

Market intelligence on business performance: The mediating role of specialized marketing capabilities

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ABSTRACT This study aims to investigate and examine the mediating role of specialized marketing capabilities (SMC) in the relationship between market intelligence (MI) and business performance (BP) on Indonesia retail fashion SMEs. This study used 330 SMEs with maximum assets of 10 billion Indonesian Rupiah (IDR) and a maximum sales turnover of IDR 50 billion per year. We examined the relationship between MI dimensions: market intelligence generation (MIG), market intelligence dissemination (MID), and responsiveness to market intelligence (RMI) with SMC and BP by using a combination of SPSS and SEM with AMOS 22.0. A Sobel test was used to test the mediating role of SMC in the relationship between MI dimensions and BP. The results of the data analysis show that SMC has an important role as a partial mediator in the relationship between MIG, MID, and RMI with BP. This study suggests that owners or managers of SMEs recognize important market intelligence factors in increasing SMC and BP. This helps them make better investment decisions in developing the right combination of SMC to increase BP. This research integrates MI dimensions and one dimension of marketing capabilities, i.e. SMC, into an empirical model to gain a deeper understanding of the relationship between MI and SMC and how these factors form BP.

KEYWORDS Business performance, market intelligence dissemination, market intelligence generation, responsiveness to market intelligence, specialized marketing capabilities

1. INTRODUCTION

Fashion is part of the creative industry that is quite developed in Indonesia and provides a second contribution after the culinary industry. The share of global online revenue in the Indonesian fashion market reached 20% in 2018 and is expected to continue to grow. It is estimated that 35% of the total fashion market revenue will be generated through online sales by 2024. Most of the fashion industry actors are small and medium enterprises (SMEs), defined as a company that has a maximum annual sales turnover of IDR 50 billion and maximum assets of IDR 10 billion (Law on SMEs). This industry is very dynamic because it is related

to products or markets that are stylish and tend to survive in the short term (Christopher et al., 2004). Popular culture has a major influence on the formation of fashion trends, thus companies will be successful if they have the ability to respond to rapid changes in fashion trends and interpret them into products sold in stores with the shortest possible time (Bruce et al., 2006). In such industries, business intelligence, competitive intelligence and market intelligence become sources of competitive advantage and superior performance (Pirttimäki, 2007).

Business intelligence (BI) enables companies to be better able to collect, process,

store and present data about customers, competitors, technology, markets, products, and the environment (Kubina et al., 2015); enables managers to work with dynamic data changes, analyze and understand the data to get relevant information and use it efficiently (Nofal and Yusof, 2013); and enables companies to achieve competitive advantage (Pirttimäki, 2007; Adidam et al., 2012; Kubina et al., 2015). Competitive intelligence (CI) is part of BI and serves as a strategic tool to facilitate the identification of opportunities and potential threats (Toit, 2013). CI allows companies to be better able to obtain and interpret competitor information to increase their competence in capturing opportunities in the market (Søilen, 2017). CI also enables companies to be more capable in the process of gathering competitor information in the competitive environment and uses this information for decision making and performance improvement planning (Wright et al., 2009). Hence, CI is an important source of information for strategic planning and other activities because it provides information about current and future competitor behavior (Trong Tuan, 2013). Market intelligence (MI) is an important pillar of BI. MI is designed to meet the four needs of business managers, i.e. identifying opportunities and threats from the market environment, helping managers know more about competitors, helping prevent competitors from becoming active, and helping with effective marketing decision making (Li and Li, 2013). This research is focused on MI and its impact on specialized marketing capabilities (SMC) and business performance (BP).

In the last three decades, there have been many studies focusing on the relationship between MI and BP. For example, they focus on MI as a key process in developing new products (Haverila and Ashill, 2011), as an important moderator in the relationship between marketing mix adaptation and export performance (Navarro-García et al., 2016), which plays an important role in improving supply change performance and company performance (Jermisittiparsert et al., 2019). Such studies, in general, have shown that MI is the key to early success in creating superior BP (Lee et al., 2015; Qu and Zhang, 2015; Takata, 2016). In several studies, MI is an implementation of a market-oriented corporate culture, which seeks information about customers and competitors and inter-functional coordination (Narver and Slater,

1990), or is active in implementing market intelligence generation, market intelligence dissemination, and responsiveness to market intelligence (Jaworski and Kohli, 1993).

Market-oriented culture is essential for business performance because gathering external information about customer needs and competitor strategies, sharing information between departments and using this information to respond to the dynamics of market changes will help companies create superior customer value over time (Slater and Narver, 2000; Kahn, 2001; Calantone et al., 2002; Hughes et al., 2008). The main characteristics of market-oriented companies are developing MI, such as: (1) actively gathering information about the needs and desires of existing and anticipated customers, as well as competitive information and technology; (2) disseminating market intelligence to other relevant organizational departments, and (3) using intelligence to respond to changes in the market environment (Jaworski and Kohli, 1993; Carbonell and Rodríguez Escudero, 2010). In some studies, the three main characteristics are considered to be reflective indicators of market orientation, while other studies describe the three characteristics as disaggregated market intelligence variables (Carbonell and Rodríguez Escudero, 2010).

Market orientation (MO) was initially introduced as a reflective composite, and some researchers have investigated whether or how this single composite is related to other variables such as BP (Dong et al., 2016). While many studies report a significant direct positive effect of MO on performance (Kirca et al., 2005; Morgan et al., 2009b; Qu and Zhang, 2015; Beneke et al., 2016), other studies revealed insignificant relationships (Langerak et al., 2004; Huhtala et al., 2014; Kajalo and Lindblom, 2015). Chao and Spillan (2010) show that two dimensions of MO, namely intelligence generation and intelligence dissemination, are not determinants of business performance in the United States and Taiwan. This difference might suggest mediators that have not been handled properly, measurement tools that are flawed and incorrect, or a variety of data collection or analysis techniques used. It is also possible that these conflicting findings result from the fact that fragmented MO components can be related to BP in a unique way (Dong et al., 2016).

