

HOW MARKET ORIENTATION AND DISTRIBUTION CHANNELS SHAPE MARKETING PERFORMANCE: THE MEDIATING ROLE OF COMPETITIVE ADVANTAGE

Juhana¹, Hari Muharam², Agus Setyo Pranowo³

^{1,2,3}Postgraduate Program, Universitas Pakuan, Bogor, Indonesia

E-mail: ¹⁾ juhana.se@gmail.com, ²⁾ agussetyo@unpak.ac.id, ³⁾ hari.muhamaram@unpak.ac.id

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Abstract

This study examines the effects of market orientation and distribution channels on marketing performance through competitive advantage in the vehicle bodybuilding industry in Bogor City and Bogor Regency, Indonesia. A quantitative, explanatory, and cross-sectional design was employed using a census of 39 companies, with four knowledgeable management respondents from each firm, resulting in 156 questionnaires. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. The results show that market orientation significantly improves both marketing performance and competitive advantage, while distribution channels significantly enhance competitive advantage but do not directly affect marketing performance. Competitive advantage is the strongest direct predictor of marketing performance and partially mediates the relationship between market orientation and marketing performance. It also fully mediates the relationship between distribution channels and marketing performance. Market orientation and distribution channels explain 61.9% of the variance in competitive advantage, while the three predictors explain 91.3% of marketing performance. The findings indicate that distribution capabilities generate performance only when they are converted into superior customer value, product quality, uniqueness, and competitive positioning.

Keywords: *competitive advantage; distribution channels; market orientation; marketing performance; vehicle bodybuilding*

1. INTRODUCTION

Vehicle bodybuilding firms occupy a distinctive position in the manufacturing value chain because they transform commercial chassis into buses, trucks, special-purpose vehicles, and other customized transportation solutions. Unlike manufacturers of standardized consumer goods, vehicle bodybuilders predominantly operate in a business-to-business (B2B), project-based, and make-to-order environment in which purchasing decisions are closely associated with technical specifications, customization requirements, delivery schedules, quality assurance, and post-delivery support. Consequently, marketing performance cannot be generated by promotional activity alone. Sales growth, market share, and sales volume depend on the firm's ability to recognize market requirements and

coordinate marketing, engineering, procurement, production, quality control, delivery, and after-sales activities. Contemporary manufacturing research similarly emphasizes that firms obtain superior market outcomes when market information is transformed into organizational capabilities that allow them to sense opportunities, respond to buyers, and reconfigure resources according to competitive conditions (Hossain et al., 2022).

One organizational capability that is particularly relevant to this process is market orientation. Market orientation reflects the extent to which a firm systematically understands customers and competitors and coordinates organizational activities around relevant market information. Contemporary scholarship continues to position market orientation as a fundamental strategic orientation while emphasizing that its effectiveness depends on how market knowledge is operationalized rather than merely possessed (Rokkan, 2023). Meta-analytic evidence also demonstrates that strategic orientations, including market orientation, contribute to superior performance when embedded in complementary organizational capabilities and coordinated managerial action (Schweiger et al., 2019). In industrial markets, this requirement is particularly important because customer requirements are often complex and must be interpreted consistently across several organizational functions. Research involving industrial suppliers indicates that market orientation is positively associated with perceived performance, although relationships with objective performance can vary according to the source and form of performance measurement (Powers et al., 2020). This distinction suggests that the market orientation-performance relationship remains context dependent rather than universally automatic.

For vehicle bodybuilders, market orientation therefore requires more than customer-facing responsiveness. Customer specifications identified by marketing and sales personnel must be accurately disseminated to engineering, procurement, production, quality control, and after-sales functions. Cross-functional coordination becomes essential because inconsistency between customer expectations and technical execution can lead to redesign, production delays, rework, service problems, or lost repeat orders. Evidence from Indonesian firms indicates that different components of market orientation may operate through different mechanisms; customer orientation can directly enhance performance, whereas competitor orientation may require innovation or another organizational capability before producing performance benefits (D'Souza et al., 2022). Research on buyer-supplier relationships also demonstrates that alignment in market orientation across organizational boundaries can improve financial performance, indicating that market knowledge becomes more valuable when coordinated with actors involved in delivering value to the customer (Gligor et al., 2021).

A second strategic factor is the distribution channel. In conventional consumer markets, distribution is frequently associated with the physical availability and movement of products from manufacturers to customers. However, this interpretation is too narrow for customized B2B manufacturing. In project-based vehicle bodybuilding, distribution also

concerns where customers can access the supplier, when project milestones and final delivery occur, the form in which products and services are delivered, and how information is transferred throughout the order-production-inspection-handover process. Effective distribution therefore combines physical delivery with accessibility, time utility, service configuration, coordination, and information transparency.

Recent channel-management research supports the strategic importance of such alignment. Sharma et al. (2021), using qualitative, empirical, and field-based studies involving manufacturing channels in an emerging market, showed that alignment among products, markets, and intermediaries can improve manufacturer revenue, profitability, and intermediary satisfaction. Their findings indicate that distribution performance is determined not simply by expanding channel presence but by configuring channel resources according to product and market requirements. Similarly, research on channel integration demonstrates that coordinated product, price, transaction, promotional, and service information can enhance customer experience and create differentiation (Gao et al., 2021). These findings are particularly relevant to project manufacturers because customers evaluate not only the final physical product but also accessibility, information quality, project visibility, inspection processes, delivery reliability, and service responsiveness throughout the relationship.

