Specialized Marketing Capabilities as a Partial Mediator to Architectural Marketing Capabilities and Small Business Performance

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Abstract
There is very little empirical research that discusses the role of Architectural marketing capabilities (AMC), Specialized marketing capabilities (SMC) in improving the business performance (BP) of SMEs retail fashion in Indonesia. Therefore, this study aims to test the empirical model of the relationship between these three constructs. 361 survey data for SMEs retail fashion managers were taken as a sample from 10 regions in Indonesia. The literature study that produced three hypotheses was then tested using a structural equation model (SEM) with Amos 22.0. The results show that there is a direct and indirect influence between AMC and SMC and BP. In this context, SMC has a very important role as a partial mediator in the relationship between AMC and BP. Empirical studies are expected to complement and broaden views on marketing capabilities, particularly those related to SMEs.
Keywords: Architectural Marketing, Specialized Marketing, Business Performance, Dynamic Marketing Retail Fashion.

Introduction
Fashion is an industry characterized by low predictions, high impulsive buying, shorter life cycles, and high volatility in market demand (Bhardwaj and Fairhurst, 2010). These characteristics require fashion retail SMEs to, (1) take a 'speed to market' approach to take advantage of fashions that do not exist in competing stores (Bhardwaj and Fairhurst, 2010) and (2) build and use their capabilities that support marketing strategies that lead to growth and long-term survival (Moore and Fairhurst, 2003), (3) continues to improve market position by re-evaluating their products and service provision and investing in new innovative in-store marketing strategies (Donnell *et al.*, 2012).
Research shows that the marketing capabilities of SMEs play an important role in increasing competitive advantage and business performance (Pérez-Cabañero *et al.*, 2012). This is important because it is generally believed that SMEs have the characteristics of resource ownership, organizational structure, the management style adopted, and company

management is relatively simple and not rigid. However, the management culture of SMEs is generally more creative and innovative than large organizations (Resnick *et al.*, 2016). Facts show that many owners practice the basics of marketing in terms of customer focus, meeting customer needs and identifying gaps in the market (Resnick *et al.*, 2016).

SME marketing studies that link resource capabilities to business performance are related to the types of strategies implemented to improve business performance (Trez *et al.*, 2012). A marketing capability-based view that places a positional advantage based on capabilities (Morgan, 2012) becomes an important reference in explaining the types of strategic marketing capabilities in relation to the performance of SMEs. The capability in question is a collection of complex skills and accumulation of knowledge acquired through organizational processes that allow companies to coordinate activities and utilize their assets (Day, 1994; Trez *et al.*, 2012). The main task of SMEs in this context is to identify capabilities that will provide a sustainable competitive advantage and superior performance. This will be achieved if SMEs have capabilities that are difficult to imitate, valuable, rare, hard to replace, and must support the organization's business strategy (Barney, 1991; Day, 1994).

The study of marketing capability is also concerned with structural characteristics associated with superior performance (Day, 1994). Previous research conducted by Vorhies and Morgan (2003) shows that there is a match between the dimensions of marketing capability and organizational structure in implementing strategies that improve business performance. Two types of abilities; Specialized marketing expertise (SME) and architectural marketing capabilities (AMC) and the integration between them is an important part of improving SME business performance. SMC refers to the performance of activities related to the marketing mix, sales, and market research activities. Meanwhile AMC deals with planning and managing special abilities (Vorhies and Morgan, 2003). Discussing the relationship between AMC and SMC will deepen understanding of the effects of spreading activities across areas and developing strategic capabilities.

Several authors have described dynamic marketing capabilities associated with business performance. However, there is a lack of conceptual and empirical data explaining how these concepts can be operationalized (Resnick *et al.*, 2016). In addition, a large number of studies have consistently shown that SMC portfolios based on the marketing mix (such as pricing, product development, channel management, and marketing communications) and sales activities are important sources of competitive advantage (Morgan *et al.*, 2009; Mu *et al.*, 2018). However, the effectiveness of this SMC is still questionable given the ability of such companies to be static and inadequate to adapt to an increasingly complex and rapidly changing market environment (Day, 2011; Mu, 2015). Experts from this research group argue that AMC as an outside-in capability determines long-term advantages and competitiveness compared to SMC as an inside-out capability. This is because the ability of AMC is better than SMC in helping companies adapt to an unstable market environment (Mu, 2015; Mu *et al.*, 2018).

