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Effect of Marketing Communication and Information Sharing on Performance of Small and Medium-Sized Enterprises (SMEs) in Thailand

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Abstract---The objective of this study is to examine the role of marketing communication and information sharing in firm performance. In this direction, the relationship between marketing communication, information sharing, customer retention, customization and firm performance is examined. A survey instrument was preferred in this study for data collection. A questionnaire was designed by using already revealed scale items related to the marketing communication, information sharing, customer retention, customization and firm performance in previous studies. 500 questionnaires were distributed among the employees of small and medium-sized enterprises (SMEs) in Thailand. Data were analyzed by using statistical tool; Partial Least Square (PLS). It is found that marketing communication has positive effect on customer retention which further lead to the firm performance. Additionally, information sharing has positive effect on customization which lead to the firm performance. Therefore, marketing communication and information sharing has central importance to promote SMEs performance.

Keywords---customer retention, customization, firm performance, information sharing, marketing communication.

Introduction

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Maximization of firm performance is central concern of practitioners as well as academicians. From the several decades, organizations are working on firm performance to accelerate the long-term business activities. Various determinants are identified by different researchers to promote firm performance (Mazlan & Leng, 2018). However, still it is the vital area to study because the survival of business organizations is majorly based on the firm performance. Because in a competitive business environment, firm performance has the primary influence to survive in the competitive market. High business performance shows positive role for long term business survival. That is the reason, the firm performance remained the intention of practitioners as well as academicians. By considering the importance of firm performance, the current study is also emphasized on the firm performance of small and medium-sized enterprises (SMEs).

SMEs has key important for any nation because SMEs are playing an important role in national and international business activities. SMEs has significant role to enhance economic development (Gumel & Bardai, 2021). Along with the other countries, SMEs has vital importance for Thailand. The economic development of Thailand is also based on the output from SMEs. The higher performance of Thai SMEs is most important to contribute to the economy. SMEs contributed to the Thai economy approximately 45% of the total gross-domestic product (GDP) or seven trillion baht (\$215 billion) in 2018, which was higher than the contribution of large-sized enterprises. The contribution of various types of SMEs to GDP of Thailand is shown in Figure1. Small sized SMEs has higher contribution to the GDP of Thailand along with the large SMEs. Figure 1 highlighted that Thai SMEs are very influential in respect to the economic development, as these SMEs has substantial contribution to the GDP of Thailand. The current study is only dealing with trading SMEs. Trading SMEs are involved in national and international trade activities.

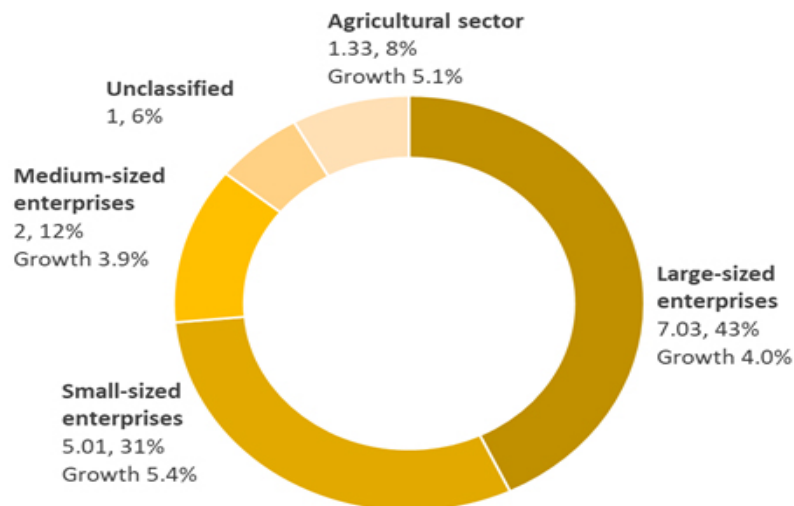


Figure 1. Composition of Thailand's GDP by Enterprise Size, 2018 (B trillion)
Source: Authors, adapted from OSMEP (2019)

