

THE INFLUENCE OF MARKET ORIENTATION ON BRAND EQUITY THROUGH SOCIAL MEDIA COMPETENCE AND CAPABILITY

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ABSTRACT. *This study investigates empirically the influence of market orientation on brand equity through social media competence and capability. This study aims to evaluate social media competence and capability's impact on brand equity with collecting data from the perspective of organizational level in China. Accordingly, we verified the positive relationships among market orientation, social media competence, social media capability, and brand equity. This study found that market orientation was positively related to brand equity through social media competence and social media capability.*

Keywords: Market orientation, Social media competence, Social media capability, Brand equity

1. Introduction. Nowadays, most of the companies are using social media to post content, interact with customers, launch social media campaigns and reply to customer complaints, etc. One of the main aims that companies use social media is to improve their brand equity. Companies such as Starbucks, Samsung Electronics, Haier Electronics utilize social media to improve their brand image. Numerous researches related to social media's influence on brand equity have been done for the past few years. For example, Gensler et al. [1] provided a framework of social media's impact on brand management. Godey et al. [2] proved that social media efforts could positively impact brand equity. However, none of the previous literature have ever tried to explain social media's influence on brand equity from capability perspective.

Jaworski and Kohli [3] defined market orientation as the organization-wide generation, dissemination, and responsiveness to market intelligence. Early studies related to market orientation hypothesized that market orientation could influence performance directly [3,4]. However, Han et al. [5] proposed that there is some missing link between market orientation and organizational performance and they suggested that organizational innovation mediated the relationship between them.

Several previous studies have proved social media could exert positive influence on brand equity. For example, Heath et al. [6] provided a framework for building thought leadership on social media, and they argued that by properly utilizing social media, firms could improve brand awareness. Rapp et al. [7] found out that social media usage could positively contribute to brand performance, and Dijkmans et al. [8] conducted a longitudinal study and proved that social media activities' influence on corporate reputation.

This study proposes a research model based on marketing literature with competence theory and dynamic capability theory. Market orientation, as a resource could positively influence social media competence and capability. Social media capability is a newly developed construct that contains four steps – planning, deploying, monitoring and responding.

We consider that when companies develop high level of social media competence and capability, they would be able to improve brand equity through social media utilization. Based on dynamic capability theory in social media study, we conceptualized social media capability with the process of planning, deploying, monitoring and responding. Also, this study tries to prove that social media competence and capability can exert positive influence on brand equity.

2. Research Model and Hypotheses.

2.1. Research model. Previous literature (e.g., [9]) has considered market orientation as resource for building capabilities. Another important factor in social media utilization is the knowledge about social media using, that is, social media competence. We adopted the construct – social media competence – from Guesalaga [10]. When organizations are using social media, they should be able to adapt to the rapidly changing environment. As a result, higher level of social media capability is crucial in order to improve their brand equity. Social media capability is reflected by the process – planning, deploying, monitoring and responding.

