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ASSESSING MARKETING CAPABILITIES AS A DRIVER OF FIRM PERFORMANCE IN THE RETAIL INDUSTRY

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ABSTRACT

Purpose: This study aims to assess the role of marketing capabilities as a driver for firm performance, specifically for small and medium-sized enterprises (SMEs) in the retailing sector within an emerging market context.

Design/Methodology/Approach: A single-method approach was employed, with quantitative data from surveys administered to retail owner-managers. The quantitative component involved a structured questionnaire distributed to 482 SMEs in the retailing sector. A purposive sampling technique was deployed to select the respondents. Data were analysed using structural equation modelling (SEM) to test the hypothesised relationships between marketing capabilities and firm performance.

Findings: The findings reveal that SMEs with robust marketing capabilities experience significantly higher levels of firm performance. Notably, three of the hypotheses were significant, while one was insignificant. The study also highlights the importance of entrepreneurial marketing practices in enhancing performance during economic fluctuations.

Research Limitation: The study could not demonstrate any real causal effects of marketing capability antecedents on firm performance.

Research Limitation: The study is restricted to the Ghanaian retailing sector; therefore, it cannot vouch for the generalizability of the findings.

Practical Implication: By investing in these areas, companies can create a robust framework that enhances their competitive advantage and overall performance in the retail sector.

Social Implications: By leveraging dynamic marketing capabilities, these firms can develop products and services that address social needs, contribute to community welfare, and enhance their brand image.

Originality/Value: This research contributes to the existing literature by providing empirical evidence on the marketing capabilities that drive performance in retail SMEs within an emerging market context.

Keywords: *Capabilities. emerging market. firm. performance. retail industry*

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INTRODUCTION

Marketing capabilities are firm capabilities within the marketing context responsible for transforming the company's marketing resources into valuable results (Morgan et al., 2022). Capability is defined as complex bundles of skills and collective learning exercised through organisational processes that ensure superior coordination of functional activities (Adaku et al., 2021; Day, 1994). Again, it is seen as the ability of the firm to serve certain customers based on the collective knowledge, skills, and resources related to market needs (Wilden & Gudergan, 2015). As global competition intensifies and consumer preferences shift, retailers must leverage their marketing strengths to differentiate themselves and achieve sustainable growth. In the rapidly evolving landscape of the retail industry, particularly within emerging markets, the assessment of marketing capabilities has emerged as a critical driver of firm performance.

Emerging markets present unique challenges and opportunities for retailers. According to Sokolov Mladenović et al. (2020), these markets are characterised by dynamic consumer behaviour, varying levels of market maturity, and differing regulatory environments, all necessitating tailored marketing strategies. Retailers who successfully assess and develop their marketing capabilities can better navigate these complexities, improving operational efficiency and customer satisfaction (Diallo & Siqueira, 2021).

Moreover, the role of digital transformation in enhancing marketing capabilities cannot be overlooked. With increasing internet penetration and smartphone usage in emerging markets, retailers are adopting innovative digital marketing strategies to reach and engage consumers effectively (Paul, 2022). This shift facilitates better customer insights and enables firms to respond swiftly to market changes, thereby driving overall performance. Developing and implementing an effective marketing strategy is critical in retail (Diem et al., 2021). Because the business environment within the retail sector is constantly changing, retail firms must succeed in building and using capabilities that support marketing strategies that lead to growth and/or long-term survival (Zhang et al., 2021). Among retail firms, marketing strategy typically determines the target market, location(s), and retail mix (Dunne et al., 2002). Retailers tend to stress a combination of the retail mix, location, and segmentation elements in their marketing strategies.

In the retail industry, particularly within emerging markets, firms face significant challenges leveraging their marketing capabilities to drive performance. Despite the increasing recognition of marketing as a vital component of business strategy, many retailers struggle to effectively assess and utilise their marketing capabilities to meet evolving consumer demands and competitive pressures. This gap in understanding often results in suboptimal marketing strategies, leading to decreased customer engagement, lower sales performance, and diminished market share. For instance, a recent study highlights that retailers lacking robust marketing capabilities cannot adapt

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to rapid market changes, resulting in missed opportunities for growth and innovation (Diallo & Siqueira, 2021). Moreover, existing literature has predominantly focused on developed markets, leaving a critical gap in understanding how emerging market retailers can harness their unique marketing capabilities to enhance firm performance. This oversight limits the ability of practitioners and scholars to develop tailored strategies that address the specific challenges faced by retailers in these dynamic environments. As such, empirical research is urgently needed to explore the relationship between marketing capabilities and firm performance in the retail sector of emerging markets.

The current body of research on marketing capabilities primarily emphasises their role in developed economies, with limited insights into how these capabilities operate within the context of emerging markets (Rather et al., 2019; Majhi et al., 2022). This gap is particularly pronounced in understanding how cultural, economic, and technological factors influence the effectiveness of marketing strategies in these regions. Additionally, while studies have identified various marketing capabilities such as brand management, customer relationship management, and market intelligence, there is an insufficient exploration of how these capabilities interrelate and collectively impact firm performance in the retail sector. The primary objective of this study is to investigate the relationship between marketing capabilities and firm performance within the retail industry, particularly in emerging markets, by 1) identifying key marketing capabilities and 2) analysing the impact of marketing capabilities on performance firms. The following sections of the paper encompass a literature review of related articles, the development of hypotheses, the research methods employed, an analysis of the results, discussions, implications of the research, a conclusion, and suggestions for future research directions.

