MARKETING INNOVATION STRATEGY AND MARKETING PERFORMANCE: A CONCEPTUAL FRAMEWORK

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ABSTRACT

In the globalization era, business firms face rapid changes in both the needs of customers and the nature of markets. Firms, in order to gain competitive advantage and improve performance, need to develop new strategies and practices to attract more customers. This paper offers marketing innovation strategy as one effective method to deal with environment dynamism. Marketing innovation strategy, in this research, refers to new methods in executing variety of marketing strategies to improve marketing outcomes and to increase marketing performance. In corresponding with marketing mix, five dimensions of marketing innovation strategy are presented, namely internet marketing focus (Place/Promotion), relationship marketing concentration (Promotion), customer co-creation orientation (Product/Price), alternative marketing awareness (Product/Price), and alliance marketing concern (Place/Promotion). As marketing innovation strategy is related to innovation capability and considered a dynamic capability, dynamic capabilities theory is employed to explain the relationships between marketing innovation strategy and its consequence variables, namely brand trust, customer fulfillment, marketing image, and marketing performance. This paper concludes that marketing innovation strategy is likely to positively assist business firms to increase marketing outcomes and performance, and this matter should be confirmed empirically. Finally, a conceptual model presenting relationships among marketing innovation strategy and related constructs is provided.

INTRODUCTION

The globalization era comes with borderless information flow. Business firms in the world face rapid changes in both the needs of customers and the nature of markets (London & Hart, 2004). The variation in environmental factors is driving the essential market mechanisms to swing continuously (Luo & Park, 2001). Markets have become more complex as a result of high competition and demand uncertainty (Blocker et al., 2011). Consumers, nowadays, are knowledgeable and empowered. They are more considerate in their purchasing of goods and services. Their consumption is made through a broader range of products/services, which make it harder to be categorized or accounted (Baird & Gonzalez-Wertz, 2011). In order to compete and survive in the speed of environmental change and uncertainty, it is necessary that firms need to develop new strategies and practices to attract more customers and maintain competitive advantage. Marketing innovation strategy is one of several terms that has found its effective way to deal with environment dynamism.

The concept of innovation is so extensive that it can take various explanations (Fagerberg, 2004; Gopalakrishnan & Damanpour, 1997). In simple term, innovation can be described as the introduction of new things or something novel (Halpern, 2010). It can also be explained in terms of an idea, a product or process, a system, or device that is perceived to be new to an individual, a group of people, or firms, an industrial sector or a society as a
According to Johne (1999), innovation can be categorized into three main types: market innovation, product innovation and process innovation. Product innovation (including service innovation) is related to the identification and development of new products or services. Market innovation is related to the recognition of new markets and how to best serve them. Process innovation is related to the identification of new internal operations and how to perform them in finest way. This paper emphasizes the process innovation in marketing context, the marketing innovation.

Marketing innovation strategy can be viewed as new marketing methods or new ways of marketing. It involves significant changes in implementing various marketing strategies to enhance the efficiency and effectiveness of marketing (Moreira et al., 2012), which allows firms to gain competitive advantage and to create shareholder value. Marketing innovation strategy can support business firms to increase shareholder value by expanding the customer’s lifetime value, improving their engagement, increasing their likelihood of spreading positive word of mouth, as well as the possibility of sharing their ideas for developing of new products and services with the firms (Gaskin, n.d.). In this research, marketing innovation strategy refers to new methods in executing variety of marketing strategies to improve marketing outcomes and to increase marketing performance. According to the prior studies and related literature, this research proposes five dimensions of marketing innovation strategy, namely internet marketing focus, relationship marketing concentration, customer co-creation orientation, alternative marketing awareness, and alliance marketing concern.

In this research, dynamic capabilities theory is employed in order to explain the linkages between marketing innovation strategy and its consequence variables. According to Teece, Pisano and Shuen (1997), dynamic capabilities can reflect a firm’s ability in achieving new and innovative forms of competitive advantage. Breznik and Lahovnik (2014) point out that dynamic capabilities directly affect firm’s competitive advantage and performance. As innovation capability is found to be a dominant dynamic capability (Breznik & Lahovnik, 2014), marketing innovation strategy can be considered one of the capability leading firm to achieve higher level of competitive advantage and performance.

The objective of this paper is to conceptualize a framework for examining relationships between marketing innovation strategy and marketing outcomes including customer fulfillment, brand trust, marketing image, and marketing performance. In the following sections, existing knowledge from marketing literature and related fields is reviewed to understand the relationship among the constructs.

