



Relational Selling Strategy on SMEs Marketing Performance: Role of Market Knowledge and Brand Management Capabilities

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Abstract. This conceptual paper explains the role of Relational Selling Strategy in the relationship between Market sensing capabilities and brand management capabilities with Marketing Performance in Small Business Enterprises (SMEs). Market sensing capabilities is part of marketing knowledge, specifically related to market scanning, while brand management capabilities is part of cross-functional capability related to brand knowledge. The linkages between market sensing capabilities and brand management capabilities with relational selling strategy and marketing performance are part of the development of Marketing Dynamic theory that had previously been developed by experts such as Day (1994) and Morgan (2012).

Keywords: Brand management capabilities · Market sensing capabilities · Relational selling strategy · Marketing performance

1 Introduction

This paper aims to explain the role of relational selling strategy in the relationship between market sensing capabilities and brand management capabilities with marketing performance. Market sensing capabilities as an important part of market knowledge and brand management capabilities as part of brand knowledge are two forms of marketing capabilities needed to develop marketing strategy. Marketing literature highlights market knowledge and cross-functional collaboration as the two fundamental resources and capabilities for innovation product performance (Luca and Atuahene-Gima 2007). Market knowledge concerns four dimensions such as; market scanning, market information transmission, market information interpretation, and market knowledge utilization (Lertputtarak 2011). Market scanning is the activity of seeking, obtaining and gathering information involving formal and informal about the current market and peripheral environment that is not emphasized by the company today (Veflen Olsen and Sallis 2006), such as examining customer needs and desires, competitor strategies, retailers, distributors, suppliers, technology, demographics, economics, and other environmental forces that can affect company performance (Kohli and Jaworski 1990;

Day 1994; Slater and Narver 1994). To obtain valuable market information, each company needs to have market sensing capabilities, namely the ability to gather and use information needed to commercialize patented innovations from the market (Lin and Wang 2015). SMEs that have good market sensing capabilities will have the convenience of compiling their marketing strategies and then get better marketing performance.

Cross-functional collaboration involves the integration of several special marketing capabilities such as product management, pricing management, channel management, marketing communications, selling, and market research with input from special capabilities in other functions. Three of the marketing capabilities across the most important functions are brand management, customer relationship management and new product development (Morgan 2012). SMEs that have three types of capabilities will have a better ability to make decisions and implement marketing strategies, eventually leading to marketing performance. This paper focuses on the role of market sensing capabilities and brand management capabilities in improving SMEs marketing performance. Brand management involves combining various specialized marketing capabilities such as market research, product management, price, and marketing communication capabilities for certain brands. Likewise, the ability to design and monitor innovation, accounting, production, and operations to develop and implement a brand-level business plan (Morgan 2012).

Marketing literature shows that marketing capabilities are the initial source of the marketing process and are the key to successful marketing differentiation and performance (Morgan 2012). Capability marketing is an integrative process designed to apply the resources needed by the company to market-related needs of the company, enabling companies to add value and meet competitive demands (Day 1994; Martin *et al.* 2017). A capability is a process where companies choose value propositions intended to target customers and use resources to provide these value offerings in pursuit of desired goals (Vorhies and Morgan 2005; Martin and Javalgi 2016). Two types of marketing capabilities become a concern of this paper, they are, market sensing capabilities and brand management capabilities. Market sensing capabilities is the company's ability to see or learn from the market, find and obtain information about customers, competitors and existing market opportunities (Lindblom *et al.* 2008; Morgan *et al.* 2009). While brand management capabilities is the company's ability to improve, maintain, and manage brand image through the utilization of resources owned by a company, as well as the ability to inform the image of a company's brand to customers (Morgan *et al.* 2009; Morgan 2012). Companies that have both of these capabilities will have a better ability to make marketing strategy decision and implementation, and they will also have better ability to improve their marketing performance (Morgan *et al.* 2009).

Empirically, studies of market sensing capabilities and brand management capabilities, and their influence on marketing performance have received the attention of many researchers. Several previous studies have shown that market sensing capabilities has a direct role in increasing marketing performance (Osakwe *et al.* 2016), but other researchers have shown the opposite (Morgan *et al.* 2009; Ardyan 2016). This also applies the relationship between brand management capabilities and marketing performance. On the one hand, brand management capabilities is an important driver of marketing performance (Lee *et al.* 2008; Merrilees *et al.* 2011; Osakwe *et al.* 2016), but

on the other hand, it is not a determinant of marketing performance (Morgan *et al.* 2009). The knowledge gap shows that market sensing capabilities and brand management capabilities are not always able to improve marketing performance or company performance. To overcome this gap, the marketing strategy literature suggests the need for a marketing strategy decision and marketing strategy implementation as variables that mediate the relationship between marketing capabilities and marketing performance. That means the marketing strategy can be a solution to the gap between market sensing capabilities and brand management capabilities with marketing performance. The marketing strategy meant involves market entry strategies, marketing mix strategies (product, price, distribution, and promotion), selling strategies, and customer care strategies. As part of the marketing strategy, relational selling strategy has the potential to mediate the relationship between market sensing capabilities and brand management capabilities with marketing performance. The assumption is that SMEs with market sensing capabilities and brand management capabilities that make the entrepreneurs easier to design relational selling strategy well will have the ability to increase marketing performance.

