

MARKET ORIENTATION IMPROVES B2B MARKETING PERFORMANCE: SERVICE DOMINANT LOGIC

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Abstract: The marketing performance of export furniture companies must be improved, as there is still considerable opportunity for growth. The purpose of this study is to develop Service Dominant Logic (SDL) to provide solutions to the research gap between market orientation and marketing performance. The population consisted of 307 export furniture companies. The respondents were managers and owners of furniture industries. The sample was determined using the Slovin formula, resulting in a sample of 171 furniture industries. The sampling technique was carried out using probability sampling with simple random sampling, and the samples were taken by lottery. Based on hypothesis testing, market orientation, customer involvement, and marketing capabilities have a significant effect on marketing performance. This study theoretically impacts the development of the Service Dominant Logic on B2B marketing theory, which states that market marketing orientation, customer involvement, and marketing capabilities influence marketing performance. Market orientation mediated by customer involvement and marketing capabilities significantly improves marketing performance. The limitation of this study is that the sample is only in Jepara Regency. For further research, the sample should be expanded to other areas.

Keywords: Market Orientation, Customer Involvement, Marketing Capabilities, Marketing Performance, B2B Marketing.

1. Introduction

Business development in the era of globalisation has made competition in the furniture industry increasingly dynamic. Competition in the furniture industry has forced every industry to develop and maintain its market share. The furniture industry sector has great market potential, but the challenges facing the furniture industry are growing due to intense competition in the global market. In general, the furniture industry in Jepara Regency has been unstable since 2010. This phenomenon requires the industry to make changes in marketing and improve industrial management. Marketing developments, particularly marketing performance in the global market, have an impact on marketing strategies.

Marketing performance as part of the measure of industry success, as well as marketing performance development (Suwandari et al, 2017). Overall, market orientation has an influence on industry performance, but according to Julian (2010), market orientation does not affect marketing performance, and Matanda and Ndubisi (2009) also found that market orientation does not significantly affect marketing performance. According to Dias and Pereira (2017), marketing capabilities have a very strong influence on marketing performance by building markets through marketing and operational planning, which are strategic tools for

competitiveness. However, other studies state that marketing capabilities do not have a significant effect on marketing performance (Nuryakin, 2018).

Service Dominant Logic (S-D-L) is a theory that explains co-creation through deep exchange and configuration whereby humans apply their competencies to benefit others and reciprocally benefit each other through the exchange of services for services (Lusch and Vargo, 2009). Service dominant logic transforms internal service processes towards customer involvement (Heinonen et al., 2010) and is very useful for marketing transformation (Vargo and Lusch, 2011). In collaboration and relationships with customers, customer involvement is built, which will affect performance (Vespestad and Clancy, et al., 2018).

Service dominant logic is a customer service experience embedded in the customer context as seen from the customer's perspective. The service consists of three types of elements, namely the results of internal activities of the service provider, the co-creation process, and output elements. Co-creation is an element of service that creates part of the customer experience. Service dominant logic has shifted the focus of marketing from internal industry processes towards interactions between industry and customers, as well as business-to-business (B2B). Marketing has begun to consider service dominant logic as a step towards a deeper understanding of customer and industry experiences. There is still a gap between marketing innovation, market orientation, and marketing capabilities in terms of marketing performance, indicating inconsistency

With this statement, there is still a research gap regarding market orientation towards marketing performance, so further research is needed on this issue, particularly regarding marketing performance. To address this research gap, a process was carried out to explore a concept development to fill the gap in the influence of market orientation on marketing performance. Based on the results of the process described above, a concept for the development of Business to Business (B2B) marketing is presented.

2. Literature Review

Service Dominant Logic (SDL) Theory

Service dominant logic is the creation of shared value owned by customers (Lusch and Vargo, 2006A) but it is hoped that this will become the basis for a general marketing theory (Lusch and Vargo, 2006b). Customers are also seen as measurable resources, capable of creating and possessing new things and creativity (Lusch et al., 2007). Customer behaviour is seen as a process of interaction between services and customers, which seeks to create shared value (Tronvoll, 2007). Service dominant logic is a marketing process that is driven by proactive cooperation so that industries are involved in customer service in carrying out innovation, value creation, and improving resources, including customer service (Kasouf et al. 2008). With services and resource processes such as goods, services, and customer interactions in the industry, there will be direct customer involvement to meet customer value (Gronroos, 2008). Based on developments in marketing theory, Vargo et al. (2009) suggest that marketing is evolving towards a service-based model in which all engagements play a role in value creation, engagements between industry and customers, and industry-to-industry engagements. Proactive engagement stems from customer-to-customer communication, with customers involved in business activities, communicating with customers, negotiating, and planning with industry suppliers with the aim of meeting customer needs (Lusch and Vargo, 2009). The view of the relationship between marketing and customers and the service dominant logic perspective is a marketing practice that adopts a co-production or co-creation approach (Vargo and Lusch, 2010). The need to design services based on customers means that the industry