LITERATURE REVIEW

Dynamic Capability Theory

Dynamic Capability Theory (DCT) is a framework that emphasises a firm's ability to adapt, integrate, and reconfigure internal and external competencies to address rapidly changing environments. Initially proposed by Teece and Pisano in 1994, DCT extends the Resource-Based View (RBV) by focusing on how firms can sustain competitive advantage through dynamic processes rather than static resources. This theory is particularly relevant in today's fast-paced business landscape, where organisations must continuously innovate and respond to market changes to thrive.

In assessing marketing capabilities as a driver of firm performance in the retail industry, Dynamic Capability Theory provides a robust framework for understanding how marketing functions can be optimised to enhance organisational performance. Retailers in emerging markets face unique

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challenges, including fluctuating consumer preferences and increased competition. By developing strong DMCs, these firms can better navigate these challenges. For instance, research indicates that companies with robust DMCs are more adept at leveraging market knowledge to create tailored offerings that meet local consumer needs (Amoah et al., 2023). This adaptability is essential for achieving superior performance outcomes. The relationship between marketing capabilities and firm performance is well-documented.

Studies have shown that firms with strong DMCs experience enhanced performance metrics such as sales growth and profitability. In emerging markets, where conditions can change rapidly, the ability to adapt marketing strategies dynamically becomes even more critical for maintaining a competitive edge (Bruni & Verona, 2009). Empirical studies support the notion that dynamic marketing capabilities significantly impact performance metrics. For example, research has demonstrated that firms with higher levels of DMCs are better positioned to succeed in navigating complex market environments (Griffith et al., 2006). The ability to respond swiftly to market changes allows these firms to capitalize on new opportunities and mitigate risks associated with market volatility. Dynamic Capability Theory emphasizes the importance of continuous learning and innovation as key drivers of competitive advantage. In the retail sector, this perspective encourages firms to invest in developing their marketing capabilities, such as market sensing, customer engagement, and resource reconfiguration, to enhance their responsiveness to market changes. This focus on adaptability not only improves short-term performance but also fosters long-term sustainability.

Marketing Capabilities

Capabilities refer to the knowledge and skills that a company accumulates, which, in turn, allow it to increase the value of its use of resources (Murray et al., 2011). According to Dierickx and Cool (1989), capabilities are primary to the firm's success, and as an organisation process, resources are converted into values, contributing to the competitive advantage. Marketing capability, therefore, refers to a package of interrelated routines that facilitate the capacity to engage in specific marketing activities and respond to market knowledge (Murray et al., 2011; Ngo & O’Cass, 2012).

Meanwhile, Day (1994) defines marketing capability as the integrative process of utilising firm resources (tangible and intangible) to recognise the specific needs of consumers, attain competitive product differentiation, and realise superior brand equity. He contends that once these capabilities are developed, it becomes complex for competitors to copy (Day, 1994). Specifically, Morgan (2012) argued that marketing capabilities are responsible for transforming a company’s marketing resources into valuable results.

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In sum, Nath et al. (2010) conclude that marketing capability is one of the main capabilities facilitating competitive advantage. This is consistent with the literature in marketing, which reveals that the capabilities utilized by firms to convert resources into productivity are related to their firm's performance (Vorhies & Morgan, 2003). It is important to note that the execution of marketing capability relies on substantial market knowledge and insights, which are essential to understanding market conditions and consumer needs (Day 2011).

Relatedly, Day (1994) proposed that at least marketing capabilities can be grouped into two types of capabilities. One is related to outside-in capabilities that accurately predict diverse changes in external markets, such as market sensing and technology monitoring, as well as changes in customers' needs, while the other is related to inside-out capabilities, that focus on managing in-house company resources, such as technological and financial resources, costs, and human resources. Based on Day (1994) proposition on the types of marketing capabilities, therefore, dynamic marketing capabilities can be subdivided into two components, i.e. the ability to respond to market changes, namely, market responding capabilities, and the ability to integrate, build, and reconfigure marketing resources, namely, marketing resource rebuilding capabilities. In this sense, the market responding capabilities correspond to outside-in marketing capabilities, while the marketing resource rebuilding capabilities correspond to inside-out marketing capabilities.

Service Responsiveness

Within the study, service responsiveness refers to the degree to which retailers respond rapidly to clients, provide superior service, and respond rapidly to customer complaints. That is the willingness or inclination of the management to respond to the customers' needs and requirements as soon as possible. This variable makes a point of promptness and attentiveness in dealing with customers' complaints, inquiries, suggestions, etc. Every business should be ready for the change. According to (Saghier & Nathan, 2013), service responsiveness is measured by how ready the employee' is to fulfil and serve customers' demands.

