

The joint contribution of marketing and sales to the creation of superior customer value

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Abstract

Academic research has demonstrated that sound marketing capabilities allow a firm to create superior customer value. Moreover, academic research and business practice have shown that Marketing and Sales departments are jointly responsible for marketing activities. Although scholars have devoted very limited attention to the relationship between these two departments, overlooking the role that poor alignment between the two has on the firm's capacity to generate superior customer value would be an error. The present paper proposes a model of antecedents to superior customer value creation elaborating on literature that deals with marketing capabilities and Marketing–Sales relationship. More specifically, the authors hypothesize that a firm's long-term strategic orientation, effective Marketing–Sales relationship, the use of a direct sales force and customer-oriented salespeople positively affect superior customer value creation and market performance. The empirical research confirms all hypotheses with the exception of the impact of a direct sales force.

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1. Introduction

The generation of superior customer value is at the base of a company's competitive advantage. A company creates superior customer value by offering benefits to its customers that are larger than the costs they have to bear along the product or service life cycle. Moreover, superior customer value creates a competitive advantage if the company is able to financially benefit from the exchange in the long-term, that is to say, to create such value more efficiently and effectively with respect to its competitors (Slater and Narver, 2000).

Although companies can use different strategies to create superior customer value (e.g. Treacy and Wiersema, 1993; Day, 1994), a strong market-oriented organizational culture is an effective means for achieving this goal (Deshpandé et al., 1993; Homburg and Pflesser, 2000). In fact, despite some contrary views (Macdonald, 1995; Christensen and Bower, 1996; Frosch,

1996), previous research shows that market-oriented behavior positively affects market, financial and organizational performance outcomes (Jaworski and Kohli, 1993; Slater and Narver, 1994; Homburg and Pflesser, 2000). As recently reported in a meta-analysis by Kirca, Jayachandra, and Bearden (2005), the relationship depends on the superior capabilities of market-oriented companies in offering innovative products that, as a consequence, foster customer loyalty and perceived product quality. In other terms, a company with distinctive marketing capabilities has a higher probability to create superior customer value and achieve a competitive advantage (Day, 1994; Slater and Narver, 1995).

At the very heart of the market orientation construct is inter-functional coordination (Narver and Slater, 1990; Homburg and Pflesser, 2000). A market-oriented organizational culture is not solely a matter for the Marketing department, but for the entire company. In fact, companies must disseminate marketing intelligence throughout the organization and all departments must respond consistently (Kohli and Jaworski, 1990; Slater and Narver, 2000). As a logical consequence of this, the fundamental role of the Marketing department in the creation of superior customer value appears very clear (Homburg et al.,

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1999; Webster et al., 2005): because marketing intelligence generation and dissemination are fundamental components of market orientation, whereby the Marketing department takes on the specific responsibility of gathering and disseminating market-related information.

An evident limitation of this line of reasoning is the assumption that the Marketing department has full responsibility and control over all processes and activities usually referred to as “marketing” ones, whereas Marketing does not manage some of these processes but rather they are under the Sales department’s control (Krohmer et al., 2002; Rouziès et al., 2005). This shortcoming is even more surprising if one considers that a very rich stream of research has studied Marketing interactions with other departments (e.g. Griffin and Hauser, 1996; Kahn, 1996, 2001; Fisher et al., 1997; Kahn and Mentzer, 1998; Millson and Wilemon, 2002) while devoting very little attention to the study of the relationships between Marketing and Sales. Studies on marketing capabilities (Day, 1994; Vorhies, 1998; Vorhies et al., 1999; Day and Van den Bulte, 2003) have implicitly recognized that company exercise those capabilities through activities pertaining to both Marketing and Sales departments. But these studies basically treat the relationships between the two departments as non-problematic.

