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Marketing innovation: A consequence of competitiveness

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ABSTRACT

This research uses complexity theory to probe the relationship between competiveness and innovation in the marketing practises of large manufacturing firms that offer their branded products in a foreign market by engaging a network of local small- and medium-sized enterprises (SMEs) as resellers of their brand. A deductive, quantitative research approach was employed and data were collected over a nine-month period from resellers of international IT firms in India using a questionnaire. A structural equation modelling technique and fuzzy-set qualitative comparative analysis (fsQCA) were employed on a sample of 649 respondents to find answers to the questions raised. This research indicates that a successful business relationship between a brand and its resellers can enable both parties to compete in a competitive market. This study finds that innovativeness in the marketing initiatives of the brand can be a function of the contributions made by the brand to its competitiveness. Nevertheless, the findings are also subject to some limitations and provide direction for future research on the topic.

1. Introduction

Various studies recommend that managers aiming to venture into the challenging field of internationalisation should create a competitive edge that helps them to demonstrate the superior abilities of their firm (Barney, Wright, & Ketchen, 2001; Porter, 2011; Samli, Wirth, & Wills, 1994). But, fear of the unknown deters managers from stepping out of their home country and benefiting from internationalisation because growth markets tend to be very complex as they foster competition (Knight, 1995; Thai & Chong, 2013). A business-to-business model of distribution allows managers of international firms to successfully deal with entry barriers and enter smoothly into a foreign market and effectively address the complexity of a place that offers high potential of growth to their businesses (Yan, 2012).

A distributor simultaneously facilitates the entry of multiple firms with competing products into the market and engages micro level small and medium firms in the local market for selling (Chen, 2003). Since distributors offer multiple similar and competing products to resellers, markets being served through resellers become very competitive for international brands. Competition in a market encourages competing firms to demonstrate their ability to innovatively serve customers (Freeman, Edwards, & Schroder, 2006). Lack of in-depth native knowledge in such markets is a major shortcoming for firms aiming to internationalise because it decreases their capability to innovate their marketing related business practises by predicting the business environment and trends in the consumption patterns of the foreign market (Bell, 1995; Johanson & Vahlne, 2009). Distributors and resellers have an important role to play in the successful penetration of a foreign market showing that an international firm develops its capability to innovatively market its products through reseller networks that needs to be understood.

The resource advantage theory recognises the creation of a competitive edge as a function of marketing and identifies the role of branding in creating the capability of a firm to demonstrate its superior abilities (Hunt & Morgan, 1995, 1996; Srivastava, Fahey, & Christensen, 2001). Simultaneously, the industrial practises of industrial brands particularly in the IT and telecom sector indicate that the managers of strong brands can compete in foreign markets based on their brand leadership and brand relationships in the local market. It has also been noticed and reported in the literature of local firms by studies like Gupta and Malhotra (2013) that a brand that contributes to the competitiveness of the reseller is able to compete at the local level using innovative marketing initiatives. These observations of various researchers indicate that the relationship between an international brand and its resellers in foreign markets becomes very important for brands in a market that poses strong competition (Anderson & Weitz, 1992).

This study examines the relationship between competiveness and innovation in the marketing practises of large manufacturing firms that offer their branded products in different countries through a network of local small- and medium-sized enterprises (SMEs) as resellers of their brand. It builds on both the resource-based view and

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complexity theory to understand what features of the brand and the reseller enable them to adopt innovative marketing practises in an international setting.

We aim to bridge the gap in the existing marketing literature by reviewing current academic knowledge surrounding competitiveness and marketing innovation. Thus, the study addresses the following research question: What configurations of brand and the reseller enable the adoption of innovative marketing practises by two firms in an international setting? This study addresses the research question by first developing a suitable theoretical framework which is then used to investigate the question by means of empirical data.

This study addresses this question in four phases. The first phase underpins the arguments about competitiveness and marketing innovation with the current academic knowledge about theory of competitive advantage and resource-advantage theory. The second phase explores the concept and assumptions using expert insights. During the third phase, this study conducts a field survey to collect data from resellers of international brands and use structure equation modelling (SEM) and fuzzy set qualitative comparative analysis (fsQCA) (Ragin, 2006, 2008). fsQCA has received increased attention as it gives an opportunity to the researchers to gain a deeper and richer perspective on the data, particularly when applied together with complexity theory (Leischnig & Kasper-Brauer, 2015; Mikalef, Pateli, Batenburg, & Wetering, 2015; Ordanini, Parasuraman, & Rubera, 2013; Woodside, 2014; Wu, Yeh, & Woodside, 2014). The fourth phase leads to interpret the results in order to make recommendations and consider future avenues for the research. This research contributes to the literature on business-to-business and international marketing. Finally, the study advances the current understanding about the interdependence of brand and reseller firms for developing their competitiveness and adopting innovative approaches to marketing.

