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Dynamic Marketing through Engagement: Answering the Role of Marketing Functions.

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ABSTRACT

The offline to online marketing system (O2O) in this article provides a new perspective on marketing strategies to address the role of marketing functions in Dynamic Marketing Capabilities (DMC's) through Engagement. The originality of this research lies in the development of new concepts through the synthesis of theories that support the findings of the new concept of Dynamic Marketing through Engagement (DME). This concept is expected to be contributed to strengthening the theoretical basis of Dynamic Marketing Capabilities (DMC's) and Actor Engagement as a sustainable competitive advantage. The purpose of this study is to examine and analyze the role nature of the Dynamic Marketing Engagement (DME) concept in marketing perspective as a management strategy to achieve and maintain a sustainable competitive advantage in improving business performance. Data was collected from owners, managers, or business owners and SME managers who do two marketing systems from offline to online; the distribution of questionnaires was done via email and social media (facebook) to 300 SMEs all over Indonesia and interviewed 30 SMEs in Banyumas Regency, Central Java-Indonesia. The findings justify the previous research gap that dynamic capabilities, actors' engagement and performance are still a contradiction among the results of the study. In addition, there is still a gap phenomenon on improving business performance in SMEs on both offline marketing systems to online. Nevertheless, the concept of Dynamic Marketing Engagement positively improves the business performance of SMEs.

Keywords: Actor Engagement; Competitive Advantage; Dynamic Marketing Capabilities

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1. INTRODUCTION

The main purpose of this study is to examine and analyze the nature of direct and indirect role of Dynamic Marketing Engagement (DME) concept. This concept was born through the synthesis of micro foundation view that was Dynamic Capability (DC) theory by Teece, Pisano, & Shuen (1997) and Engagement by Kahn (1990). In marketing perspective through DME concept, DC and Engagement is a strategy of enterprise management capabilities to achieve and manage sustainable competitive advantage.

While currently, according to Barrales-Molina, Martínez-López, & Gázquez-Abad (2014), the development of dynamic capabilities in a marketing perspective becomes one of significant problems with the role of the marketing function that requires the collaboration of marketing and operations to integrate market knowledge into the supply chain. To develop dynamic marketing capabilities, they emphasize, one of them; that analyze the effects of dynamic marketing capabilities on strategic variables of a firm, such as performance or competitive advantage (sustainability). Then, according to Frow, Nenonen, Payne, & Storbacka (2015), the benefits of co-creation include: increasing employee engagement (Hatch & Schultz, 2010); supply chain integration (Jüttner, Christopher, & Godsell, 2010); the interaction of customer's consumption experience with the firm (O'Cass & Ngo, 2011); customer brand experience (Nysveen, Pedersen, & Skard, 2012) and the value of strengthening relationship (A. Payne & Holt, 2001). In this regard, by competitive advantage through engagement developed by Kumar & Pansari (2015) found the fact that the level of engagement can be improved by identifying the level of employee and customer engagement. On the other hand, Chandler & Lusch (2015) states that the need to explore engagement not only as customer engagement but also the engagement of other actors from suppliers, manufacturers, retailers, and providers. While Finsterwalder (2016) states that to understand building multi-actor engagement requires measurement of the use of appropriate items and scale to assess the degree of engagement of each actor in the

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focus of interaction, either to the actors or other objects, such as resources, or both as the focus of the value co-creation activities. It is in line with Storbacka, Brodie, Böhmman, Maglio, & Nenonen (2016) that in strategic management research based on dynamic capabilities; value co-creation is viewed in the context of a service ecosystem involving the role of actors' engagement. And in more detail, Marcos-cuevas, Nätti, Palo, & Baumann (2016) argue that the co-creation practices and capabilities are reinforced by the common end goal of broad mind (i.e. goals) and sustained engagement in expanding the scope and nature of collaborative enterprises (i.e. engagement) to create value in a common scope where the involved actors perform it now and then (i.e. sustainability).

