

How marketing capabilities create competitive advantage in Turkey

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How marketing capabilities can create competitive advantage: The case of Turkey

1. Introduction

Over the last quarter century, a large body of marketing and management research (e.g., Afuah, 2002; Amit & Schoemaker, 1993; Danneels, 2007; Gruber et al., 2008; McGrath et al., 1995; Miller & Shamsie, 1996; Nath et al., 2010; Wernerfelt, 1984) has focused upon an understanding of how firms' resources and capabilities lead to performance variations among firms and create sustained competitive advantage by using resource-based view (RBV) of the firm as a theoretical backdrop (Barney et al., 2011; Peteraf & Barney, 2003; Rumelt et al., 1991; Wernerfelt, 1984). According to Peteraf and Bergen (2003), the RBV is a very useful theory and may best serve to add insight when focused on the effectiveness of marketing activities that consist of marketing resources and capabilities. The RBV that defines a capability as "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments" (Teece et al., 1997, p. 516) asserts that only the ownership or the control of valuable capabilities determine which organizations will earn superior profits and achieve competitive advantage in the market.

Marketing capabilities have been identified as major determinants of firm performance "because of their low level of imitability and their reliance on tacit knowledge" (Ramaswami et al., 2009, p. 99). Similarly, several marketing scholars who investigate the importance of marketing capabilities in creating influence on firm performance (e.g., Kemper, 2011; Krasnikov & Jayachandran, 2008; Vorhies et al., 2009) explain this situation with the heavy use of information as a strategic intangible asset that is immobile, rare, inimitable, and largely non-substitutable (Barney, 1991; Krasnikov & Jayachandran, 2008).

Previous empirical studies identified specific examples of capabilities such as new product development, service delivery and order fulfillment, R&D, acquisition processes, product innovation, absorptive capacity, client-specific capabilities, organizational structure reconfiguration, resource divestment, human capital, managerial ability, strategic decision making, buyer-supplier equity and network ties, and marketing capabilities. In fact, the aforementioned marketing related skills are not far different from the well-known 5P's of the marketing mix. For example, new product development and product innovation capabilities can be categorized within the *product* element of 5P's, strategic decision making, managerial ability, client-specific, and human capital related capabilities are included in the *people* element. Similarly, whilst service delivery and order fulfillment along with the distribution network can be assigned to the *place* element, creativity in advertising and all

communication related capabilities can be categorized within the *promotion* element of the marketing mix. Lastly, all capabilities that can influence the costs and prices of the product or service directly or indirectly such as buyer-supplier equity and network ties, R&D, and technological know-how can be included in the pricing element of 5P's.

In the literature of strategic marketing, considerably less attention has been paid to marketing capabilities and their effects on the creation of competitive advantage (Morgan et al., 2009; Nath et al., 2010). Capability-based studies have always been the concern of management literature rather than marketing and this resulted in the evaluation of the findings from the purely management point of view. However, the elements of 5P's are prominent determinants of a firm's performance and their influences should be thoroughly investigated. Besides, most of the limited numbers of studies that aim to investigate the effects of marketing capabilities on firm performance were conducted in developed countries rather than emerging markets.

However, IMF statistics indicate that "emerging markets' share of business has risen steadily from just about 17% in the 1960s to an average of 31% during the period of rapid global trade and financial integration that started in the mid-1980s and it reached 40% in 2010" (IMF World Economic Outlook, 2010, p. 6). Kose and Prasad (2010) suggest that "emerging markets can no longer be ignored since their economies will hold ever greater shares of global assets and wealth in the following years" (p. 8). Khanna and Rivkin (2001) comment that marketing and strategic management research should focus on developing economies since the relative importance of resources upon firm performance may differ radically in emerging markets due to the different economic, political and social structures in developing countries.

Similarly, Katsikeas et al. (1998) state that findings of the studies conducted in developed countries may not accurately reflect the performance realities in emerging markets since priorities of firms in resource possession differ. As a supporting result for Katsikeas et al. (1998), Raymond et al. (2001) found in a comparative study that while developing a positive reputation of a firm was the primary concern for Korean firms, cutting costs through technological development or economies of scale was more important for the US firms to be able to increase export performance. Therefore, it is worthwhile investigating firms in emerging markets and exploring new data in settings outside the Western World as this may yield significant new insights about the issue.

In this context, this chapter aims to explain the marketing capabilities of the firms which have been conceptualized as a framework and their effects on the creation of competitive advantage. Apart from the theoretical explanations, examples from real life cases will be given to provide a better understanding to readers. Moreover, an empirical study which employs Turkish business databases

to assess the relative importance of marketing capabilities on performance differences among firms in Turkey by also acknowledging the increasingly important role of Turkey as the 16th largest economy in the world trade in 2010 (IMF World Economic Outlook, 2010) will be presented at the end of the chapter. Thus, it is expected that the study will contribute to the on-going debate in the marketing capabilities literature by using empirical findings from an emerging market economy.

