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# Supply Chain Innovation and Marketing Performance: A Review of Literature

**Akintokunbo, Oluwarotimi Odunayo (Ph.D) and Adim, Chidiebere Victor**  
Department of Management, Faculty of Management Sciences, Rivers, State University, Nkpolu-Oroworukwo, PMB 5080, Port Harcourt, Nigeria

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**Abstract:** *Today organizations are realizing that their level of innovativeness in supply chains is an integral part of strategic success and long-term survival. Supply chain innovation underpins the achievement of sustainable competitive advantage and an ability to respond effectively to rapidly changing markets as organizations strive to be innovative despite intense technological uncertainty. Innovativeness is seen as a complex process that handles environmental and technological uncertainty to seek and adopt new processes, ideas, products and technologies for satisfying customers. This study examines the relationship between supply chain innovation and marketing performance. Mass customization, e-procurement and integration were the dimensions of supply chain innovation discussed. The finding from the review of extant literature reveals that Supply chain innovation significantly influences and predicts marketing performance of organizations. The study recommends that companies should invest in modern technologies by increasing specific efforts and strategies regarding choosing, establishing, comprehending, orientating, enhancing and improving technology. Also, there is need for increased capacity on training and development programmes on supply chain management and provide the employees with resources and facilities to enhance efficiency in supply chain management.*

**Keywords:** *Supply Chain Innovation, Marketing Performance, Mass Customization, E-Procurement, integration*

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## INTRODUCTION

The desire of firms to improve their performance in the market is the paramount push behind all marketing decisions and programs, because the market performance of the firm is cardinal to the corporate wellbeing of business undertakings and also determines the continued existence of the firm in the business landscape. Market performance has thus continued to enjoy very attractive investigations from practitioners and academics. Efforts have been made to determine how individual marketing programs affect various aspects of market performance. Thus, with a view to determining the core drivers of market performance, several studies have been conducted (Ateke & Iruka, 2015; Asiegbu, Awa, Akpotu & Ogbonna, 2011). Marketers have realized that it is no longer enough to just provide a value offering to marketplace, and amass tangible assets; but they must also consider their brands as significant intangible assets (Liu, Hu & Grimm, 2010).

Performance is considered the result of activities. It entails the real results a strategic management process. Thus, strategic management is crucial to increase the performance of a company (Wheelmen & Hunger, 2010). An organization's performance entails final output that a company gets as calculated in related to the expected result. According to Richard, Devinney,

Yip and Johnson (2009) actual company's performance covers three areas of organizations outcomes: this includes financial performance (as exemplified by profits, return on assets and return on investment). It also encompassed performance of a product in the market (this covers sales, market share). It also focuses on shareholder return (this can be seen in total shareholder return as well as economic value added).

Today organizations are realizing that their level of innovativeness in supply chains is an integral part of strategic success and long-term survival. Supply chain innovation underpins the achievement of sustainable competitive advantage and an ability to respond effectively to rapidly changing markets as organizations strive to be innovative despite intense technological uncertainty. Innovativeness is seen as a complex process that handles environmental and technological uncertainty to seek and adopt new processes, ideas, products and technologies for satisfying customers. Gunasekaran and Spalanzani (2011) assert that enhanced innovativeness facilitates more sophisticated management procedures and operations in information and physical flow along the supply chain.

To be successful, innovations have to become best practices upon which all supply chain actors capitalize and create value. Innovative supply chain management is seen as a source of knowledge management for all the involved supply chain actors. Innovative supply chain management improves company-partner practices and creates value for customers. The primary motivation for innovative supply chain practice is to increase the organizational performance of the company through customer satisfaction and cost reduction (Batenburg and Rutten, 2003).

Innovativeness assists supply chain managers to foster the development of information and progressive technologies using innovative operations to improve efficiency and service effectiveness. Supply chain innovation is used a tool for transforming the organization as a response to internal or external environmental change. Brettel and Neubauer (2011) argues that innovative products are cost friendly and of high quality. Organizations that utilize supply chain innovation tailor their products and services in a manner that meets the needs of their customers in terms of cost, quality and flexibility. This attracts more customers leading to increased sales and increased organizational performance. Innovative firms succeed in cutting costs since they utilize modern technologies in their processes. This lowers the costs of productions and hence produces quality goods and services at a cheaper cost. This makes the goods and services affordable to the customers thus attract many customers leading to increased sales and organizational performance. This paper seeks to conceptually examine the relationship supply chain innovation and marketing performance.