This study makes two contributions to the marketing literature. *First*, it provides an explanation in the SME marketing and management literature about the new conceptualization and operational effectiveness of marketing capabilities centered on two aspects; AMC and SMC, which is the key to improving marketing performance. The SMC includes tactical marketing programs that are linked to the processes generally required to implement a marketing strategy (Bonoma, 1985; Vorhies and Morgan, 2003), whereas AMC includes information-related processes involved in learning about markets and the associated planning processes involved in the selection of marketing strategy objectives and strategy

formulation. to achieve it (Morgan et al., 2003). *Second*, by using primary survey data from a large sample of fashion retail SMEs, researchers empirically link marketing capabilities to retail SME performance. In marketing capabilities, priority can be given to AMC or SMC. There is currently only a handful of research into which allocations are most appropriate. It is important for managers to know the effectiveness of the "route to impact" (Mu *et al.*, 2018) and their interactions which are the main focus of this study. Thus, this study provides strong evidence that marketing capability is an important component of the competitiveness of fashion retail SMEs. It offers new theoretical insights into how and why marketing capabilities are an important source of competitive advantage and business performance for fashion retail SMEs. Thus, we begin by describing the theoretical framework for this study, describing in detail the conceptualization of marketing capabilities and relating it to business performance, developing research hypotheses, explaining the research methods used, discussing findings and implications, considering the limitations of our research, and identifying important areas for research. in the future.

Therefore, this study aims to contribute to understanding the elements of fashion retail SME marketing capabilities from a strategic perspective. Furthermore, this study intends to answer the question how do AMC and SMC form superior business performance? By answering these questions, this study provides a more nuanced view of business performance by looking at the relationship between the two types of marketing capabilities (AMC and SMC), and their impact on business performance.

Theoretical Background
Marketing Capabilities
In the RBV perspective, the company consists of a collection of resources and capabilities, which leads to a competitive advantage to differential performance in the company (Barney, 1991; Peteraf, 1993). The intended capability is a pattern of core routines and organizational skills that can be repeated in carrying out various activities effectively. In this context, marketing capability is defined as a pattern of organizational action that can be repeated to effectively implement business-related marketing needs (Chang *et al.*, 2010). In a broader context, marketing capabilities are special, cross-functional, architectural, and dynamic processes in which marketing resources are obtained, combined, and transformed into value offerings for target markets (Morgan, 2012). Marketing capability is also considered an integrative process in the use of tangible and intangible resources to understand the specific needs of complex consumers, achieve product differentiation relative to the competition, and achieve superior brand equity (Nath *et al.*, 2010) and complex processes in combining market knowledge and organizational resources for generating value- added (Santos-Vijande *et al.*, 2012; Pscheidt-Gieseler *et al.*, 2018). Integration of relevant knowledge within a company will create a marketing capability hierarchy which shows that some capabilities focus on tactical activities, while others focus on organizing resources for development (Vorhies and Morgan, 2003; Vorhies *et al.*, 2009). First, it relates to specific marketing mix-based work routines and sales, while the second relates to marketing strategy formulation and execution work routines. In other words, the company's marketing capabilities demonstrate the ability not only to achieve marketing mix-based activities such as pricing, advertising, and channel management efficiently but also to develop and implement marketing strategies appropriately (Vorhies and Morgan, 2005).

Architectural Marketing Capability (SMC)

The marketing literature describes AMC as the process by which companies learn about markets and use these insights to make appropriate marketing strategy decisions based on knowledge and other resources available for use in the target market; disseminating the resources that have been designed, and transforming them into real value offers in the target market (Morgan, 2012). Thus, AMC is a process by which companies learn about markets and use these insights to make appropriate marketing strategy decisions (Morgan *et al.*, 2012). AMC concerns routines used to collect, process, and interpret market information; distribute relevant market information to decision-makers; and developing marketing strategies (Vorhies and Morgan, 2005). Researchers define AMC as a comprehensive marketing plan and implementation based on environmental analysis and competitor information to reach the target market. Information about the market environment, specifically about customers and competitors, is a source of stimulation for company knowledge and drivers of market-oriented strategies (Day, 1994). This implies that companies that correctly identify, collect, and use information about the condition of customers and competitors are considered to know the market (Luca and Atuahene-Gima, 2007). AMC supports a differentiation strategy by gathering information from the market environment and developing marketing plans to act on information collected from the market (Kohli and Jaworski, 1990). AMC provides the planning and coordination mechanisms needed to ensure that marketing program level activities, such as new product development, pricing, distribution channel selection, marketing communication management, and sales are effectively used to implement the requirements of the company's strategy (Vorhies *et al.*, 2009).