Moreover, it was also correlated with effectiveness and efficiency in responding quickly to customers' complaints. Eagerness to serve customers and offer quick service is known as responsiveness (Armstrong, 2012). Service responsiveness is also about the availability of employees when needed, according to (Saghier, 2015). When the employees are available when the customers need them, it shows how responsive they are. This would increase a good perception of the service quality of the business, and there would be an increase in customer satisfaction as well. It increases customer satisfaction because customers would feel that they are being valued by not waiting for a long time to receive the service. Employees should also learn how to solve customers' problems as soon as possible without delay. To be a victorious company, the higher

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management should look at responsiveness from the customer's viewpoint instead of the company’s (Alan-Wilson et al., 2006). Based on the above, the below hypothesis is formulated;

***H1**. There is a significant relationship between the degree of service responsiveness of marketing capabilities and firm performance in the retailing sector*

Pricing

Capability in pricing refers to the degree to which the retail firm responds quickly to market changes, has knowledge of competitors’ pricing tactics, and monitors competitors’ pricing and pricing changes (Falahat et al., 2020). Pricing capability is a firm's ability to set prices based on a balanced consideration of costs, competition, and customer expectations (Dutta et al., 2003). Firms with better pricing capability may gain a competitive advantage through their ability to enable better customer deals (Hofer et al., 2019). Few studies on pricing capability suggest that firms with more flexibility in pricing can offer the best value-for-money deals. The majority of the works' findings revealed that a firm's pricing capability leads to competitive advantage which is linked to lower costs relative to its rivals (Vorhies & Morgan, 2005; Pham et al., 2017; Zou et al., 2003). Because of the above, the study proposes;

***H2**. There is a significant relationship between pricing marketing capability and firm performance of firms in the retailing sector.*

Marketing Communication

Capability in marketing communication refers to the degree to which the firm develops and executes advertising programs effectively, provides effective sales support to the sales force, and gives training to the sales force to be effective (Falahat et al., 2020). Marketing communication capability is a firm's ability to plan, manage, and launch its marketing communication program (Pham et al., 2017; Zou et al., 2003). Kamboj et al., 2015) found that a firm with marketing capability leads to superior financial performance compared to those focusing solely on operational capabilities. Differentiating product offerings from competitors through an effective marketing program can add value. Marketing communication capability enables firms to identify, connect, and serve their market better, enhancing business performance (Hao & Song, 2016; Takahashi et al., 2016). Marketing communication capability may help firms gain a competitive advantage, especially for those exporting firms that can balance their national and international communication programs (Weerrawardena, 2003). The below-proposed hypothesis is therefore formulated;

***H3**: There is a positive relationship between marketing communication and marketing capability and firm performance in the retail sector.*

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Customer Relationship Management

Capability in customer relationship management is defined as the degree to which a firm has a cross-functional process of ascertaining customer needs, ensures departmental relationship and coordination, and ensures customer experience maximum value and benefit (Foltean et al., 2019). CRM is a core marketing process that influences firm performance and survival. As a strategic approach, CRM aims to increase shareholder value by creating, developing, and maintaining win-win relationships with valuable customers and key stakeholders, integrating the relationship marketing perspective and information technology in this process (Payne & Frow, 2005; Foltean et al., 2019). Wang and Feng (2012) developed a three-dimensional structure of the CRM capabilities construct that comprises a customer interaction management capability, customer relationships upgrading capability, and a customer win-back capability. Meanwhile, according to Wang and Feng (2012), marketing theory and empirical evidence highlight the positive effects of CRM capabilities on firm performance, and they are the basis of a firm sustainable competitive advantage (Day, 2000). In this perspective, CRM capabilities have been conceptualised as the “firm's ability to deploy relational resources effectively” (Vorhies et al., 2011). Given this, the below hypothesis is formulated:

***H4**: There is a significant relationship between customer relationship management of marketing capabilities and firm performance of firms in the retailing sector*

Firm Performance

Effective marketing capabilities encompass a range of functions, such as market planning, product development, and customer engagement, that collectively enhance firm performance. A study conducted in Ghana explored how various marketing capabilities, such as channel management, product development, and market planning, affect competitive performance among 506 SMEs. The research found that effective marketing capabilities are crucial for aligning organisational resources with market demands and generating sustainable competitive advantages (Oduro & Mensah-Williams, 2023).

This study reinforces that marketing capabilities are essential for improving financial performance, customer satisfaction, and adaptability. A study by Cataltepe et al. (2022) investigates the relationship between marketing capabilities and firm performance. The study found that strong marketing capabilities positively impact firm performance by enabling better resource management and market responsiveness. The authors argue that effective marketing capabilities allow firms to acquire market knowledge and deliver superior customer value, which is crucial for achieving competitive advantage in dynamic environments. Joensuu-Salo et al. (2021) examined the relationship between marketing capabilities and growth rates among SMEs. Their findings

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indicated that firms with strong marketing capabilities, specifically in market sensing and customer linking, experienced higher growth rates. This suggests that effective marketing practices are vital for SMEs to leverage their resources and enhance their growth potential, which affects their firm performance. A study by Taghizadeh et al. (2024) and Al Koliby et al. (2024) explored how dynamic marketing capabilities influence competitive performance among SMEs. The findings revealed that firms with robust dynamic marketing capabilities, such as adaptability to market changes and effective customer engagement, achieve better financial outcomes compared to those with weaker capabilities. This underscores the importance of agility and responsiveness in marketing strategies for enhancing SME performance.

