



Badan Kemitraan, Inovasi dan Kewirausahaan (BKIK)  
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# INTERNATIONAL WEBINAR-WORKSHOP

March 29<sup>th</sup> – 30<sup>th</sup> 2022

## ON CULTURE AND CONSERVATION DRIVEN INTERPRENEURSHIP

**“Building Creative & Innovative Skills”**



**INTERNATIONAL  
WEBINAR-WORKSHOP  
ON CULTURE AND CONSERVATION DRIVEN  
INTERPRENEURSHIP  
2022**

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***“Building Creative and Innovative Skills”***

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# KATA PENGANTAR

Assalamualaikum warahmatullahi Wabarakatuh

Yang terhormat, Ketua Yayasan Pendidikan Galuh Ciamis, Wakil Ketua Yayasan Pendidikan Galuh Ciamis, Sekretaris Yayasan Pendidikan Galuh Ciamis, Wakil Sekretaris Yayasan Pendidikan Galuh Ciamis, Bendahara Yayasan Pendidikan Galuh Ciamis, Rektor Universitas Galuh, Wakil Rektor Bidang Akademik dan Kerjasama, Wakil Rektor Bidang Keuangan dan Sumber Daya Manusia, Wakil Rektor Bidang Kemahasiswaan, Direktur Program Pascasarjana Universitas Galuh, Dekan di lingkungan Universitas Galuh, Ketua Badan Penjamin Mutu Internal Universitas Galuh, Ketua Lembaga Penelitian dan Pengabdian Kepada Masyarakat Universitas Galuh, Ketua Badan Kemitraan, Inovasi dan Kewirausahaan Universitas Galuh, para pembicara seluruh peserta kegiatan juga seluruh panitia kegiatan workshop internasional kewirausahaan.

Puji syukur kita panjatkan kehadiran Tuhan Yang Maha Esa, karena atas limpahan rahmat-Nya kita masih bisa berkumpul secara virtual dalam acara ini dan dalam keadaan sehat walafiat. Shalawat serta salam tercurahlimpahkan bagi nabi besar Muhammad SAW beserta keluarga, sahabat dan para pengikutnya hingga akhir zaman.

Hadirin yang berbahagia, selamat datang kami ucapkan kepada semua pembicara serta seluruh peserta kegiatan workshop ini. Workshop kewirausahaan internasional ini mengambil topik "Pembentukan karakter dan ekologi wirausaha pada masa dan pasca pademic covid-19". Dalam kegiatan ini kita membahas geliat kewirausahaan yang terjadi pasca pandemi covid-19. Civitas akademika terhadap relevansinya dengan kewirausahaan yang ada di sekeliling kita. Hadirin yang berbahagia, saya selaku panitia, ijin saya melaporkan keterlebitan pemaparan pada workshop kali ini yang berasal dari Universitas Galuh, Universiti Kebangsaan Malaysia, Direktur LPDP, Persatuan Konsultasi Indonesia (Perkindo) provinsi JAWA Barat dan AgriSocio. Informasi jumlah peserta yang mengikuti kegiatan ini adalah 801 peserta dengan komposisi 585 mahasiswa S1, 201 mahasiswa S2, juga 15 dosen dari lingkungan Universitas Galuh. Selanjutnya, saya selaku ketua panitia kegiatan ini yang berasal dari PT. Bank Rakyat Indonesia (Persero) Tbk., PT. Bank Tabungan Negara (Persero) Tbk., PDAM Tirta Galuh, dan Green Hotel Ciamis. Terakhir, tidak lupa saya sampaikan permohonan maaf apabila penyambutan selama kegiatan ini berlangsung kurang berkenan dan berkesan.

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Ciamis 26 Mei 2022

Ketua

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# THE COMPONENTS OF SOCIAL MEDIA MARKETING CAPABILITIES WHICH SUPPORT SMES MARKETING PERFORMANCE

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## Abstract

This paper aims to explore the importance of social media marketing capability on business performance. The conceptualization of social media marketing capability was developed using six aspect of Morgan's specialized marketing capabilities framework. The data collected from SMEs actors in the food sector who have just received a food safety certificate, which means they have had the opportunity to market their products widely. Partial least squares structural equation modeling will be used to analyze data. The results of the study will have some limitation/implication: First: The data will be collected using convenience sampling. Second: the performance variables used in the analysis are perceptual measures. Third: the result will be obtain cross-sectional data collection. Finally, the study only conducted in food sector in Tasikmalaya context and do not lend itself to any general applicability. The originality of this study lies on conceptual foundation used which is based on Morgan's specialized marketing capabilities framework which provided a complete and comprehensive view about social media applications that can be integrated into different areas of marketing activities. In addition, this is the first research conducted to study the importance of marketing capabilities through social media among SMEs in the food sector in Tasikmalaya.

**Keywords:** *Small Medium Enterprises, Social Media, Marketing performance, Marketing Capabilities, Resource-based view theory.*

## 1. Introduction

Social media has developed and changing markets, business environments, and marketing communication at extraordinary speed in recent year. A great number of people spend a considerable amount of their time on social media platforms. From year to year, the number of users and given time of social media platforms such as Facebook, Twitter, Instagram is growing considerably.

The simplicity of using social media has attracted many small and medium enterprises (SMEs) to use it. Social media marketing is seen allows marketers to build brand awareness, visibility, reputation, share knowledge and information, acquire and to retain customers, and to initiate low cost promotions as well as to engage with customers in interactive ways (Kaplan & Haenlein, 2010).