It is important to enhance the firm performance of Thai SMEs to improve the contribution to the economic development. There are several factors which has influence on the firm performance of Thai SMEs, however, previous studies have not examined these factors in relation to the trading SMEs of Thailand. Thai SMEs in general are discussed by several previous studies (P CACLINI, 2021; Thatrak, 2021), specifically, the trading SMEs are not highlighted by the literature. Therefore, the current study is attempting to examine the trading SMEs in relation to the firm performance. According to the current study, marketing activities can promote the firm performance. Especially, marketing communication activities has the ability to influence the business performance. The marketing communication activities enhances the awareness about the products and services of the company for customers which lead to the interest of customers towards the products of the company which enhances the firm performance. This study proposed that; marketing communication has positive role to promote customer retention which is most important in the success of any business venture. Customer retention is an important advantage of any business which has direct influence on the profitability of the company and higher profitability is also required to survive in competition. In the recent decade, the importance of SMEs is increasing due to the significant contribution to the economy and it has vital importance to enhance the welfare of the general public. Furthermore, information sharing between the employees of the firm and other stakeholders also has major importance to enhance firm performance by producing customized products. Information sharing is the key to develop new or alteration in the products or services by following the requirements of the customers. As literature shows that customized products always have central importance for customers as well as business (Grafmüller, Hankammer, Hönigsberg, & Wache, 2018). Therefore, this study proposed that; marketing communication and information sharing is important to promote customer retention and customization which further lead to the SME performance. Consequently, the objective of this study is to examine the role of marketing communication and information sharing in firm performance. The relationship between marketing communication, information sharing, customer retention, customization and firm performance is examined.

Literature review

Business organizations always require a certain level of performance as the performance is the guaranty of survival in the market. In a business environment, the role of performance is most important which the ultimate objective of any company is. Therefore, firm performance is always important for the business organizations to survive in business environment. Firm performance is also important for SMEs (Tian, Otchere, Coffie, Mensah, & Baku, 2021). There are several types of SMEs operating such as manufacturing SMEs, service SMEs, retailing SMEs etc. In Thailand, manufacturing SMEs has higher percentage as compared to service and trading SMEs. Even the service SMEs are small in number as compared to the trading SMEs (Pathak & Ahmad, 2016). The current study is focusing on the trading SMEs which are second among various types of SMEs. The current study focusing on the trading SMEs. These SMEs involved in various trade related activities at national and international level. Therefore, the

national trade is majorly based on the trading SMEs which has central importance in the overall contribution of the SMEs at national level.

Due to the important contribution of these SMEs, the current study considered to examine the firm performance of trading SMEs. To enhance the overall trade at national and international level, the importance of trading SMEs cannot be neglected. Better trade performance of any country is also dependent on trading SMEs performance. Hence, firm performance of trading SMEs is one of the major elements which require focus of practitioners as well as academic scholars. In this direction, the current study introduced two important terms, namely; marketing communication and information sharing to promote firm performance. Both the elements, marketing communication and information sharing has significant importance for firm performance. As marketing always play a central importance in business activities (Gelderman, Schijns, Lambrechts, & Vijgen, 2021), therefore, marketing communication is considered as key element to promote firm performance of trading SMEs in Thailand. Better marketing communication lead to the customer retention. Furthermore, information sharing among the employees of the customer or other stakeholders of the company can promote customized products for the customers which lead to the higher firm performance. Thus, the relationship between marketing communication, information sharing, customer retention and customization has important role in firm performance. The Figure 2 shows the theoretical framework of the study showing the relationship between marketing communication, information sharing, customer retention, customization and firm performance.

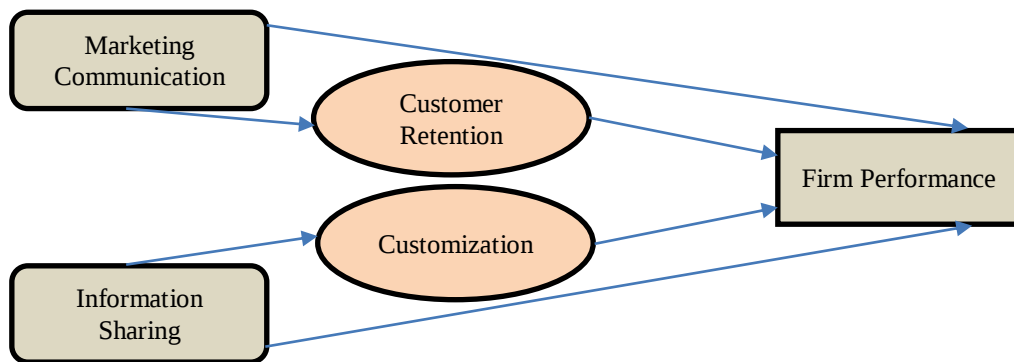


Figure 2. Theoretical framework of the study showing the relationship between marketing communication, information sharing, customer retention, customization and firm performance