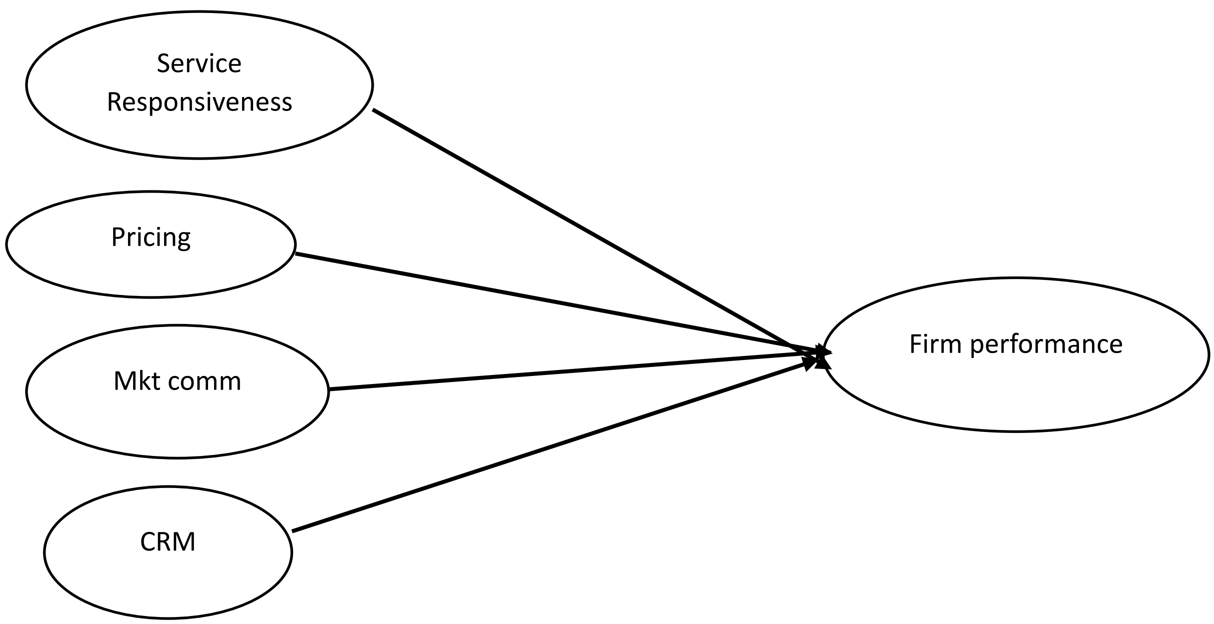

Figure 1: Proposed conceptual framework

METHODOLOGY
Research Design

This study also used a cross-sectional research approach because the data was only collected once and processed for analysis (Amoah et al., 2023; Bruce et al., 2022). Diverse strategies were used

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to improve the methodology's robustness and reduce concerns with typical method bias related to the survey data.

Sampling Technique and Sample Size

The authors employed this survey's non-randomized sampling technique, specifically purposive sampling. This approach involves selecting subjects based on the researcher's judgment, focusing on individuals who meet specific criteria relevant to the study's objectives. To ensure the rigour and reliability of the data collected, the sampling targeted small and medium-sized enterprises (SMEs) in Ghana's retail service sector. The selection criteria included businesses that had been operational for a minimum of three years above and were actively engaged in retail activities. Researchers believe that by using sound judgment in selecting participants, they can obtain a representative sample while also saving time and resources (Amoah et al., 2023). This method is particularly effective for qualitative research, where the goal is to gather in-depth insights from a specific subset of the population. The respondents who answered the questionnaires were owner-managers of the selected SMEs in the retailing services.

Research Instrument and Data Collection

The study utilised a methodological questionnaire to gather information from owner-managers and marketing managers to address the hypotheses generated for the study. The study was examined at the managerial level. The retailing sector was chosen for the study due to its significant contribution to economic growth and advancement of the economy. Customers gain from retailing because retailers undertake marketing functions that allow customers to access a wide range of items and services. Retailing also contributes to creating place, time, and possession utilities. Once more, the decision to use a survey approach for data gathering is compatible with research on management and organisation studies (Awan & Sroufe, 2020; Chundakkadan & Sasidharan, 2020). The study also focuses on primary data.

First, permission to administer the research questionnaire was obtained by contacting the officers/managers in charge of the chosen firms. These participants were considered based on their knowledge and other variables, such as their degree of education. The study population was focused on the retail industry, and the samples used in the final analysis were limited retailing businesses in three areas of Ghana, specifically Western, Greater Accra, and Ashanti. This is so since these are the business hubs for most retailing firms. Of the 482 responses received, 379 were correctly answered, making it due for data processing and analysis. The survey was distributed between June and September 2024. Volunteers assisted in personally distributing the questionnaire materials. A response rate of 78 percent was obtained when data collection was completed, which amounted to 400 completed questionnaires. Hair et al. (2017) assume that a quantitative study should have a sample size of 300 and above. In Bivens, the current study fulfils this assumption

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by using 379 valid respondents for data processing and analysis. Table 1 summarises the respondents' demographics.

Table 1: Background Information of Respondents.

Details	Groups	Frequency	Percentage
	Less than 30years	50	13.72
Age	31-40years	60	15.83
	41-50years	101	26.65
	51-60years	70	19.00
	60 years and above	98	25.86
	Male	239	63.06
Gender	Female	140	36.94
Academic Qualifications	Cert/Diploma/HND	115	30.34
	Degree	124	32.72
	Masters/PhD	90	23.75
	Less than 6years	108	28.50
Number of Years in Operations	6-10years	82	21.64
	11-15years	68	17.94
	Over 15years	121	31.93
	Micro (1-10) employees	59	15.57
	Small 11-60 employees	90	23.75
Employees Size	Medium 61-100 employees	98	25.86
	Large 100 above employees	132	34.83
	Western	72	19.00

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Regions	Greater Accra	95	25.07
	Ashanti	66	17.41
Sample	Total	379	100

Source: Field data from June-September, 2024.

