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## Market-based capabilities, perceived quality and firm performance

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## Chapter 7

# Strategic Marketing Capabilities and Perceived Quality: A Dyadic Approach

**Abstract** This study investigates the effect of strategic marketing capabilities on several indicators of operational quality, relationship quality and overall quality. Linking supplier responses to customer responses, the results support the notion that firms are more likely to satisfy their customers when they possess superior customer-relating capabilities. Furthermore, it seems that organizations excel when they understand and respond to their competitors more effectively than their rivals do. Surprisingly, results show that supplier-driven capabilities in general have a negative effect on perceived quality. The implications of these findings are discussed.

## 7.1 Introduction

In recent years, considerable effort has been devoted to understanding how marketing contributes to competitive advantage (e.g., Srivastava, Shervani and Fahy 1998, 1999). In general, marketing researchers tend to adopt one of two approaches to examining competitive advantage: (1) a market-driven view of competitive advantage (Day, 1994; Kohli and Jaworski, 1990; Narver and Slater, 1990), and (2) a relational view of competitive advantage (Dyer and Singh, 1998). A decade of research has produced a rich body suggesting the importance of these perspectives to developing competitive advantage. Despite this, a growing number of researchers suggest that combining these perspectives to examine competitive advantage will yield better insights.

In a first attempt to explicate the previously mentioned emerging literature, we develop and validate in chapter 4 an integrated model, linking the relationship marketing perspective to the market orientation model, for evaluating a firm's market focus, called the strategic marketing capabilities construct. We argue, following Day and Wensley (1988), Narver and Slater (1990), Kohli and Jaworski (1990), Bhwaradwaj et al. (1993), Day (1994), Hooley, Broderick and Möller (1998) and Hooley, Fahy, Beracs, Fonfara and Snoj (1999), that market-driven organizations have superior sensing and relating capabilities that set them apart. Empirically, results from chapter 5 confirm this view. The findings indicate that organizations indeed excel when they develop and leverage superior strategic marketing capabilities more effectively than their rivals do.

An interesting question that remains unexplored is whether strategic market-

ing capabilities lead to customer-based advantage. Although there is ample (conceptual) research (e.g., Hooley et al., 1998) suggesting a positive relationship between strategic marketing capabilities and customer perceived value, such as perceived quality, no research to date takes the entire concept of strategic marketing capabilities, as proposed and developed in chapter 4, into consideration. As suggested by early research in this area (e.g., Drucker, 1954), this is essential to determine the relative value or strength of a (generic) marketing model. By relating the strategic marketing capabilities model to customer-based advantage, the aim is to contribute to the market-based management literature. For example, Srivastava et al. (2001, p. 796) call for future research by stating that “both the RBV and marketing researchers must commit to carefully and systematically identifying and documenting how particular market-based assets and capabilities contribute to generating and sustaining specific forms of customer value.”

To fill the previously mentioned gap, we relate strategic marketing capabilities to several indicators of customer perceived quality. Reviewing the strategic marketing (e.g., Roth and Jackson, 1995) and quality literature (e.g., Zeithaml, Berry and Parasurman, 1988), we investigate the following consequences of strategic marketing capabilities: (1) operational quality, with service quality, product quality, logistics service quality and information quality as indicators, (2) overall quality, and (3) relationship quality (trust, commitment and regret). To investigate the propositions we use a dyadic approach, data generated from both customers and suppliers. Although this approach is conceptually difficult and time-consuming to conduct, it generates the most useful results. In this respect, Pelham (1997) states that “future studies should assess the reliability of internal judgments of the firm’s level of market orientation by comparison with the judgments of outsiders such as distributors and customers. Customers can also provide a more objective judgment of relative product quality.”

This chapter is organized as follows. In the next section, we discuss the conceptual framework and hypotheses. After that, methodological issues are described. Finally, we test the framework in the electrotechnical wholesale sector in the Netherlands and discuss the outcomes.

## 7.2 Conceptual Framework and Hypotheses

Our conceptual framework visualizes the role of strategic marketing capabilities in affecting perceived quality (Figure 7.1). The proposed framework is grounded in the classical marketing concept and the emerging market-based perspective. Drucker (1954) argues that marketing is not a specialized activity, but rather “the whole business seen from the point of view of its final result, that is, from the customer’s point of view” (p. 39). Houston (1986) defines the marketing concept as “the willingness to recognize and understand the consumer’s needs and wants, and the willingness to satisfy those needs and wants” (p. 86). According to the marketing concept, firms with strong strategic marketing capabilities are thus more likely to excel in developing and maintaining a customer-based advantage, i.e.,

