



## Marketing innovation: A consequence of competitiveness



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### ABSTRACT

This research uses complexity theory to probe the relationship between competitiveness and innovation in the marketing practises of large manufacturing firms that offer their branded products in a foreign market by engaging a network of local small- and medium-sized enterprises (SMEs) as resellers of their brand. A deductive, quantitative research approach was employed and data were collected over a nine-month period from resellers of international IT firms in India using a questionnaire. A structural equation modelling technique and fuzzy-set qualitative comparative analysis (fsQCA) were employed on a sample of 649 respondents to find answers to the questions raised. This research indicates that a successful business relationship between a brand and its resellers can enable both parties to compete in a competitive market. This study finds that innovativeness in the marketing initiatives of the brand can be a function of the contributions made by the brand to its competitiveness. Nevertheless, the findings are also subject to some limitations and provide direction for future research on the topic.

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### 1. Introduction

Various studies recommend that managers aiming to venture into the challenging field of internationalisation should create a competitive edge that helps them to demonstrate the superior abilities of their firm (Barney, Wright, & Ketchen, 2001; Porter, 2011; Samli, Wirth, & Wills, 1994). But, fear of the unknown deters managers from stepping out of their home country and benefiting from internationalisation because growth markets tend to be very complex as they foster competition (Knight, 1995; Thai & Chong, 2013). A business-to-business model of distribution allows managers of international firms to successfully deal with entry barriers and enter smoothly into a foreign market and effectively address the complexity of a place that offers high potential of growth to their businesses (Yan, 2012).

A distributor simultaneously facilitates the entry of multiple firms with competing products into the market and engages micro level small and medium firms in the local market for selling (Chen, 2003). Since distributors offer multiple similar and competing products to resellers, markets being served through resellers become very competitive for international brands. Competition in a market encourages competing firms to demonstrate their ability to innovatively serve customers (Freeman, Edwards, & Schroder, 2006). Lack of in-depth native knowledge in such markets is a major shortcoming for firms aiming to

internationalise because it decreases their capability to innovate their marketing related business practises by predicting the business environment and trends in the consumption patterns of the foreign market (Bell, 1995; Johanson & Vahlne, 2009). Distributors and resellers have an important role to play in the successful penetration of a foreign market showing that an international firm develops its capability to innovatively market its products through reseller networks that needs to be understood.

The resource advantage theory recognises the creation of a competitive edge as a function of marketing and identifies the role of branding in creating the capability of a firm to demonstrate its superior abilities (Hunt & Morgan, 1995, 1996; Srivastava, Fahey, & Christensen, 2001). Simultaneously, the industrial practises of industrial brands particularly in the IT and telecom sector indicate that the managers of strong brands can compete in foreign markets based on their brand leadership and brand relationships in the local market. It has also been noticed and reported in the literature of local firms by studies like Gupta and Malhotra (2013) that a brand that contributes to the competitiveness of the reseller is able to compete at the local level using innovative marketing initiatives. These observations of various researchers indicate that the relationship between an international brand and its resellers in foreign markets becomes very important for brands in a market that poses strong competition (Anderson & Weitz, 1992).

This study examines the relationship between competitiveness and innovation in the marketing practises of large manufacturing firms that offer their branded products in different countries through a network of local small- and medium-sized enterprises (SMEs) as

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resellers of their brand. It builds on both the resource-based view and complexity theory to understand what features of the brand and the reseller enable them to adopt innovative marketing practises in an international setting.

We aim to bridge the gap in the existing marketing literature by reviewing current academic knowledge surrounding competitiveness and marketing innovation. Thus, the study addresses the following research question: What configurations of brand and the reseller enable the adoption of innovative marketing practises by two firms in an international setting? This study addresses the research question by first developing a suitable theoretical framework which is then used to investigate the question by means of empirical data.

This study addresses this question in four phases. The first phase underpins the arguments about competitiveness and marketing innovation with the current academic knowledge about theory of competitive advantage and resource-advantage theory. The second phase explores the concept and assumptions using expert insights. During the third phase, this study conducts a field survey to collect data from resellers of international brands and use structure equation modelling (SEM) and fuzzy set qualitative comparative analysis (fsQCA) (Ragin, 2006, 2008). fsQCA has received increased attention as it gives an opportunity to the researchers to gain a deeper and richer perspective on the data, particularly when applied together with complexity theory (Leischnig & Kasper-Brauer, 2015; Mikalef, Pateli, Batenburg, & Wetering, 2015; Ordanini, Parasuraman, & Rubera, 2013; Woodside, 2014; Wu, Yeh, & Woodside, 2014). The fourth phase leads to interpret the results in order to make recommendations and consider future avenues for the research. This research contributes to the literature on business-to-business and international marketing. Finally, the study advances the current understanding about the interdependence of brand and reseller firms for developing their competitiveness and adopting innovative approaches to marketing.

## 2. Literature review and hypothesis development

### 2.1. Competitiveness of brand and reseller firms

Brands that are able to push the market and create a pull to make selling easier are able to attract resellers (Keller, 2010; Srivastava et al., 2001). Simultaneously, those resellers who are able to efficiently support the brand in penetrating a market and creating a pull for the brand are able to catch the attention of brand managers (Parment, 2008). While the creation of push and pull in a competitive market benefits both brand and reseller firms, it requires them to innovatively cooperate with each other (Gupta & Malhotra, 2013). According to the literature, when resellers benefit from the promotional activities performed by a brand, the indigenous knowledge and home-grown relationships of resellers play an important role in building the competency and capability of brand managers to innovatively juggle with the different barriers and shortcomings of the growth markets (Cavusgil & Cavusgil, 2012; Gupta & Malhotra, 2013).

Juggling performed for altering and rearranging the actions of the brand based on its standardised policies and the requirement of a local market can result in the discovery of an innovative marketing idea that is very context specific and facilitates the smooth functioning of the brand in an agile situation (Colder, 2000). Such actions in a competitive market when viewed from the standpoint of resource advantage theory lead to the expectation that the success of juggling depends upon the resources required and the appropriation of incentives anticipated from the innovative marketing idea (Achrol & Etzel, 2003; Hunt & Morgan, 1996).

Brand and reseller firms commit to an innovative marketing idea after they have identified the contribution it makes to their competitiveness as an incentive to become innovative in their marketing practises (Sood & Tellis, 2005). The triple helix model of innovation reflects the complexities that drive an innovation and a national system of innovation explains the formal and informal linkages between the

actors who collaborate for mobility, penetration and smooth flow of knowledge with the resources to implement an innovation (Basant, 2002).