In addition to the research gap above, several studies have investigated the potential mediators of marketing capabilities in the relationship between MI and BP. For example, Alnawas and Hemsley-Brown (2019) placed several dimensions of marketing capabilities, i.e. branding, customer relationships and service innovation capabilities. Zehir et. al. (2015), Ho et. al. (2017) and Huhtala et. al. (2014) used innovation capability and Murray et. al. (2011) utilized pricing, product development and marketing communication capabilities. Such research is needed to understand the route of MI in affecting BP. From a strategic point of view, it will not be complete if the practitioner does not understand the process flow that explains the sequence of events from MI to superior BP. By explaining the mediator in the relationship between MI and BP, it will provide more detailed insights for managers on how MI works and how it can be useful as a strategic corporate capability. Thus, this research tries to fill this knowledge gap by placing SMC as important mediators in the relationship between MI and BP. This is as suggested by Alnawas and Hemsley-Brown (2019) about the importance of SMC, which mediates the relationship between MI and BP.

SMC is a core element of marketing capabilities for four reasons. First, SMC determine the effectiveness of the marketing strategy decision and marketing strategy implementation (Morgan, 2012; Morgan et. al., 2012). Second, SMC determines superior BP (Morgan et. al., 2009b). Third, SMC is a source of company positional advantages (Morgan et. al., 2004). Fourth, the increasing level of competition, technological developments in the market and shorter product life cycles pressure companies to increase their capacity in developing SMC. Moreover, up to now, research conducted on the impact of MI on SMC in the retail fashion industry is still not widely found. Sometimes, it is found that MI and SMC are only used as independent variables that affect BP (Morgan et. al., 2009b). Now, opportunities are present to advance understanding of the relationship between MI, SMC, and BP. In this study, MI is defined as a set of behaviors, organizational processes or a series of activities related to market intelligence generation (MIG); market intelligence dissemination (MID); and responsiveness to market intelligence (RMI) (Kohli and Jaworski, 1990; Carbonell and Rodríguez Escudero, 2010; Long et. al., 2017).

Two questions that must be answered by this study are: (1) Does SMC act as an important mediator in the relationship between MI and BP? and (2) If it acts as a mediator, is it classified as a full mediator or a partial mediator? Therefore, this study aims to examine the mediating role of SMC in facilitating the relationship of various dimensions of market orientation with BP. The findings in this study are expected to contribute to the development of the strategic management literature, especially those relating to the relationship among market intelligence, marketing capability, and business performance in the retail fashion industry.

2. THEORETICAL FRAMEWORK

2.1 Market intelligence (MI)

Related to integrated intelligence, Calof et al. (2017) explains that for the strong insights of intelligence in all business environments, and collaboration with functional fields and other disciplines, to get a comprehensive picture of the market in current and future conditions, the authors place MI as part of the marketing discipline that contributes to critical decisions that influence and encourage companies to gain competitive advantage. Executive information systems with integrated CI will improve organizational strategy performance (Calof et al., 2017). MI is an important marketing concept foundation for market-focused strategic planning and implementation. The management of generation, dissemination, and organizational response to MI is very important in increasing organizational effectiveness and efficiency (Gebhardt et al., 2019). MI is also defined as a continuous and cyclic process designed to continuously produce knowledge from raw and scattered data and information, and also the ideas about how to apply this knowledge to strategic marketing management for the business sector (Jamil, 2013).

From a behavioral perspective, MI is identical to market orientation, which emphasizes the activities of collecting, disseminating, and using tighter market information to identify customer requests and preferences (Ajay K Kohli and Jaworski, 1990), increasing innovation speed (Carbonell and Rodríguez Escudero, 2010), improving the performance of new products (Carbonell and Rodríguez Escudero, 2010; Najafi-Tavani et al., 2016), and improving company performance

(Panigyrakis and Theodoridis, 2007; Long et al., 2017). Research developments related to MO have suggested that MI should be investigated through a disaggregated approach (Carbonell and Rodríguez Escudero, 2010; Long et al., 2017).

First, MIG is a dimension of MI related to company activities in gathering primary and secondary information from organizational stakeholders such as competitors, suppliers, intermediaries and market forces such as social, cultural, regulatory and macroeconomic factors (Matsuno and Mentzer, 2000). MIG is a concrete action from company intelligence in gathering market information to monitor and respond to customer needs and preferences, as well as an analysis of how they can be influenced by factors such as government regulation, technology, competitors, and other environmental forces (Long et al., 2017). MIG is also an activity to collect information related to trends and changes in the market or identify other forces that influence the customer needs and demands (Dong et al., 2016). Hence, MIG is the process of gathering market information, assessing customer needs/preferences and forces that influence the development of those needs (Kara et al., 2005). According to Long et al. (2017), companies with good market intelligence generation are at least visible through three business activities. These are meetings with customers at least once a year to find what products or services they will need in the future, when individuals from the service department interact directly with customers to learn how to better serve their needs, and when they conduct end-user surveys at least once a year to assess the quality of product and service offerings.