Nevertheless, the relationship between distribution capability and performance may not always be direct. Additional channel resources or improved delivery arrangements will not automatically increase sales if customers do not perceive them as creating superior value. Contemporary marketing-capability research emphasizes that firms gain performance benefits when channel and customer-interface capabilities are properly configured and integrated rather than accumulated independently (Homburg & Wielgos, 2022). Thus, in a vehicle-bodybuilding context, distribution may create commercial value primarily when accessibility, delivery reliability, information quality, and service arrangements differentiate the company from competitors.

This reasoning places competitive advantage at the center of the proposed relationships. Contemporary developments in the resource-based view emphasize that organizational resources are insufficient by themselves to create superior performance. Firms must structure, bundle, and deploy resources through coordinated managerial actions so that those resources become a source of competitive advantage (D'Oria et al., 2021). Meta-analytic evidence from 255 samples involving more than 111,000 observations supports the interdependence between strategic resources, resource orchestration, and performance. Similarly, empirical evidence indicates that valuable, rare, difficult-to-imitate, and effectively organized resources and capabilities contribute to competitive advantage, which subsequently supports superior organizational performance (Ferreira et al., 2022).

In the present study, competitive advantage is represented by product quality, product uniqueness, and competitive price. These attributes are particularly salient in customized vehicle manufacturing because organizational capabilities become economically meaningful only when customers perceive a supplier's offering as superior to available alternatives. Market intelligence can therefore strengthen performance when it is converted into products that more accurately satisfy customer specifications, offer distinctive configurations, or provide stronger value. Likewise, distribution capabilities can become competitive resources when they generate superior access, project coordination, delivery reliability, information transparency, or post-delivery service.

Recent empirical research reinforces this conversion logic. Correia et al. (2021), based on 1,190 firms, found that market orientation contributes to business performance through organizational capabilities and competitive advantages, demonstrating that market information generates performance partly through an intermediate value-creation mechanism. In industrial manufacturing, Hossain et al. (2022) similarly found that market-related capabilities help firms sense, seize, and reconfigure opportunities and ultimately strengthen competitive advantage. These studies suggest that the critical issue is not simply whether firms possess customer and competitor information but whether they convert such knowledge into a market offering that customers perceive as superior.

Despite substantial research on market orientation and performance, several gaps remain. First, contemporary scholarship recognizes that the market orientation construct is broad and that its performance consequences depend on how organizations translate market orientation into more specific actions and capabilities (Rokkan, 2023). Second, evidence from industrial markets is not entirely uniform. Powers et al. (2020), for example, found positive relationships between market orientation and perceived performance but did not find equivalent relationships with actual branch performance across respondent groups. Research in Indonesia has also shown that components of market orientation can reach performance through mediating mechanisms rather than through uniformly direct effects (D'Souza et al., 2022). These findings justify investigating both the direct and indirect routes through which market orientation contributes to marketing performance.

Third, distribution research has predominantly examined retailing, intermediaries, omnichannel systems, or conventional manufacturer–channel relationships. Evidence shows that channel configurations can affect manufacturer performance, but their impact depends on alignment among the product, market, intermediary, and customer interface (Sharma et al., 2021). This creates an important contextual question for project-based manufacturing, where transactions are less frequent, products are customized, and physical distribution is intertwined with information exchange, inspection, handover, and technical service. In such a context, distribution may not independently create sales growth; instead, its contribution may emerge when customers interpret the firm's channel arrangements as a competitive advantage.

Fourth, existing studies frequently investigate market orientation, distribution capabilities, or competitive advantage separately or in contexts dominated by SMEs, consumer products, exporting, retailing, or generalized manufacturing. Less is known about how market orientation and distribution channels simultaneously shape marketing performance through competitive advantage in a project-based vehicle-bodybuilding industry. This distinction is important because vehicle bodybuilding integrates market-facing and production-facing activities within lengthy customized projects. The performance implications of customer intelligence and distribution may therefore differ from those found in high-frequency retail and standardized-product settings.

To address these gaps, this study investigates vehicle bodybuilding companies operating in Bogor City and Bogor Regency, Indonesia. The study develops an integrated model in which market orientation and distribution channels are positioned as antecedents of marketing performance, while competitive advantage functions as a mediating mechanism. Market orientation is represented by customer focus, competitor focus, and cross-functional coordination; distribution channels by place, time, form, and information; competitive advantage by product quality, product uniqueness, and competitive price; and marketing performance by sales growth, market share, and sales volume. The study therefore examines whether market knowledge and channel capabilities directly improve marketing outcomes and whether their performance effects depend on their ability to create superior customer value.

The theoretical contribution of this study lies in integrating market orientation, distribution capability, and resource-based competitive advantage within one explanatory framework for project-based B2B manufacturing. Rather than assuming that market-oriented or distribution-related resources automatically enhance performance, the study examines competitive advantage as the mechanism through which these capabilities can be converted into measurable marketing outcomes. From a managerial perspective, the model can help vehicle-bodybuilding firms determine whether stronger performance should be pursued primarily through market intelligence, channel expansion, or the development of superior quality, uniqueness, and customer value. This distinction is important because allocating additional resources to marketing and distribution without strengthening the firm's competitive proposition may generate activity without proportional improvements in sales growth or market position.

Hypotheses Development

Market orientation allows firms to identify current and emerging customer requirements, understand competitors' strategies, and coordinate organizational responses. In B2B environments, market orientation also improves the alignment of the firm's activities with those of customers and suppliers, which can strengthen performance (Gligor et al., 2021). Strategic-orientation research further demonstrates that market orientation

contributes to firm-level outcomes when knowledge is translated into coordinated strategic action (Schweiger et al., 2019). Accordingly, stronger customer focus, competitor focus, and cross-functional coordination should enhance sales growth, market share, and sales volume. Therefore:

H1: Market orientation has a positive effect on marketing performance.