In this context, the new concept of DME is applied to small firms that use two marketing systems (offline and online). We also do not found any articles that investigate and apply it. The reason for the implementation of it in small firm is the vital role of small and medium enterprises in Indonesia in realizing national goals to create jobs, improving the standard of living and international competitiveness (Deloitte, 2015). Therefore, starting from the problem how to build SMEs marketing strategy on offline to online system in improving business performance?. Furthermore, the concept is also expected to address the research gaps from the dynamic capabilities and multi-actor engagement in improving sustainable performance (Barrales-Molina et al., 2014; Kumar & Pansari, 2015; Chandler & Lusch, 2015; Storbacka et al., 2016; Finsterwalder, 2016).

2. LITERATURE REVIEW

Starting from El-Gohary (2010) literature review in an e-marketing study of 365 scientific articles published in 89 journals indexed by Scopus 2003-2010 in e-business, e-market, e-commerce, e-platform, e-mobile and other related research areas in the field of performance and implementation of e-marketing in small firms; The findings found a research gap that needs further research to determine the relationship between E-Marketing implementation and small business performance. Finally, Constantinides (2014) provides an explanation of the basics of e-marketing with derivatives, web 1.0 is the site and web 2.0 is social media. Social media is divided into three parts, first; enabling technologies (technology permitting), second; social effects and third; application types; application on the concept of development management, one of the

three types is the application, which is divided into six parts, namely blogs, social networking sites, (content) communities, forum / bulletin, board, and content aggregator. Of these six parts, the social networking site is divided into six lines (myspace.com, facebook.com, hyves.nl, linkedin.com, ning.com and twitter.com) and more similar types of applications are increasing, but most of the biggest users at the first rank with used choice is Facebook (Stelzner, 2015). Facebook is one type of social media, with the aim of marketing use social media to build, connect and improve relationships, services and communications to get information from users (Constantinides, 2014; Crager, Ayres, Nelson, Herndon, & Stay, 2014; Crager et al., 2014). Thus, the goal of using Facebook as a marketing strategy is to establish social relationships of business in social networks (Ellison, Steinfield, & Lampe, 2007; Chu, 2011). Due to the nature and effect of social media and its impact on business management through integration in building business relationships with customers through online social networking system (which was originally done in traditional / offline), a new paradigm called Social CRM was born. Therefore, talking about social media as well as discussing social CRM (Askool & Nakata, 2011; Heidemann, Klier, & Probst, 2012).

2.1 Social CRM to actor engagement

The term of Social CRM (SCRM) proposed by Greenberg (2010) is based on the use of social tools combined with CRM findings by Jayachandran, Sharma, Kaufman, & Raman (2005). Some SCRM studies such as Maklan & Knox (2009), Lehmkuhl & Jung (2013), Trainor, Andzulis, Rapp, & Agnihotri (2014) and Choudhury & Harrigan (2014) agree that SCRM is a process for achieving performance that involves relationships with firm customers (Harrigan & Miles, 2014) likewise customer engagement on the use of social media as a marketing strategy (Vivek, Beatty, & Morgan, 2012) whereas customer engagement has a close relationship with employee engagement (Kumar & Pansari, 2014).

In today's interconnected and interdependent business environment, information is the key of creating a competitive advantage. Faisal, Banwet, & Shankar (2007) say the use of information technology to share data between buyers and suppliers, primarily, create a virtual supply chain focusing on demand, interpretation and response. While Christopher & Towill (2002) show the agile relevance of marketing activities is to enrich the customer, products combination and individual services. While Beske (2012) say one of the main categories of management in sustainable supply chains contains

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practices such as long-term cooperation with long-term contracted companies with suppliers and their customers; and business environment characteristics in the sustainable supply chain management of transparency knowledge understood without buyer-supplier's contact and relationship. Therefore, engagement and sustainability is about creating a shared value relationship.

Analysis of Ranjan & Read (2016), say that engagement is defined as a relationship; network; the eternal exchanging; entanglement; interdependence; collaboration and it is a process of mutual, interrelated, and recurrent relationships that form the basis of relationships between customers and objects in active communication and / or engagement. It has been suggested that engagement and sustainability are about the firm's ability to establish relationship with employees, customers and supply chain (A. F. Payne, Storbacka, & Frow, 2008; Karagouni & Protogerou, 2016). Grönroos & Helle (2012), set out that business engagement are established in the calculation of benefits that mutually can be made.