Social media marketing is particularly important for small firms to develop marketing capabilities. SMEs which have limited financial and managerial resources to support marketing activities unable to make a significant investment to develop marketing capabilities like larger firms do. However, they can use social media marketing because does not require a large investment such as traditional marketing (Nina Michaelidou, 2011).

The increasing use of social media and the opportunities to benefit from it for marketing purposes have attracted the attention of many researchers to conduct research around social media marketing. This is because social media platforms provide new opportunities for businesses to improve their competitive position through new interactive ways.

Although social media widely used by SMEs, research shows that many social media marketing initiatives implemented by SMEs tend to be unsuccessful. Several studies have examined the problems of SMEs in adopting social media marketing such as a lack of a well-defined strategy, problems in dealing with technology, a lack of understanding of the opportunities provided by social media and how social media could be used. Social Media adoption requires deep understanding of the strategic capabilities involved in this process, many managers lack this specific knowledge.

Additionally, it is difficult for SMEs to control their image because consumers can easily share their comments on a variety of social media platforms, especially when they are not satisfied with the products or services (Nakara et al., 2012). Therefore, before using social media SMEs actors should understand what are the positive and negative impacts of social media utilization and what capabilities must be had to manage them.

Based on the gap presented above, that on the one hand social media provides new marketing opportunities, on the other hand SMEs often fail to exploit it, then this study intend to explore the views of SMEs actors regarding importance of the contribution of social media marketing capability on business performance. Based on that, it can build a conceptual foundation of social media marketing capability which should be owned by SMEs actors.

Tarsakoo and Charoensukmongkol did similar research based on (Day, 1994)'s strategic framework which is a comprehensive framework that has been applied extensively in marketing research. They aims to explore the contribution of social media marketing capability on business performance of firms in Thailand. The results found that among five aspects of social media marketing capability, social media product development capabilities and social media marketing implementation capability were positively and significantly related to customer relationship performance and financial performance; social media marketing communication capability had a significantly positive relationship only with customer relationship performance, where as social media planning capability was found to have a significantly positive relationship only with financial performance. However, the analysis did not find the significant relationship between socialmedia pricing capability and the two aspects of firm performance (Tarsakoo & Charoensukmongkol, 2019).

This study conduct at Tasikmalaya, Indonesia, at based on (Kaleka & Morgan, 2017) definition of marketing capability with almost same intention with Tarsakoo &

Charoensukmongol, viz. to explore the contribution of social media marketing capability on SMEs performance.

Two main frameworks for marketing capability can be discerned in the literature: those of Day (1994) and Morgan (2012). Day's conceptual framework (1994) was not specifically designed as a marketing capability framework, but rather examined how a market-driven orientation can be developed and sustained within an organization. While Morgan has proposed a conceptual framework linking marketing with business performance.

Morgan defined marketing capabilities as specialized, architectural, cross-functional and dynamic processes by which marketing resources are acquired, combined and transformed into value offerings for target markets (Morgan, 2012).

In this definition processes and capabilities needed seem blur, since specialized, architectural, cross-functional and dynamic processes can point to processes and organizational capabilities. Therefore in this research, the opinion of Morgan that has been perfected will be used. Along with Kaleka, he stated marketing capabilities as "Complex co-ordinated patterns of skills, knowledge and activities by which firms transform (through informal and formal processes) available resources into market-related value outputs (Kaleka & Morgan, 2017). By this definition, marketing capability clearly pointed to input (marketing resources) that are transformed to processes into output (marketing capability).

This research will emphasize on specialized marketing capabilities since specialized marketing capabilities are those traditionally associated with the marketing mix and which have been highlighted by some scholars. These capabilities include product management, pricing management, and channel management, marketing communications, selling and doing market research. These capabilities could be viewed as the basic building blocks of marketing capability, since they comprise specific tasks related to that specific capability (Morgan, 2012).

Based on this framework, social media marketing capability was developed by the spanning capabilities dimension which consists of six facets of capabilities including:

1. Social media product management capability
2. Social media pricing management capability
3. Social media channel management capability
4. Social media marketing communications capability
5. Social media capability
6. Social media market research capability

Regarding the theoretical background, this research used the resource-based view of firms and dynamic capability theory to support the role of social media marketing capability on SMEs.

This study attempted to explore whether SMEs actors in Tasikmalaya have the same views about the importance to have a high level of social media marketing capability in these six aspects and believe that the six capabilities mentioned by Morgan tended to lead better two different marketing performance outcomes, they are marketing effectiveness and marketing efficiency as stated by Vorhies & Morgan (Vorhies & Morgan, 2003). Marketing effectiveness assessed using a perceptual measure with items tapping the degree to which the firm achieved its market share growth, sales growth, and market position goals and marketing efficiency as the ratio of marketing and selling expenses to the firm's gross operating revenue using objective secondary financial data.

## **2. Literature Review**

### **2.1 Resource-based View Theory**

Resource-based View (RBV) theory initially reflected an internal approach to illustrate how to outperform competition. The premise of RBV theory is that the heterogeneity and imperfect mobility of resources amongst firms explain why some firms can provide superior customer value and/or achieve lower relative costs, leading to market share dominance and superior financial performance. Resources are inputs or factors of different kinds –human, physical, financial, or intangible that companies possess through which they carry out their operations (Santos-Vijande et al., 2012).