Second, MID is a dimension of MI relating to the extent to which information is distributed, shared and discussed among relevant users in an organization formally or informally (Moorman, 1995). MID describes communication and transfer of intelligence information to all departments and individuals in an organization through formal and informal channels (Long et al., 2017). Sharing information openly with all parties involved in the product and market development process will lead to a better understanding of product requirements and the range of capabilities or limitations of each party (Carbonell and Rodríguez Escudero, 2010). Thus, MID is the process and level of market information exchange in an organization both formally and informally (Kara et al., 2005). According to

(Long et al., 2017), there are at least four characteristics of a company with good MID. These are: (a) many informal discussions in the business unit among employees regarding competitors' tactics or strategies, (b) sales force in each business unit spending time to discuss future customer needs with other functional departments, (c) when something important happens in the main customer market, all business units recognized it in a short time, and (d) data about customer satisfaction and/or dissatisfaction is disseminated at all levels in the business unit systematically.

Third, RMI is an action taken in response to intelligence generated and disseminated (Jaworski and Kohli, 1993). RMI is related to the extent to which companies react to market signals and opportunities and potential market threats (Wei et al., 2013). It also deals with corporate-level strategic actions to respond to market information generated from competitors, customers and other sources (Homburg et al., 2007; Wei et al., 2013). Rapid response to changes in the environment (customers and competitors) is a critical success factor for the company. Responses related to competitors are most effectively achieved by designing processes that generate competitive intelligence, and disseminate, analyze, and store information related to competitors, while the response associated with the customer depends on the orientation of values, beliefs, and norms of the customer (Homburg et al., 2007). Long et al. (2017) explained that responsive companies are seen to have at least three characteristics: (a) they are fast in responding to significant changes in competitor pricing structures, (b) when companies find that customers are dissatisfied with the quality of service they get, they immediately take corrective action, and (c) when the company learns that the customer wants to modify the product or service, the department involved makes a joint effort to do so.

2.2 Specialized marketing capabilities (SMC)

Marketing capabilities are an integrative process designed to apply the knowledge, skills and collective resources of an enterprise to market-related business needs, enabling businesses to add value to their goods and services, adapt to market conditions, take advantage of market opportunities and meet competitive threats (Day, 1994a; Vorhies and Morgan, 2005; Kajalo and Lindblom, 2015).

This includes SMC, the capability of the process in supporting the company's marketing strategy related to the concrete elements of the marketing mix, sales and market research (Morgan et. al., 2009b; Merrilees et. al., 2011; Trez et. al., 2012; Kajalo and Lindblom, 2015). SMC concerns specific functional-based processes that are used in organizations to combine and change resources (Vorhies and Morgan, 2005). SMC is usually seen as a process that includes tactical marketing programs that are usually needed to implement marketing strategies (Vorhies and Morgan, 2003). This capability is related to the classic marketing mix of activities related to products, prices, communication, and distribution, and the ability in sales and market research (Hunt and Morgan, 1995; Morgan, 2012).

Product management capabilities involve the process of adapting, maintaining and providing product and service offerings to meet customer needs. In order to be effective, product management efforts must focus on understanding customer needs in targeted segments (Morgan, 2012). Companies with good product management capabilities will be seen from their aggressive activities in developing new products or services, exploiting R&D investments, testing new product or service marketing, successfully launching new products or services, and ensuring efforts to develop products or services responsive to customer needs (Trez et. al., 2012). The capability of managing prices relates to pricing skills and systems to respond to market changes quickly, utilizing knowledge of competing for pricing tactics, performing effective work in determining product or service prices, and monitoring competitor prices and price changes (Trez et. al., 2012). Capability manages relationships related to activities that support the efforts of channel members in developing and maintaining mutually beneficial relationships. Various potential capabilities associated with channel management such as customer companies can develop channel capabilities related to order processing, shipping, reverse processing, and customer service. On the other hand, companies that have channel intermediaries between companies and end-users need broader channel capabilities such as attracting new channel members and adding value to the channel member's business (Morgan, 2012). Marketing communication capabilities are built on fundamental marketing activities such

as advertising, personal selling, sales promotion, social media participation, sponsorship, public relations, and corporate image management. Communicating the benefits of the company's new products and services to potential customers, reminding current users about the benefits and availability of products, and strengthening purchasing decisions to reduce cognitive dissonance are important skills that companies must possess to have strong marketing communication capabilities (Lane Keller, 2001).

Selling capability consists of two elements. First, there are personal competencies involved in sales activities (Chakrabarty et. al., 2014), such as analyzing customer needs, providing information, and working with current and potential customers to ensure satisfaction of needs and the development and management of customer relationships. Second, a system and structure capacity is needed to ensure efficient and effective sales force management (Lambe et. al., 2009; Schmitz, 2012), such as orientation and ongoing training of sales force and sales managers, developing control systems such as salesforce call management systems, performance tracking systems and order tracking systems, and developing effective coordination with product/brand and market managers (Morgan, 2012).

Market research capability is related to the company's ability to provide answers to market-related questions set by its managers. The company's market research capability usually involves the ability to translate questions raised by managers into a summary of the research that has been set, design an appropriate research plan, collect the necessary data, analyze the data collection, and communicate the answers needed (Moorman, 1995). Market research capabilities have also been conceptually and empirically connected with company performance (Wei and Wang, 2011).

2.3 Business performance (BP)

Business owners measure BP to track the completion of company goals and objectives, investors use BP to measure certain financial and productivity indicators, management uses BP to analyze past performance and adjust as needed in the future, and employees use BP to track productivity in meeting bonus payment criteria (Lee et al., 2015). Some researchers used growth dimensions to measure BP (Cho and Pucik, 2005; Zhou et al., 2007; Morgan,

Slotegraaf, et al., 2009; Debicki, 2017). This dimension may be more accurate for companies at the level of SMEs (Wiklund and Shepherd, 2005). Based on a meta-analysis, Stam et al. (2014) describe three dimensions to measure BP. These are (a) growth performance, such as sales, profit, employment, and market share growth, (b) profitability such as returns on assets, return on equity, and returns on sales and (c) non-financial performance such as technical advantage, competitive ability, productivity, and export performance. The business performance used in this study is adjusted to the existing conditions and the possibility of respondents to be able to answer correctly based on the data and knowledge they have. The intended business performance is sales growth, customer growth, expansion of sales territory, profit growth, and business capital growth (Hendar et al., 2017).