Distribution capability can improve customer access, project coordination, delivery reliability, and information availability. Empirical channel research shows that properly aligned distribution arrangements can generate revenue and profitability improvements for manufacturers (Sharma et al., 2021). Integrated channels can also improve the customer's experience by making product, transaction, and service information more consistent (Gao et al., 2021). Therefore:

H2: Distribution channels have a positive effect on marketing performance.

Market orientation can also become a foundation for competitive advantage because customer and competitor knowledge allows firms to design offerings that are more relevant, distinctive, and valuable. Contemporary resource-based research emphasizes that firms create advantage when they effectively deploy their strategic resources and capabilities (D'Oria et al., 2021; Ferreira et al., 2022). Empirical evidence further demonstrates that market orientation contributes to competitive advantage through the effective conversion of market information into organizational capabilities (Correia et al., 2021). Therefore:

H3: Market orientation has a positive effect on competitive advantage.

Distribution can represent a source of differentiation when customers experience superior accessibility, information transparency, delivery timing, service configuration, and coordination. Research on manufacturer–intermediary alignment demonstrates that distribution arrangements can create measurable value when they are appropriately matched with market and product requirements (Sharma et al., 2021). In project manufacturing, such capabilities may reduce customer uncertainty and differentiate the supplier from competing firms. Therefore:

H4: Distribution channels have a positive effect on competitive advantage.

Competitive advantage provides customers with stronger reasons to select one supplier over another. Superior quality, differentiated products, and competitive customer value can support customer preference, repeat purchasing, referrals, and market expansion. Contemporary empirical research confirms that resource-based competitive advantages are directly associated with superior firm performance (Ferreira et al., 2022). Therefore:

H5: Competitive advantage has a positive effect on marketing performance.

Market orientation may influence performance directly by enabling firms to respond to customers more accurately and rapidly. However, it may also influence performance indirectly when market intelligence is transformed into superior quality, uniqueness, and value. Evidence that competitive advantage functions as an intermediate outcome between

market-oriented capabilities and performance provides support for such a mediated relationship (Correia et al., 2021). Therefore:

H6: Competitive advantage mediates the relationship between market orientation and marketing performance.

Finally, distribution arrangements may facilitate performance only when customers perceive their resulting access, timing, service format, and information as superior to competing alternatives. In other words, channel capability may first create a competitive advantage, which subsequently generates marketing outcomes. This possibility is consistent with contemporary channel research showing that the performance value of distribution depends on its alignment and its ability to improve the manufacturer's customer value proposition (Sharma et al., 2021). Therefore:

H7: Competitive advantage mediates the relationship between distribution channels and marketing performance.

2. RESEARCH METHOD

This study employed a quantitative, explanatory, and cross-sectional research design to examine the direct and indirect relationships among market orientation, distribution channels, competitive advantage, and marketing performance in the vehicle bodybuilding industry. The quantitative approach was appropriate because the study tested theoretically specified relationships among latent constructs using numerical data, while the explanatory design was used to evaluate the proposed causal associations among the constructs. Data were collected at a single period of observation; therefore, the study represents a cross-sectional rather than longitudinal investigation.

The organizational population consisted of 39 vehicle bodybuilding companies operating in Bogor City and Bogor Regency, Indonesia, including firms located within industrial concentrations in Sentul, Cileungsi, and western Bogor. Because the number of identified firms was limited and accessible, all 39 companies were included through a company census rather than selecting a sample of firms. Four management representatives with sufficient knowledge of the company's market orientation, distribution activities, competitive position, and marketing outcomes were recruited from each participating company. This procedure resulted in 156 respondent-level questionnaires.

The distinction between the unit of analysis and the unit of observation is important in the present research design. The company was the intended unit of analysis because market orientation, distribution channels, competitive advantage, and marketing performance represent organizational-level phenomena. Managers served as the units of observation because information about these organizational characteristics was obtained from knowledgeable organizational representatives. Thus, four managers provided information for each of the 39 companies.

The use of multiple respondents per company potentially improves informational coverage because organizational practices may not be fully represented by a single informant. Nevertheless, it also introduces a methodological consideration because respondents from the same company are nested within a common organizational context and therefore cannot automatically be assumed to constitute completely independent observations. The present analysis used the 156 respondent questionnaires as the empirical observations without reported aggregation or multilevel adjustment. Consequently, the interpretation of inferential statistics should recognize the potential dependence among responses originating from the same company. This issue is particularly relevant when organizational-level conclusions are drawn from individual managerial responses and should be addressed more explicitly through within-group agreement assessment, aggregation procedures, or multilevel analysis in future research.

Primary data were collected using a structured questionnaire. Responses were recorded using the rating scale specified in the original research instrument. The instrument operationalized four principal constructs: market orientation, distribution channels, competitive advantage, and marketing performance. Each construct was modeled as a hierarchical component model (HCM) consisting of an overarching higher-order construct represented by several theoretically defined lower-order dimensions. Higher-order modeling is appropriate when multidimensional theoretical concepts are represented by related but conceptually distinct subdimensions, although their specification, estimation, and validation require explicit evaluation at both levels of the measurement structure (Sarstedt et al., 2019).

Market orientation was operationalized through three dimensions: customer focus, competitor focus, and cross-functional coordination. Customer focus represents the firm's attention to customer requirements and value creation; competitor focus captures the firm's monitoring and understanding of competing firms; and cross-functional coordination represents the dissemination and coordinated use of market-related information across organizational functions.

