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IMPACT OF DYNAMIC MARKETING CAPABILITIES ON CUSTOMER LOYALTY IN SHANGHAI HOSPITALITY INDUSTRY

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ABSTRACT

The purpose of this paper is to explore the impact of dynamic marketing capabilities dimensions (market sensing capability and market learning capability) on customer loyalty in the Shanghai hospitality industry. In this study, data were collected via a self-administered survey using a stratified random sampling method.

The sampling frame is 262 employees and managers working in the hospitality industry in Shanghai.

The results of the study showed that market sensing capability has a significant and positive influence on customer loyalty. Similarly, market learning capability has a significant positive impact on customer loyalty.

1. Introduction

The hospitality industry in all its categories is facing global changes, such as globalization, intensifying competition, accelerating technological changes, diversifying the same service in multiple presentations. Additionally, consumer demand for products and services with higher quality levels; competitive conditions that translate into a greater need by companies to correct conception and implementation of information technologies (ITs). For which that implementation of ITs allows them to exert positive and relevant influence on their profitability and competitiveness. However, sometimes due to ignorance or low levels of dynamic marketing capabilities (Pereira, Alves, & Ferreira, 2016), many companies in the hospitality industry do not adopt greater flexibility and dynamism for the different situations that arise in their environment. At the international level, there is a growing concern for achieving customer loyalty, which is no stranger to the hospitality industry that is immersed in profound transformations, in the face of social and technological changes, for example, in countries such as China.

Shanghai region has witnessed a dramatic development since 2013, due to the establishment of a free trade zone, which has attracted more than 10,000 different business types to the region. As a response to this transformation, hotel occupancy increased from 55% to 60% to meet the high demand for Shanghai hotels. Dynamic marketing capabilities affect the management and provision of the service; in Shanghai since 2013, the increase in demand for hotel establishments requires better care, quality of service, and professionalism. The same has been occurring in different developed and underdeveloped countries. For this reason, the inclusion of CRM in operated hotels in Shanghai is notorious as it is part of their marketing strategy, so they manage to stay in the market, gaining more and more participation, and, as a result, obtaining potential clients and ensuring their permanence in the market.

According to Xie (2020), in the last five years, there has been significant growth in tourism in China, as a consequence of which the level of hotel investment had a straightforward takeoff. For this purpose, the rates of return exhibited by the hotel projects begin after many years to be quite attractive. With this, many renowned hotel brands seek to position themselves in the Chinese hotels market. Likewise, this situation has created rivalry when it comes to obtaining clients in the hotels; consequently, they decide to focus above all on capturing the attention of new customers through promotion and advertising strategies. These marketing strategies are conditioned to several success factors, such as significant marketing capabilities (Kaoud, 2017) and dynamic marketing capabilities (de Paiva Costa & Pereira, 2019). This study aims to determine the impact of Dynamic Marketing Capabilities dimensions (market sensing capability and market learning capability) on customer loyalty in the Shanghai hospitality industry. The following section begins with a theoretical discussion and reviews the literature regarding the variables used in the study.

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2. Literature Review

2.1 Resource-Based Theory

The Resource-Based View (RBV) was developed by Barney (1991), Peteraf (1993), and Wernerfelt (1984) and expanded by Helfat and Peteraf (2003). The essence of the RBV lies in the emphasis on resources and capabilities as the source of competitive advantage. This approach is based on exploiting specific company assets and the existence of isolation mechanisms as determinants of company performance. The RBV aims to explain the conditions under which companies can achieve a sustainable competitive advantage based on their resource sets and capabilities. Therefore, it is necessary first to define the terms resource and capacity. Resources are 'sets of available factors that are owned or controlled by the company'. At the same time, capabilities refer to the ability of a company to use resources, usually in combination, with organizational processes, to achieve the desired end'.