Contrary to this optimistic view, practitioners’ experience and the sparse literature on Marketing–Sales interaction depicts a totally different picture (Carpenter, 1992; Shocker et al., 1994; Anderson, 1996; Strahle et al., 1996; Rouziès et al., 2005): interaction is problematic, alignment is lacking and conflict is predominant. With these conditions in place, the relationship between Marketing and Sales may seriously challenge the company’s opportunities to create superior customer value. As a consequence, every choice regarding the design of organizational structure, managerial systems, individual processes and activities relating to Marketing and Sales can strongly affect the ability of the company to create superior customer value and achieve competitive advantage.

Starting from these considerations, the purpose of this study is to shed light on the joint contribution of Marketing and Sales departments to the creation of superior customer value. The structure of the article is as follows. The first section reports a review of the literature on marketing capabilities and Marketing–Sales relationship in order to highlight the relevance of the joint contribution of the two departments to the creation of superior customer value. The second section introduces a model that incorporates several antecedents of customer value regarding the joint contribution of Marketing and Sales to its creation, and presents the test of hypotheses. Finally a discussion of theoretical and managerial implications and some directions for future research on the topic conclude the paper.

2. Marketing capabilities for customer value creation and the role of Marketing–Sales relationship

2.1. Marketing capabilities

A company offering superior customer value is a company that builds distinctive marketing capabilities and uses them in its

activities. One possible definition of marketing capabilities, in fact, is “the integrative processes designed to apply the collective knowledge, skills and resources of the firm to market-related needs of the business, enabling the business to add value to its goods and services, adapt to market conditions, take advantage of market opportunities and meet competitive threats” (Vorhies, 1998: 4).

Despite the fact that, as Day (1994: 40) noticed, “it is not possible to enumerate all possible capabilities because every business develops its own configuration of capabilities”, the same author continues by saying that “Nonetheless, certain types of capabilities can be recognized in all business, corresponding to the core processes for creating economic value”. Thus, marketing literature reports different classifications of marketing capabilities (Day, 1994; Slater and Narver, 1995; Vorhies et al., 1999; Fahy et al., 2000). All of them share the view that this specific bundle of a company’s capabilities has two pillars: learning about markets and relating to customers. The *market learning capability* has to do with a company’s capacity to sense customers’ current needs and expectations, and anticipate future needs or the development of new market segments (Day, 1994; Sinkula, 1994; Slater and Narver, 1995; Dutta et al., 1999; Weerawardena, 2003). The *customer relating capability* has to do with a company’s capacity to build and maintain mutually satisfactory relationships with customers (Day, 1994, 2003; Dutta et al., 1999; Vorhies et al., 1999; Day and Van den Bulte, 2003).

The most popular definitions of market orientation, made by Kohli and Jaworski (1990) as well as Narver and Slater (1990), emphasize the role of market learning capability. In fact, organizations exercise market orientation through the management of market-related information: acquisition, dissemination and usage, that is to say, learning. The market learning capability fosters superior customer value by allowing the company to adapt its offering to meet expressed customer needs and to proactively enact future ones through: i) the proper usage of a rich bundle of data gathering tools; ii) sophisticated mental models to interpret market information, open enough to be suitable to modification when market changes require that; iii) a marketing information system which allows the personnel in charge of specific marketing decisions to access the appropriate information.

In fact, both the Marketing and Sales departments manage all these processes and activities (e.g. Zoltners, 2004). Data gathering can occur through formal market research methodologies (focus groups, interviews, surveys, etc.) and through formal reports about customers and competitors turned in by the sales force or, less formally, through any contacts with customers that the sales force can establish (von Hippel, 1989; Lambert et al., 1990). Similarly, interpretation of information depends on the specific responsibility that company personnel has over single marketing decisions (e.g. Maier and Saunders, 1990), and different functional groups, Sales included, share this responsibility (Krohmer et al., 2002). Both marketing and sales personnel manage the distribution of market information, according to the design of the company’s marketing information system (Evans and Schlacter, 1985). The

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