Customer Oriented Marketing Capabilities and Firm Performance Mediated by New Product Development Capabilities and Moderated by Environmental Turbulence

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Abstract

This study is carried out to analyze the impact of customer oriented marketing capabilities on firm performance mediated by new product development capabilities. The manufacturing sector of Pakistan is selected for this study and data was collected from managers who are involved in marketing and product development decisions. The sample size for this research was 100. The results were analyzed using statistical tools. Reliability of data is measured through Cronbach’s Alpha, correlation, regression and mediating regression analysis was also assessed. The results were positive and all of the hypothesized relations were supported. This study is significant for the top level management of different organizations to improve their overall performance through marketing and new product development capabilities in order to retain their customers and to cope with ever dynamic market.

Keywords: Customer oriented marketing capabilities; New Product development capabilities; Market turbulence; Firm performance

Introduction

How Customer oriented marketing abilities impact general business performance is a focal goal of this marketing exploration.

In this 21st century, with a specific end goal to get focused edge over competitors and to stay in the business sector, it is vital for each organization to wind up mindful of the critical part that the customer plays. As today, the business sector is described by various items, a mixture of customers. In such a circumstance, promoting has turn into a need. Today the expression ”advertising endeavors” is considerably not the same as that utilized as a part of the past. Marketing is more refined these days. Power of rivalry, fast globalization, changing data innovation, and changing purchaser profile (socio-demographic) has an in number impact on advertising. In this way, advertising directors are moving their center from offering to making something that is required. Beginning from creation to offering and overhauling, buyer center is given the need. Organizations need to profit to stay suitable. Despite the fact that it may appear to be logical, here and there a customer arranged system brings about a larger number of benefits than a deals situated methodology. Subsequently, the essential objective of marketing and customer situated organizations is to get long haul gainfulness.

It is difficult to begin this paper without describing customer oriented marketing capabilities (COMC) and such affiliations. At first, a customer oriented association is an association that spotlights on customer enhancements in arranging its advancing strategies and on passing on preferred regard over its objective customers and COMC insinuates an affiliation’s ability to send and appropriate publicizing resources for performing conclusive focuses of purchaser dependability and brand esteem. Customer oriented capabilities are socially complicated, and suggested when stood out from other firm capacities, and hence they are found to be more huge for the firm. Along these lines, COMC effects firms' genuine and future execution through (1) the ability to get new customers for current offerings (positive casual trade of existing customers leads new customers to have a go at existing offerings) (2) the ability to bolster cross-buying from current customers (brand care and positive brand associations) [1-3].

After an apparently unending measure of time, administrators attempt to upgrade financial performance and firm regard by advancing exercises, for instance, new product development (NPD) and special motivations. New product development (NPD) has been depicted as a higher-demands capacity that incorporates different progressive limits and abilities to make a thing which satisfy customer needs. The advancing of new things has been able to be dynamically basic to the benefit of organizations. The vital clarification behind frustration on occasion is poor understanding of customer needs. A couple of specialists [4,5] have recommended that customer learning can enhance the way of a thing or organization. The journey for information about purchaser’s latest examples is essential for NPD accomplishment. Firms furthermore should have adequate levels of testing resources and aptitudes to sort out their activities. Firms without these assets experience issues dispatching new items and in this way are liable to come up short in the business. Accordingly, the more prominent a company’s marketing ability in including customers amid product improvement, the higher the association’s general performance. This study relates to the method for dependence among these three techniques, building up the work by Srivastava [6]. The study evaluates if this can be outlined tentatively. The significance of the study gets from three segments: (a) not very numerous studies have perceived that marketing part adds to better execution of general authoritative procedures; (b) there is a need to see better how promoting abilities impact procedures, for example, NPD that have been customarily considered as being past the obligation of the advertising capacity and (c) there is a need to all the while connect each of the three hierarchical procedures to general firm execution and estimation of firms.