Measurement Instrument Development

All measurements in the study were derived from relevant literature. However, the researchers implemented specific preparations and procedures in designing, testing, and administering the questionnaires to ensure the collection of accurate and reliable insights. The questionnaire for this study was developed based on the recommendations of Shelley and Horner (2021) and Flowerdew and Martin (2005). We implemented Harman's single-factor test to address potential common method bias, as Harman (1976) outlined. Additional strategies were employed to mitigate respondents' risk of predicting the survey's outcome. These included carefully arranging questionnaire items, using clear and unambiguous questions, and incorporating high-quality scale items, following the guidelines set by (Podsakoff et al., 2003; Metzker et al., 2021).

To further reduce bias, measurement items for independent and dependent variables were distributed across different questionnaire sections (Krishnan et al., 2006). The researchers also conducted several pilot evaluations by experts to assess the reliability and validity of the questionnaire. The feedback from these pre-tests was instrumental in refining the final set of questions, thereby enhancing our measurement instrument's validity and reliability. Previous analyses indicated that the instrument's Cronbach's alpha values were within acceptable ranges. Most statements in the questionnaire required respondents to indicate their level of agreement or disagreement using a 5-point Likert scale. This structured approach comprehensively assessed respondents' attitudes towards each proposition.

Data Analysis Technique

The study used partial least square and structural modeling (PLS-SEM) to evaluate the research model. Rather than using covariance-based structural equation modeling (CB-SEM), PLS-SEM was used. PLS-SEM makes no presumptions regarding the spatial distribution of the data, whereas CB-SEM demands that the data have a normal distribution. PLS-SEM is appropriate since non-normal data do not fundamentally change a statistical test's conclusions (Hair et al., 2019). Again, PLS-SEM was used because it allows for the simultaneous looking at of the relationship among numerous variables. The model examines six variables.

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Measurement of the Constructs

The research constructs were assessed using available literature on marketing capabilities and firm performance. A point five Likert scale was used in this study, ranging from 1- strongly agree to - strongly disagree (Leung, 2011). In all, sixteen scale items were used. According to Morgan et al., (2012), a firm's marketing capabilities are measured by using its resources to carry out marketing tasks in a way that produces the required marketing outcomes. In this study, four constructs were used to measure marketing capabilities: Pricing (Al-Fadly, 2020; Ingenbleek et al., 2013), service responsiveness (Luu, 2017; Wang & Liu, 2020), marketing communication (Porcu et al., 2017; Cornelissen, 2001), and customer relationship management (Demo et al., 2017; Wang & Feng, 2012) as independent variables while the dependent variable was firm performance (Alqahtani & Uslay, 2020; Kamboj & Rahman, 2015). A Likert scale was adopted to ascertain the respondent's level of agreement or disagreement about his or her impression of the variables used. A five-point Likert scale was used since it is quicker and easier for responders to complete than open-ended questions (Story & Tait, 2019).

Common Method Bias

Before conducting the investigation, the authors assessed the potential for common method bias (CMB). To address this concern, the study assured respondents of strict confidentiality regarding their responses. Additionally, the survey was designed to protect participants' privacy, allowing them complete discretion over their decision to participate. To further evaluate the robustness of common method variance, the researchers conducted a thorough multicollinearity test, specifically analysing the variance inflation factor (VIF). The results indicated that all computed VIFs were below the established ten (10) threshold, as detailed in Table 2 (see Alin, 2010). This finding suggests that common method variance is not a significant concern in this study.

FINDINGS AND DISCUSSION

Model Assessment

The validity and reliability of the constructs were examined in the data. Construct indicator reliability and internal consistency reliability were used as measurements of construct dependability. The reliability of a construct indicator measures how much of an indicator's variance can be explained by its construct. The degree of internal consistency of the employed measures is evaluated by construct dependability (Ho et al., 2022). The metrics utilised were Cronbach's coefficient alpha and Jöreskog's composite reliability rho (Al-Emran et al., 2022; Alalwan, 2022). The degree to which an indicator logically links the observed occurrence to the construct via the underlying theory is known as construct validity.

Convergent and discriminant validity are used to evaluate it (Khan & Siddiqui, 2013). The degree to which a theory converges to explain the variance of its indicators is known as convergent

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validity (Nysveen et al., 2005). According to (Nysveen et al., 2005; Alsukaini et al., 2022), the path coefficients, t-statistics, and p-values for significance were used to analyse the structural model. According to (Hair et al., 2019), all of the coefficients above the cutoff point of 0.5 are indicated in the table below. The basic elements of the study variables' cognitive characteristics were assessed. By satisfying the minimum values of 0.7 and 0.8 for Jöreskog's Composite Reliability and Cronbach Alpha, respectively, the test met the specifications for the composite reliability of constructs (Table 2). A minimal level of convergent validity (Average variance extracted) of 0.5 was attained. We evaluated the explained variation of the four endogenous variables using their R2 values since PLS-SEM attempts to maximize the explained variance of the endogenous variables by the exogenous variable (Nimfa et al., 2021).

The factor loading for each construct was carefully analysed and loaded to their viewpoint places, meeting the threshold of 0.6 and proving the effectiveness of the indicators. This is more significant than anything else. The connected constructs' coefficients indicated that 0.716 represented the least loading and 0.930 the most loading (see Table 3 below for more information). Additionally, since the researchers were highly concerned about the problem of multi-collinearity, they used the common method variance (CMV) to discover how it was used in proving the variance inflation factor (VIF).

