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The Role of Dynamic Marketing Capabilities in Creation of Competitive Advantage of Commercial Chains

Summary

Enterprises that have dynamic capabilities can quickly adapt to the changes occurring in their environment. The role that marketing performs in development of dynamic capabilities is one of the most important issues. In recent years, a new notion, i.e. the “dynamic marketing capabilities” has been formulated.

In the proposed paper, the assumption is made that commercial chains that have dynamic marketing capabilities can create stable competitive advantage. Identification of the marketing areas associated with creation of dynamic marketing capabilities by commercial chains is the goal adopted for implementation.

To achieve the adopted goal, critical analysis of the literature of the subject and case-research methods are applied. It shows best business practices of commercial chains in the sphere of application of dynamic marketing capabilities in the process of creation of competitive advantage of these chains. In the paper, the biggest retail chains operating in Poland were examined. It's a research article.

Key words: dynamic marketing capabilities, commercial chains, competitive advantage.

JEL codes: D12

Introduction

In proposed paper it is assumed that dynamic marketing capabilities of retail chains play crucial role in development of their competitive advantage. Therefore, the aforementioned area (dynamic marketing capabilities of retail chains) constitutes the subject of the paper. In the paper, the following goals of descriptive and cognitive character are assumed:

- identification of marketing areas in which retail chains develop their dynamic marketing capabilities
- indication of marketing practices applied by selected retail chains in the sphere of development of competitive advantage based on dynamic marketing capabilities.

For the purpose of implementation of assumed goals critical analysis of the literature of the subject and the case study method are applied as research methods.

Selected retail chains operating in Poland constitute the entities in the research. Analysing the structure of foreign retail trade enterprises we can state that the largest activity in conquering new markets is observed among French, British, German and Portuguese commer-



cial chains. Retail trade chains can be divided with respect to their nature (size of the selling area, location and range of offered assortment) into three groups:

1. Hypermarket chains – this group may include the following entities: Auchan (Auchan Group), Carrefour, Real (Metro Group), Tesco Poland, Kaufland (Kaufland Markets), E. Leclerc (E. Leclerc group)
2. Supermarket chains: Tesco Poland, E. Leclerc, Carrefour Market, Simply Market (formerly Elea, Auchan owner, it has also taken over Billa chain), Savia Tesco,
3. Discount chains: Biedronka (Jeronimo Martens – Portugal), Lidl, Netto (Danish chain), Aldi (German chain).

Analyses included in the paper concern the years between 2009 and 2014 that were the period of unstable economy development (time range). Presented results of conducted analyses concern Poland (spatial range).

The notion of dynamic marketing capabilities

The concept of dynamic capabilities has its special position in strategic management. It fits the resource trend and goes beyond focussing only on resources that a company has at its disposal. Thereby, the resource trend is becoming significantly enhanced by the concept of dynamic capabilities.

Enterprises that create competitive advantage, mainly achieve their position thanks to simultaneous increase in operational effectiveness, expansion on new markets and development of their assets (Sirmon, Hitt, Ireland 2007). Success of enterprises that can survive in the period of economic recession frequently resulted from skilful application of processes, principles, rules of behaviour and resources that are described from the perspective of dynamic capabilities perceived as an organisation capability to create, increase or modify their assets in an aware way (Helfat et al. 2007). Enterprises that have dynamic capabilities are able to adapt to turbulent environment significantly faster and more effectively. Dynamic capabilities are developed through improvement, transformation and acquisition of necessary resources. Constant learning in the area of innovations in a particular organisation is necessary to ensure success of these processes (Dossi, Nelson, Winter 2000).

Understanding how companies maintain competitive advantage through reacting to changes in the environment, and creation of conditions of their activity is the goal of the discussions on dynamic capabilities.

In contemporary conditions of enterprise operation the importance of marketing activities aiming at creation and maintenance of competitive advantage is growing. Capabilities associated with the use of marketing to achieve stable competitive advantage are significant (Bruni, Verona 2009). The role that marketing performs in development of dynamic capabilities is one of the most important issues. Due to this, in recent years a new notion of „dynamic marketing capabilities” has been formulated.



