

Can Marketing Resources Contribute to Company Performance?

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This study investigates the relationships between market orientation, innovation resources, reputational resources, customer related capabilities and distribution-based assets, as well as their impact on both market and financial performance. The results indicate that market orientation is indirectly related to a company's market and financial performance through the four other marketing resources. Reputational resources have a positive impact on loyalty, market share and sales volume, while the impact of innovation resources on the market share and sales volume is more indirect and through customer loyalty. While customer-related capabilities significantly impact customer loyalty, their impact on the market share and sales volume can not be confirmed. On the other hand, the distribution-based assets are only weakly related to loyalty, the market share and the sales volume. The general findings indicate that selected marketing resources impact financial performance indirectly through the creation of customer loyalty and directly through the market share and sales volume.

Key words: market orientation, innovation resources, reputational resources, customer related capabilities, distribution-based assets, organizational performance

JEL: M31, M10

Ali marketinški viri prispevajo k uspešnosti podjetij?

V raziskavi proučujemo povezavo med tržno naravnostjo in inovacijskimi viri, viri ugleda, sposobnostmi povezanimi z odjemalci in premoženjem, ki temelji na dobaviteljih, kakor tudi njihov vpliv na tržno in finančno uspešnost. Rezultati razkrivajo, da je tržna naravnost preko štirih obravnavanih marketinških virov posredno povezana s tržno in finančno uspešnostjo podjetij. Viri ugleda imajo pozitiven vpliv na zvestobo in tržne deleže ter obseg prodaje, medtem ko je vpliv inovacijskih virov na tržne deleže in obseg prodaje predvsem neposreden preko vpliva zvestobe odjemalcev. Sposobnosti povezane z odjemalci sicer pomembno vplivajo na zvestobo odjemalcev, vendar v raziskavi njihove povezave s tržnimi deleži in obsegi prodaje nismo potrdili. Premoženje, ki temelji na dobaviteljih je zgolj šibko povezano z obema kazalcema tržne uspešnosti (zvestobo, tržnimi deleži in obsegi prodaje). V splošnem ugotavljamo, da tržni deleži in obsegi prodaje na finančno uspešnost vplivajo neposredno, hkrati pa so tudi pomemben mediator pri posrednem vplivu zvestobe odjemalcev na finančno uspešnost.

Ključne besede: tržna naravnost, inovacijski viri, viri ugleda, sposobnosti povezane z odjemalci, premoženje, ki temelji na dobaviteljih, uspešnost.

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1 Introduction

The benefits of developing and exploiting resources have been a significant theme in strategic management literature (e.g. Barney, 1991; Day, 1994; Hunt, 2000; Hunt & Morgan, 1996; Wernerfeld, 1984). However, Srivastava *et al.* (2001) concluded that the attention given to resource based theory (RBT) in marketing is not commensurate with its potential importance. The growing theoretical and conceptual work on marketing resources is not supported by empirical investigations (Fahy, 2000; Hooley, Greenley, Cadogan, & Fahy, 2005).

RBT seems to be particularly suitable for organizations operating in turbulent environments where changes in cu-

stomer tastes, technological innovations and social and political discontinuities make it impossible to predict the future portfolio of the product and market segments, even in the short term (Azzone, Bertele, & Rangone, 1995). One of the main reasons for the authors to study the relationships between marketing resources and the market and financial performance of organizations in Slovenia is that most marketing studies using RBT to evaluate the linkage between an organization's marketing resources and its performance has been confined to organizations in the western hemisphere (Fahy *et al.*, 2000; Hooley *et al.*, 2005; Luo, Sivakumar, & Liu, 2005). The results of previous research reveal that, in comparison to other western countries (e.g. United Kingdom, New Zealand, Australia,

Austria), companies in Slovenia have inferior marketing resources, such as market orientation, innovation resources, reputational resources, customer related capabilities and distribution-based assets (Hooley *et al.*, 2004).

This paper, therefore, has the following objectives: (a) to propose a conceptual model of selected marketing resources, as well as their relationship with the market and financial performance of organizations and (b) to test the proposed conceptual model empirically in Slovenian companies with more than 20 employees.

2 Theoretical Background

Following the work of Penrose (1959), Wernerfelt (1984) and others (Barney, 1991; Day, 1994; Hunt, 2000; Hunt & Morgan, 1996) emphasized the importance of organizational factors in creating a competitive advantage in contrast to the industry-based determinism of the Porterian view. The RBT's principal contribution to date has been as a theory of competitive advantage. By the mid-1990s, RBT, with its cogent mix of economic rigour and management reality, had assumed central stage in strategic management (Fahy, 2000).