Table 2: Construct, Indicator, Loading, VIF, CR, AVE, and CA

Construct	Indicator	Loading	VIF	CR	AVE	CA
Service responsiveness				0.805	0.686	0.773
	SR1: Our company can provide rapid response to clients	0.790	1.486			
	SP2: Our company provides superior levels of service customization	0.804	1.599			
	SP3: Our company can respond rapidly to customer complaints	0.888	1.771			
Pricing				0.946	0.803	0.883
	PR1: Using pricing skills and systems to respond quickly to market changes	0.851	2.874			
	PR2: Knowledge of competitors' pricing tactics	0.930	3.830			
	PR3: Monitoring competitors' pricing and pricing changes	0.906	2.130			
		0.903	3.167	0.881	0.719	0.866

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Marketing Communication	**MKCOM1**: Our company has the best sales management skills					
	MKCOM2: Our company gives the needed training to the salespeople to be effective	0.837	2.410			
	MKCOM3: Our company provides effective sales support to the sales force	0.921	3.349			
	MKCOM4: Our company develops and executes advertising programs effectively	0.716	1.584			
Customer Relationship Management				0.890	0.713	0.819
	CRM1: Our firm has a cross-functional process of ascertaining customer needs	0.891	1.701			
	CRM2: Our firm has a good departmental relationship and ensures coordination among all departments.	0.806	2.237			
	CRM3: Our firm has a cross-functional process ensuring that customers experience maximum value and benefits.	0.835	1.826			
Firm Performance				0.873	0.776	0.858
	FP1: Our company has increased its market share	0.875	1.877			
	FP2: Our company has achieved a high level of return on sales.	0.877	2.309			
	FP3: Our company has achieved a high level of profitability	0.891	2.708			

Source: Author's processing from PLS-SEM version 3.3 software

The Fornell-Larcker, the Heterotrait-Monotrait Ratio (HTMT), and cross-loadings evaluate the discriminant validity (Hair et al., 2017). When both the cross-loadings and the Fornell-Larcker criteria are unsuccessful, the Heterotrait-Monotrait Ratio (HTMT) is frequently employed [101].

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The researchers were inspired by the literature work of Henseler et al. (2017) to use the Fornell-Larcker criterion to assess the discriminant validity of the latent variables. The values or figures on the diagonal form all exceeded the minimal threshold of 0.5, as shown in (Table 4) below, which consistently displays the Average Variance Extracted (AVE) as confirmed by (Hair et al., 2019). The essential and robust parameters of the research constructs emerged after the AVE was required to have higher values (both column and row position) than the other constructs, displayed in the discriminant validity table below, by Fornell-Larcker criteria (1981).

Table 3: Discriminant Validity-Fornell-Larcker Criterion

Constructs	Service Responsiveness	Pricing	Mkt Comm.	Cust. Relationship Mgt	Firm Performance
Service Responsiveness	**0.845**				
Firm Perf	0.199	**0.881**			
Mkt Comm.	0.392	0.332	**0.848**		
Pricing	0.215	0.265	0.361	**0.896**	
Service Respons.	0.183	0.318	0.256	0.302	**0.828**

Source: processing from PLS version 3.3 software

Hypothesis Testing - PLS-SEM

After assessing the model fit, the structural model (path analysis) must be used. Establishing the causal effect (or links) of the research construct that becomes apparent at this step is essential to the analysis. The empirical results of the current study showed that while customer relationship management had a negative link with firm performance, three of the hypotheses had a positive and substantial impact on the dependent construct (firm performance). Table 5 again shows the regression coefficients, or Beta, and significant values, or T-values > 1.96 (or P-values 0.05), for several constructs. Regarding the research model's capacity for prediction, the regression model's coefficient of determination (R2) was assessed. The coefficient demonstrates the proportion of the dependent variable's change attributable to the dependent (predictor) variable. R2 of 17% (firm performance) is displayed as a result in Table 5 and Figure 1.

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Table 4: Hypothetical Path Coefficient

Constructs	Original Sample	Sample Mean	Standard Deviation	t-Statistics	P Values	Test Outcome
CRM-> FP	0.050	0.057	0.048	1.058	0.290	**Not Agreed**
MC-> FP	0.216	0.217	0.058	3.718	0.000	**Agreed**
PR-> FP	0.110	0.113	0.053	2.060	0.039	**Agreed**
SR-> FP	0.221	0.221	0.051	4.362	0.000	**Agreed**
		R Square		**R Square Adjusted**		
Firm Performance		0.181		0.173		

Source: processing from SmartPLS 4.0 software

***Note**: Customer Relationship Management (CRM), Marketing Communication (MC), Pricing (PR), Service Responsiveness (SP), Firm Performance (FP).*