Marketing Capability (SMC)

SMC is defined as the process associated with blocking and handling marketing programs needed to implement marketing strategies (Vorhies *et al.*, 2009). Thus, SMC is a special functional-based process used in organizations to combine and convert available resources into valuable products or services to be offered to customers in the target market (Morgan, 2012). This capability is involved or coordinates with other functions and utilizes input from outside the marketing area. SMC concerns marketing processes related to tactical programs that are usually required to implement marketing strategies that convert available resources into valuable outputs (Vorhies and Morgan, 2003). SMC is built around the integration of specialized knowledge held by company marketing employees, such as product development, pricing, management of marketing communications, distribution and personal sales (Vorhies and Morgan, 2003; Morgan *et al.*, 2009; Morgan, 2012; Morgan *et al.*, 2012). Researchers define SMC as a specific functional-based capability used in organizations to combine and convert resources for the activities of implementing tactical marketing programs and classic marketing and sales mix strategies. SMC is very important in companies that emphasize elements of differentiation-based product market strategy because it communicates benefits to current and potential customers highly dependent on this marketing capability (Slater and Narver, 1994).

Business Performance

For SMEs, business performance measurement is important to track the achievement of personal goals and company goals; measuring certain financial and productivity indicators; and analyze past performance and make future adjustments as needed (Lee *et al.*, 2015). Business performance can be measured by using financial measures such as net income,

revenue, and net profit growth (Jasmine and Sameer, 2015); while non-financial performance such as customer satisfaction, employee satisfaction, and customer loyalty (Lee *et al.*, 2015). Some researchers measured the performance of SMEs by looking at sales growth, profitability growth, and the level of financial success compared to competitors (Kajalo and Lindblom, 2015). Meanwhile, Hendar et al. (2017) measured business performance with marketing performance through indicators of sales growth, increasing sales volume, achieving sales targets, and increasing the number of customers over the past 3 years. The researchers of this study combine financial and non-financial business performance and define business performance as a combination of the results of business activities perceived by the owner or manager of the company regarding the achievement of sales growth, growth in customer numbers, expansion of sales territory, profit growth and venture capital growth.

Research Model and Hypotheses
Research Model
The empirical model is determined according to Figure 1. The AMC construct was selected as an antecedent of SMC and BP. Thus the SMC is expected to become an important mediator in the relationship between AMC and BP. The model is built by integrating various theoretical lenses while identifying major constructs and establishing relationships between them. The constructs of AMC, SMC and BP were developed based on dynamic capabilities theory. All constructs used are multidimensional. The quality of AMC and SMC was evaluated with 6 question items, while BP was evaluated with 5 questions. The hypothesis is made based on a comprehensive study on the basis of the theoretical foundation and the results of empirical research provided by previous studies (Chang *et al.*, 2010; Morgan, 2012; Trez *et al.*, 2012; Martin and Javalgi, 2016; Takata, 2016; Kaur *et al.*, 2019). The theoretical study to construct the proposed hypothesis has been studied extensively in the marketing literature, now it is proposed to examine the context of the SME Retail Fashion literature. Further exploration of this relationship is very limited. This study will contribute to the development of existing knowledge, especially related to dynamic marketing and strategic marketing management.
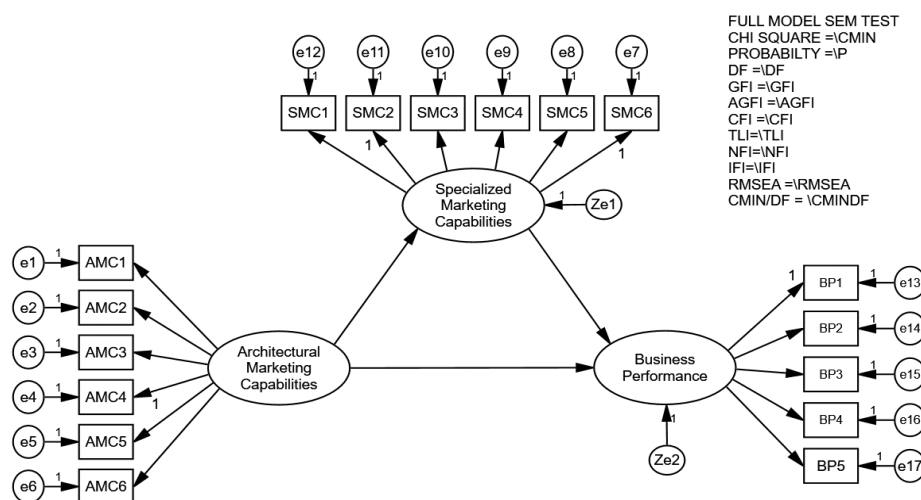

