ASSESSING THE LINK BETWEEN MARKET ORIENTATION AND POVERTY REDUCTION IN THE TOURISM INDUSTRY: THE CASE OF TANZANIA

Jan-Erik Jaensson1, Hawa Uiso2

1 Professor, Department of Marketing and Entrepreneurship, Open University of Tanzania
   Email: janerik.jaensson@out.ac.tz
2 Department of Marketing and Entrepreneurship, Open University of Tanzania
   Email: hawa.uiso@out.ac.tz

ABSTRACT

The link between poverty reduction and long term profit for companies has not been much studied in Africa, and specifically not in Tanzania. The assumption which is supported in literature is that increased profit leads to increased employment which reduces poverty.

Market orientation is the implementation of the marketing concept and one of the main results of market orientation is long term profit. There are few studies of market orientation in Africa and very few in East Africa. This paper discusses market orientation and poverty reduction from existing literature.

The selected industry is the tourism industry which is a very important industry in Tanzania as well as in other countries. This is because the industry is fast growing, internationally competitive, employs many people in both rural and urban areas, and brings hard currency to the economy.

The objective of this paper is to assess the link between market orientation and poverty reduction in the tourism industry in Tanzania.

The findings are, to the author’s best knowledge, that no research has been conducted in the tourism industry in Africa where the link between market orientation and poverty reduction is established. The conclusion is that there is a need to conduct research in this area to find out if the link exists and, in that case how this link affects poverty.

Keywords - Market orientation, Poverty reduction, Tourism development.

INTRODUCTION

Tourism is the fastest growing industry in the world with an annual growth rate of 6%. It is a very important industry for many countries because it generates employment, tax income for Governments and foreign exchange. It is also in general good PR for a country to promote tourism. (UNWTO 2013)

According to the World Economic Forum (WEF), tourism and travel is a critical sector for a country’s economic development and sustainable employment.

“Travel & Tourism has continued to be a critical sector for economic development and for sustaining employment, in both advanced and developing economies.” (WEF 2013).

International tourism in developing countries is more important than in developed countries. Some reasons for this are considered to be economic growth, the possibility for rural people to earn their livelihood through SMEs or the informal sector and the contribution of tourism to poverty reduction, if managed correctly. (Hawkins & Mann 2006; Mitchell & Mann 2007; Yamakawa 2007; Muganda et. al. 2010; Kibara et. al. 2012)

In the area of marketing, the market orientation (MO) concept creates long term profit for the organizations. Profit is a goal for most companies and it makes it possible to expand and to hire more employees. In a developing country the effect of increased employment is reduced poverty.
Objective
The objective of this paper is to assess the link between MO and poverty reduction in the tourism industry in Tanzania.

LITERATURE REVIEW - TOURISM

Effects of Tourism Development
In the Rio Earth Summit in 1992 when Agenda 21 was adopted, the tourism was highlighted as a way of eradicating poverty. For developing countries, tourism is considered to be a valuable industry for long-term growth. This is also the case for the Sub-Saharan countries. A number of studies have shown that tourism could be pro-poor and that it could create valuable links to other sectors in the economy (Mitchell & Mann. 2007 UNWTO 2007; Mitchell & Ashley 2010; Scheyvens 2011; Hamzah 2013; Ajaguna et. al. 2014; Croes 2014; Yang & Hung 2014).

A growing number of literatures have also shown relationships between tourism and economic growth both at the local level and at the national level. Growth of the tourism industry makes also other sectors to grow since it promotes the agriculture, industrial and the service sectors and in that way it will reduce poverty (Hawkins & Mann 2006; Yamakawa 2007; Jafaar et. al. 2013; Mohamad & Hamzah 2013; Vanegas 2014; Croes 2014).

Development Potential in Africa
The potential for development of the tourism industry in Africa is huge. Only 5% of the international tourism arrivals are in Africa, which reveals a great potential to increase. The prognosis until year 2030 shows a large increase in tourists coming to the African continent from 56 million 2013 to 135 million (UNWTO 2013).

A study by the Natural Resources Consultative Forum concluded that an investment of USD 250.000 in the Tourism industry in Sub-Saharan Africa (SSA) will create about 182 full-time jobs! From a job creation perspective it generates 40% more jobs than in the agricultural sector and 50% more than in the mining sector. (World Bank 2011)

The tourism industry is one of the fastest growing industries in the world with an annual increase of about 6% since 1950 (UNWTO 2013). Furthermore, it grows faster in the worlds emerging and developing markets than in the rest of the world. Sub-Saharan Africa (SSA) is one of the fastest growing tourism markets. In 2005 it was 20.9 million visitors and in 2013 (preliminary figure) it had increased to 36.2 million visitors, an annual average growth of 7.1% (Ibid).