RBV theory proposes that it is internal elements that most significantly contribute to sustainable competitive advantage. Since resources alone are unlikely to constitute a distinctive competitive basis for companies and need to work in teams in a coordinated way to achieve above-average returns or a superior market position then RBV theory evolved becomes organizational capability. Organizational capabilities represent a complex set of abilities to perform a firm's operations efficiently and systematically using a series of organizational resources coordinately. The concept of organizational capability also introduces a dynamic aspect to the RBV and emphasizes that sustaining a competitive advantage requires constant improvement of the firm's resources and capabilities.

According to Kozlenkova et al, Dynamic Capability Theory (DCT) took into account the evolving and changing nature of marketplaces. It put strategic flexibility in the global competing environment. Both theories have pointed to the importance of firm capabilities to effectively and efficiently perform value-creating, and also reside in firm processes and routines that may be difficult to observe and imitate, enjoy sustainable competitive advantage and superior performance over time (Kozlenkova et al., 2014).

Firm resources are valuable if enable a firm to develop and implement strategies that offering consumers greater value, either lowering a firm's net costs which mean lower prices for consumers

and/or increase a firm's net revenues. Thus capabilities are defined as complex bundles of skills and collective learning embedded in organizational processes that a firm performs well relative to rivals and which transform the firm's available resources into valuable outputs. Capabilities are manifested in such typical business activities as order fulfillment, new product development, and service delivery (Day, 1994).

There are three key firm capabilities: marketing, research and development, and operation which are interact to impact firms' revenue growth and profit growth over time, however this study will emphasized at marketing capability.

Marketing is defined as process of integrating and mobilizing the marketing knowledge, skills and resources of the firm to explore, create and deliver value propositions to satisfy the needs of a target market at a profit (Achrol & Kotler, 2012), and marketing capability is co-ordinated skills, knowledge and activities by which firms transform available resources into outputs (Kaleka & Morgan, 2017).

## **2.2 Social Media Marketing Capability**

Social media which is also knows as user generated communication is used interchangeably with the terms Web 2.0, social software, social websites, consumer-generated media or user-generated media, now it turned into a prominent source of information and change the way to communicate with lower cost. That is the reason why companies tend to create social media websites in order to improve their brand image and increase the scope of audience.

Social media (SM) is constantly evolving and playing an increasingly significant role in organizations' marketing communications with other organizations, communities and individuals (Kietzmann et al., 2011). Through the use of SM, business organizations can build relationships with existing and prospective customers, and identify problems and solutions through collaborative interaction between online communities (Tsimonis & Dimitriadis, 2014).

Kaplan and Haenlein defined social media as a group of internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of User Generated Content (Kaplan & Haenlein, 2010). And stated that Social media marketing makes use of these social media applications as a extension to fulfill the traditional marketing. Marketing activities via online applications that allow the production of information and being collaborate among users

Social media marketing capabilities help firms to understand changes taking place in their markets and to operate more efficiently by adapting to these changes. It provides more opportunities with limited budget for SMEs to gain access to a large group target customers if they can use it effectively (Tarsakoo & Charoensukmongkol, 2019).

Here social media marketing capability is conceptualized based on the specialized marketing capability proposed by (Morgan, 2012; Kaleka & Morgan, 2017). These capabilities include product management, pricing management, channel management, marketing communications, selling, and marketing research.

### ***2.2.1 Social media product management capability***

The scope of product management capability reveals inconsistencies in the literature. Some scholars include only product management, others add new product development (Carnelley, 2018). Vijandre and Trespalacios stated that product development relates to the capability to develop new products and services, ensuring constant adaptation to market needs (Santos-Vijande et al., 2012).

For the purposes of this study, product management is defined as both the development of existing product and new product development. This capability is viewed as the ability of firms to create a new value offering through a firm's new products and services for the target market. Product management could include the design of a product, determining the product mix, developing labels and managing product returns. Therefore, product management capabilities refers to the product development as well as the marketing team's knowledge of it. Product capability in the marketing team entails a deep understanding of how the product works and how this links to what the customer needs, to enable effective marketing and sales.

According to Ramaswarni, companies apply social media marketing to interact with customers not only for the gathering of new product ideas, but also to evaluate the actual design of the current products (Ramaswami et al., 2009).

### ***2.2.2 Social media pricing management capability***

Pricing is an important means by which a firm appropriates value through market-based exchange. If a firm sets prices too low the company loses the value it should receive. In contrast, if the firm sets prices too high, then the quantity sold will be too low. A firm's ability to set the right prices is an important means of appropriating value and therefore an important determinant of the ability of a firm to generate rents (Dutta et al., 2003).

The capability to manage pricing becomes critical when a firm wants to preserve or increase profitability. Pricing involves the capability to set the price policy to obtain the best possible revenue from the market (Santos-Vijande et al., 2012). According to Afzal, pricing capability refers to the ability to price the firm's products or services competitively as well as to monitor competitors' pricing strategies and pricing changes in the market (Afzal, 2009). Pricing capability also includes a price-setting capability consisting of identifying competitor prices, setting pricing

strategy, translating from pricing strategy to retail price, convincing customers on the price-change logic and negotiating price changes with major customers (Dutta et al., 2003).

With social media, marketers can access competitor price information and monitor customer satisfaction to monitor customer value perceptions of product and service prices. Marketer also can communicate, convince customers and deal on price changes, thus allowing company to develop prices accordingly market changes.