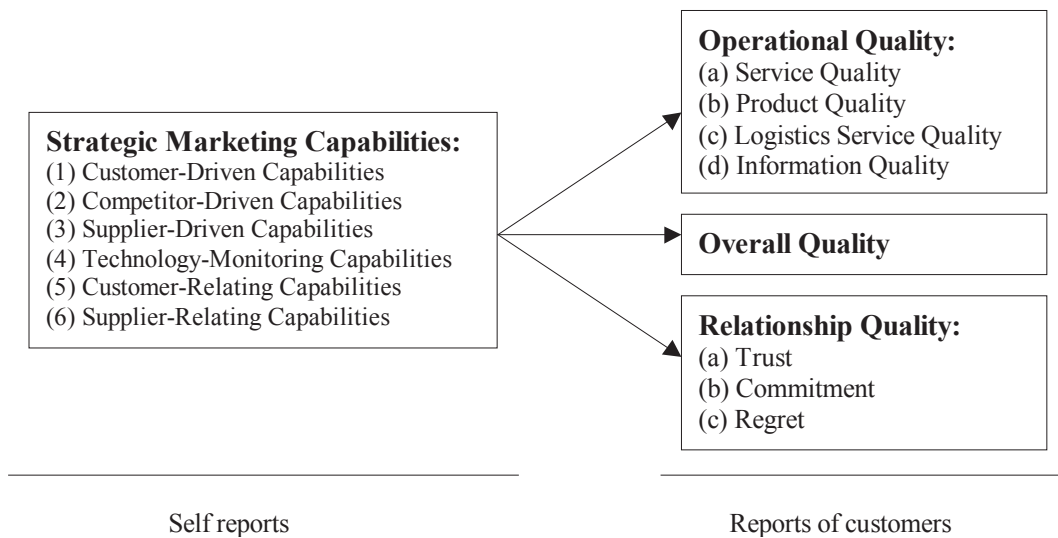


Figure 7.1: Conceptual Framework

customer satisfaction and quality (e.g., Drucker, 1954; Houston, 1986; Kohli and Jaworski, 1990; Narver and Slater, 1990).

Marketing strategy researchers also suggest a direct effect of strategic marketing capabilities on customer satisfaction (Bharadwaj et al., 1993; Day, 1994; Day and Wensley, 1988; Hunt and Morgan, 1995; Srivastava et al., 1998). For example, Day and Wensley (1988) argue that “it is wise to use the customer in the analysis of competitive superiority in skills and resources; the assessment of the influence of firms’ skills and resources on customer satisfaction and loyalty” (p. 16). Bharadwaj et al. (1993) even state that “A firm’s skills and resources constitute potential sources of competitive advantage only if they offer benefits desired by customers” (p. 93). This is (also) in line with the central proposition of Srivastava et al. (1998), who propose that “the greater the value that can be generated from market-based assets for external entities, the greater their satisfaction and willingness to be involved with the firm and, as a consequence, the greater the potential value of these marketplace entities to the firm” (p. 5). Furthermore, Matsuno and Mentzer (2000) argue that investigating market orientation’s implications on other performance criteria, such as customer satisfaction, should make an important contribution to the body of knowledge.

In this study, we investigate three possible consequences of strategic marketing capabilities (customer-driven, competitor-driven, supplier-driven, technology-monitoring, customer-relating and supplier-relating capabilities):<sup>1</sup> (1) overall quality, (2) operational quality, and (3) relationship quality. This is in line with research

<sup>1</sup>Since the strategic marketing capabilities concept and construct are already treated in detail in chapter 4 we will not discuss this construct. Instead, we refer the reader to this chapter for further details about this model.

from both marketing (e.g., Menon, Jaworski and Kohli; 1997) and management science (e.g., Roth and Jackson, 1995). Concerning operational quality we examine four constructs: (a) service quality, (b) product quality, (c) logistics service quality, and (d) information quality.<sup>2</sup> In this study, we also incorporate relationship quality as a consequence of strategic marketing capabilities since it serves as an indicator of the health and future wellbeing of long-term service sales relationships (Crosby, Evans and Cowles, 1990, p. 76). However, no consensus exists on which components comprise relationship quality (De Wulf, Odekerken-Schroder and Iacobucci, 2001). Prior conceptualizations of relationship quality emphasize several indicators, such as relationship satisfaction, trust, relationship commitment, fairness, conflict and regret (e.g., De Wulf et al., 2001; Jap, 2001; Jap, Manolis and Weitz, 1999). In this study, we incorporate three components of relationship quality: (1) trust, (2) commitment, and (3) regret.

In summary, according to this stream of research, creation of sustainable customer value requires the development of strong strategic marketing capabilities. This relationship is also the core of the developed conceptual framework. In addressing the research questions we combine the company perspective and the customer perspective.