2.4 Market intelligence (MI) and specialized marketing capabilities (SMC)

MI is an organizational activity that implies market orientation and is the responsibility of all functional departments that play a role in developing the knowledge and skills that connect products with customers (Kahn, 2001). MI—delivered in the form of MIG, MID and RMI—is a source of knowledge and skills to improve SMC, such as in the development of new products, pricing capability, and marketing communication capability (Murray et al., 2011). Companies that collect market information and use other MI capabilities can more skillfully predict future consumer needs and adapt more quickly to variations that occur in the market (Najafi-Tavani et al., 2016). This enables companies to be better able to improve SMC, such as in product development activities, pricing, channel management, and marketing communications, and the sales strategy used. In other words, companies with good MI will have greater opportunities to vary their marketing mix, sales strategies, and market research than other companies that lack information and who make their decisions based on instinct (Navarro-García et al., 2014). Thus, H1 to H3 are proposed:

H1: There is a positive relationship between MIG and SMC

H2: There is a positive relationship between MID and SMC

H3: There is a positive relationship between RMI and SMC

2.5 Market orientation (MO) and marketing performance (BP)

MI is an intangible asset of an entrepreneur that cannot be bought in any market or exchanged with other resources. MO is a culture-related behavior that is firmly rooted in the values and norms of organizational members and is the key to success in the restaurant business (Jogarotnam, 2017), hotels (Vega-Vázquez et al., 2016), SMEs (Amin et al., 2016; Long et al., 2017), and franchises (Lee et al., 2015). Several arguments support the positive effect of MI on BP. First, through MI, the company will produce codified knowledge from customers and competitor environments that is useful for decision making in terms of improving BP. Second, MI supported by a set of internal mechanisms that are well-established for sharing information in various departments will increase the company's ability to transfer and exploit existing knowledge at the organizational level to increase BP. Third, the use of MI that is focused on responding to changing customer needs and desires, and the behavior of competitors, will make it easier for the companies to create customer value over time.

In many empirical studies in this decade, MI has become an important antecedent of BP. For example, Wei-Shong et al. (2015) shows that MIG, MID and RMI have a very strong influence on BP. In this context, business performance refers to market knowledge creation, customer satisfaction, and profit performance. Likewise, research by Lee et al. (2015) shows that the three dimensions of MO have a positive effect on financial and non-financial performance. These findings are consistent with some of the previous studies in the MO literature (Narver and Slater, 1990; Jaworski and Kohli, 1993). By referring to the views of Jaworski and Kohli (1993) who explain MO in the form of MIG, MID, and RMI, hypotheses H4 to H6 are offered:

H4: There is a positive relationship between MIG and BP

H5: There is a positive relationship between MID and BP

H6: There is a positive relationship between RMI and BP

2.6 Specialized marketing capabilities (SMC) and business performance (BP)

In general, the positive effect of SMC on BP has been well documented. For example, in the mediation analysis of export marketing capabilities in the relationship between SMC and the performance of export businesses, Morgan et al. (2012) explain the significant relationship between SMC and the performance of export businesses. Previously, Morgan, Vorhies, et al. (2009) also explained marketing capabilities in specialized forms, and architectural marketing capabilities are important antecedents that determine BP. Other researchers explain companies with good SMC, such as pricing capabilities and product development, determine good business performance (Ju et al., 2011). Therefore, the potential relationship between SMC and BP is very possible considering that superior business performance arguments are only possible when a company has SMC such as the ability to manage marketing mix, sales and market research. First, companies that have better capabilities in managing the marketing mix will be better able to improve business performance. Second, companies that can drive salespeople to be customer-oriented and adapt to the sales environment will be able to improve the performance of salespeople, which will then increase BP. Third, companies that have market research capabilities will obtain valuable market information to increase customer value and business performance at the same time. Thus, H7 is proposed as:

H7: There is a positive relationship between SMC and BP

2.7 The mediating role of specialized marketing capabilities (SMC)

Market-oriented companies that do aggressive MIG, MID and RMI will generally have better capabilities in increasing marketing capabilities (Morgan, Vorhies, et al., 2009; Ngo and O'Cass, 2012; Takata, 2016; Kamboj and Rahman, 2017; Alnawas and Hemsley-Brown, 2019a). Companies with good marketing capabilities will have a better ability to improve business performance (Morgan et al., 2012; Takata, 2016; Kamboj and Rahman, 2017). Ju et al. (2011) used MIG, MID and RMI as indicators to measure MO and these three indicators play an important role in

determining marketing capabilities in the form of pricing capability, product development capability, and marketing communication capability. The two marketing capabilities, i.e. pricing and product development capability, lead to improved financial performance and strategic performance. Also, SMC such as product development capabilities, marketing communications, channel management, and pricing, have been tested as important mediators in the relationship between MO and business performance in financial and service organizations in India (Kamboj and Rahman, 2017). This means that marketing capabilities, or specifically SMC, have an important role as a mediator in the relationship between MI and BP. Takata (2016) explains the direct effect of marketing capabilities on stable performance for the three years investigated. This study also found market orientation has an indirect effect on performance through marketing capabilities. Based on these findings, the authors try to place SMC as a potential mediator in the relationship between MI and BP. MI in this context was adapted from the views of Jaworski and Kohli (1993) which consisted of MIG, MID, and RMI. The authors consider that the three constructs are an important part that can explain SMC and BP. SMEs with the characteristics of MIG, MID, and RMI that can increase SMC will have the ability to increase BP. Given that there is a significant relationship between MI and BP as explained before, the authors consider SMC to have potential as a partial mediator in the relationship between the dimensions of MI and BP. Therefore, H8 to H10 are proposed as:

H8: SMC acts as a mediator in the relationship between MIG and BP.