2. Literature review and hypothesis development

2.1. Competitiveness of brand and reseller firms

Brands that are able to push the market and create a pull to make selling easier are able to attract resellers (Keller, 2010; Srivastava et al., 2001). Simultaneously, those resellers who are able to efficiently support the brand in penetrating a market and creating a pull for the brand are able to catch the attention of brand managers (Parment, 2008). While the creation of push and pull in a competitive market benefits both brand and reseller firms, it requires them to innovatively cooperate with each other (Gupta & Malhotra, 2013). According to the literature, when resellers benefit from the promotional activities performed by a brand, the indigenous knowledge and home-grown relationships of resellers play an important role in building the competency and capability of brand managers to innovatively juggle with the different barriers and shortcomings of the growth markets (Cavusgil & Cavusgil, 2012; Gupta & Malhotra, 2013).

Juggling performed for altering and rearranging the actions of the brand based on its standardised policies and the requirement of a local market can result in the discovery of an innovative marketing idea that is very context specific and facilitates the smooth functioning of the brand in an agile situation (Colder, 2000). Such actions in a competitive market when viewed from the standpoint of resource advantage theory lead to the expectation that the success of juggling depends upon the resources required and the appropriation of incentives anticipated from the innovative marketing idea (Achrol & Etzel, 2003; Hunt & Morgan, 1996).

Brand and reseller firms commit to an innovative marketing idea after they have identified the contribution it makes to their competitiveness as an incentive to become innovative in their marketing practises (Sood & Tellis, 2005). The triple helix model of innovation reflects the complexities that drive an innovation and a national system of innovation explains the formal and informal linkages between the actors who collaborate for mobility, penetration and smooth flow of knowledge with the resources to implement an innovation (Basant, 2002).

These frameworks have been used by marketing researchers to explain marketing innovation as the emergence of a new idea, that is, a breakthrough or radical innovation, or an incremental modification of an existing concept for improvisation, that is, an incremental innovation (Lin & Chen, 2007). Breakthrough innovations argued by Lin and Chen (2007) include the introduction of a new product or a business model, and incremental innovations instead have been identified by authors as creating extra value through initiatives, such as launching a better version of the product or the extension of a market or creating new alliances. These studies, when evaluated for development of a competitive advantage, highlight factors that are central for managers of a firm to consider before identifying initiatives that are innovative in nature (Hunt & Morgan, 1995). However, they have neglected the limitations of firms operating in an industrial setting to adopt innovative marketing practises and not recognised the importance of the contributions made by partner firms to the competitiveness required for identifying innovative marketing practises.

While previous literature suggests that marketing innovation is a consequence of competitiveness, the context of the study highlights the importance of its relationship with competitiveness as an indicator or an outcome. To understand the relationships, this research employed complexity theory (Pappas, Kourouthanassis, Giannakos, & Chrissikopoulos, 2015; Woodside, 2014). This paper sets out to develop a more predictive model, as well as a more comprehensive model for the configuration of marketing innovation as a consequence of competitiveness (Fig. 1).

The competitiveness of a firm in a market reflects its capability to capture the market using innovative marketing ideas through its business relationships (Webster, 1988). The capability of a partner in a business relationship to successfully address opportunities depends upon its own ability to contribute to the competitiveness of the partnership (Day, 1994; Ernst, 2000). According to Anderson (1995) a brand–reseller relationship builds the competitiveness of both parties based on a mutual understanding about each other's competency to actualise resources and their market sensing and value creation capabilities. The findings of a study conducted by Sharma and Sheth (1997) reveal that the desire for companies to become competitive pushes them to shift their transaction oriented philosophy to relational oriented values. Sharma and Sheth (1997) anticipated that the power of buyers in a

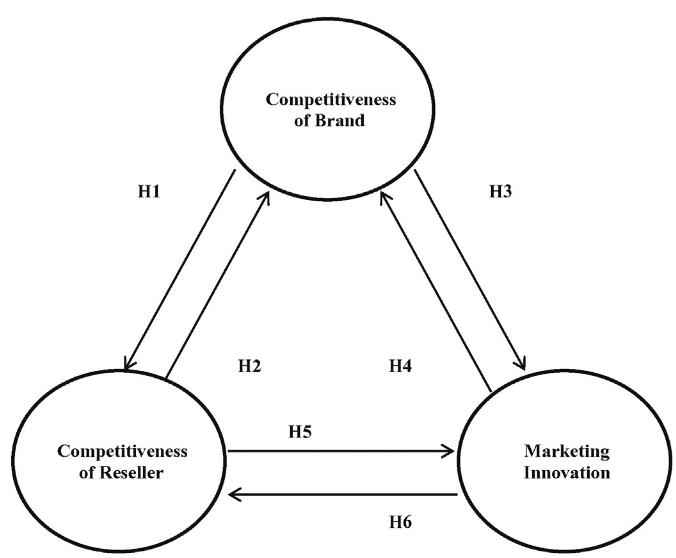

Fig. 1. The research conceptual model.