Figure 1: Empirical Model

Hypotheses Development

The RBV literature has recognized that marketing capability is the key to success in increasing competitive advantage and business performance (Srivastava *et al.*, 2001; Nath *et al.*, 2010; Kozlenkova *et al.*, 2013). Therefore, researchers of this study believe that companies with superior marketing capabilities enable them to enjoy or maintain competitive advantage and superior performance. Earlier empirical studies have proven the extent to which marketing capabilities serve as drivers of business performance (Chang *et al.*, 2010; Martin and Javalgi, 2016; Takata, 2016; Kaur *et al.*, 2019). Kaur et al (2019) show that marketing capabilities supported by market orientation not only have a positive impact on competitive advantage but also business performance. Nath et al. (2010) show that marketing capability has the strongest impact on performance compared to operational capability and service diversification. The positive relation between marketing capability and business performance is also found in several empirical studies of SMEs (Kajalo and Lindblom, 2015; Sulistyo and Siyamtinah, 2016; Boso *et al.*, 2017)

If marketing capabilities are split into AMC and SMC as stated by Morgan et al. (2009), then both also play a role in improving business performance in various ways. Previous empirical studies have shown the extent to which AMC functions as a driver of company business performance. For example, Dalvi and Seifi (2014) showed that AMC as a collection of marketing planning, market information acquisition, market information interpretation, and market information dissemination capabilities, which have a direct influence on business performance. Morgan et al. (2003) found a strong relationship between the AMC dimensions from the formulation and implementation of marketing strategies on the adaptive performance of export businesses in the UK and China. Slotegraaf and Dickson (2004) also found two main components of AMC; marketing planning capabilities and marketing implementation capabilities, as important variables determining business performance. Vorhies and Morgan (2005) also show that marketing planning capabilities and marketing implementation capabilities have a positive impact on business performance. Therefore, the researchers of this study believe that companies with superior AMC exhibit characteristics that enable them to enjoy superior performance. Accordingly, H1 is proposed as:

H1: There is a positive relationship between AMC and Business Performance

AMC will lead to SMC (Trez *et al.*, 2012). There are two reasons why this relationship is justified. *First*, businesses that have superior processes for learning about target markets and strong planning skills tend to make more appropriate marketing strategy decisions and are seen by employees as good decisions to be implemented in marketing programs such as new product development, pricing, channel selection, managing marketing, and sales communications. *Second*, a strong AMC will ensure that marketing strategy decisions are aligned with market requirements, because it provides the planning and coordination mechanisms needed to ensure that marketing program level activities, such as those represented in the SMC, are effectively used to implement the requirements of the company's strategy (Vorhies *et al.*, 2009; Trez *et al.*, 2012). Good market information management will produce good decision quality and marketing strategy implementation. This will ultimately facilitate companies in managing prices, developing new products, marketing communications, distribution channels, and sales. Hence, it allows a special relationship between AMC and SMC. Therefore, H2 is proposed as:

H2: There is a positive relationship between AMC and SMC

The positive effect of SMC on business performance has been well identified in the marketing literature and empirical studies of previous researchers. For example, some

components of SMC such as product development, marketing communication, channel, and pricing capability have become important drivers of business performance (Takata, 2016; Kamboj and Rahman, 2017). In export companies, Gregory et al (2017) show the efficiency in distribution and promotion determines export performance. Likewise, (Qun and Carlos, 2015) show the price, distribution, marketing communication, and distribution as important variables that determine the financial and non-financial performance of export companies. Therefore, H3 is proposed as:

H3: There is a positive relationship between SMC and Business Performance

AMC as an inside-out capability reflects the fundamental ability of organizational values in creating an increasingly open market environment (Mu, 2015). This concerns the company's ability to obtain and manage market information that is relevant to the company. While SMC as an inside-out capability refers to a series of capabilities based on marketing mix and interrelated organizational routines such as product management, pricing, sales, and marketing communications that companies use to implement marketing strategies (Vorhies and Morgan, 2005; Day, 2011). Researchers of this study believe that AMC provides the knowledge structure needed to adapt its functional marketing capabilities to better serve changing markets. AMC as an outside-in capability enables companies to recognize SMC gaps as inside-out capabilities (Mu, 2015; Mu *et al.*, 2018). This helps companies align internal processes such as pricing, marketing planning, and new product development with market requirements (Day, 2011, 2013; Mu, 2015). Therefore, it is not AMC that influences performance, but insights from SMC that enable companies to optimally improve performance (Mu *et al.*, 2018). Consistent with a series of previous studies on outside-in, independent, and business performance capabilities, it also shows that SMC mediates a positive relationship between AMC and business performance. Researchers of this study believe that AMC as an outside-in capability acts as a precursor to build SMC as an inside-out capability through efforts to collect, process, and interpret market information; distribute relevant market information to decision-makers; and develop marketing strategies.