Resources can be defined as any attribute - tangible or intangible, physical or human, intellectual or relational - that can be deployed by a company enabling it to produce, efficiently and/or effectively, a market offering that has value for some market segment(s) (Hunt, 2000). Several authors (e.g. Barney, 1991; Chaharbaghi & Lynch, 1999; Day, 1994; Day & Wensley, 1988; Hofer & Schendel, 1987; Hooley, Broderick, & Möller, 1998; Hunt & Morgan, 1996; Srivastava *et al.*, 1998; Wernerfelt, 1984) tried to classify organizational resources, but none of the classification schemes have been widely accepted. The lack of a general classification scheme is one of the most profound problems for researchers. However, according to Fahy (2000) and Hooley *et al.* (1998), resources can be divided into:

(a) Assets:

- tangible (land, plant and machines, people, etc.), and
- intangible (procedures and systems, knowledge, brands and reputation, etc.)

(b) Capabilities:

- individual (customer care, individual learning, coordination skills, etc.),
- group (customer orientation, group learning, interpersonal skills, etc.),
- corporative (market orientation, organizational learning, portfolio management, innovation, planning processes, etc.).

Some authors assert that intangible resources are probably the most important in creating and sustaining competitive advantage (Amit & Schoemaker, 1993; Stalk, Evans, & Shulman, 1992)

On their own, resources are barely productive. Rather, they should be assembled in a specific assortment that holds a high potential for the development of competencies and leads to the development of competitive ad-

vantages (Jüttner & Wehrli, 1994). A firm has a competitive advantage when it implements a value-creating strategy that is not being implemented simultaneously by any current or potential competitors in a given market or industry (Hunt, 2000). Clear definitions of competitive advantage are rare and it is often used interchangeably with concepts such as distinctive competences (Day & Wensley, 1988).

Not all resources, however, are likely to be of equal importance in creating a competitive advantage. Therefore, resources with the potential to create a competitive advantage should have at least four characteristics: (1) they must be valuable to a company in the sense that they exploit opportunities and/or neutralize threats in the company environment, (2) they must be rare among the company's current and potential competitors, (3) they must resist imitation by current and potential competitors and (4) they do not have more appropriate substitutes (Barney, 1991; Fahy, 2000).

Therefore the sustainability of the competitive advantage of an organization could be achieved through the deployment of mechanisms that protect its competitive advantage from imitation (Dierickx & Cool, 1989; Hooley *et al.*, 2005; Lippman & Rumelt, 1982; Reed & DeFillippi, 1990) such as: (a) causal ambiguity (difficulty in identifying how the advantage was created), (b) complexity (arising from the interplay of multiple resources), (c) tacitness (intangible skills and knowledge resulting from learning and doing), (d) path dependency (the need to pass through critical time dependent stages to create the advantage), (e) economics (the cost/benefit ratio of imitation) and (f) legal barriers (such as property rights and patents).

Resources that are market-focused, such as: market orientation, reputation, innovation, customer related capabilities and distribution-based assets and are among the resources that display the characteristics noted above. Therefore, such resources are important for creating a competitive advantage (Fahy & Smithee, 1999; Hall, 1992; Harris, 2001; Hooley *et al.*, 2005; Hunt, 2000; Srivastava *et al.*, 1998). These resources are regarded as marketing resources because they create value in the market place (Hooley *et al.*, 2005; Srivastava *et al.*, 1998).

3 Marketing Resources and Market and Financial Performance

According to a substantial stream of research from the 1990s, market orientation is one of the central concepts to marketing thought and practice, being a key predictor of firm performance (e.g. Atuahene-Gima, Slater, & Olson, 2005; Atuahene-Gima, 1995, 1996; Baker & Sinkula, 2005; Jaworski & Kohli, 1993; Narver, Slater, & MacLachlan, 2004; Narver & Slater, 1990). On the basis of various empirical and conceptual research projects, it has been widely accepted that market orientation can be used sensibly as long as the following two basic points are taken into consideration together (e.g. Day, 1994; Deshpande &

Farley, 2004; Kohli & Jaworski, 1990; Slater & Narver, 1995): (a) market orientation as a culture and (b) market orientation as behaviour. As a culture, market orientation includes customer orientation, competitor orientation and inter-functional coordination (Narver & Slater, 1990). The behavioural dimensions of market orientation include the organization-wide generation of information, the dissemination of information across departments and organization-wide responsiveness (Kohli & Jaworski, 1990).