### 7.2.1 Customer-Driven Capabilities and Quality

Customer-driven capabilities refer to the processes of generation, dissemination of customer information and strategy implementation based on this information. Several marketing researchers relate the concept of market-focus to customer perceptions (e.g., Jaworski and Kohli, 1993; Matsuno and Mentzer, 2000). Empirically, Homburg and Pflesser (2000) find that market-oriented behaviors have a significant positive effect on market performance (e.g., customer satisfaction, retention). Siguaw et al. (1998) investigate the linkage between market-orientation and both trust and commitment. Their findings suggest that supplier market orientation has a positive influence on commitment and satisfaction with financial performance. In their discussion, these researchers argue that further investigation is necessary. Furthermore, Kelley (1992), using the approach of Saxe and Weitz (1982), shows that the extent to which customer orientation is displayed by the (selling) personnel influences the level of satisfaction and relationship quality experienced by the customers. In a channel setting, Langerak's (2001) results indicate that a firm's market orientation has no (direct) effect on satisfaction with the relationship, as perceived by customers. This is in line with Siguaw et al.'s (1998) study in a distribution channel context. Their analysis could not support their hypothesis that supplier's market orientation has an effect on distributor's trust. Despite these latter findings, we propose, in line with the marketing concept, that firms with higher customer-driven capabilities will have more satisfied customers. Hence,

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<sup>2</sup>Research based on dyadic data tends to emphasize service quality when relating operations/marketing to customer value (Roth and Jackson, 1995; Soteriou and Zenios, 1999). In this study, we introduce a broader perspective by taking a number of important operational quality components into consideration.

**hypothesis 1** the higher the firm's customer-driven capabilities, the higher the (a) overall quality, (b) service quality, (c) product quality, (d) logistics service quality, (e) information quality, (f) trust, (g) commitment, and the lower the perceived (h) regret, as reported by customers

## 7.2.2 Competitor-Driven Capabilities and Quality

Competitor-driven capabilities refer to an organization's capability in gathering, disseminating and using competitor information. Market orientation literature suggests that firms with strong competitor capabilities are more likely to outperform competitors on relative value provided to customers (e.g., Narver and Slater, 1990; Noble, Sinha and Kumar, 2002). Empirically, Roth and Jackson's (1995) findings suggest that market acuity, which represents the awareness of the managers concerning the competitors' level of service quality as well as their own, has a positive effect on service quality. So,

**hypothesis 2** the higher the firm's competitor-driven capabilities, the higher the (a) overall quality, (b) service quality, (c) product quality, (d) logistics service quality, (e) information quality, (f) trust, (g) commitment, and the lower the perceived (h) regret, as reported by customers

## 7.2.3 Supplier-Driven Capabilities and Quality

Supplier-Driven Capabilities refer to the firm's "intelligence generation and dissemination activities that are necessary to understand how the know-how and skills of suppliers can be used to create superior customer value" (Langerak, 2001, p. 223). Langerak (2001) hypothesize a direct link between supplier orientation of purchasers, as perceived by suppliers, and supplier's trust in the relationship. Their findings are in line with their hypothesis. Langerak's (2001) results suggest that a firm's supplier orientation may have a direct effect on satisfaction with the relationship, as perceived by supplier. However, he does not examine the extent to which a company's supplier-driven capabilities relate to the degree to which this company is able to satisfy customers. In this study, we hypothesize that supplier-driven capabilities directly influence customer satisfaction. The rationale behind this is that the higher the firm's knowledge concerning the suppliers and their offerings the more likely it is that the firm can offer a higher value to its customers. Hence,

**hypothesis 3** the higher the firm's supplier-driven capabilities, the higher the (a) overall quality, (b) service quality, (c) product quality, (d) logistics service quality, (e) information quality, (f) trust, (g) commitment, and the lower the perceived (h) regret, as reported by customers

## 7.2.4 Technology Monitoring Capabilities and Quality

Following Srinivasan et al. (2002) and Bharadwaj (2000), we define a technology monitoring capability as an organization's ability to acquire knowledge about new technology development and use this information in offering a better technical solution to the market. Gatignon and Xuereb's (1997) findings indicate that a technology-orientation in markets in which demand is relatively uncertain is necessary for a firm to produce superior products and to be able to market innovations better. Following these researchers and Day (1994), we hypothesize a positive effect of technology-monitoring capabilities on perceived quality.