2.2 Actor engagement in Dynamic Marketing Capabilities (DMC's)

According to Barrales-Molina et al. (2014) any research on dynamic marketing capabilities should be started from the bottom of Dynamic Capabilities (DC), i.e. the ability to apply market knowledge customized to resources and organization. There is a need to answer emerging questions to communicate competitive advantage through the engagement concept and DMCs. The engagement concept is the basis of customer engagement as the goal of social CRM, the second involvement refers to the competitive advantage with the engagement dimension, then combined with dynamic capabilities that remain in the marketing context and its role is enabled with competitive advantage through engagement. In the mindset process of dynamic marketing engagement and the actor involvement aimed at improving firm performance, the same expectation on subsequent research put forward by Fang & Zou (2009) to contribute the market knowledge on firm's performance and competitive advantage, and this is in line with the research done by Kumar & Pansari (2015) on the competitive advantage of the engagement dimension.

Similarly, about the market knowledge conducted by Bruni & Verona (2009) which revealed in future studies to consider the source of knowledge of complementary market into a competitive advantage. In logic mapping of DMCs concept presents the market knowledge and competitive advantage through involvement overshadowing customer

engagement, employee engagement and firm performance. Meanwhile, Karagouni & Protogerou (2016) argue that research both in the perspective of dynamic capabilities and sustainable value creations, highlights the role capability that enable firms to be engaged in value creation activities.

2.3. Synthesis of Dynamic Marketing Engagement Concept

The integration of social media in establishing business relationships with customers into an online system in social networking spawned a new paradigm called social CRM (Askool & Nakata, 2011; Heidemann, Klier, & Probst, 2012). Social CRM (SCRM) was first discussed extensively in Greenberg (2010), which found a new generation of customers with the need for transparency, authenticity, and interaction from the firms. While the concept of CRM found by Jayachandran, Sharma, Kaufman, & Raman (2005) play an important role of relational information process in improving customer relationships, based on Theory of Equity by Adams (1965) who developed the theory of injustice in social relations behavior and RBV findings from Wernerfelt (1984) that explain the concept of resource position barrier and product-resource matrices. Some social CRM studies applied RBV views such as Keramati, Mehrabi, & Mojir (2010), Rapp, Trainor, & Agnihotri (2010), Trainor (2012) and SCRM research based on Dynamic Capability (DC) such as Maklan & Knox (2009) explain that SCRM aims at customer relationship performance. Meanwhile, to achieve customer relationship performance objectives in SCRM, Trainor, Andzulis, Rapp, & Agnihotri (2014) state that SCRM capability is influenced by customer-centric management system and social media technologies which proved positively related to customer relationship performance. In line with Harrigan & Miles (2014) that state the importance of customer engagement in the use of social media as a marketing strategy tool. Due to the importance of customer engagement in marketing relationships, Vivek, Beatty, & Morgan (2012) state that customer engagement is the intensity of an individual's participation in and connection with a firm's offerings (Bowden, 2009). Meanwhile, the engagement concept was initially introduced by Kahn (1990) which states that people are personally involved in psychological situations as they are willing and abnegate in situations they are less willing to engage. In context, customer engagement has a close relationship with employee engagement. It was delivered by Kumar & Pansari (2014) which provides guidance for managers in measuring and managing different factors in encouraging employee engagement to improve service, customer satisfaction, and firm

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performance.

One of DC's micro foundation views proposed by Teece, Pisano, & Shuen (1997) is to innovate management with dynamic capabilities through an extension of the less obvious RBV perspective emphasizing the organization's ability to achieve competitive advantage. In DMCs context, Bruni & Verona (2009) state that dynamic marketing capabilities help firms to develop new products and change the firms' capabilities now and then. While Fang & Zou (2009) state empirically it found significant that the dynamic marketing capabilities complement each other among resources, culture and organizational structure. Both researchers have a common opinion that dynamic marketing capabilities are the firm's market capabilities in developing products and are linked to customer relationship management and supply chains.