H4. SMC mediates a positive relationship between AMC and business performance.

Data Collection

The data were obtained through distributing questionnaires directly to 558 fashion retail SME owners in 10 regions in Indonesia, using snowball sampling technique for 2 months. Snowball sampling is a sampling technique by accessing informants through contact information provided by other informants (Noy, 2008). This process resulted in 432 responses from fashion retail SME owners or around 77.42% of the total distributed questionnaires. Final evaluation of the questionnaire received after checking the damaged questionnaire and outlier data obtained 361 questionnaires (64.7%) which are suitable for data analysis. The selected respondents consisted of 66.76% women and 33.24% men aged between 25 years and 50 years. Most of them are owners and managers of fashion retail SMEs who are married and have worked for more than 3 years. Most of their education levels (64.82%) graduated from high school or before, 13.02% Diploma, and 22.16% Bachelor degree.

Measurement

The AMC and SMC instruments were adopted from Morgan (2012); Trez et al (2012) adapted for a survey of fashion retail SMEs in Indonesia. The result is 6 items are used to measure AMC and SMC. BP is adapted from the views of Jogaratnam (2017); Hendar et al (2017) and obtained 5 instruments for this survey. This study uses self-reported subjective

interpretations of the AMC, SMC and BP constructs. Previous studies provide strong support for the adoption of subjective measures of AMC, SMC and BP (Vorhies *et al.*, 2009; Morgan *et al.*, 2012; Trez *et al.*, 2012; Pscheidt-Gieseler *et al.*, 2018). A 10-point scale was used to obtain a managerial rating of the three constructs, one indicating the "strongly disagree" scale and 10 indicating the "strongly agree" scale for the proposed statement (Hair *et al.*, 2010). Respondents were then asked to indicate their perceptions of AMC, SMC and BP over the past 3 years (see Table 1).

Assessment of Normality

The skewness value is checked to see whether the data meets the normality assumption (Table 1). The results showed that all indicator skewness values ranged from -0.232 and 0.125, thus, the assumption of normality was reasonable based on the recommendation that the two values do not exceed the minimum value of -2 to a maximum of 2 (Joseph F. Hair *et al.*, 2010) (Table 1).

Data Analysis and Results
Factor Analysis

Data analysis uses the equation modeling structure (SEM) with AMOS version 23.0. The considerations are: (1) SEM is a statistical procedure to test the measurement hypothesis, functional, and predictive approach to reality (Bagozzi and Yi, 2011), (2) has the ability to assess latent variables (not observable) at the observation level (measurement model) and test the hypothesized relationship between latent variables at the theoretical level (structural models) (Hair et al., 2012; Nunkoo et al., 2013), (3) SEM has become increasingly popular in social and behavioral sciences and is considered one of the most widely used statistical techniques for testing complex models involving several dependent and independent variables (Hair et al., 2012; Nunkoo et al., 2013).

The initial measurement model produced six items each for AMC and SMC, as well as five items for BP (Table 1). The selected items are reviewed for each theoretical basis and are considered to adequately realize the theoretical constructs that represent the model. Reliability is assessed based on Cronbach's alpha and composite reliability (Fornell and Larcker, 1981). All alpha coefficients exceed the 0.70 threshold suggested by Nunnally (1978) and composite reliability that exceeds 0.6 so that it meets the level of acceptance for the reliability of each construct (Bagozzi and Yi, 2011). The measurement model is then examined and has an acceptable goodness of fit (Hair *et al.*, 2010) with a chi square which is not significant at α 0.05; GFI, AGFI, NFI, NFI, TLI, and CFI above 0.90; RMSEA not more than 0.05; and CMIN / DF that do not exceed 2. The results show a goodness of fit model that represents good data because chi square = 138,625 and prob = 0.084 are not significant at α 0.05; GFI = 0.957, AGFI = 0.944, NFI = 0.951, TLI = 0.991, CFI = 0.992, all of them are above 0.90; RMSEA = 0.023 is still less than 0.05; and CMIN / DF = 1,185 which are still below 2 (Table 1 and Figure 1).