**hypothesis 4** the higher the firm's technology-monitoring capabilities, the higher the (a) overall quality, (b) service quality, (c) product quality, (d) logistics service quality, (e) information quality, (f) trust, (g) commitment, and the lower the perceived (h) regret, as reported by customers

## 7.2.5 Customer-Relating Capabilities and Quality

Getting closer to the customer is often proposed as a valuable strategy or strategic orientation (e.g., Granovetter, 1985) and is indicative of a firm's ability (1) to distribute information to the customer about the organization's processes, personnel, and so forth and (2) to engage in collaborative cooperation with the customer. Customer-relating capabilities may be major drivers of customer value (e.g., Anderson and Narus, 1990; Cannon and Perreault, 1999; Doney and Cannon, 1997; Gruen, 2000; Morgen and Hunt, 1994; Rosenzweig et al., 2003). Crosby, Evans and Cowles (1990) find that relational selling behavior, which contains among others the components interaction intensity and co-operative intentions, has a strong effect on relationship quality. Rosenzweig et al.'s (2003) results demonstrate that high integration intensity (i.e., interorganizational information sharing and cooperation) directly influences superior product quality, delivery reliability, process flexibility, and cost leadership. Anderson and Narus' (1990) findings suggest a strong influence of cooperation on trust. They state that "meeting or exceeding the performance objectives through cooperation leads to trust and satisfaction with the working partnership" (p. 56). Based on previously mentioned literature, we hypothesize a direct link between a firm's capability to maintain relationships with customers and the customers' perception of quality.

**hypothesis 5** the higher the firm's customer-relating capabilities, the higher the (a) overall quality, (b) service quality, (c) product quality, (d) logistics service quality, (e) information quality, (f) trust, (g) commitment, and the lower the perceived (h) regret, as reported by customers

## 7.2.6 Supplier-Relating Capabilities and Quality

Supplier-relating capabilities refer to an organization's capability to share information and collaborate with suppliers to achieve collaborative channel relationships. Some research suggests a positive effect of these activities on customer perceptions (Lee, So and Tang, 2000; Langerak, 2001; Frohlich and Westbrook, 2001). Empirically, Lee et al.'s (2000) analysis suggest that information sharing alone could provide significant inventory reduction and cost savings to the manufacturer. Higginson and Alam (1997) argue that close "working relationships between members of the supply chain can lead to improved quality of products and information, more efficient processes, and increased sharing of expertise and risks" (p. 20). Hence,

**hypothesis 6** the higher the firm's supplier-relating capabilities, the higher the (a) overall quality, (b) service quality, (c) product quality, (d) logistics service quality, (e) information quality, (f) trust, (g) commitment, and the lower the perceived (h) regret, as reported by customers

## 7.3 Method

### 7.3.1 Samples

A two-stage plan is used to obtain independent sets of dyads. The first stage involves using the official records of the Dutch Chamber of Commerce's database to select potential customers of electrotechnical wholesalers. This stage is already described in chapter 6. The mailing results in 490 responses, which is a response rate of 16.8%, and 178 names of different wholesalers (suppliers).

The second stage of the sampling plan involves a mailing survey to the wholesalers. We sent 178 questionnaires to the management. After three waves, we receive 59 usable questionnaires from the wholesalers (i.e., a response rate of 34 percent, which is satisfactory). From this database we could match 86 sets (a total of 172) of questionnaires from wholesalers and their customers suitable for a dyadic analysis.

### 7.3.2 Measurement

Scales of the constructs we examine are available in the literature. Below, we give references that develop/consider the construct under study in greater detail and the interested reader is referred to these studies (see also chapters 4 and 6) for a more comprehensive discussion. To investigate the constructs we use (Bayesian) confirmatory factor analysis. The outcomes for the constructs under study are not shown; the details of the strategic marketing capabilities construct are given in chapter 4 and 5 (see Appendix D) and those of the operational quality model (WholeSaleQual) in chapter 6 (see Appendix E). As reported earlier, the analyses show good properties for the constructs.



## Overall Quality

Overall quality is a postpurchase phenomenon and reflects how much the customer likes or dislikes the overall offering (both service and product) after purchasing (Bitner and Hubbert, 1994). We measure quality using one item: the overall perceived quality. Hence, the overall quality indicator is an overall impression of the relative inferiority/superiority of the organization and is measured on a ten-point Likert scale.

## Relationship Quality

As mentioned before, we use three dimensions of relationship quality: (1) trust, (2) commitment, and (3) regret. The measures for these dimensions are outlined in Appendix A.2. Next, we briefly discuss these dimensions.

*Trust.* Following Crosby, Evans and Cowles (1990), we define trust as a confident belief that the supplier can be relied upon to behave in such a manner that the long-term interest of the customer will be served. Consistent with previous work (Kumar, Scheer and Steenkamp, 1995) we include four items to measure trust, such as ‘this supplier is trustworthy’ and ‘when making important decisions, this supplier considers our welfare as well as its own.’

*Commitment.* Following Moorman, Zaltman and Deshpande, (1992), we define commitment as “an enduring desire to maintain a valued relationship” (p. 71). Commitment is a three item scale derived from Kumar, Scheer and Steenkamp’s (1995) study.

*Regret.* Regret is the “painful sensation of recognizing that ‘what is’ compares unfavorably with ‘what might have been’” (Sugden, 1985, p. 77). To measure regret we use the scales used by Tsiros and Mittal (2000): (1) our organization regrets choosing this wholesaler, (2) our organization feels bad for choosing this wholesaler, and (3) our organization should have chosen another wholesaler.

