

**Internet-mediated Market Orientation and Customer Perceived Value:
Role of Information-based Value Creation**

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An accumulating body of research has established that a proper execution of market orientation (MO) brings about superior business performance (Cano, Carrillat & Jaramillo, 2004; Jaworski & Kohli, 1993; Kirca, Jayachandran & Bearden, 2005; Narver & Slater, 1990). Despite some studies supporting the direct association between MO and business performance, the empirical evidence is not totally consistent; particularly when subjective measures of performance are considered, implying the possibility of a mediating factor. Cano et al. (2004) in their meta-analysis of MO-business performance relationship reveal that the relationship between MO and business performance is not linear but rather embedded within a more complex web of relationships. Yet, organizational mechanisms and intermediate processes underlying the relationship between MO and business performance remains an area of ambiguity.

The impact of innovation as a potential mediator in the MO-business performance relationship is one of the newest proposals to emerge in MO literature (Carmen & Jose, 2008). These innovations can be in different formats such as technological, organizational and marketing innovations (Carmen & Jose, 2008). Blending reactive customer orientation in traditional MO with proactive innovation orientation/ technology focus of organizations operating on the Internet, this paper introduces a novel concept called “information-based value creation (IVC)” to address so far rhetoric, black-boxed organizational mechanism underlying the relationship between MO and customer perceived value (CPV) on the Internet. Thus, the following hypothesis is proposed.

H1: IVC mediates the relationship between Internet-mediated MO (IMO) and CPV in hotel industry in Sri Lanka

Following the positivistic research paradigm and quantitative research design, in this paper face-to-face questionnaire survey was adopted. In order to meaningfully measure the research gap of this paper, a research setting where both sides of the service exchange, that is, key informant of tourist hotel and their customers, are in a qualified position to assess the relationship between IMO and CPV

was required. Thus, a matched dyad of a key informant of tourist hotel with a matched set of its customers was considered as the most appropriate unit of analysis in this paper. The questionnaires were developed based on established measures conceptualized at second-order level. Data stemmed from 116 manager - customer dyads were used to assess the proposed relationships using the Partial Least Squares – Structural Equation Modeling (PLS – SEM). Mediator analysis was carried out using the guidelines recommended by Zhao, Lynch and Chen (2010). SmartPLS 2.0 was used for data analysis.

The findings demonstrate that the relationship between IMO and CPV is mediated by IVC in a complementary pattern, providing support for H1. Complementary mediation indicates that besides influencing CPV indirectly via IVC, IMO also impacts CPV directly (Zhao et al., 2010). The VAF value indicates that 45.3% of the total effect of IMO on CPV is explained by the indirect effect through IVC (See Table 1). Interestingly, findings of this paper reveal that the direct effect of IMO ($\beta=0.524$, $t=3.165$, $p<0.05$) is more dominant compared to the indirect effect ($\beta=0.434$, $t=3.752$, $p<0.05$) in influencing CPV quite contrary to Cano et al. (2004) findings as they reveal that organizations combining MO with other alternative strategic orientations perform better and sustainably influence business performance.

Nevertheless, a substantial total effect ($\beta=0.958$) of direct and indirect paths was yielded (See Table 1). This finding is similar to that reported by Carmen and Jose (2008) who examine the effect of MO, innovation on business performance and found that technological and organizational innovations partially mediates the effect of MO on business performance. This result is also supported by a number of prior studies (Aldas-Manzano, Küster & Vila, 2005; Matear et al., 2002) that indicate MO exerts an indirect influence on business performance through innovation.

The main findings of this paper highlight that IMO in combination with IVC makes a more synergistic effect in enhancing CPV. The findings help hotels to deliver superior value to their customers by processing the information acquired through proper integration of the Internet into MO process. The significance of this paper stems from theory triangulation. This paper triangulate the MO theory with consumption-values theory in conceptualizing the mechanism underlying the relationship between MO and CPV on the Internet which is different from the bulk of MO literature that have focused on examining different aspects of MO and business performance within causal research. Matched dyad analysis and PLS-SEM are significant, novel contributions in terms of methodology. Further research focusing on longitudinal investigation of this overall causal path is useful to better understand the organizational mechanisms and intermediate processes underlying the relationship between MO and CPV on the Internet evolve over time.

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Table 1 Direct, Indirect Effects of IVC on CPV

Path	Direct effect model			Indirect effect ^c a x b	S _e ^d	t-stat ^e (a x b)/S _e	Total effect ^f (a x b) + c	VAF	Type of the mediation
	β ^a	S _e ^b	t-stat						
IMO → CPV (c)	0.524*	0.1655	3.165	0.434	0.115	3.752	0.958	0.453	Complementary
IMO → IVC (a)	0.983*	0.0031	319.945						
IVC → CPV (b)	0.443*	0.1667	2.657						

Notes:
S_e =

standard error

^a β = path coefficient

^b Non parametric bootstrapping procedure was performed to test the significance of the PLS path modelling results

^c Indirect effect of a variable X on performance (Y) was calculated by multiplying the coefficient for that variable toward innovation capability (X → M) and the coefficient of innovation capability toward performance (M → Y).

^d Standard error of indirect effects were calculated based on recommendation by Hair et al. 2014.

^e t-statistic values were calculated based on recommendation by Hair et al. 2014.

^f Total effects of a variable X on performance (Y) was calculated by summing the direct and indirect path coefficients of that variable.

* t-statistics >1.96 are significant at p<0.05 (two-tailed)

(Source: Survey Data)