H9: SMC acts as a mediator in the relationship between MID and BP.

H10: SMC acts as a mediator in the relationship between RMI and BP.

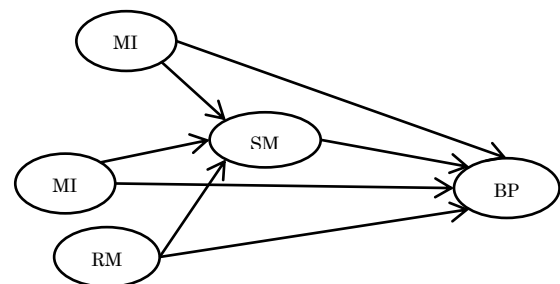


Figure 1 The study's model.

3. RESEARCH METHOD

The population in this study is the owners of fashion retail SMEs in Indonesia, which in 2018 amounted to around 620,276 units (BPS, 2019). Furthermore, in 2019, it is estimated that the data is not very different considering that in this industry it is very easy for actors to enter and exit the market. These SMEs are companies that have a maximum net worth of IDR 10 billion per year and sales of IDR 50 billion (Law No.20/2008, 2008). Hence, the authors used the samples that meet the guidelines of five times the estimated number of parameters (Hair et al., 2010). The maximum number of parameters estimated is 64 items, thus the minimum number of samples needed is 320.

The researchers distributed questionnaires to 558 retail fashion owners or managers of SMEs in Indonesia using the snowball sampling technique. This is a non-probability sampling technique for getting samples through a rolling process from one respondent to another (Noy, 2008). The questionnaire was distributed by research assistants to the owner or manager of the selected retail fashion SMEs. In general, respondents were not immediately able to answer, therefore, researchers allowed two months to collect the questionnaires. After two months of the data collection process, only 432 questionnaires were returned, or about 77.42%. The final evaluation of the questionnaire received after checking the damaged questionnaires and outlier data obtained 330 questionnaires (59.14%) that were suitable for data analysis. The data came from 190 respondents who submitted questionnaires in less than one month and the remaining 140 were submitted after more than one month. The selected respondents consisted of 76.7% women and 23.3% men, aged between 25 years and 50 years. Most of them are owners and managers of retail fashion SMEs are married and have worked for more than three years. Most of their education level (65.1%) is high school or lower, with 10.7% earning a diploma and 24.2% earning a bachelor degree.

4. INSTRUMENT

MIG, MID, and RMI were adopted from Kohli et al. (1993), which was adjusted for the survey of retail fashion SMEs in Indonesia. The results obtained are six initial instrument items for MIG, six for MID, and seven for RMI. The seven items of SMC were adopted from the views of Morgan et al. (2012) and Trez et al.

(2012) and five items of BP were adapted from the views of Jogaratnam (2017) and Hendar et al. (2017). This study used self-reported subjective interpretations of the constructs of MIG, MID, RMI, SMC, and BP. Previous studies provide strong support for the application of subjective measures of MIG, MID, RMI, SMC and BP. A 10-point scale was used to obtain managerial assessments of the five constructs, 1 indicating "strongly disagree" and 10 indicating "strongly agree" for the statements proposed (Hair et al., 2010). Respondents were then asked to indicate their perceptions of MIG, MID, RMI, SMC, and BP over the past three years (see Table 1).

5. DATA ANALYSIS

Data analysis in this study used a combination of SEM with AMOS version 22.0 and SPSS. The program was used to test a model, specific hypotheses of a model, or a series of interrelated models (Chan et al., 2007). Through the program, confirmatory factor analysis (CFA) was used to test the validity and reliability of latent constructs. The validity of the model was assessed by comparing theoretical measurement models with reality models to see how well the data is aligned (Harrington, 2009). The alignment test of a model was determined by several tools and indicators such as the Chi-square test which was not significant at $\alpha = 0.05$, and popular goodness-of-fit indices, such as the goodness of fit index (GFI) > 0.90, average goodness of fit (AGFI) > 0.90, normal fit index (NFI) > 0.90, comparative match index (CFI) > 0.95, tucker-lewis index (TLI) > 0.95, and root mean square approach approximation (RMSEA) < 0.07; and CMIN / DF > 2 (Hair et al., 2010; TEO et al., 2013).

6. RESULTS

6.1 Assessment of normality and multicollinearity

The skewness value is checked to see whether the data meet the assumption of normality (Table 1). The results showed that skewness values of all indicators ranged between -0.417 and 0.174, thus the assumption of normality was reasonable based on the recommendation that both values do not exceed an absolute value of 3 (Hair et al., 2010). The variance inflation factor (VIF) is used to test multicollinearity between free constructs. All VIFs ranged between 1,264 and 1,315, which is far below the general threshold of 10.0,

indicating that multicollinearity is not a serious problem (Mason and William D. Perreault, 1991). Based on this test, it is reasonable to conclude that the data do not violate the assumptions of normality and multicollinearity (see Table 2).

6.2 Reliability and validity

The initial measurement model produced five items for MIG, MID and BP, and six items for RMI and SMC (Table 1). The selected items are reviewed concerning each theoretical basis and are considered to adequately realize the theoretical constructs that represent the model. Reliability is assessed based on Cronbach's alpha and composite reliability (Fornell and Larcker, 1981). All alpha coefficients exceed the 0.70 thresholds suggested by Nunnally (1978) and composite reliability that exceeds 0.6. Hence, it meets the level of acceptance for the reliability of each construct (Bagozzi and Yi, 1988). Convergent validity is determined by examining the average variance extracted (AVE) for each

construct to the other constructs. The AVE, which is greater than the correlation between constructs, shows good convergent validity (Alumran et al., 2014).