## 7.4 Results

For the analyses described in this article, the Gibbs sampler is run. All computations are performed using WinBUGS, a freely available software for Bayesian inference Using Gibbs Sampling (Spiegelhalter, Thomas, Best and Lunn 2004). The convergence of the Gibbs sampler is monitored by the ‘estimated potential scale reduction’ (EPSR) value as described by Gelman and Rubin (1992).

To investigate the relationship between strategic marketing capabilities and perceived quality we apply standard multiple linear regression. In general, the model parameters converge immediately in less than 1.000 iterations; the EPSR values are less than 1.2 in all cases. Therefore, the Gibbs sampler is run for 10.000 iterations. The first 2.000 iterations are the burn-in samples. Inferences are based on the last 8.000 iterations. The results of the linear models are presented in the tables 7.1 to 7.4. In these Tables, only the posterior mean, standard deviations, the 95 percent coverage and the average of the median of the regression coefficients over the 8.000

Independent Variable	Dependent Variable: Overall Quality				
	mean	sd	2.5 %	median	97.5 %
Intercept	<b>7.90</b>	<b>0.08</b>	<b>7.74</b>	<b>7.90</b>	<b>8.06</b>
Customer-Driven Capabilities	-0.21	0.16	-0.53	-0.21	0.11
Competitor-Driven Capabilities	<b>0.29</b>	<b>0.11</b>	<b>0.07</b>	<b>0.29</b>	<b>0.50</b>
Supplier-Driven Capabilities	<b>-0.43</b>	<b>0.22</b>	<b>-0.87</b>	<b>-0.43</b>	<b>0.01</b>
Technology-Monitoring Capabilities	0.12	0.08	-0.05	0.12	0.28
Customer-Relating Capabilities	<b>0.29</b>	<b>0.13</b>	<b>0.03</b>	<b>0.29</b>	<b>0.55</b>
Supplier-Relating Capabilities	0.14	0.15	-0.16	0.14	0.42
mspe	1.66	0.22	1.28	1.65	2.14
Deviance	342.3	4.05	336.3	341.7	352.0
P <sub>D</sub>	7.98				
DIC	350.3				

mspe is the mean square prediction error, P<sub>D</sub> is the effective number of parameters and DIC is the deviance information criterion.

Table 7.1: Outcomes strategic marketing capabilities-overall quality link

samples are given. Furthermore, we incorporate two model selection procedures: (1) deviance information criterion (Spiegelhalter, Best, Carlin and Van der Linde 2002), and (2) Gelfand and Ghosh’s criterion (Gelfand and Ghosh, 1998).

#### 7.4.1 Strategic Marketing Capabilities and Overall Quality

The framework posits direct main effects of strategic marketing capabilities on overall quality. Hypothesis 1a indicates a positive link between a firm’s customer-driven capabilities and the perceived overall quality. However, this hypothesis is not supported ( $\beta = -.21$ ,  $sd = .16$ ). Consistent with hypothesis 2a, it is found that the degree of competitor-driven capabilities has a significant strong positive effect on overall quality ( $\beta = .29$ ,  $sd = .11$ ). Contrary to our expectations, supplier-driven capabilities has a significant strong negative effect on overall quality ( $\beta = -.43$ ,  $sd = .22$ ). Thus, no support is found for this hypothesis. With respect to the effect of technology-monitoring capabilities on overall quality, hypothesis 4a posits that the higher a firm’s technology-monitoring capabilities, the higher the perceived overall quality. This hypothesis is partially supported ( $\beta = .12$ ,  $sd = .08$ ). Hypothesis 5a proposes that customer-relating capabilities have a positive effect on overall quality. This hypothesis is supported by the analysis ( $\beta = .29$ ,  $sd = .13$ ). Concerning hypothesis 6a, analysis indicates a positive but nonsignificant effect of supplier-relating capabilities on overall quality ( $\beta = .14$ ,  $sd = .15$ ). Thus, hypothesis 6a receives no support.