Capabilities possessed by an organisation perform a decisive role in increasing the value provided to customers. In relation to growing importance of customers and their needs, enterprises should focus on improvement of the capabilities that contribute to creation of value delivered to customers most. Dynamic marketing capabilities, such as development of new products, marketing orientation, knowledge management and customer relationships management are closely related to customers and ensuring satisfaction to them. It also needs to be remembered that the very possession of valuable and scarce resources and capabilities does not guarantee the development of competitive advantage or enhancement of the value for customer. Firstly, they must be effectively managed which is often associated with their transformation and reconfiguring (Simon, Hitt, Ireland 2007).

There is necessity of development of dynamic capabilities especially by companies which operate in the hypercompetition. These capabilities are the specific kind of strategic capabilities, which may lead to gain the competitive advantage in a dynamic environment. In such environment a firm must act very quickly to neutralize the competitors' advantages (Penc-Pietrzak 2015).

Application of dynamic marketing capabilities by retail chains

Retail trade sector in Poland has experienced a series of dynamic changes associated with the processes of political changes in Poland. It was totally privatised as first, and the expansion of foreign commercial chains that was even deeper in the second half of 1990s, contributed to dynamic transfer of know-how in the sphere of management of purchase and sale processes (Kucharska 2014). As a result of integration, concentration and globalisation, standards corresponding to global and international retail chains were introduced in Poland over several years. Their occurrence in Poland brought evident changes in orientation on customer and very strong competition (Kwiecień, Żak 2013).

The largest European retail trade chains operating on Polish market include Carrefour, Metro, Tesco, Schwarz (Kaufland and Lidl) and Aldi. European enterprises from Germany, Great Britain, Portugal and France are found among the most powerful retail sellers.

Using knowledge about the client in the process of development of marketing strategies helps to maximize the satisfaction of the buyer and the creation of market value, which in the new economic environment, depends in a large measure on knowledge (intellectual capital). Therefore, the acquisition of knowledge about customers (what they buy, where and why, whether they look for added value of the product, how much they are willing to pay, what factors are more important than the choice of the store, and whether they care about different formats of stores) is becoming increasingly important (Komańda 2011).

This is because it contributes to construction of more effective marketing strategies. Retail chains must therefore understand the customer mindset and be constantly prepared to adapt to changes in consumption and consumer needs (Śmigielska 2013).



Development of new products, marketing orientation of the chain, knowledge management and customer relationship management were taken into consideration while analysing individual elements associated with dynamic marketing capabilities.

In the case of product development it can be noticed that commercial chains explicitly try to offer competitive products to previously defined market segments. The most important assortment strategies applied by studied enterprises include market penetration strategy, and strategy of product development. Market penetration strategy mainly focuses on the fact that chains aim at increasing sales of existing assortment on existing local (regional) markets. Product development strategy consists in complete modernisation of existing commercial outposts. Reconstruction of offered range of products and modernisation of the very selling form is performed. Higher quality of service, increasing visual attractiveness of stores, expansion of assortment and territorial range of the chain are important elements of the product. Customers pay increasingly more attention to the atmosphere of doing shopping which is associated with the look of commercial outpost, quality of service and assortment diversity.

Apart from functional aspect, aesthetic aspect is becoming increasingly more important. Observing changes occurring in retail chains we can speak about the occurrence, on a large scale, of the phenomenon of the so-called „remodelling”, i.e. change of commercial chain arrangement. The standard of commercial chain design is increased at simultaneous maintenance of existing level of prices. This significantly affects buying loyalty of customers. According to estimates, remodelling can bring growth of turnover by around 20% (Bilińska-Reformat and Reformat 2012). Buying in friendly atmosphere, the so-called „shopping experience”, i.e. general positive shopping experience enhanced by advice from the seller is what contemporary consumer expects. In practice it represents abandoning the concept of large hypermarkets and traditional supermarket formats, and moving towards the store formats that are friendlier to customers, while offering high quality and broad scope of services in every sphere.

Summing up these deliberations, it ought to be noticed that they successfully fall within the concept of personalised sale and thus in the concept of post-modernist relationship marketing.