According to Amit and Schoemaker (1993), capacities can be seen in an abstract way as intermediate goods generated by the company to provide increased productivity of its resources and strategic flexibility and protection for its final products/services. Makadok (2001) identifies two key characteristics to distinguish a capacity from other types of resources: a) a capability is specific to the company since it is incorporated in its processes, whereas a standard resource is not. Due to this incorporation, ownership of the capacity cannot easily be transferred from one company to another without also transferring ownership of the company itself or some subunit of the company. As David J Teece, Pisano, and Shuen (1997) argue, "what is distinctive cannot be bought or sold without buying the company itself, or one or more of its subunits." If the company were to dissolve completely, its capabilities would disappear, but its resources could survive in the hands of a new owner; b) the primary purpose of the capacity is to increase the productivity of the other resources that the company owns.

The RBV assumes that resources and capacities are heterogeneously distributed among companies and that such heterogeneity can be maintained over time. Based on these assumptions, researchers have theorized that when companies have resources and capabilities that are valuable, rare, inimitable, and non-replaceable, they can implement value creation strategies using these resources and capabilities to provide a sustainable competitive advantage. Essentially, it is the VRIN resources of a firm that allow or limit the markets it can enter and the levels of profit it can expect

That is, the resource of firm sets and capabilities provide a competitive advantage as long as they are valuable and rare, and for that advantage to be sustainable over time, they must also be difficult to imitate and not substitutable. Despite its popularity as a research stream, the RBV has received much criticism. On the one hand, David J Teece et al. (1997) argue that the RBV recognizes but does not explain the sources of heterogeneity, nor does it explain the nature of the isolation mechanisms that allow competitive advantages to be maintained. On the other hand, RBV is considered as essentially static and inadequate to explain the competitive advantage of companies in rapidly changing environments.

2.2 Dynamic Capabilities Theory

An attempt has been made to explain how some organizations manage to move efficiently in increasingly competitive and changing markets from recognizing the influence of the environment on the organization and the same towards the environment. Such instability has led large companies in the market, which basis their competitive advantages mainly on their tangible assets, to disappear or have been very close to disappearing, and conversely, some companies have emerged that are capable of growing and remaining sustained in these markets. Three streams of studies can be identified that have tried to explain why some companies perform better. It can be said that the first one has argued that competitive advantages arise from the characteristics of the company and that it allows it to be linked to an industrial sector, which is more profitable than another. The second has tended to explain the superior performance from the competitive panorama that the company has. The third one is current, which has tried to explain it through what is known as competitive advantages. Two representative authors emerge from the latter who have sought to explain the emergence of these advantages. The first is (Porter, 1990), who has expressed that these advantages are given from the configuration of the Value Chain perspectives. The second is (Wernerfelt, 1984), who has stated that the competitive advantages are provided from the resources that the company owns.

The seminal work of Porter (1990) had been influenced by the Systems Theory initiated by (von Bertalanffy & von Taschdjian, 1976), and used by (Senge 1990). Senge (1990) proposed the approach based on the activities of the Value Chain of companies, where he had argued that companies must carry out organizational arrangements to build value activities and configurations that give rise to the acquisition of competitive advantages. Therefore, it is essential to define where these advantages can be found so that the company achieves a better condition to compete and thus obtain better results than a company that is in the same sector and that has a similar strategy and does not have it. In his approaches, Porter (1990) considered the Value Chain as the analytical instrument used to determine the sources of competitive advantage. Identifying the different activities of the organization and understanding the behavior of the costs must tend towards the configuration of the organization that tends to the search for competitive advantages. Considering all this from the approach of Systems Theory, then it must be assumed that the Value Chain of the firm interacts with the Value Chain of other market actors, such as suppliers, distributors, customers, consumers, among others. In this sense, the Value

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Chain must be understood as a part of a larger and more complex system that interacts with each other, forcing it to be thought and studied from the Systemic approach point of view. On the other hand, Wernerfelt (1984) and Andrews (1977) tried to explain the reasons why some organizations manage to efficiently circumvent the markets from the approach based on the resources available to the company. This approach is based on the premise that the valuable resources that a company possesses are the sources of competitive advantages; it argues that the differences in organizational performance arise from the differences in the stocks of resources that the company has. Capabilities of an organization have been considered the most critical asset of the organization and it have been argued that such capabilities of an organization are the ones that generate competitive advantages. The main reason for this is that they are special configurations of other resources, which are given in response to internal needs. They have the character of inimitability as they are developed in special and unique conditions, difficult to reproduce in other organizations.