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK DEVELOPMENT

Dynamic Capabilities and Marketing Innovation Strategy

One of the most influential theories in marketing literature and related fields is dynamic capabilities. Dynamic capabilities theory is introduced, by Teece, Pisano, and Schuen (1997), as firm’s abilities in dealing with rapidly changing environment through integrating, building, and reconfiguring internal and external competences. It enables firm in generating new value-creating strategies (Eisenhardt & Martin, 2000). This research uses dynamic capabilities to explain the linkages among marketing innovation strategy, marketing outcomes, and marketing performance.

Marketing innovation strategy can be described as a new marketing methods or new ways of marketing involving significant change in implementing various marketing strategies to enhance the efficiency and effectiveness of marketing (Moreira et al., 2012), and thus, gaining competitive advantage and creating shareholder value (Gaskin, n.d.). In this paper, marketing innovation strategy is explained as the firm’s approach in using new methods for...
executing variety of marketing strategies to improve marketing outcomes and to increase marketing performance. Breznik and Lahovnik (2014) point out that dynamic capabilities directly affect firm’s competitive advantage and performance. As innovation capability is found to be a dominant dynamic capability (Breznik & Lahovnik, 2014), marketing innovation strategy can be considered one of the capability leading firm to achieve higher level of competitive advantage and performance.

As for the strategies involved in this research, Akroush (2012) has studied four components of marketing strategy which consist of product strategy, price strategy, place strategy, and promotion strategy. Also, a number of studies related to marketing innovation are found to study marketing mix as dimensions of the marketing innovation (Hsu, 2011; Heunks, 1998; Shergill & Nargundkar, 2005; Harms et al., 2002). For example, Shergill and Nargundkar (2005) include the four Ps of marketing in the marketing innovation’s dimensions. Moreover, a work by Saxena (2011) demonstrates marketing innovation through various types of product/service innovation. In addition, Ren, Xie, and Krabbendam (2010) point out that internet marketing and relationship marketing have recently been a major focus in marketing innovation, which business firms applied in order to achieve sustainable competitive advantage. Besides, Prahalad and Ramaswamy (2004) mention that co-creation with customer will lead company to increase its competitive advantage. This research incorporates recently used marketing strategies and marketing mix, and introduce dimension of marketing innovation strategy. Altogether, this research presents five dimensions of marketing innovation strategy which consist of internet marketing focus, relationship marketing concentration, customer co-creation orientation, alternative marketing awareness, and alliance marketing concern.

**Internet Marketing Focus**

The first dimension of marketing innovation strategy is internet marketing focus. Nowadays, internet has altered the people’s ways of living: the ways in finding and sharing information, the ways in connecting and interacting with others, as well as the ways in shopping (Son et al., 2012). Accordingly, internet-based community, or so called “social networking”, has been extensively acknowledged by both the media and the general public (Sledgianowski & Kulviwat, 2009). Consequently, in business, social networking is gradually used to enhance three-way communication with and among customers (Constantinides et al., 2008). In this research, internet marketing focus is defined as the practice that firm executes its marketing communication and activities via social networking and digital media channels. A number of studies in marketing field have revealed the benefits of internet marketing and social media. Castronovo and Huang (2012), in line with Kozinets et al. (2010), emphasize word-of-mouth referrals and communication as benefits of social media marketing. Agnihotri et al. (2012) have revealed the benefits of social media usage in value creation for both customer and salesperson. Chung and Austria (2010) also found positive effect of social media marketing messages on online shipping value. In addition, in a work by Rodriguez, Peterson, and Krishnan (2012) social media is found to be positively related to firm’s sales process and sales performance. Ren et al. (2010) find that internet marketing has recently been a major focus in marketing innovation leading business firms to achieve sustainable competitive advantage. Accordingly, internet marketing focus is likely to influence on marketing outcomes, namely brand trust, customer fulfillment, marketing image, and marketing performance. Thus, the propositions are stated as follows:

**P1** Internet marketing focus will have a positive effect on (a) brand trust, (b) customer fulfillment, (c) marketing image, and (d) marketing performance.
Relationship Marketing Concentration

The second dimension of marketing innovation strategy is relationship marketing concentration. Basically, relationship marketing (RM) is described as the firm’s marketing activities in building relationships at every point of the interaction with the customer, with the intention to create various benefits for both the firm and the customer (Theron & Terblanche, 2010). Since relationship is seen to be the perception of the interrelationship between the firm and its customers regarding potential exchanges from the past to the future (Odekerken-Schröder et al., 2003), the primary focus of relationship marketing is for the firms to build close and strong relationships with their customers.

