

The influence of market knowledge sharing on marketing innovation strategy: Empirical study of a cosmetic industry in Algeria

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Abstract:

This study sets out to examine the influence of market knowledge sharing on marketing innovation strategy. The study has been conducted on July 2018 and has last for one month and a half. Based on a survey of 150 employees from Unilever Algeria, this study applies the structural equation modeling approach to investigate the research model. The results show that market knowledge sharing has a strong positive effect on marketing innovation strategy represented by the sub dimension: product innovation strategy.

Keywords: market knowledge sharing, marketing innovation strategy, product innovation, Unilever.

JEL classification codes : D83, O30, L10.

Résumé :

Cette étude vise à examiner l'influence du partage des connaissances du marché sur la stratégie d'innovation marketing. L'étude a été réalisée en juillet 2018 et dure un mois et demi. Basée sur une enquête menée auprès de 150 salariés d'Unilever Algérie, cette étude applique l'approche de modélisation des équations structurelles pour étudier le modèle de recherche. Les résultats montrent que le partage des connaissances du marché a un fort effet positif sur la stratégie d'innovation marketing représentée par la sous-dimension : la stratégie d'innovation produit.

Mots-clés: partage des connaissances sur le marché, stratégie d'innovation marketing, innovation produit, Unilever.

JEL classification codes : D83, O30, L10.

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1. Introduction

In a context of continuous change in the overall environment, companies are seeking to create and sustain competitive advantage and keep their position in the market. To do so, these companies must find a formula to satisfy the quickest market needs. Knowledge management is a business strategy that allows companies to cope with ever-changing market environment. According to Drucker (1986), knowledge would substitute equipment and all kind of materials, it permits employees and organizations to have a view on market. Knowledge can be gathered from customers how truly recognize the market. Hence, companies must carry out a market investigation and analysis to collect market knowledge from customers.

This study took example of one of the largest fast-moving consumer goods (FMCG) companies in the world mainly in Algeria and the most representative group in innovation marketing strategies adoption. Our purpose is to realize whether market knowledge has a positive / significant influence on marketing innovation strategies. Hence, it is worthen to highlight that this study is among the few that contributed to the enrichment of literature in terms of how two different theories were applied to support the research study. Knowledge based view and dynamic capability view were the base of our variables. In addition to that, most of the studies treating similar problematic used the method of multiple regression analysis, but in our case, we took in consideration structural model of confirmatory factor analysis as the variables of the study are unobservable.

On top of that this study is very unique as it is an action research where the researcher is the actor in the research environment. This kind of research seeks transformative change through the simultaneous process of taking action and doing research. The findings will be presented to the business for strategy establishment.

To achieve our goals, we will firstly build a relationship for the research model through an overview on the literature, then the studies that have been conducted in the research context. Secondly, our research methodology will be exposed with the statistical findings. Finally, the results will be amply discussed and a paper's conclusion, research contribution and limitation will be presented.

2. Literature review and hypotheses

Two main variables will be presented in this section which are Market knowledge and Marketing innovation strategies. However, we firstly must give a brief scoop on knowledge management and its importance in marketing strategy.

2.1. Market knowledge

Knowledge, as per the KBV theory (Knowledge based view) has been considered as a strategic resource mainly used by companies to guarantee their position in the market and gain a competitive advantage (Penrose, 1959; Wernerfelt, 1984, Barney, 1991). Hence, knowledge management including knowledge creation and knowledge sharing has been approached as an asset in business strategy (Ichijo, 2006, 2007; Szulanski, 1996, 2003; von Krogh et al., 2001; Hansen et al., 1999; Teece, 2000; Un and Cuervo-Cazurra, 2004; Zack, 1999). As such, knowledge management has an important weight in marketing strategies, as it allows companies to collect knowledge regarding the customer and the market which will be used in driving the market into segments and satisfying needs (Kamyshanov, 2010). Hence, the main action here for companies is to master market knowledge and to take advantage from them to use it in strategic marketing decisions. Numerous studies have pointed the importance on market knowledge in marketing strategies and innovation (Ozkaya et al., 2015; Atuahene-Gima 1995, 2005; Li and Calantone 1998; Moorman and Miner 1997) and has been the core topic addressed in previous researches mainly focused on market knowledge effect on product innovation (Atuahene-Gima 1995, 2005; Li and Calantone 1998; Kahn 1996; Song, Montoya-Weiss, and Schmidt 1997; Yeoh and June, 2016), which is apart from marketing innovation strategies. It implies on that type of knowledge that it can help produce rapid and meaningful market replies (Kyriakopoulos and Moorman, 2004). It is about knowing the numerous features related the what the company will offer to the market, it includes all type of core activities that can provide a value to be carried in the market (Vicari and Cillo, 2006; Omri, 2015). Furthermore, market knowledge consists on knowing about the potential customers behavior which contribute in enabling the offer and make it copes with the market needs (Kogut and Zander 1992, Day 1994; Kohli and Jaworski 1990; Narver and Slater 1990). Market knowledge can be divided to two main dimensions: knowledge market collecting and knowledge market sharing.