These frameworks have been used by marketing researchers to explain marketing innovation as the emergence of a new idea, that is, a breakthrough or radical innovation, or an incremental modification of an existing concept for improvisation, that is, an incremental innovation (Lin & Chen, 2007). Breakthrough innovations argued by Lin and Chen (2007) include the introduction of a new product or a business model, and incremental innovations instead have been identified by authors as creating extra value through initiatives, such as launching a better version of the product or the extension of a market or creating new alliances. These studies, when evaluated for development of a competitive advantage, highlight factors that are central for managers of a firm to consider before identifying initiatives that are innovative in nature (Hunt & Morgan, 1995). However, they have neglected the limitations of firms operating in an industrial setting to adopt innovative marketing practises and not recognised the importance of the contributions made by partner firms to the competitiveness required for identifying innovative marketing practises.

While previous literature suggests that marketing innovation is a consequence of competitiveness, the context of the study highlights the importance of its relationship with competitiveness as an indicator or an outcome. To understand the relationships, this research employed complexity theory (Pappas, Kourouthanassis, Giannakos, & Chrissikopoulos, 2015; Woodside, 2014). This paper sets out to develop a more predictive model, as well as a more comprehensive model for the configuration of marketing innovation as a consequence of competitiveness (Fig. 1).

The competitiveness of a firm in a market reflects its capability to capture the market using innovative marketing ideas through its business relationships (Webster, 1988). The capability of a partner in a business relationship to successfully address opportunities depends upon its own ability to contribute to the competitiveness of the partnership (Day, 1994; Ernst, 2000). According to Anderson (1995) a brand-reseller relationship builds the competitiveness of both parties based on a mutual understanding about each other's competency to actualise resources and their market sensing and value creation capabilities. The findings of a study conducted by Sharma and Sheth (1997) reveal that the desire for companies to become competitive pushes them to shift their transaction oriented philosophy to relational oriented values. Sharma and Sheth (1997) anticipated that the power of buyers in a

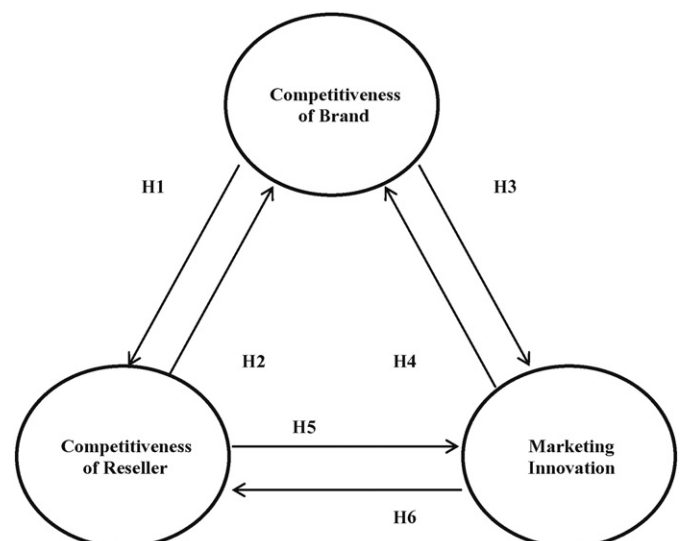


Fig. 1. The research conceptual model.

competitive market can reduce the number of suppliers in the market, and the buyer's decision to make investments in branded products of the supplier link to the suppliers' innovativeness in providing support to its resellers.

Despite various interpretations and understandings, the literature that discusses competitive advantage theory of competition from resource based advantages available to a firm indicates that innovativeness in the approach used to market a product is vital for the competitiveness of both buyer and seller firms (Hunt & Morgan, 1995, 1996; Ren, Xie, & Krabbendam, 2010). The exchange of resources by two firms can develop each other's capability to innovatively address business opportunities for mutual benefits (Hunt & Morgan, 1996; Yu, Cadeaux, & Song, 2012). While the current industrial marketing literature reports that a brand-owning firm and a reseller firm each contribute to the business of the other in various formats (Glynn, Motion, & Brodie, 2007), it does not explain how the contribution that one makes builds the competitiveness of the other and helps them to identify and implement an innovative marketing idea. Therefore, configurations may include combinations of competitiveness of the brand and the competitiveness of the reseller, leading to the following hypotheses.

**H1.** The competitiveness of a reseller in a growth market depends upon the intent of the brand-owning firm to use its resources to support the business of the reseller.

**H2.** The competitiveness of a brand in a growth market depends upon the intent of its resellers to use their resources to support the business of the firm owning the brand.

## 2.2. Competitiveness and marketing innovation

Technology and information facilitate marketing innovation in competitive markets (Freeman, 1995; Sood & Tellis, 2009). According to Rodríguez-Pose and Crescenzi (2008), improvisation, modification, augmentation or transformation of existing channels of trade through the use of technology can reduce transaction costs. Innovative marketing without the use of technology in a trading setup instead requires resource based advantages for initiating exchange of knowledge and information about opportunities available in the marketplace (Grewal, Iyer, & Levy, 2004; Grimes, 1995; Hunt & Morgan, 1996). The exchange of field notes between buyer and seller firms can facilitate the exploration of unpredicted occasions and the identification of novel ideas to address fortuitous opportunities (Levitt, 1960).

The concept of innovation has been understood differently by researchers from different domains of business and management (Carneiro, 2000; Hunt & Morgan, 1995). Economists consider marketing innovation from the product and process perspective and marketing researchers conceptualise innovation from a commercialisation viewpoint (Cohen & Levinthal, 1989; Freeman, 1995; Sood & Tellis, 2009). Unanimously the study describes innovation as a tool that enables managers to efficiently use their resources for developing a competitive advantage (Hunt & Morgan, 1995; Knight & Cavusgil, 2004).

The success of an innovative marketing idea depends upon its ability to work homogeneously and harmoniously within a local ecosystem (Hunt & Morgan, 1996; Hurley & Hult, 1998). The scope, utility and long-term objectives of an innovative marketing ideas influence the value that all the partners in the delivery chain seek to create (Roy, Sivakumar, & Wilkinson, 2004). The idea of marketing innovation in an international setting integrates theories of marketing, distribution and sales (Gupta & Malhotra, 2013; Jones, Suoranta, & Rowley, 2013; Kim, Cavusgil, & Calantone, 2006).