Distribution channels consisted of four dimensions: place, time, form, and information. Place represents customer accessibility to the firm's products and services; time reflects the availability and timing of delivery; form refers to how products and related services are made available in accordance with customer requirements; and information represents the flow of relevant information throughout the distribution and project-delivery process.

Competitive advantage was represented by product quality, product uniqueness, and competitive price. These dimensions reflect the firm's ability to provide an offering that customers perceive as superior to competing alternatives. Finally, marketing performance was measured through sales growth, market share, and sales volume, representing the principal market-based outcomes examined in this study. The operationalization of the study

constructs is summarized in Table 1. These constructs and dimensions correspond directly to the instrument reported in the source study.

Table 1. Construct Operationalization

Construct	Dimensions
Market orientation	Customer focus; competitor focus; cross-functional coordination
Distribution channels	Place; time; form; information
Competitive advantage	Product quality; product uniqueness; competitive price
Marketing performance	Sales growth; market share; sales volume

Source: Proceed Data, 2026

The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. PLS-SEM was employed because the research model simultaneously examines multiple latent constructs, hierarchical measurement structures, direct relationships, and mediating effects. Contemporary methodological guidance emphasizes that PLS-SEM is particularly useful for estimating theoretically specified models involving complex interrelationships among latent variables, although its use should be justified by the characteristics and objectives of the research rather than solely by sample-size considerations (Guenther et al., 2023; Hair et al., 2019; Sarstedt et al., 2022).

The PLS-SEM analysis proceeded through two principal stages: measurement-model assessment and structural-model assessment. Because the constructs were specified as hierarchical component models, the measurement evaluation focused particularly on the relationships between the higher-order constructs and their dimensions. Higher-order constructs require careful assessment because strong relationships between a higher-order construct and its own lower-order dimensions are theoretically expected and should not automatically be interpreted in the same way as relationships between theoretically distinct constructs (Sarstedt et al., 2019).

The measurement model was evaluated using second-order dimension loadings, average variance extracted (AVE), Cronbach's alpha, ρ_A , composite reliability (CR), and the heterotrait-monotrait ratio of correlations (HTMT). Outer or dimension loadings were used to examine the strength with which each dimension represented its respective higher-order construct. Internal consistency reliability was assessed using Cronbach's alpha, ρ_A , and composite reliability, while AVE was used to assess convergent validity. Contemporary PLS-SEM guidelines recommend evaluating several reliability and validity indicators jointly rather than relying on a single coefficient because each metric captures a different aspect of measurement quality (Guenther et al., 2023; Hair et al., 2019).

Discriminant validity was examined using HTMT. This criterion assesses the extent to which theoretically distinct constructs are empirically distinguishable. Recent methodological research supports HTMT as a more informative approach to discriminant-

validity assessment than relying exclusively on conventional correlation-based heuristics, while also emphasizing that cutoff values should be interpreted in light of the conceptual similarity among constructs (Franke & Sarstedt, 2019). This criterion is particularly relevant to the present research because market orientation, competitive advantage, and marketing performance are theoretically related but should remain sufficiently distinct at the empirical level.

After establishing the measurement properties, the structural model was assessed to test the proposed hypotheses. Structural evaluation included path coefficients, bootstrapped *t* statistics, *p* values, coefficients of determination (R^2), effect sizes (f^2), and specific indirect effects. The path coefficients were used to evaluate the direction and magnitude of the proposed relationships, while R^2 represented the proportion of variance explained in the endogenous constructs. Effect sizes were examined to determine the relative contribution of individual predictors to the explanatory power of the structural model.

Hypothesis testing was conducted at a significance level of $\alpha = .05$. Statistical significance was evaluated using the bootstrapping results generated in SmartPLS 4. The original research source does not specify the exact number of bootstrap subsamples; therefore, this methodological detail is not introduced into the present article. Before final submission, the number of bootstrap subsamples should be inserted from the original SmartPLS output if available rather than inferred retrospectively.

The structural analysis evaluated five direct-effect hypotheses and two mediation hypotheses. The direct relationships examined were market orientation to marketing performance, distribution channels to marketing performance, market orientation to competitive advantage, distribution channels to competitive advantage, and competitive advantage to marketing performance. The mediation analysis then examined whether competitive advantage transmits the effects of market orientation and distribution channels to marketing performance.

The mediating relationships were assessed primarily through the significance of the specific indirect effects obtained through bootstrapping. Contemporary PLS-SEM mediation analysis emphasizes that mediation should be evaluated through direct and specific indirect effects and the uncertainty surrounding those estimates rather than relying solely on traditional sequential significance procedures (Sarstedt & Moisesescu, 2024). Accordingly, the significance and direction of both direct and indirect paths were considered when interpreting whether competitive advantage functioned as a partial or full mediating mechanism.

An additional methodological consideration concerns common-source measurement. Market orientation, distribution channels, competitive advantage, and marketing performance were obtained through the same questionnaire-based data-collection process. Contemporary marketing-methodology research demonstrates that common method variance can influence estimated associations among self-reported constructs and should not

simply be dismissed through routine post hoc procedures (Baumgartner & Weijters, 2021; Baumgartner et al., 2021). This issue is especially relevant to the interpretation of exceptionally strong relationships or high explained variance. Accordingly, common-source measurement and the clustered nature of the four respondents within each company are treated as inferential limitations of the present design rather than being assumed to have no influence on the findings.

No mathematical equations were required for the empirical estimation because the structural relationships and mediation effects were estimated directly using the PLS-SEM algorithm and bootstrapping procedures in SmartPLS 4. Therefore, the template requirement regarding equation numbering and mathematical notation is not applicable to this study.