2 Literature Review

2.1 Relational Selling Strategy

Adoption of relational strategies is important for building customer relationships and gaining competitive advantage through the acquisition of intangible assets such as customer trust and commitment (Morgan and Hunt 1994). Meanwhile, a relational selling strategy can be built if there is interdependence between suppliers and customers, important information exchange, trust between partners and stable relationships, which allows each party to benefit from a fair return on investment (Guenzi *et al.* 2007). Therefore, the company's capacity to create superior customer value clearly depends on its ability to coordinate and integrate decisions and activities managed by sales and marketing personnel (Guenzi and Troilo 2007). Many researchers argue that sales team who adopt a relational approach provide the basis for gaining a competitive advantage by adding value to customers and influencing future purchase intentions (Boles *et al.* 2000). The relational selling strategy meant is a strategic approach developed by suppliers or sales team who are willing to build long-term and mutually beneficial relationships with several business partners and customers (Jolson 1997; Guenzi *et al.* 2007). Compared to traditional short-sighted selling strategies for the purpose of maximizing direct sales volume, a relationship-oriented approach requires leadership abilities and specific behaviors of sales team to change or adopt certain behaviors (Paparoidamis and Guenzi 2009). Relational selling strategy can work well in the long run if the sales team has several criteria in a relational selling strategy, such as Customer oriented selling, Adaptive selling, Sportsmanship, Conscientiousness, and Selling team (Guenzi *et al.* 2007).

Market sensing capabilities and relational selling strategy. A company is said to have good market sensing capabilities if it fulfills characteristics such as having the ability to learn customer needs and desires, find competitor strategies, gain insight into

channel members, and learn about a broad market environment (Morgan *et al.* 2009). Some of these capabilities will make a seller or entrepreneur easier to take marketing strategy decision and implementation (Morgan 2012). Relational selling strategy is part of the marketing strategy, so companies that have good market sensing capabilities will be easier to run relational selling strategy. This is very possible because the knowledge gained from continuous market sensing activities, an entrepreneur or seller will continue to learn about the market that is happening, learn to find market opportunities, know the changing needs or desires of customers and take advantage of the current market opportunities, then develop strategies the right relational selling to customers. Therefore, proposition 1 is set:

P1: Market Sensing Capabilities has a positive relationship with Relational Selling Strategy.

BMC and relational selling strategy. Because product features are easily copied, brands are considered as the marketer's main tool for creating product differentiation (Kotler and Gertner 2002). Brands are becoming increasingly important as a foundation for marketing strategies. Assessing brand image and comparing it with the competitor's image are important steps in designing marketing strategies (Kotler and Gertner 2002). Therefore, BMC is an integral part of the success of marketing strategies. The brand management capability meant is the ability that companies use to build, develop, choose, and utilize company brands (Morgan *et al.* 2009). Companies with Strong BMC are characterized by several characteristics, such as the ability to use customer insight to identify valuable brand positions, develop brand image among target customers, develop brand awareness among target customers, establish desired brand associations in the minds of customers, achieve brand awareness which is high in the market, utilizing high brand equity in the market (Morgan *et al.* 2009). Some of these capabilities make the companies easier to make marketing strategy decision and implementation (Morgan 2012). Since the relational selling strategy is part of the marketing strategy, it is very possible that brand management capabilities will also lead to relational selling strategy. Therefore, proposition 2 is set:

P2: Brand Management Capabilities has a positive relationship with Relational Selling Strategy.

2.2 Marketing Performance

Marketing is a dynamic process, and marketing performance is a multidimensional process that involves adaptability, effectiveness, and efficiency (Morgan *et al.* 2002). Vorhies and Morgan (2003) describe marketing performance as marketing effectiveness and efficiency. Marketing effectiveness is measured by marketer perceptions regarding the extent to which the company achieves market share growth, sales growth, and achieving the market position. While marketing efficiency is measured by the ratio of marketing costs and sales proceeds to the company's gross operating income. In the perspective of small and medium enterprises, marketing performance relates to the combination of the results of marketing activities that are felt by company owners or managers about achieving sales revenue growth, increasing sales volume, customer

growth, expanding marketing areas, increasing market share, increasing customer satisfaction and increasing profits (Soliman 2011; Hendar *et al.* 2017).