The Resource-Based approach focuses on a more fundamental dimension of the problem, considering the organization as a stock of resources and the generation of competitive advantages limited to the supply of these resources. The Resource-Based approach recognizes that there are valuable resources that are owned only by one or a few market participants and that the generation of competitive superiority does not take place based on the number of resources that they possess. But instead on their quality based on the value that these are in the capacity to create. In contrast, the Value Chain-Based approach associates activities with flows and is in a less fundamental but no less critical dimension. The authors argue that both approaches are rather complementary because they present two perspectives that address different aspects of the same issue. To explain their complementarity, the mentioned authors made use of a metaphor with the human body. The authors associated the activities with the general functioning of the body and the development in its daily chores. Furthermore, they associated the resources with the organs of the body, the talents of the people within the firm, and the abilities of the firm. Through the understanding of this analogy, it can be said that the behavior of individuals is different. After all, they carry out varied activities because they have resources that are varied across similar industrial sectors. No matter how talented a person is, they will not perform better if they do not put those resources to carry out activities superior to their peers. Be it as all these may, it can be said that the theory of capabilities has been an approach that complements the Resources Based approach. From a static approach, organizations are considered to have certain resources that are specific to the organization and that this resource is complemented by the dynamic process of the development of capability. Such capabilities take advantage of those resources in generating competitive advantages expressed through the guidelines of the organization as the organizational routines to determine what the company can become. It is convenient to keep in mind that capabilities arise over time, through interactions between the different resources of the companies. In this sense, the link between the resources that a company owns and the competitive advantages acquired in the market can be analyzed through the characteristics of those resources. Such work was initially carried out by Barney (1997), who had proposed the Valuable, Rare, Imitable, organized (VRIO) model. Barney (1997) stated that the main characteristics of competitive advantage have been, first, the values of the firm that must serve to respond to threats from the environment and power and seize opportunities. Secondly, these values must be rare or scarce. In other words, a competitive advantage shared by many competitors cannot be an advantage for their owners. Here comes the ideology of what is common to all; it constitutes neither advantages nor disadvantages because it would be the general situation.

2.3 Dynamic Marketing Capabilities

Dynamic capabilities emerge as an explanation of the competitive advantages for which specific organizations manage to perform better in certain markets with non-constant and unpredictable characteristics. They are understood as a set of organizational capacities that allow the organization to face the instability and uncertainty that is generated in turbulent and dynamic markets. As discussed in the above section earlier, these capabilities arise from the idea of understanding the company as a stock of abilities that includes changes and dynamism of the environment. From the works as mentioned earlier, authors such as Lihong, Casconcelos, and Nunes (2008) (Teece D., 2007) (Winter, 2003) (Zahra, Sapienza, & Davidson, 2006), among others, have tried to explain the generation of competitive advantages based on the study of dynamic capabilities. When reviewing the bibliography found, the work of Ince and Hahn (2020), who made an introductory study of the concept of Dynamic Capacities, through a chronological analysis of the available literature, must be presented with three main currents from which the capacities can be explained as dynamic. Likewise, it expresses a certain degree of turbidity in constructing the definition generated by the indiscriminate use of terms by the different authors and by the problematic separation of the more general concepts of the theory of resources and capacities. The equifinal character of dynamic capabilities should also be mentioned. That means that they are developed through internal processes in organizations and are strongly related to their core competencies but in their development. They reach a point of convergence in which characteristics can be found equal and shared with the competences of other organizations.