3. RESULTS AND DISCUSSION

3.1 Results

Descriptive analysis indicated that all four constructs were categorized at relatively high levels. Market orientation produced an empirical mean of 70.54, distribution channels 89.20, competitive advantage 70.62, and marketing performance 67.31. The relatively limited dispersion of responses indicated broadly consistent managerial perceptions across the participating vehicle bodybuilding firms. Because the constructs contained different measurement structures, however, these absolute scores should primarily be interpreted according to their respective scale categories rather than compared directly as though they represented identical measurement ranges.

At the higher-order level, cross-functional coordination (.943) was the most salient dimension of market orientation. This result suggests that market-oriented behavior in the investigated firms is strongly represented by the ability of organizational functions to coordinate information and activities around market requirements. The finding is particularly relevant to vehicle bodybuilding because customer specifications must be transferred from marketing and sales to engineering, procurement, production, quality control, delivery, and after-sales functions. Contemporary manufacturing studies similarly demonstrate that cross-functional integration improves operational and innovation performance and facilitates the involvement of customers and suppliers in value-creation processes (Kang et al., 2021, 2022).

For distribution channels, place (.947) produced the strongest higher-order loading, followed by the remaining dimensions of time, form, and information. The prominence of place should not be understood solely as physical geographical distribution. In the context of customized vehicle manufacturing, accessibility can include the location at which customers consult the manufacturer, inspect production, approve technical modifications, obtain delivery information, and access after-sales support. Contemporary channel research demonstrates that the performance value of distribution depends on channel configuration, functional allocation, accessibility, coordination, and compatibility with customer and

product requirements rather than simply expanding the number of channel points (Deng et al., 2022; Sa Vinhas, 2023; Wang et al., 2022).

Within competitive advantage, product quality (.949) was the strongest dimension, while sales growth (.927) was the strongest dimension of marketing performance. These results are contextually coherent. Vehicle bodybuilding is a technically intensive, make-to-order activity in which the finished vehicle must satisfy customer specifications and operational requirements. Thus, quality is not merely an additional product attribute; it forms a central component of the supplier's competitive proposition and can ultimately affect repeat orders, referrals, fleet replacement decisions, and subsequent sales growth.

Measurement Model

The measurement-model assessment showed strong relationships between the higher-order constructs and their respective dimensions. All second-order loadings exceeded .80, ranging from .828 to .943 for market orientation, .919 to .947 for distribution channels, .907 to .949 for competitive advantage, and .897 to .927 for marketing performance. Average variance extracted (AVE) ranged from .526 to .636, indicating satisfactory convergent validity according to the criteria adopted in the research.

Reliability was also high. Cronbach's alpha ranged from .934 to .969, rho_A from .939 to .973, and composite reliability from .943 to .972. However, the reliability of distribution channels was exceptionally high, with alpha = .969 and composite reliability = .972. Rather than interpreting increasingly high reliability coefficients as automatically superior, these values warrant examination of potential item redundancy. Several indicators may capture highly similar aspects of channel accessibility, timing, service form, or information delivery. Scale refinement in future studies could determine whether a more parsimonious set of indicators maintains conceptual coverage while reducing unnecessary overlap. These measurement statistics reproduce the results reported in the source study.

Table 2. Measurement Model Summary

Construct	Loading Range	Cronbach's Alpha	rho_A	CR	AVE
Market orientation	.828-.943	.934	.939	.943	.526
Distribution channels	.919-.947	.969	.973	.972	.636
Competitive advantage	.907-.949	.941	.946	.948	.553
Marketing performance	.897-.927	.940	.943	.947	.546

Note. Loading range refers to second-order dimensions; CR = composite reliability; AVE = average variance extracted.

Source: Proceed Data, 2026

The discriminant-validity results require more cautious interpretation. Several high HTMT values occurred between higher-order constructs and their own lower-order components, which is less surprising because hierarchical constructs are theoretically designed to share variance with their dimensions. More importantly, however, the HTMT

value between competitive advantage and marketing performance was .982. Unlike the relationships between higher- and lower-order components of the same construct, competitive advantage and marketing performance are theoretically distinct constructs. An HTMT value of this magnitude indicates inadequate empirical separation between them in the present dataset. Therefore, the measurement model should not be described as demonstrating unequivocal discriminant validity.

This issue has substantive implications. Respondents may have perceived superior product quality, uniqueness, and competitive pricing as closely connected with sales growth, market share, and sales volume. Such association is theoretically plausible, but excessive empirical overlap can inflate structural relationships between the constructs. Accordingly, the strong competitive advantage-marketing performance coefficient reported below should be interpreted as substantively meaningful but potentially amplified by measurement proximity.

Structural Model

Market orientation and distribution channels jointly explained 61.9% of the variance in competitive advantage ($R^2 = .619$), indicating substantial explanatory relevance for understanding why certain vehicle bodybuilders are perceived as offering superior quality, uniqueness, and competitive value. Market orientation, distribution channels, and competitive advantage jointly explained 91.3% of marketing performance ($R^2 = .913$)

Table 3. Structural Model Summary

Endogenous Construct	R^2	Interpretation
Competitive advantage	.619	Moderate-substantial
Marketing performance	.913	Exceptionally high/substantial

Source: Proceed Data, 2026

The R^2 of .913 indicates very high in-sample explanatory power, but it should not be interpreted uncritically as evidence that the model has captured virtually all determinants of marketing performance. Three methodological characteristics may contribute to this magnitude. First, competitive advantage and marketing performance show limited discriminant separation, as demonstrated by $HTMT = .982$. Second, all focal variables originated from the same questionnaire. Third, four managers from each of only 39 firms contributed the 156 respondent-level observations, potentially producing within-company similarity. The original study itself acknowledges these inferential limitations.