2. Emerging markets and Turkey as a major emerging market

Emerging markets such as China, India, Argentina, Brazil, Mexico, Turkey, Indonesia, Malaysia, Poland, South Africa, Egypt, Philippines, Taiwan and Russia, became important players in the world economy because of their unprecedented growth, dramatic structural changes and remarkable market transformation during the last twenty years (Bonaglia et al., 2007; Garten, 1996; Tatoglu & Demirbag, 2008). Depending on conspicuous economic developments and growth, these developing countries have become the strategic destinations for the direct investments of multi-national corporations (Cui & Lui, 2005; Yang et al., 2009). Although considerable amounts of academic work attempting to reveal the sources of the “miracle” success in these countries has been carried out, most of the researchers (e.g., Buckley & Ghauri, 2004; Fatás & Mihov, 2009; Krugman, 1994; Porter, 1998; Rodrik, 2011; Thorbecke et al., 2002) focused on classical economic perspectives (i.e., neo-liberalism, industrial organization, structural-institutionalism, economic geography and regional integration) to explain the underlying factors of this success.

As a recent alternative approach to these traditional economic perspectives, the resource-based theory which relies on firm-level resource generation and use to explain economic performance of the firms became popular in the strategic management area (Barney, 2011; Peteraf & Barney, 2003; Wernerfelt, 1984). However, despite many RBV studies in the literature, several researchers (e.g., Carmeli, 2001; Hoskisson et al., 2000; Kamal, 2011; Khandekar & Sharma, 2005) suggest that the understanding of how resources are generated and what kinds of resources are most important in the type of firm performance that leads to economic development was not generally considered in emerging market context.

Most of the resource-based studies were conducted in developed countries. This is not only because developed countries were considered as more serious and important markets by researchers but also the sampling and data collection problems along with the lack of homogeneity in economic characteristics of developing countries made it more difficult for academics and practitioners to conduct research on emerging markets (Hoskisson et al., 2000; Lei et al., 2008; Raymond et al., 2001). Therefore, there is little evidence in the academic literature about how much a resource-based view of the firm especially in terms of marketing based resources and capabilities matters in

emerging markets. Kamal (2011) states that “specific research into emerging markets is necessary since the unique characteristics of developing economies may prove many of the findings in developed economy settings invalid in an emerging market setting” (p. 21).

Among aforementioned developing countries, Turkey has been designated as a big emerging market which features some important characteristics in terms of its geographical location, cultural and linguistic proximities to Central Asian, European and Middle Eastern markets (Demirbag & Tatoglu, 2008; Garten, 1996). Moreover, it is the *only* country that signed the EU customs union agreement without becoming a full member and this situation makes Turkey a more interesting economy than the other emerging markets. The European customs union agreement brought Turkey into the single European market and “extended most of the EU’s trade and competition rules to the Turkish economy” (Tatoglu & Glaister, 1996, p. 12). The hitherto heavily protected Turkish market became completely open to European manufactures after this customs union agreement, and although Turkish firms had taken strategic actions to defend their positions in domestic and EU markets, nearly every industry was negatively affected in the short run. However, Nowak-Lehmann et al. (2007) state that in the long run certain benefits would be realized and the Turkish economy would have a positive impact in terms of increased competitiveness and stability

According to the World Bank Report (2011), “the country is among the world's leading producers of agricultural products, textiles, motor vehicles, ships and other transportation equipment, construction materials, consumer electronics and home appliances” (p. 18). Garten (1996) states that “Turkey will play a pivotal role in the future, since it is a link and buffer between Europe and the Middle East and the southern tier of the former Soviet Union” (p. 9).

The EU Commission Report (2011) indicates that “Turkey enjoys a dynamic industry and services infrastructure in addition to a wide and young market generally compliant with consumption trends in the EU” (p. 45). Compared with the countries that have recently joined EU (i.e., Poland, Hungary, Czech Republic, Bulgaria, Romania), competitive components of Turkey such as “business sophistication, innovation, institutional infrastructure in the public industry, and institutional governance performance in private sector” (p. 45) were evaluated as more satisfactory. Nevertheless, Turkey was seen to be worse in terms of intangible asset ownership (i.e., intellectual property rights, registered trademarks and ownership of unique brands), railway network and port quality, and prevalence of information and communication technologies (Ministry of Industry and Trade, 2010). In the past, because of the lack of substantial intangible asset ownership and the availability of physical resources such as labor, Turkey has specialized in producing a high volume of products at lower cost rather than creating unique brands, knowledge, technology and know-how (Koksal & Ozgul, 2010). Supported by the abundant cheap labor, Turkish firms have achieved

competitive advantages in international markets between 1980 and 1995. Turkish firms have opted for a low cost strategy, and this low cost production has had strong positive effects on the export performance of companies (Akyol & Akehurst, 2003).