Sharing market knowledge is usually handled by a salesperson how communicates internally within the organization, information regarding changes in customer needs and attitudes, competitor actions, and market developments (Slater and Narver, 1995).

2.2. Marketing innovation strategy

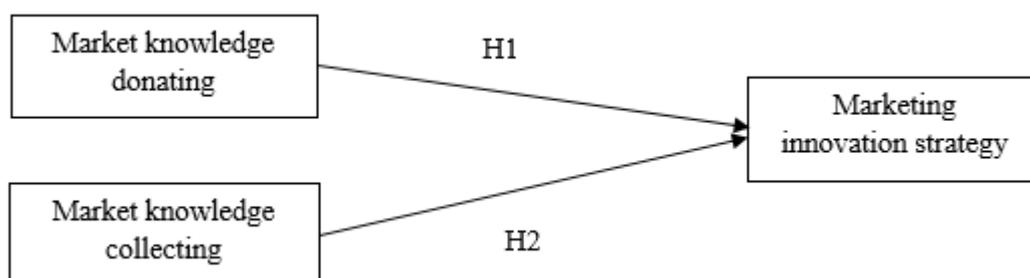
Innovation is making a change in the value that aims to satisfy customer needs whether in products, services or process (Drucker, 1986; Damanpour, 1992; Johannessen, Olsen and Lumpkin, 2001). To make this innovation operational, the company must set up a strategy. In the framework of this study one type of marketing innovation strategies is considered namely product innovation.

Product innovation is generally visible when a company create a new product or make a significant improvement of an already existing product (Schumpeter, 1967). It's recognized as a process through which a company transforms its knowledge embedded in cross-functional teams into new products (Madhavan and Grover 1998). Previous studies have focused on the effects of market knowledge (Atuahene-Gima 1995, 2005; Li and Calantone 1998; Yee-Loong Chong, 2014) on product innovation. The results reveal that knowledge market has a positive effect on product innovation. Hence, based on the previous definition and the prior studies, our hypotheses are formulated as follow:

H1: market knowledge donating has significant positive influence on marketing innovation strategy.

H2: market knowledge collecting has significant positive influence on marketing innovation strategy.

Fig1. Research framework of this study



3. Research methodology

To carry out a research on the influence of market knowledge sharing on marketing innovation strategies, this study applies SEM structural equation modeling. The studied population is Unilever's employees. The analysis method and the sampling will be presented as follow:

3.1.Data sample and collection

The data were collected on July 2018 through a survey destined to a population of 125 employee from Unilever Algeria, which is a multinational company and a largest group active in fast-moving consumer goods domain. The study has last from one month and a half. Thirty pretest questionnaires were distributed, and 150 formal ones were administered with 125 valid responses which is equivalent to 83,33%. The study was focused on customer service and customer development services as they are the most qualified teams that have a clear awareness on the market, product and customer which are the main variables of the study. Hence, the studied population was variated from managers to salespersons, customer facings and customer advisors.

3.2.Measure

The questionnaire was composed of two main dimensions constituted respectively by the latent variables of Market knowledge sharing and Marketing innovation strategy, and each main dimension was measured via sub-dimensions containing the manifest variables shown below. Market knowledge donating and collection which represent the variable of market knowledge sharing and marketing innovation strategy on the other hand represented by product innovation. The variables were measured via the Likert-type 5-point scaleranging from strongly disagree to strongly agree. The measurement approach for each theoretical construct in the model is described briefly below.