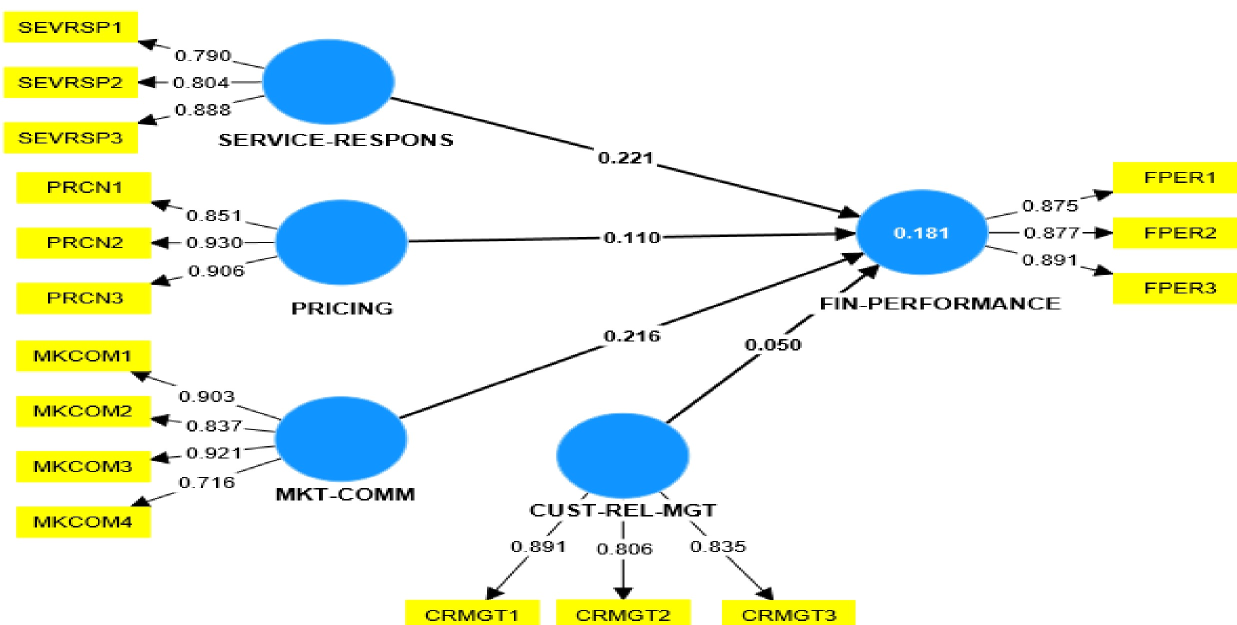

Figure A1: Empirically Tested Research Model

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Discussion

The retail industry in emerging markets is experiencing rapid transformation, driven by evolving consumer preferences and competitive dynamics. Assessing marketing capabilities as a driver of firm performance is crucial for retailers aiming to thrive in these challenging environments. This discussion focuses on the significance of marketing capabilities in enhancing firm performance, particularly through a case study approach that highlights successful strategies retailers employ in emerging markets. Firstly, the study hypothesised ***(H1)*** that customer relationship management (CRM) will positively impact firm performance. The hypothesis was not supported, as indicated by the statistical results. The results suggest that the relationship is not statistically significant, leading to the conclusion that CRM does not have a meaningful impact on firm performance in this context, while extant studies affirm that a relationship exists between customer relationship management and marketing capabilities (Nuseir & Refae, 2022; Al-Weshah et al., 2019).

The studies of Li et al. (2023) and Trainor et al. (2011) confirm the hypothesis rejection. The findings imply that while CRM systems are designed to enhance customer relationships and drive performance, their direct impact may be limited. Kim et al. (2010) and Dalla et al. (2018) highlight that CRM capabilities often do not translate directly into improved performance unless they are effectively integrated with other organisational capabilities such as human analytics and business architecture. This suggests that firms may need to develop complementary capabilities to realise the full benefits of CRM investments. Again, many firms may implement CRM systems with a short-term focus on immediate sales improvements rather than long-term relationship building (Pohludka & Štverková, 2019). This perspective can lead to underwhelming results if firms do not invest in developing deeper customer relationships over time. Given this, managers within the retailing sector of firms should pay much attention to initiatives that will complement their relationship with their customers, affecting the firm's performance.

Secondly, the study hypothesised (***H2)*** that marketing communication will positively impact the performance of firms. The hypothesis linking marketing communication to firm performance was accepted based on the results obtained. The findings confirm the previous studies (Mensah & Amenuvor, 2022; Šerić et al., 2020). The results indicate a strong positive relationship between marketing communication strategies and firm performance, concluding that effective marketing communication significantly enhances organisational outcomes. This suggests that as firms enhance their marketing communication efforts, they will likely improve their performance metrics, such as sales growth, market share, and customer satisfaction (Butkouskaya et al., 2021).

Research consistently supports this notion, highlighting that marketing communications can improve financial and market performance by aligning messaging across various channels (Butkouskaya et al., 2021; Porcu et al., 2017). This means that firms prioritising effective

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marketing communication strategies with the essence of customer needs and preferences are more effective in achieving desired outcomes. As noted by Butkouskaya et al. (2021), customer satisfaction plays a mediating role in the effectiveness of IMC on firm performance. When firms tailor their communications to address specific customer pain points and desires, they can enhance customer relationships and drive repeat business (Tafesse & Kitchen, 2017). This customer-centric approach improves immediate sales and contributes to long-term brand loyalty and profitability.

Thirdly, the study hypothesised (***H3***) that pricing of marketing capabilities will positively affect firm performance in retail. These results indicate a statistically significant positive relationship between pricing strategies and firm performance, concluding that effective pricing decisions can enhance organisational outcomes (dos Santos & Marinho, 2018). This implies that pricing as a tool for marketing capability has a greater impact on the firms' performance within the retailing sector. Musyimi (2016) affirmed that pricing in marketing capabilities strengthens a firm’s performance and gives an insight into which capabilities they should focus on to gain a competitive edge. This implies that price management within the retailing sector of firms must adhere to the dynamics of the environment in responding to price changes since price significantly serves as a tool that determines firm performance. Pricing decisions are closely tied to overall business objectives such as profit maximisation and market expansion.