### ***2.2.3 Social media channel management capability***

Morgan stated that channel management is the ability to effectively and efficiently manage relationships with customers. (Morgan, 2012). This capability has also been referred to as customer linking and incorporates not only the ability to create and build customer relationships but also to sustain these over time. This is a deeper relationship than customers simply using a product or service (Day, 1994).

In this study, channel management capability in the context of social media is firm's ability to manage customer value perceptions by effectively using social media applications for marketing communication activities. The conversation through social media channels allows businesses to share information and change customers' perceptions about a product, brand or company therefore utilizing social media will be an effective step to raise brand awareness, brand recognition and brand loyalty.

### ***2.2.4. Social media marketing communications capability***

Marketing communication is about communicating with customers to develop and maintain customer value perceptions. Marketing communication helps businesses to manage customer expectations with the firm's perceived image and perceived value (Santos-Vijande et al., 2012). Ritter stated that marketing communication capability is the ability of firms to manage customer value perception (Ritter, 2006)

This study views marketing communication capability in the context of social media as the ability to manage customer value perceptions by effectively using social media applications, since conversation through social media channels is considered as the efficient way.

### ***2.2.5. Social media selling capability***

Selling capability is about how firms develop strong relationships with the customer and target the potential customer effectively, it is refers to the extent to which firms can manage selling a wide range of products to the existing customers (Brush et al., 2012).

Selling capability included a strong focus on taking and fulfilling product orders, that are: developing sales plans; communicating pricing; managing operational procedures with customers (ordering, payment, reimbursement); returns (in goods companies); complaints; and logistics. Different organizational contexts produced differences in how selling was managed. In some, the selling capability did not reside with marketing and was the responsibility of specific commercial or sales teams. (Carnelley, 2018).

Social media selling capability involves an adaptive mechanism which allows firms to make adjustments when unanticipated constraints and opportunities occur. Social media makes it easy for companies to build strong relationships with consumers because it can make reciprocal communication easily. The effective social media selling capability requires the ability to coordinate different resources effectively. Based on these perspectives, social media selling capability is the ability to translate social media marketing strategies into effective action to achieve social media marketing goals, respond to a competitive environment, and to evaluate the performance of social media marketing initiatives as well as the effectiveness of social media marketing execution.

#### **2.2.6 Social media market research capability**

Market research capability refer to marketing team capability to use customer data and turn it to helps them to develop better marketing communication that mean involved knowing and understanding the customer.

The rapid digitization of marketing means that technological resources such as customer databases and IT systems are important for marketing. Respondents in all the organizations mentioned using digital marketing tools more frequently in their communication mix: websites were a key technological marketing resource. Aligned to this was the mention of increasing use of data analytics in market research capability, which requires the availability of IT marketing resources to track and deliver customer behaviour in online and mobile environments (Carnelley, 2018).

### **2.3 Performance outcomes associated with social media marketing capabilities**

Vorhies & Morgan stated there are two different marketing performance outcomes; they are marketing effectiveness and marketing efficiency. Therefore, this study considers two aspects of firm performance consisting of: marketing effectiveness and marketing efficiency

Marketing efficiency is the ratio of marketing performance outcomes achieved to resource inputs consumed. In other words, marketing efficiency points to the ratio of marketing and selling expenses to the firm's gross operating revenue using objective secondary financial data. Theory

suggests that for efficiency-maximizing businesses of each strategic type, there exists an ideal marketing organization in which the configuration of structural and task characteristics enables the implementation of the business's strategy in a way that leads to superior marketing efficiency (Vorhies & Morgan, 2003).

Marketing effectiveness refer to the degree to which desired market-based goals are achieved. Theory suggests that for effectiveness-maximizing businesses of each strategic type, an ideal marketing organization exists in which the configuration of structural and task characteristics enables the implementation of the business's strategy in a way that leads to superior marketing effectiveness (Morgan et al., 2002). Marketing effectiveness assessed using a perceptual measure with items tapping the degree to which the firm achieved its market share growth, sales growth, and market position goals.

## **2.4. Hypotheses development**

### *2.4.1 Social media product management capability and marketing performance*

As mention earlier, companies apply social media marketing to interact with customers not only for the gathering of new product ideas, but also to evaluate the actual design of the current products (Ramaswami et al., 2009)

The product development capability in a social media marketing context represents the ability of a firm to use social media to acquire and gather customer insights and market information to develop new products, serve customer needs or improve an existing product, and to conduct a new product development process. The success of meeting consumers need shows marketing efficiency and effectiveness. Based on this, the first hypothesis was built:

H1. Social media pricing capability positively associates with (a) marketing efficiency and (b) marketing effectiveness.

### *2.4.2 Social media pricing management capability and marketing performance*

Price has strong impact on customer value perception which in turn affects customer satisfaction and customer loyalty. As mention above, with social media, marketers can access competitor price information and monitor customer satisfaction to monitor customer value perceptions of product and service prices. Marketer also can communicate, convince customers and deal on price changes, thus allowing company to develop prices accordingly market changes. That mean firms with a strong ability to use social media can get better marketing performance. Based on this, the second hypothesis was built:

H2. Social media pricing capability positively associates with(a) marketing efficiency and (b) marketing effectiveness.

#### *2.4.3 Social media channel management capability and marketing performance*

In the last part stated that channel management capability in the context of social media is firm's ability to manage customer value perceptions by effectively using social media applications for marketing communication activities. The success of utilizing social media effectively can get better marketing performance. The third hypothesis is:

H3. Social media channel management capability positively associates with(a) marketing efficiency and (b) marketing effectiveness.