However, the functioning of the EU customs union agreement in 1996 along with the serious threat from the other low cost countries such as China, India, Taiwan etc. forced Turkish firms to change their competitive strategies from low cost to differentiation (Koksal & Ozgul, 2010). Obviously, this strategic shift also obliged the Turkish firms to make substantial investments to intangible resources such as human capital, information technologies, intellectual properties, organizational routines, market intelligence, innovation, and the new product development capabilities etc. especially after the year 2000 (Akyol & Akehurst, 2003; Koksal & Ozgul, 2010; Yeldan, 2008). Hence, this situation enabled Turkey to have a competitive edge in a wide area that covers the Middle East, the Caucasus, North Africa and the Balkans. Nevertheless, how much of this performance can be explained by intangible resource ownership and investments is still unknown.

3. Marketing capabilities

Major developments in economic systems and international politics along with the widespread use of technology and telecommunication have created a new economy in which competition has become fiercer and more inexorable. Moreover, with the effect of the sudden shifts in consumer preferences, the gap between the demands of customers and the offerings of markets has widened. In such a business environment, the focus of every firm has been to overcome intense competition and outperform competitors by creating competitive advantage. In order to close the gap between the demands of customers and markets, firms started to allocate more resources to enhance their market sensing abilities by increasing the frequency of interaction with customers (Day, 2011; Narsimhan et al., 2006).

A marketing capability is defined as “the integrative process, in which a firm uses its tangible and intangible resources to understand complex consumer specific needs, achieve product differentiation relative to competition, and achieve superior brand equity” (Nath et al., 2010, p. 319). In the challenging and dynamic marketplace, marketers need to attain the agility and clarity to be able address these changes and this can only be achieved via building unique marketing capabilities (Day, 2011). Marketing capabilities can be developed as long as a firm can combine available resources with the individual skills and knowledge of its employees (Vorhies & Morgan, 2005). To be able to sustain competitive advantage, marketing capabilities should particularly be “immobile, difficult to replicate, and largely non-substitutable value-creation mechanisms” (Kemper et al., 2011, p. 89)

Several researchers suggest that (e.g., Day, 1994; Ortega & Villaverde, 2008; Song et al., 2008) marketing capabilities that are difficult to imitate for competing firms can seriously enhance competitive advantage of a firm. Such marketing capabilities do not only help a firm to become a more market driven and customer oriented organization but they also enable the firm to implement unique marketing mix strategies, create strong brand loyalty and brand image along with influential corporate reputation, and retain strong bond with suppliers and other channel members.

Three distinct sets of marketing capabilities can be identified (Morgan et al., 2009; Vorhies et al., 2009): *specialized marketing capabilities*, *architectural marketing capabilities*, and *market information processing capabilities*. These marketing capabilities are explained in the following sections.

3.1. Specialized marketing capabilities

Specialized marketing capabilities are “the functionally focused capabilities built around the integration of the specialized knowledge held by the firm’s marketing employees” (Grant, 1996, p. 377). These reflect task-specific marketing activities such as marketing communications, advertising, promotions, personal selling, pricing, product development, relations with suppliers and distributors, and distribution systems (Vorhies et al., 2009). The use of specialized marketing capabilities is especially important for the firms that attempt to differentiate their marketing-mix and/or product-market strategy elements (Day, 1994; Vorhies et al., 2009)

In the past, the firms which have chosen their businesses based on existing marketing capabilities enjoyed cost efficiencies and operational effectiveness that help a firm compete in new businesses (Mooney, 2007). Nike can be a good example of a firm which successfully used its specialized marketing capability, “marketing communications” to attract new markets and effectively follow a market development strategy, since it did not only stick to athletic retailing clothing stores but leveraged its marketing expertise by hosting athletic clubs and online communities that are likely to buy their products (Holmes, 2006).

As another example to advertising and marketing communications within the context of specialized marketing capabilities, FritoLay-Turkey, the key business unit of PepsiCo which operates in the snack food industry achieved a tremendous success through an advertising campaign that changed the corn chips consumption pattern of Turkish customers. Turkish consumers had a conservative attitude against corn chips products with the belief that corn chips would only be consumed with soft drinks or beer. However, research findings revealed that 67% of Turkish people would prefer drinking tea after their lunch and dinner times. Hence, FritoLay prepared a marketing campaign under its DORITOS brand and introduced “A la Turca” corn chips to the Turkish market which was developed

specifically for Turkish tastes. A la Turcas contained poppy seeds, white cheese and have a dried tomato flavor. The products were launched to the market in 2004 and the launch was supported with a series of TV ads featuring Cem Yilmaz, the popular Turkish comedy artist (Figure 1).

