lanka Tea export industry. The problem of the study is “Is the variation of the Market Orientation (MO) reflected in the Financial Performance (FP) of the exporters in Sri Lankan Tea Export Industry?”. The objective of the study is to examine the reflection of market orientation on financial performance. Under methodology, this study follows deductive research approach. Research strategies are both primary (Survey by administering a formal questionnaire for 100 executives/managers in tea export companies) and in-depth interview for 5 industry specialists) and secondary sources to collect and gather data. The Rationale of selecting 100 executives and managers from 20 tea exporting companies is to represent largest tea exporters in the sample for collecting a wider, in-depth data and feedback from this sample. With the analysis of study findings, Literature survey shows the relationship between market orientation and organization performance under different context. According to formal survey, the study found that there is a reflection and relationship between market orientation and financial performance of tea export companies. Correlation coefficient is 0.556 and it shows the high positive relationship between the customer orientation and financial performance of tea exporters in Sri Lanka. Weak positive relationship was found between the competitor orientation, the interfunctional coordination and financial performance of tea export in Sri Lanka. In addition to this, with the analysis of overall impact of market orientation on financial performance, there is a moderate impact of market orientation on financial performance of tea exporting companies, Sri Lanka. This study found that main strategies of tea exporters in Sri Lanka are value addition, Brand development, product development, mutual agreements with the customers, packaging, product promotion, product innovation, quality improvement, cost reduction of tea, new products development, research & development initiatives, product differentiation, Producer owned ethical tea brand, Nichi marketing, strategic partnership, fair trade concept of tea exporting etc. In addition to above,*

it is concluded that customer has become the strategic factor in the business and formulation of customer oriented tea product is crucial for the business sustainability.

Key Words- Market orientation, tea exporters, financial performance

1.0 Introduction to the study

1.1 Marketing in Today's Business

Marketing is the core business function and it has become the center of identifying and meeting human needs and wants. The term of “Marketing” has been defined by scholars and institutions in different ways. Marketing can be defined simply meeting human needs & wants profitably. According to (Kotler, 2005), “Marketing is the social process by which individuals and organizations obtain what they need and want through creating and exchanging value with others”. The successful implementation of market orientated culture is the key requirement for achieving the business intentions. Well known scholar, (Narver, 1990) proposed the Culturally Based Behavioral Perspectives the conceptualization of market orientation that considered profitability as a long-term objective of a firm. According to Narver and Slater (1990), Market orientation consists of three behavioral elements: (1) customer orientation, (2) competitor orientation and (3) interfunctional coordination.

As a part of business performance, Financial Performance is the very important concern of the business under Business Performance. One of the most fundamental fact about business is that the operating performance of the business which satisfies share holders' expectations and values. Financial Performance includes aspects of Profitability, Liquidity, Solvency, Financial efficiency and Repayment capacity of the business. The financial statements are therefore important diagnostic tools for the informed managers. Every business manager attempts to achieve the desired Financial Performance effectively and efficiently.

This study is expected to measure financial Performance by using Net Profit (NP), Return on Investment (ROI) and Return on Assets (ROA) under profitability of the firm.

1.2 Introduction to Sri Lanka Tea Export Industry.

Tea is one of the most popular and lowest cost beverages, next only to water globally. Tea is consumed by a wide range of age groups in all levels of society. More than three billion cups of tea are consumed daily worldwide. Hence, Tea can be considered as main beverage consumed by global consumers (Corporate Website of Ceylon Tea Board, 2015). The brand "Ceylon Tea" is high importance to the Sri Lankan economy as one of the main foreign exchange earner for the country. As Statistics of Central Bank of Sri Lanka Currently, tea accounts for 17% of the GDP of the country averagely. Quality, aroma and a variety of flavors of Ceylon tea captured demand of tea drinkers in the world. Sri Lanka's export value to the world is Rs, 180,429 million in 2014 and currently there is an increasing demand for Sri Lankan tea. Sri Lanka has the significance of production and export. Currently, Tea industry continues to occupy a pivotal position in terms of foreign exchange earnings & employment. Tea export earnings reached USD 1.5 Billion in 2013 by contributing 15% to the nation's foreign exchange. Generating 65% of export agriculture revenue, tea industry contributes approx. 2% of island's GDP with 2 Million employed directly & indirectly 10% of the population of Sri Lanka. Hence, tea sector has become a significant sector in Sri Lanka. (CENTRAL BANK OF SRI LANKA, 2014).