Table 1: Items, fit indices, Cronbach's Alpha, composite reliability (CR), average variance extracted (AVE); standardized loadings factor (λ), and assessment of normality

Construct and Instruments	λ	Skew
Specialized Marketing Capabilities (Cronbach's Alpha = 0.866, CR = 0.866 / AVE = 0.877)		
Ability to manage new product development (SMC1)	0.732***	-0.165
Ability to manage prices (SMC2)	0.739***	-0.171
Ability to manage distribution channels (SMC3)	0.710***	-0.005
Ability to manage marketing communications (SMC4)	0.708***	0.125
Ability to manage sales (SMC5)	0.724***	-0.083
Ability to manage market research (SMC6)	0.716***	-0.113
Architectural Marketing Capabilities (Cronbach's Alpha= 0.868, CR = 0.868 / AVE = 0.881)		
The skill of planning a marketing program	0.683***	-0.310
Accuracy in the marketing planning process	0.721***	-0.273
Creativity in developing marketing strategies	0.722***	-0.267
Effectiveness of marketing resource allocation	0.775***	-0.245
Ability to implement marketing strategies	0.709***	0.247
Speed in implementing marketing strategies	0.728***	-0.322
Business Performance (Cronbach's Alpha = 0.878; CR = 0.879; AVE = 0.901)		
Sales growth	0.744***	-0.257
Customer growth	0.797***	-0.156
Sales area expansion	0.757***	-0.187
Increased profits	0.776***	-0.222
Business capital growth	0.775***	-0.221

*** Significant at p < 0.001 (two - sided).

Fit statistics: chi square = 138.625; prob = 0.084; DF = 117; GFI = 0.957; AGFI = 0.944; NFI = 0.951; TLI = 0.991; CFI = 0.992; RMSEA = 0.023; CMIN/DF = 1.185.
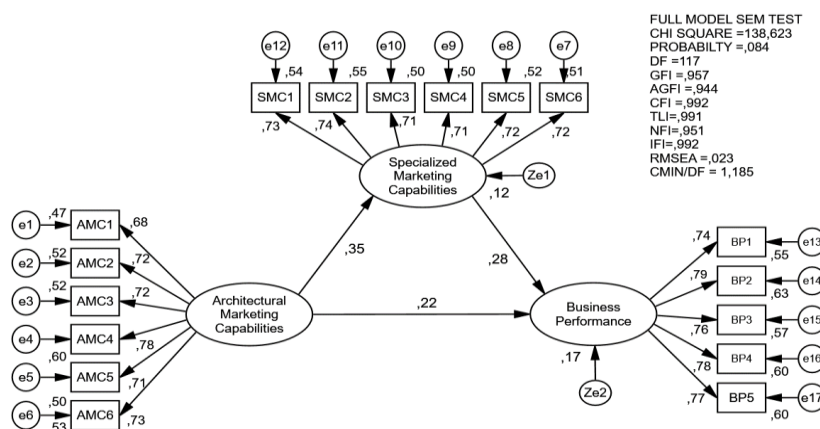

Figure 1: Empirical model

Validity and Reliability

Convergent validity is determined by examining Average Variance Extracted (AVE) for each construct of its correlation with other constructs. All standard loading factors for each item are also checked. All items were found to be significantly ($p < 0.001$) at a factor corresponding to a loading factor ranging from 0.683 to 0.797. AVE exceeding 0.50 indicates that the majority of variants are explained by constructs and not by measurement errors. This refers the recommended threshold by Bagozzi and Yi (2011) and is an indication of good construct convergent validity (Table 2). Besides, the square root of AVE for each construct is greater than the correlation between constructs, thereby confirming the discriminant validity between constructs (Fornell and Larcker, 1981; Hair *et al.*, 2010). In short, all tests used have supported the use of the scale in this study

Table 2. Construct reliabilities, correlations and AVE

N = 361		1	2	3
1.	AMC	*0.868[a]*		
2.	SMC	0.374[b]	*0.866*	
3.	BP	0.316	0.358	*0.879*
AVE		0.881	0.877	0.901

[a]Factor reliabilities are on the diagonal (italic bold).
[b]Correlation Coefficient of Exogenous Construct **$p < 0.01$; * $p < 0.05$.

Hypothesis Test

Two types of regression analysis were used to estimate the impact of AMC on SMC and BP. The first regression explains the effect of AMC and SMC on BP which is used to test for H1 and H3. The second regression illustrates the relationship between AMC and SMC to test for H2. The test results show that all hypotheses are accepted (Table 3).