needs to try to embed services in existing customers and future contexts with customer experience. Today's industries must have the strength to compete globally and empower customers to meet their needs (Heinonen et al., 2010) as well as industry involvement and control in value creation (co-creation). Service dominant logic helps create, describe and expand new logic for management in general, especially marketing management. Service dominant logic, consumption, and the creation of new services do not only focus on tangible products but also on the product experience generated. The logic of service dominant logic is co-creation as an integrator resource, a service system to identify value concepts (Vargo, 2011), and co-creation of value and service systems (Edvardsson et al., 2011). Services based on service dominant logic aim to obtain a profitable customer experience where customers contribute significantly to service development and market realisation (Edvardsson et al., 2013). Marketing logic in management shows how customer logic underpins business logic.

Marketing Performance

Marketing performance is something that must be implemented in business processes that are part of organisational performance. According to Gultinan and Paul (1994: 431), performance can be measured in several aspects, namely sales units, sales based on segmentation, marketing courses, production courses, market share, customer ratings based on product quality, and customer ratings in service quality improvement. Marketing performance is defined by how effectively and efficiently marketing efforts contribute to the creation of these values and the ability to make marketing performance sustainable in the long term. Currently, there are models for evaluating marketing performance that are explicitly based on both ideas and available relational perspectives. Skills, characteristics, and the role of the team effectively create maximum working relationships in creating optimal marketing performance (Butterworth and Heinemann, 2006: 3). Business people in running an industry are influenced by marketing performance and industry barometers for success, marketing performance development, all creative values, and control of internal industry factors (Suwandari et al., 2017).

Market Orientation

Market orientation is defined as the ability of an industry and organisational performance to excel and prioritise profitability. This efficiency is achieved through the process of gathering marketing information, which is then disseminated throughout the organisation in order to facilitate decision-making processes that will influence the market and generate long-term profits. Market orientation is viewed as a form of innovative behaviour because it involves doing new and different things in response to the market in order to continue providing value to customers. Market orientation refers to customer needs; the industry must focus on industry knowledge and experience (Boldlaj, 2010). Market orientation refers to a corporate culture that focuses on customer needs, because the emphasis on industry culture can be realised through actively collecting and utilising information, which defines market orientation in producing, disseminating and responding to the market, and is one of the main drivers of customer value (Chang et al., 2014). Market orientation is oriented towards organisations that strive to provide customer value and customer satisfaction. Market orientation is the entire market intelligence organisation related to current and future customer needs, the dissemination of intelligence across departments and the responsiveness of the organisation as a whole (Chang et al., (2014).

Customer Involvement

Customer involvement is defined as the degree to which customers are involved in the development of new products and continuous improvement programmes (Feng et al., 2013) and customer satisfaction (Goodman et al., 1995). Customers can be involved not only in market opportunity analysis but also in product testing and continuous improvement. Customer

involvement has been considered one of the methods used to improve the performance of new products (Feng et al., 2013). Customer involvement with customer involvement management has a remarkable positive effect and leads to greater productivity and customer satisfaction (Dadfar et al., 2013; Fatima and Razzaque, 2013). Customer involvement is influenced by interactions between customers and employees, customers and other customers, marketing innovation and product development, and initiatives or ideas expressed through new technologies (Scupola and Nicolajsen, 2010). Customer involvement is influenced by marketing strategies, product differentiation, and competitor orientation to increase customer profits (Svendsen et al., 2011). Industries that are fundamentally shaped by the market must address customer needs, player structure, distribution channels, and good workplaces (Fisk, 2006: 58). Customers are a resource that needs to be considered, including customers as co-creators and customers as users. In any case, a professional innovation process and personal involvement are required.