The rest of this research is organized as follows. The first section discusses general characteristics of marketing capabilities and new

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Received July 23, 2015; Accepted August 28, 2015; Published September 01, 2015


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product development process; it is followed by the introduction of
the research model. The next section specifies the hypotheses. This
section is followed by a discussion of the data and variables and the
presentation of the model. The final sections present the empirical
results and discuss the main conclusions.

Literature Review

To compose the writing, I ground my review on the asset based
perspective of the associations and their capacity hypotheses. Asset
based speculations see a firm as a heap of substantial and immaterial
resources, for example, human and different assets, that can be utilized
to actualize quality making techniques to enhance their proficiency and
viability [7,8].

Determinants of firm performance

In the business strategy writing there are two noteworthy surges of
examination on the determinants of firm performance. One is based
essentially upon a financial convention, accentuating the significance
of outer business figures deciding firm achievement. The other line
of examination expands on the behavioral and sociological standard
and sees authoritative variables and their fit with the earth as the real
determinants of achievement. Inside of this school of thought, minimal
direct consideration is given to the company’s focused position. Additionally,
financial matters generally have slighted elements inner to the firm. Hypothesis or exact confirmation of linkages to execution
flourishes inside of every standard. Be that as it may, shockingly little
has been done to incorporate the two and assess the relative impact of
each on firm gains. Outstanding exemptions are late works by Grinyer
and McKiernan [9] who examined and/or assessed a predetermined
number of unforeseen connections in the middle of monetary and
authoritative variables. No work has been finished, not withstanding,
to evaluate the relative significance of these two arrangements of
illustrative variables.

Market turbulence

Market turbulence—changes in the organization of customers
and their inclinations is a subset of the natural turbulence build [10].
Their matrices turbulence is very much alike to ‘heterogeneity,’ which
portrays as the “change in differences of generation systems and
promoting strategies needed to indulge customers’ requirements.”
Because market turbulence infers changing procedures despite
delaying client needs, I expect a negative relationship with execution.
Dess and Beard [11] portray the ecological turbulence and dynamism
as changes that are eccentric and hard to get ready.

New product development capabilities

In these exceedingly focused markets an organization’s NPD
assets and capacities drive the best upper hand. The quest for data
about customer’s present and inactive needs is crucial for NPD
achievement. While the development and promoting of items has
turn out to be imperative to the benefit and development of firms,
however the disappointment rate of recently portrayed items still
keeps on staying high. In this way, the essential explanation behind
disappointment which has been distinguished is poor comprehension
of customer needs and requests. As indicated by Kohli [10] thought
to data about customer necessities ought to be considered adjacent to
the essential arrangement of qualities and convictions that are prone to
support such a customer center. Firms which have abnormal amounts
of customer introduction attempt to gather more client data from
different perspectives. A lot of this data will probably be accumulated
through customer contribution in new product development process.
 Customers are prone to feel higher dangers when items are more
confounded on the grounds that the trouble in comprehension
the item prompts uncertainty, expanding the methodology that an obscure
negative result may happen [12]. Subsequently, organizations must
consider data on customer conclusion of item multifaceted nature
and join this data into their item procedures to decrease the customers
judgment. This effort will result in greater customer assistance in the
NPD process.

Customer oriented marketing capabilities

The part of marketing abilities in clarifying firms’ performance has
gotten huge thought all through the historical backdrop of the promoting
on the planet. A few crevices exist in the advertising writing in regards to
firm procedures, promoting capacities, and execution. Advertising
capacity is one of the capacities that enormously impact advancement
execution of the association. Two reliant advertising abilities have
been distinguished: Capabilities concerning individual procedures,
for example, item improvement and administration, evaluating,
offering, promoting correspondences, and channel administration
[13], and capacities related with the procedures of marketing method
advancement and performance [14]. Interestingly, directors frequently
consider the procedures of advertising as being more basic than item
advancement [15]. Besides, promoting abilities may rot over the long run
if not ceaselessly enhanced through authoritative learning [16]. A
few studies allude to Customer oriented marketing capabilities as the
specialty of utilizing marketing assets as a part of making customer
estee [17,18]. Different studies disintegrate these capabilities into
brand administration and customer relationship administration
abilities. Earlier research recognizes that promoting capacities
produce more noteworthy change in firm execution when joined with
other integral assets and abilities, for example, business sector based
information resources [19,20] and innovation abilities [21,22]. Hence,
Marketing abilities empower firms to make obstructions to securing,
along these lines driving predominant firm performance. On the other
hand, various abilities of every sort have gotten consideration in the
late advertising writing.

