Marketing innovation capability and marketing performance: an empirical study of electrical and electronic appliances in Thailand

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Marketing innovation capability, Product initiation, Market fulfillment, Competitor interception, Customer responsibility

Abstract

Marketing innovation capability is the core component of the firm's ability to sustain competitive advantage. This study examines the link between marketing innovation capability and marketing performance of electrical and electronic appliances businesses in Thailand. A literature review on marketing innovation capability and its consequences was conducted. The hypothesized relationships among variables were examined through an ordinary least square (OLS) regression analysis. The results were derived from a survey of 639 firms doing business in electrical and electronic appliances in Thailand. Finally the data are useable 187 firm. The results revealed that marketing innovation capability had has a positive effects on marketing performance. Moreover, Contributions of the present study and suggestions for future research are discussed in the last section of this paper.

1. Introduction

Every company is trying its best to develop both internal and external market linkages/market segments/customer focus /ideas and knowledge sources to satisfy customer's needs as well as to sustain its competitive advantage. Due to rapid changes in technology and environment, innovation has become a common theme for planning, designing and developing production processes and services launched into the market so as to respond to customers' needs effectively. Innovation indicates the company's better financial stability, performance and survival ability than its rival companies (Agarwal, Cockburn, and McHale 2006). Therefore, companies are trying to create some new innovations as well as developing strategies to defend their competitive advantage (Porter 1990). The innovation process involves many concepts such as acquisition, dissemination, and use of new knowledge (Veroma, 1996). Innovation is increasingly considered to be one of the key factors for ~~of~~ the long-term success of a firm in today's competitive advantage (Baker and Sinkula, 2002; Balkin et al., 2000; Darroch and McNaugton, 2002; Lyon and Ferrier, 2002; Vrakking, 1990; Wolfe, 1994). Marketing innovation is defined by many authors and in many contexts. According to OECD, innovation contains conversion of an idea into a service or a product ready for sale, a new or an improved process of production or distribution, or a new method of social servicing (OECD 2005, 2011). Marketing innovation is defined (Science, 2011) as the implementation of a new marketing concept or strategy which is significantly different from the marketing methods applied previously in a given enterprise. It also refers to some marketing concepts like: market research, price-setting strategy, market segmentation, advertising promotions, retailing channels, and marketing information systems (Vorhiesand Harker, 2000; Weerawardena, 2003). In this paper, understanding of the marketing innovation process involves both theoretical and empirical considerations derived from the analysis of literature and poll methods.

The main purpose of this paper is to investigate the relationships among marketing innovation capability (innovativeness, innovation capability, and willingness to change) new product initiation, market fulfillment, competitor interception, customer responsibility, and marketing performance. Furthermore, to highlight their relationships, four research questions were established as follows: How is each dimension of marketing innovation capability related to new product initiation, market fulfillment, competitor interception, and customer responsibility? How are new product initiation, market fulfillment, competitor interception and customer responsibility related to marketing performance? How is marketing innovation capability related to marketing performance? The paper aims to examine the effects of marketing innovation capability on marketing performance.

This paper is organized as follows. The first part presents the literature review on ~~of~~ marketing innovation capability (innovativeness, innovation capability, and willingness to change), and marketing performance. Additionally, the development of the research hypotheses is presented. The next part involves

research methodology consisting of sample selection, data collection procedure, measurement of variables, and statistics and equations used to test the hypotheses. The results of the study were derived from 187 firms. Lastly, implications for theories and practices are discussed.

2. Literature Review and Hypothesis Development

The research model of this study is illustrated in Figure 1, showing the relationships among marketing innovation capability (innovativeness, innovation capability, and willingness to change), new product initiation, market fulfillment, competitor interception, customer responsibility, and marketing performance.