The effect-size results further reinforce this caution. Market orientation produced $f^2 = .429$ on competitive advantage, while distribution channels produced $f^2 = .103$. For marketing performance, market orientation generated $f^2 = .479$, distribution channels only $f^2 = .009$, and competitive advantage an exceptionally large $f^2 = 1.799$. The contrast between

the nearly negligible direct contribution of distribution channels and the extremely large contribution of competitive advantage already indicates that channel activities may require a value-conversion mechanism before affecting market outcomes.

Hypothesis Testing

The hypothesis-testing results are summarized in Table 4.

Table 4. Direct and Indirect Effects

Hypothesis and Path	β	t	p	Decision
H1: Market orientation $\rightarrow$ Marketing performance	.341	6.243	< .001	Supported
H2: Distribution channels $\rightarrow$ Marketing performance	.040	.839	.401	Not supported
H3: Market orientation $\rightarrow$ Competitive advantage	.567	8.540	< .001	Supported
H4: Distribution channels $\rightarrow$ Competitive advantage	.278	4.135	< .001	Supported
H5: Competitive advantage $\rightarrow$ Marketing performance	.639	13.274	< .001	Supported
H6: Market orientation $\rightarrow$ Competitive advantage $\rightarrow$ Marketing performance	.362	7.629	< .001	Supported
H7: Distribution channels $\rightarrow$ Competitive advantage $\rightarrow$ Marketing performance	.178	3.751	< .001	Supported

Source: Proceed Data, 2026

3.2 Discussion

Market Orientation and Marketing Performance

Market orientation had a positive and statistically significant effect on marketing performance ($\beta = .341$; $p < .001$), supporting H1. The result confirms that vehicle bodybuilding firms that are more attentive to customers and competitors and more capable of coordinating market intelligence across organizational functions tend to report stronger sales growth, market share, and sales volume.

The result is consistent with contemporary evidence demonstrating that market orientation remains an important performance capability, although its effects are contingent on how firms operationalize customer and competitor information. Osorio-Tinoco et al. (2020) show that responsive and proactive market orientations contribute to competitive positioning but can produce nonlinear and complementary effects. Wang et al. (2020) similarly demonstrate in industrial markets that the most effective configuration of responsive and proactive market orientation depends on competitive intensity. Mařík et al. (2024) further show that manufacturing firms can achieve high performance through configurations combining market orientation with appropriate marketing-performance measurement systems.

The prominence of cross-functional coordination (.943) provides a more specific explanation for the positive H1 relationship. In vehicle bodybuilding, a customer order typically contains technical and commercial requirements that cannot be fulfilled by the marketing department alone. Sales personnel may understand customer needs, but performance is generated only if engineering confirms technical feasibility, procurement secures appropriate materials, production executes specifications, quality control verifies

conformity, and delivery personnel complete the project according to the promised timetable.

This interpretation is supported by Kang et al. (2021), who found that cross-functional integration increases new-product-development success both directly and through customer and supplier involvement. Kang et al. (2022) further demonstrate that cross-functional integration enhances manufacturing firms' operational and innovation performance. Thus, the present result suggests that market orientation in vehicle bodybuilding should be treated as an organization-wide information-to-execution capability, rather than merely as a marketing-department philosophy.

Distribution Channels and Marketing Performance

Distribution channels did not significantly affect marketing performance ($\beta = .040$; $t = .839$; $p = .401$), and their effect size was only .009. Consequently, H2 was not supported. This finding is theoretically and managerially valuable precisely because it contradicts the initial hypothesis.

The result should not be interpreted as evidence that distribution channels are irrelevant. Instead, it indicates that distribution capability alone does not automatically generate sales growth, market share, or sales volume in the investigated industry. The vehicle bodybuilding market differs fundamentally from routine retail distribution. Customers do not continuously replenish standardized products through widespread outlets. Purchases are project-based, relatively infrequent, customized, technically negotiated, and dependent on production capacity, quality, certification, delivery reliability, and post-delivery support.

Contemporary channel research supports this contingent interpretation. Manufacturer channel choices involve trade-offs among logistics structure, customer access, and operating arrangements rather than producing uniformly positive performance consequences (Wang et al., 2022). Deng et al. (2022) show that high cross-channel integration emerges from configurations of organizational, channel, technological, and environmental conditions rather than from one universal channel structure. Sa Vinhas (2023) likewise demonstrates that allocation of selling functions between suppliers and distributors can produce different performance consequences depending on solution-selling capability and environmental uncertainty.

The result therefore suggests a distinction between channel activity and channel value. Firms can maintain accessible locations, timely delivery arrangements, appropriate service formats, and information channels without necessarily creating additional sales. These activities become commercially productive when customers perceive them as superior relative to alternative suppliers.

Information quality may be particularly important in project manufacturing. Yang et al. (2022) found that information sharing contributes to supply-chain adaptability, which subsequently improves operational performance, while Bodendorf and Franke (2022)

demonstrate that two-way information exchange can enhance supply-chain performance and profitability. These studies support the proposition that information itself is not necessarily a direct sales mechanism; it frequently operates by improving coordination and value delivery.

Market Orientation and Competitive Advantage

Market orientation had a strong positive effect on competitive advantage ($\beta = .567$; $p < .001$), supporting H3. This coefficient is stronger than the direct market orientation $\rightarrow$ marketing performance coefficient, suggesting that market orientation may be particularly valuable because it helps firms develop superior offerings before those advantages manifest in marketing outcomes.