In relationship marketing literature, although studies are usually concerned about the importance of keeping existing customers, as well as obtaining and attracting new customers, in the relationship marketing activities (Berry, 2002), the more recent works are tend to emphasize further on customer retention (Evanschitzky & Wangenheim, 2006; Kruger & Mostert, 2012; Shirazi & Mat Som, 2013; Radu, 2013). For instance, Evanschitzky & Wangenheim (2006) claim that a firm would be more benefited from putting effort to maintain strong relationships with current customers rather than trying to attract new customers. Radu (2013) also state that keeping old customers is cheaper than attracting new ones. In addition, Kruger and Mostert (2012) found that not all customers are willing to build long-term relationships with organizations, and thus, customer’s relationship intention should be considered in maintaining durable relationships. However, as mentioned by Radu (2013), attracting new customers is still a preferable target for all business operations as it would be extremely beneficial on the long run. Accordingly, the study of relationship marketing in this paper concerns both relationship building and maintaining elements. Thus, in this research, relationship marketing concentration is defined as the firm’s practice in using a variety of marketing activities in order to attract and maintain long-term relationship with customers.

Recently, relationship marketing has proved to be essential for most business organizations (Chuwiruch & Ussahawanitchakit, 2013). For businesses and marketers, the importance of building more sustainable and long-lasting relationships with their customers has been recognized (Eisingerich & Bell 2007). According to Liang et al. (2009), an investment in customer relationships is found to provide the basis for developing strategies for creating customer value, and that such strategies provide the foundation for a sustainable competitive advantage, which in turn, leads to solid financial performance. Relationship marketing is considered one of the main marketing innovation focuses that firms employ to create sustainable competitive advantage (Ren et al., 2010). Also, Barry et al. (2008) confirms that strong customer relationships can yield higher profits and increase market shares. In addition, Chuwiruch and Ussahawanitchakit (2013) found that strategic relationship marketing can lead to marketing outcomes such as brand trust, customer commitment, market reliability, and marketing success. Therefore, relationship marketing concentration is likely to influence marketing outcomes, namely brand trust, customer fulfillment, marketing image, and marketing performance. Thus, the propositions are stated as follows:

\[ P2 \text{ Relationship marketing concentration will have a positive effect on (a) brand trust, (b) customer fulfillment, (c) marketing image, and (d) marketing performance.} \]

Customer Co-creation Orientation

The third dimension of marketing innovation strategy is customer co-creation orientation. Generally, co-creation is a process that incorporates customer in the experience of developing product or service (Son et al., 2012). In the process, customer is able to combine design options in discussion with firm (Antikainen et al., 2010; Khalid & Helander,
2003; von Hippel, 1998). According to Fiore et al. (2001), co-creation allows customers to design products or services that suit their particular needs and preferences as well as enables them to choose personalized combination of product specifications. It is possible that the co-creation outcome may be recognized as highly marketable product, and thus, able to be sold extensively to all consumers (Wind and Rangaswamy, 2001). In this research, customer co-creation orientation is defined as the practice that firm invites its customer to cooperate in creating or developing of its products or services.

According to Elg et al. (2012), co-creation is associated with customer learning which allow firms to better understand their customers and improve their services. Gylling, Elliott, and Toivonen (2012) found that co-creation and shared meaning can lead to forming of market-focused strategic flexibility which, in turn, result in enhancing performance. Accordingly, it can be assumed that customer co-creation orientation would positively affect marketing outcomes including brand trust, customer fulfillment, marketing image, and marketing performance. Thus, the propositions are stated as follows:

**P3** Customer co-creation orientation will have a positive effect on (a) brand trust, (b) customer fulfillment, (c) marketing image, and (d) marketing performance.

**Alternative Marketing Awareness**

The fourth dimension of marketing innovation strategy is alternative marketing awareness. The word ‘alternative’ means something is performed differently from the usual or traditional way (Oxforddictionaries.com). Accordingly, alternative marketing can be described as marketing techniques that are not performed traditionally (Philippine Business, 2008). In this sense, alternative marketing can be viewed as firm’s alteration of marketing mix such as offering of unusual products or services, using of unexpected communication forms and channels, and performing unique and astonishing marketing promotions. In this research, alternative marketing awareness is defined as the practice that firm provides products or services with specific elements that are not usually offered in the market.

Dev (2006) states that nontraditional marketing is a way to sustain firm’s marketing position. Hence, alternative marketing awareness is expected to affect marketing outcomes such as brand trust, customer fulfillment, marketing image, and marketing performance. Thus, the propositions are stated as follows:

**P4** Alternative marketing awareness will have a positive effect on (a) brand trust, (b) customer fulfillment, (c) marketing image, and (d) marketing performance.