According to Drucker (1954), an organization has only two value-creating functions: marketing and innovation. Recently, authors have identified innovation as one of the most important management functions (Han *et al.*, 1998; Lukas & Ferrell, 2000). Marketing and innovation are, now more than ever, viewed as stimuli to economic growth and major components of competitive advantage (Lukas & Ferrell, 2000). Innovation includes two constructs (Hurley and Hult, 1998): (a) innovativeness, which reflects an openness to new ideas and is an aspect of organizational culture, and (b) the ability to innovate, which indicates the capacity of an organization to successfully accept and implement new ideas, processes or products.

The relevant literature has only recently started defining brands as assets and brand equity as a major component of organization's market place value (Knox, 2004). Reputational resources consist of (a) the organization's reputation and image and (b) brand reputation and image (Hooley *et al.*, 2005; Olavarrieta & Friedmann, 1999). As such, a strong reputation offers the leading firm a valuable resource that it can continue to exploit to sustain its position in the market (Shamsie, 2003). Such a reputation takes the form of an intangible asset that is closely tied to the firm and is available to use over the long term (Hall, 1992; Peteraf, 1993; Wernerfelt, 1984). Several empirical studies indicate that reputational effects are important (Weigelt & Camerer, 1988) and that a firm's reputation is an asset that can generate future income (Eberl & Schwaiger, 2005).

Customer related or outside-in capabilities are undoubtedly among the most important market-based resources of any organization (Day, 1994). These include the ability to identify customer wants and requirements, along with the capabilities to create and build appropriate relationships with those customers. Such a marketing resource exhibits many of the characteristics of the creation of a sustainable competitive advantage (Hooley, 2005). As Day (1994) has argued, this resource is one of the most important predecessors of customer perceived value and is therefore of considerable importance to any organization.

Building effective distribution-based assets – such as good relationships with suppliers, a unique approach to distribution and good relationships with distribution channel intermediaries – can also offer opportunities to create a sustainable competitive advantage (Cooper *et al.*, 1997; Higginson and Alam, 1997). Distribution-based assets are significant because they impact key competitive dimensions such as product availability, order to delivery cycle time, costs and customer service. These assets also

generate sustainable competitive advantages because they require the merging of diverse and sometimes conflicting groups within the organization and between organizations in order to achieve common goals.

Marketing resources are important for creating a competitive advantage and can lead to superior levels of organizational performance. Hult *et al.* (2004) define organizational performance as the achievement of organizational goals related to profitability and growth in sales and the market share, as well as the accomplishment of firm general strategic objectives. Organizational performance can be expressed in several ways using different measures. Based on the relevant literature (Chakravarthy, 1986; Hooley *et al.*, 2005; Narver & Slater, 1990; Sandvik & Duhan, 1996; Slater & Olson, 2001; Venkatraman & Ramanujan, 1986), two bundles of organizational performance measurements can be used: (a) market performance (market share, sales volume and customer loyalty) and (b) financial performance (overall profit levels achieved, profit margins and return on investment).

4 Conceptual Framework and Hypotheses Development

The number of researchers studying the relationships between market orientation and innovation is growing (Atuahene-Gima, 1996; Deshpande & Farley, 2004; Han *et al.*, 1998; Hooley *et al.*, 2005; Hurley & Hult, 1998; Jaworski & Kohli, 1993; Lukas & Ferrell, 2000; Narver & Slater, 1990). Authors claim that market orientation can serve as a solid platform for successful new product performance. According to Deshpande and Farley (2004), the most important expression of market orientation is the success of innovation, which paves the way to organizational success. Increased market orientation is also likely to lead to greater emphasis on brand building and the creation of reputational assets (DeChernatony & McDonald, 1992; Doyle, 2000). Since brand valuation is a comprehensive and integrated measure that focuses on the customer, it is also relevant to the concept of market orientation (Cravens & Guilding, 2000). Market orientation is also likely to lead to the development of superior customer relations (Day, 1994; Hooley, 2005) and superior distribution-based assets. Therefore:

H₁: Market orientation is positively related to innovation resources, reputational resources, customer related capabilities and distribution-based assets.