Therefore, it is necessary to incorporation of supply chain to be involved in the marketing and operational scope that is filled by the other actor engagement (Barrales-Molina et al., 2014). This is a process of thought that emerge innovation (see Appendix A); wherein, the integration of supply chain ties into marketing and operations transformed into supply chain engagement. While the performance of the company into an object suspected by Dynamic Marketing Capabilities (DMCs) and Engagement as a process of merging the two concepts that both aim at achieving the competitive advantage. Its operational is the management of the relationship between customer engagement and employee engagement and supply chain integration in an engagement as a firm's operational marketing capability. The integration of these three relationships is called Multi Actor Engagement (MAE). Thus, it can be stated that DMC's have a close relationship with MAE as a competitive advantage in the process of sustaining relationships. In the synthesis of DME concept raises the proposition as follows: "The collaboration of DMCs and MAE as a sustainable competitive advantage strategy contained in the concept of DME potentially improve the firm's business performance"

2.4. A concept of competitive advantage in small firms.

Karagouni & Protogerou (2016) claim the dynamic capabilities can be considered as a facilitator in the creating process of sustainable value. The literary relationship is appropriate to say "yes" because, firstly; dynamic marketing capabilities have a positive inter- relationship with the involvement of several actors as a process of competitive advantage (Barrales-Molina et al., 2014; Kumar & Pansari, 2015; Chandler & Lusch, 2015; Storbacka, Brodie, Böhmann, Maglio, & Nenonen, 2016; Finsterwalder, 2016);

and second, engagement and sustainability is about the firm's ability to establish a good rapport with employees, supply chains and customers (Frow, Nenonen, Payne, & Storbacka, 2015; Marcos-cuevas et al., 2016; A. F. Payne et al., 2008) although it requires the empirical evidence to address the need to include multi-engagement actors as a competitive and sustainable market knowledge resource (Barrales-Molina et al., 2014; Kumar & Pansari, 2015; Chandler & Lusch, 2015; Storbacka, Brodie, Böhmman, Maglio, & Nenonen, 2016; Finsterwalder, 2016). Indirectly, this has already happened, but there were gaps especially in the perspective of small firms, as found by Anabel Fernández-Mesa, Alegre-Vidal, Chiva-Gómez, & Gutiérrez-Gracia (2013) that the design management, as dynamic capabilities, emerge from the research and enable the firms to adapt to environmental change. Shafei & Zohdi (2014) reveal positive correlation between market orientation and relational ability. The findings also explained that the effects of interventions will improve the market orientation of company performance. Arend (2014) say most entrepreneurial efforts to say this ability; their differences in age and size lead to differences on how dynamic capabilities affect a firm's performance. Monferrer, Blesa, & Ripollés (2015) indicate that the network facilitates the development of a dynamic market orientation, exploration capability (ability of adaptation and absorption) exists at the global level and in turn affects the ability to utilize knowledge through innovations that requires higher performance. And finally, Leonidou, Christodoulides, Kyrgidou, & Palihawadana (2015) emphasize the role of external forces that rely on moderation positively impacts the green business strategy of small firms on competitive advantage, and focuses on the performance implications of small enterprise engagement. In the operating environment, although this still looks a bit vague, due to different dynamic capabilities and different effects depending on a high and low competition environment (Makkonen, Pohjola, Olkkonen, & Koponen, 2014; Wilhelm, Schlömer, & Maurer, 2015), but dynamic capabilities is proven improving the firm's performance (Park & Kim, 2013; Nedzinskas, Pundziene, Buožiute-Rafanavičiene, & Pilkiene, 2013; Arend, 2013; Naldi, Wikström, & Von Rimscha, 2014).

3. METHODOLOGY

Secondary data were collected on the basis of data from Ministry of Cooperatives Small and Medium Enterprises, which amounted to 57,895,721 units (99.99%) in Indonesia

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until 2013, contributing to GDP (constant price) of 1,536,918.8 billion (57, 56%) and absorb the workforce of 114,144,082 people (96.99%) (*Data Usaha Mikro, Kecil, Menengah (UMKM) dan Usaha Besar (UB) Tahun 2012 - 2013*, 2013). The report of Wardhana (2016) based on data from Ministry of Cooperatives Small and Medium Enterprises until 2013, there were 55 to 56 million SMEs in Indonesia and only about 75 thousand to 100 thousand that had websites (sites). Then, a report from Deloitte (2015) states that 36% of SMEs in Indonesia are still offline, 37% have only a very basic online capability, 18% have intermediate online capabilities and 9% have advanced online business capabilities with e-commerce capabilities.