Although Ballantyne and Aitken (2007) and Gandolfo and Padelletti (1999) report the benefits of innovation, they are unable to identify the conditions under which a brand, distributor and reseller network come

together to create an innovative marketing idea in an international setting. Levitt (1960) argues that in addition to innovations in products and production processes, there are also innovations in the marketing and unlike product innovations, most marketing innovations have been unsolicited, unplanned, and accidental, and have originated from outside the central core of the industries in which they have ultimately prospered. According to Slater and Narver (1995), the most likely way in which some businesses improve their marketing initiatives is by developing new services or reformulating existing ones, creating new distribution channels and discovering new approaches for management. These kinds of marketing innovations represent ways in which companies can develop new ways of marketing themselves to potential or existing customers. On the other hand, Lin, Chen, and Chiu (2010) relate marketing innovation to market research, price-setting strategy, market segmentation, advertising promotions, retailing channels, and marketing information systems.

## 2.3. Competitiveness of resellers and marketing innovation

Reseller firms that sell branded products are very small micro level entrepreneurial firms (Gabrielsson & Manek Kirpalani, 2004; Gupta & Malhotra, 2013). Such firms find it challenging to compete in a growth market due to their weak financial capability and limitations related to the availability of resources required for business expansion (Luo & Tung, 2007). Resellers prefer to sell branded products based on the assumption that product demand generation activities of the manufacturer due to brand leadership will make selling easier and inexpensive for them (Ballantyne & Aitken, 2007; Parment, 2008). The strength of a brand to attract customers is considered as brand value by the reseller because it allows them to utilise their resources elsewhere (Lindgreen, Palmer, Vanhamme, & Wouters, 2006). Hence, resellers like to take up the responsibility of fulfilling the demand generated by selling products of the brand that hold a leadership position in the marketplace, while the manufacturers of branded products focus on building the capability of resellers with their resources and support (Anderson, Day, & Rangan, 2012; Beverland, 2001; Öberg & Shih, 2014).

Brands play a role in providing strategic direction through the use of high-tech processes or advanced training programmes that will be likely to contribute to the strength of the local resellers to think innovatively when they encounter business opportunities (O'Donnell & Blumentritt, 1999). Resellers appreciate the brand's support in various forms such as skills-based training, marketing investments, and industry know-how (Achrol & Kotler, 1999).

The identification of sales opportunities available in a competitive market by the reseller and utilisation of the brand's resources for ensuring the successful supply of the products of the brand requires an innovative approach to marketing by the reseller (Hunt & Morgan, 1996). The establishment of the credibility of an innovative firm positions the reseller in a competitive position in the marketplace and encourages competing brands to seek an association with the reseller (Webster, 1992). Having the capability to serve a larger customer base builds the competitiveness of the reseller and increases the attention that the reseller receives from brands offering competing or complementary products (Hunt & Morgan, 1995; Kumar, Stern, & Achrol, 1992). While it is known that associating with brands is beneficial for resellers, how brands enable their resellers to innovatively address unplanned opportunities based on their native knowledge and local relationships using new methods and ideas to deliver its products is not known. Therefore,

**H3.** The higher the competitiveness of a brand, the higher will be the brand's capability to adopt innovative marketing initiatives in a competitive marketplace.

**H4.** The higher the capability of a brand to adopt innovative marketing initiatives, the higher will be its competitiveness in a competitive marketplace.



## 2.4. Competitiveness of brands and marketing innovation

In markets with high potential for growth, the profit margins in distributing a product are low (Debo, Toktay, & Van Wassenhove, 2005). Therefore, distributors simultaneously provide their services to multiple suppliers and support many brands (Rosenbröijer, 2001). As a result, brands operating in growth markets through distributors face competition in capturing the reseller's share of revenue (Holm, Kumar, & Rohde, 2012). Suppliers aiming to establish their brands in a competitive market bypass distributors and associate with those resellers who fulfil their requirement of local native knowledge (Doherty, 1999). Additionally, local support received from the reseller allows the brand to compete strongly by efficiently utilising its market budget (Eagle, Kitchen, Rose, & Moyle, 2003).

Brands also benefit from resellers' support based on their capabilities such as product management and the provision of real-time market information for innovative implementation of local marketing initiatives (Day, 1994). Innovative brand support makes reseller firms competent to independently select, serve and manage customers on behalf of the brand and become active participants in the efficient management of markets for the brand (Sharma & Sheth, 1997). Therefore, it becomes vital for brands to orient their activities towards the requirements of resellers for driving their competitiveness in a market (Wagner, Fillis, & Johansson, 2005). Hence, the reputation of being a supportive brand encourages various resellers to seek an association with that brand, thereafter creating competition between resellers (Beverland & Lockshin, 2003; Pulles, Veldman, & Schiele, 2014; Yi, Dubinsky, & Lim, 2013). Simultaneously, the reputation of being a brand that provides innovative support attracts competing resellers to bring the opportunities they hold to the brand and improve the business of the brand (Doyle, 1992).

**H5.** The higher the competitiveness of a reseller, the higher the brand's capability to adopt innovative marketing practises in a competitive marketplace.

**H6.** The higher the capability of a brand to adopt innovative marketing initiatives, the higher the competitiveness of its resellers in a competitive marketplace.

## 3. Method

This study examines the relationship between competitiveness and innovation in the marketing practises of large manufacturing firms that offer their branded products in a foreign market by working with a network of resellers of their brand. To develop a scale for measuring marketing innovation, specifically for the context of the current research, this study conducted an empirical study using complexity theory, as analysed by Woodside (2014). The measures identified by us consisted of items available and missing in the existing literature about marketing innovation. After identification, this study employed a structural equation modelling technique and fuzzy-set qualitative comparative analysis (fsQCA) and formally tested these through hypothesis testing using data collected from 649 respondents.