The research concerning the association between the degree of innovation and a organizational performance also shows that innovation resources can be used as a predictor of this performance (Gatignon & Xuered, 1997; Deshpande *et al.*, 1993; Subramanian, 1997). Heskett, Sasser & Schlesinger (1997) claim that a competitively superior perceived product value is highly and positively related to customer satisfaction with these products, which in turn leads to increased customer loyalty. Also, reputatio-

nal resources are of particular importance important in developing and maintaining loyalty on the part of customers (Dick & Basu, 1994; Porter, 1985; Raj, 1985). In their research, Nguyen and LeBlanc (2001) revealed that customer loyalty has a tendency to be higher when perceptions of corporate reputation are strongly favourable. Perhaps one of the most important tasks for the organization that impacts customer satisfaction and loyalty, is the development of customer related capabilities, such as the ability to identify customer requirements, the ability to create, maintain and enhance customer relationships. How distribution based assets impact on the firm's competitive position and performance is still somewhat unclear and lacks empirical evidence. Novack *et al.* (1994) found that logistics executives do not know precisely how supply chain management creates value for customers because this phenomenon has not been examined and quantified. However, according to Tracey *et al.* (2005), there exists a relationship between distribution-based assets, perceived customer value and customer loyalty. Therefore we propose:

H₂: Innovation resources, reputational resources, customer related capabilities and distribution-based assets are positively related to customer loyalty.

Innovation resources are found to have a positive effect on customer loyalty, as well as on market share and sales volume (Ge & Ding, 2005). The rationale behind this is ascribed to the potential of innovation resources to satisfy the changed or new demands of the customers and to accommodate uncertainties (Han, Kim, & Srivastava, 1998). Strong reputational resources also help the organization to achieve and protect the market share and sales volume (Uncles *et al.*, 2003). Likewise, customer related capabilities are likely to directly influence sales levels by ensuring that customer expectations and requirements are met directly (Day, 1994). Also, distribution-based as-

sets have been found to impact the market share and sales volume (Tracey *et al.* 2005). Accordingly, we hypothesize that:

H₃: Innovation resources, reputational resources, customer related capabilities and distribution-based assets are positively related to the market share and sales volume.

Reicheld (1993) states that when a company is consistently able to offer better value and achieve customer loyalty, the market share and turnover increases while the costs of attracting and serving customers decreases. Firms with large groups of loyal customers therefore have large market shares and the market share is, in turn, associated with higher rates of return on investment (Buzzell, Gale, & Sultan, 1975; Raj, 1985; Reichheld & Sasser, 1990). The market share will lead to profitability due to the economies of scale and experience effects. Other authors (e.g. Prescott, Coolí, & Venkatraman, 1986; Rumelt & Wensley, 1981) have also indicated that market performance has significant positive effects on financial performance. Thus following two hypotheses are proposed,

H₄: Customer loyalty is positively related to market share and sales volume and

H₅: Customer loyalty, market share and sales volume are positively related to financial performance.

5 Methodology

An empirical study was conducted using mailed questionnaires. This measurement instrument was developed in three phases. First, in-depth interviews were conducted with senior marketing executives in 24 organizations. A questionnaire was then developed and piloted using a smaller sample. Finally, after several modifications of the