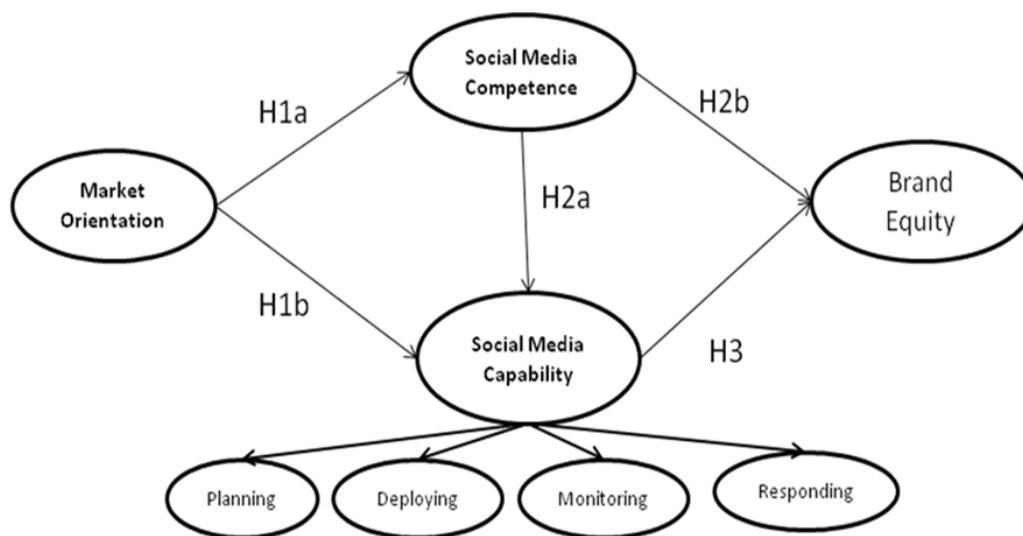


FIGURE 1. Research model

2.2. Research hypothesis.

2.2.1. Market orientation. Market orientation refers to a specific firm-level resource that enables organizations to sense marketplace requirements and develop other capabilities that connect the organization to its external environment [4,11]. Market orientation enables organizations to sense marketplace requirements and develop capabilities [4]. Therefore, market orientation is viewed as a critical antecedent to the development of social media capability [9]. As market-oriented firms have a strong commitment to serve the customers, they are willing to direct the resources necessary to fulfill customers' needs [12]. Thus, we proposed the following hypotheses.

H1a: Market orientation will have a positive influence on social media competence.

H1b: Market orientation will have a positive influence on social media capability.

2.2.2. Social media competence. Social media competence is defined as a firm's knowledge about social media and the expertise in making a productive use of it [10]. The relationship between competence and capability has been examined in several previous studies. Zhang et al. [13] suggested the proposition that value chain competence could have positive influence on value chain capability. Zhang et al. [13] pointed out that internally focused

competence would enable firms to achieve the desired level of flexible capability. Thus, the following hypotheses are suggested.

H2a: Social media competence will have a positive influence on social media capability.

H2b: Social media competence will have a positive influence on brand equity.

2.2.3. *Social media capability.* Previous studies related to dynamic capability, marketing capability as well as IT capability have proved that capability can exert positive influence on performance [14-16]. Rapp et al. [7] found out that social media usage positively contributes to brand performance. Habibi et al. [17] found out that brand community identification could affect brand loyalty. Thus, the following hypothesis is proposed:

H3: Social media capability will have a positive influence on brand equity.

3. Research Design.

3.1. **Operational definition.** Table 1 shows the operational definition of the constructs. We use 5 point-likert scale to measure the items.

TABLE 1. Operational definition and measurement

Construct	Operational Definition	Reference
Market Orientation	A specific firm-level resource that enables organizations to sense marketplace requirements and develop other capabilities that connect the organization to its external environment.	[4,9,11]
Social Media Competence	A firm’s knowledge about social media and the expertise in making a productive use of it.	[10,18]
Social media capability	Planning: The firm’s ability to conceive social media strategies that optimize the match between the firm’s resources and its social media.	[10,19] [20,21]
	Deploying: The processes by which intended social media strategy is transformed into realized resource deployment.	
	Monitoring: The process of finding information on the social web.	
	Responding: Responding to customer, competitor and market changes and crisis on social media.	
Brand Equity	The added value of a brand that forms part of a product of a firm.	[2,13]

3.2. **Sampling design and data collection.** We conducted the survey in China from October, 2016 to January, 2017 with the help of a top ranking survey company. A total number of 107 valid answers were collected. The data was analyzed using Smart PLS 2.0. The data for this study were collected from managers of Chinese companies. The target respondents were supervising manager or director in the companies. Table 2 provides a profile of the firms participated in the study. In firm history, firms in longer than 10 years are more than 50%. In terms of industry sectors, 43.9% of the respondents came from service industry. In firm size, 30.8% of the firms have more than 1,000 employees.

3.3. **Reliability and validity.** From Table 3, three measures of reliability for internal consistency were used: Cronbach’s α , composite reliability and average variance extracted. We can see that most of the factor loadings are above the cutoff value of 0.7. Cronbach’s α values are all higher than 0.7, indicating a good reliability. Moreover, all of the AVE (Average Variance Extracted) values are all above 0.5.

TABLE 2. Sample statistics of responding firms

Characteristics		Number (N = 107)	Percentage
Firm History	Less than 1 year	3	2.8%
	1-5 years	17	15.9%
	5-10 years	29	27.1%
	10-20 years	39	36.4%
	More than 20 years	19	17.8%
Firm Size	Less than 50 employees	9	8.4%
	50-100 employees	9	8.4%
	100-300 employees	18	16.8%
	300-500 employees	21	19.6%
	500-1,000 employees	17	15.9%
	More than 1,000 employees	33	30.8%
Industry	2 nd Industry	39	36.4%
	Service Industry	47	43.9%
	Transportation	5	4.7%
	Others	16	15.0%
Social Media HR	1 person	14	13.1%
	2-3 people	25	23.4%
	4-5 people	26	24.3%
	6-9 people	26	24.3%
	More than 10 people	16	15.0%

3.4. Hypothesis testing. Table 4 provides the results of hypotheses testing in the study. Market orientation is proved to have significant positive influence on both social media competence (0.800, $t = 13.337$) and social media capability (0.235, $t = 3.457$). Social media competence positively impacts social media capability (0.707, $t = 11.526$) and brand equity (0.343, $t = 2.363$). Social media capability's influence on brand equity is quite significant (0.508, $t = 3.441$).