#### 7.4.2 Strategic Marketing Capabilities and Operational Quality

Hypotheses 1b, 2b, 3b, 4b, 5b and 6b suggest that possessing superior strategic marketing capabilities leads to higher levels of service quality, as perceived by customers. As can be seen from Tables 7.2 and 7.3, few coefficients, based on a 95 percent coverage interval, are considered statistically significant. This is also true

Independent Variable	Dependent Variable									
	Service Quality					Product Quality				
	mean	sd	2.5 %	median	97.5 %	mean	sd	2.5 %	median	97.5 %
Intercept	<b>5.86</b>	<b>0.07</b>	<b>5.73</b>	<b>5.86</b>	<b>6.00</b>	<b>5.58</b>	<b>0.09</b>	<b>5.41</b>	<b>5.58</b>	<b>5.75</b>
Customer-Driven Capabilities	-0.02	0.13	-0.26	-0.02	0.24	0.14	0.16	-0.17	0.14	0.45
Competitor-Driven Capabilities	-0.04	0.09	-0.22	-0.04	0.14	0.07	0.11	-0.14	0.07	0.28
Supplier-Driven Capabilities	-0.15	0.20	-0.53	-0.15	0.24	-0.33	0.23	-0.78	-0.33	0.15
Technology-Monitoring Capabilities	-0.03	0.07	-0.16	-0.03	0.10	-0.08	0.08	-0.23	-0.08	0.08
Customer-Relating Capabilities	<b>0.22</b>	<b>0.13</b>	<b>-0.03</b>	<b>0.22</b>	<b>0.47</b>	0.18	0.16	-0.12	0.18	0.49
Supplier-Relating Capabilities	0.08	0.13	-0.17	0.08	0.33	0.17	0.15	-0.13	0.17	0.46
mspe	0.74	0.12	0.53	0.73	1.00	1.12	0.18	0.81	1.11	1.53
Deviance	156.7	4.13	150.9	156.1	166.6	194.4	4.18	188.3	193.7	204.5
P <sub>D</sub>	8.05					8.07				
DIC	164.8					202.4				

mspe is the mean square prediction error, P<sub>D</sub> is the effective number of parameters and DIC is the deviance information criterion.

Table 7.2: Outcomes service quality and product quality as consequences of strategic marketing capabilities

for the models indicating the relationship between strategic marketing capabilities and the remaining indicators of operational quality. However, a consistent result is that customer-relating capabilities have a significant effect on service quality ( $\beta = .22$ ,  $sd = .13$ ), logistics service quality ( $\beta = .30$ ,  $sd = .13$ ), information quality ( $\beta = .38$ ,  $sd = .22$ ). Surprisingly, supplier-driven capabilities have a negative impact on information quality ( $\beta = -.65$ ,  $sd = .34$ ). By these results only hypotheses 5b, 5d and 5e are supported.

Independent Variable	Dependent Variable									
	Logistics Service Quality					Information Quality				
	mean	sd	2.5 %	median	97.5 %	mean	sd	2.5 %	median	97.5 %
Intercept	<b>5.97</b>	<b>0.07</b>	<b>5.84</b>	<b>5.97</b>	<b>6.11</b>	<b>5.41</b>	<b>0.12</b>	<b>5.17</b>	<b>5.41</b>	<b>5.66</b>
Customer-Driven Capabilities	-0.00	0.13	-0.25	-0.01	0.26	0.00	0.22	-0.44	0.00	0.45
Competitor-Driven Capabilities	0.01	0.09	-0.16	0.01	0.19	0.11	0.15	-0.19	0.11	0.40
Supplier-Driven Capabilities	-0.29	0.20	-0.69	-0.29	0.11	<b>-0.65</b>	<b>0.34</b>	<b>-1.31</b>	<b>-0.66</b>	<b>0.03</b>
Technology-Monitoring Capabilities	-0.06	0.06	-0.18	-0.06	0.06	0.03	0.11	-0.20	0.03	0.24
Customer-Relating Capabilities	<b>0.30</b>	<b>0.13</b>	<b>0.06</b>	<b>0.31</b>	<b>0.56</b>	<b>0.38</b>	<b>0.22</b>	<b>-0.05</b>	<b>0.38</b>	<b>0.82</b>
Supplier-Relating Capabilities	<b>0.23</b>	<b>0.13</b>	<b>0.00</b>	<b>0.23</b>	<b>0.49</b>	0.32	0.21	-0.10	0.32	0.74
mspe	0.76	0.12	0.54	0.76	1.02	2.31	0.37	1.67	2.28	3.13
Deviance	161.5	4.18	155.5	160.8	171.7	256.5	4.18	250.4	255.8	266.6
P <sub>D</sub>	8.07					8.07				
DIC	169.6					264.5				

mspe is the mean square prediction error, P<sub>D</sub> is the effective number of parameters and DIC is the deviance information criterion.