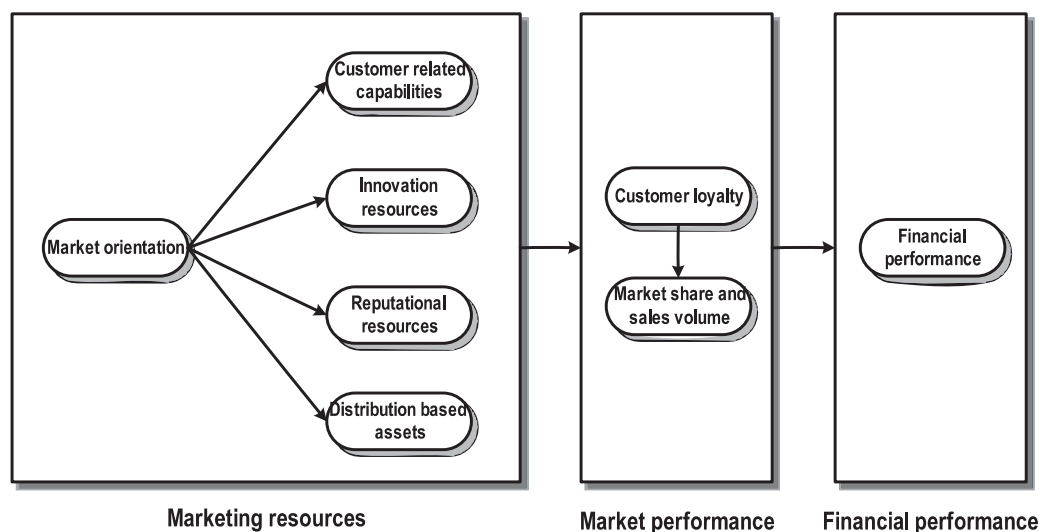


Figure 1: Conceptual framework

layout and wording of the questions, the direct mail questionnaire was sent to companies in Slovenia with more than 20 employees ($N=2,551$). In every company, we identified a single respondent in one of the following positions: CEO, member of the Board of Directors responsible for marketing or the marketing director. These key respondents were used as previous studies have shown that these senior managers are generally reliable in their evaluations of the firm's activities and performance (e.g. Hart & Banbury, 1994; Venkatraman & Ramanujan, 1986). In total, 759 usable questionnaires were received, representing a response rate of 29.7%. The companies that responded came from a variety of industries (49.7% from manufacturing, 12.5% from wholesale and retail, 7.6% from construction, 1.3% from agriculture, 1.5% transportation and 27.4% from other).

To measuring the market orientation, the authors used fourteen items from Narver and Slater's (1990) scale on a seven-point Likert scale. Innovation resources were measured with three items and reputational resources, customer related capabilities and supply assets with four items each using a 5-point continuous scale (from "strong competitors' advantage" to "our strong advantage"). All indicators of market performance (customer loyalty, market share and sales volume) were measured using two items on 5-point continuous scales, while financial performance was measured with three items on a 5-point continuous scale developed by Hooley *et al.* (2005).

First, all the scales were verified for construct validity, which indicates the extent to which the items on a scale measure the abstract or theoretical construct (Chandler, 1991; Churchill, 1979). The construct validity was assessed with two EFA. The first EFA included market orientation, customer loyalty, the market share and sales volume and financial performance. Out of the initial 22 items, 9 were eliminated since they did not significantly effect their factors. The second EFA included innovation resources, reputational resources, customer related capabilities and distribution-based assets. Once again, out of the original 15 items, 5 were eliminated for the same reason. The final model included 23 items (manifest variables) and 8 constructs (latent variables). The items for the measurement of the model components are presented in table 1.

Then, in order to test for discriminant validity, two CFA models were constructed, the first containing constructs of market orientation, customer loyalty, market share and sales volume and financial performance and the second containing innovation resources, reputational resources, customer related capabilities and distribution-based assets. The indices of fit for the first model were: $\chi^2 = 137.15$; $df = 59$; $RMSEA = .04$; $GFI = 0.97$; $CFI = 0.98$; $NNFI = .97$ and $\chi^2 = 191.10$; $df = 29$; $RMSEA = .08$; $GFI = .95$; $CFI = .93$; $NNFI = .90$ for the second model. Also, several CFA's were run for each possible pair of constructs, the first allowing for correlation between the two various constructs and then fixing the correlation between the constructs at 1. In every case, the chi square differences between the fixed and free solutions were significant. Also, convergent validity was assessed by checking the

statistical significance of the loadings at a given alpha (e.g., $p=0.05$). All the loadings were significant ($p<0.01$) and, with the exception of 3 items, all were over the recommended threshold of .6. Reliability was assessed using composite reliability measures. They were mostly above .6 (Table 1). The average variance extracted also exceeded the recommended threshold of .5 in most cases, with the exception of market orientation, customer loyalty and reputational resources. Therefore, the overall assessment of the measurement part of the model provided good evidence of its validity and variability.

The components (latent variables) and their reliabilities, items (manifest variables), mean values and standard deviations are presented in Table 1.

The hypotheses were simultaneously tested using structural model equations (SEM) using LISREL. The structural model is presented in Figure 2. Parameter estimation was undertaken using the maximum likelihood (ML) method, which is the most widely used method in practice (Baumgartner & Homburg, 1996). ML provides consistently efficient estimation and is relatively robust against moderate departures from the assumption of multivariate normality (Diamantopoulos & Siguaw, 2000).

6 Results

An overall fit assessment of the model revealed a chi-square value of 876.54 ($p<.01$), with 215 degrees of freedom. A significant chi-square value indicates that the model does not fit the data perfectly. Although the analysis of a covariance structure has traditionally relied on a chi-square likelihood ratio test to assess how well a model fits, it is very sensitive to the sample size, number of items and number of factors in the model (Anderson & Gerbing, 1984; Bollen, 1989). Bollen (1989) suggests that a perfect fit may be an inappropriate standard, indicating what we already know – that the model does not perfectly fit the data. Therefore, other fit indices, including RMSEA, GFI, CFI, and NNFI, can be used to assess the overall model fit. The root mean square error of approximation (RMSEA) value of the model was .05 ($RMSEA=.06$), which is in fact close to the range for a good fit and still suggests a reasonable fit (MacCallum, Browne, & Sugawara, 1996). Additional fit indices were mostly over the suggested threshold of .9 (Diamantopoulos and Siguaw, 2000). The goodness-of-fit index (GFI) reached a value of .91, the comparative-fit-index ($CFI=.90$) and the root mean square residual ($RMR=.07$). Non-normed fit index was slightly below the recommended value ($NNFI=.88$).