Specialized marketing capabilities

Specific marketing capabilities concern the particular practically
based procedures utilized inside of the association to change assets.
While specific capabilities may include arranging with different
capabilities and draw on inputs from outside of the promoting range,
the center of these abilities dwells in the advertising capacity. Particular
marketing capabilities have subsequently ordinarily been seen as
including the strategic marketing project related procedures regularly
expected to execute promoting system. The writing proposes that
specific advertising abilities are based around the traditional “marketing
blend” of exercises concerned with item, estimating, correspondences,
and appropriation [23].

Product management

This ability concerns the procedure of adjusting, keeping up, and
conveying item and administration offerings to fulfill customer needs
[24]. Producing and conveying profitable and engaging item/benefit
offerings obliges very much created hierarchical schedules for assessing
item/benefit execution [25] and adjusting existing item/administration
offerings to match changing customers prerequisites and focused goals
[26].
Pricing management

Price is a key segment of the quality conveyed to customers through business offerings [27,28]. Value sways both the expense and saw quality sides of the customer esteem "mathematical statement," and the capacity to oversee evaluating adequately is in this manner an essential promoting ability. Firms use this information to create proper estimating procedures, to rapidly and adequately execute and convey evaluating changes when obliged [29].

Channel administration

Channel individuals perform huge worth added exercises in connection to end-customers, customers in numerous commercial centers, commonly including somewhere around 15% and 40% of aggregate quality [30]. The capacity to productively and adequately oversee associations with channel individuals has accordingly long been perceived as a vital marketing ability [31]. This has been connected with exercises, for example, supporting channel part endeavors and creating and keeping up commonly helpful connections [32].

Selling

Selling abilities may be seen as including two related components. The primary concerns the abilities of faculty occupied with offering exercises. These identify with the essential way of the offering assignment in regards to dissecting customer needs, giving data, and working with present and potential customers to guarantee need fulfillment and improvement and administration of associations with customers. The second component concerns the frameworks and structures needed to guarantee effective and powerful administration of the business power [33]. Both components of an selling capacity have been joined with firms' capacity to convey customer esteem and accomplish prevalent execution.

Brand management capability

This concerns the frameworks and procedures used to create, develop, keep up, and influence a firms image resources. As being what is indicated, brand administration includes drawing together various specific promoting abilities, for example, statistical surveying, item administration, valuing, and advertising correspondences capacities for particular brands [34]. It likewise consolidates these with inputs from RandD (development pipeline arranging), bookkeeping (deals volume and acknowledged valuing information), generation (item quality information and timetable arranging), and operations (conveyance lead-time execution observing) to create and execute brand level strategies for success [35].

CRM capability

This concerns the company's capacity to recognize alluring customers and prospects, start and keep up associations with these appealing customers, and influences these connections into customer level benefits [36]. A firm CRM ability in this way embodies schedules that take into consideration the co-appointment of various lower-level inputs, for example, deals reporting frameworks, statistical surveying reports, client database investigations, client administration experience mapping, and so forth.

New product development capability

This relates to the company's capacity to make important new product offerings for its objective markets. This regularly includes getting business and specialized learning from inside and outside the firm and coordinating this information to make new experiences with respect to product making offering potential outcomes [37], and finding, gaining, and sending the integral assets needed to make, create, and convey the chose worth offering.