#### *2.4.4 Social media marketing communications capability and marketing performance*

Marketing communication capability enhances a positive customer perception of a firm's products or services, thereby allowing firms to build a positive and differentiated brand image (Murray et al., 2011). Firms capability to use social media to influence customer value perception so that enhancing a positive customer perception of a firm's products and services, leads to a positive and differentiated brand image. In line with the characteristics of social media platforms, consumers can share their interest on their favorite brands via social media. When firms have an ability to use social media channels to manage customer value perception, thus enhancing a positive customer perception of a firm's products and services, this leads to a positive and differentiated brand image. So that the fourth hypothesis is:

H4. Social media marketing communication capability positively associates with(a) marketing efficiency and (b) marketing effectiveness.

#### *2.4.5 Social media selling capability and marketing performance*

As stated above, social media selling capability involves an adaptive mechanism which allows firms to make adjustments when unanticipated constraints and opportunities occur. Social media makes it easy for companies to build strong relationships with consumers because it can make reciprocal communication easily. This study examined that the social media selling capability is associated with the ability to turn a social media marketing plan into actions so that social media selling capability can increase marketing performance. By this thought, fifth hypothesis build:

H5. Social media selling capability positively associates with(a) marketing efficiency and (b) marketing effectiveness.

#### *2.4.6 Social media market research and marketing performance*

Digital technologies are dramatically changing markets, business environments, the way organizations and customers interact, exchange value, creating new avenues for interaction, and

collaboration with the market. Social media can clearly help firms to reinvent customer relationships, fostering development of relevant firm capabilities so that makes it easy for companies to get data and process it so they can get information to develop better marketing performance. Social Media market research can impact organizations positively in terms of cost reduction in marketing activities and lead firm to give better customer service, increasing customer loyalty, and improve customer relationships. The sixth hypothesis is:

H6. Social media market research positively associates with (a) marketing efficiency and (b) marketing effectiveness.

### **3. Methodology**

#### **3.1 Sample selection and data collection method**

In the first stage, data collection was carried out by distributing questionnaires via Google Form to groups of SMEs entrepreneurs. Respondents were allowed to complete the questionnaire and submit it. To ensure that the sample was valid, they were pre-screened by being asked whether they sell products through social media channels or use social media as a marketing tool. Only SMEs indicating they perform these activities in social media were selected.

#### **3.2 Measurements**

The measures of each aspect of social media marketing capabilities were developed based on existing marketing capabilities scales. The question statements were modified to relate them to social media marketing activities.

Product management capability was measured by using the scale adapted from (Chahal & Kaur, 2014) which stated that product management capabilities is about developing and launching new products/services, ensuring that product/service development efforts are responsive to customer needs.

Pricing management capability was measured by using the scale adapted from Murray et al, that pricing capability enables firms to use pricing tactics to quickly respond to changes and enjoy higher revenues in market (Murray et al., 2011).

Social media channel management capability was measured by using the scale adapted from Morgan, which stated that channel management is the ability to effectively and efficiently manage relationships with customers (Morgan, 2012).

Social media marketing communication capability was measured by using the scale adapted from Murray et al, that marketing communication capability enables firms to use marketing communications to manage customers' value perceptions. Firms with marketing communication

capability are able to persuade consumers to have a positive perception of their products, consequently building a differentiated brand image (Murray et al., 2011).

Social media selling management capability was measured by using the scale adapted from Morgan, which stated that channel management is the systems and structures required to ensure efficient and effective management of the sales force (Morgan, 2012).

Social media market research capability was measured by using the scale adapted from Morgan, which stated that market research capability is about the firm's ability to provide answers about research briefs, design appropriate research plans, collect required data, analyze the data collected, and communicate the required answers (Morgan, 2012).

The respondents were asked to indicate to what extent they are satisfied with six aspects of performance from social media selling, including: product management capability, pricing management capability, social media channel management capability, social media marketing communication capability, social media selling management capability, social media market research capability.

All items were rated on five-point Likert scales ranging from 1 (very dissatisfied) to 5 (very satisfied).

### **3.3 Control variable**

As stated above, the data collected from SMEs actors in the food sector who have just received a food safety certificate, which means they have had the opportunity to market their products widely. To ensure data accuracy this study includes three control variables: firm size, firm age, and social media marketing experience. Firm size is measured by the number of full-time employees. Firm age is measured by the number of years since the firm has been established. Social media marketing experience is measured by the number of years that firms have used social media for their marketing activities. A total 70 SMEs actors involved in this research. Characteristics of samples are reported in Appendix 1. The list of questions asked to measure that six aspect of Morgan's specialized marketing capabilities was show at Appendix 2.

### **3.4 Estimation Method**

The research data processing used descriptive analysis and partial least squares structural equation modeling (PLS-SEM) analysis with SmartPLS 3.0. Descriptive analysis is done by collecting data, then the data is compiled, processed, and analyzed so that it can provide an overview of the existing problems. In this research, descriptive analysis is used to analyze the characteristics of SMEs that help research or respondents. PLS-SEM used because: first, PLS requires a smaller sample size than other SEM techniques (Chin, 1998). Second, PLS requires

fewer statistical specifications than the covariance-based strategy because it does not require normally distributed data (Chin, 1998). Data processing was carried out with the help of SmartPLS.