The mediation test of SMC in the relationship between the dimensions of AMC and BP as suggested by Baron and Kenny (1986): *first*, the independent variable must influence the mediator; *second*, the independent variable must be shown to influence the dependent variable; and *third*, the mediator must influence the dependent variable. It means AMC must influence SMC and SMC must influence BP. The Sobel test is then used to calculate the estimated indirect effect of the independent variable on the dependent variable through a mediator (Sobel, 1982). Mediation tests help identify the existence of a significant intervention mechanism of SMC in the relationship between three AMCs with the dependent variable of BP. Mediation tests can describe the effects possessed by a set of independent and mediator variables on the dependent variable into direct and indirect effects (Jogaratnam, 2017). Mediation analysis involves partial mediation and full mediation. Partial mediation occurs when there is a direct relationship between the independent variable and the dependent variable, in addition to an indirect relationship through mediating variables (MacKinnon *et al.*, 2007). Full mediation occurs when there is no direct relationship between the independent variable and the dependent variable, while the indirect relationship through the mediating variable is significant (Rucker *et al.*, 2011; Jogaratnam, 2017).

The mediation test procedure proposed by Sobel (1982) was adopted to examine the mediating effect of SMC (Table 3). Multiple regression analysis was carried out to assess each condition concerning the proposed mediation model. The p-value is determined as a measure of the significance of the relationship between the two variables. The p-value less than 0.05 indicates a significant relationship between the two variables. Then two regression models

are set; *first*, SMC was found to be significantly affected by AMC. *Second*, BP is explained by SMC.

Concerning the H4 test, the SMC acts as a partial mediation in the relationship between AMC and BP. The direct effect of AMC on SMC is explained by Unstd β 0.284, S.E 0.050 and c.r 5.718 so that it is significant at α 0.01. The direct effect of SMC on BP is explained by Unstd β 0.321, S.E 0.072 and c.r 4.478 so that it is significant at α 0.01. The indirect effect of AMC on BP through SMC is explained by the Unstd coefficient β 0.091 (0.284 x 0.321). The Sobel Test results show the value of c.r 3.507, S.E 0.026 and p-value 0.0005 so that it is significant at α 0.01. The total effect of AMC on BP through SMC is 0.282 which is greater than the direct effect of 0.218, this indicates that SMC has a very important role as a partial mediation in the relationship between AMC and BP and is an important alternative in increasing BP. Therefore, this study accepts H4.

Table 3: Parameter estimate for the path direct and indirect effects

Hypotheses	Regression	Beta	B	SE	CR	p-value	Results
H1	AMC → BP	0.218	0.203	0.058	3.475	0.000	Accepted
H2	AMC → SMC	0.347	0.284	0.050	5.718	0.000	Accepted
H3	SMC → BP	0.282	0.321	0.072	4.468	0.000	Accepted
H4	AMC → SMC → BP	0.098	0.091	0.026	3.507	0.000	Accepted

Note : AMC = Architectural Marketing Capabilities, SMC = Specialized Marketing Capabilities, BP = Business Performance

Discussion and Theoretical Contribution

This study focuses on the idea that implementing marketing capabilities in improving business performance in SMEs is a process. Based on the arguments that support the adopted marketing capabilities, this study hypothesizes that the AMC applied to fashion retail SMEs will be a valuable source of information in increasing SMEs and will further lead to an increase in BP. Depending on the structural characteristics, some SMEs have AMC leading to BP through SMC, whereas in other SMEs, AMC affects BP directly. Understanding how these elements are linked together in the ceteris varibus assumption can help explain some of the yield combinations reported in the current marketing capabilities literature.

Theoretically, this research contributes to two things. *First*, through the separation of marketing capabilities into AMC and SMC, this study emphasizes the importance of investigating the interaction between AMC and SMC in BP. The complexity of this mechanism is worth examining because much of the existing research focuses on marketing capabilities as the main theory. The marketing capability dimensions separated into AMC and SMC can provide different or even contradictory power information on the business performance effects found when using the combined marketing capability construct. Conditional process modeling shows that SMC acts as a partial mediator in the relationship between AMC and BP. The approach used by this study provides a way to uncover possible hidden relationships and a new way of reviewing insignificant results.

Second, this research not only shows that AMC is an important resource for competitive advantage, but also explains the mechanism that AMC influences business performance of SMEs. Specifically, this research showed that AMC allows companies to build superior SMC in accordance with changing market needs. The ability to change functional marketing capabilities and move existing resources in accordance with changing market conditions helps provide superior customer value and then leads to superior business

performance as well (Mu *et al.*, 2018). The results of this study show that ability of marketing to create and implement marketing programs such as new product development, pricing, managing marketing communications, distribution, sales and market research is effective when guided by marketing capabilities in designing and implementing marketing strategies that are aligned with market needs.