Figure 1

[Advertising and communication as a specialized marketing capability]

The main objective of the TV broadcasting was to change the consumer's perception of product attributes and convince them to consume this "tea compatible" corn chips product. FritoLay achieved a brilliant success in terms of sales turnover and market share increases against its competitors.

Similarly, the Turkish food manufacturing company, Ülker (which is also the 12th largest food manufacturer in the world and the owner of Godiva, the world's foremost producer of premium chocolate products) created a successful and profitable business through a "fast and effective distribution system". The company currently manufactures 3.560 separate products and nearly 300 sub-brands in 41 separate categories. The product range comprises biscuits, chocolate, candy, chewing gum, liquid oil, milk and dairy products, carbonated beverages, coffee and baby food. Effective distribution is among the key success factors in the food business. The owners of the company knew that that an effective and unique operation strategy would bring success. This kind of a distribution system would not only enable the company to appear on the shelves of the retail outlets with high penetration rates but also to increase its market share. For this reason, Ülker made a decision to deliver products country – wide without asking a transportation fee from retail outlets in 1955. The company established a system of touring salesmen which was a kind of revolution in distribution strategy in Turkey. The system has been developed so far and in 2012, nearly 4000 trucks distribute Ülker goods to 220.000 sales points every week (from kiosks to large supermarket chains) out of 250.000 retailers in Turkey.

"New and innovative product development process" as another specialized marketing capability, also provided many business advantages to the firm. For example, the first cookie with fig filling in the world was produced by the company under the brand name of Biskrem (Figure 2). This unique product that offered a different taste to consumers achieved rather high sales volumes especially in the US, Australia, Turkic Republics and Arabic Peninsula.

Figure 2

[New product development process as a specialized capability]

Specialized marketing capabilities functionally focus on the integration of the specialized knowledge of the firm's marketing employees with the marketing mix decisions. Because of their functional and operational nature, Grant (1996) also terms specialized marketing capabilities as lower-level capabilities that establish the necessary conditions for the development of higher-level capabilities (e.g., marketing planning activities). These higher-level capabilities are the architectural marketing capabilities which relate to the coordination of the specialized marketing capabilities (Kemper et al., 2011).

3.2. Architectural marketing capabilities

Architectural marketing capabilities are "the capabilities that direct the coordination of the specialized marketing capabilities, thus focusing resource deployments to achieve product-market goals" (Vorhies et al., 2009, p. 1313). Architectural marketing capabilities enable firms to implement efficient and effective strategies by providing the planning and coordination mechanisms which are necessary for the deployment of the firm's specialized marketing capabilities that are represented in marketing program-level activities (Noble & Mokwa, 1999; Vorhies et al., 2009). Dynamic capabilities literature posits marketing planning, marketing implementation, the new product development (NPD) process, the customer relationship management (CRM) process, and the supply chain management (SCM) process as the major architectural marketing capabilities (Kohli & Jaworski, 1990; Morgan et al., 2003; Ramaswami et al., 2009; Srivastava et al., 1999; Teece et al., 1997; Vorhies et al., 2009; Zahay & Handfield, 2004).

Because of competitive pressure, many businesses have shifted and differentiated their product and service concepts to more creative and innovative ways so as to achieve competitive advantage in the markets. Architectural marketing capabilities can be considered as the necessary enablers of successful product-market differentiation strategies or integration and/or coordination of unique marketing resources that may lead to competitive advantage. Effective differentiation strategies for the firms can only be created through the development of marketing plans which act on the information collected from the market (Morgan et al., 2003; Vorhies et al., 2009).

For example, with the marketing planning and marketing implementation operations (as its architectural marketing capabilities), Apple has changed its marketing strategy from "selling hardware to selling emotions with its aesthetically pleasing products" such as the candy-colored iMac, the diminutive iPod Nano and the legendary iPhone and iPad (Robinson, 2008, p. 63). As a result of these innovative products, Apple has experienced a 232% rise in shares over the past five years (Figure 3).

Figure 3

[Strategic decision making as an architectural marketing capability]

Apart from planning, architectural marketing capabilities also coordinate marketing resources and provide effective communication in the organization to address the marketing plan requirements and objectives. For instance, in recent years, CRM processes played crucial roles in developing new marketing tools such as unique complex software, collaborative filtering, rule-based expert systems, artificial intelligence, and relational databases to better understand customer expectations, capture deep customer insights, provide customized offerings and personalized communication, and nurture them by maximizing the value of their relationship with the organization (Day, 1994; Ramaswami et al., 2009).