Traditionally, tea has been exported in bulk form. Rather than exporting in bulk form, Sri Lankan exporters were able to promote Tea Packets, Tea Bags, Instant Tea, Green Tea and Ice Tea to the different market segments. This is due to the changing world demand for tea in tetra packs and ready to drink forms and modern beverage drinking patterns. Over 60% of the tea is exported in value added form and there is an increased demand for tea bags. The Russian Federation is the main buyer for Ceylon Tea followed by Iran, Iraq, United Arab Emirates and Japan. Kenya, India and China are the competitors for Sri Lankan tea. Hence, Ceylon tea was positioned as the brand of "Ceylon Tea" with high quality, standardized product in the world. (Sri Lanka Export Development Board, 2015) Therefore, the problem statement of the study is developed in relation to Tea exporters in Sri Lanka. Accordingly; the problem of this study is "Is the variation of the Market Orientation (MO) reflected in the Financial Performance (FP) of the tea exporters, Sri Lanka?"

Justification of the problem

A primary study was conducted by Sri Lanka Tea Board found that market oriented approach can enhance the

industry and company performance. In addition to above, Chairman of Sri Lanka Tea Board, Janaki Kuruppu acknowledged that the country has planned for increasing its value addition in the tea industry and she further explained that market oriented tea products are needed for the increasing world market share and industry performance. Finally, Tea exporters in Sri Lanka do not know the effect of market orientation on industry, individual company level. Then, there is a need of conducting a study on this problem area.

2.0 Methodology and Experimental design

2.1 Research Approach

This study follows deductive research approach. Specially, this study examines quantitative relationship and effect of the customer, interfunctional coordination and competitor orientation on financial performance in relation to tea exporters in Sri Lanka.

2.2 Research Strategy

Research strategies are both primary (Survey by administering a formal questionnaire for 100 executives in tea export companies) and in-depth interview for 5 industry specialists and secondary sources to collect and gather data. Indicators of financial performance are The return on investment (ROI), The profit of our company, The sales volume, The revenues of the company, The financial position in the company and The return on Assets (ROA).

2.3 Sampling Process

Population of this study is all of tea exporters (258 of tea exporters who have been registered in Sri Lanka Tea Board) in Tea Export Industry, Sri Lanka (For primary survey). Sampling frame of this study is a list of exporters who have registered in Tea Export directory of Ceylon Tea Board in Sri Lanka. 100 respondents from 20 tea exporting companies are selected from the Tea exporters' directory of Sri Lanka. 20 of largest tea exporters were selected based on convenience sampling and 100 executives and managers of respective tea exporting companies were selected based on simple random sampling under probability sampling. The Rationale of selecting 100 executives and managers from 20 tea exporting companies is to represent largest tea exporters in the sample for collecting a wider, in-depth data and feedback from this sample. In addition to above, the selected 20 tea exporters are highly market oriented companies in Sri Lankan tea exporting industry and it has the highest significance of selecting these companies as the sample. 5 industry specialists were selected based on convenience sampling under non probability sampling.

2.4 Data analysis

Descriptive statistics such mean for describing and summarizing the main features of data. Pearson Correlation analysis is used initially for testing of Association between the Market Orientation and Financial

Performance. Regression analysis was performed to test the effect of independent variables to dependent variable of the study.

3.0 Results and Discussion

According to data analyzed above, all factors in the theoretical model influences on financial performance in positive way. Table 1.1 indicates the Means and Medians of each variable. All means and Medians of all four

independent variables are above with a highest value of 4.19. Therefore according to the decision criteria established above. The impact of four independent variables could be reflected as high level.

Table 1. 1 Summary of Descriptive Statistics

	Dimension	Mean	Median
1	Customer Orientation(CO)	4.19	4.20
2	Interfunctional Coordination(IFC)	3.73	3.70
3	competitor Orientation(COO)	3.41	3.50
4	Market orientation(MO)	3.83	3.70

(Source: Survey Findings, 2015)

With the analysis of Literature and summary of hypotheses testing (Table 1.2 and 1.3),it shows the elements of market orientation (customer orientation, competitor orientation and interfunctional coordination)

have the relationship among the customer orientation, competitor orientation and interfunctional coordination on the financial performance of the organization.