Between 2008 and 2009 Africa was the only region in the world where the Tourism industry increased (+3.7%) while the total tourism in the world declined with 4.3%. Much attention is therefore placed in tourism from East African Governments and the benefits are poverty reduction, employment, rural development, HRM, foreign exchange earner, country development etc. (World Bank 2011)

One other important fact is that the Tourism sectors empower women. In Africa 31% of the employed in this sector is women compared with 21% in all other sectors. Women manage more than 50% of the companies in SSA. (EAC 2011)

Tourism in Tanzania
In SSA, Tanzania has a great potential in increasing the tourism industry, and few nations in the world have as many possibilities in sustainable and economically beneficial development. The domestic tourism is very low so tourism in the country is to a major extent focused on international tourists. Tanzania is ranked as the 4th country in the world concerning natural resources (WEF 2013), which is positive. This fact is very important for development of natural tourism. However, is only at place 109 when it comes to attractiveness and competitiveness (Ibid). Looking at these figures it is an obvious gap between possibilities and actual outcome.

Tanzania’s tourism sector has grown in relative importance over the years, and currently ranks as the highest foreign exchange earner in the country (Tanzania Central Bank, 2014). This fact supports one of the often repeated reasons why the tourism industry is so important for a developing country. The development of the tourism industry is however on a low level in Tanzania as well as in some other
countries, in an international perspective. Problems with infrastructure, different marketing issues, and 
MO are common for the industry.

However, the Tanzania tourism sector has grown in impact and relative importance over the years, 
and currently ranks as the highest foreign exchange earner in the country (Tanzania Central Bank 2014).

Tanzania has a great potential in continuing the increase of the tourism industry, and not many 
nations in the world have as many opportunities in sustainable and economically beneficial development. 
With destinations as Zanzibar, Serengeti National Park, Mount Kilimanjaro, Selous Game Reserve, 
Mikumi National Park, Ngorogoro Crater, Lake Victoria, cultural tourism etc. the destination could offer 
both experiences from Safaris, indigenous culture and nice sunny beaches.

In spite of the GDP growth with over 5 percent annually in Tanzania since year 2000, the poverty 
reduction has not been reduced significantly. This is especially obvious in the rural areas where the 
infrastructure is undeveloped, which makes access to markets difficult. As an example, only 3% of the 
population in rural areas has access to electricity (Rysankowa & World Bank 2011)!

There is a need to have a good marketing strategy, to make customer satisfaction better and to 
increase the turnover and profit which will implicate more employment and less poverty. MO is a 
concept that could serve as a part of the solution of the above mentioned problems. The application of 
MO in the tourism industry could increase the customer orientation, the competitor orientation and the 
terfuncional coordination of marketing activities.

There are, to the authors’ knowledge, no studies assessing MO in the tourism industry to reduction 
of poverty, at least not in Tanzania.

LITERATURE REVIEW - MARKET ORIENTATION

To achieve competitive advantage was earlier a question of economies of scale, market power, a 
broad product line, and other structural characteristics. Today it is more emphasis on delivering superior 
value for customers, where MO has shown a solid foundation for doing this (Slater & Narver 1994)

MO is considered to be the implementation of the marketing concept and a lot of articles have been 
published about this topic since the beginning of 1990. The seminal articles in this area are written by 
Kohli & Jaworski (1990), Narver & Slater (1990) and Kohli & Jaworski (1993). They defined the core 
components of MO and they also defined some antecedents.

The key core components identified was intelligence generation, intelligence dissemination and 
responsiveness (Kohli & Jaworski 1990) respective customer orientation, competitor orientation and 
terfuncional coordination (Narver & Slater 1990).

Since their articles were published many researchers have been testing and developing their ideas. 
The main area of testing is the link between MO and performance/innovation (Slater & Narver 1994; 
Narver et. al. 2004; Dibrell et. al. 2011; Brettel et. al. 2012; Hong et. al. 2013; González-Benito et. al. 
2014) which was established already by Kohli & Jaworski (1990) and Narver & Slater (1990).

The testing has also been extended from private companies to public companies (Hodgkinson et. al. 
2012; Chen & Hsu 2013; Mitchell et. al. 2013), and from production industry to services (Hodgkinson et. al. 
2012; Peña et. al. 2012; Chen & Hsu 2013). The applicability has also been tested on SMEs and on 
internalization/emerging markets (Liu & Xue 2011; Raju et. al. 2011; Boso et. al. 2013).

Some studies about MO in the tourism business have also been carried out, but no one has linked it 
to poverty reduction, as far as the authors have found (Tsotsou & Vlachopoulou 2011; Peña et. al. 2012).