Johnson & Johnson's (J&J) babycenter.com, an online social media community connected and engaged nearly 8 million new and expectant mothers in the U.S. and another 16.5 million in other 21 countries. The online community did not only work for social purposes but it also became a major profit center for J&J. As a similar example, Charles Schwab and Merrill Lynch sold books, automobiles, insurance, etc., on the Internet by maintaining a direct relationship with their customers while they were introducing on-line investment programs (Parvatiyar & Sheth, 2002).

3.3. Market information processing capabilities

Market information processing capabilities are the capabilities that "generate, disseminate and respond to market intelligence pertaining to current and future customer needs, competitor strategies and actions, channel requirements, and the broader business environment" (Morgan et al., 2009, p. 910). Several researchers (e.g., Hult & Ketchen, 2001; Jaworski & Kohli, 1993) suggest that sufficient understanding of customers' expressed wants and latent needs, and possession of detailed information about capabilities, strategies, and channel requirements of competitors can be sources of competitive advantage. Morgan et al. (2009) identify three marketing capabilities that are related to market information processing: market intelligence generation, market intelligence dissemination, and responsiveness to market intelligence. According to Krasnikov & Jayachandran (2008) and Morgan et al. (2009), market intelligence generation and dissemination along with the responsiveness to this acquired market intelligence may create superior market knowledge and/or market-based know-how that can be deployed by firms to generate economic rents as drivers of market sensing and customer linking abilities. Namely, with this market based know-how, managers of the firms can select the most productive available resource combinations to match market conditions.

Market information processing capabilities may produce varied potential outcomes starting from directing firms to enter new markets or challenge current marketing approaches in existing markets, to making radical innovations in product ranges or creating new ways of service offerings (Bierly & Daly, 2007; Jansen et al., 2006). Strategic intelligence obtained by market information processing capabilities may lead firms to make accurate and appropriate marketing decisions and enable them to take one step further than their rivals. The giant FMCG firm Unilever has sold its Skippy peanut butter based on its market intelligence. Although this deal has surprised many business parties, the consumer goods giant shifted its focus and interest from packaged food to more healthy perceived products by considering future trends and expectations of consumers.

So, the RBV along with the marketing literature suggest that firms use capabilities to transform resources into outputs based on their marketing mix strategies and marketing capabilities is linked to their business performance (Maritan & Peteraf, 2011; Peteraf & Barney, 2003; Ramaswami et al. 2009; Vorhies & Morgan, 2003, 2005). In this sense, marketing capabilities should be considered as important sources to enhance the competitive advantage of firms. The next section of this chapter investigates the effects of marketing capabilities on firm performance through an empirical study that was conducted in a big emerging market, Turkey.

4. Empirical study

This study identifies the impact of marketing capabilities on overall performance, which includes performance items such as sales turnover, market share and profitability (Spanos & Lioukas, 2001). However, instead of testing the direct relationship between marketing capability and the performance relationship which has been the issue of a number of studies (e.g., Day, 2011; Jaworski & Kohli, 1993; Krasnikov & Jayachandran, 2008; Vorhies et al., 2009; Vorhies & Morgan, 2003, 2005) in the strategic management and marketing literature, the relative effects of different marketing capabilities on firm performance were investigated. Therefore, the relative effects of specialized marketing capabilities, architectural marketing capabilities, and market information processing capabilities on sales turnover, market share and profitability were explored. A quantitative, positivistic approach was adopted with respect to the methodological choice for this study. The conceptual model is presented in figure 4.

Figure 4

[Conceptual model of the study]

4.1. Sample and data

The largest 1,000 firms of Turkey from different sectors announced by Istanbul Chamber of Industry (ISO) annually, was selected as sample. Then a database that includes the names and the e-mail addresses of the firms' marketing executives was obtained. In order to measure the relative impact of marketing capabilities on performance, a questionnaire was developed and sent to the e-mail addresses of the marketing executives of the firms. Since the unit of analysis was at the firm level, only a single informant was used in the study and the questionnaire was mailed to only one marketing executive from each firm.

Approximately one month later after the initial mailing, follow-up e-mails were also sent in order to increase the response rate of the research. To operationalize firm performance, measures based on the perceptions of the executives were used. Namely, subjective measures rather than objective measures were employed in this study. Although, the use of objective performance criteria was strongly supported and encouraged in management research literature, many theorists (e.g., Dess & Robinson, 1984; Rajan & Reichelstein, 2009; Venkatraman & Ramanujam, 1987; Zhao & Yu, 2007) suggest that subjective perceptual measures of managers can be used to assess the firms' economic performance where accurate objective measures of performance are not available. To be able to overcome single year performance results, the approach of Spanos and Lioukas (2001) was adopted and the performance figures of the last three years were used. A total of 198 useable questionnaires were obtained, yielding a response rate of 19.8 percent. The study focused on a broad set of Turkish firms in the both the manufacturing and services industries. Whilst most of the manufacturing firms were from the sectors of building materials, automotive, food and beverages, cement, garment and textiles, metal products, petro-chemicals, and machinery, services firms operated in sectors like banking and finance, telecommunications, tourism, construction, logistics, and retail trade. Demographic statistics revealed that the mean firm size was 534 employees while the mean firm age was 43.2 years. Demographic characteristics of the firms are presented in Table 1.