Dynamic marketing capabilities

Dynamic abilities concern the firms capacity to take part in business based learning and utilize the subsequent understanding to upgrade its capacities in ways that mirror the firms dynamic business environment. Dynamic abilities hypothesis places that so as to convey maintained upper hand in element situations, the firms assets and capacities should be consistently changed, created, and improved. In view of the dynamic way of businesses, assets and abilities that neglect to develop to fit the changing requests of the firm's business sectors make hierarchical rigidities [38]. These rigidities forestall adjustment to natural change and regularly prompt lower quality results. In this manner, Dynamic Capabilities hypothesis recommends that it is vital that organizations create forms for asset reconfiguration and ability upgrade directing interests in new assets and capacities, choosing which to discharge, and which to enhance and how to do as such in Figure 1.

Hypothesis

H1: Customer oriented marketing capabilities are positively associated with a firm's performance

H2: Firm's COMC are positively associated to new product development capabilities

H3: New product development capability has direct relation with firm financial performance

H4: The interaction between COMC and New product development capability is positively associated with firm's performance

H5: Market turbulence moderates the relationship between new product development capability and firm performance.

Research Methodology

Sampling method

A sampling frame of Pakistani firms was developed for four big cities. Using a Judgmental sampling procedure four industries were selected. The key informants were defined as managers of marketing and sales function. Then my research process was initiated with finding a contact person in each firm. This person has given complete information about my survey and then questionnaires were distributed with the help of contacted person to each department in firms. Questionnaire was used as data collection instruments. The main section of the questionnaire was intended for gathering demographic information, such as age, gender, tenure and the salaries. The next section includes information regarding firms capabilities. Then total of the entire questionnaire is calculated (Appendix).

Research design

It is a hypothesis testing study where the role of different dimensions in the formation of customer oriented marketing capabilities was studied in Pakistani context along with the effect of new product development process on firm's performance. The data was collected through questionnaires from people of organizations working in different industries and later used for regression and correlation analysis by using SPSS (statistical package for social sciences).
Sample selection

A sample size that is greater than 30 and smaller than 500 is very much appropriate for many studies [39]. In this study a sample of 100 was drawn from the population. All of the respondents were managers of different departments and they are working in their organizations for definite time period.

Measurement scale

The constructs is measured through various items. All items are measured using five point likert scale starting from 1. Strongly disagree. 2. Disagree. 3. Neutral. 4. Agree. 5. Strongly agree for all the variables. The questionnaires were adapted from different articles and for each variable were appropriately chosen. The total questions were 37, where 6 questions were of customer oriented marketing capabilities, 7 were of brand management capabilities, 4 of pricing capability, 5 of selling capability, 6 of new product development capability, 4 of market turbulence and 5 of firm performance.

Data collection procedures

A total of 100 questionnaires were administered personally to the managers of different industrial sectors. Their demographics, such as age, gender, education, designation, years with organization were asked as well.

Demographics information

Demographics illustrates (Table 1) that male respondents were larger than female respondents with percentage of 68. More results were witnessed by the managers of age group 26-30. Rests of age groups have very low percentage. 51 percent of Managers had education level of Master. 36% had Bachelor’s degree. Designations were mostly of department managers of different organizations from which 27% were Marketing manager and 25% of marketing directors. Income level of majority respondents was between 31,000-40,000. Tenure of 38% managers was 1-5 years with current organization. Different industries were selected for this research and from above demographic results it indicates that 60% of managers were of Home appliance industry of Pakistan.

Data analysis techniques

- Descriptive statistics
- Correlation
- Regression

Statistical software: SPSS (statistical package for social sciences) was used for the analysis of the data collected for this study.

Reliability and validity

A pilot test would be conducted to check the reliability and validity of the scale.

Data analysis

Once the data was collected, it was punched into SPSS software. The data was added according to the responses provided by the interviewees for each question of each variable. The second thing that needed to be done was form means/averages of all the variables.

