

Improving Marketing Performance with Marketing Capability: Service Dominant Logic B2B Export Furniture

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Abstract

This study aims to enhance marketing capability by increasing customer involvement and marketing innovation to improve marketing performance and develop B2B Service-Dominant Logic (SDL) in furniture export companies. This research employs a quantitative method. The population for this study consists of 307 furniture companies that export. Using the Slovin formula, a sample of 171 furniture export enterprises was obtained. Two sample selection techniques were employed, which were probability sampling and lottery-based simple random sampling. The results of this study indicate that marketing capabilities impact consumer participation and marketing innovation, and that both customer involvement and marketing innovation enhance marketing performance. Theoretical implications suggest the development of a B2B service-dominant logic theory. Marketing capability and customer involvement influence marketing outcomes. Companies must focus on developing improved items and designs for new products. Collaboration with customers has also contributed to improved marketing performance.

Keywords: service dominant logic, marketing performance, customer involvement, marketing innovation, marketing capability

INTRODUCTION

Business development in the global era has led to increasingly intense competition, making marketing performance in furniture companies more dynamic. This competition drives the need for continuous development to achieve company success, compelling businesses to both develop and sustain their competitive edge. Such competition presents a challenge for companies to enhance their performance, particularly in marketing. Several factors influence marketing performance, including technological advances, economic development, socio-cultural dynamics, and global policies. Marketing performance, as a support for managerial processes and marketing effectiveness, impacts marketing strategy (Suwandari et al. 2017; Sugiyarti & Ardyan, 2017; Nuryakin, 2018).

Marketing capabilities significantly influence marketing performance by facilitating market development through strategic marketing and operational planning. However, other studies suggest that marketing capabilities may not significantly affect marketing performance (Dias & Renato, 2017; Nuryakin, 2018). The relationship between marketing capabilities and marketing performance remains inconsistent. Marketing capabilities impact marketing performance by enhancing service quality, distribution reliability, and customer service, which in turn affect customer involvement including market sensing capabilities (Tih et al. 2016; Sugiyarti & Ardyan, 2017). To address these research gaps, this study aims to explore and bridge the influence of marketing capabilities on marketing performance.

Service-Dominant Logic (SDL) is a theory that explains co-creation through exchange, emphasizing how individuals apply their competencies to benefit others and receive reciprocal benefits through service exchanges. SDL recognizes customers as co-producers who can maximize their needs (Vargo & Lusch, 2004; Lusch & Vargo, 2009). It also shifts the focus of service processes internally towards customer involvement and collaboration, which affects performance (Heinonen et al. 2010; Vespestad & Clancy, 2018).

SDL has redirected the focus of marketing from internal company processes to interactions between companies and their customers. Marketing now considers SDL as a framework for deeply understanding the customer experience, suggesting that marketing should focus not just on service but on customer experience and involvement (Heinonen et al. 2010; Liu et al. 2016).

SDL creates shared value for customers and is anticipated to form the basis for a general marketing theory (Lusch & Vargo, 2006; Lusch & Vargo, 2014). Customer behavior is viewed as a service interaction process that generates shared value (Tronvoll, 2007; Ali et al. 2021). SDL also provides a theoretical foundation for marketing, emphasizing proactive cooperation, innovation, value creation, and resource enhancement, including customer service. Through services and resource processes like goods, services, and customer interactions, SDL promotes direct customer involvement to fulfill customer value (Kasouf et al. 2008; Grönroos, 2008).

Marketing is evolving towards a service-based model where all engagements contribute to value creation and involve both companies and customers. Proactive involvement arises from customer-to-customer and company-to-company communication, which is essential for negotiat-

ing and meeting customer needs (Lusch & Vargo, 2009; Svendsen et al. 2011). SDL helps develop and extend new management logics, particularly in marketing management. It reconceptualizes service and customer roles, fostering growth and collaboration within a broader community (Gummesson et al. 2010; Cortez & Hidalgo, 2022). To establish strong marketing relationships, companies must create external relationships with customers. SDL emphasizes service focus, customer involvement, orientation, collaboration, and co-creation, especially concerning logistics and manufacturing (Andreini et al. 2015; Lin, Pekkarinen, & Ma, 2015).