The fact that such shared characteristics exist does not indicate an easy imitation by the competition, due to the existence of other characteristics that are formed within organizations and that are produced in their own environments and tied to their experiences. In this regard, it is also essential to keep in mind the concept of sense-making, which allows the organization to identify specific priorities in its central structure. The search for meaning in the organization is essential to manage uncertainty and guide the group's efforts towards the most favorable decisions. Such obligatorily invites to

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develop a capacity of interpretation of the environment that surrounds the group. This ability to interpret the environment or environments is accompanied by a capacity for understanding it, which requires the organization to have updated information, understanding it through interactions with other actors and doing it collectively so that it can genuinely become group learning.

Organizations usually have a structure based on values and standards adopted by the company, which are linked and strongly linked to skills and knowledge, technical systems, and management systems; these become central rigidities that hinder the change process and, therefore, the development of the organization. Leonard-Barton (1992), presents in paradox form how the essential capacities (Core Capability) initially try to maintain the conditions of the organization as it is in the current state and then through the change of orientation of the same the change in the organization. It states that technical systems can usually generate attachment to the technologies, techniques, and routines that have previously demonstrated success; tied to these past successes, companies will seek references for solving current problems. This trend is mostly an impediment to development, which is what David J Teece (2016b) call dependency on the road. The fact that the decisions to be made are strongly influenced by the decisions made in the past management systems, as pointed out by (Leonard 1992), shape the structures of organizations in a given way, becoming impediments to considering options to operate in alternative ways that may be more appropriate. In the same way, the knowledge and skills of the company are integrated to the people, they trust the knowledge they have achieved in their history, and achieving a change in this sense would involve a training process very strongly or radically, the change of the personal. Finally, there are the values and norms, which are strongly linked to the identity and mission of the organization, which will hardly accept a change for alternative values.

2.4 Customer Loyalty

Customer loyalty has been universally recognized as a valued asset in competitive markets (Srivastava, Shervani, & Fahey, 2000). Superior customer loyalty in service industries will lead to better productivity. Several types of research had focused on probing the association of customer loyalty with its antecedents (Yi & Gong, 2008; McMullan & Gilmore, 2008). Dagger and David (2012), customer loyalty can be defined as the belief of the customers that the products or the services offering to them are the best options. Customer Loyalty generally encourages customers to buy more, spend a more significant share of the wallet from any specific organization, and feel positively related to the experience related to shopping. Customer loyalty is the critical objective of relationship management with the customers, and it describes that Loyalty is mainly established among customers, products, brands, or persons (Pan, et al., 2012).

According to Fuentes Blasco, et al. (2010), loyal customers are generally believed that products or services purchased from the supplier are very much useful to them. Oliver (1997b) says that the condition of customer loyalty can be achieved through four steps: - Cognitively Loyalty: The customer shows knowledge about the brand and buys it because he believes that it is the best existing offer. - Affective Loyalty: After repeated purchases with confirmation of the expectations of the customer, the customer develops a promising approach towards the brand. - Cognitive Loyalty: After even more time and repeated purchases, the purchases become intensely intentional with high involvement. - Action loyalty: The customer is now so devoted to the brand that he will defeat every possible barrier that can come in the way of his choice of brand to buy.

Gremler and Brown (1999) divided customer loyalty into three different categories that include behavior loyalty, intentional Loyalty, and emotional Loyalty. Behavior loyalty is repeating purchasing behavior, while intentional Loyalty is the possible buying intention. However, Emotional Loyalty is achieved when a customer feels that a brand corresponds with its value, ideas, and passion. Thomas and Tobe (2013) emphasize that “loyalty is more profitable.” The expenses to gain a new customer is much more than retaining an existing one. Loyal customers will encourage others to buy from you and think more than twice before changing their mind to purchase other services. Customer loyalty is not gained by accident; they are constructed through the sourcing and design decisions. Designing for customer loyalty requires customer-centered approaches that recognize the want and interest of the service receiver. Customer loyalty is built over time across multiple transactions. The proposed conceptual framework is shown below.