### 3.1. Data collection

Marketing innovation in a brand–reseller setting has been defined as a process that allows the capture of unpredicted opportunities available in the marketplace by the brand and reseller using their mutual competencies and competitiveness in a flexible manner (Chen, 2003; Gupta & Malhotra, 2013). Since India provides enormous unplanned and unpredicted business opportunities to established brands and micro level reseller firms selling branded products, this study identified it as a market where we conduct this research. According to Luo and Tung

(2007) the current market conditions in India are cultivating domestic entrepreneurial talent and making entrepreneurs ready to cooperate and compete with large firms for mutual benefits. In addition, India is an 'emerging innovation giant', partly due to its government's massive efforts to promote the country's innovative capacities and leap-frog into a knowledge-based society (Bruche, 2009). Due to the relatively underdeveloped nature of this area of research, identifying a specific industry for investigation was important. Therefore, this study chose the electronics and information technology industry as the research-sampling frame for four reasons. First, the electronics and information technology related requirements of the Indian market are being served by strong established brands. Second, this industry mainly consists of micro level entrepreneurial firms that fulfil the needs of customers with products produced by technologically advanced research based organisations that have successfully applied concepts of brand management to communicate strongly in remote markets on behalf of their firm. Third, while micro level firms look for branded products, suppliers offering branded products are able to use native knowledge, the infrastructure and capabilities of reseller firms to penetrate competitive markets. Fourth, the support received from the supplier offering the branded products contributes to the business of the micro level entrepreneurial firm by providing stability through product demand generation support. A sample of 650 resellers participated in the study over a six-month period. The data were collected from Delhi, Rajasthan and Gujarat which are technology friendly states.

### 3.2. Measures

The questionnaire which was used contained measures based on recognised scales from previous research. The measures of competitiveness of resellers and competitiveness of brands consisted of five dimensions each. Brand competitiveness was indicated by native knowledge (CBNK) (Huggins, 2003; Simmie, 2003; Windrum & Tomlinson, 1999), local infrastructure (CBLI) (Timmor, Rabino, & Zif, 2009), local relationship (CBLR) (Simmie, 2004), local support (CBLs) (Gabrielsson, 2005), and local capabilities (CBLc) (Lester, 2005). The competitiveness of the reseller was signposted by brand leadership (CRBL) (Beverland, 2001), brand value (CRBV) (Steenkamp, Rajeev Batra, & Alden, 2003; Trunfio, Petruzzellis, & Nigro, 2006), marketing support (CRMS) (Jin & Moon, 2006; Trunfio et al., 2006), product demand (CRPD) (Ballantyne & Aitken, 2007; Parment, 2008), and capability enhancement (CRCE) (Bartlett & Ghoshal, 2000; Ernst & Kim, 2002). The indicators of competitiveness were obtained from existing scales and they were reviewed using anecdotes that explained the context. The items for the marketing innovation measure were developed by the authors based on the measures used by previous researchers as approach to market (MIAM) (Luo & Tung, 2007), channel of communication (MICC) (Di Gregorio, Musteen, & Thomas, 2009; Guerrieri & Meliciani, 2005; Trunfio et al., 2006), product delivery (MIPDV) (Guerrieri & Meliciani, 2005; Singh, Garg, & Deshmukh, 2008), and service delivery (MISD) (Gandolfo & Padelletti, 1999; Kask, 2011). The items finally employed to conduct the investigation are described in Table 1. Based on the recommendations of Singh, Howell, and Rhoads (1990), all items were measured using a seven-point Likert scale (1 = strongly disagree, 7 = strongly agree).

### 3.3. Construct validity

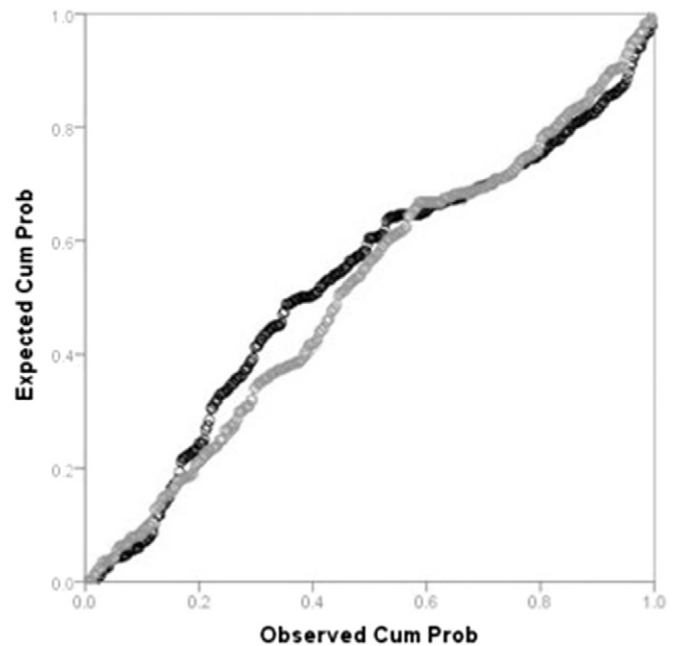
The preliminary measures were subjected to a series of factor and reliability analyzes as preliminary tests of their performance within the entire sample. A two-step approach was taken using the Anderson and Gerbing (1988) and Foroudi, Melewar, and Gupta (2014) two-stage procedure. First, an exploratory factor analysis was ran for each set of constructs and attained the theoretically expected factor solutions. In this stage, competitiveness of reseller and competitiveness of brand consisted of one item and an initial exploratory factor analysis

**Table 1**  
Study constructs and scale items.

Main constructs	Measure	Authors
Competitiveness of brand (CB)	Native knowledge (CBNK)	Huggins (2003), Simmie (2003), Windrum and Tomlinson (1999)
	Local infrastructure (CBLI)	Timmor et al. (2009)
	Local relationship (CBLR)	Simmie (2004)
	Local support (CBLS)	Gabrielsson (2005)
	Local capabilities (CBLC)	Lester (2005)
Competitiveness of reseller (CR)	Brand leadership (CRBL)	Beverland (2001)
	Brand value (CRBV)	Steenkamp et al. (2003), Trunfio et al. (2006)
	Marketing support (CRMS)	Jin and Moon (2006), Trunfio et al. (2006)
	Product demand (CRPD)	Parment (2008), Ballantyne and Aitken (2007)
	Capability enhancement (CRCE)	Bartlett and Ghoshal (2000), Ernst and Kim (2002)
Marketing innovation (MKTIN)	Approach to market (MIAM)	Luo and Tung (2007)
	Channel of communication (MICC)	Di Gregorio et al. (2009), Guerrieri and Meliciani (2005), Trunfio et al. (2006)
	Product delivery (MIPDV)	Guerrieri and Meliciani (2005), Singh et al. (2008)
	Service delivery (MISD)	Gandolfo and Padelletti (1999), Kask (2011)

(EFA) showed that native knowledge (CBNK) was excluded for multiple loadings on two factors, and the total correlation was less than 0.50 (Foroudi et al., 2014; Hair, Black, Babin, & Anderson, 2010). KMO's measure of sampling adequacy is 0.895 and greater than 0.6, this suggests that the relationship between items is statistically significant and is suitable for EFA to provide a parsimonious set of factors (Tabachnick & Fidell, 2007). Following Hair et al.'s (2010) recommendations, Bartlett's test of sphericity indicates that the correlation among the measurement items is higher than 0.3 and hence suitable for EFA. Furthermore, the null hypothesis that the variables are uncorrelated in the population was rejected pointing to the appropriateness of the data for EFA.