SDL theory is closely related to customer involvement, which is essential for improving marketing performance, particularly in B2B marketing. The marketing performance process aligns with the development of marketing strategies and corporate creativity (Dempster & Lee, 2015; Suwandari et al. 2017). Marketing capabilities impact marketing performance and contribute to company performance and marketing success (Morgan, 2011; Dias & Renato, 2017; Qureshi et al. 2017; Setiowati et al. 2017). However, inconsistencies in previous research results highlight ongoing gaps that need addressing, particularly in improving marketing performance in the Jepara furniture industry.

Marketing Capability and Customer Involvement, Marketing Innovation, Marketing Performance

Organizational capabilities are critical sources of a company's competitive advantage, encompassing resources and assets. Competence in marketing is essential for formulating and implementing strategies, requiring companies to acquire information about competitors to effec-

tively execute their industrial strategies. Competence involves the skills and knowledge of business organizations as defined by the industry. In an increasingly competitive external environment, organizations engage in activities to explore new markets (Day, 1994; Nuryakin, 2018). Marketing capabilities play a significant role in a company's competitive advantage. Dynamic capabilities contribute to marketing capabilities and competitive advantage and impact innovation and performance. Marketing capabilities related to marketing objectives and strategic determination affect marketing performance (Pérez Cabañero et al. 2012; Dias & Renato, 2017; Niazi, 2017; Nuryakin, 2018).

The process of customer involvement influences marketing performance and market development (Liu et al. 2016; Dahlsten, 2004). Customers' experiences and service processes as well as marketing strategies and customer involvement are integral (Svendsen et al. 2011; Feng et al. 2013). Businesses should prioritize customer involvement to enhance marketing performance (Feng & Wang, 2013; Muangkhot & Ussahawanitchakit, 2015). While marketing innovation can improve marketing performance, the relationship between marketing innovation and marketing performance is not always significant. Marketing performance is also influenced by customer involvement management (Ateke & Iruka, 2015; Lee et al. 2016). Furthermore, marketing capabilities impact marketing performance (Ali et al. 2021; Yanuarti & Murwatiningsih, 2019). Marketing performance is affected by both horizontal and vertical relationships within mid-level industries, with vertical relationships generally being stronger and is also influenced by competitive product innovation and market entry quality (Lamprinopoulou & Tregear, 2011; Sugiyarti & Ardyan, 2017).

- H1 Marketing capability affects customer involvement
- H2 Marketing capability affects marketing innovation
- H3 Marketing capability affects marketing performance

Customer Involvement and Marketing Performance

Customer involvement refers to the extent to which customers are engaged in new product development and the continuous improvement of marketing processes and overall customer satisfaction (Feng et al. 2013; Goodman et al. 1995). Customers play a crucial role in identifying market opportunities, and continuous improvement methods are used to enhance new product performance (Feng et al. 2013; Cui & Wu, 2015). Customer behavior influences service strategies, the level of individual involvement, and the effectiveness and rationality of relationships, as well as customer-perceived complaints. Businesses should carefully consider service strategies and customer involvement to avoid customer abandonment in case of failure (Fatima & Razzaque, 2013; Cortez & Hidalgo, 2022).

There is a significant relationship between customer involvement, brand equity, and customer loyalty. Both brand equity and customer involvement play essential roles in shaping customer perception and loyalty. Therefore, industries should not only manage their brand image but also emphasize customer involvement and develop promotional activities that encourage customers to engage in the shopping process (Ateke & Iruka, 2015; Liu et al. 2016).

When managed correctly, customer involvement can lead to increased productivity and customer satisfaction. It can strengthen customer relationships and satisfaction, as involve-

ment is crucial for building effective management relationships between employees and customers. Customer involvement is also beneficial for new product development services, which can enhance marketing performance (Dadfar et al. 2013; Fatima & Razzaque, 2013; Feng & Wang, 2013).

Customer involvement is significantly related to customer loyalty, playing an important role in influencing it. Companies should not only focus on managing their brand image but must also prioritize customer involvement in promotional activities to engage customers effectively in the marketing process. Properly managed customer involvement contributes to greater productivity and satisfaction and helps build stronger relationships between employees and customers. Furthermore, customer involvement supports new product development services that can improve marketing performance (Feng & Wang, 2013; Dadfar et al. 2013; Fatima & Razzaque, 2013; Liu et al. 2016).

According to Cui & Wu (2015) customer knowledge, management encouragement, and management performance are influenced by customer involvement in information, progress, and innovation. Customer involvement also affects marketing performance and plays a role in customer value creation. Effective customer relationships are influenced by customer orientation and competitor orientation (Ali et al. 2021; Guo & Wang, 2015). Customer involvement is shaped by market orientation, which refers to a corporate culture focused on customer needs. This culture is realized through the active collection, utilization, dissemination, and response to market information, and is one of the main drivers of customer value (Jaworski & Kohli, 1993; Chang et al. 2014).