Table 7.3: Outcomes logistics service quality and information quality as consequences of strategic marketing capabilities

### 7.4.3 Strategic Marketing Capabilities and Relationship Quality

As Table 7.4 shows, customer-driven capabilities have a nonsignificant effect on trust ( $\beta = -.11$ ,  $sd = .18$ ), commitment ( $\beta = -.18$ ,  $sd = .15$ ) and regret ( $\beta = -.04$ ,  $sd = .23$ ). Thus, hypotheses 1f, 1g and 1h receive no support. Contrary to our expectations, as can be seen from Table 7.4, the regression coefficients indi-

Independent Variable	Dependent Variable														
	Trust					Commitment					Regret				
	mean	sd	2.5 %	median	97.5 %	mean	sd	2.5 %	median	97.5 %	mean	sd	2.5 %	median	97.5 %
Intercept	<b>5.75</b>	<b>0.10</b>	<b>5.56</b>	<b>5.75</b>	<b>5.94</b>	<b>6.10</b>	<b>0.09</b>	<b>5.93</b>	<b>6.10</b>	<b>6.27</b>	<b>1.59</b>	<b>0.13</b>	<b>1.34</b>	<b>1.59</b>	<b>1.85</b>
Customer-Driven Capabilities	-0.11	0.18	-0.46	-0.11	0.23	-0.18	0.15	-0.49	-0.18	0.12	-0.04	0.23	-0.50	-0.04	0.42
Competitor-Driven Capabilities	-0.02	0.12	-0.25	-0.01	0.22	-0.00	0.11	-0.21	0.00	0.20	-0.03	0.16	-0.34	-0.02	0.28
Supplier-Driven Capabilities	-0.35	0.26	-0.86	-0.35	0.18	-0.18	0.23	-0.63	-0.18	0.29	0.18	0.35	-0.50	0.17	0.88
Technology-Monitoring Capabilities	0.03	0.09	-0.15	0.03	0.19	0.03	0.08	-0.12	0.04	0.18	-0.02	0.12	-0.25	-0.02	0.20
Customer-Relating Capabilities	<b>0.31</b>	<b>0.17</b>	<b>-0.03</b>	<b>0.31</b>	<b>0.65</b>	0.20	0.15	<b>-0.10</b>	<b>0.19</b>	<b>0.50</b>	<b>-0.49</b>	<b>0.23</b>	<b>-0.94</b>	<b>-0.50</b>	<b>-0.03</b>
Supplier-Relating Capabilities	<b>0.24</b>	<b>0.17</b>	<b>-0.09</b>	<b>0.24</b>	<b>0.57</b>	0.12	0.15	-0.17	0.12	0.41	0.00	0.22	-0.43	0.01	0.44
mspe	1.41	0.23	1.01	1.39	1.90	1.09	0.18	0.78	1.07	1.47	2.48	0.40	1.79	2.45	3.35
Deviance	213.7	4.18	207.6	213.0	223.8	191.5	4.18	185.5	190.9	201.7	262.8	4.19	256.8	262.2	273.1
P <sub>D</sub>	8.07					8.07					8.07				
DIC	221.7					199.6					270.9				

mspe is the mean square prediction error, P<sub>D</sub> is the effective number of parameters and DIC is the deviance information criterion.

Table 7.4: Outcomes strategic marketing capabilities-relationship quality link

cating the effect of competitor-driven, supplier-driven and technology-monitoring capabilities on the indicators of relationship quality are all statistically nonsignificant. Therefore, hypotheses 2f, 2g, 2h, 3f, 3g, 3h, 4f, 4g and 4h are not supported by the data. Customer-relating capabilities are positively associated with trust ( $\beta = .31$ ,  $sd = .17$ ), negatively related to regret ( $\beta = -.49$ ,  $sd = .23$ ), but not related to relationship commitment ( $\beta = .20$ ,  $sd = .15$ ). In general this provides support for hypotheses 5f and 5h. Contrary to our hypotheses in 1f, 1g and 1h, the results show that supplier-relating capabilities positively but nonsignificantly influence trust ( $\beta = .24$ ,  $sd = .17$ ), commitment ( $\beta = .12$ ,  $sd = .15$ ) and regret ( $\beta = .00$ ,  $sd = .22$ ). Thus, hypotheses 6f, 6g and 6h are not supported.

## 7.5 Discussion

The advantages of satisfied customers are many (see Fornell, 1992; Anderson, Fornell and Lehmann, 1994). For example, customer satisfaction is generally believed to reduce marketing costs, increase marketing costs for competitors and reduce failure costs. In this study, we address how an organization's strategic marketing capabilities affect customer perceived quality. The results described in the previous section highlight some of the unique insights that emerge from this study.

Market orientation literature suggests that firms with strong market-driven capabilities are more likely to outperform competitors on relative value provided to customers (e.g., Narver and Slater, 1990; Noble, Sinha and Kumar, 2002). Recently, Slater and Narver (2000, p. 120) argue that "It has become conventional wisdom that an organization's ability to continuously generate intelligence about customer's expressed and latent needs, and about how to satisfy those needs, is essential for it to continuously create superior customer value." However, the data only partially support this proposition. The outcomes are in line with Langerak's (2001) and Sigauw et al.'s (1998) findings. These results lead to a dilemma: is a customer orientation not important in satisfying customers? Hamel and Prahalad (1994) already question the worth of a customer orientation; they argued that "customers are notoriously lacking ...". This could indicate that customer-driven capabilities

are essential but not sufficient to create customer satisfaction. We speculate that this relationship may be mediated (Schneider et al., 1998) or moderated (Rindfleisch and Moorman, 2003) by other variables. Therefore, it appears that the relationship between customer orientation and perceived quality has not been fully explained.