Marketing Capabilities

Organisational capabilities are a source of competitive advantage for companies (Day, 1994), as well as a source of resources and assets. The role of competence in marketing is to formulate implementation strategies, and industries must obtain information about competitors in applying the industrial strategies used. Competence is viewed as the skills and learning of business organisations in the industry. In an increasingly competitive external environment, organisations engage in activities to seek new markets (Nuryakin, 2018). Industrial performance capability is determined by market capability and marketing resources (Morgan et al., 2009). Marketing capabilities are closely related to dynamic capabilities, cross-functional coordination, and the availability of specialisations acquired by the industry. Performance is reflected in the form of sales, customer satisfaction, customer retention, and market share served by the industry (Vorhies et al., 2011). According to Tan and Sousa (2015), marketing capabilities have several factors, namely product capabilities, pricing capabilities, distribution capabilities, and communication capabilities. Industries that can develop marketing capabilities will be able to survive in competition (Nuryakin, 2018). Other marketing capabilities related to marketing planning and marketing decisions have an impact on performance (Perez et al., 2012). New productive innovations help penetrate existing markets, develop quality, reduce costs, and improve work effectiveness. Development

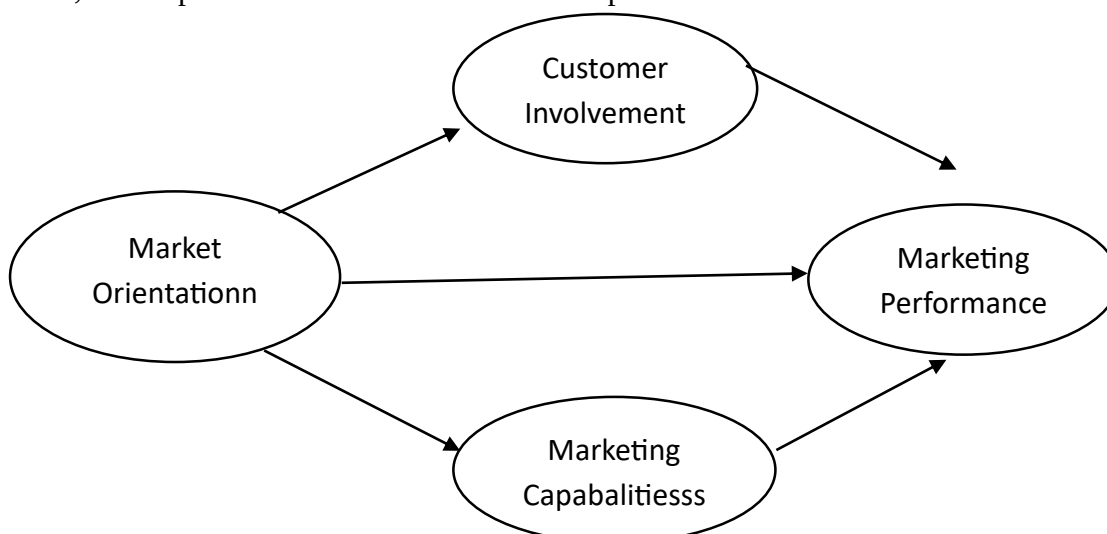


Figure 1 Research Model

3. Method

This study is a quantitative study that explores marketing performance with B2B marketing in export furniture companies in Jepara. The population of the study consists of 307 furniture companies in Jepara. Sampling was conducted using the Slovin formula with a confidence level of 95% and a margin of error of 5%. The sampling technique used was probability sampling with simple random sampling conducted by drawing lots. The sample consisted of 171 export furniture companies in Jepara

4. Results and Discussion

Data processing with Smart PLS 4, and with evaluation of outer loading, construct reliability and validity, as well as indirect relationships.

Table 1. Outer Loading

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
CI1 <- CI	0.847	0.845	0.025	34.214	0.000
CI2 <- CI	0.852	0.850	0.026	32.438	0.000
CI3 <- CI	0.774	0.772	0.033	23.209	0.000
CI4 <- CI	0.792	0.790	0.039	20.441	0.000
MC1 <- MC	0.828	0.828	0.034	24.101	0.000
MC2 <- MC	0.757	0.752	0.046	16.562	0.000
MC3 <- MC	0.786	0.782	0.048	16.364	0.000
MC4 <- MC	0.813	0.810	0.043	18.696	0.000
MO1 <- MO	0.859	0.858	0.024	36.197	0.000
MO2 <- MO	0.795	0.793	0.040	19.999	0.000
MO3 <- MO	0.832	0.830	0.033	25.523	0.000
MO4 <- MO	0.843	0.841	0.026	31.875	0.000
MP1 <- MP	0.872	0.872	0.021	41.372	0.000
MP2 <- MP	0.790	0.789	0.037	21.462	0.000
MP3 <- MP	0.821	0.820	0.032	25.752	0.000
MP4 <- MP	0.875	0.874	0.022	39.875	0.000

Data source processed in 2025

Table 1 output explains the relationship between latent variables and their indicators, with each indicator reflecting the correlation with each variable with a value above 0.06.