Market sensing capabilities and marketing management. Market information is a strategic resource as an initial source of increased marketing performance (Ferrell *et al.* 1999; Kotler and Armstrong 2011; Morgan 2012). Several studies have shown companies that have a tendency to seek information about markets, share information among interested parties and give positive responses based on market knowledge gained, have better ability to improve their marketing performance (Barnabas and Mekoth 2010; Beneke *et al.* 2016; Jogaratnam 2017). Market sensing capabilities as one of the important dimensions of the market learning orientation has positive relations with profitability (Day 1994; Osakwe *et al.* 2016), new product development performance (Mu 2015), and growth performance (Lindblom *et al.* 2008). Some of these findings illustrate how important market sensing capabilities is in supporting marketing performance. Therefore, proposition 3 is set:

P3: There is a positive relationship between market sensing capabilities and marketing performance.

Brand management capabilities and marketing performance. Brand management is a high-level marketing capability that is a potential determinant of marketing performance (Merrilees *et al.* 2011). Brand management capability concerns the systems and processes used to develop, grow, maintain, and enhance the company's brand assets (Morgan 2012). Brand management capabilities reflect the capabilities that are not only to create and maintain high levels of brand equity but also to use these resources in ways that are in line with the market environment (Morgan *et al.* 2009). This capability will lead to the company's marketing performance. Therefore, Proposition 4 is set:

P4: There is positive relationship between Brand Management Capability and Marketing Performance.

Relational selling strategy and marketing performance. Marketing literature explain that one of the important factors driving marketing performance is the selling strategy. Empirical findings also show that selling strategies have a positive effect on market performance (Terho *et al.* 2015), adaptive selling strategies have a positive effect on sales team performance (Kara *et al.* 2013; Singh and Das 2013; Chakrabarty *et al.* 2014), relational selling strategy influences customers satisfaction and customers loyalty (Lai *et al.* 2013), and relational selling strategy is an important factor in determining sales performance (Haghighi 2009). These significant relationships are very possible because to achieve the relationship selling strategy, sales team tends to be involved in ever-increasing interactions and interdependence with customers. As a result, they have access to a large amount of customer information (Haghighi 2009). Extensive knowledge of customers is the main capital in improving sales performance. Therefore, proposition 5 is proposed:

P5: Relational Selling Strategy affects Marketing Performance.

2.3 Role of Relational Selling Strategy Mediation in the Relationship Between Brand Management Capabilities and Market Sensing Capabilities with Marketing Performance

Marketing literature explains marketing capabilities, such as market sensing capabilities, brand management capabilities, specialized marketing, architectural marketing, and new product development become the important factors in the marketing strategy decision and marketing strategy implementation (Morgan 2012). That means market sensing capabilities and brand management capabilities lead to quality marketing strategies (including relational selling strategy). Furthermore, companies with good relational selling strategy will encourage an increase in marketing performance. That means relational selling strategy has the potential to be mediated in the relationship between market sensing capabilities and brand management capabilities with marketing performance. Therefore, propositions 6 and 7 are set:

P6: Relational Selling Strategy mediates the relationship between Brand Management Capabilities and Marketing Performance.

P7: Relational Selling Strategy mediates the relationship between Market Sensing Capabilities and Marketing Performance (Fig. 1).

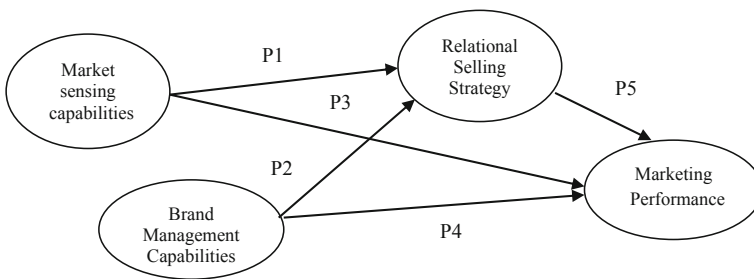


Fig. 1. Grand theoretical model of research

3 Conclusion

The strategic marketing literature has explained marketing capabilities such as market sensing capabilities and brand management capabilities, which are the foundations for the creation of a company’s quality marketing strategy, including a relational sales strategy. Meanwhile, companies with good quality relational sales strategy have better opportunities to improve marketing performance. Thus, conceptually, relational selling strategy has a strategic role in mediating the relationship between market sensing capabilities and brand management capabilities with marketing performance.

4 Research Agenda

Empirical research is still needed to prove the mediation role of relational sales strategy in relation to market sensing capabilities and brand management capabilities with marketing performance. Research is more complex by adding other antecedent variables of marketing capabilities, such as customer relationship management capability, marketing innovativeness, marketing of specialized capabilities or architectural marketing capabilities will become the realm of interesting research in future.

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