Introduction of financial services, giving access to petrol stations and development of non-food product offer into commercial offer in such discount stores as Bierdonka, Lidl, Aldi and Netto is another activity of chains.

Development of private label brands in commercial chains is a very important element of product-related strategies. They are becoming an important source of competitive advantage of chains. Thanks to private label brands commercial chains can also intensify and strengthen their image and make them distinguished against their competitors. The share of private labels will increase on average to 45% in the whole product offer within the next several years. Tesco and Real Quality, recognised by 61% respondents, are the most recognisable private labels in Poland. 60% respondents also recognise Carrefour private label and 40%



recognise another private label brand of Tesco, i.e. Tesco Korzystny Zakup (*Tesco Profitable Purchase*).

Application of dynamic marketing capabilities in commercial chain operation practice can also be proved by adoption of marketing orientation. Its immanent qualities include placing the customer in the focus of interest, conducting marketing research that allow for creation of offers satisfying customers' needs and consequently, providing satisfaction to customers.

Retail trade chains apply in practice the activities aiming at better recognition of target customers. Beside such concepts as CSR (Customer Relationship Management), (Stefanska, 2014), CSR (Corporate Social Responsibility) or KCMR, CCR (Customer Centric Retailing) is also gaining importance. CCR represents a very strong focus on customer needs (Consumer Goods and Retail Insights 2011). Four degrees of retailer's involvement in creation of orientation focused on customers can be distinguished.

Firstly it is necessary to create a database about the customers (the initial stage – retailers start to notice the significance of information they have, and use it in the process of sale and creation of offers).

The second step in development of the concept is organising the information about customers, while taking into consideration the criteria associated with: - transactions (by means of which channel the sale was performed, whether the payment was made in cash or by card), demography and data related to customers' approach to the purchase.

In the third stage data about customers is approached as an important clue concerning future sales. Integration of knowledge about customers with the retailer's strategy is observed here. In the last stage complete integration of the knowledge possessed about the customer and the retailer's strategy is observed. Finally, decisions concerning applied channels of distribution, brands that are sold, and policy within CM (Category Management) (Smith 2009) are made on the grounds of possessed knowledge.

In the case of CSR - related approach the attitude towards understanding the customer (on the grounds of segmentation based on behaviour patterns), decisions concerning the assortment (they are based on quantitative data about customers and their behaviour), area associated with pricing policy (based on the basket of needs typical of identified segments), promotion management (actions aimed at particular market segments) and management (goals concerning customers are defined in the whole chain of values, and patterns of customers' behaviours are assessed on a current basis) is changed (Consumer Goods and Retail Insights 2011). Commercial chains make attempts to recognise customers through applying segmentation procedures. It ought to be mentioned that they are closely related to the approach typical of CCR (Customer Centric Retailing). Without any doubts this provides better chances for creation of appropriate offers, and consequently, increases the sale.

Segmentation in Tesco takes place on the basis of Tesco „Club Card” database, i.e. the owners of loyalty cards. In segmentation procedure, economic criteria were adopted, and with reference to them, 6 market segments were distinguished (Finer Food, Healthy, Traditional, Mainstream, Convenience and Price Sensitive).



With reference to individual market segments, Tesco dedicates specific private label brands in such a way that they meet buyers' expectations and even create them. This allows for increase in sales.

Applying segmentation procedures, introduction of loyalty cards and acquiring knowledge about customers in an advanced way, may prove implementation of the principles of relationship marketing by commercial chains. This also proves application of dynamic marketing capabilities by commercial chains.

Results and discussion

Presented results of analyses show that commercial chains, independently of their size and number, should constantly use marketing dynamic capabilities to develop their competitive advantage. Elements concerning marketing dynamic capabilities include, among others, development of offer for customers on the basis of acquired knowledge about consumers (what they buy, where and why, what additional value they look for, how much they are ready to pay, what factors are more important than the choice of store and how various store formats are perceived). Furthermore commercial chains ought to present greater flexibility of actions. Thanks to this, development of marketing strategies based on this knowledge can be adjusted to actual needs and preferences of customers.