As Olawale et al. (2018) outlined, effective pricing policies enable organisations to achieve their financial goals while responding to market dynamics. By understanding customer willingness to pay and adjusting prices accordingly, firms can optimise their revenue streams and enhance overall performance. Pricing impacts immediate sales and shapes long-term customer behaviour and loyalty. Medin & Schylström, (2024) indicated that well-structured pricing strategies can improve customer retention by ensuring perceived value. When customers feel they receive good value for their money, they are more likely to remain loyal to a brand, contributing positively to firm performance over time.

Lastly, the study hypothesised (***H4***) that a positive relationship exists between marketing capabilities' degree of service responsiveness and firm performance in retail. The proposition was supported by the results obtained and consistent with existing studies (Lekmat et al., 2018; Hendra et al., 2020). Service responsiveness is the ability of a company to respond to support queries in a timely and accurate manner. It is a gauge of how quickly your employees start a conversation and how long it takes them to finish the customer's request. Kajalo and Lindblom (2015) opine that service responsiveness can enhance a firm's performance by strengthening its competitive advantage and profitability by developing its marketing capabilities. Thus, implementing financial performance metrics and marketing performance concerning actions and opportunities that might translate organisational capabilities into higher customer satisfaction and profitability depends

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critically on service responsiveness. The acceptance of this hypothesis aligns with the dynamic capability framework, which emphasises the importance of organisations being able to sense and respond to market changes effectively (Georgewill, 2021). Firms that develop strong responsive capabilities can mobilise resources efficiently to address customer needs promptly. This agility enhances customer relationships and contributes positively to overall business performance.

CONCLUSION

Assessing marketing capabilities as a driver of firm performance in the retail industry, particularly in emerging markets, reveals critical insights into how firms can leverage their marketing strengths to achieve competitive advantage. The findings underscore the importance of dynamic marketing capabilities, which enable firms to respond effectively to changing market conditions and consumer preferences. This adaptability is essential in emerging markets, where rapid shifts in consumer behaviour and economic factors can significantly impact performance. The study leverages the dynamic capability theory as the theoretical lens to formulate the study hypotheses. Based on this, 400 respondents were sampled through a convenience sampling approach, and the data collected was analysed using PLS-SEM. Based on the four hypotheses formulated, three hypotheses were supported, and one was not supported. Based on the study outcomes, it can be concluded that factors of marketing capabilities positively drive firm performance of firms in the retailing sector.

Study Implications

Thus, this study makes several contributions to the literature. This study examines marketing capabilities such as pricing, communication, customer relationship management, and service responsiveness.

Exploring marketing capabilities as a driver of firm performance within the retail industry, particularly in emerging markets, offers significant theoretical implications grounded in Dynamic Capability Theory (DCT).

This framework emphasises the importance of a firm's ability to adapt, integrate, and reconfigure internal and external competencies to respond effectively to changing market conditions. The findings from assessing marketing capabilities contribute to the extension of the Dynamic Capability Theory by demonstrating how specific marketing capabilities function as dynamic capabilities that facilitate firm responsiveness and adaptability in volatile environments. Marketing capabilities enable firms to develop social networks and access critical resources, enhancing their ability to innovate and respond to market demands. This reinforces that marketing capabilities are not merely operational tools but essential strategic assets that can drive competitive advantage.

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Also, the assessment of marketing capabilities highlights the need for a nuanced understanding of dynamic marketing capabilities, encompassing both market-reacting and marketing resource-rebuilding capabilities. This dual perspective allows firms to respond to immediate market changes and rebuild and reconfigure their marketing resources for sustained performance.

Practically, assessing marketing capabilities as a driver of firm performance in the retail industry, particularly within emerging markets, offers several implications for businesses aiming to enhance their competitive advantage and operational effectiveness. Retailers in emerging markets should focus on developing robust marketing capabilities to tailor their strategies to local consumer preferences. This includes leveraging data analytics to better understand customer behaviour and preferences. By adopting a customer-centric approach, firms can improve engagement and loyalty, which are critical for driving sales and profitability.

For instance, localised marketing campaigns that resonate with cultural values can significantly enhance brand perception and customer satisfaction. Moreover, firms should prioritise investments in dynamic marketing capabilities that enable them to adapt quickly to market changes and consumer trends. Marketing capabilities facilitate the development of social networks and resource access, essential for innovation and responsiveness in rapidly changing environments. Retailers can benefit from training their teams in agile marketing practices and fostering a culture of innovation that encourages experimentation and adaptation.

Again, establishing strong social embeddedness within local markets is crucial for enhancing marketing effectiveness. To build trust and collaboration, firms should actively engage with local stakeholders, including suppliers, customers, and community organisations. This social capital can provide valuable insights into market dynamics and consumer needs, enabling firms to create products and services that are more aligned with local demands. Lastly, implementing a robust framework for measuring the impact of marketing capabilities on firm performance is essential. Retailers should establish key performance indicators (KPIs) that align with their strategic objectives, allowing them to assess their marketing initiatives' effectiveness continuously. This data-driven approach will enable firms to identify areas for improvement and adapt their strategies accordingly.

Limitations and Future Research

Although this study yields some surprising results, its limitations prevent the general application of the findings. Given that the data was collected voluntarily and represents the generally accepted opinions of the respondents concerning their individual experiences in the organisations they work for, one of these is the study's inability to demonstrate any real causal effects of antecedents of marketing capabilities on firm performance. Additionally, the data are cross-sectional. Again, as the study is restricted to the Ghanaian retailing sector, therefore cannot vouch for the generalizability of the findings. Due to the growing demand for cross-country research, future

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studies should include more developing nations and compare findings with studies from rich countries.

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