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Marketing capabilities revisited: a resource-based study in the automotive industry

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Abstract

The impact of marketing capabilities (MC) on firm performance has been a popular research field in the strategy literature. Much research has shown that MCs are strongly related to company performance, and many firms try to build, maintain, and leverage MCs. In this study, we aim to explore the performance effect of different sub-dimensions of MCs, i.e. new product development, pricing, channel management, marketing research, marketing communication, and marketing strategy and implementation in the Turkish automotive industry. To address the study's aim, quantitative data collected from 163 managers from 53 companies in the automotive industry were analyzed by the regression method. Our findings indicate that marketing capabilities have a significant direct impact on firm performance. However, while the effects of pricing, marketing research, strategy and implementation were strong, the impact of other MC sub-dimensions, i.e., new product development, marketing communication, and channel management, were relatively weak in explaining firm performance. These results are linked with the economic policies of the Turkish government and the competitive strategy choices of Turkish firms, which generally opt for strategies that prioritize the cost and price concerns of business markets. The findings are elaborated on, and some implications are offered.

Keywords: Marketing capabilities; firm performance; quantitative study; automotive industry; Turkey.

1. Introduction

Marketing capabilities (MCs) refer to "a firm's ability to use available resources to perform marketing tasks in ways that achieve desired marketing outcomes" (Morgan et al., 2018, p. 61). The influence of marketing capabilities has been questioned for the last thirty years and an exhaustive number of studies offered somewhat different results. The main differences in results emerged from the employment of varying sub-dimensions that constitute the MC

construct. According to Kamasak (2013), "MCs help firms manipulate unique marketing mix strategies, create a strong brand image and influential corporate reputation, and retain strong bonds with suppliers and other channel members" (p. 239).

In a similar vein, Kaleka and Morgan (2019) suggest that MCs are "a complex and coordinated set of skills, knowledge, and activities that the company uses to transform its existing resources into market-related value outputs" (p. 110). Drawing on the studies of Kaleka and Morgan (2019) and Morgan et al. (2009), this study uses "new product development, pricing, channel management, marketing research, marketing communication, and marketing strategy and implementation" as the MC sub-dimensions and explores their performance impacts.

While product development refers to developing new products and services that offer new value to the customers, pricing is the capability of a price policy that leads the firm to gain maximum profit from the market (Morgan et al., 2018). Effective channel management decisions can create unique shopping experiences for customers, and marketing research helps firms collect adequate data about customer needs (Cataltepe et al., 2022). Marketing communication enables firms to maintain and maximize their personalized relations with customers, and marketing strategy and implementation-related decisions support firms in "selecting the most productive available resource combinations to match market conditions" (Kamasak, 2013, p. 243). Thus, it is hypothesized that:

H1: Marketing capabilities positively influence firm performance

2. Methods

The data were collected by a self- administered questionnaire. The research was carried out in the Turkish automotive industry; thus the sample included 53 companies that were registered in the databases of the Automotive Manufacturers' Association, Automotive Distributors Association, Heavy Commercial Vehicles Association, and Automotive Suppliers Association in the country. We sent the questionnaires to 492 senior managers of 53 companies and obtained 163 usable ones. The response rate was 33.1%. The number of full-time employees ranged from 81 to 7.344. The mean number of employees was 484.17, and the standard deviation was 133.56. The number of years in business ranged from 11 to 93. The mean number of years in business was 35.81, and the standard deviation was 19.92. Information regarding the participant firms' age and size is shown in table 1.

Table 1. Firm size and age

	n	*Mean*	SD	Min.	Max.
Firm size	53	484.17	133.56	81	7.344
Firm age	53	35.81	19.92	11	93

Vorhies and Morgan's (2005) instrument with 28 items was used to measuring marketing capabilities in the study. Firm performance was assessed by Spanos and Lioukas' (2001) 3-item performance scale, including growth in market share, growth in profitability, and growth in sales revenue. The MC instrument underwent an exploratory factor analysis which yielded six factors, as expected. The reliability of the MC measurement instrument was found adequate with the value of Cronbach's alpha (α= .921). Similarly, the Firm Performance (FP) scale was loaded on a single factor, as suggested in the literature. The alpha value of the FP value was (α= .713).