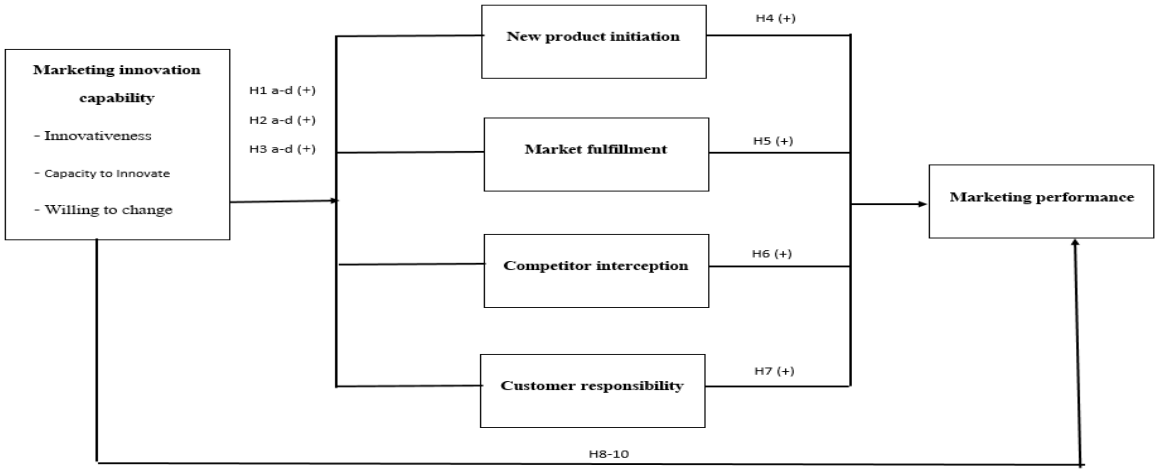

Figure 1 Conceptual Model

2.1 Marketing Innovation Capability

Marketing capability refers to a firm's capability to use its existing resources to implement marketing and other related tasks so as to achieve the desired marketing objectives (Bahadir, Bharadwaj, and Srivastava 2008;Krasnikov and Jayachandran 2008; Hui Feng, Neil A. Morgan and Lopo L. Rego. 2015). The term "innovation" means a new way of doing. Innovation leads to increase in productivity and is the fundamental source of increasing wealth in an economy. Marketing innovation is very important for future market development. According to Drucker (1985), innovation is an instrument specific to entrepreneurs, which involves the act that endows a new capacity to create wealth. The development of new marketing tools and methods plays an important role in the evolution of industries. Oslo Manual defines "innovation" (OECD/Eurostat 2005, p. 46) as: Marketing innovation capability is the implementation of a new or significantly-improved marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing. The marketing method must not have been previously used by the firm and must be part of a new marketing concept or strategy representing a significant departure from the firm's existing methods (Oslo Manual2005, p. 50).

2.1.1 Innovativeness

Researchers in marketing suggest that innovativeness is "possession of newness" (Roehrich 2004) or the degree of freshness of a product (Freel 2005; Daneels and IGeinschmidt 2001; Michalisin 2001). A firm has to be adaptive in order to survive in today's complex and turbulent environments. Innovation involves new management practices, new organizations, new marketing concepts, and new corporate strategies (Battisti and Stoneman, 2010; Najibeh, 2015). Hurley and Hult (1998) refer to this concept as innovativeness. Innovativeness is the notion of openness to new ideas as an aspect of a firm's culture. Salavou (2004) and Sundbo (1997) discuss a firm's thinking capability to produce ideas that are new and distinctive, which for Markides (1998) can lead to new and applicable insights. Wang and Ahmed's (2004) definition implies an ability to exceed routine thinking processes, which involves going beyond the obvious to discover newness (Avlonitis et al. 2001). The various definitions imply a creative mindset to produce "some new process, product, or idea in the organization" (Hult et al. 2004: 430), that leads to a certain kind of innovations.

Hypothesis 1: Innovativeness has a positive influence on (a) new product initiation, (b) market fulfillment, (c) competitor interception, and (d) customer responsibility.

2.1.2 Capacity to innovate

Companies with the capacity to innovate will be able to respond to environmental challenges faster and better than non-innovative companies (Brown and Eisenhard, 1995; Miles and Snow, 1978). Avlonitis et al. (1994) argue that a firm must not only have innovative behaviors, but it must also possess the necessary technological capacity to boost this willingness. In this regard, Wang and Ahmed (2004: 304) characterize organizational innovativeness as "a firm's overall innovative capability of introducing new products to the market, or opening up new markets through combining strategic orientation with innovative behavior and process". Slater and Narver (1994) view innovativeness as one of the core value-creating capabilities that drives performance. Hult et al. (2004) rationalise innovativeness as a firm's capacity to introduce new processes, products, or ideas in the organization. According to Adler and Shenbar (1990), innovation capacity is defined as: (1) the capacity of developing new products satisfying market needs; (2) the capacity of applying appropriate process technologies to produce these new products; (3) the capacity of developing and adopting new product and processing technologies to satisfy the future needs; and (4) the capacity of responding to accidental technology activities and unexpected opportunities created by the competitors.