#### **4. Result**

A self-administered questionnaire survey method was used for data collection at the first time apparently only get 8% responded of SMEs entrepreneurs targeted, so in the next stage, the data was collected through the active role of the researcher by asking questions directly based on the list of questions that had been prepared.

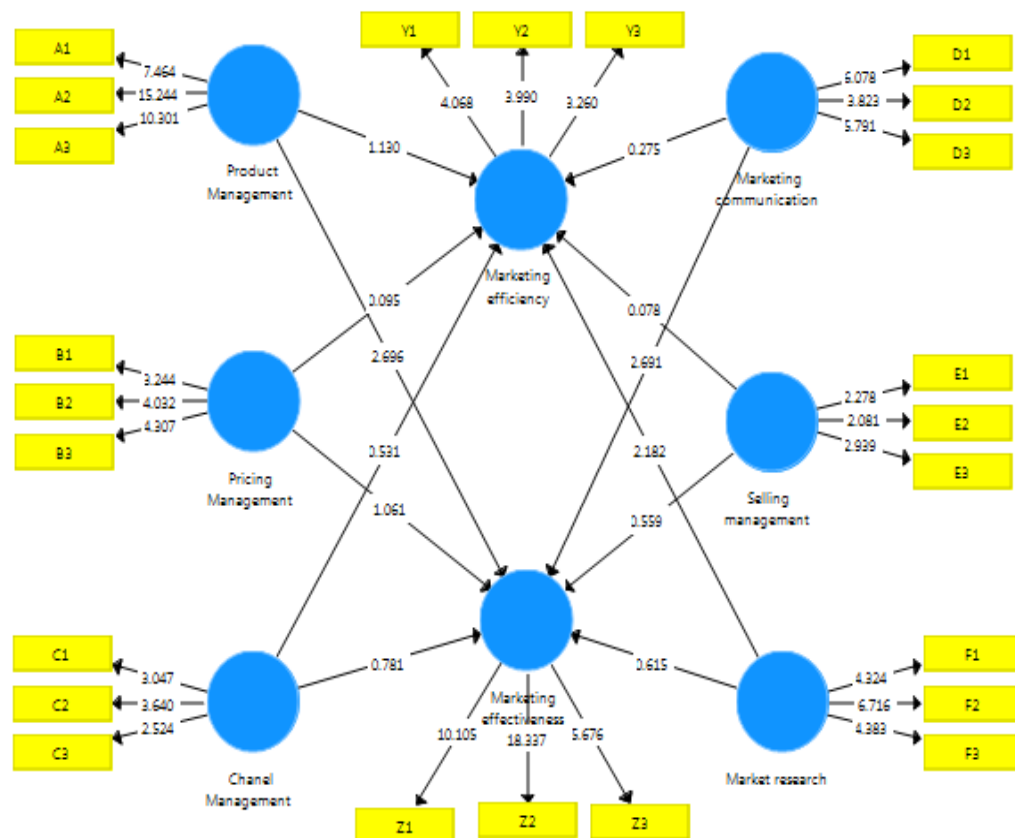
Appendix 3 is the result of data processing with SmartPLS. In the first stage, validity and reliability of the multi-item measures were checked. The results showed that all factor loadings were above the minimum requirement for convergence validity according to Heir, namely 0.5 (Hair et al., 2011). This convergent validity shows that the questions on each latent variable of the study can be understood by the respondents in the same way as intended by the researcher.

Discriminant validity which proves that questions on a variable are not confused by respondents who answer the questionnaire with questions for other variables assessed by comparing the average variance extracted (AVE) to the squared correlation coefficient. Fornell and Larcker suggested that the square root of the AVE must be greater than the correlations between the constructs, for discriminant validity to exist (Fornell, C., & Larcker, 2016). The results, as shown in Appendix 4, met this requirement, suggesting that the level of discriminant validity was satisfactory.

Construct reliability to determine whether the research items can measure a relatively consistent results was assessed using Cronbach's alpha coefficient and a composite reliability coefficient. The results showed that the reliability indicators of all latent variables exceeded the minimum requirement of 0.7, suggesting that the level of scale reliability was sufficient (Nunnally & Bernstein, 1994). The results, as shown in Appendix 5. and Appendix 6, met this requirement

Multicollinearity detected with the help of tolerance and its reciprocal, called variance inflation factor (VIF). In state of Multicollinearity a very high intercorrelations or inter-associations among the independent variables. This is a type of disturbance, and if present in the data the statistical inferences made about the data may not be reliable. In this research the value of tolerance is more than 0.1 and VIF less than 5, therefore it can be concluded that there is no multicollinearity problem.

Results from the SmartPLS analysis are shown in Figure 1. The findings are presented as follows:



Based on that, the following are known:

H1a and H1b proposed that social media product management capability positively associates with marketing efficiency and marketing effectiveness performance, respectively. The result indicated that social media product management capability positively significant to marketing effectiveness, however not significant to marketing efficiency.

H2a and H2b proposed that social media pricing management capability positively associates with marketing efficiency and marketing effectiveness performance, respectively. The result indicated that social media pricing management capability positively explained marketing efficiency and marketing effectiveness performance, however not statistically significant.

H3a and H3b proposed that social media channel management capability positively associates with marketing efficiency and marketing effectiveness performance, respectively. The result indicated that social media channel management capability positively explained marketing efficiency and marketing effectiveness performance, however not statistically significant.