Table 1. 2 Summary of hypotheses Testing Results

Hypot heses	Independ ent variable	Dependent variable	Correlatio n coefficient	Significa nce value	Decision criteria	Decision
H1	CO	FP	0.556	0.041	$p(0.041) \leq \alpha(0.05)$	H10 is rejected at significance of 5% and H11 is accepted.
H2	COO	FP	0.271	0.006	$p(0.271) \leq \alpha(0.05)$	H20 is rejected at significance of 5% and H21 is accepted.
H3	IFC	FP	0.240	0.016	$p(0.240) \leq \alpha(0.05)$	H30 is rejected at significance of 5% and H21 is accepted.
H4	MO	FP	0.356	0.006	$p(0.006) \leq \alpha(0.05)$	H40 is rejected at significance of 5% and H41 is accepted.

(Source: Survey Findings, 2015)

Table 1. 3 Summary of Multiple Regression Analysis Results

Coefficients ^a								
Model		Unstandardized Coefficients		Standardi zed Coefficie nts	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	3.484	.523		6.661	.000	2.446	4.523
	Total of Customer Orientation	-.051	.163	-.041	-.315	.754	-.374	.032
	Total of Interfunctional Coordination	.084	.094	.145	.901	.370	-.101	.040
	Total of competitor Orientation	.154	.124	.195	1.246	.216	-.091	.039

	Total Market Orientation	.044	.226	.046	.193	.847	-.405	.022
a. Dependent Variable: Total of Financial Performance								

(Source: Survey Findings, 2015)

$$Y = b_0 + b_1x_1 + b_2x_2 + b_3x_3$$

Y= Financial Performance

b0= (Constant)

b1= Customer Orientation

b2 = Interfunctional Coordination

b3= Competitor Orientation

Then, Proposed regression formula is $Y = 3.464 + .051(X_1) + .084(X_2) + .154(X_3)$

The Study found the key product category is tea packets and bags in value added forms. According to in-depth interview, tea in bulk form should be reduced and other value added tea products such as Tea Packets, TeaBags, Green Tea, Flavored Tea, Instant Tea, Organic tea, Iced tea, Ready-to-drink tea, Gift packs and Tea based other products(Value added) (soap, bath gel, shampoo and cosmetic s) should be exported to win the market share. With the analysis of literature, Value added form of tea has become a successful product and strategy in tea export market (Ariyawardana, 2001).

According to in-depth interview, Sri Lanka is the one of the largest tea producing country in the world and The Brand of "Ceylon tea" has positioned the strong brand identity in the world customers "Ceylon tea is highly famous and valued among the world customers as the most quality and premium drink than other drinks in the world market. Every exporter focuses on the customer in catering the tea products to the world market and "The customer in the business is the key critical success factor in which the business need to cater the competitive value proposition to the target customers. The consumer behavior and expectations have been increased dramatically and they demand high values at the lowest price (More for Less Value proposition).It further emphases that customer orientation can directly increase the financial performance in every business including tea exporters. (Corperate Website of Ceylon Tea Board, 2015) mentioned that Sri Lanka needs to consider the customer requirements before formulation of value propositions. (Corperate Website of Ceylon Tea Board, 2015)emphasized that the customer focuses tea products and value addition is promoted through the research and development infinitives.

The competitor has become key environment element which influences on business sustainability in different ways. The competitors cater the similar value propositions to the end customers. In world tea market, there are many tea producers such as China, India, Kenya, Turkey, Vietnam, Indonesia, and Argentina".Thus, competitor

behavior influences on operational process and performance of the Ceylon tea exporters. (Ariyawardana, 2001)Showed that competitor behavior influences on Ceylon team performance and position in the world tea market.

According to in-depth interview, The operational success and performance are influenced by the interfunctional coordination of the departments,units,sections to make the operational success and excellence.specially,"The business organization,functions,resources should be coordinated and integrated to cater the customers values to the target customers. "The interdependencies of marketing with other business functions such as finance, HRM, production and other business functions and departments must be systematically incorporated in a business marketing strategy to deliver the superior value for buyers. "Thus, there is the need of coordinating business functions, operations, departments to achieve business intentions of tea exporters. Interfunctional coordination can make the operational efficiency, profit maximization, customer value maximization, customer loyalty and attachment for Ceylon tea." Then, interfunctional coordination may influence on operational performance of tea exporters. With the analysis of literature, It showed that the business process, value chain needs to be integrated and coordinated effectively and defiantly to achieve the operational performance (Aaker, 1988), (Day, 1988), (Wong, 1993)

4.0 Conclusion of the study

The market orientation has become the prominent and crucial approach in the business. According to findings in this study,all means and Medians of all four independent variables of customer orientation, competitor orientation, and interfunctional coordination are above3.6 with a highest value of 4.19. Therefore, the impact of four independent variables could be reflected as high level. Thus, it is concluded that variables of customer orientation, competitor orientation and interfunctional coordination have highest impact on business performance.