Hypothesis 2: Capacity to innovate has a positive influence on (a) new product initiation, (b) market fulfillment, (c) competitor interception, and (d) customer responsibility.

2.1.3 Willing to change

Midgley and Dowling (1978) consider willingness to change as ~~is~~ a form of innate personality trait. Rogers (1983) defines innovativeness as the "elapsed time of adoption of an idea or behavior". According to Homburg et al. (2002: 96) willingness to change is a function of "the number of innovations a company offers, how many customers these innovations are offered to, and how strongly these innovations are emphasized". Hurley and Hult (1998) define willingness as the openness to new ideas. Markides (1998) and Besanko et al. (1996) consider willingness to change as the development of new competitive strategies that create value for the firm. Menguc and Auh refer to willingness to change as a firm's receptivity and willingness to forgo old habits and try untested ideas (2006: 66). This thinking strongly implies that innovativeness requires a company mindset or propensity to listen to "all voices", either internally or externally (Ahmed, 1998), and to explore and experiment with ideas (Lumpkin and Dess, 1996).

Hypothesis 3: Willing to change has a positive influence on (a) new product initiation, (b) market fulfillment, (c) competitor interception, and (d) customer responsibility.

2.2 Consequences of marketing innovation capability

2.2.1 New product initiation

Firms are increasingly applying new product processes, as well as collaborating with other companies in order to look for other ways to increase the efficiency and effectiveness of their innovation processes and working with competing firms has become a common form of external collaboration (Laursen and Salter, 2006 ; Turk and Ybarra ,2001). New product opportunity product is and its introduction into the market change marketing thinking and practice. Andrews (1992) defines new product initiation as the conceptual or predevelopment tasks (e.g. idea generation, concept screening, and evaluation), and the development and launch of tasks (e.g. prototype design and development, market testing, and market introduction and launch). New product initiation aims to generate new product ideas to create competitive advantage and increase marketing performance.

Hypothesis 4: New product initiation has a positive influence on marketing performance.

2.2.2 Market fulfillment

The general finding has been that as fulfillment exceeds expectations, satisfaction rises (Oliver, 1980; Swan and Trawick, 1981). Marketing fulfillment is defined as the ability to execute the creation and delivery of marketing collateral and brand assets across these channels. Organizations must deploy the right tools that empower efficiency, automation and fast turn-around times. The general finding has been that as market fulfillment exceeds expectations, satisfaction increases (Oliver, 1977)

Hypothesis 5: Market fulfillment has a positive influence on marketing performance.

2.2.3 Competitor interception

If competitors are expected to respond relatively quickly, the time it takes for a new product introduction strategy to become effective is important (Dougus and Hubert, 1995). Responsiveness of competition is a necessary precursor to competitive action (Chen, Su, &Tsai, 2007; Williams, 2007). Advice for managers on how to classify or choose competitors is broadly available (Lehmann & Winer, 2008). How a

manager in a firm ~~are~~ classifies a target firm as a competitor or non-competitor is a common process of the firm. Competitor interception is when your competitors get a prospect's interest in a product or service and then you sell the prospect and turn them into a client (Andrews 1992).

Hypothesis 6: Competitor interception has a positive influence on marketing performance.

2.2.4 Customer responsibility

Customer response competency refers to an ability and flexibility of a firm to quickly respond to customer demands within an appropriate time, as well as maintain competitive advantage (Holweg, 2005). Therefore, customer response capabilities enable firms to create, improve and introduce new products that respond to customers' needs and preferences, which competency includes high quality, delivery speed, and effective production (Roh, 2009).

Hypothesis 7: Customer responsibility has a positive influence on marketing performance.

Marketing performance

Marketing performance of a firm is an estimation of business achievement. Marketing performance is measured in many context. Some use market share as a criterion for evaluating market performance/success (Horsky, 1977; Assmus et al.,1984; Reid et al., 2001), but others use sales performance or financial performance as a tool for measuring marketing performance (Reid 2003, 2005). Effective and efficient marketing management necessitates the structure of long-term relationships (Houston & Gassenheimer, 1987; ManishaMathur, 2013). Marketing performance is measurement of marketing productivity (e.g. Morgan, Clark, and Gooner 2002; Rust, Lemon, and Zeithaml2004), identification of metrics in use (e.g. Barwise and Farley 2003; Winer 2000), and measurement of brand equity (e.g. Aaker and Jacobson 2001; Ailawadi, Lehmann, and Neslin 2002). Marketing performance refers to the efficiency of the marketing functions to encounter customers' requirements and society's expectations (Gonza´lez & Gonza´lez, 2005; Elena Fraj, Eva Martı´nez and Jorge Matute, 2011). Marketing performance shows performance of firms in terms of sales growth, market share, creating new products or product innovation, increasing sales activities, and influence intermediate outcomes (customer's thoughts, feelings, knowledge, ultimately and behaviors) which in turn influence financial performance of the firm.