All items were found to be significant ($p < 0.001$) on a factor corresponding to a loading factor ranging from 0.612 to 0.787. The AVE values were between 0.807 and 0.897, which is greater than the correlation between constructs and shows good convergent validity. Also, the AVE values that exceed 0.50 indicate that the majority of variants are explained by constructs, not by measurement errors. This is under the recommended threshold of Bagozzi and Yi (1988) and is an indication of good construct convergent validity (see Table 2). Besides, the square root of the AVE for each construct is greater than the correlation between constructs, thus it confirms the validity of discriminants between constructs (Fornell and Larcker, 1981; Hair et al., 2010). In short, all tests used have supported the use of this research's scale.

Table 1 Items, fit indices, composite reliability (CR), average variance extracted (AVE) and standardized loadings. *** Significant at $p < 0.001$ (two - sided). Fit statistics: *chi square* = 349.77; *prob* = 0.080; *GFI* = 0.928; *AGFI* = 0.913; *NFI* = 0.910; *TLI* = 0.989; *CFI* = 0.990; *RMSEA* = 0.019; *CMIN/DF* = 1.114.

Constructs and Instruments	λ	Skew
MIG Market intelligence generation (Cronbach's Alpha= 0.838, CR = 0.840 / AVE = 0.854)		
MIG1 Continuity in meeting customers	0.727***	-0.112
MIG2 Continuity in interacting with customers	0.707***	-0.233
MIG3 Continuity in gathering customer information	0.696***	-0.132
MIG4 Speed in detecting customer tastes	0.715***	-0.158
MIG5 Continuity in gathering competitor information	0.732***	0.015
MIG6 Speed in detecting changes in the industry	--	--
MID Market intelligence dissemination (Cronbach's Alpha= 0.804, CR = 805 / AVE = 0.807)		
MID1 Continuity in discussing competitor strategies	0.655***	0.031
MID2 Continuity in discussing market developments	0.728***	-0.038
MID3 Continuity in discussing future needs of customers	0.674***	-0.069
MID4 Speed in informing changes in tactics and strategies of major competitors	0.688***	-0.102
MID5 Intensity in communication between parts of the organization	0.612***	0.018
MID6 Speed in providing important information to all parts of the organization	--	--
RMI Responsiveness to market (Cronbach's Alpha= 0.856, CR = 0.857 / AVE = 0.866)		
RMI1 Continuity in responding to changes in competitor prices	0.740***	-0.150
RMI3 Continuity in paying attention to changes in product or customer service needs	0.710***	-0.105
RMI4 Speed in responding to competitors' actions that harm the company	0.694***	0.046
RMI5 Continuity in responding to customer complaints	0.675***	.174
RMI5 Accuracy in implementing marketing plans	0.698***	0.178
RMI6 Speed in reacting to changes in competitor prices	0.721***	-0.117
RMI7 Speed in taking action when customers are not satisfied	--	--
SMC Specialized Marketing Capabilities (Cronbach's Alpha= 0.857, CR = 0.857; AVE = 0,866)		
SMC1 Ability to manage products	0.710***	-0.417
SMC2 Ability to manage prices	0.643***	-0.303
SMC3 Ability to manage distribution channels	0.666***	-0.150
SMC4 Ability to manage marketing communications	0.754***	-0.217
SMC5 Ability to manage sales	0.755***	-0.229
SMC6 Ability to manage market research	0.710***	-0.372
BP Business Performance (Cronbach's Alpha= 0.876; CR = 0.876; AVE = 0.898)		
BP1 Sales growth	0.787***	-0.298
BP2 Customers growth	0.782***	-0.229
BP3 Expansion of sales area	0.767***	-0.334
BP4 Increased profits	0.732***	-0.366
BP5 Venture capital growth	0.760***	-0.257

Table 2 Construct reliabilities, correlations and AVE. ^aFactor reliabilities are on the diagonal (italic bold). ^bCorrelation Coefficient of Exogenous Construct **P < 0.01; * P < 0.05.

N = 330	1	2	3	4	5
1. Market Intelligence Generation (MIG)	<i>0.839^a</i>				
2. Market Intelligence Dissemination (MIG)	<i>0.418^b</i>	<i>0.805</i>			
3. Responsiveness to Market intelligence (RMI)	<i>0.460^b</i>	<i>0.432^b</i>	<i>0.857</i>		
4. Specialized Marketing Capabilities (SMC)	0.404	0.411	0.415	<i>0.857</i>	
5. Business Performance (BP)	0.402	0.429	0.418	0.415	<i>0.876</i>
AVE	<i>0.852</i>	<i>0.807</i>	<i>0.856</i>	<i>0.867</i>	<i>0.897</i>
VIF	<i>1.302</i>	<i>1.264</i>	<i>1.315</i>	<i>1.270</i>	--

6.3 Hypothesis test

Two types of regression analysis are used to estimate the impact of the dimensions of MI on SMC and BP. The first regression illustrates the effect of MIG, MID and RMI on SMC used to test hypotheses 1, 2 and 3. The second regression describes the relationship of MIG, MID, RMI, and SMC on BP used to test hypotheses 4, 5, 6 and 7. The test results show that all hypotheses are accepted (Table 3).