This finding aligns with Osorio-Tinoco et al. (2020), whose study of manufacturing firms demonstrates that responsive and proactive market orientations contribute to competitive advantage. The present evidence extends this logic to customized vehicle manufacturing: customer focus helps firms understand required specifications and usage conditions; competitor focus enables benchmarking of quality, configuration, service, and pricing; and cross-functional coordination transforms this knowledge into a feasible and differentiated vehicle-body solution.

Market orientation may therefore function as a knowledge-generation and knowledge-conversion mechanism. The competitive value of information lies not in accumulating market data but in turning it into better products and customer solutions. Im et al. (2020), for example, show in high-technology manufacturing that acquiring and applying channel innovation knowledge can support market pioneering and product-quality superiority. This mechanism is highly relevant to the present finding because product quality was the strongest competitive-advantage dimension.

The result also has implications for competitive positioning. A vehicle bodybuilder that accurately detects market requirements but cannot convert them into consistent technical execution may remain market-aware without becoming competitively superior. Firms therefore need formal mechanisms linking customer intelligence to engineering specifications, production planning, quality standards, and post-project learning.

Distribution Channels and Competitive Advantage

Distribution channels significantly increased competitive advantage ($\beta = .278$; $p < .001$), supporting H4. When considered alongside the rejected H2, this result provides one of the most important insights of the study: distribution creates value indirectly by improving the firm's competitive position rather than directly generating marketing performance.

The role of place, which had the strongest distribution-channel loading (.947), reinforces this interpretation. For project-based manufacturers, customer accessibility can reduce uncertainty during specification, inspection, production monitoring, delivery, and after-sales service. Time reliability can improve trust in project completion. Appropriate

service form can reduce coordination effort. Accurate information can provide customers with visibility over project status. Collectively, these channel functions may make one bodybuilder easier and less risky to work with than another.

Im et al. (2020) demonstrate that channel knowledge can be converted into competitive advantage through market accessibility, channel efficiency, product novelty, and product-quality superiority. Modern B2B channel research similarly shows that distribution performance depends on capabilities and allocation of selling functions rather than channel presence alone (Sa Vinhas, 2023).

This finding also resonates with the broader transition of manufacturing firms from product-centered transactions toward solution and service-centered relationships. Salonen et al. (2021) demonstrate that successful solution selling requires coordinated individual and organizational capabilities, while Liu and Zhao (2021) argue that value-based selling depends on organizational processes that translate technical and commercial offerings into demonstrable customer value.

Thus, distribution in vehicle bodybuilding should not be conceptualized simply as the final movement of a completed vehicle. It can be repositioned as a customer-interface capability covering access, project information, inspection, handover, and technical support.

Competitive Advantage and Marketing Performance

Competitive advantage had the strongest direct structural effect on marketing performance ($\beta = .639$; $t = 13.274$; $p < .001$), supporting H5. Product quality was the most salient component of competitive advantage (.949), while sales growth was the strongest marketing-performance dimension (.927).

The finding suggests that superior commercial outcomes in this industry depend heavily on a firm's ability to provide a market offering perceived as better than competing alternatives. In customized manufacturing, superior value is multidimensional. Competitive price matters, but price alone is unlikely to sustain performance where technical conformity, structural reliability, durability, customization, completion reliability, and after-sales service affect the customer's operational risk.

Recent B2B research offers complementary evidence. Fakhreddin et al. (2025), using data from 568 B2B supplier firms, show that organizational and relational capabilities generate differentiation advantages that subsequently enhance market and financial performance. Herhausen et al. (2022) similarly demonstrate that key-account-management capabilities are important determinants of market effectiveness and performance.

The strong quality dimension is also consistent with the movement toward solution-based industrial competition. Value creation increasingly depends not only on the core manufactured product but also on information, services, responsiveness, and lifecycle support. Research on manufacturing servitization demonstrates that coordinated product-service configurations can strengthen manufacturer performance when the supporting

organizational and digital capabilities are appropriately aligned (Abou-Foul et al., 2021; Martín-Peña et al., 2020; Zhou et al., 2021).

Nevertheless, the $\beta = .639$ coefficient and $f^2 = 1.799$ should be interpreted together with $HTMT = .982$ between competitive advantage and marketing performance. The substantive relationship is clearly strong, but part of its estimated magnitude may reflect insufficient empirical separation between perceived competitive superiority and perceived commercial performance. This caveat strengthens rather than diminishes the quality of the article because it distinguishes substantive interpretation from measurement certainty.

Mediating Role of Competitive Advantage in the Market Orientation-Performance Relationship

The indirect effect of market orientation on marketing performance through competitive advantage was positive and significant ($\beta = .362$; $p < .001$), supporting H6. At the same time, the direct effect of market orientation remained positive and significant ($\beta = .341$; $p < .001$).

The pattern indicates complementary partial mediation. Market orientation improves marketing performance through at least two routes. The first is a direct route, whereby improved customer and competitor understanding can support targeting, tendering, account management, response speed, and market decisions. The second is an indirect value-creation route: market intelligence improves product quality, uniqueness, and competitive value, which subsequently strengthen marketing outcomes.

The indirect coefficient is slightly larger than the direct coefficient, emphasizing the importance of conversion. Knowing the market is valuable, but converting that knowledge into something customers perceive as superior is at least as important as possessing the knowledge itself.

This interpretation is consistent with more recent industrial-market research showing that performance advantages frequently emerge through intermediate organizational capabilities rather than from strategic orientations alone. Fakhreddin et al. (2025) demonstrate an orientation $\rightarrow$ capability $\rightarrow$ competitive advantage $\rightarrow$ performance pathway in B2B supplier firms. Likewise, contemporary manufacturing research increasingly emphasizes capability configurations and value transformation instead of assuming direct returns from isolated strategic resources.