H4 Customer involvement affects marketing performance

Marketing Innovation and Marketing Performance

Marketing innovation involves creating new ideas, products, services, or technologies to seize opportunities and enhance marketing efforts. Market performance is measured by customer satisfaction, which provides value and helps retain customers, contributing to market share growth. This is particularly important for decisions related to innovation and marketing services throughout the marketing process. Successful innovation requires a thorough understanding of product features, pricing, distribution, promotion, and service ideas derived from external knowledge sources (Biégas & Neto, 2015; Aksoy & Cengiz, 2016; Lee et al. 2016).

According to Muangkhot & Ussahawanitchakit (2015) the relationship between marketing innovation strategy and marketing performance—through new product development, customer responsiveness, and marketing excellence—can be understood through three dimensions: learning orientation, strong entrepreneurship, and research and development (R&D) innovation strategy. Marketing innovation has a significant impact on marketing performance. High levels of organizational knowledge can generate new resources in marketing innovation, thereby affecting performance (Nieves & Diaz-Meneses, 2016; Ali et al. 2021).

H5 Marketing innovation affects marketing performance

METHOD

This research is a model development with a service-dominant logic approach where exogenous variables can influence marketing performance variables as endogenous variables.

This study examines marketing capabilities, customer engagement, and marketing per-

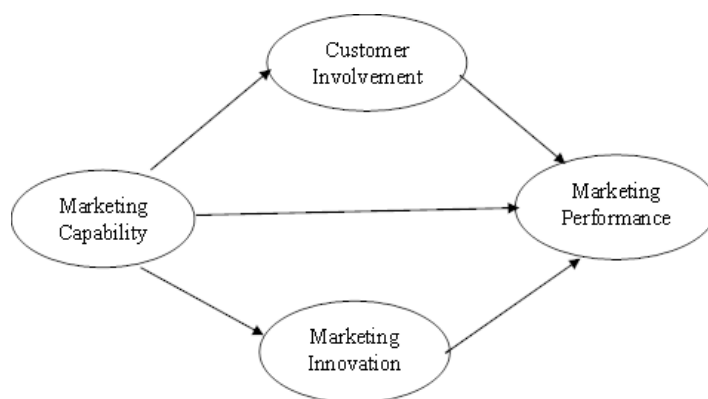


Figure 1 Research Model

formance innovation in the context of developing Service-Dominant Logic (SDL) among furniture export companies in Jepara. The study population consists of 307 furniture export companies in Jepara. Sampling was conducted using the Slovin formula with a 95% confidence level and a 5% margin of error, resulting in a sample of 171 companies. The sample selection was carried out using probability sampling with simple random sampling techniques. A representative sample facilitates generalization to the population (Creswell, 2016). For this study, the respondents were identified as managers and

company owners. Statistical analysis was performed using SEM-PLS 4, testing each variable conceptually and structurally by evaluating outer loading, construct reliability, validity, and path coefficients.

RESULTS

Data processing with SmartPLS 4, and by evaluating outer loading, reliability and construct validity, and path coefficients, the values are as Table 1.

Table 1 Outer Loading

	CI	MC	MI	MP
CI1	0.861			
CI2	0.832			
CI3	0.780			
CI4	0.792			
MC1		0.837		
MC2		0.756		
MC3		0.789		
MC4		0.800		
MI1			0.793	
MI2			0.864	
MI3			0.830	
MI4			0.727	
MP1				0.870
MP2				0.791
MP3				0.827
MP4				0.872

Table 2 Construct Reliability and Validity

	Cronbach's Alpha	Composite Reliability (Rho_A)	Composite Reliability (Rho_C)	Average Variance Extracted (AVE)
CI	0.834	0.839	0.889	0.668
MC	0.809	0.830	0.874	0.634
MI	0.823	0.857	0.880	0.648
MP	0.862	0.877	0.906	0.707

Table 1 outlines the relationships between latent variables and their indicators as follows: MC1 (product development), MC2 (pricing capability), MC3 (communication capability), and MC4 (service capability) are related to market orientation. Additionally, CI1 (service involvement), CI2 (innovation involvement), CI3 (design involvement), and CI4 (development involvement) are associated with customer involvement. Table 1 also shows that MI1 (product creativity), MI2 (price creation), MI3 (promotion creation), and MI4 (design and packaging) are related to marketing innovation. Finally, the relationships between variables and indicators MP1 (sales), MP2 (new market share), MP3 (new customers), and MP4 (customer satisfaction) are linked to marketing performance. The relationships between each indicator and their constructs are demonstrated by indicator construct values of ≥ 0.6 .