The mediation test of SMC in the relationship between the dimensions of MI with BP refers to the suggestion by Baron and Kenny (1986). First, the independent variable must influence the mediator. Second, the independent variable must be shown to influence the dependent variable. And third, the mediator must influence the dependent variable. That means the dimensions of MI, i.e. MIG, MID, and RMI, must influence SMC and BP, and SMC must also affect BP. The Sobel Test is then used to calculate the estimated indirect effect of the independent variable on the dependent variable through a mediator (Sobel, 1982). Mediation tests help identify the existence of a significant intervention mechanism of SMC in the relationship between the three dimensions of MI with the dependent variable of BP. Mediation tests can describe the effects possessed by a set of independent and mediator variables on the dependent variable into direct and indirect effects (Jogaratnam,

2017). Mediation analysis involves partial mediator and full mediator. Partial mediator occurs when there is a direct relationship between the independent variable and the dependent variable, in addition to an indirect relationship through mediation variables. Full mediator occurs when there is no direct relationship between the independent variable and the dependent variable, while the indirect relationship through the mediating variable is significant (Rucker et. al., 2011; Jogaratnam, 2017).

The mediation test procedure proposed by Sobel (1982) was adopted to test the mediating effect of SMC (Table 4). Multiple regression analysis was carried out to assess each condition in relation to the proposed mediation model. The p-value is determined as a measure of the significance of the relationship between the two variables. A p-value less than 0.05 indicates a significant relationship between the two variables. Furthermore, two regression models are set. First, SMC was found to be significantly affected by MIG ($\beta = 0.45$, $t(330) = 5.80$, $p\text{-value} = 0.001$), MID ($\beta = 0.45$, $t(330) = 5.80$, $p\text{-value} = 0.001$), and RMI ($\beta = 0.45$, $t(330) = 5.80$, $p\text{-value} = 0.001$). Second, BP is explained by MIG ($\beta = 0.45$, $t(330) = 5.80$, $p\text{-value} = 0.001$), MID ($\beta = 0.45$, $t(330) = 5.80$, $p\text{-value} = 0.001$), RMI ($\beta = 0.45$, $t(330) = 5.80$, $p\text{-value} = 0.001$) and SMC ($\beta = 0.45$, $t(330) = 5.80$, $p\text{-value} = 0.001$).

Table 3 Parameter estimated for the path: Direct effects. Post-hoc analysis: mediator

Hypothesis	Regression	Beta	B	SE	CR	p-value	Sig.
H1	MIG → SMC	0.226	0.252	0.083	3.056	0.002	Accepted
H2	MID → SMC	0.218	0.231	0.078	2.957	0.003	Accepted
H3	RMI → SMC	0.213	0.281	0.097	2.897	0.004	Accepted
H4	MIG → BP	0.179	0.207	0.084	2.474	0.013	Accepted
H5	MID → BP	0.164	0.181	0.079	2.288	0.022	Accepted
H6	RMI → BP	0.197	0.270	0.099	2.737	0.006	Accepted
H7	SMC → BP	0.193	0.200	0.071	2.822	0.005	Accepted

Table 4 Parameter estimated for the path: indirect effects (Sobel Test). Note: * p < 0.05; **p < 0.01.

Path					Unstd B	S.E.	c.r.	p-value
MIG	-->	SMC	-->	BP	0.054	0.024	2.065	0.039*
MID	-->	SMC	-->	BP	0.046	0.023	2.004	0.041*
RMI	-->	SMC	-->	BP	0.056	0.029	2.019	0.049*

Concerning the test of H8, the SMC acts as a partial mediator in the relationship between MIG and BP. The direct effect of MIG on SMC is explained by Unstd β 0.252, S.E 0.083 and c.r 3.056 so that it is significant at α 0.05. The direct effect of SMC on BP is explained by Unstd β 0.200, S.E 0.071 and c.r 2.822 so that it is significant at α 0.05. The indirect effect of MIG on BP through SMC is explained by the Unstd coefficient β 0.054 (0.252 x 0.200). The Sobel Test results show the value of c.r 2,065, S.E 0.024 and p-value 0.039 so that it is significant at α 0.05. The total effect of MIG on BP through SMC is 0.261 (0.207 + 0.054) which is greater than the direct effect (0.207). It indicates that SMC has a very important role as a partial mediator in the relationship between MIG with BP and becomes an important alternative in increasing BP. Therefore, this study accepts H8.

Related to the test of H9, the SMC acts as a partial mediator in the relationship between MID and BP. The direct effect of MID on SMC is explained by Unstd β 0.231, S.E 0.078 and c.r 2995 so that it is significant at α 0.05. The direct effect of SMC on BP is explained by Unstd β 0.200, S.E 0.071 and c.r 2.822 so that it is significant at α 0.05. The indirect effect of MID on BP through SMC is explained by the Unstd coefficient β 0.046 (0.231 x 0.200). The Sobel Test results show the value of c.r 2.004, S.E 0.023 and p-value 0.041 so that it is significant at α 0.05. The total effect of MIG on BP through SMC is 0.227 (0.181 + 0.046), which is greater than the direct effect (0.181). It indicates that SMC has a very important role as a partial mediator in the relationship between MID with BP and is an important alternative in increasing BP. Therefore, this study accepts H9.

Regarding the test of H10, SMC acts as a partial mediator in the relationship between RMI and BP. The direct effect of RMI on SMC was explained by Unstd β 0.281, S.E 0.097 and c.r 2.897 so that it was significant at α 0.05. The direct effect of SMC on BP is explained by Unstd β 0.200, S.E 0.071 and c.r 2.822 so that it is significant at α 0.05. The indirect effect of RMI on BP through SMC is explained by the

Unstd coefficient β 0.056 (0.281 x 0.200). The Sobel Test results show the value of c.r 2.019, S.E 0.028 and p-value 0.049 so that it is significant at α 0.05. The total effect of RMI on BP through SMC is 0.326 (0.270 + 0.056), which is greater than the direct effect (0.270). This indicates that SMC has a very important role as a partial mediator in the relationship between RMI with BP and becomes an important alternative in increasing BP. Therefore, this study accepts H10.