H4a and H4b proposed that social media marketing communication capability positively associates with marketing efficiency and marketing effectiveness performance, respectively. The result indicated that social media marketing communication capability positively explained marketing efficiency and marketing effectiveness performance. and statistically significant. Media

marketing communication capability was positively significant to marketing effectiveness but was not significant to marketing efficiency.

H5a and H5b proposed that social media selling capability positively associates with marketing efficiency and marketing effectiveness performance, respectively. The result indicated that social media selling capability positively explained marketing efficiency and marketing effectiveness performance, however not statistically significant.

H6a and H6b proposed that social media market research positively associates with marketing efficiency and marketing effectiveness performance, respectively. The result indicated that social media market research capability positively explained marketing efficiency and statistically significant, however even though positively explained marketing effectiveness performance, it was not statistically significant.

## **5. Discussion and conclusion**

This paper aims to explore the importance of social media marketing capability on business performance based on the conceptualization of social media marketing capability developed by Morgan's. The overall result from SmartPLS analysis consistent and supported six aspect of Morgan's specialized marketing capabilities framework, however every aspects have different level of significance.

The social media product management capability, and social media marketing communication capability positively and significant relate to marketing effectiveness. The social media market research capability positively and significant relate to marketing efficiency. The positive contribution of these sixth components of capabilities to both aspects of firm performance has some important implications. First, the ability to use social media for market research mean the firms can use information obtained from social media to describe customer desire, to build strong relationships, convince customers and deal on price changes, thus allowing company to develop prices accordingly market changes.

Second, firms are also able to use the information obtained from social media to create new products that meet customer expectations, this is expected able to enhancing customer satisfaction and retention.

Third, firms able to use social media to enhances a positive customer perception of a firm's products or services, thereby allowing firms to build a positive and differentiated brand image as stated by Murray. Social media can help firms to reinvent customer relationships, fostering development firm capabilities so that makes it easy for companies to get data and process it so they can get information to develop better marketing performance.

The result also consistent with prior marketing research that firms need to develop marketing capability to lead better two different marketing performance outcomes, they are marketing effectiveness and marketing efficiency as stated by Vorhies & Morgan (Vorhies & Morgan, 2003). And suport Sasatanun and Charoensukmongkol reseach which stated that social media marketing activities are helping firms enhance their competitiveness so that developing marketing capabilities is also important to encourage and to gain competitive advantage agains competitor (Sasatanun & Charoensukmongkol, 2016).

Even though the overall result analysis consistent with prior marketing research however, it must be remembered that this research was carried out with a small involvement of SMEs in Tasikmalaya with the average education level of SMEs actor at high school and the ability to use social media is very limited, therefore did not lend to general applicaility. Future research should with a wider sample size and a more diverse range of industries.

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## Appendix 1.

### Characteristics of Samples

| Characteristics of samples                 |                                |
|--------------------------------------------|--------------------------------|
| Variables                                  | Descriptive statistics         |
| Firm ages (months)                         | Mean: 3.550725<br>SD: 1.254829 |
| Firm size (number of full time employees)  | Mean: 20.11594<br>SD: 7.005326 |
| Social media marketing experience (months) | Mean: 16.82609<br>SD: 6.989396 |

## Appendix 2.

### List of questions

|                                            |                                                                                    |
|--------------------------------------------|------------------------------------------------------------------------------------|
| Social media product management capability |                                                                                    |
| A1                                         | We can speedily develop new products by using social media.                        |
| A2                                         | We can speedily introduce new products by using social media.                      |
| A3                                         | We can manage overall new products development by using social media               |
| Social media pricing management capability |                                                                                    |
| B1                                         | We can communicate pricing structured quickly to customer's by using social media. |
| B2                                         | We can monitor competitors' prices and price changes by using social media.        |
| B3                                         | We can effectively use social media for pricing products.                          |
| Social media channel management capability |                                                                                    |
| C1                                         | Our new customer tend to up date our product.                                      |

|                                                  |                                                                                            |
|--------------------------------------------------|--------------------------------------------------------------------------------------------|
| C2                                               | Our customer would like to keep close relationship for long period.                        |
| C3                                               | We can manage customer relationship with social media communication programs.              |
| Social media marketing communications capability |                                                                                            |
| D1                                               | We effectively manage corporate image and reputation by using social media.                |
| D2                                               | We effectively manage social media marketing communication programs.                       |
| D3                                               | The offerings from our company meet customers' value perception and consumers expectation. |
| Social media selling management capability       |                                                                                            |
| E1                                               | We can segment and target market effectively using social media.                           |
| E2                                               | We can effectively deliver social media marketing programs.                                |
| E3                                               | We can translate social media marketing strategies into action effectively.                |
| Social media market research capability          |                                                                                            |
| F1                                               | We can set clear social media marketing goals                                              |
| F2                                               | We can develop creative social media marketing strategies                                  |
| F3                                               | We can use data collected through social media for product development                     |
| Marketing efficiency                             |                                                                                            |
| Y1                                               | The use of social media marketing able to suppress selling expenses.                       |
| Y2                                               | The use of social media marketing able to increase revenue.                                |
| Y3                                               | The use of social media successfully reduce marketing margin.                              |
| Marketing effectiveness                          |                                                                                            |
| Z1                                               | The use of social media helps to achieve intended market position                          |
| Z2                                               | The use of social media marketing is driving the increase of sales growth                  |
| Z3                                               | The use of social media marketing is driving the increase of sales volume                  |