There are some limited critiques on MO and it is summarized in the following 3 topics:

- MO is not applicable in the public sector since it is too focused on economic values, too focused 
on customers, it lacks true interaction and it is mechanistic. A better concept for these organizations 
would be for example brand orientation. (Gromark & Melin 2003; Rodrigues & Pinho 2012; Mitchell et. 
al. 2013)

- The link to other “orientations” as for example entrepreneurial orientation, learning orientation, 
and brand orientation is unclear. Some researchers have tried to bring clarity between these different 
orientations to find out how/if they have similarities and if they could be implemented/work together. 
Some similarities are found and most articles advocate for example that entrepreneurial orientation and
MO should exist together as complements. (Gromark & Melin 2003; Hakala 2011; Baso et. al. 2012; Hong et. al. 2013; Kwak et.al. 2013; Urde et. al. 2013)

- Some research indicates a need for modification for MO in SMEs, since the original concept was developed from studies of large companies with different departments. (Blankson & Cheng 2005; Blankson et. al. 2006; Keskin 2006; Jones et. al. 2008; Raju et. al. 2011)

In spite of this criticism, MO is still considered to be the tool for implementing the marketing concept and the “excellence” of it is still highlighted in literature. There is no other concept so far that could challenge MO and its effect on organizational performance.

MO is the implementation of the marketing concept but there are very few studies of the applicability in an East African context (Mbah et. al. 2007; Omiti et. al. 2007; Opoku & Essien 2011; Jaiyeoba 2011; Boso et. al. 2013; Jaiyeoba & Amanza 2014) and these studies are from Kenya and Botswana. No one of these authors has linked MO to poverty reduction.

Many countries in the world are putting lots of resources into marketing of their destinations. This means that the international competition is extremely hard and all destinations are competitors at trade fairs etc. The MO of the companies in the tourism industry will have a great impact on the increase of the number of tourists willing to travel to a destination. The companies need to be market oriented, which means to have a high degree of customer orientation, competitor orientation and interfunctional coordination to get satisfied customer and a long term profit (Narver & Slater 1990). Long term profit means expansion of the companies and more employees both in the tourist companies and in companies linked to the tourism industry (handicraft, food, transport etc.). Increased employment have an impact on poverty reduction (Hawkins & Mann 2006; Anderson 2013; Ataguba et. al. 2013; Ajagunna et. al. 2014; Jhra 2014).

RESEARCH GAPS

The literature review ends up in the following research gaps. The first gap is that there is lack of studies of MO in a Sub-Saharan context. The second gap is that there is lack of studies where MO has been linked to poverty reduction.

PROPOSED CONCEPTUAL FRAMEWORK

The proposed conceptual framework to study this link consists of a modified model of Narver & Slater (1990). It contains the three pillars: customer orientation, competitor orientation and interfunctional coordination. The result is proposed to be a long term profit focus, which will lead to increased turnover in tourist linked industries. As a result, this will also increase employment and increased employment is in the literature linked to poverty reduction which supports the logical chain discussed above. (Hawkins & Mann 2006; Ataguba et. al. 2013; Ajagunna et. al. 2014; Jhra 2014)
Figure 3 Model of a proposed conceptual framework (Modified from Narver & Slater 1990)

METHODS

This paper is based on a literature review. Articles have been searched in databases (mostly Emerald) with the following words in different combinations: market orientation, profit, tourism, Africa, Sub-Saharan Africa, Tanzania, poverty reduction, employment, and developing country. Many articles was found about poverty reduction in developing countries but very few about MO in developing countries. No article was found linking these together. The reason for this might be that there is no research about this link or the search in the databases was not done thoroughly.

RESULTS AND CONCLUSION

The literature review showed lack of research linking MO and poverty reduction generally and in the tourist industry specifically. Since the tourism industry is growing so fast it could serve as an engine to reduce poverty in a faster speed by implementing the marketing concept through MO in the tourism companies in Tanzania. The importance of the tourism industry cannot be questioned and especially for the developing countries where it is a booster for employment and poverty reduction. In this paper we argue for a possible link between MO and poverty reduction. From the literature review the argued link is obvious, but there is no research done yet to confirm this.

Studies to confirm the link between increased MO in tourism companies and poverty reduction is yet to be carried out and this would be an area for future research. The implications for policy makers and the organizations within the tourism industry are that they should implement the marketing concept through MO to get higher profit and to make the living standard increase for the population, especially in the rural areas of the countries.

The tourism industry in Tanzania has a great potential to grow and it generates increased employment, both in urban and rural areas. The interesting issue is if increased MO in the tourism industry will contribute to poverty reduction. The results from this discussion will therefore be of great importance and it could be a starting point for a new research area.

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