Marketing communication, customer retention and firm performance

Marketing Communications denotes to the utilization of diverse channels of marketing and tools in combination. Different channels of marketing communication emphasized on any way a business transfers a message to its chosen market, or the market in general. It helps to capture customers to sell products and services which has direct influence on the performance of any business organization. Marketing communication process comprises advertising, various activities of direct marketing, branding strategies, packaging design, it also includes the online presence, different printed materials, sales presentations by the company representatives, sponsorships etc. These activities related to the marketing communication has major importance in business activities (Falahat, Ramayah, Soto-Acosta, & Lee, 2020).

Customer retention is another important construct which is the responsible of firm performance (Ho, Chung, Kingshott, & Chiu, 2020). Customer retention denotes to the capability of a firm or product to hold its customers over a definite period. Generally, high customer retention shows the customers of the any specific product tend to return to purchase the product again. As customers are the most vital part of any business, therefore, customer retention is also important. Business performance is always based on the customers. High retention of customer increases the firm performance, however, if the business cannot retain the customers, it will affect negatively on the firm performance. Similarly, trading SMEs also require high retention of customers to enhance firm performance.

These are several determinants of firm performance among businesses. However, according to the current study, marketing communication is comparatively important determinant of firm performance. Because, marketing communication has direct relationship with the customers of the organization. It has the potential to enhance the relationship with customers. The strong relationship of the company with the customers is the guaranty of success in highly competitive business environment. Marketing communication among companies has the potential to satisfy the customers and satisfaction lead to the customer loyalty. As

highlighted in the previous studies that marketing communication is the vital part of any business activity (Duffett, Petroşanu, Negricea, & Edu, 2019). Along with the positive role of marketing communication on firm performance, customer retention also has positive role to promote firm performance. Retention meaning is control of something, therefore, in business terms, it means the control on customers. Better provision of services to the customers increases the control on customers. Better control of the firm on customers force the customers to repurchase the company products. Therefore, this discussion shows that; marketing communication has positive role to promote customer retention in SMEs and increase in customer retention due to the marketing communication has the potential to promote firm performance. Hence, it is hypothesized that;

Hypothesis 1. Marketing communication has positive effect on customer retention.

Hypothesis 2. Marketing communication has positive effect on firm performance.

Hypothesis 3. Customer retention has positive effect on firm performance.

Hypothesis 4. Customer retention mediates the relationship between marketing communication and firm performance.

Information sharing, customization and firm performance

Information sharing or exchange of information means that people as well as other entities pass information from one to another. This could be done electronically or through certain systems. In the current study, information sharing is based on the employees of the organization or the information sharing between various stakeholders. Information sharing among the employees has major importance for the business activities (Rhee, Kim, & Jin, 2019). Information sharing among employees has positive role in firm performance. The business performance of the any business is based on the information from the market. According to this study, information sharing between the employees, customers, suppliers and business partners is vital to enhance business performance.

Information sharing also has relationship with customization. Customized products are the one which you can change according to the customer. It can be the design, add logo on product, some text to write on the product, etc. Customized products have central importance for business (Mourtzis, Zogopoulos, & Xanthi, 2019). In which there is the involvement of the customer in the design of the product. Customers require customized products. Therefore, to develop customized products, the information from market is required for SMEs. Particularly, it is based on the feedback of the customer about product or services of the company. The feedback from the customers lead the employees of the company to produce customized products. Generally, supplier can provide important feedback of the customers to produce customized products. Therefore, customized products have important role in firm performance of SMEs. According to this study, information sharing has positive role to promote customization and customization has positive role to promote firm performance. According to Abdallah and Matsui (2009), customization has strong relationship with performance. Thus, it is proposed that;

Hypothesis 5. Information sharing has positive effect on customization.

Hypothesis 6. Information sharing has positive effect on firm performance.

Hypothesis 7. Customization has positive effect on firm performance.

Hypothesis 8. Customization mediates the relationship between information sharing and firm performance.

