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Aligning marketing strategies throughout the supply chain to enhance performance

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ABSTRACT

A marketing strategy alignment model that incorporates marketing strategy alignment, supply chain performance, and organizational performance constructs is proposed and assessed. Data collected using an e-mail, Internet-based methodology from a sample of 117 managers with knowledge of their organizations supply chain activities are analyzed using a structural equation methodology. The data collected reflect the perceptions of the managers concerning the extent to which their firms have aligned marketing strategies with supply chain partners. Findings indicate that alignment of the marketing strategies by the partners throughout the supply chain is positively associated with supply chain performance and that supply chain performance is positively associated with organizational performance. Because this is an early study based on a relatively small, diverse sample, the findings of the study are considered preliminary. Based on the results, managers seeking to improve the performance of their organizations should work with supply chain partners to align marketing strategies throughout entire the supply chain. This is one of the first empirical studies to assess the relationships among marketing strategy alignment, supply chain performance, and organizational performance constructs.

1. Introduction

Supply chains are value chains that extend from supplier's supplier to ultimate customer. Supply chain management requires integration and coordination of business processes throughout the supply chain for the purpose of satisfying and responding to changes in the demands of ultimate customers (Lambert & Cooper, 2000; Vokurka & Lummus, 2000). The business processes that must necessarily be integrated and coordinated include: purchasing, manufacturing, marketing, logistics, and information processes. As Jarratt and Fayed (2001, p. 71) state, “The development of integrated supply systems moves competition into a new phase, with systems competing against systems to create efficiency and client value at each point in the system.”

Heizer and Render (2006) identify the key to successful supply chain management as the ability to develop long-term, strategic relationships with supply chain partners. The quality of the supply chain relationships directly impacts the performance of the supply chain (Fynes, de Búrca, & Marshall, 2004). Effective supply chain management maximizes value to the ultimate customers of the supply chain in terms of both satisfaction with the product and/or services and a relatively low total cost of the product and/or service. Supply chain managers are responsible for reconciling supply and demand issues within value chains (Rainbird, 2004b). Traditional supply processes focus on efficiency in support of lower costs, while traditional demand processes focus on effectiveness with the aim to please customers (Rainbird, 2004b). Rainbird (2004a) asserts that this process fusion can be a source of dynamism rather than dysfunction, although such fusion is difficult to achieve.

Existing research supports the general proposition that the alignment of systems throughout the supply chain enhances organizational performance (Green & Inman, 2005). In particular, Seggie, Kim, and Cavusgil (2006) argue for and find empirical support for positive impact of IT system integration throughout the supply chain on market performance through brand equity. Richey, Tokman, and Skinner (2008, p. 847) similarly argue and find support for their proposition that retail managers will “reap superior gains” from technology collaborations with suppliers. Powers and Reagan (2007) contend that supply chain partners, in particular buyers and sellers, derive competitive advantage from strong, long-term relationships and empirically identified relatively more important relationship factors.

The integration and coordination of marketing processes throughout the supply chain has received little attention (Jüttner, Christopher, & Godsell, 2010). Flint (2004) argues that the superior marketing strategies of the future will necessarily be those that are more fully integrated across the supply chain. The ability to integrate and coordinate becomes paramount to satisfying the demands of the ultimate customers of the supply chain. While there are costs associated with efforts to coordinate and integrate (Rainbird, 2004b), we argue that the total cost to the

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ultimate customer is minimized through a focused response by all supply chain partners to the changing demands of ultimate customers. The integration and coordination yields overall efficiency and effectiveness improvements that lead to better satisfied ultimate customers (Rainbird, 2004b). Successful supply chains are customer focused, requiring not only that each of the individual firms within the supply chain exhibit a market orientation but that the marketing strategies of the individual firms be integrated and coordinated such that the supply chain, as an entity, exhibits a market orientation (Gundlach, Bolumole, Eltantawy, & Frankel, 2006; Jüttner, Christopher, & Baker, 2007; Min & Mentzer, 2000). Gundlach et al. (2006) argue that the integration and coordination of marketing strategies across the supply chain offers "continued opportunity" for cross-disciplinary research. It should be noted that Fabbe-Costes and Jahre (2008), after reviewing the supply chain integration and performance literature, concluded that more research is necessary before a general conclusion related to the impact of supply chain integration on performance can be drawn.