Table 3 provides an overview of estimated effects (standardized regression coefficients), along with t values and significance measures.

As predicted by H_1 , the companies' market orientation was a significant and positive predictor of innovation resources ($\gamma=.39$; $p<.01$), reputational resources ($\gamma=.32$; $p<.01$), customer related capabilities ($\gamma=.37$; $p<.01$) and distribution-based assets ($\gamma=.33$; $p<.01$). The authors therefore confirm H_1 . Hypothesis H_2 predicted that innovation

Table 1: Component items, means, standard deviations and reliability measures

	Mean	Std. Deviation	Composite reliability	Average variance extracted
Market orientation (7 point scale)^a			.783	.383
We achieve rapid response to competitive actions.	4.8524	1.33907		
Top management regularly visits important customers.	5.1157	1.49430		
Functions are integrated to serve market needs	5.2770	1.22223		
Top management regularly discusses the competitors' strengths and weaknesses.	4.5579	1.49364		
Managers understand how employees contribute to value for customers	4.9440	1.32434		
Customers are targeted when we have an opportunity for competitive advantage.	4.5166	1.48663		
Financial performance (5 point scale)^c			.873	.700
Overall profit levels achieved in comparison with the competitors	3.1783	.95501		
Profit margins in comparison with the competitors	3.2209	.94670		
Return on investment in comparison with the competitors	3.1650	.85771		
Market share and sales volume (5 point scale)^c			.825	.703
Sales volume achieved in comparison with the competitors	3.3729	.93957		
Market share in comparison with the competitors	3.3702	.88125		
Customer loyalty (5 point scale)^c			.589	.452
Levels of customer loyalty compared to competitors	3.5249	.72675		
Levels of customer loyalty compared to last year	3.4783	.68218		
Reputational resources (5 point scale)^b			.621	.450
Company or brand name and reputation	3.5618	1.08729		
Credibility with customers through being well established on the market	3.7526	.85886		
Customer related capabilities (5 point scale)^b			.828	.623
Good at understanding customer needs and requirements	3.7535	.76280		
Good at creating relationships with key customers or customer groups	3.8281	.73232		
Good at maintaining and enhancing relationships with key customers	3.8299	.76138		
Distribution-based assets (5 point scale)^b			.779	.635
The extent or nature of the distribution network	3.1657	.98039		
The uniqueness of our distribution approach	3.1942	.77983		
The relationships with distribution intermediaries	3.1957	.77540		
Innovation resources (5 point scale)^b			.667	.675
Ability to launch successful new products and services	3.3515	.94671		
Effective new product/service development processes	3.1663	.91657		

^a Seven-point scale anchored at: 1 = not at all and 7 = to an extreme extent.

^b Five-point scale anchored at 1 = strong competitors' advantage and 5=our strong advantage.

^c Five-point scale anchored at 1 = much worse and 5 = much better.

resources, reputational resources, customer related capabilities and distribution-based assets are positively related to customer loyalty. The results show, that customer related capabilities ($\beta=.29, p<.01$), innovation resources

($\beta=.11, p<.01$) and distribution-based assets ($\beta=.11, p<.01$) are indeed significantly and positively related to customer loyalty. Although the relationship between reputational assets and customer loyalty is weaker ($\beta=.10$) and signifi-

Table 2: Correlations between latent variables

	1.	2.	3.	4.	5.	6.	7.	8.
1. Customer loyalty	1.000							
2. Market share and sal. volume	.406	1.000						
3. Financial performance	.341	.658	1.000					
4. Innovation resources	.181	.245	.168	1.000				
5. Distribution-based assets	.170	.193	.135	.128	1.000			
6. Reputational resources	.155	.422	.276	.123	.105	1.000		
7. Customer related capabilities	.331	.131	.111	.143	.123	.118	1.000	
8. Market orientation	.218	.247	.173	.386	.331	.318	.371	1.000