Research Methodology

This study is based on the firsthand data to examine the relationship between marketing communication, information sharing, customer retention, customization and firm performance. The firsthand data were collected through a survey. Survey was preferred by using a questionnaire. Thus, questionnaires were development by using the already revealed measures in previous studies. Therefore, scale items for marketing communication, information sharing, customer retention, customization and firm performance was adopted from previous studies. Population of the study is SMEs working in Thailand. Only those SMEs were selected which were dealing in trading activities, as the focus of this study is trading SMEs. Employees of trading SMEs were the respondents of the study. Therefore, 500 questionnaires were distributed among the employees of SMEs in Thailand and 241 questionnaires were returned. Finally, after careful assessment, 236 valid questionnaires were used for data analysis. Finally, Partial Least Square (PLS) were employed to analyze the responses.

Findings

Preliminary data analysis to remove the errors in the data is given in Table 1. Data statistics shows that it is accurate to proceed for further analysis. Total 21 scale items are used in this study for data collection and none of the scale item has missing value and outlier in the data.

Table 1
Data statistics

	No.	Missing	Mean	Median	Min	Max	SD	Kurtosis	Skewness
MC1	1	0	2.032	2	1	5	0.993	1.682	1.252
MC2	2	0	2.026	2	1	5	1.153	0.819	1.251
MC3	3	0	2.142	2	1	5	1.307	0.152	1.134
MC4	4	0	1.994	2	1	5	1.15	0.629	1.169
IS1	5	0	1.948	2	1	5	1.082	0.651	1.121
IS2	6	0	2.026	2	1	5	1.059	1.163	1.264
IS3	7	0	1.884	2	1	5	0.97	1.694	1.349
CR1	8	0	2.123	2	1	5	1.115	0.585	1.081
CR2	9	0	1.923	2	1	5	1.099	0.82	1.246
CR3	10	0	2.039	2	1	5	1.223	0.683	1.251
CR4	11	0	1.806	2	1	5	0.997	1.934	1.462
CUS1	12	0	2.039	2	1	5	1.071	0.473	1.068
CUS2	13	0	2.206	2	1	5	1.162	-0.155	0.859
CUS3	14	0	1.794	2	1	5	0.941	2.856	1.596
CUS4	15	0	2.071	2	1	5	1.192	0.752	1.247
FP1	16	0	2.181	2	1	5	1.183	0.318	1.06
FP2	17	0	2.065	2	1	5	1.145	0.612	1.121
FP3	18	0	2.258	2	1	5	1.249	-0.176	0.904

FP4	19	0	2.174	2	1	5	1.224	-0.204	0.919
FP5	20	0	2.368	2	1	5	1.29	-0.678	0.669
FP6	21	0	2.335	2	1	5	1.246	-0.599	0.714

There are several techniques to analyze the primary data, however, structural equation modeling (SEM) is most popular technique of data analysis (F. Hair Jr, Sarstedt, Hopkins, & G. Kuppelwieser, 2014; J. F. Hair, 2010; J. F. Hair, Ringle, & Sarstedt, 2013) which is adopted by several previous studies in various fields of research. In the first step of SEM approach, factor loadings were examined which is given in Table 2. SEM first part is proceeded in Figure 3. In this study, all the items have factor loadings above 0.5.