Hypothesis 8: Innovativeness has a positive influence on marketing performance.

Hypothesis 9: Capacity to innovate has a positive influence on marketing performance.

Hypothesis 10: Willing to change has a positive influence on marketing performance.

3. Research method

3.1 Sample Selection and Data Collection Procedure

The samples of this study were electrical and electronic companies in Thailand. The list of the samples was obtained in August 2015 from the online database of the Department of Industrial Works, Ministry of Industry of Thailand (www.diw.go.th) in August 2015. This database is a very good source of information, providing all complete addresses of 639 firms across Thailand. A mail survey procedure via the questionnaire was used for data collection. The key informants included those who took a position of either marketing director or marketing manager of each company. The data were collected from 187 firms. The yields of ~~a~~ response rate was approximately 29.26%. According to Aaker, Kumar and Day (2001), 20 percent of response rate from mail survey was satisfactory to the subsequent analysis.

Based on demographic information of the respondents, most of those who returned the questionnaire were male (65.7%), married (58.6%), and aged 31-40 years old (45.9%). Of all the participants, 65.7 percent took a position of marketing manager, whereas 34.3 percent hold other positions. The capital of all these firms ranged between 50 million and 1-100 million baht (43.3%); the number of employees was between 100 and 100-200 employees (38.2%); and overall income was between 75,001 million and 125,000,000 million baht (29.1%). In addition, most of the firms were located in the central region (37.6%).

3.2 Questionnaire Development

In this study, a questionnaire was developed and divided into five parts. Part 1 includes questions on personal information such as gender, age, status, education level, experience, salary, and current position. Part 2 contains questions on business information including types of businesses, position of business, capital investment, number of employees, and organizational income per year. Parts 3-8 involve the perceptual assessment of respondents for each construct in the conceptual model. Particularly, the assessment of each dimension of marketing innovation capability and its consequent outcomes are included in Parts 3 and 4,

respectively. The final part provides the open-end question of which respondents were urged to express their opinions and suggestions.

3.3 Variables

In the conceptual model, all variables were measured on a five point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree. Marketing innovation is the main variable that used a scale from the related literatures and its definitions. It consists of three dimensions. First, marketing innovation is defined (Science, 2011) as the implementation of a new marketing concept or strategy which is significantly different from the marketing methods applied previously in a given enterprise. Besides, it can refer to marketing concepts like: market research, price-setting strategy, market segmentation, advertising promotions, retailing channels, and marketing information systems (Vorhiesand Harker, 2000; Weerawardena, 2003). Second, innovation capacity is defined by Adler and Shenbar (1990) as: (1) the capacity of developing new products satisfying market needs; (2) the capacity of applying appropriate process technologies to produce these new products; (3) the capacity of developing and adopting new product and processing technologies to satisfy the future needs; and (4) the capacity of responding to accidental technology activities and unexpected opportunities created by the competitors. Third, according to Homburg et al. (2002: 96) willingness to change is a function of "the number of innovations a company offers, how many customers these innovations are offered to, and how strongly these innovations are emphasized". New product initiation can be referred to as conceptual or predevelopment tasks (e.g. idea generation, concept screening, evaluation), and implementation is defined as the development and launch of tasks (e.g. prototype design and development, market testing, market introduction and launch) (Andrews 1992). Based on the concept of market fulfillment, organizations must deploy the right tools that empower efficiency, automation, and fast turn-around times. The general finding has been that as market fulfillment exceeds expectations, satisfaction increases (Oliver, 1977). Competitor interception is when your competitors get prospects' interested in a product or service and then you sell the prospect and turn them into a client (Andrews 1992). Marketing performance is measurement of marketing productivity (e.g. Morgan, Clark, and Gooner 2002; Rust, Lemon, and Zeithaml 2004), identification of metrics in use (e.g. Barwise and Farley 2003; Winer 2000), and measurement of brand equity (e.g. Aaker and Jacobson 2001; Ailawadi, Lehmann, and Neslin 2002). Marketing activities influence intermediate outcomes (customer's thoughts, feelings, knowledge, ultimately and behaviors) which in turn influence financial performance of the firm.