### Appendix 3.

#### Outer Loading

|    | Product management | Pricing management | Channel management | Marketing communication | Selling management | Market research | Marketing efficiency | Marketing effectiveness |
|----|--------------------|--------------------|--------------------|-------------------------|--------------------|-----------------|----------------------|-------------------------|
| A1 | 0.848              |                    |                    |                         |                    |                 |                      |                         |
| A2 | 0.955              |                    |                    |                         |                    |                 |                      |                         |
| A3 | 0.863              |                    |                    |                         |                    |                 |                      |                         |
| B1 |                    | 0.787              |                    |                         |                    |                 |                      |                         |
| B2 |                    | 0.857              |                    |                         |                    |                 |                      |                         |
| B3 |                    | 0.953              |                    |                         |                    |                 |                      |                         |
| C1 |                    |                    | 0.835              |                         |                    |                 |                      |                         |
| C2 |                    |                    | 0.909              |                         |                    |                 |                      |                         |
| C3 |                    |                    | 0.741              |                         |                    |                 |                      |                         |
| D1 |                    |                    |                    | 0.847                   |                    |                 |                      |                         |
| D2 |                    |                    |                    | 0.781                   |                    |                 |                      |                         |
| D3 |                    |                    |                    | 0.821                   |                    |                 |                      |                         |
| E1 |                    |                    |                    |                         | 0.811              |                 |                      |                         |
| E2 |                    |                    |                    |                         | 0.796              |                 |                      |                         |
| E3 |                    |                    |                    |                         | 0.844              |                 |                      |                         |
| F1 |                    |                    |                    |                         |                    | 0.793           |                      |                         |
| F2 |                    |                    |                    |                         |                    | 0.938           |                      |                         |
| F3 |                    |                    |                    |                         |                    | 0.781           |                      |                         |
| Y1 |                    |                    |                    |                         |                    |                 | 0.847                |                         |
| Y2 |                    |                    |                    |                         |                    |                 | 0.84                 |                         |
| Y3 |                    |                    |                    |                         |                    |                 | 0.787                |                         |
| Z1 |                    |                    |                    |                         |                    |                 |                      | 0.799                   |
| Z2 |                    |                    |                    |                         |                    |                 |                      | 0.877                   |
| Z3 |                    |                    |                    |                         |                    |                 |                      | 0.748                   |

### Appendix 4.

#### Average Variance Extracted (AVE)

|                          | Average Variance Extracted (AVE) |
|--------------------------|----------------------------------|
| Product management       | 0.792                            |
| Pricing management       | 0.754                            |
| Channel management       | 0.691                            |
| Marketing communications | 0.668                            |
| Selling management       | 0.668                            |
| Market research          | 0.706                            |
| Marketing Efficiency     | 0.681                            |
| Marketing Effectiveness  | 0.655                            |

Appendix 5.

Cronbach's Alpha

|                          | Cronbach's Alpha |
|--------------------------|------------------|
| Product management       | 0.869            |
| Pricing management       | 0.880            |
| Channel management       | 0.776            |
| Marketing communications | 0.763            |
| Selling management       | 0.754            |
| Market research          | 0.793            |
| Marketing Efficiency     | 0.786            |
| Marketing Effectiveness  | 0.742            |

Appendix 6.

Composite Reliability

|                          | Composite Reliability |
|--------------------------|-----------------------|
| Product management       | 0.919                 |
| Pricing management       | 0.901                 |
| Channel management       | 0.869                 |
| Marketing communications | 0.858                 |
| Selling management       | 0.858                 |
| Market research          | 0.877                 |
| Marketing Efficiency     | 0.865                 |
| Marketing Effectiveness  | 0.850                 |

Appendix 7.

Variance Inflation Factor (VIF) Values

|    |       |    |       |
|----|-------|----|-------|
| A1 | 2.081 | E1 | 1.783 |
| A2 | 3.628 | E2 | 1.312 |
| A3 | 2.565 | E3 | 1.996 |
| B1 | 3.178 | F1 | 1.75  |
| B2 | 3.178 | F2 | 2.401 |
| B3 | 1.927 | F3 | 1.637 |
| C1 | 1.961 | Y1 | 7.386 |
| C2 | 2.074 | Y2 | 7.204 |
| C3 | 1.339 | Y3 | 1.138 |
| D1 | 1.360 | Z1 | 1.429 |
| D2 | 1.774 | Z2 | 1.575 |
| D3 | 1.740 | Z3 | 1.459 |

Appendix 8.

T value and P value

|                         |    |                         | T statistics | P value |
|-------------------------|----|-------------------------|--------------|---------|
| Product management      | -> | Marketing efficiency    | 1.130        | 0.259   |
| Product management      | -> | Marketing effectiveness | 2.696        | 0.007   |
| Pricing management      | -> | Marketing efficiency    | 0.095        | 0.924   |
| Pricing management      | -> | Marketing effectiveness | 1.061        | 0.289   |
| Channel management      | -> | Marketing efficiency    | 0.531        | 0.595   |
| Channel management      | -> | Marketing effectiveness | 0.781        | 0.435   |
| Marketing communication | -> | Marketing efficiency    | 0.275        | 0.784   |
| Marketing communication | -> | Marketing effectiveness | 2.691        | 0.007   |
| Selling management      | -> | Marketing efficiency    | 0.078        | 0.938   |
| Selling management      | -> | Marketing effectiveness | 0.559        | 0.576   |
| Market research         | -> | Marketing efficiency    | 2.182        | 0.030   |
| Market research         | -> | Marketing effectiveness | 0.615        | 0.539   |