Second, the confirmatory factor analysis (CFA) was conducted to allow a stricter assessment of construct uni-dimensionality; the examination of each subset of items was internally consistent and validated the constructs on the basis of the measurement models (Gerbing & Anderson, 1988; Hair et al., 2010). The within-construct



**Fig. 2.** Normal P–P plot of regression standardised residual.

validity (convergent and discriminant) and reliability (Cronbach's  $\alpha$  and composite reliability) were measured and results were satisfactory (Table 2).

The construct-level reliability, also called “composite reliability”, ensured that items assigned to the same constructs revealed a higher relationship with each other. The appropriateness of the measurement model involves examining the statistical significance of each factor loading and calculation of the composite reliability. Composite reliability or construct reliability measures the internal consistency of the indicators, depicting the extent to which they indicate the common latent construct. The composite reliability was recommended to be greater than 0.7 (Foroudi et al., 2014; Hair et al., 2010). Cronbach's alpha and composite reliability were computed to examine the construct level reliability.

Sufficient external consistency was achieved by using full measurement models and modification indices (in AMOS) to recognise multiple loading items. In this study, the squared multiple correlation (SMC) was employed to measure the construct reliability and is referred to as an item reliability coefficient. SMC is the correlation between a single indicator variable and the construct it measures. The SMC for an observed variable is the square of the indicator's standardised loading. Based on

**Table 2**  
Exploratory and confirmatory factor analyses.

Construct	Sub-constructs	Cronbach's alpha	CFA loading	Mean	STD	AVE	Construct rel.
Competitiveness of brand		0.914				0.739	0.918
	Local infrastructure		.755	5.3615	1.46560		
	Local relationship		.901	5.6200	1.44927		
	Local support		.898	5.5123	1.46789		
	Local capabilities		.876	5.2923	1.48462		
Competitiveness of reseller		0.967				0.871	0.823
	Brand leadership		.941	5.0523	1.62900		
	Brand value		.936	5.0246	1.63437		
	Marketing support		.911	4.9892	1.62934		
	Product demand		.930	4.9662	1.63233		
Marketing innovation	Capability enhancement	.947	5.0708	1.59870		0.845	0.956
	Approach to market	.895	5.5692	1.45470			
	Channel of communication	.933	5.6508	1.50588			
	Service delivery	.934	5.6862	1.48437			

**Table 3**  
Sufficient configurations for the constructs' conditions.

	Coverage		Consistency
	Raw coverage	Unique	
Model for crce * crpd * crms * crbv * crbl	0.341058	0.341058	0.992857
Model for cbli * cblr * cbls * cblc	0.383277	0.383277	0.982786
Marketing innovation miam * micc * mipdv * misd	0.390562	0.390562	0.982045

the measurement analysis, the squared multiple correlations between the construct and its measuring manifest items (i.e., factor loading) were above the minimum threshold criteria of 0.509. An SMC of 0.5 is roughly equivalent to a standardised load of 0.7 (Holmes-Smith, Coote, & Cunningham, 2006).

Convergent validity which refers to the homogeneity of the constructs was assessed in this study to understand which indicators of a certain construct 'converge' or share a high proportion of variance in common. Convergent validity related to the internal consistent validity was measured by testing whether the factor loading of items in their respective constructs is large (equal to or greater than 0.5) and statistically significant (Hair et al., 2010). Furthermore, the average variance extracted (AVE) for each construct ranged from 0.739 to 0.845 (Table 2). The good rule of thumb is that an AVE of 0.5 or higher indicates adequate convergent validity.

In addition to test the validity of the data, discriminant validity was also employed. Discriminant validity refers to the extent to which measures diverge from other operationalisations whereby the construct is truly distinct from other constructs (Hair et al., 2010; Peter & Churchill, 1986; Steenkamp & van Trijp, 1991); it is the complementary concept to convergent validity. Table 2 shows that the results of average variance extracted should be greater than the squared correlation estimates (Hair et al., 2010). An alternative test for discriminant validity is to compute the average variance extracted (AVE) for each construct and compare it with the square correlation between them. Note that the AVE was larger than any squared correlation of the latent variables (LV) within the context of that factor, which supports discriminant validity (Fornell & Larcker, 1981). Additional evidence for discriminant validity is that estimated correlations among factors were less than the recommended value of 0.92 (Kline, 2005). Therefore, the adapted measurement model appears to exhibit discriminant validity and does not feature any cross-loading among measured variables. In the case of discriminant validity, the estimated correlations were statistically significant ( $p < 0.05$ ) (Foroudi et al., 2014; Hair et al., 2010).

**Table 4**  
Marketing innovation and competitiveness of reseller segments.

			Marketing innovation (5 groups)				
			1–129	130–259	260–389	390–519	520–649
Competitiveness of reseller	Strongly disagree	Count	1	2	3	7	2
		% within CRBL	12.5%	50.0%	75.0%	87.5%	33.3%
	Disagree	Count	1	3	2	2	2
		% within CRBL	25.0%	50.0%	50.0%	25.0%	28.6%
	Somewhat disagree	Count	1	3	3	5	3
		% within CRBL	10.0%	37.5%	30.0%	55.6%	50.0%
	Neutral	Count	5	14	11	10	3
		% within CRBL	31.3%	53.8%	40.7%	50.0%	30.0%
	Somewhat agree	Count	6	15	8	5	10
		% within CRBL	14.3%	39.5%	23.5%	20.8%	35.7%
	Agree	Count	4	12	9	8	7
		% within CRBL	15.4%	41.4%	36.0%	33.3%	19.4%
	Strongly agree	Count	13	7	10	16	15
		% within CRBL	56.5%	36.8%	38.5%	43.2%	40.5%

**Table 5**  
Goodness-of-fit indices of model modification.

	Model fit indicators									
	Chi-square/ $X^2$	Df	RMSEA	GFI	NFI	CFI	AGFI	IFI	TLI	RFI
	Data set 1	114.508	62	.051	.947	.976	.989	.922	.989	.986
Data set 2	215.722	62	.067	.908	.959	.971	.865	.971	.963	.949

$X^2$  – Chi-square; Df – degree of freedom; RMSEA – root mean square error of approximation; GFI – goodness-of-fit index; NFI – normed fit index; CFI – comparative fit index; AGFI – adjusted goodness-of-fit index; TLI – Tucker–Lewis index; and Relative Fit Index.