2.5 Conceptual Framework and Hypotheses

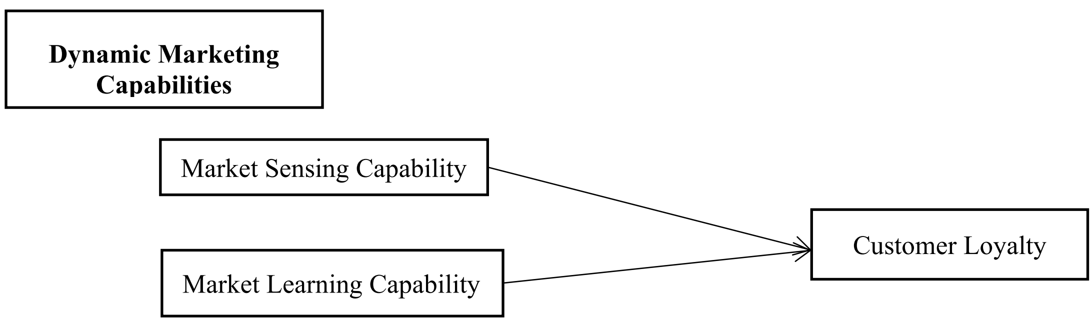

Figure 1: Conceptual Framework

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Based on the above conceptual framework, the study proposes the following hypotheses:

H1: Market sensing capability has positive and significant influence on customer loyalty in Shanghai hospitality industry.

H2: Market learning capability has positive and significant influence on customer loyalty in Shanghai hospitality industry.

3. Methodology

The descriptive-analytical approach can depict the current situation of the phenomenon under study through accurate descriptions of the problem and determine the nature of the circumstances, real practices, and realism of the problem to identify the impact of dynamic marketing capabilities on the customer loyalty in Shanghai hospitality industry.

Figure 3.3 illustrates the research process to be conducted over the study progress. As shown in figure 3.3, the problem originated for this study was the first step toward constructing this study. Based on the dramatic transformation over the last five years, the hospitality industry in Shanghai suffers from low customer loyalty while the demand for hospitality service increased rapidly. Factors that influence customer loyalty were determined by reviewing related theories that explain customer loyalty, which lead to the construct of the theoretical framework and then paved the conceptual framework proposed for this study. Based on the conceptual framework, the hypotheses are developed to achieve the objectives of this study. The following steps are planned to design the methodology of this study, starting from the planning of data collection and analysis to build bases of drawing the conclusion and recommendations.