3.5. Implications.

3.5.1. Academic implication. First, even though social media has drawn the attention of scholars for so many years, there are few empirical studies conducted to explore social media capability. We consider social media capability is reflected by the process of planning, deploying, monitoring and responding based on dynamic capability theory and architectural marketing capability theory. Second, we provided empirical evidence that social media capability could exert significant positive influence on brand equity. Third, this thesis tested and proved that market orientation as a resource could positively influence social media competence.

3.5.2. Practical implications. First, organizations that use social media should develop social media capability to improve brand equity. Firms should carefully scan the environment and define proper goals and strategies. Second, selecting appropriate platform-specific tactics and creating content suitable for the target audience are also important. Third, firms should keep an eye on what people are talking about your organization/competitors and why they are talking is also could not be ignored. Responding to customer complaints could surely improve brand image.

TABLE 3. Factor loading, reliability and AVE

Construct	Item	Factor Loading	Cronbach's α	Composite Reliability	AVE
Market Orientation	MO2	0.881	0.905	0.933	0.777
	MO3	0.903			
	MO4	0.867			
	MO5	0.875			
Social Media Competence	SMC1	0.880	0.839	0.903	0.756
	SMC2	0.856			
	SMC4	0.873			
Social Media Planning	SMP1	0.813	0.906	0.927	0.681
	SMP2	0.806			
	SMP3	0.858			
	SMP4	0.788			
	SMP5	0.834			
	SMP6	0.848			
Social Media Deploying	SMD1	0.858	0.856	0.912	0.776
	SMD3	0.900			
	SMD4	0.885			
Social Media Monitoring	SMM1	0.868	0.911	0.933	0.737
	SMM2	0.855			
	SMM4	0.867			
	SMM6	0.858			
	SMM7	0.843			
Social Media Responding	SMR1	0.867	0.894	0.926	0.758
	SMR2	0.848			
	SMR3	0.887			
	SMR4	0.881			
Brand Equity	BRE1	0.830	0.898	0.924	0.710
	BRE2	0.834			
	BRE3	0.819			
	BRE4	0.862			
	BRE5	0.866			

TABLE 4. Hypothesis testing results

Hypothesis			Path Coefficient	P-value	T-value	Result	
H1a	Market Orientation	→	Social Media Competence	0.800	***	13.337	Accepted
H1b	Market Orientation	→	Social Media Capability	0.235	***	3.457	Accepted
H2a	Social Media Competence	→	Social Media Capability	0.707	***	11.526	Accepted
H2b	Social Media Competence	→	Brand Equity	0.343	*	2.363	Accepted
H3	Social Media Capability	→	Brand Equity	0.508	***	3.441	Accepted

4. **Conclusion.** Previous researches about social media's influence on brand equity (e.g., [1,2]) are not enough to explain the real phenomenon of how firms utilize social media to improve brand equity. By considering dynamic capability theory [14,16], marketing capability theory [19,20] as well as social media related studies, we conceptualized social media capability as the process of planning, deploying, monitoring and responding. This study proved that social media competence and capability could exert significant positive influence on brand equity. Moreover, market orientation was also proved to have positive impact on both social media competence and social media capability.

This study has some limitations as follows. First, in terms of the antecedent in the research model as influencing factors of social media, we only choose market orientation. There must be other factors that are also important in the context of social media utilization; thus, one antecedent is relatively limited. For future research, we suggest that other strategic orientations such as relationship orientation as one of the most substantial functions of social media can be a research to build social relationship.

Second, as there is no previous study that has ever investigated how to measure social media performance, we use brand equity to measure social media performance with broad review of prior social media literature. However, we are still not sure whether it is proper to measure social media performance. Future research could consider to use some key performance indicators (KPIs) such as average number of likes/followers/comments. However, how to combine these KPIs with empirical study and how to generalize the KPIs across different social media platforms also need to clarify the research objectives under deep consideration.

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