**Alliance Marketing Concern**

The fifth, and the final, dimension in this model of marketing innovation strategy is alliance marketing concern. Over the last decade, strategic alliances have increasingly been a topic of interest in both business as well as academic especially in marketing and management fields (e.g. Gulati, 1998; Spekman & Sawhney, 1990; Varadarajan & Cunningham, 1995). This increased interest is a result of constantly rise in strategic alliance establishment among firms (Gammoh & Voss, 2013). Marketing strategic alliance can be described as interorganizational relationships involving skills and resources sharing among alliance partners in an attempt to accomplish their goals and objectives (Varadarajan & Cunningham, 1995). Therefore, in this research, alliance marketing concern is defined as the practice that firm forms a network and cooperation with its rivals or other related businesses in order to add value offering to its customers and other stakeholders.

A number of studies in marketing field have examined strategic alliance and inter-firms relationships and their various outcomes including firm performance (Bucklin & Sengupta, 1993; Heide, 1994; Jap, 2001; Luo, Rindfleisch, & Tse, 2007; Palmatier, Dant, &
A work by Luo, Rindfleisch, and Tse (2007) reveals that forming alliances with competitors has an inverted U-shape on firm’s financial performance. This can be implied that establishing cooperation with rivals at an appropriate level can be beneficial to the firm. According to Palmatier, Dant, and Grewal (2007), firm performance can be enhanced by investing in specific relationship with high ability in creating value. Swaminathan & Moorman (2009) also found that marketing alliance is associated with firm’s value creation and performance. Accordingly, alliance marketing concern is likely to influence marketing outcomes: comprising of brand trust, customer fulfillment, marketing image, and marketing performance. Thus, the propositions are stated as follows:

\[ P5 \hspace{0.5cm} \text{Alliance marketing concern will have a positive effect on (a) brand trust, (b) customer fulfillment, (c) marketing image, and (d) marketing performance.} \]

**Brand Trust**

Trust is considered one of the most significant factors in creating successful buyer-seller relationship (Morgan & Hunt, 1994; Dwyer, Schurr, & Oh, 1987). Geyskens, Steenkamp and Kumar (1998) refer to trust as honesty and/or munificence the exchange parties believing in each other. Trust can also be described as the degree of confidence and willingness of an entity to depend on its exchange partner (Moorman, Zaltman, & Deshpande, 1992).

As for brand, Kotler (1997) describes it as a combination of name, term, symbol, logo, and/or design which is used in recognizing a product/service or products/services of a seller or a group of sellers, and distinguishing these products/services from those of its competitors. As stated by Keller (2003), apart from a product, service, shop, and organization; brand can also be used to represent a place, an idea, as well as famous personality. In addition, Davis (2002) extends the meaning of brand to encompass the perceptions and expectations of customers from experiencing of the product, service, or the organization.

Accordingly, brand trust can be referred to as the willingness of customer to count on a brand (Lau & Lee, 1999). Also, Lin and Lee (2012) describe brand trust as the degree of confidence and positive expectations the customer have toward the brand. Therefore, in this research, brand trust is defined as the confidence and willingness of the customer in relying on the ability of the firm or the brand to perform its promised function.

Trust, as stated by Garbarino and Johnson (1999), is one of the main factors influencing consumer’s purchase intentions. It is also claimed to be a key element in building strong relationships between consumer and company (Sirdeshmukh et al., 2002). In addition, according to Morgan and Hunt (1994), trust is shown as a sign of confidence in reliability and integrity of the exchange partner. As a result, brand trust can be considered a factor affecting performance of the firm. Thus, the proposition is stated as follows:

\[ P6 \hspace{0.5cm} \text{Brand trust will have a positive effect on marketing performance.} \]

**Customer Fulfillment**

Customer needs fulfillment can be described as a firm’s competency to correctly and instantly analyze, understand, and respond to the needs of customers by offering new products or services that add value to entail satisfaction (Jadesadalug & Ussahawanitchakit, 2009; Johnson et al., 2003; Narver & Slater, 1990). Dynamic capability approach explains that customer needs response is a worthy capability because they enable the firm to monitor and meet changing customer needs and rapidly responds to that which provides satisfaction of value (Waranantakul & Ussahawanitchakit, 2012). Therefore, in this research, customer
fulfillment refers to capability of firm in accurately understanding and responding to customer needs.