Table 2. Construct Reliability and Validity

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
CI	0.834	0.843	0.889	0.667
MC	0.809	0.822	0.874	0.634
MO	0.853	0.859	0.900	0.693
MP	0.862	0.882	0.906	0.706

Data source processed in 2025

Based on Table 2, each variable has a significant effect. Discriminant validity compares the square root values of the average variance extracted (AVE) of each construct more significantly than the correlation with all other constructs; it is said to have good discriminant validity. It is recommended that the measurement value should be greater than 0.05. Composite reliability is a group of indicators that measure a composite reliability variable, which is very good if it has a composite reliability ≥ 0.7 absolute standard, even though it is not an absolute standard. The results of the study produced good discriminant validity and composite reliability.

Table 3. Path Coeffisien

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
CI -> MP	0.318	0.320	0.071	4.476	0.000
MC -> MP	0.250	0.253	0.085	2.952	0.003
MO -> CI	0.339	0.345	0.073	4.631	0.000
MO -> MC	0.227	0.237	0.080	2.828	0.005
MO -> MP	0.228	0.230	0.068	3.365	0.001

Data source processed in 2025

Based on Table 3, market orientation, customer involvement and marketing capabilities affect the marketing performance of the furniture export industry in Jepara Regency. Furthermore, market orientation, customer involvement, marketing capability, and marketing innovation influence marketing performance, with each p-value ≥ 0.05 . From the results of this study, each variable has a significant effect on marketing performance because the results are more significant than 0.05, except that market orientation does not affect marketing capability.

Table 4. Specific indirect effect

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
MO -> MC -> MP	0.057	0.058	0.026	2.159	0.031
MO -> CI -> MP	0.108	0.110	0.034	3.133	0.002

Data source processed in 2025

Based on Table 4, market orientation indirectly affects marketing performance through customer involvement, as indicated by a P value of 0.031, and market orientation affects performance through marketing capabilities, with a P value of 0.002. From these results, each variable has a p-value ≥ 0.05 .

Empirical test results show that market orientation has an influence on marketing performance through customer involvement and marketing capabilities. The furniture export industry develops products in line with market demand and customer preferences. Companies also need to improve communication with customers, build good relationships, and serve customers by providing maximum service. Market orientation contributes to customer involvement in the furniture export industry in Jepara Regency. The furniture industry has excellent communication capabilities to improve marketing performance.

Empirical test results show that market orientation has an influence on marketing performance through customer involvement and marketing capabilities. The furniture export industry develops products in line with market demand and customer preferences. Companies also need to improve communication with customers, build good relationships, and serve customers by providing maximum service. Market orientation contributes to customer involvement in the furniture export industry in Jepara Regency. The furniture industry has excellent communication capabilities to improve marketing performance. Companies need good business-to-business (B2B) services so that they can serve customers to the fullest. The influence of the intervening latent variable has tested the influence of market orientation on marketing performance mediated by customer

Marketing capabilities have several factors, namely: product capabilities, pricing capabilities, capabilities, and communication capabilities. This study shows that industries that can develop marketing capabilities will be able to survive in competition and have a competitive advantage. Marketing capabilities consistently affect marketing performance. Customer orientation is the best indicator in the market orientation variable. The furniture industry in Jepara District that implements customer orientation well will have an impact on marketing performance, and conversely, poor customer orientation will have a negative impact on marketing performance. The furniture industry always focuses on customer interests, focuses on customer desires, pays attention to competitors, and cares about competitors.

In addition, the furniture industry also coordinates between relevant departments, collaborates with other departments, provides good customer service and serves customers well. The results of the industry statement research consistently have an effect on customer value and are reinforced by an internal market orientation that plays a conducive role in customer relations. In addition, market orientation also focuses on customer orientation, competitor orientation, social profit orientation, and inter-functional coordination. The results of the mediation effect analysis show that the latent variable of market orientation has an effect on marketing performance through customer involvement and marketing capabilities.

The role of market orientation has an influence on marketing performance through customer involvement in furniture export companies in Jepara Regency to improve marketing performance. Theoretically, market orientation can influence marketing performance through customer involvement and marketing capabilities. Further research needs to be developed to enrich scientific studies, particularly those related to Business-to-Business Marketing (B2B Marketing) studies in furniture MSMEs.

5. Conclusion

Based on the results of the study, improving marketing performance through market orientation: Development of Service Dominant Logic on B2B Marketing shows that market orientation partially has a significant effect on customer involvement and market orientation has a significant effect on marketing capabilities, which is reinforced by the indicators of each variable. Customer involvement and marketing capabilities also significantly influence marketing performance. Indirectly, market orientation significantly influences marketing performance, mediated by customer involvement and marketing capabilities. In the development of service dominant logic in business-to-business (B2B) marketing, it plays a crucial role in serving customers.

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