Reliability

Reliability of variables is checked through the Cronbach Alpha Test (α). In this test, I added all the items (questions) of my variables separately instead of their means. The reliability should lie above from 0.7 and below 1.00.

Table 2 indicates Cronbach alpha for uniqueness of scale items. Customer oriented marketing capabilities were measured by 15 items proposed by Cruz-Ros and Gonzalez-Cruz. Sub variables of COMC include brand management capability, pricing capability and selling capability. New product development capability has alpha value 0.763 which is measured by 6 items proposed by Murray and Kotabe. Market turbulence shows alpha value of 0.674 with 2 items proposed by Narver [40,41]. And Firm’s performance was measured by 5 scale items proposed by Murray and Kotabe. Overall reliability of all question items is very good.
Independent variables

Customer oriented marketing capability: A 15 item set of questions was adapted from the research papers published by Cruz-Ros and Gonzalez-Cruz, Vorhies and Orr [5], Murray and Kotabe, Morgan and Vorhies [18].

New product development capability: Six question items for New Product Development Capability were derived from the paper of Murray and Kotabe.

Market turbulence: 2 question items were adapted from research paper of Narver [41].

Demographics Frequencies Percentage
Age
26-30 58 58
31-35 26 26
36-40 6 6
41-45 5 5
46-50 2 2
Above 50 3 3
Gender
Male 68 68
Female 32 32
Education
Bachelors 36 36
Masters 51 51
MS 2 2
Phd 2 2
5 9 9
Designation
Managing Director 8 8
Sales Director 6 6
Sales manager 29 29
Marketing Director 25 25
Marketing manager 27 27
R and D manager 2 2
Production manager 3 3
Income
Less 30,000 8 8
31,000-40,000 33 33
41,000-50,000 22 22
51000-60,000 21 21
Above 61,000 16 16
Tenure
Less than a year 8 8
5-Jan 38 38
10-Jun 33 33
15-Nov 16 16
16-20 5 5
Total 100 100
Industry
Home appliances 60 60
Electronics and Electrical 2 2
FMCG 23 23
Others 15 15
Table 1: Respondents of Study.

Dependent variable

Firm performance: Firm performance was also adapted from a 5 item question set from the paper of Murray and Kotabe.

Descriptive statistics: Table 3 provides some very useful descriptive statistics, including the mean, standard deviation and confidence intervals for the dependent variables FP and its impact on the independent variables i.e. COMC, NPDC and MT.

Correlation: Five hypotheses were addressed in this study in which all of the hypotheses tested out to be positive. This was tested by correlating three independent variables (COMC, BMC, SC, NPDC, MT) with dependent variable (FP). As noted in Table 4, all the relations came out to be positive ( for FP was 53.4%, for COMC was 53.4% and for NPDC was 58.1% and MT was 44.7%, along with significance level p=0.000 at all variables)

Regression: The regression is the intensity of relationships between the variables to perform regression; I added the means in the regression computation. Regression was run to test the hypothesis through the significant values of ANOVA and coefficient models. As author was finding the relationship of one dependent variable with three independent variables regression was run four times.

The values of significant level of ANOVA and coefficient model had to be p<0.05 to accept the hypothesis for each of the dependent and independent variables. Value was 0.000; lying in the given range therefore my hypotheses were approved.

Table 5 represents the estimates of the regression coefficients and values of variance (t) etc. As the values of are above 2, and there is no negative sign, it shows that my hypothesis is accepted (Tables 6-8).