7. DISCUSSION AND MANAGERIAL IMPLICATIONS

The purpose of this study is to examine the role of SMC in the relationship between the dimensions of MI (i.e. MIG, MID, and RMI) with BP in the context of retail fashion SMEs in Indonesia. Based on the supporting marketing research arguments adopted, this research hypothesized that MIG, MID and RMI cultures implemented in retail fashion SMEs will provide opportunities to increase SMC and BP. The results of this research confirm that all dimensions of MI are not only important drivers of SMC but also BP. Under the same conditions, SMC is an important driver for increasing BP. This is in line with the findings that emphasize the role of marketing capabilities in increasing BP (Takata, 2016).

Theoretically, this research contributes to the development of strategic marketing science by examining the direct and indirect effects of MIG, MID, and RMI on BP that is transformed through SMC. Specifically, it was found that SMC is partial mediator because it has a direct positive effect of MIG, MID, and RMI on BP. In the view of marketing dynamic capability, competitive advantage or positional advantage results from the capability of the organization to increase resources. This study is based on this perspective and found that MIG, MID, and RMI can be considered to be strategic resources that can be used to improve SMC in the fashion industry. This is very possible because the fashion industry is related to products or markets that are stylish and tend to survive in the short term (Christopher et. al., 2004).

Popular culture has a major influence on the formation of fashion trends, so companies will be successful if they can respond to rapid changes in fashion trends and interpret them into products sold in stores with the shortest possible time (Bruce et. al., 2006). This requires continuous market information that can be used to develop SMC and BP. The findings of this research confirm the view of Murray et. al. (2011) that marketing capabilities mediate the effect of MI on performance. Therefore, MI is an important part of increasing SMC and hence, it has a positive impact on BP.

This study contributes to the MI literature in three ways. First, we overcome gaps in the literature by examining the dimensions of MI (i.e. MIG, MID, and RMI) in non-western cultural contexts, especially in Indonesia. Second, while most of the MI studies on business have used large companies, this study investigates SMEs in Indonesia. Third, this study combines the role of MI in developing SMC and BP in Indonesia retail fashion.

Based on empirical findings, we offer some insight into the market-oriented activities of retail fashion SMEs in Indonesia. First, retail fashion SMEs in Indonesia used MI strategies to develop SMC and increase BP. Secondly, western marketing ideas, such as MIG, MID, and RMI, provide opportunities for retail fashion SMEs in Indonesia to create a clear roadmap in developing marketing capabilities, maintaining business, and continuing to improve business performance.

The further results of this study show that SMC and BP can be facilitated by maintaining characteristics associated with MIG, MID, and RMI. MIG culture can be built by getting used to meeting customers to interact, get information, detect customer tastes, and get information about competitors' strategies. MID culture is built by, discussing the competitors' strategies, market developments, and customers' future needs, as well as speeding up the process of sharing information related to the changes in competitors' tactics and strategies, and increasing the intensity of communication between organizational members, such as employees and owners. While RMI culture can be developed by accustoming company owners, managers and employees to respond to the customer complaints, responding to changing product or customer service needs, responding quickly to changes in competitor prices, and implementing marketing plans that are in line

with changes in the marketing environment. Cultivating such a culture can inspire the initiative of owners, managers, and employees in increasing the capability of managing products, prices, distribution channels, marketing communications, sales, and market research.

8. MANAGERIAL IMPLICATIONS

This study suggests that to build a strong SMC, retail fashion SMEs must proactively develop effective MI culture through serious activities in MIG, MID, and RMI. Thereby, they can take advantage of business and market opportunities in developing countries. Market knowledge gained from these activities can be used to reconstruct resources and carry out cross-functional processes in product development and various price management activities, channels, marketing communications, sales, market research, and customer relations. In other words, the owners or managers of SMEs must increase the integrated marketing mix, manage sales, and carry out continuous market research in order to grow and survive in a very competitive market (Takata, 2016).

Because the application of MI leads to an increase in SMC and BP, the awareness of owners or managers towards changes in the market is very important. They must build a culture by applying MI elements effectively. MI provides the owners or managers of SMEs with a better tool to understand customer needs and desires, mechanisms to identify opportunities, and information that can minimize the risks involved in the decision-making process. This can reduce unnecessary risks in the marketing environment (Jogaratnam, 2017; Long et al., 2017).

9. LIMITATION AND FUTURE RESEARCH

As many other studies, this study also has limitations. First, the research model is tested in one country only, i.e. Indonesia. Thus, future research can expand the generalization of findings by examining the relationship of hypotheses with samples from other countries. Second, this research model used the mediating variable of SMC in the relationship between MI and BP. Hence, future research can examine the mediating effects of other capabilities such as architectural marketing capabilities, brand management capabilities, CRM capabilities, and new product

development capabilities. Third, although this research has explained the role of dimensions of one of the company's orientation strategies, i.e. the relationship among MI, SMC and BP, it does not yet involve other orientation strategies, such as organizational orientation, innovation orientation, and entrepreneurial orientation. The involvement of these three constructs in the development of this research model is likely to be needed in the future. Studying the effects of other strategic orientations such as organizational orientation, innovation orientation and entrepreneurial orientation on SMC and BP is needed to see how they affect this capability variation. Fourth, this study focused on retail fashion SMEs operating in highly fragmented and mature industries. Future research can broaden these findings and improve generalizations by conducting studies on SMEs in other industries, such as manufacturing and services at small, medium and large scales.

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