3.4 Methods

In this study, several constructs in the conceptual model were developed from new scales, and multiple scale items were derived from previous studies to test validity and reliability. For validity testing, this study uses a confirmatory factor analysis (CFA) was used to examine the construct validity of the instrument, by investigating the relationships of a large number of items that can be reduced to a smaller set of factors. Table 1 presents the results for both factor loadings and Cronbach alpha coefficients for multiple-item scales used in this study.

Items	Factor Loadings	Cronbach Alpha
Innovativeness (IN)	0.726-0.813	0.722
Capacity to innovate (CI)	0.751-0.793	0.719
Willingness to change (WC)	0.721-0.817	0.730
New product initiation (NPI)	0.710-0.797	0.723
Market fulfillment (MF)	0.704-0.809	0.772
Competitor interception (COI)	0.701-0.773	0.713
Customer responsibility (CR)	0.774-0.835	0.712
Marketing performance (MP)	0.700-0.834	0.823

Table 1 Results of Measure Validation

3.5 Statistical Techniques

The ordinary least squares (OLS) regression analysis was used to test and examine all the hypotheses following the conceptual model. The aforementioned variables play significant roles in explaining the research relationships. Because the dependent variables, independent variables, and the control variables in this study were neither nominal data nor categorical data, OLS is an appropriate method for examining the hypothesized

relationships (Hair, et. al., 2010). With the interest of understanding the relationships in this study, the research model of these relationships is depicted as follows:

Equation 1: $NPI = \beta_{01} + \beta_1 IN + \beta_2 CI + \beta_3 WI + \beta_4 Fage + \beta_5 Fsizem + \varepsilon_1$

Equation 2: $MF = \beta_{02} + \beta_6 IN + \beta_7 CI + \beta_8 WI + \beta_9 Fage + \beta_{10} Fsizem + \varepsilon_2$

Equation 3: $COI = \beta_{03} + \beta_{11} IN + \beta_{12} CI + \beta_{13} WI + \beta_{14} Fage + \beta_{15} Fsizem + \varepsilon_3$

Equation 4: $CR = \beta_{04} + \beta_{16} IN + \beta_{17} CI + \beta_{18} WI + \beta_{20} Fage + \beta_{21} Fsizem + \varepsilon_4$

Equation 5: $MP = \beta_{05} + \beta_{22} NPI + \beta_{23} MF + \beta_{24} COI + \beta_{25} CR + \beta_{26} Fage + \beta_{27} Fsizem + \varepsilon_5$

Equation 6: $MP = \beta_{06} + \beta_{28} IN + \beta_{29} CI + \beta_{30} WI + \beta_{31} Fage + \beta_{32} Fsizem + \varepsilon_6$

4. Results

4.1 Correlation Matrix Analysis

Table 2 presents the descriptive statistics and correlation matrix for all variables. With respect to potential problems relating to multicollinearity, variance inflation factors (VIFs) were used to provide information on the extent to which non-orthogonality among independent variables inflates standard errors. The VIFs range from 1.115 to 7.976, which is well below the cut-off value of 10 recommended by Neter, Wasserman, and Kutner (1985), meaning that the independent variables are not correlated with each other. Therefore, there are no substantial multicollinearity problems encountered in this study.

Variables	IC	CI	WC	NPI	MF	COI	CR	MP	FAG	FSI
Mean	4.454	4.127	4.516	4.117	3.893	3.876	4.234	4.545		
S.D.	.518	.556	.593	.532	.592	.575	.653	.677		
IC	1									
CI	.678**	1								
WC	.543**	.712**	1							
NPI	.218*	.543**	.322**	1						
MF	.317*	.447*	.207**	.587*	1					
COI	.434*	.456*	.433*	.687*	.543*	1				
CR	.233*	.367*	.236*	.654*	.478*	.765*	1			
MP	.348**	.547**	.233***	.544	.489	.658	.757*	1		
FAG	.087	.073	.045	-.029	.144	-.089	.109	.098*	1	
FSI	.132	.044	.032	-.089	.245	.128	.079	.034	.067	1