Cronbach's alpha of all measures was higher than 0.914 ( $>0.70$ ) demonstrating adequate internal consistency and is highly suitable for most research purposes (Bagozzi & Yi, 1988; De Vaus, 2002; Hair et al., 2010; Nunnally, 1978). Additionally, composite reliability was examined, which measures the internal consistency of the indicators, depicting the extent to which they indicate the common latent construct. The composite reliability of all measures exceeded 0.82, which was greater than 0.7, suggesting a satisfactory level of reliability (Bagozzi & Yi, 1988; Hair et al., 2010). Therefore, composite reliability ( $\rho$ ) may be the better coefficient because it is based on a congeneric assumption (Raykov, 1998).

Scholars (Gigerenzer & Brighton, 2009; Woodside, 2013, 2014; Wu et al., 2014) stated that researchers should not report the fit validity findings only, they should also report predictive validity results from tests of models with holdout samples (Woodside, 2013, p. 466). Based on their recommendations, this study split the sample into two subsamples randomly to test the predictive accuracy of the other.

In addition, multiple regressions were examined by cross-validation, the data was divided into two sets of data. Appendix A illustrates the results from employing two of the research variables and their relations to test the randomly developed subsamples (325 and 324) from the total data set and the average across both data sets achieved a higher predictive accuracy. In addition, through visual inspection of the Fig. 2, the distribution of values in this study shows that all the variables were clustered around the straight line, therefore, observation of the sample does not require any adjustment through a transformation process. Furthermore, the normal probability plot (P–P plot of the regression standardised residual), employed to assess multivariate normality, was also noted to be normal (see Fig. 2).

In addition, qualitative comparative analysis (QCA) was employed in this study as a technique to evaluate both set-theoretic and correlation between the constructs. Scholars engaged in the qualitative study of macro social phenomena use this method. Use of QCA method emphasises upon asymmetric associations by reporting the sufficient conditions to cause an outcome condition (Gunawan & Huarng, 2015; Woodside-Oriakhi, Lucas, & Beasley, 2011). In addition, QCA as

**Table 6**  
Descriptive statistics and correlation matrix for the items.

	CRBL	CRBV	CRMS	CRPD	CRCE	CBLI	CBLR	CBSL	CBLC	MIAM	MICC	MIPDV	MISD
Brand leadership (CRBL)	1												
Brand value (CRBV)	.888**	1											
Marketing support (CRMS)	.825**	.812**	1										
Product demand (CRPD)	.868**	.840**	.831**	1									
Capability enhancement (CRCE)	.884**	.878**	.854**	.872**	1								
Local infrastructure (CBLI)	.283**	.246**	.284**	.264**	.286**	1							
Local relationship (CBLR)	.218**	.196**	.200**	.207**	.215**	.697**	1						
Local support (CBSL)	.174**	.158**	.160**	.164**	.162**	.620**	.852**	1					
Local capabilities (CBLC)	.151**	.137**	.137**	.134**	.153**	.599**	.777**	.817**	1				
Approach to market (MIAM)	.114**	.052	.102**	.122**	.115**	.344**	.383**	.399**	.389**	1			
Channel of communication (MICC)	.154**	.108**	.158**	.190**	.170**	.386**	.438**	.418**	.393**	.844**	1		
Product delivery (MIPDV)	.192**	.125**	.161**	.198**	.178**	.371**	.424**	.442**	.405**	.823**	.881**	1	
Service delivery (MISD)	.153**	.088*	.139**	.175**	.155**	.374**	.434**	.425**	.403**	.826**	.933**	.898**	1

\*\* Correlation is significant at the 0.01 level (Pearson's correlation sig. (2-tailed)).

comparative methods combines the strength of both quantitative and qualitative methods while transcending their limits. In this study, in addition to SEM, the QCA method was also employed as a set-theoretic method (Ragin, 2006, 2008) for discovering causal configurations from a set of empirical cases. In order to clarify and better understand the research constructs, Pappas et al. (2015) recommend a configural analysis of factors as more appropriate than an examination of individual causal factors. The coverage and consistency were measured in the QCA method using fsQCA software to examine how well the alternative configurative models explain the constructs rather than count on correlations and multiple regressions (symmetric data analysis methods). Table 3 indicates that the empirical significance of a configural solution as the overall consistency score 0.98 represents the acceptance consistency level (Ragin, 2006). The results from the coverage illustrated the proportion of cases which are combined in the path that leads to high outcome scores.

Contrarian analysis was used to deepen understanding of the relationship cases to combine marketing innovation and the competitiveness of reseller segments (Woodside, 2014; Wu et al., 2014). Contrarian case analysis was conducted by creating quintiles on all variables and by cross-tabulations using the quintiles. The majority of cases received positive assessments about the impact of the competitiveness of reseller and marketing innovation (Table 4).

Following that step, the structural model fit was tested through goodness-of-fit indices for both data sets for a randomly created subsample from the total data set (Table 5) before examining the total data set. The critical validation question from previous scholars (Gigerenzer & Brighton, 2009; Wu et al., 2014) was whether or not a model can predict the outcome condition (a dependent variable) in supplementary samples, and holdout samples which are separate data sets used to examine the fit of data to theory. "Achieving a good fit to observations does not necessarily mean we have found a good model, and choosing the model with the best fit is likely to result in poor predictions" (Wu et al., 2014, p. 1667). Accordingly, the favourable fit values provide a satisfactory fit to the data (Df – degree of freedom, 62; RMSEA – root mean square error of approximation, .063; GFI – goodness-of-fit index, .949; NFI – normed fit index, .978; CFI – comparative fit index, .984; AGFI – adjusted goodness-of-fit index, .925; IFI – incremental fit index, .984; RFI – relative fit index, .972; and TLI – Tucker–Lewis index, 0.98) and thus indicate the uni-dimensionality of the measures (Anderson & Gerbing, 1988; Foroudi et al., 2014).