Primary data were gathered from the respondent's response by questionnaires. The measurements used are interval data with Agree-Disagree Scale technique in various value ranges (Ferdinand, 2014). The range used on scale 1 strongly disagrees until the 10th range strongly agrees. Model testing and hypothesis using path analysis with the help of SPSS22 program to test the model and hypothesis used. In a preliminary study to confirm the theoretical and empirical models built on dynamic marketing capabilities, the multi-actor engagement and business performance of small firms in Indonesia.

We asked the respondents questions related to the variables of interest in this study. These items were all adapted from previous studies. Market knowledge trust was measured with four items used by authors as Pérez-Cabañero, Cruz-Ros, & González-Cruz (2015). Customer engagement were measured with five items used by Jahn & Kunz (2012). Employee engagement were measured with nine items used by Thomas (2007). Supply chain engagement were measured with four items used by Cai, Huang, Liu, & Liang (2016). Dynamic marketing engagement were measured with seven items used by Ranjan & Read (2016) and Pérez-Cabañero et al. (2015). Business performance were measured with six used by Zacca, Dayan, & Ahrens (2015).

Population of the Study were the owner, manager, or owner and manager of the SME business that carried out marketing with two marketing systems from offline to online. Questionnaires distributed via email and facebook as many as 300 SMEs (all regions of Indonesia) and interviewed 30 SMEs in Banyumas regency of Central Java province. The questionnaires received after a viable selection process for the model test that were taken by 87 small companies (see table 1).

Table 1. Sample Composition

Category	%
Industri firm	
Service	14,7
Food	4,41
Retailer	1,96
other	2,94
Gender of owner/manager	
Male	
Female	12,25
Size of firm	11,76
1-9 Employee	
10-99 Employee	10,29
100-199 Employee	12,74
Age Firm	
1-9 years	0,98
10-19 years	14,7
More than 19 years	8,33
	0,98

Source: By authors

4. RESULTS

First, the result of correlation analysis between market knowledge and customer engagement (0,626) was significant at 0,000. The result of sub-structure analysis of market knowledge variation (0,391), influence of other variable 0,780, F-count value (54,63) > F-Table value 2,71, or significant value less than 0.05, it can be concluded that the independent variables are simultaneously able to explain changes in the dependent variable or the model of the expressed structure fit. The value of standardized coefficient (Beta) of market knowledge (0.626), or significant at 0.000 with T-count (7.39), greater than T-table (1.66), it can be concluded market knowledge positively affects customer engagement.

Second, the result of correlation analysis between market knowledge with employee engagement (0,590) was significant at 0,000. The result of sub-structure analysis of market knowledge variation (0,348), influence of other variable (0,807), F-count value (45,37) > F-Table value (2,71), or significant value less than 0.05, it can be concluded that the independent variables are simultaneously able to explain changes in the dependent variable or the model of the expressed structure fit. The value of standardized coefficient (Beta) of market knowledge (0,590), or significant at 0,000 with T-count

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(6.73) greater than T-table (1.66), it can be concluded that market knowledge positively affects employee engagement