This study suggests that a firm's ability to generate, disseminate and respond to relevant competitor's actions and strategies is a major component in satisfying customers in this industry. This outcome can be explained using the equity theory. Equity refers to "the ratio of one person's outcomes to inputs is equal to the other person's outcome/input ratio" Walster and Walster (1975, p. 21). Because customers are highly informed they can make this comparison very easily. They know the assortment and the prices of different suppliers. Another plausible explanation is that perceived value is typically a relative judgement; customers evaluate a certain brand (relationship) as good in comparison with other similar brands (relationships). Companies are then probably more able to provide value for customers when they offer a relatively better service and/or product to customers; a better offering than the competitors.

The analysis indicates that an emphasis on technology do not influence quality, as perceived by customers. This suggests that market-driving by technology may not be a feasible strategy to follow in the wholesale setting. A possible reason for these outcomes is that technology-monitoring capabilities are already highly developed in wholesaling and do not give a comparative advantage to these companies.

The past decade has witnessed an increase of interest in customer relationship development and management (e.g., Kalwani and Narayandas, 1995; Verhoef, 2003; Webster, 1992). The basic notion is that developing and maintaining strong relationships with customers (and stakeholders) may stimulate performance; for example, by sharing critical resources and facilitating knowledge transfer (Hardy, Phillips and Lawrence, 2003). This study provides support to this perspective. It is found that organizations excel when they develop and maintain customer-relating capabilities more effectively than their rivals do. Hence, this leads us to believe that building and maintaining strong relationships may be a viable strategy for wholesalers to satisfy customers.

Marketing researchers often argue that a company has to reduce the number of suppliers and has to develop, build and enhance relationships with these suppliers (Geyskens, Steenkamp and Kumar, 1998). The data support this view. The results suggest that development of high supplier-driven capabilities has a negative effect on perceived quality. Hence, firms that are strongly oriented toward their suppliers are less able to satisfy customers. On the other hand, firms with strong supplier-relating capabilities are more likely to satisfy customers. Building strong relationships with suppliers is only possible when a company selects a small number of suppliers. This may have a positive effect on satisfaction, trust and commitment (Anderson and Narus, 1990; Anderson and Weitz, 1992; Doney and Cannon, 1997; Morgan and Hunt, 1994). Furthermore, this could decrease the transaction costs for both the customer and supplier.

The attainment of market performance is achieved by developing market-relating capabilities, but not market-driven capabilities, more efficiently and ef-

fectively than competitors. A plausible explanation is that market-relatedness has a direct effect, while market-drivenness has an indirect effect on market performance, possibly through innovativeness. Taking the results outlined in chapter 5 into account it appears that the ‘relational view of competitive advantage’ is most likely to be the winning marketing strategy for wholesalers. To generalize the findings, however, more empirical work must be done to explore and explicate the value of strategic marketing capabilities to business performance.

## 7.6 Management Implications

The preceding analyses highlight some basic strategies for developing and managing marketing strategies. For example, to increase the chance of satisfying customers, companies have to be aware that they will not be driven by suppliers but to engage in strong relationships with their customers (and suppliers). A consequence of this strategy is the importance of cutting the number of suppliers and building relationships only with those suppliers who are able to deliver valuable services and products.

The analyses also reveal the importance of competitor-driven capabilities in satisfying customers. Based on this outcome, we believe that wholesale companies have to focus primarily on competitors (and certainly not on their suppliers). Although superior customer-driven capabilities do not facilitate perceived quality, it is not recommended to neglect customers. It is highly advisable to promote and develop competitor-driven capabilities while maintaining high levels of customer-driven capabilities.

## 7.7 Conclusion

The goal of this study is to provide a first step in investigating the consequences for customers of developing strong strategic marketing capabilities. We use a dyadic approach, linking customer quality perceptions to management reports. A dyadic approach has the advantage of eliminating the problems of common method variance. Furthermore, the customer’s (supplier’s) perceptions are explicitly dealt with in estimating and discussing the results. The dyadic approach reveals very interesting outcomes. The results suggest that some capabilities do influence customer perceptions of quality whereas others do not. This leads us to conclude that the management of strategic marketing capabilities is a rather complex task and deserves attention from the top management. Furthermore, an integrated construct of marketing could enhance our understanding of marketing and could be a very interesting avenue for further research. Taking the importance of both an integrated model of marketing and a dyadic approach in estimating and analyzing the model, we conclude that future research including these two perspectives is necessary.