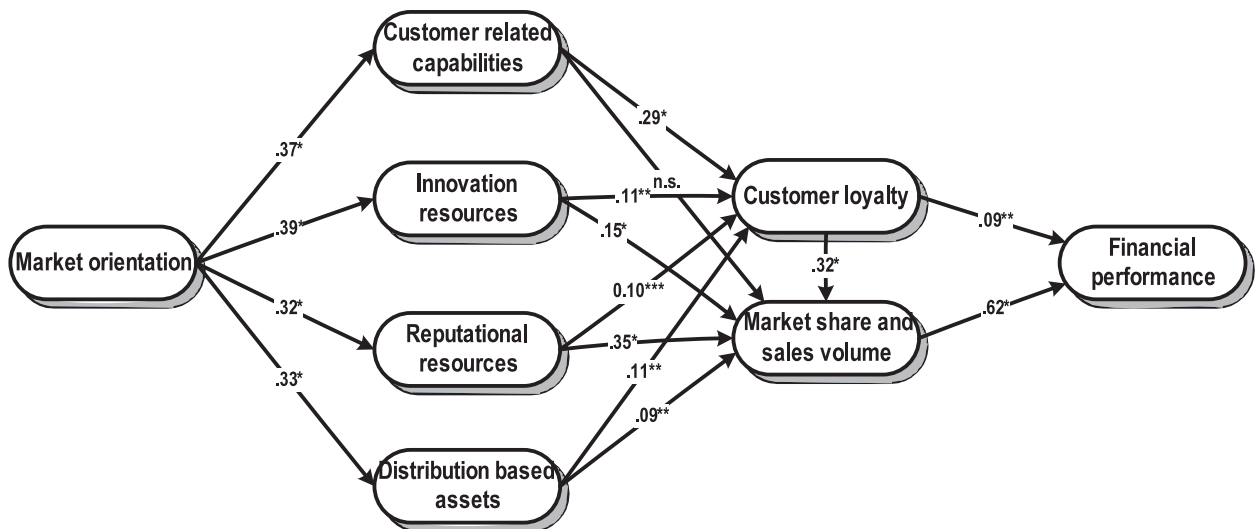
cant only at the level $p < .10$, we can also confirm hypothesis H_2 . Innovation resources ($\beta = .15$, $p < .01$), reputational resources ($\beta = .35$, $p < .01$) and distribution-based assets ($\beta = .09$, $p < .05$) also have a positive impact on the market share and sales volume. Surprisingly the path between the customer related capabilities and the market share and sales volume was not significant, therefore we provide only partial support for H_3 . Hypothesis H_4 was once again supported since loyalty proved to be significant predictor of the market share and sales volume ($\beta = .32$, $p < .01$).

Customer loyalty, market share and sales volume (H_5) should also have a positive impact on the financial performance. The structural equations and p values indicated positive returns in both cases. Strong positive and significant findings were returned for the path from market share and sales volume to financial performance ($\beta = .62$, $p < .01$). However, the relationship between customer loyalty and financial performance was much weaker ($\beta = .09$) and significant only at the level $p < .05$. Since the market share and sales volume construct mediates the customer loyalty impact on financial performance, H_5 can also be supported.

Table 3: Standardized regression coefficients, along with t-values and significance

Relationships	Standardized regression coefficient	t-value	Significance
Market orientation – Customer related capabilities	$\gamma = .37$	8.21	$p < 0.01$
Market orientation – Innovation resources	$\gamma = .39$	8.66	$p < 0.01$
Market orientation – Reputational resources	$\gamma = .32$	6.35	$p < 0.01$
Market orientation – Distribution-based assets	$\gamma = .33$	6.69	$p < 0.01$
Customer related capabilities – Customer loyalty	$\beta = .29$	6.26	$p < 0.01$
Innovation resources - Customer loyalty	$\beta = .11$	2.46	$p < 0.05$
Reputational resources - Customer loyalty	$\beta = .10$	1.87	$p < 0.10$
Distribution-based assets - Customer loyalty	$\beta = .11$	2.23	$p < 0.05$
Customer related capabilities – Market share and sales volume	$\beta = -.05$	-1.09	n.s.
Innovation resources - Market share and sales volume	$\beta = .15$	3.26	$p < 0,01$
Reputational resources - Market share and sales volume	$\beta = .35$	6.65	$p < 0,01$
Distribution-based assets - Market share and sales volume	$\beta = .09$	2.02	$p < 0.05$
Customer loyalty - Market share and sales volume	$\beta = .32$	4.21	$p < 0.01$
Loyalty – Financial performance	$\beta = .09$	1.96	$p < 0,05$
Market share and sales volume – Financial performance	$\beta = .62$	13.47	$p < 0,01$