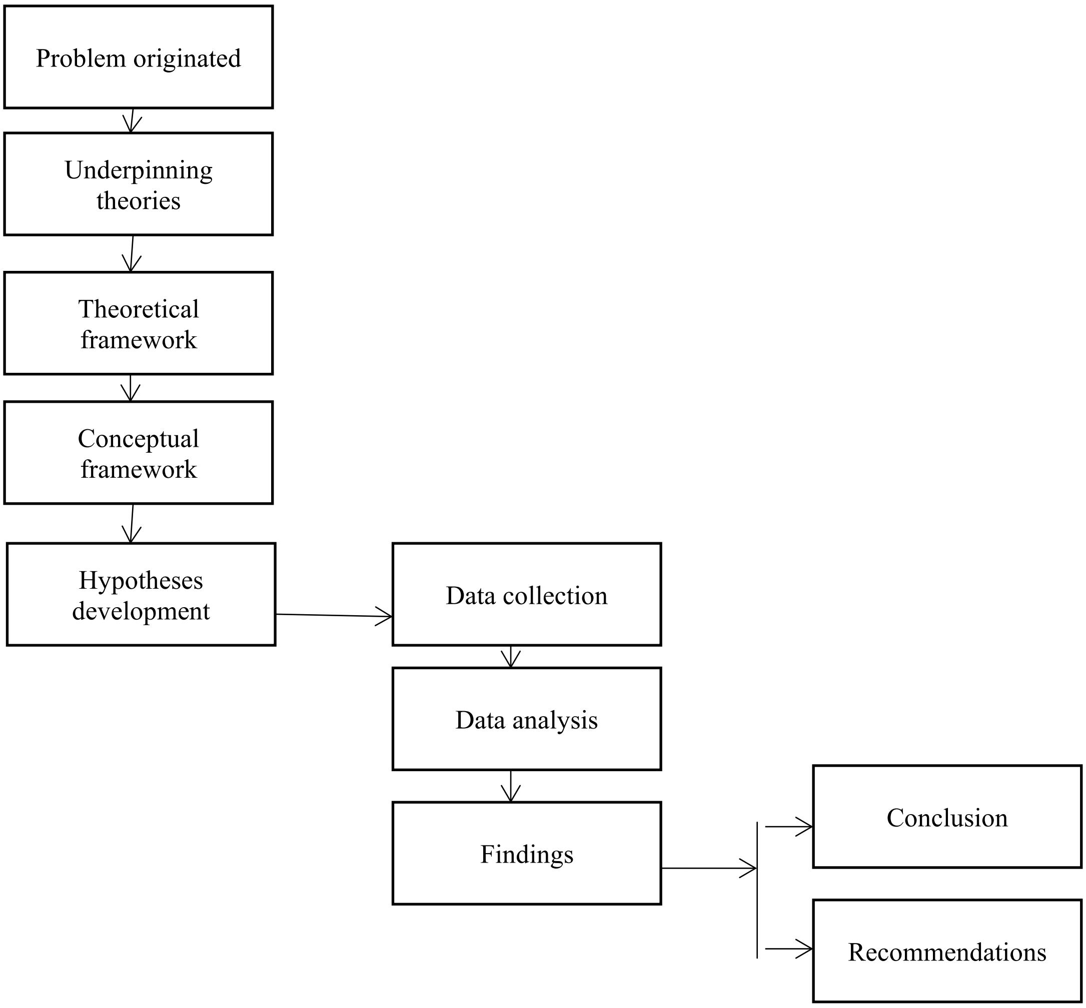

Figure 2: Research process

The current research used a questionnaire as an instrument of the present study, which is considered as the most used instrument for survey data collection. The questionnaire of this study was designed in two sections, the first was about the profiles of respondents, and the second section of the questionnaire comprised three sub-sections, as each section

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illustrates the measurements of each factor. These measurements were adapted from previous studies, as shown in Table 1, which clarifies the number of questions per element and the reference.

Table 1: Construct measurements

Number of observations	Construct	Number of items	References
1	market sensing capability	4	(Ardyan, 2016)
2	market learning capability	10	(Weerawardena, 2003)
3	customer loyalty	3	(Bodet, 2012)

The population of this study is presented by the current customers of the hospitality industry in Shanghai. G-power software was used to determine the optimal sample size of this study. Since the population of this study is non-determined, G-power software was used to identify the optimal sample size. G-power software is developed by Düsseldorf university, which was designed to calculate the optimal sample size. Based on the result obtained from G-power calculation, it is shown that the optimal sample size is 262. Additionally, the study used the SPSS program version 23 to analyze the data. Following the analysis of the data, the test results included are response rate, reliability test, correlation test, and regression test.

4. Results

This study has included several tests, which are explained and descripted as follows:

4.1 Response Rate

The response rates of the test were used to determine if the feedback received from the research sample is valid and usable for the study or not. According to the following table (table 4.1), the total number of questionnaires distributed was 315, only 34 questionnaires were not returned, which makes the returned questionnaires to be 281. Out of the 281 returned questionnaires, only 19 questionnaires were not usable due to incomplete questionnaires. To sum it up, the returned questionnaires and usable questionnaires were 262, with 83.17% rates, which means that the response rate was acceptable for further tests.