Customer orientation (CO) has the highest relationship with market orientation than other variables of the conceptual model. Other variables such as competitor orientation, Interfunctional coordination have low relationship with the financial performance. Overall relationship of Market orientation has the moderate relationship with the market orientation, Thus, It is concluded customer orientation in tea industry has the high relationship with financial performance. Thus, it is recommended for tea exporters to establish a customer oriented culture and formulate the customer focus strategies.

According to survey findings, it is concluded that there is a moderate reflection of market orientation on financial performance. In addition to above, market orientation has low relationship with the financial performance. It is concluded that market orientation is not significant effect on financial performance measures. The level of reflection of customer orientation is high than other variables of competitor orientation, interfunctional orientation of tea exporters in Sri Lanka. In this sense, it is recommended for Ceylon tea exporters for following the market orientation in tea marketing.

With the analysis of the strategies followed by the tea exporters, It is concluded that Value Added strategy has become the most prominent and successful strategy. Specially, value addition can increase the customer satisfaction by increasing the market competitiveness of tea. Specially, Tea Packets, Tea Bags, Green Tea, Flavored Tea, Instant Tea, Organic tea, Iced tea, Ready-to-drink tea, Gift packs and Tea based other products (Value added) (soap, bath gel, shampoo and cosmetics) have become results of value added forms of tea. In addition to above, Brand development of Ceylon tea, product development, mutual agreements with the customers, packaging, product promotion, product innovation, quality improvement, cost reduction of tea, new products development, research & development initiatives, product differentiation, Producer owned ethical tea brand, Niche marketing, strategic partnership, fair trade concept. In addition to above, it is recommended for Ceylon tea exporters to follow most effective strategic initiatives to increase tea export performance.

It is concluded that customer has become the key concern in the tea exporting and the customer expectations, needs and wants have been changed dramatically. Specially, customers expect to buy quality and value added tea at the lowest price. Then, tea price of export market has become key concern. Specially, Russia, Iran, Iraq, United Arab Emirates, Japan are the key customers for the Ceylon tea. Specially, it is concluded that political movement has influenced on international

trade and tea export market in different ways and tea export performance has been reduced recently. Then, it is recommended for tea exporters to be customer oriented in tea marketing.

It is concluded that competition in the export tea market has been increased dramatically. Because, China, India, Kenya have dominated the export market and it influenced on Sri Lanka export market share negatively. Specially, Authorities and government bodies have formulated strategies for developing tea sector in these countries through the formal policy and decisions. Market competition has been increased due to cost reduction, efficient delivery, promotional tactics and strategies and it is recommended for tea exporters to manage the competition in tea export market.

It is concluded that interfunctional coordination has become key practice to make the operational excellence in business operations. Specially, Cost of tea production has become the key barrier for achieving the high export market share for Ceylon Tea. Then, it is recommended for Ceylon tea exporters to make the interfunctional coordination (Integration) to achieve the operational efficacy and effectiveness for increasing the export competitiveness in tea export.

5.0 Acknowledgement

This study was carried to fulfill the compulsory requirement of the Degree program of Master of Business Administration (MBA), Faculty of Management Studies of Rajarata University of Sri Lanka. The completion of this thesis was a challenge for me and I would like to thank Mr. M.V. S.S. Udayanga, Senior Lecturer, Department of Entrepreneurship, Faculty of Management Study and Commerce, University of Sri Jayawardenepura for his excellent supervision, encouragement, dedication and support during the completion of the research project. In addition to above, I am also extremely grateful to all Deans, MBA coordinators, Lecturers and other academic and non-academic staff members in Faculty of Management Studies of Rajarata University of Sri Lanka for their guidance, inspiration, commitment and consultation during the research project. Specially, I would like to thank my loving wife, L.U.S. Hemamala, parents, family members and all my colleagues who gave the maximum freedom and support to complete this project. Further, I would like to thank all the persons who were not mentioned above during the completion of the research project.

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