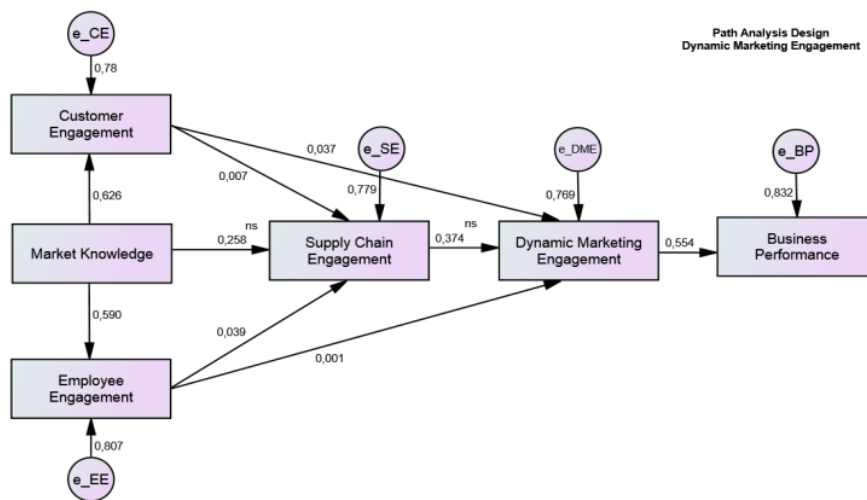
Third, the result of correlation analysis between supply chain engagement and market knowledge (0,487), with customer engagement (0,577), with employee engagement equal to (0,541), was significant at 0,000. The results of sub-structure analysis of market knowledge variation, customer engagement, employee engagement and supply chain engagement (0.392), so that the influence of other variables by 0.779, F-count (17,804)> F-Table (2.71), or more significant value less than 0.05, it can be concluded that the independent variables are simultaneously able to explain the changes in the dependent variable or the structure model is declared fit. The value of standardized coefficient (Beta) of market knowledge (0.258), or not significant at 0.05 because the value of T-count (1.13) smaller than T-table (1.66), whereas, customer engagement (0,007) with T-count (2,75), employee engagement (0.039) with T-count (2.09) or significant at 0.05 greater than T-table (1.66), it can be concluded that market knowledge does not positively affect supply chain engagement, while customer engagement and employee engagement positively affect supply chain engagement.

Fourth, the result of correlation analysis between dynamic marketing engagement with customer engagement (0,552), with employee engagement (0,595) and supply chain engagement (0,477) was significant at 0,000. The results of sub-structure analysis of customer engagement variation, employee engagement, supply chain engagement on dynamic marketing engagement (0,408), influence of other variable (0,769), F-count value (19,08)> F-Table value (2,71), or significant at < 0.05, it can be concluded that the independent variables are simultaneously able to explain the changes in the dependent variable or the structure model is stated fit. The value of standardized coefficient (Beta) of customer engagement (0.037) was significant at 0.05, the value of T-count (2.11). Employee engagement (0.001) was significant at 0.05, T-count value (3.33). And supply chain engagement (0.374), was not significant at 0.05, with T-count (0.89) <T-table (1, 66). It can be concluded that customer engagement and employee engagement positively affect dynamic marketing engagement, while supply chain engagement does not positively affect dynamic marketing engagement

Fifth, the result of correlation analysis between dynamic marketing engagement and business performance was (0,554) with significant at 0,000. The result of sub-structure analysis of dynamic marketing engagement variation (0,307) so that the influence of

other variable (0,832), F count (37,59) > F table (2,71) or significant value less than 0.05, hence it can be concluded that independent variable are simultaneously able to explain changes in the dependent variables or otherwise fit structure models. The value of standardized coefficients (Beta) of dynamic marketing engagement (0,554) or significant at 0,000 with T-count (6.13) greater than T-table (1.66), it can be concluded that dynamic marketing engagement positively affects business performance (see Figure 1).

Figure 1. The Model Path Analysis Design of research



Source: By authors

5. CONCLUSIONS

This study justifies the previous research gap that dynamic capabilities, actors' engagement and performance that still exists contradictions among the results of the study. In addition, there is still a gap phenomenon on improving business performance in SMEs in both offline systems into online marketing. This research is expected to add to the idea of developing SME Goes Digital in Indonesia to compete on an international scale. This research is also expected to contribute to further theoretical development, because theoretically, dynamic marketing sophistication has linked positive relationships with engagement to some actors as a process of competitive advantage; while engagement and sustainability is about the firm's ability to establish rapport with

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engaged actors. Both are main marketing strategies for small and medium enterprises to understand, utilize and enter competition in a competitive market. Market knowledge is the competence required in the SME business and makes it a modern business asset in competitiveness. Nevertheless the concept of Dynamic Marketing Engagement has a positive impact to improve the performance of small business enterprises.

5.1 Discussion, limitations and suggestions for future research

Theoretically we call the concept of Dynamic Marketing Engagement (DME) is a new concept. The foundation of DME concept was derived from the decline of DMCs development (Overview of Barrales-Molina, Martínez-López, & Gázquez-Abad, 2014) based on DC theory (micro-foundation by D. J. Teece et al, 1997) and the competitive advantage framework through engagement by Kumar & Pansari (2015). While the process, market knowledge is linked by engaging the roles of employees, customers and supply chains in a multi-actor engagement. The process is the integration of marketing into the company's operations in running and functioning the role of marketing functions as the emergence of social media as a marketing tool in the online market.