Table 1

[Demographic characteristics of the firms]

In order to test the non-response bias which investigates whether late respondents (i.e. sample firms in the second wave) are more similar to the general population than the early respondents, the means of all variables obtained from early and late respondents were examined (Spanos & Lioukas, 2001). Only one statistically significant difference was found in all variables; for the market intelligence dissemination as a market information capability measure ($F = 11.243$, $p < 0.05$). The representation capability of the respondents for the broader population was tested through

comparing the means of early and late respondents on two key demographic variables; age and size (Galbreath & Galvin, 2008). After the comparison of early and late respondents, no significant difference was found in terms of firm size ($t = -0.371$, $p = 0.239$) and age ($t = -0.612$, $p = 0.163$). Therefore, non-response bias was not considered as a serious issue in the study.

4.2. Measurement instruments

A questionnaire was derived and adapted from the studies of Vorhies and Morgan (2005), Vorhies et al. (2009), and Ramaswami et al. (2009) and used as the measurement instrument. The questionnaire consisted of a total number of 43 questions; 15 questions for specialized marketing capabilities (SMC), 9 questions for architectural marketing capabilities (AMC), 14 questions for market information processing capabilities (MIPC), 3 questions for performance items, and 2 questions for demographics. Whilst 15 questions that were used to measure the effects of specialized marketing capabilities on firm performance included the items with regard to pricing, product development, channel management, marketing communication, and selling capabilities of firms, 9 questions for the architectural marketing capabilities consisted of marketing planning, marketing implementation, and internal coordination and communication capabilities. 14 questions for market information processing capabilities generally included the items that measure the capabilities of the firms in obtaining, gathering, and analyzing thorough and strategic market information.

Three overall performance items including sales turnover, market share and profitability that were frequently associated with firm performance in management and marketing literature (e.g., Galbreath & Galvin, 2008; Morgan et al., 2009; Powell & Dent-Micallef, 1997; Ramaswami et al., 2009) were adapted from Spanos and Lioukas (2001). Respondents were asked to indicate their firms' performance compared to competitors for the previous three year period in order to "proximate a notion of sustained performance and to mitigate against temporal fluctuations" (Galbreath & Galvin, 2008, p. 113). And lastly, 2 items of firm age and size were used to collect demographic data. Responses were recorded on a five-point Likert-type scale, with anchors of "comparatively no impact" and "comparatively high impact".

4.3. Analysis and results

Exploratory factor analysis with Varimax rotation was conducted in order to assess the convergent and discriminant validity of the constructs, and to understand the factor pattern of the scale. The analysis yielded three factors as expected: specialized marketing capabilities, architectural marketing capabilities, and market information processing capabilities. These factors explained 69.2 percent of the total variation (Table 2).

Table 2

[Factor pattern of the measurement instrument]

Whilst the whole scale indicated a Cronbach's alpha reliability value of 0.87, inter-item reliabilities of sub-scales were all at acceptable levels and their Cronbach's alpha values were fairly high; specialized marketing capabilities (0.89), market information processing capabilities (0.85), and architectural marketing capabilities (0.83). No item was dropped from the scale since all items had high factor loadings (higher than 0.50). The factor pattern of the measurement instrument is presented in Table 2.

The relative effects of marketing capabilities (specialized marketing, architectural marketing, and market information processing) on firm performance were analyzed by the hierarchical regression method. But before hierarchical regression results, the unique, individual contributions of each of the variables to overall performance were shown in Table 3. All capabilities had positive and significant effects on firm performance although, SMC was seen as the most influential capability ($\beta = 2.098$, $t = 3.845$, $p < 0.01$). The other capabilities MIPC ($\beta = 1.873$, $t = 0.839$, $p < 0.01$), and AMC ($\beta = 0.924$, $t = 0.755$, $p < 0.05$) followed it respectively.

Table 3

[Contributions of individual variables]

Hierarchical regression analysis is used to evaluate the relative importance of independent variables in the prediction of dependent variables. Namely, it explores the unique contribution of each independent variable in explaining the dependent variable. In hierarchical regression, the independent variables are entered into the analysis in a sequence of separate blocks, or groups that may contain one or more variables. Previous marketing and management studies (e.g., Majumdar, 1997; Morgan et al., 2009; Vorhies et al., 2009) revealed a significant relationship between firm age and size, and performance. For this reason, firm age and size which was considered as a common control variable in the literature, was also included in this study. Hence, the control variables (age and size), specialized, market information processing, and architectural capabilities were entered into regression as the separate blocks. The results are presented in Table 4 and indicate variance explained and statistically significant coefficients. In the analysis, whilst model 1 shows only the effects of control variables (size and age), models 2, 3, and 4 contain the addition of the marketing capability variables, respectively.