Third, this research contributes to the development of strategic marketing knowledge and managerial practices through examining the direct and indirect effects of AMC on business performance that is transformed through SMC. In general, the findings of this study showed the significant main effects of AMC and SMC on performance simultaneously supporting the theoretical proposition that these two capabilities are important contributors to business performance of SMEs. Importantly, this study extends previous research focusing on large companies that test marketing capabilities on business performance (Vorhies and Morgan, 2005; Cacciolatti and Lee, 2016; Takata, 2016; Kaur *et al.*, 2019) and SMEs companies (Sok *et al.*, 2013; Sulistyo and Siyamtinah, 2016) by examining the marketing capabilities dimensions, which are AMC and SMC in an integrated model that specifically focuses on retail fashion SMEs.

Fourth, SMC was found as partial mediating in the relationship between AMC and BP. For SMEs, AMC is the process of learning about markets and using these learning outcomes to make marketing strategy decisions and their proper implementation for use in target markets (Morgan, 2012). This learning ability not only makes SMEs easy to design marketing programs such as pricing, developing new products, managing marketing communications, sales, and distribution (Trez *et al.*, 2012); but also makes SMEs easy to improve business performance (Sok *et al.*, 2013). In the view of dynamic marketing, positional superiority and business performance results from organizational capabilities to increase company resources. This study builds on this perspective and finds that AMC can be considered a strategic resource that can be used to improve SMC in retail fashion. This is very possible because retail fashion is a very dynamic industry that is related to the elements of style and tends to last in the short term (Christopher *et al.*, 2004). Popular culture has a major influence on the formation of fashion trends, so companies will be successful if they can design and implement strategic marketing to respond to rapid changes in fashion trends and translate them into products sold in stores in the shortest possible time (Bruce *et al.*, 2006). Therefore, AMC is an important part of increasing SMC and hence, it has a positive impact on BP.

Furthermore, the results of this study also showed that SMC and BP can be facilitated by maintaining the characteristics associated with AMC. This capability can be built by increasing the skills and accuracy of planning marketing programs, encouraging creativity in developing marketing strategies, increasing the effectiveness of marketing resources allocation, increasing the ability to implement marketing strategies and implementing marketing strategies quickly. To improve business performance, besides AMC which must be improved, SMC also needs to get serious attention from SME actors. They must have better abilities in managing new product development, pricing, distribution channels, marketing communications, sales and market research.

Managerial Implications

The findings show that to build a strong SMC, retail fashion SMEs must proactively develop an effective AMC through serious activities in gathering market information on an ongoing basis, discussing the information with various relevant functions and using that information to develop strategic marketing planning and implementation in accordance with

market changes. Market knowledge gained from these activities can be used to plan marketing strategies and their implementation, as well as reconstructing resources and carrying out cross-functional processes in product development and various other marketing activities such as price management, channels, marketing communications, sales, and market research. In other words, SME owners or managers must increase the integrated marketing mix, manage sales and carry out continuous market research in order to grow and survive in a very competitive market (Takata, 2016).

Because AMC leads to an increase in SMC and BP, the awareness of SME owners or managers of changes in the market is very important. They must build a culture that ensures that AMC is implemented effectively. AMC gives SMEs owners or managers better tools to understand customer needs and desires, provide mechanisms to identify opportunities, and provide information that can minimize the risks involved during the decision-making process. This can reduce unnecessary in the marketing environment (Jogaratnam, 2017; Long *et al.*, 2017).

Limitation and Future Research
This study has some limitations. *First*, this research has not discussed the antecedents of AMC as the antecedents of composite marketing capabilities and other consequences besides business performance. Future research should discuss further antecedents such as market orientation which received the attention by Kaur et al (2019); Kamboj and Rahman (2017), or entrepreneurial orientation that got attention by (Martin and Javalgi, 2016); and consequences such as positional advantages and competitive strategies that received attention by Martin et al (2017) or new product performance which received attention by Najafi-Tavani et al (2016). Integration of several antecedents and/or consequences into the model will produce more comprehensive findings that are very meaningful for the development of strategic marketing knowledge. *Second*, the research model is tested in one country, only in Indonesia, so that future research can broaden the generalization of findings through examining the relationship of hypotheses with samples based in other countries. *Third*, the focus of this research is on fashion retail SMEs operating in highly fragmented and mature industries. Future research can broaden these findings and improve generalizations by conducting studies on SMEs in other industries, such as manufacturing, and services of small, medium and large scale.

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