γ and β - standardized regression coefficient



* $p < 0,01$; ** $p < 0,05$; *** $p < 0,10$;

$\chi^2 = 876,54$; $df = 215$; $RMSEA^1 = .06$; $GFI = .91$; $CFI = .90$; $NNFI^4 = .88$; $RMR^5 = .07$

¹ RMSEA – the root mean square error of approximation; ² GFI – the goodness-of-fit index; ³ CFI – the comparative-fit-index;

⁴ NNFI – the non-normed fit index; ⁵ RMR – the root mean square residual

Figure 2: Standardized path estimates

7 Discussion and Implications

In the present study, we proposed a conceptual model of some marketing resources and their relationship with the market and the financial performance of organizations. We empirically tested the proposed conceptual model with structural equation modelling (SEM) using a sample of companies in Slovenia with more than 20 employees.

This study minimizes the gap between the majority of studies using RBT, which are focused on the practice of companies in the Western hemisphere, versus the relatively few studies regarding this issue in non-Western settings (e.g. Luo, Sivakumar & Liu, 2005).

The present study supports the convention that market orientation is the predecessor of innovation, since the companies' market orientation proved to be a positive predictor of their ability to launch successful new products and services and effective new product/service development processes. According to our study, innovation tends to have an indirect impact on the market share and sales volume through customer loyalty rather than a direct effect. Therefore, loyalty is a relevant construct in the relationship marketing literature and is considered to be a "key mediating variable" in relational exchanges (Morgan & Hunt, 1994).

The results presented in this study empirically confirm that reputational resources are also important market performance predecessors. Previous studies have empirically linked company reputation directly to financial performance (Roberts & Dowling, 2002) while, in our model, market performance variables were introduced as mediators between market orientation and market and financial performance. The positive relationships between

corporate/brand reputation, credibility (labelled as reputational resources) and loyalty are well documented in the literature (Wiedmann & Buxel, 2005). Reputational resources are: (a) directly and positively related to the market share and the sales volume; and (b), together with innovation resources, are indirectly and positively related to the market share and sales volume through loyalty. Therefore, it is not surprising that company reputation is one key indicator of long-term company value (Dowling, 2006).

Empirical evidence from our study suggests that there is no direct relationship between customer related capabilities, the market share and sales volume. Taking into account that the path from customer related capabilities to customer loyalty is positive and customer loyalty is also a significant and positive predictor of the market share and sales volume, it can be assumed that the impact of customer related capabilities on the market share and sales volume is rather indirect. Superior customer related capabilities therefore indirectly influence sales levels by ensuring better knowledge of customer expectations, resulting in higher satisfaction and loyalty levels.

Distribution-based assets were found to have a significant, positive but weak direct effect on customer loyalty, the market share and sales volume. This confirms that distribution assets are a vital part of customer convenience in products acquisition and can therefore play an important role in the customers' perceived value, satisfaction and loyalty. However, distribution-based assets can also directly influence the market share and sales volume. These results prove that building effective distribution-based assets, such as an adequate distribution network, the uniqueness of the approach to distribution and the relations-

hips with distribution intermediaries can also offer opportunities to create a sustainable competitive advantage.

Finally, customer loyalty has a weak direct effect on financial performance, which is in accordance with the findings of Reinartz and Kumar (2004). Rather than a direct effect, loyalty tends to have an indirect effect on financial performance, mediated by the market share and sales volume. This confirms the defensive marketing view of the market share discussed by Fornell and Wernerfeld (1987), where customer retention is seen as the most important component of the market share.

7.2 Limitations and Further Research

As an effort to address a complex phenomenon, this study is subject to several limitations. As we only considered the relationship between selected marketing resources and organizational performance, future research should include: (1) other marketing resources to provide better understanding of company resources in yielding superior performance (e.g. internal marketing and the intensity and frequency of marketing communication) and (2) an additional investigation of the relationship between customer loyalty and financial performance.

In addition to relying on subjective performance measurements, we could also rely on objective data. However, previous studies have reported a significant association between objective and subjective performance measures (Dess & Robinson, 1984; Pearce, Robbins & Robinson, 1987; Venkatraman & Ramanujan, 1986). Additional limitations of the study are the participation in the survey of just a single respondent per company and the exclusion of customers and competitors as informants (Harris, 2001). Therefore, future studies should rely on an approach using multiple key informants for data collection.

8 References

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