Table 4

[Hierarchical regression analysis results]

The analysis started with entering each variable to the regression model in separate blocks. Model 1 shows the separate effects of age and size and their explanatory power in firm performance. Namely, without other variables, age and size explained nearly 3% ($R^2 = 0.028$) of firm performance. The variation in firm performance increased to 17% ($R^2 = 0.172$) having entered the specialized marketing capabilities (SCM) variable to the model. Therefore, entrance of the specialized marketing capabilities variable provided an additional 14.4% ($\Delta R^2 = 0.144$) explanation power in model 2. By adding the other variables (market information processing – MIPC and architectural marketing capabilities – AMC) to the regression model, 36.4% ($R^2 = 0.364$) of firm performance was explained in model 4.

In the sample, ΔR^2 for specialized marketing capabilities were 14.4%, and for market information processing capabilities were 11.6%, while architectural marketing capabilities were 7.6%. These results denote specialized marketing capabilities as the most effective variable in explaining firm performance and architectural marketing capabilities as the least effective one among marketing capabilities.

Thus, the results of the study revealed that specialized marketing capabilities were 1.89 times as important as architectural marketing capabilities and 1.24 times as important as market information processing capabilities for Turkish firms in explaining performance variation. Namely, specialized marketing capabilities have a greater effect in explaining performance variation than market information processing capabilities and architectural marketing capabilities in the Turkish business context.

5. Conclusion

This study focused upon the relative impact of different marketing capabilities on performance differentials among Turkish firms. Specialized and architectural marketing capabilities along with the market information processing capabilities were investigated by using the performance criteria sales turnover, market share and profitability, and the findings revealed that specialized marketing capabilities were more important determinants of performance variation than architectural marketing capabilities and market information processing capabilities for the sample firms.

As a managerial implication, the study suggests policy makers or marketing managers might be cautious about the importance of unique firm-level specialized marketing capabilities as a means of gaining and driving sustainable competitive advantage in business markets. For this reason, with

respect to resource allocation and investment decisions, priority should be given to specialized marketing capabilities such as innovativeness, brand reputation, corporate image, and creative advertising that were positively and significantly associated with firm performance in the study. However, importance of strategic market information as a market-information processing capability, and the methods and organization structures as architectural marketing capabilities that may lead to the thorough and effective implementation of specialized marketing capabilities, should not be ignored.

The Turkish experience can be a good example for other emerging market firms that have operated in the industries heavily protected by high-entrance barriers and enjoyed high-profits resulting from monopolistic or oligopolistic market structures and then encountered fierce competition as a result of rapid technological diffusion, knowledge dissemination, and globalization. Within the Turkish business environment context, several studies (e.g., Demirbag & Tatoglu, 2008; Dincer et al., 2006; Glaister et al., 2008) suggest that “a large number of Turkish firms have defined their strategic priorities as product standardization, access to efficient process technologies, backward integration to reach cheap and steady raw materials, concentric diversification, product line extension and technology sharing in order to develop cost-based competencies” (Kamasak, 2011, p. 1139).

Consistent with the findings of the study, this picture shows that Turkish firms have focused on being original equipment manufacturer (OEM) suppliers and exporters and becoming original manufacturers and know-how transferrers. Hence, many Turkish firms have primarily aimed to enhance product quality and to develop new product development abilities. For example, the heavily protected Turkish automotive industry went through a significant transformation in the 1990s, with investments and transfers of technology, and the sector turned into an export-oriented industry. Moreover, considering the existence and operations of Turkish firms in the world’s most competitive markets such as the EU and the US, pricing tactics have been among the major issues. As a consequence, the concerns of Turkish firms with regard to specialized marketing capabilities have continued to increase.

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Figure 4
Conceptual model of the study