2.1.Analyses

The data were analyzed by the regression method to test the established hypothesis. Since older firms may have more experience in markets and larger firms may have greater access to key resources, they may have more potential to create performance, thus the impact of age and size was also tested (Wei, Yi, & Guo, 2014). The relationships between firms' age, size and MCs, and firm performance were examined through linear regression.

Table 2. Regression results

Model	Unstandardized Coefficients B	Standardized Coefficients Beta (β)	t	R^2	Adjusted R^2	F value change
(Constant)	1.511	-	4.149	-	-	-
Firm age	.269	.106	1.659***	.018	.017	-
Firm size	.274	.119	1.743***	.023	.018	-
MC	.552	.408	5.656***	.167	.161	35.943***

Dependent variable: Firm performance
****Significant at the .001 level*

Significant relationships between firm age (β = .106; t= 1.659; p < .001), firm size (β = .119; t= 1.743; p < .001), and MCs (β = .408; t= 5.656; p < .001), and firm performance were found as shown above in table 2. The impact of firm age and size to explain the variance in firm performance was low; 1.8% by age and 2.3% by size. However, a significant share (nearly

16.1%) in the variance of firm performance (Adjusted R^2 = .161; F = 35.943; p < .001) was explained by MCs. Therefore, H1 was supported. In order to have detailed information about the impact of each MC sub-dimension on firm performance, another multiple regression analysis was conducted. The results show that all sub-dimensions are associated with firm performance (Table 3). Pricing (β = .404; p < .001), marketing research (β = .367; p < .001) and marketing strategy and implementation (β = .336; p < .001) had the strongest association with firm performance. Marketing communication (β = .205; p < .001) was observed as the least impactful MC sub-dimension on firm performance.

Table 3. Regression results of MC sub-dimensions and firm performance

Model	Unstandardized Coefficients B	Standardized Coefficients Beta (β)	Adjusted R^2	F value change	p
(Constant)	.873				
Pricing		.404	.163	31.144***	.001
Product development		.298	.068	11.702***	.001
Channel management		.205	.042	7.049***	.001
Marketing communication		.243	.059	10.056***	.001
Marketing research		.367	.134	24.828***	.001
Marketing strategy and implementation		.336	.113	20.325***	.001

Dependent variable: Firm performance
****Significant at the .001 level*

3. Results and Discussion

Our findings indicate that marketing capabilities have a significant direct impact on firm performance. These findings corroborate other studies (i.e., Cataltepe et al., 2022; Wilden & Gudergan, 2015) and once more highlight the importance of MCs of firms in sustaining competitive advantage. Pricing was the most influential MC on firm performance and marketing research, along with marketing strategy and implementation followed the pricing capability. The critical role of pricing in brand positioning, boosting sales, and compelling managers to make more cost-efficient and operationally effective decisions that help firms compete in markets was frequently mentioned in the literature (Kamasak, 2008; Vorhies et al., 2009; Liozu & Hinterhuber, 2021). The finding was relatively consistent with the competitive strategy choices of Turkish firms, which generally opted for cost leadership rather than differentiation in business markets (Kamasak & Cansever, 2019; Kamasak, 2011, 2017). The compulsory low-cost strategy choice of firms in Turkey was shaped by the historically adopted economic policies of the Turkish governments. Turkish firms, which enjoyed high profits from heavily protected industries (notably, the automotive industry) surrounded by high entrance barriers until the late 1990s, faced cut-throat competition after the customs union agreement

signed between Turkey and the EU in 1996 (Kamasak & Yavuz, 2015). This situation compelled Turkish firms to use their existing skills based on cost- and pricing-related capabilities until they could develop new ones. Many Turkish firms continued their operations as OEMs for which cost and pricing are critically important. Tax burdens and adverse effects of exchange rates are among the determinants of pricing in the Turkish automotive industry, and customers are also susceptible to these changes. From this perspective, the findings of pricing's high impact on firm performance are not surprising.