**Table 7**  
Company age and marketing innovation cross-tabulation.

Company age (years)	Approach to market	Channel of communication	Service delivery	Product delivery
1 to 6	6%	7%	7.60%	7%
7 to 12	9%	11%	11%	11%
13 to 18	15%	17%	18%	17%
19 to 24	5%	5%	5%	5%

This research applied correlation matrix at the 0.01 significance level (2-tailed) to determine the linearity and multi-collinearity of the constructs; and found that all independent variables positively correlated to the dependent variables (Table 6). The bivariate correlation matrix was computed using Pearson's correlation. To address multi-collinearity, this paper followed established procedures to mean centre related variables prior to generating proposed interaction terms to assess the hypotheses (West, Aiken, & Krull, 1996) (Table 6). To compare the relationship between company age and marketing innovation, cross-tabulation was tested (Table 7). By applying cross-tabulation, this study found that companies that are between 13 and 18 years old are more innovative than young companies. The noticed relationship between company age and innovation can be attributed to understand the knowledge and experience which can be negatively correlated (Potosky, 2007; Tu, Shih, & Tsai, 2008). When companies are new to the market and their level of market knowledge is low and their vision is broad, they look at the market in new and different ways.

It was intended in this research to create a more predictive model, in addition to a more comprehensive model for the configurations of relationships between the research questions. Table 5 illustrates the results from employing hierarchical linear regression analysed for two random samples from the total data set. To address multi-collinearity, this paper followed established procedures to mean centre related variables prior to generating proposed interaction terms to assess the hypotheses (West et al., 1996). As can be seen in Table 8, the results were supportive of H1 and H2. The findings indicated that there are relationships between the competitiveness of the brand and the competitiveness of the reseller in both models which were tested (H1: CB → CR) (a:  $\gamma = .282$ ,  $t$ -value = 3.965; b:  $\gamma = .411$ ,  $t$ -value = 3.644) and between the competitiveness of the reseller and the competitiveness of the brand (H2: CR → CB) (a:  $\gamma = .122$ ,  $t$ -value = 2.989; b:  $\gamma = .078$ ,  $t$ -value = 2.681). In the hypothesised model the effect of 'competitiveness of brand (CB) on marketing innovation (MKTIN)' (H3: CB → MKTIN) (a:  $\gamma = .617$ ,  $t$ -value = 9.020; b:  $\gamma = .245$ ,  $t$ -value = 6.543) did reach significance. Hypothesis 4, which explains the relationship between marketing innovation and competitiveness of brand, was found to be significant in the hypothesised direction (a:  $\gamma = .437$ ,  $t$ -value = 9.021; b:  $\gamma = .655$ ,  $t$ -value = 6.539). Using the estimated model from the second set of data to predict the scores of the first set of data leads to the same conclusion. The hypothesised relationship between marketing innovation and competitiveness of reseller was found to be significant (a:  $\gamma = .163$ ,  $t$ -value = 2.717; b:  $\gamma = .203$ ,  $t$ -value = 3.078) and Hypothesis 6 was accepted. Examining for predictive validity indicates that the only non-significant relationship was between the impact of competitiveness of reseller (CR) on marketing innovation (MKTIN) (H5: CR → MKTIN) (a:  $\gamma = .033$ ,  $t$ -value = .673,  $p = .501 > 0.05$ ; b:  $\gamma = .073$ ,  $t$ -value = 1.604,  $p = .109 > 0.05$ ). The structural equation is illustrated in Table 8. The operational model is illustrated in Fig. 3.



**Table 8**  
Structural equation model results from both data sets and total data set.

Hypothesised relationships	Data set 1 (n = 325)					Data set 2 (n = 324)					Total data set (n = 649)				
	Estimate	S.E	C.R	p	Hypothesis	Estimate	S.E	C.R	p	Hypothesis	Estimate	S.E	C.R	p	Hypothesis
H1 Competitiveness of brand → competitiveness of reseller	.282	.071	3.965	***	Supported	.411	.113	3.644	***	Supported	.327	.060	5.414	***	Supported
H2 Competitiveness of reseller → competitiveness of brand	.122	.041	2.989	.003	Supported	.078	.029	2.681	.007	Supported	.098	.025	3.910	***	Supported
H3 Competitiveness of brand → marketing innovation	.617	.068	9.020	***	Supported	.245	.037	6.543	***	Supported	.632	.056	11.318	***	Supported
H4 Marketing innovation → competitiveness of brand	.437	.048	9.021	***	Supported	.655	.100	6.539	***	Supported	.352	.031	11.323	***	Supported
H5 Competitiveness of reseller → marketing innovation	.033	.048	.673	.501	Not-supported	.073	.046	1.604	.109	Not-supported	.056	.033	1.705	.088	Not-supported
H6 Marketing innovation → competitiveness of reseller	.163	.060	2.717	.007	Supported	.203	.066	3.078	.002	Supported	.187	.044	4.222	***	Supported

\*\*p < 0.01, \*p < 0.05.

**4. Discussion, implications and limitations**

This study examines the relationship between competitiveness and innovation in the marketing practises of firms that offer their products in foreign markets through local small- and medium-sized enterprises (SMEs) as resellers of their brand. Therefore, this paper emphasises the factors that drive competitiveness through collaboration with other actors functioning in the ecosystem of the market. In addition, the results are in line with those of authors such as *Srivastava et al. (2001)* and *Barney et al. (2001)* in the consistent use of a resource-based view for building competitiveness. The current study embeds the arguments into the theory of comparative advantage perspective adopted by research studies such as that of *Inemek and Matthysens (2013)* to explain how organisational learning, sharing of knowledge, investment benefits and mechanism manoeuvrability expand the scope of activities performed by buyer and seller firms to identify opportunities of marketing innovation. They have considered the impact of the buyer's assistance on supplier abilities to form cooperative ties in the social or governance context and participate in product development. This study extends the understanding developed by many previous authors about innovativeness in marketing as a mutual capability of

both buyer and supplier. The finding of this study has various implications for buyer firms from a mature market and seller firms in a growth market. The results suggest that collaboration between these two types of firm can help both firms in identifying areas of both radical and incremental marketing innovation.

We also shed new light on the current understanding about innovation as a determinant of competitiveness. In addition to current knowledge, this study explains how the competitiveness of a firm can enable its managers to innovate their marketing practises. This paper embeds the buyer–seller relationship into a theory of comparative advantage to highlight that both international buyers and sellers can assist each other in building the competitiveness of the partner firm for mutual benefits from marketing innovation. Second, we justify a marketing innovation approach based on the findings as regards the ability of a firm to use modified methods for getting access to the appropriate target segment for their product in a competitive market and improved communications about the product and the firm behind the product for facilitating comparison between the product and its competitors apart from ensuring the efficient delivery of the product or service for nurturing satisfied customers.