Table.1. Variable description

Main dimensions	Sub-dimensions	N° items	Reference
Marketknowledge sharing	Marketknowledgedonating	3	van den Hooff and De Ridder (2004)
	Marketknowledgedcollecting	3	van den Hooff and De Ridder (2004)
Marketing innovation strategy	product innovation	4	Hsu,P.K. (2006)

The measurement scale of marketing innovation strategy with sub-dimension product innovation was structured with reference to the views of Hsu,P.K. (2006) on knowledge innovation strategies and the cooperation of authors. On the other hand, the items related to market knowledge sharing were deducted by using the scale developed by van den Hooff and De Ridder (2004) for knowledge sharing measurement.

4. Data analysis and results

The study applied structural equation modeling (SEM) to validate the research model. It was chosen because of its ability to test casual relationships between constructs with multiple measurement items destined for a sample of 100 to 200 participants. This approach is based on a two-stage model-building which consist of the Confirmatory factor analysis (CFA) used to examine the reliability and validityof the measurement model and secondly the structural model to test and analyze the associationshypothesized in the research model, following a similar approach as other past studies (Bock and Kim, 2002; Lin and Lee, 2004).

4.1.The measurement model

Table 2 gives a summary of the results of the measurement model fit including factor loadings, Cronbach's alpha, composite reliability and the average variance extracted. In detail, factor loadings ranged from 0,59 to 0,84. These values exceed the recommended cut-off value of 0.5, suggested by Straub (1989).The data collected were then submitted to convergent and is criminant validity analysis before the final analysis. We first tested the internal reliability of our measurement it emsusing Cronbach's. A low Cronbach's alpha value of 0,66 for marketing innovation strategy was registered indicating satisfactory levels of reliability. Composite reliability (CR) and the average variance extracted (AVE) were then calculated to assess convergent validity values. As presented in the table 1, CR values range from 0,72 (market knowledge collecting) to 0,86 (market knowledge donating) and AVE values form 0,44

(marketing innovation strategy) to 0,67 (market knowledge donating). We can conclude that all scores are above the acceptability level (Fornell and Larcker, 1981).

Table.2. CFA results

Measures	Factor loadings	Cronbach's alpha	Composite Reliability (CR)	Average variance Extracted (AVE)
Marketknowledgedonating (MKD)	0,81	0,82	0,86	0,67
	0,84			
	0,81			
Marketknowledgecollecting (MKC)	0,72	0,68	0,72	0,46
	0,65			
	0,66			
Marketing innovation strategy (MIS)	0,59	0,66	0,75	0,44
	0,60			
	0,70			
	0,74			

Source: AMOS 21 output

Figure.1. CFAModel

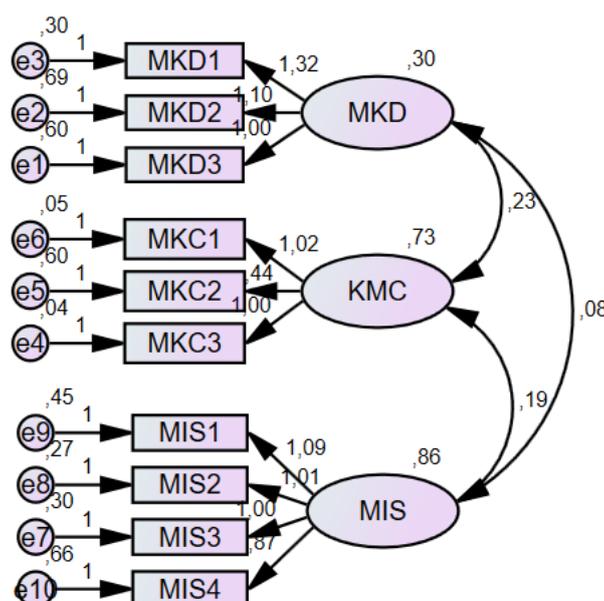


Table 3 present the overall model fit that was assessed using seven common fit measures from two perspectives which are absolute fit and incremental fit (Ryu et al., 2003).

Table.3.Overall fit of the CFAModel

Model fit index	Score	Benchmark value	Source
χ^2/df	2,05	$\chi^2/df < 3$	Bagozzi and Yi (1988)
NFI	0,92	$> 0,9$	Joreskog and Sorbom (1996)
GFI	0,87	$\geq 0,96$	Ryu et al. (2003)
RMSEA	0,068	$< 0,08$	Browne and Cudeck (1993)
CFI	0,955	$> 0,9$	Joreskog and Sorbom (1996)

Source: AMOS 21 output

The absolute fit measures used in the evaluation of the CFA model are: the ratio between χ^2 and the degree of freedom (NC= 2,05), goodness-of-fit index (GFI= 0,96), in addition of the root mean square error of approximation (RMSEA= 0,068) and NFI= 0,92/ CFI= 0,955. The CFA indicated that the measurement model fitted the data to a satisfactory level, as all fit indices are above commonly accepted levels (Bagozzi and Yi, 1988; Hu and Bentler, 1999; Browne and Cudeck, 1993).