## **LITERATURE REVIEW**

### **Theoretical Foundation**

#### **Knowledge-Based View**

Knowledge-based view considers intangible resources of organizations. According to Stock (2007) this theory looks at various dimensions such as organization learning, organizational capabilities and competencies. It promotes sharing of knowledge as a tool for improving efficiency and value creation. Information is power, the organization that cultivates a culture of

sharing information is able to know and understand its customer needs (Ketchen & Hult, 2007). This helps in tailoring products and services that add value to the customers more efficiently, to meet their needs. According to Ketchen and Hult (2007) supply chain collaboration is one of the supply chain practice that involves sharing of information with the suppliers to create more value for goods and services delivered (Anand & Ward, 2004). Hult, Ketchen and Slater (2004) applied the knowledge-based view to the information process and knowledge development in organizational supply chain performance. The results revealed that use of information process and knowledge development led to reduction in cycle time and cost reduction hence improved supply chain performance. The relevance of this theory with regard to the objective of this study is that it demonstrates innovation in supply chain management is essential in improving the quality of products and services offered by firms. This enables the organization to meet the growing needs of their customers more conveniently in manner that meets customer satisfaction. This enhances the firm's competitiveness (Anand & Ward, 2004).

### **Supply Chain Innovation**

Lavastre, Ageron and Spalanzani (2011) define supply chain innovation as a set of methods and tools that are previously inexistent in companies or their subsidiaries that will be generated, developed and deployed within supply chains to tackle different supply chain issues such as quality, costs and lead-time. Some of the supply chain innovations include: logistics network reconfiguration, Just in Time (JIT), mass customization, reverse logistics, integration and outsourcing. These practices are unique and difficult to imitate by competitors, they enable the firm to gain a competitive edge through utilizing its core competence.

Innovative supply chain practices enable companies to create value for their customers and improve their competitiveness and the performance of the whole supply chain (Chan & Qi, 2003). The importance of innovative supply chain practices is that they assist the organization to create value for their customers and improve competitiveness and performance of the whole supply chain. Organizations use innovative supply chain practices to be the best and unique in the market through providing competitive products and services that are flexible, differentiated, cost friendly and value adding to meet customer expectations.

### **Dimensions of Supply Chain Innovation**

#### **Mass Customization**

Mehra and Inman (2014) maintain that mass customization is an innovative supply chain management practice that involves tailoring products and services according to the specific customer needs. The systems aggregate such kind of individual orders and schedules picking, assembly or production. This improves efficiency since the customers can conveniently get products and services that suites their needs. Dowlatshahi (2012) asserts that mass customization is a common practice among the developed countries; customer needs keeps on changing hence it is imperative for the firms to cope with the demands of the market. This can be achieved through developing and designing competitive products that meet the following attributes namely: flexibility, convenience, cost effectiveness and improved value. Some of the benefits of mass customization is that it minimizes stock-out costs and holding costs of the firm since goods are produced upon requisition by customers.

### **E-Procurement**

E-procurement is the use of internet-based information communication technologies (ICTs) to execute individual or all stages of procurement process including sourcing, negotiation, ordering, receipt and post purchase review (Croom & Brandon-Jones, 2004). There are various forms of e-procurement that concentrate on many stages of procurement process for instance e-tendering, e-marketplace, reverse auction, and e-catalogue purchasing. E-procurement also serves an end-to-end solution that integrates and streamlines many procurement processes throughout the organization. The internet has enabled firms to integrate their logistics and procurement systems that were previously conducted in each and every country that they operate. Robinson (1999) identified the importance of e-procurement in cost saving, improved efficiency and single data entry. Use of e-procurement system makes it is possible to monitor and measure orders and their details such as: improved standardization of processes, removal of non-value adding activities. This also minimizes paper work and improved efficiency in order approval and processing of documents.

### **Integration**

One of the information systems that assists firms to integrate their functions and activities include: Electronic Data Interchange (EDI) is a system that integrates business processes hence provide long-term customer and supplier relationships a true spirit of partnership. This enables the firm to mitigate costs, improve placement of orders among others. Most businesses have realized that time and cost savings is achieved by having a link with major suppliers through private networks such as electronic data interchange. According to Lambert (2011) enterprise resources planning (ERP) system is part of the integrated supply chain management system of an organization that integrates all the supply chain partners. Watson and Zhang (2005) argue that an enterprise resource planning package is a database that allows a company to develop and store data that can be used in all the applications. This improves information sharing across the supply chain partners and minimizes communication costs leading to improved supply chain performance.