Results

All of my hypothesis stands true as the significance level lies within the desired limit, meaning that Customer oriented marketing capabilities have a actual impact on firms performance. A customer introduction has long been pushed as a business reasoning that prompts prevalent execution and firm performance [41]. Thus, the customer orientation build has been experiencing reasonable level headed discussion and exact approval [42,43]. For the particular purposes of this paper, customer orientation is viewed as a vital introduction that mirrors the company’s capacity to make and convey predominant client esteem through the preparing of business sector knowledge.
**Correlation is significant at the 0.01 level (2-tailed).**

**Table 4**: Correlation analysis.

**Table 5**: Regression analysis; effect of independent variables on firm’s performance (ANOVA).

**Table 6**: Regression analysis (model summary).

**Table 7**: Regression analysis: variance caused by Market turbulence on firms performance (ANOVA).

**Table 8**: Regression analysis (model summary).

**Table 9**: Mediating regression analysis.

**Table 10**: Limitations for Future Research.

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**Correlation analysis**

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**Regression analysis**

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**Discussion**

1) How can the marketing department make its position strong in the new product development process and drive innovation performance; and

2) What role is played by the marketing department’s position in influencing innovation outcomes and firm performance? With this idea in mind, the aim of this study was to identify relevant marketing capabilities that positively contribute to firm innovation performance and help strengthen the marketing department’s influence on NPD. To ensure generalizable results, the analyses are based on a substantial sample of 100 respondents in B2C firms operating in a variety of industries (goods and services).

**Conclusion**

The purpose of this study was to test a conceptual framework that broadens the role of customer oriented marketing capabilities in driving performance. My findings relate three different processes of firm and this had been done for the very first time. And it provides new insights. No previous studies have related these processes and provided clarity with respects to what these inputs should be and how they are likely to impact process performances and firms value. My study addresses these gaps and examines their implications and practice for marketing functions.

**Limitations for Future Research**

The sample of this study only consists of 100 respondents and few industries; still, the number of respondents is satisfying in relation to the statistical methods used. Besides, the other respondents of the total
sample are used to validate the results presented [49-53]. Nevertheless, if the number of respondents and number of industries had been higher, a more comprehensive analysis could have been carried out. That is an analysis that simultaneously takes into consideration all levels and all variables impacting Firm’s performance. Firms performance, market turbulence and new product development capabilities often undergo changes from time to time.

- Even with the changing trends, many organizations in Pakistan still have no proper marketing departments.
- The sample used for the study was a rather limited one and was not able to conclude the impact of Customer oriented marketing capabilities on firms overall performance.

Along with this, all of the items included in the survey were measured using a five-point Likert-type scale. Thus, measuring all construct using one type of scale might create a mono-method bias, which can decrease the validity of the study. Another possible limitation is that sample was obtained from a survey of majority industries which include very few managers from relevant departments; therefore, results can be biased. Consequently, if the sample is increased and collected from different groups of people of different industries, then results might be generalized more vigorously.

Managerial implications

The common view in many companies is that marketing is not an important function, and therefore, everyone can do marketing. Due to which, the status of the marketing department is in a route of decline, which is especially observable within the new product development process. This development is surprising since it seems that top innovators strongly involve the marketing department in the new product development process. Therefore, strengthening the position of the marketing department with respect to new product development should be a priority to improve innovation performance. Managers should make marketing departments in their firms to improve firm performance and improve customer oriented marketing capabilities. Managers need to incorporate into their marketing decision making process the connections among different marketing constructs marketing resources, marketing intangibles, consumer response, financial performance in different periods of time. As I have come to know through my research methodology, these constructs are connected to each other through a network of processes. This study demonstrates that the traditional connection, in which marketing resources are linked to sales, is not enough to improve the bottom line of companies. Also, managers simply using marketing intangibles customer satisfaction, brand equity alone is not sufficient to grow the bottom line of their organizations either. Managers need to know how to incorporate the dynamics and network processes of marketing constructs to make their managerial practice really impactful.

Practical implications

This research is contributing towards the industrial sector of Pakistan with specific regard to attracting and retaining customers through COMC approach. This study can be extended towards the utilization of customer feedback in orienting their marketing activities. Through adoption of COMC approach, companies can garner more customer benefits and can make their customers feel concerned. This will ultimately enhance a firm’s market worth.

References