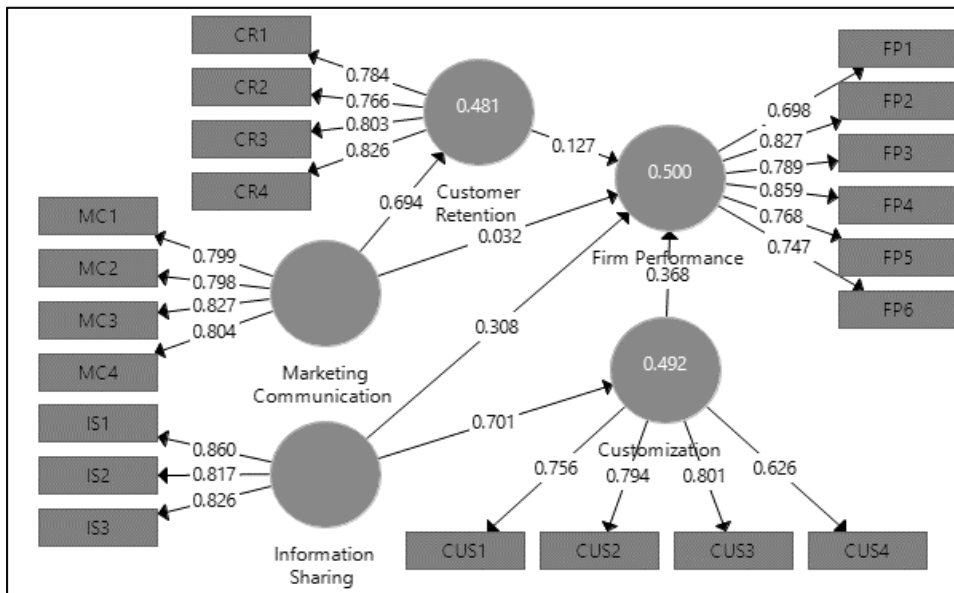


Figure 3. Measurement Model

Table 2
Factor loadings

	Customer Retention	Customization	Firm Performance	Information Sharing	Marketing Communication
CR1	0.784				
CR2	0.766				
CR3	0.803				
CR4	0.826				
CUS1		0.756			
CUS2		0.794			
CUS3		0.801			
CUS4		0.626			
FP1			0.698		
FP2			0.827		
FP3			0.789		
FP4			0.859		

FP5	0.768		
FP6	0.747		
IS1		0.86	
IS2		0.817	
IS3		0.826	
MC1			0.799
MC2			0.798
MC3			0.827
MC4			0.804

Composite reliability (CR) and average variance extracted (AVE) is based on the factor loadings. All the factor loadings are in acceptable range, therefore, CR and AVE is also in acceptable range which is 0.7 for CR and 0.5 for AVE (J. Hair, Hollingsworth, Randolph, & Chong, 2017). Both the CR and AVE is shown in Table 3. Finally, in the first part of SEM, discriminant validity is examined through AVE square root as given in Table 4.

Table 3
Reliability and convergent validity

	Alpha	rho_A	Composite Reliability	(AVE)
Customer Retention	0.806	0.807	0.873	0.632
Customization	0.735	0.752	0.834	0.559
Firm Performance	0.873	0.877	0.904	0.613
Information Sharing	0.782	0.782	0.873	0.697
Marketing Communication	0.822	0.824	0.882	0.652

Table 4
AVE Square Root

	Customer Retention	Customization	Firm Performance	Information Sharing	Marketing Communication
Customer Retention	0.795				
Customization	0.629	0.748			
Firm Performance	0.619	0.666	0.783		
Information Sharing	0.677	0.701	0.628	0.835	
Marketing Communication	0.694	0.709	0.567	0.761	0.807

Figure 4 shows the second section of SEM which is based the examination of relationship between marketing communication, information sharing, customer retention, customization and firm performance. It is based on the PLS bootstrapping which is most recommended in literature to test the hypotheses (J. F. Hair, Sarstedt, Pieper, & Ringle, 2012; Hameed, Nisar, & Wu, 2020). It is found that all the direct hypotheses are supported as the t-value given in Table 5 is above 1.64. Furthermore, beta value is positive which shows the direct relationship. Mediation effect is given in Table 6 which shows that mediation effect of customization which is significant between information sharing and firm performance. However, the mediation effect of customer retention is not significant between marketing communication and firm performance as the t-

value is 1.049 which is below minimum threshold level. The r-square value is 0.492 for firm performance which is moderate (Chin, 1998) and shows that all the variables; marketing communication, information sharing, customer retention and customization are expected to bring 49.2% change in firm performance.