### **Marketing Performance**

Measuring performance has been a cardinal issue in marketing and stays a vigorous concern for enormous majority of companies (Morgan, Clark & Gooner, 2002). Business practitioners and academics have both been attracted to the topic with an insistence and intentions previously unexampled (Clark, 1999). A wide range of measurement has been adopted to operationalize performance. For example, Narver and Slatter (1994), identified key indicators as return-on-investment, market share and sales growth, Nwokah (2008), used sales growth, profit ability, and market share, and Nwokah and Didia (2015), employed sales growth, customer retention, return on investment, market share, getting valuable information, ability to secure local resource and motivating employees as proxies of business performance. This study adopts customer acquisition, a non-financial measure from extant literature as the measure of market performance.

Performance is considered the result of activities. It entails the real results a strategic management process. Thus, strategic management is crucial to increase the performance of a company (Wheelmen & Hunger, 2010). An organization's performance entails final output that a

company gets as calculated in related to the expected result. According to Richard, *et al.* (2009) actual company's performance covers three areas of organizations outcomes: this includes financial performance (as exemplified by profits, return on assets and return on investment). It also encompassed performance of a product in the market (this covers sales, market share).

Worth mentioning here is marketing performance measurement (MPM). This is used by professionals in marketing to interpret how effective and efficient marketing is (Gerard, 2008). This objective is achieved by a very clear concentration on the process of a firm's marketing activities (Collins, 2007). The strategy involves the deliberate creation of a reliable metrics framework. The framework is used to monitor marketing performance. It then helps a firm develop and use marketing dashboards in managing a firm's marketing performance. Marketing performance measurement is expected to focus on measuring, managing, as well as analyzing marketing performance. The objective is to get the maximum effectiveness and also maximize the company's return (Ament, 2008).

### **Supply Chain Innovation and Marketing Effectiveness**

To meet customer needs companies must find new sources of competitiveness and engage in unceasing innovation. These innovations can either be incremental or radical. Radical innovations require implementing completely new knowledge that renders obsolete the existing knowledge. This kind of innovation is difficult to imitate by competitors since the firm utilizes its core competence and capabilities that are unique as compared to that of competitors. This attracts more customers, more sales and hence improved organizational performance (Cao & Zhang, 2011). On the contrary, incremental innovations introduce minor changes and adaptations gradually over a period of time.

Product and service innovations, like developing high-tech products or value-added services, are means by which companies are able to cope with competitors and international pressure. Calia and Guerini (2007) indicates that to achieve product development in an uncertain environment, communications and coordination between members of the supply chain has to be intensive. Indeed, relationships that companies develop with their suppliers and customers can ultimately be considered as competitive tools which contribute to improved organizational performance. This conforms to a study conducted by Huang and Liu (2014) that examined supply chain integration and supplier's performance relationships of manufacturing firms. The findings revealed that adoption of modern technologies led to improved organizational performance.

According to Roy and Wilkinson (2004) innovative supply chain focuses on relentless improvement of the supply chain cost structure through standardization and simplification. This improves customer satisfaction and lowers materials costs. With innovative supply chain, an organization can collaborate with business partners through integration of data and processes. This improves information sharing and thus minimizes communication costs leading to improved decision making. This enables the firm create alignment around common business goals that invent new methodologies, tools and processes to improve efficiency and performance of the firm.

Batenburg and Rutten (2003) explains that innovative supply chain practices ensures continuous improvement of supply chain functions which leads to competitive advantage and differentiation

of products and services to meet the growing and changing needs of customers. Organizations that adapt innovative supply chains utilize innovative technology in their systems and processes. This enables the organization to improve procurement workforce productivity and hence improve organizational performance.

### **CONCLUSION AND RECOMMENDATION**

The finding from the review of extant literature reveals that Supply chain innovation significantly influences and predicts marketing performance of organizations. The study recommends that companies should invest in modern technologies by increasing specific efforts and strategies regarding choosing, establishing, comprehending, orientating, enhancing and improving technology. Also, there is need for increased capacity on training and development programmes on supply chain management and provide the employees with resources and facilities to enhance efficiency in supply chain management.

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