Third, this study recommends the mutual use of resources by the buyer and seller to fill the gaps in their capabilities and to become competent in a competitive market. For this, the results recommend that the managers of the seller firm from a foreign country should treat their buyer firms operating in the growth market as incubated entrepreneurial firms who provide the resources and facilities required by the seller firm to successfully perform important organisational functions such as sales, economies of scale, research, development, stock movement and relationships with their publics. Fourth, this research highlights that the role of the buyer firms in enabling sales enhancement and cost reduction through their participation in planning activities like branding, distribution and opportunity identification in the local market needs to be identified. Therefore, while it makes several other contributions to the industrial marketing and management literature, this study can recommend future research on the ability of the buyer firm to create a value chain and contribute to the productivity forecast; establishing an image that provides assurance related to services, quality and risk in dealing with the seller firm also should be considered by managers.

The limitations of this study are that the data was a limited sample and we have only investigated the influence of competitiveness on innovation. The data is collected only from India and only from electronics and information technology small- and medium-sized enterprises. To increase the generalisability of the findings, future studies could examine the proposed integration in different industry settings or

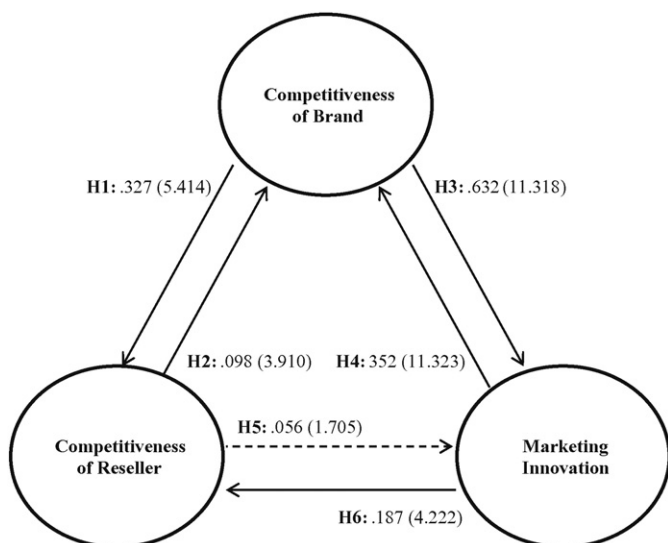


Fig. 3. Validated structural model.



multi-country settings by examining cross-cultural differences in the relationship between the research constructs, process integration and firm performance that will serve as a catalyst for further research in this area. Also, this research has explored the uni-directional causality between the constructs related to competitiveness and innovation and has not tested the reverse influence of innovation on competitiveness that this paper recommends as an area of enquiry for future research.

**5. Conclusions**

This study interrogates the construct of marketing innovation as an outcome of the integrated competitiveness of a brand and the competitiveness of its resellers. Given the complex landscape of the competitiveness of brand versus competitiveness of firm owning brands and individual competitiveness of partners in a distribution network and the individual competitiveness of marketing innovation, causality related to the competitiveness of a brand and its resellers for the capability of the brand to innovate its marketing practises was hypothesised.

Regarding its methodology, this research is one of the first studies to examine the configural analysis based on individual-level data and according to scholars (Leischnig & Kasper-Brauer, 2015; Pappas et al., 2015), the application of complexity theory in individual level phenomena may be proven suitable for theory building (Pappas et al., 2015). In addition, this study used structural equation modelling, multiple regression analysis and fsQCA, which has received attention from recent scholars (Gunawan & Huarng, 2015; Leischnig & Kasper-Brauer, 2015; Ordanini et al., 2013; Pappas et al., 2015; Woodside, 2014; Wu et al., 2014) to emphasise interdependencies and interconnected causal structures between the research constructs (Woodside, 2014) by employing complexity theory from a configurational approach. Furthermore, unfortunately, not many studies examine and report on predictive validity, almost all studies test and report only on fit appropriateness (Roberts & Pashler, 2000). This research reported predictive validity as well as fit.

The research findings explained the strength of three of the four relationships tested, with strong support found for the relationships between the competitiveness of brand and the competitiveness of the reseller. More importantly, the current paper explained that innovativeness in the marketing practises of a brand is highly influenced by the competitiveness of its own firm, and significantly, not from the reseller firm.

While this paper has recognised that the availability of brand support will generate higher brand value for resellers and therefore will stimulate higher competition within resellers' markets and motivate them to be flexible in their approach and support brand promotions, simultaneously this study also finds that mutual contributions to competitiveness do not change the capability of the reseller to flexibly address marketing opportunities. Therefore, this research claims that the framework conceptualised was valid as the results indicate the robustness of the concepts for analysing the adoption of innovative marketing practises by brand managers. A main implication lies in the constructed measurement scales, of which one was developed, based on the prior literature to suit the unique requirements of the study setting. In conclusion, this study makes several contributions to theoretical and practitioner understanding, and suggests directions for further research.

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**Appendix A. Multiple regression analysis for two random samples**

**First Data set (n = 325)**  
Model summary

Model Summary <sup>c</sup>			
R	R Square	Adjusted R Square	Std. Error of the Estimate
.521 <sup>a</sup>	.271	.266	4.98250

a. Predictors: (Constant), CRTTotal, CBTTotal

ANOVA <sup>a</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2971.839	2	1485.919	59.855	.000 <sup>b</sup>
Residual	7993.749	322	24.825		
Total	10965.588	324			

a. Dependent Variable: MKTTOTAL

b. Predictors: (Constant), CRTTotal, CBTTotal

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	10.736	1.260		8.521	.000
CRTOTAL	.023	.039	.029	.588	.557
CBTOTAL	.510	.049	.513	10.457	.000

a. Dependent Variable: MKTTOTAL

**Second data set (n = 324)**  
Model summary

Model Summary <sup>c</sup>			
R	R Square	Adjusted R Square	Std. Error of the Estimate
.413 <sup>a</sup>	.170	.165	4.96036

a. Predictors: (Constant), CRTTotal, CBTTotal

ANOVA <sup>a</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1621.692	2	810.846	32.954	.000 <sup>b</sup>
Residual	7898.259	321	24.605		
Total	9519.951	323			

a. Dependent Variable: MKTTOTAL

b. Predictors: (Constant), CRTTotal, CBTTotal

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	11.031	1.539		7.166	.000
CRTOTAL	.052	.036	.076	1.464	.144
CBTOTAL	.475	.063	.389	7.477	.000

a. Dependent Variable: MKTTOTAL

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