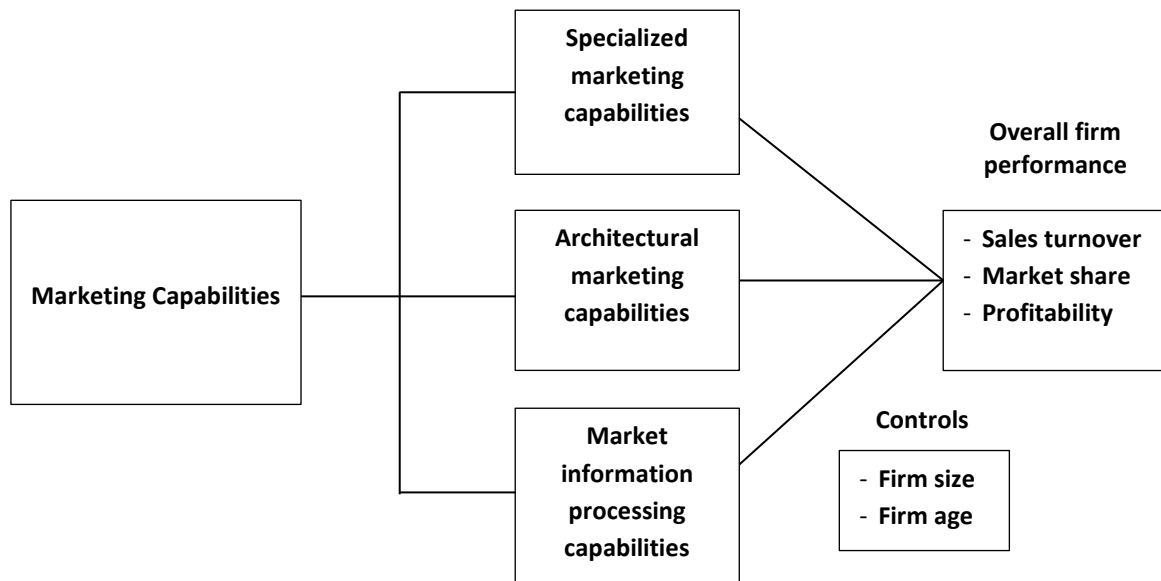


Table 1
Demographic characteristics of the firms

	n	Mean	Min.	Max.
Firm size	198	534	197	24,072
Firm age	198	43,2	16	73

Table 2
Factor pattern of the measurement instrument

	<u>Factor Loadings</u>		
	1	2	3
Factor 1: Specialized Marketing Capabilities (SMC)			
Doing an effective job of pricing products/services	.902		
Ability to develop new products/services	.894		
Successfully launching new products/services	.889		
Brand image management skills and processes	.823		
Selling skills of salespeople	.816		
Using pricing skills and systems to respond quickly to market changes	.794		
Managing corporate image and reputation	.785		
Developing and executing advertising programs	.779		
Providing effective sales support to the sales force	.764		
Attracting and retaining the best distributors	.752		
Strength of relationships with distributors	.744		
Test marketing of new products/services	.721		
Giving salespeople the training they need to be effective	.693		
Adding value to our distributors' businesses	.684		
Public relations skills	.679		
Factor 2: Market Information Processing Capabilities (MIPC)			
Using market research skills to develop effective marketing programs		.882	
Analyzing our market information		.876	
Tracking customer wants and needs		.846	
Talking with or surveying retailers and distributors		.833	
Gathering information about customers and competitors		.812	
Interdepartmental meetings to discuss market trends and developments		.788	
Polling end-users at least once a year to assess the quality of the products/services		.776	
Making full use of marketing research information		.747	
Dealing with customer complaints		.718	
Responding quickly to the competitors' product launch or intensive marketing campaigns		.705	
Meeting with customers at least once a year to find out what they will need in the future		.698	
Reviewing the likely effect of changes in the business environment on customers, periodically		.673	
Sharing intelligence on competitors generated independently by several departments		.668	
Circulating documents (e.g., reports, newsletters) that provide market information		.643	
Factor 3: Architectural Marketing Capabilities (AMC)			
Developing creative marketing strategies			.864
Allocating marketing resources effectively			.829
Thoroughness of marketing planning processes			.812
Translating marketing strategies into action			.793
Marketing planning skills			.784
Organizing to deliver marketing programs effectively			.759
Providing internal coordination and communication			.732
Monitoring marketing performance			.713
Ability to effectively segment and target market			.698
Percentage (%) of explained variance	22.3	18.4	16.2
Total variance	56.9		
Factor's Cronbach alpha reliability coefficient	.89	.85	.83
Kaiser-Meyer-Olkin sampling adequacy	.543		
Bartlett's test of approx. Chi-Square Sphericity	1248.36*		

* $P < 0.05$

Table 3
Contributions of individual variables

Independent variables		
	β	t
Constant		2.371**
Size	0.096	0.052*
Age	0.042	0.172*
SMC	2.098	3.845**
MIPC	1.873	0.839**
AMC	0.924	0.755*
R^2	0.364	
F	3.027*	
Std. error	1.764	

* $p < 0.05$ ** $p < 0.01$

Table 4
Hierarchical regression analysis results
Dependent variable: Overall performance

	Model 1	Model 2	Model 3	Model 4
F statistics	3.652*	3.984**	4.619*	3.027*
R^2	0.028	0.172	0.288	0.364
ΔR^2	—	0.144	0.116	0.076

Independent variables: Firm age and size, specialized marketing capabilities (SMC), market information processing capabilities (MIPC), architectural marketing capabilities (AMC)

* $p < 0.05$ ** $p < 0.01$