Based on Table 2, each variable demonstrates a significant effect. Discriminant validity is assessed by comparing the square root of each construct's Average Variance Extracted (AVE) with the correlations between constructs.

Good discriminant validity is indicated if the square root of the AVE is higher than the correlation with any other construct. The recommended measurement value for discriminant validity should be greater than 0.05. Composite reliability is evaluated by examining the indicators of a variable; a variable is considered to have good composite reliability if the composite reliability score is ≥ 0.7 , even though this is not an absolute standard. The study results show both good discriminant validity and composite reliability.

Based on Table 3, customer involvement, marketing capability, and innovation all significantly affect marketing performance in furniture export companies in Jepara Regency. Additionally, marketing capability influences customer involvement, with a p-value of ≥ 0.05 indicating significance. However, the variable of marketing capability does not significantly affect marketing innovation, as the p-value is 0.055, which is greater than 0.05. Thus, while all independent variables contribute to improving marketing performance, marketing capability does not have a significant impact on marketing innova-

Table 3 Path Coeffisien

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
CI -> MP	0.321	0.325	0.078	4.129	0.000
MC -> CI	0.300	0.311	0.075	4.025	0.000
MC -> MI	0.152	0.165	0.080	1.916	0.055
MC -> MP	0.270	0.269	0.081	3.333	0.001
MI -> MP	0.201	0.206	0.079	2.541	0.011

Table 4 Total Indirect Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
MC -> MP	0.127	0.136	0.042	3045	0.002

tion. Meanwhile, Table 4 shows marketing capability has an indirect effect on marketing performance mediated by customer involvement and marketing innovation.

DISCUSSION

Based on the results, the respondents who met the criteria and requirements had the highest levels of education and tenure. The demographic profile revealed that among the surveyed respondents, 136 were male and 35 were female, indicating a male-dominated industry in the furniture sector of Jepara Regency. In terms of age distribution, respondents were relatively evenly spread across categories, with the largest percentage being between 41 and 50 years old. The ages ranged from 26 to 69 years, with an average age of 44 years. The lowest education level among respondents was high school, while the highest was a master's degree. Most respondents held an undergraduate degree, with 99 individuals from the furniture industry in Jepara Regency engaged in export activities.

The study confirms that marketing capability influences customer involvement, which in turn affects marketing performance. These findings align with Feng & Wang (2013). Marketing innovation also significantly impacts marketing performance. For effective service development, export furniture companies must involve customers and suppliers, develop products according to market demand, and enhance communication with customers (Muangkhhot & Ussahawani-tchakit, 2015; Nieves & Diaz-Meneses, 2016).

Strong communication capabilities and good customer relationships are crucial for improving marketing performance in Jepara Regency's furniture industry. Marketing capability plays a significant role in customer involvement and, consequently, in enhancing marketing performance, especially through effective communication.

Marketing innovation significantly affects marketing performance, consistent with Yunarti & Murwatiningsih (2019). Furniture companies that focus on product creation, design, pricing, promotion, and packaging according to customer preferences demonstrate improved marketing performance. Continuous product innovation, including new designs, models, and promotions, is essential for increasing sales and meeting market demands (Guo & Wang, 2015; Cortez & Hidalgo, 2022).

The study also examined the role of mediating variables, finding that marketing capability does not significantly influence marketing innovation, suggesting that other factors might support innovation beyond marketing capabilities. The study's limitations include the exclusion of social media marketing variables. Future research should address these gaps and further explore service-dominant logic in both B2B and B2C contexts to enrich scientific understanding.

CONCLUSION

Marketing capability significantly affects customer involvement and marketing performance in the furniture export sector of Jepara Regency. Customer involvement and marketing

innovation are crucial factors that enhance marketing performance. Effective communication and strong relationships with customers are essential for improving performance. While marketing capability does not directly influence marketing innovation, it remains vital for devel-

oping marketing strategies and improving performance. Future research should include social media marketing variables and further investigate service-dominant logic to provide a more comprehensive understanding of these dynamics.

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