Table.4. Correlation matrix, reliability, square root of AVE

	Constructs	CR	AVE	1	2	3
1	Market knowledge donating	0,86	0,67	0,82		
2	Market knowledge collecting	0,72	0,46	0,52	0,68	
3	Marketing innovation strategy	0,75	0,44	0,67	0,55	0,66

Note: CR: composite reliability; AVE: square root of average variance extracted is on the diagonal of matrix; below the diagonal are inter-construct correlations.

As seen in table 4, the discriminant validity test requirement was satisfied as the square root of AVE of all constructs was upper than the correlation between the constructs, which indicates good discriminate validity (Fornell and Larcker, 1981).

4.2.The structural model

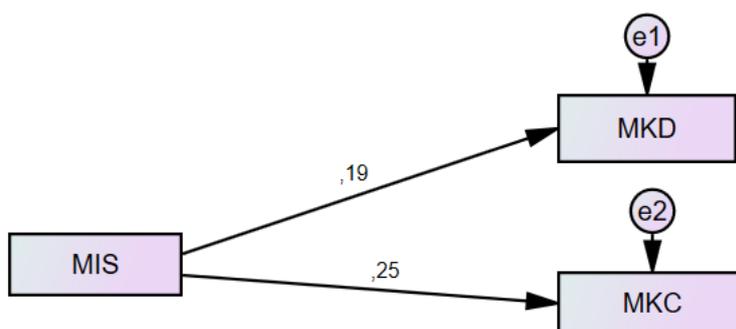
Structural path model results regarding the fitting indices are as follows: ($\chi^2 / df = 2,01$; CFI=NFI= 0,95; GFI= 0,96; RMSEA= 0,04).

Table.5. Overall fit of the structural model

Model fit index	Score	Benchmark value	Source
χ^2/df	2,01	$\chi^2/df < 3$	Bagozzi and Yi (1988)
NFI	0,95	> 0,9	Joreskog andSorbom (1996)
GFI	0,96	$\geq 0,96$	Ryu et al. (2003)
RMSEA	0,04	<0,08	Browne and Cudeck (1993)
CFI	0,95	>0,9	Joreskog andSorbom (1996)

Source: AMOS 21 output

Figure.2. Path Diagram



The overall fitness of the proposed model is acceptable in comparison to the recommended values (Bagozzi and Yi, 1988; Hu and Bentler, 1999; Browne and Cudeck, 1993). So, it is suitable to evaluate the hypothesized paths. Results of structural equation model are shown in table 6.

Table.6. Hypotheses testing results

H	Hypothesized path	Path coefficient	Results
H ₁	MKD ==>MIS	0,247**	Positive supported
H ₂	MKC ==>MIS	0,189**	Positive supported

Note: the abbreviations refer to: MKD: Market Knowledge Donating, MKC: Market knowledge Collecting, MIS: Marketing Innovation strategy; **Significant at the p < 0.05 level.

The table indicates that all hypothesisises were positively accepted.

5. Discussion and conclusion

This study has investigated the influence of market knowledge sharing on marketing innovation strategy. The research was conducted in one of the most popular company in the world and in Algeria none by his sustainable innovations. The research has shown that both market knowledge donating and market knowledge collecting affect the marketing innovation strategy characterized by the product innovation.

Sharing market knowledge internally offers to the company a clear view and leverage on the market needs, technology, even data related to competitors (Narver and Slater, 1990). It allows company to be aware of the external changes and act internally and can thereby aid on developing and implementing marketing innovation strategies such as product innovation.

Product innovation strategy which is a subdimension of marketing innovation strategy is positively affected by both market knowledge donating and collecting. It means that the sales services can provide knowledges on the market which help on developing an innovation strategy that copes with customer's exigencies. Indeed, companies have made the sharing of market knowledge not just valuable but primordial to develop a holistic picture about their activities so that companies can exploit interactions and synergies and take a meaningful strategic direction.

In term of product innovation, gathering knowledge from the market provides a better understanding on customer needs, attitudes, behaviour and choices, also it enables companies to reaper new potential customers. This will result a development of new products destined to these customers.

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