Regarding the effect of marketing research, strategy and implementation on firm performance, Turkey is an emerging market characterized by continuous economic fluctuations, frequent political tensions, and rapid shifts in consumer demands (Cavusgil et al., 2021). These conditions, which indicate a high environmental dynamism, require firms to detect any early signals by which firms can infer potential changes in business markets. Several authors (i.e., Sandikci & Ger, 2007; Cavusgil et al., 2021) point out the sudden and unexpected shifts in consumer preferences that emerge from different local cultures, traditions, and varieties in lifestyles throughout Turkey and highlight the strategic importance of collecting and processing market-based information through marketing research activities. This may explain the considerable impact of the marketing research dimension on firm performance. Concerning marketing strategy and implementation, the necessity of rapid decision-making and putting decisions into action quickly in dynamic business contexts was frequently mentioned (Sun et al., 2020). Therefore, firms that can formulate prudent marketing strategies and implement them quickly in response to sudden changes in turbulent environments can lead to better performance.

The impact of other MC sub-dimensions, i.e., new product development, marketing communication, and channel management, on firm performance is also significant but relatively low. The weak performance effect of new product development may be attributed to Turkish firms' inadequate R&D expenditures and limited R&D budgets (Fazlıoğlu, et al., 2019). According to the Turkish Statistical Institute (TUIK, 2021), Turkey's spending on R&D increased to 1.06% of its gross domestic product (GDP) in 2020. Yet, it is still behind the developed countries (i.e., 3.2% in Germany and 3.1% in the US) and some other emerging markets (i.e., 4.5% in Taiwan, 2.2% in China and 1.3% in Brazil) (OECD, 2021). Besides the inadequate R&D expenditure, inefficiencies in the R&D centres and other government institutions may also be questioned. Turkey is ranked 41st on Global Innovation Index (GII) in 2021 (WIPO, 2021); thus, its place may not be considered satisfactory compared to its counterpart countries. Moreover, investments and funds might be used to address the country's choice of low-cost manufacturing strategy rather than innovation and new product development processes. In line with this proposition, Kamasak (2011) suggests that "Turkish firms have defined their strategic priorities as product standardization, access to efficient process

technologies, backward integration to reach cheap and steady raw materials…to develop cost-based competencies" (p. 1139). Another factor is that the automotive industry in Turkey is based on mass production and assembling the components rather than developing new car models. (Paker et al., 2018). So, the relatively weak effect of new product development may be explained.

With the slight influence of marketing communication and channel management on firm performance, Turkish customers are very conservative in buying certain car brands because of some unique characteristics of the Turkish automotive market emerging from Turkey's institutional and social contexts. Firstly, Fiat and Renault established their factories in 1968 and 1969, respectively in Turkey. During the heavily protected years of the industry, no imported cars were allowed to enter the Turkish market (Bedir, 2002). Thus, Turkish customers could only buy the car brands manufactured for the domestic market. Secondly, after the guest worker agreement, signed between Germany and Turkey in 1961, thousands of Turkish workers visited Turkey with German cars, and the German car brands were the first and only imported cars that Turkish people became acquainted with (Deutsche Welle, 2011). Therefore, from the early 1960s, some compulsory customer loyalty among Turkish customers for certain brands emerged. In this regard, the firms' marketing communication strategies might work to maintain existing relationships with their customers rather than bring new ones, leading to minimal performance outcomes.

Moreover, marketing communication may structurally play a less influential role in the automotive industry, unlike in other industries, i.e., FMCG, in which the frequency of purchases is high, shifts in customer preferences are quick, and firms' consistent brand messages across different channels are highly critical (Valos et al., 2016). Finally, the weak association of channel management with firm performance may be explained by the nature of the product and the style of distribution. For example, cars are generally sold by distributors, authorized dealers, and online platforms, which may only be used for providing information, test driving, or visual presentations of the product. Therefore, the indirect contribution of these activities might create relatively low-performance effects.

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