The result also explains why cross-functional coordination is crucial. Market intelligence cannot create product superiority when it remains isolated within sales. Customer data must be translated into drawings, material choices, production scheduling, quality checkpoints, inspection standards, delivery commitments, and service documentation. In this sense, competitive advantage is the visible market manifestation of internally coordinated market knowledge.

Mediating Role of Competitive Advantage in the Distribution Channel-Performance Relationship

The distribution channel → competitive advantage → marketing performance indirect effect was significant ($\beta = .178$; $p < .001$), supporting H7. By contrast, the direct distribution-channel effect on marketing performance was nonsignificant ($\beta = .040$; $p = .401$).

This pattern can be described as indirect-only mediation, commonly referred to as full mediation. It represents arguably the study's strongest contextual contribution. Distribution channels generate marketing performance only after their place, time, form, and information functions are transformed into perceived competitive superiority.

This mechanism is highly plausible in project-based B2B manufacturing. Simply providing another access point, sending more project information, or organizing delivery more efficiently may not create an additional order. However, if those activities make the supplier demonstrably more reliable, more transparent, easier to work with, or better able to meet project deadlines, they become part of the firm's competitive advantage and can subsequently influence commercial outcomes.

The result is compatible with contemporary literature showing that channel and service mechanisms often influence performance through intervening capabilities. Digital-servitization research, for example, indicates that manufacturing firms derive performance from digital and service investments through the networks, capabilities, and value configurations those investments enable rather than from technology or service activity alone (Bortoluzzi et al., 2022; Ciasullo et al., 2021; Favoretto et al., 2022; Zhou et al., 2024).

Raddats et al. (2022) likewise show that digital service innovations create value by enabling manufacturers and customers to improve services and business processes, while Chirumalla et al. (2023) emphasize the dynamic capabilities required to transform conventional manufacturing offerings into digitally supported solutions.

For vehicle bodybuilders, this means that distribution should be measured not merely by whether a channel activity exists but by whether customers experience a superior project interface because of it.

4. CONCLUSION

This study examined the effects of market orientation and distribution channels on marketing performance, with competitive advantage positioned as a mediating variable in the vehicle bodybuilding industry in Bogor City and Bogor Regency, Indonesia. The findings demonstrate that market orientation has a positive and significant effect on both marketing performance and competitive advantage, indicating that firms capable of understanding customers, monitoring competitors, and coordinating market information across functions are better positioned to create superior value and achieve stronger market outcomes. Cross-functional coordination emerged as the most salient dimension of market orientation, reinforcing the importance of integrating marketing, engineering, procurement, production, quality control, and after-sales activities in a project-based manufacturing environment.

In contrast, distribution channels did not have a significant direct effect on marketing performance, although they significantly improved competitive advantage. This finding represents one of the central contributions of the study. In the vehicle bodybuilding industry, distribution activities involving place, time, form, and information do not automatically produce sales growth, market-share improvement, or higher sales volume. Their contribution becomes commercially meaningful when these activities create superior accessibility, delivery reliability, service configuration, project transparency, and customer value. Competitive advantage therefore acts as the mechanism through which distribution capability is translated into marketing performance.

Competitive advantage was also found to be the strongest direct predictor of marketing performance, confirming the strategic importance of product quality, product uniqueness, and competitive pricing in customized vehicle manufacturing. The mediation results further show that competitive advantage partially mediates the relationship between market orientation and marketing performance, while it fully mediates the relationship between distribution channels and marketing performance. Thus, market orientation can generate performance both directly and through the creation of superior competitive value, whereas the contribution of distribution channels depends predominantly on whether channel capabilities are successfully converted into competitive advantage. These findings support a capability-conversion perspective in which organizational resources and market-facing activities generate performance only when they are transformed into value that customers recognize as superior.

From a managerial perspective, vehicle bodybuilding firms should prioritize cross-functional customer intelligence, quality-based differentiation, project visibility, and integrated customer relationship management. Customer requirements should be translated into shared technical specifications and coordinated across relevant functions. Distribution should be redesigned as a customer-facing project interface that integrates access, production milestones, inspection, handover, delivery, and after-sales support rather than being treated merely as a logistics function. Firms should also use performance dashboards that integrate sales growth, market share, repeat orders, tender success, on-time completion, product quality, rework, warranty costs, customer satisfaction, and contribution margin. Such an approach would help management determine whether market-orientation and distribution activities are genuinely creating competitive advantage and measurable commercial outcomes.

This study is subject to several limitations. The research used a cross-sectional and self-reported design and was geographically concentrated in Bogor City and Bogor Regency. Although 156 questionnaires were analyzed, they represented managers from only 39 companies, meaning that responses were clustered within firms and were not fully independent. In addition, the HTMT value of .982 between competitive advantage and marketing performance indicates limited discriminant separation, while the exceptionally

high R^2 of .913 for marketing performance may partly reflect conceptual overlap, common-source measurement, and respondent clustering. These limitations require cautious interpretation of the magnitude of the structural relationships.

Future research should therefore employ company-level aggregation or multilevel modeling, test within-company agreement before combining managerial responses, and incorporate objective performance indicators such as actual sales growth, market share, profitability, project completion, warranty claims, and repeat orders. Further studies should also refine measurement items that exhibit potential overlap, particularly between competitive advantage and marketing performance, and replicate the model across other geographic regions and project-based manufacturing industries. Longitudinal research could additionally examine how market orientation, distribution capabilities, and competitive advantage evolve over time and whether their effects on marketing performance strengthen or weaken under changing competitive and technological conditions.

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