Adopting marketing orientation that is reflected in launching advanced segmentation procedures used by retail chains is the next important element of dynamic marketing capabilities. Relationship marketing that represents development of relations with customers and other partners is also significant and it is used in practice by retail chains.

Conclusions

To achieve market success, commercial chains search for a match between what they offer and what they have at their disposal with what is imposed by the environment. Achievement of balance demands numerous changes from commercial chains in their operations. To make it possible, it is necessary to have dynamic capabilities that increase its chances of survival and provide the potential for growth and development.

As it was shown, the approach to dynamic marketing capabilities refers to the fact that competitive advantage occurs in the process of constant development, adjustment and reconfiguring of resources and skills that are specific for the organisation. Dynamic capabilities directly affect the basis of company resources which is transformed into the source of its competitive advantage. Resources that commercial chains have at their disposal must constantly evolve and develop in order to ensure long-term competitive advantage to organisations. Such a situation can be achieved through dynamic marketing capabilities that constitute organisational process. It modifies bases of resources through their creation, integration and recombination.



The paper presents only selected aspects of dynamic marketing capabilities owned by retail chains, which results in its limitations. Identification of dynamic marketing capabilities in retail chains functioning in different areas, not only on FMCG, but also in domestic retail chains, as well as chains functioning in various formats is an interesting trend of research that ought to be undertaken in the future.

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Rola dynamicznych zdolności marketingu w kształtowaniu przewagi konkurencyjnej sieci handlowych

Streszczenie

Przedsiębiorstwa posiadające zdolności dynamiczne są w stanie szybko przystosowywać się do zmian zachodzących w otoczeniu. Jedną z najbardziej znaczących kwestii staje się rola, jaką marketing pełni w rozwoju zdolności dynamicznych. W ostatnich latach zostało sformułowane nowe pojęcie tj. „dynamiczne zdolności marketingu”.

W artykule przyjęto założenie, że sieci handlowe posiadające dynamiczne zdolności marketingu potrafią tworzyć trwałą przewagę konkurencyjną. Celem przyjętym do realizacji jest identyfikacja marketingowych obszarów związanych z kreowaniem dynamicznych zdolności marketingu przez sieci handlowe.

Dla osiągnięcia założonego celu wykorzystano metody krytycznej analizy literatury przedmiotu oraz *case research* ukazujące najlepsze praktyki biznesowe sieci handlowych w zakresie wykorzystywania dynamicznych zdolności marketingu w procesie kreowania przewagi konkurencyjnej tych sieci.

W artykule analizom poddano zagraniczne sieci handlowe należące do największych detalistów na rynku polskim. Artykuł ma charakter badawczy.

Słowa kluczowe: dynamiczne zdolności marketingu, sieci handlowe, przewaga konkurencyjna.

Kody JEL: D12

Роль динамических способностей маркетинга в формировании конкурентного преимущества торговых сетей

Резюме

Предприятия, обладающие динамическими способностями, в состоянии быстро приспосабливаться к изменениям, происходящим в среде. Одним из наиболее важных вопросов становится роль, какую выполняет маркетинг в развитии динамических способностей. В последние годы сформулировали новое понятие, т.е. «динамические способности маркетинга».

В статье принята предпосылка, что торговые сети, обладающие динамическими способностями маркетинга, в состоянии создавать прочное конкурентное преимущество. Принятая для осуществления цель – выявить маркетинговые области, связанные с формированием торговыми сетями динамических способностей маркетинга.



Для осуществления поставленной цели использовали методы критического анализа литературы и метод *case research*, указывающий лучшие бизнес-практики торговых сетей в области использования динамических способностей маркетинга в процессе формирования конкурентного преимущества этих сетей.

В статье провели анализ зарубежных торговых сетей, принадлежащих самым крупным розничным фирмам на польском рынке. Статья имеет исследовательский характер.

Ключевые слова: динамические способности маркетинга, торговые сети, конкурентное преимущество.

Коды JEL: D12

Artykuł nadesłany do redakcji w lutym 2016 roku

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