Theoretically, the concept of DME becomes one of the answers to the critical space needs of the previous views which require new concepts. According to J. B. Barney, Jr, & Wright (2011) one of the implications of the maturity of a critically declared theory lies in the moment followed by revitalization or decline. Thus it can be concluded, the concept of Dynamic Marketing Engagement as a novelty is eligible. The Dynamic Marketing Engagement (DME) implementation context is expected to address the problems and research gaps from the dynamic capabilities and multi-actor engagement in improving sustainable performance (Barrales-Molina et al., 2014; Kumar & Pansari, 2015; Chandler & Lusch, 2015; Storbacka et al., 2016; Finsterwalder, 2016).

In our study, although not all small entrepreneurs are faced with the problem of understanding market knowledge in online business, but generally they speak that they are constrained by skilled human resources, the mastery of international languages, and the absence of operational process training to move from offline to online business (O2O).

The limitations of this study are related to the sample of research that only take one country namely Indonesia. For future research an extension is needed to compare it globally in other countries.

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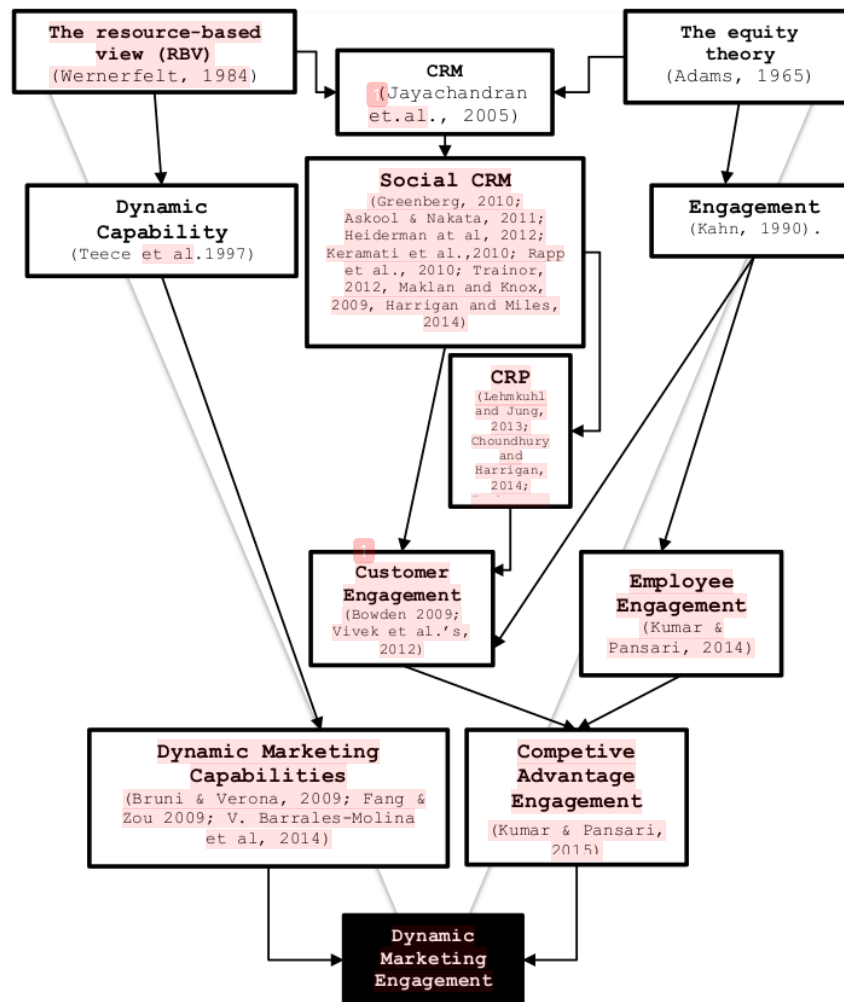
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Appendix A

Synthesis pathway of the Dynamic Marketing Engagement



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