The literature related to the development and implementation of organization level marketing strategies that focus on the satisfaction of immediate customers is relatively well developed (Green, Inman, Brown, & Willis, 2005; Green, McGaughey, & Casey, 2006; Panayides, 2004; Vorhies, Morgan, & Autry, 2009). The supply chain management literature related to the importance of collaboration of supply chain partners to satisfy the ultimate customers of the supply chain is also relatively well developed (Chen & Paulraj, 2004; Ho, Au, & Newton, 2002; Hoyt & Faizul, 2000; Lee, 2004; Whitten, Green, & Zelbst, 2012). This is not the case for the literature supporting the need to integrate and coordinate marketing strategies throughout the supply chain. This theoretical basis for marketing strategy alignment throughout the supply chain has been theoretically argued and is supported anecdotally in the literature (Jüttner et al., 2010). Supporting empirical evidence is not present, however. We theorize a marketing strategy alignment performance model with a marketing strategy alignment construct as antecedent to supply chain performance and organizational performance. This research effort extends and expands the view of marketing strategy alignment from the organization level to the supply chain level. We argue that the organizational strategies of all supply chain partners should be integrated into a supply chain level strategy that focuses on satisfaction of the ultimate customers of the supply chain. The specific research question under investigation is: "Does a supply chain level marketing strategy aimed at satisfying ultimate customers positively influence supply chain and organizational performance?"

Generally, we propose that alignment of marketing strategies by the partners throughout the supply chain will positively affect supply chain performance, which will, in turn, positively influence the organizational performance of each of the supply chain partners. We define and describe the marketing strategy alignment construct and recommend a multi-item scale for measurement of the construct. A sample of APICS members with knowledge of their organizations' supply chain management initiatives provided data necessary to assess the marketing strategy alignment model. Perceptions of the responding managers related to the extent to which their individual firms have aligned marketing strategies with supply chain partners are reflected in the dataset. The study scales are carefully assessed for validity and reliability, and the study hypotheses are tested within the context of the marketing strategy alignment model following a structural equation modeling approach.

2. Literature review and hypotheses

Manufacturing organizations have generally adopted strategies internally and worked to integrate those strategies across intra-organizational functions (Swink, Narasimhan, & Kim, 2005); those internally integrated strategies have led to the ability to produce relatively high quality and relatively low cost products. It is difficult to develop additional competitive advantage through such internal approaches (Cohen & Roussel, 2005).

With competition now at the supply chain level (Craighead, Blackhurst, Rungtusanatham, & Handfield, 2007), competitive advantage comes from the ability of supply chain partners to coordinate and integrate strategies aimed at satisfying the ultimate customers of the supply chain at a relatively low total cost (Cohen & Roussel, 2005). Supply chains capable of implementing and executing an integrated and coordinated marketing strategy at the supply chain level focused on the ultimate customers of the supply chain will gain competitive advantage at the supply chain level (Min & Mentzer, 2000). Such competitive advantage must at some point, however, result in improved organizational performance for each of the partners within the supply chain. Manufacturing managers are ultimately held directly accountable for the performance of their organizations, not the supply chains in which their organizations participate.

Why then should manufacturing managers concern themselves with making decisions that may support the supply chain but, at least in the short-run, do not seem to directly affect the performance of their organizations? As Kline, Raj, and Straub (2007) argue, decision makers must first do what's best for the supply chain with such supply chain focused decisions ultimately leading to improved organizational performance. Their focus must, therefore, expand from a dyadic focus on relationships with direct suppliers and customers to one that embraces the entire supply chain (Pathak, Day, Nair, Sawaya, & Krystal, 2007).

We propose a marketing strategy alignment model with marketing strategy alignment as antecedent to supply chain performance and supply chain performance as antecedent to organizational performance. The model is displayed in Fig. 1. It should be noted that the arrows linking the constructs within the structural model are not intended to imply causality but a dependence ordering of the relationships among the constructs (Shah & Goldstein, 2006).

Please note that, within the context of the theorized model, direct links from alignment to financial performance and marketing performance are not included. This is because marketing strategy alignment is a supply chain level phenomenon that is expected to directly affect performance at the supply chain level rather than directly affect organization level performance. Chopra and Meindl (2004) argue that supply chain performance is enhanced when an 'inter-organizational, inter-functional' approach is adopted by all supply chain partners. Strategies that serve to strengthen the competitive position of the supply chain directly enhance supply chain performance, which will, in time, positively impact performance at the organization level for each of the supply chain partners (Meredith & Shafer, 2002; Rosenzweig, Roth, & Dean, 2003; Whitten et al., 2012). While alignment of marketing strategies throughout the supply chain should affect organizational performance, the effect is not direct. Instead, the effect of marketing strategy alignment on organizational performance is mediated through supply chain performance. Marketing managers should concern themselves with strengthening the overall supply chain before improvements in the financial and marketing performance of the organization can be expected. Marketing strategy alignment is theorized as indirectly affecting organizational performance through supply chain performance.

2.1. Theoretical foundation

Min and Mentzer (2000) argue that adoption of a market orientation at the supply chain level is pivotal to the overall success of the supply chain. A market orientation at the supply chain level depends upon the partnering firms' abilities to develop inter-firm relationships that facilitate information exchange and communication related to the changing demands of the ultimate customers of the supply chain. Relational exchange theory (Griffith, Harvey, & Lusch, 2006; Kaufman & Stern, 1988; Macneil, 1980; Min & Mentzer, 2000) and