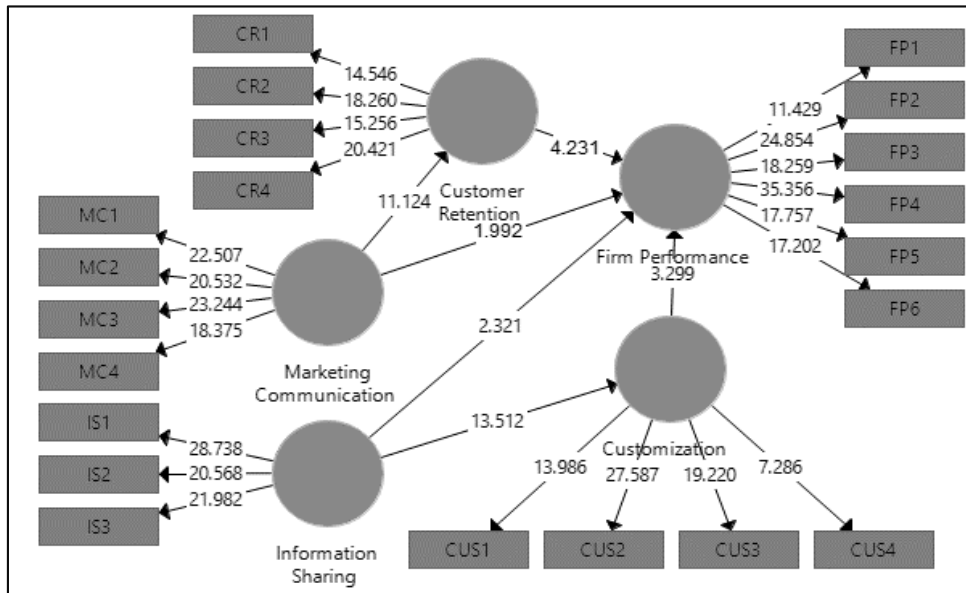


Figure 4. Structural Model

Table 5
Direct Effect Results

	β	M	SD	T Statistics	P Values
Customer Retention -> Firm Performance	0.127	0.124	0.03	4.231	0
Customization -> Firm Performance	0.368	0.378	0.112	3.299	0.001
Information Sharing -> Customization	0.701	0.706	0.052	13.512	0
Information Sharing -> Firm Performance	0.308	0.298	0.133	2.321	0.021
Marketing Communication -> Customer Retention	0.694	0.699	0.062	11.124	0
Marketing Communication -> Firm Performance	0.032	0.025	0.016	1.992	0.043

Table 6
Indirect Effect Results

	β	M	SD	T Statistics	P Values
Marketing Communication -> Customer Retention -> Firm Performance	0.088	0.087	0.084	1.049	0.295
Information Sharing -> Customization -> Firm Performance	0.258	0.266	0.078	3.292	0.001

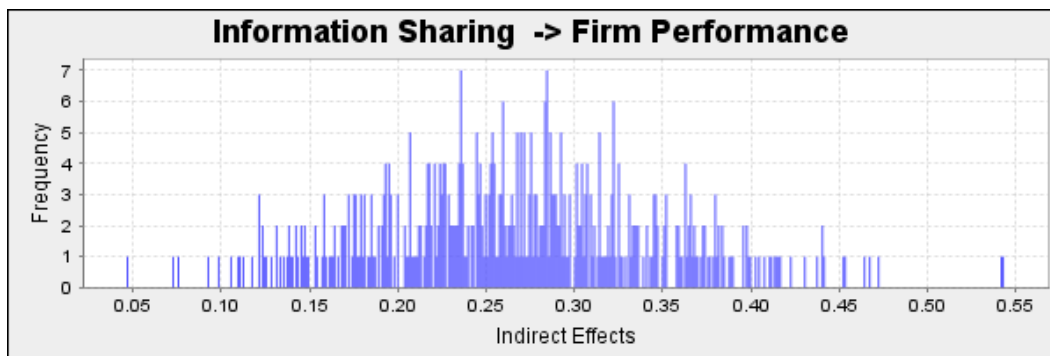


Figure 4. Indirect Effect Histogram

Conclusion

This study examined the relationship between marketing communication, information sharing, customer retention, customization and firm performance to examine the effect of marketing communication and information sharing on firm performance in Thai SMEs. After collecting data from employees of SMEs, it is found that marketing communication and information sharing has key importance to promote firm performance. It shows that marketing communication has positive role to expedite the customer retention. Increase in customer retention has the potential to enhance firm performance. Therefore, marketing communication has positive effect on customer retention which further lead to the firm performance. Similarly, information sharing also increases the firm performance. Information sharing has positive effect both on firm performance and customization. Thus, information sharing has positive effect on customization which lead to the firm performance. Therefore, Thai SMEs should promote customer retention and customization with the help of marketing communication and information sharing.

Implications of the Study

Earlier studies have not paid the intention on the trading SMEs in Thailand in relation to the firm performance. Therefore, the relationship between marketing communication, information sharing, customer retention, customization and firm performance has key theoretical implications. Number of previous studies have examined the firm performance of Thailand, however, the firm performance of trading SMEs of Thailand in relation to the marketing communication and information sharing is not assessed. Thus, the theoretical implications of this study further lead to the various implications for the management of trading SMEs. According to the current study, marketing communication and information sharing has key importance in firm performance, therefore, management of SMEs should promote marketing communication and information sharing to enhance firm performance by increasing the level of customization and customer retention.

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