p<0.05,**p<0.01,p<0.001**

Table 2 Descriptive Statistics and Correlation Matrix

4.2 Hypothesis Testing and Results

Table 2 presents the results of multiple regression analysis of the relationships among the three dimensions of marketing innovation capability (innovativeness, innovation capability, and willingness to change) and their consequences (new product initiation, market fulfillment, competitor interception, and customer responsibility). The results of hypotheses H1a-d H3a-d are presented in Model 1-4. These indicate that three dimensions of marketing innovation capability comprising innovativeness, innovation capability and willing to change, have significant positive influences on new product initiation, market fulfillment, competitor interception, and customer responsibility (H1a:β1=0.237 p<0.05; H1b:β6=0.341 p<0.05; H1c:β11=0.461 p<0.05; H1d:β16=0.198 p<0.05); Hypotheses 1a-d are supported. Moreover, the results show that capacity to innovate has a positive impact on market fulfillment and customer responsibility (H2b:β2=0.237 p<0.05; H2d:β17=0.341 p<0.05); Hypotheses 2b and 2d were supported. However, the impact of capacity to innovate on new product initiation and competitor interception is ~~are~~ not found significant (H2b:β7=0.237n.s; H2d:β12=0.341n.s). Thus, Hypotheses 2a and 2c are not supported. However, willing to change has a positive impact on new product initiation and customer responsibility (H3a:β2=0.237 p<0.05; H3d:β18=0.435 p<0.05) but it has no significant impact on market fulfillment and competitor interception (H3b:β7=0.231n.s; H3c:β12=0.341n.s). Thus, Hypotheses 3a and 3d are supported and Hypotheses 3b and 3c are not supported. Moreover, new product initiation, market fulfillment, competitor interception, and customer responsibility have significant positive effects on marketing performance (H4:β22=0.223 p<0.05; H5:β23=0.377 p<0.05; H6:β24=0.282 p<0.05; H7:β25=0.171 p<0.05). According to the results illustrated, Hypotheses 4-7 are supported. Finally, innovativeness, innovation capability and willingness to change all significantly positively affect marketing performance (H8:β28=0.468 p<0.05; H9:β29=0.244 p<0.05; H10:β30=0.297 p<0.05); Hypotheses 8-10 are supported.

Independent	Dependent Variables					
	MODEL1	MODEL2	MODEL3	MODEL4	MODEL5	MODEL6

Variables	NPI	MF	COI	CR	MP	MP
IN	.237**	.341**	.461**	.198**		.468**
	(.113)	(.092)	(.076)	(.110)		(.197)
CI	.077	.365**	.244	.247**		.244**
	(.116)	(.111)	(.147)	(.127)		(.116)
WC	.326**	.231	.175	.435**		.297**
	(.127)	(.198)	(.087)	(.178)		(.146)
NPI					.223**	
					(.076)	
MF					.377**	
					(.198)	
COI					.282**	
					(.079)	
CR					.177**	
					(.077)	
Fage	0.117	0.224	-0.043	0.134	0.099	-0.133
	(0.067)	(0.071)	(0.061)	(0.097)	(0.076)	(0.088)
Fsizem	-0.134	0.235	0.077	0.145	0.213	0.122
	(0.179)	(0.123)	(0.035)	(0.076)	(0.089)	(0.099)
Adjusted R^2	0.379	0.436	0.341	0.402	0.367	0.488

****p<0.01, *p<0.05, a beta coefficients with standard errors in parenthesis**

Table 3 Result of Regression Analysis[a]

5. Contributions of the study and Guidelines for future research

The results of this study can be useful for executives or managers when they have to deal with planning and decision making. Besides, the present study offers some options of which users can implement to develop achievement levels in their organizations. Every study, no matter how well it is conducted and constructed, has limitations. And so does this study; its limitations for further investigation are as follows. Firstly, this study provides general results collected through a quantitative method. Therefore, future research is needed to reconfirm the generalizability, validity and reliability of the results found in this study by, for instance, conducting this kind of research with a new target population. Secondly, a comparative study inclusive with a new antecedent variable should be conducted to investigate the effects of marketing innovation capability on marketing performance, to broaden the perspective of this research. Finally, future research should be conducted as a qualitative research study in order to obtain insight data before developing a questionnaire.

6. Discussion

According to the findings of this study, marketing performance can be enhanced by marketing innovation capability. This study proposes the relationships of marketing innovation capability on marketing performance through marketing outcomes such as new product initiation, market fulfillment, competitor interception, and customer responsibility, all of which affect electrical and electronic appliances businesses in Thailand. 187 electrical and electronic firms appliances business were chosen as the samples of the study. The results reveal that marketing innovation capability has positive relations with new product initiation, market fulfillment, competitor interception, and customer responsibility. Additionally, marketing innovation capability positively effects marketing performance.

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