According to Kohli and Jaworski (1990), customer needs fulfillment can create superior customer value leading to increasing of competitive advantage. Likewise, Waranantakul and Ussahawanitchakit (2012) have found a positive influence of customer needs fulfillment on marketing advantage. Accordingly, customer fulfillment is expected to positively affect marketing performance. Thus, the proposition is stated as follows:

\[ P7 \quad \text{Customer fulfillment will have a positive effect on marketing performance.} \]

Marketing Image

In marketing and related fields, one of the most interesting matters is image. Image can be explained as the set of meanings used to describe something and make its known and remembered (Van Riel, 1995). On this basis, the way people view and feel about an organization, in other word ‘image’ of an organization, can be referred to as organizational image, corporate image, and business image. A number of scholars have worked on describing the meaning of business/corporate image (Bromley, 1993; Grunig, 1993; Alvesson, 1990; Gray & Smetzer, 1985). Based on organizational behavior literature, business image is described as the way that organizational members perceive their organization (Bromley, 1993), as well as the way they believe the others recognize it (Dotton & Dukerich, 1991). Psychologists define corporate image as a symbolic association between an organization and its stakeholders (Grunig, 1993). In sociological perspective, corporate image is recognized as a sense or an inner picture and fabrication or a communicated image (Alvesson, 1990). As for strategists, corporate image is characterized as “the impression of the whole corporation held by its various publics” (Gray & Smeltzer, 1985, p. 73).

Marketing image is considered a factor representing the characteristic of market offering that supports firms to create value in the form of emotional benefits, which extend product features and functional benefits, as well as associations in customers’ minds (Ogba & Tan, 2009). Image is also indicated, by Zaghloul, Hayajneh, and Almarzouki (2010), as the outcome of an individual’s processing of multifaceted and complicate struggle of attributes in messages receive from organization and other social, historical, personal lived experiences, and material factors. Therefore, in this paper, marketing image is defined as an overall impression made on the minds of the public, including customers and other stakeholders, about credibility and quality of a firm’s services and performance.

Image is correlated with various physical and behavioral elements of the organization, for example business name (brand), style, assortment of products/services, tradition, ideology, and to the impression of quality communicated by each person interacting with the organizations’ clients (Zaghloul et al., 2010). Harms et al. (2002) states that image of product and company, embedded in customer’s mind, can directly contribute to marketing advantages. According to Robertson and Gatignon (1986), image assists consumers in evaluating the commodities offered by a certain company as well as diminishing insecurity in their buying decision making. Kazoleas, Kim, and Moffitt (2001) also states that image play a crucial role in affecting customer’s buying intention in marketing activities. Hence, it can be claimed that marketing image is considered to be one of the factors influencing performance of the company. Thus, the proposition is stated as follows:

\[ P8 \quad \text{Marketing image will have a positive effect on marketing performance.} \]

In total, this research offers five variables comprising one main variable, marketing innovation strategy, and four consequences-brand trust, customer fulfillment, marketing
image, and marketing performance. A conceptual model presenting the relationships among the variables with stated propositions is provided below.

![Figure 1: A Conceptual Model of Marketing Innovation Strategy and Marketing Performance](image)

### CONTRIBUTIONS

This research makes a number of theoretical and managerial contributions. For the academic aspect, firstly, it provides an additional insights relating to marketing innovation strategy by offering a set of specific strategies to be examined. Secondly, this research presents that marketing innovation strategy can be considered a dynamic capability, and thus, can be effectively implemented in response to environmental dynamism. Finally, this paper offers a conceptual model linking marketing innovation strategy to marketing performance, which can be used as a guideline for studies regarding marketing innovation strategy in the future. For the managerial contributions, this research mentions a set of strategies that is expected to help companies increase their performance. It also lists three areas that would be improved as a result of applying the stated marketing innovation strategies. However, this paper is only a conceptual paper. Therefore, the model needs to be investigated empirically in order to confirm the validity of the model.

### CONCLUSION

To sum up, this research presents marketing innovation strategy as a mean that business firms can use in response to the rapidly changing environment. Altogether, this research offers five variables including one main variable, which is marketing innovation strategy, and four consequences: brand trust, customer fulfillment, marketing image, and marketing performance. In order to link the five variables together, dynamic capabilities view is employed. Accordingly, in this research, marketing innovation strategy is considered a dynamic capability that will lead firms to gain more competitive advantage through enhancing brand trust, customer fulfillment, and marketing image; and, consequently, increase marketing performance. A conceptual model illustrating the variables and the relationships among them is also provided. In addition, this research makes some contributions to both academic and managerial aspects. Finally, an empirical investigation of the proposed model and further exploration on the matter of marketing innovation strategy is recommended.
REFERENCES


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