Table 2: Response Rate

Responses	Total
Distributed questionnaires	315
Unreturned questionnaires	34
Returned questionnaires	281
Incomplete questionnaires	19
Usable questionnaires	262
Response rate	83.1%

4.2 Reliability Test

The reliability test of the market sensing capability, market learning capability, and customer loyalty showed that there are significant internal consistencies for all the items of the variable. Based on the Chronbach Alpha (see table 3), the resulting values of market sensing capability, market learning capability, and customer loyalty are equal to 0.743, 0.888, and 0.896, respectively.

Table:3 Reliability test

No	Variable	Cronbach Alpha
1	Market Sensing Capability	0.743
2	Market Learning Capability	0.888

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4.3 Correlation Test

To determine the type of relationships between market sensing capability and customer loyalty and market learning capability, and customer loyalty, the correlation test is employed. Table 4 shows the significant positive associations between market sensing capability and customer loyalty. It also showed a significant positive relationship between market learning capabilities and customer loyalty with r = 0.061 and 0.053, respectively, and at a significant level = 0.000 for both connections. Table 4 shows the level of the significance of the results.

Table: 4 Correlations Test Analysis

	Independent variables	Customer Loyalty
Market Sensing Capability	Pearson Correlation	0.061**
	Sig. (2-tailed)	0.000
Market Learning Capability	Pearson Correlation	0.053**
	Sig. (2-tailed)	0.000

4.4 Regression Test

The regression test for this study was implemented to determine the future contribution of the dependent variable based on the independent variables. The multiple linear regression shows that the two variables (market sensing capability and market learning capability) have significant values less than 0.05 (0.003 and 0.002), as well as t value of greater than 1.96 (3.388 and 1.108). That means that these two variables influence customer loyalty in the multiple linear regression model.

Table 5 Regression test for the first dependent variable adequacy feature

Model	Unstandardized Coefficients	Standardized Coefficients		T	Sig.
	B	Std. Error	Beta		
(Constant)	3.890	.232		16.558	.000
Market Sensing Capability0.028	0.071	0.034		3.388	.003
Market Learning Capability	0.148	0.047	0.180	3.108	.002

5. Discussion

This study has performed several tests to identify the relationships between the independent variables and the dependent variable and to ensure that the collected data are reliable and valid for the study. The tests used in this study are the response rate, the reliability test, the correlation test, and the regression test. The most important results of the study showed are the reliability test of the market sensing capability, market learning capability, and customer loyalty variables that are significant internal consistencies for all the items of the variable. The Chronbach alpha values of market sensing capability, market learning capability, and customer loyalty variables are equal to 0.743, 0.888, and 0.896. The correlation test is employed and showed significant and positive effects on the relationships between market sensing capability, market learning capability, and customer loyalty with r = 0.061 and 0.053, respectively, marked at a significant level = 0.000 for both relationships. The regression test for this study was implemented to determine the future contribution of the dependent variable based on the independent variables. The multiple linear regression shows that the two variables (market sensing capability and market learning capability) have significant values less than 0.05 (0.003 and 0.002), and the t value is greater than 1.96 (3.388 and 1.108), which means these two variables influence the customer loyalty in the multiple linear regression model.

The findings of the previous studies support these results; where According to Garcia-Murillo and Annabi (2002) nowadays consumers have a high standard of quality of consumption of products since they take good care of the diseases that exist, which is why they are very demanding. They like that when they visit the premises That this is clean and that they are served well, and with great courtesy and kindness, for companies, it is increasingly difficult to please them, but they know that without their consumers, the company would not grow. Having clients is the most essential and precious value of any company or business. Without a customer, there is nothing there would be no reason for companies to exist. If we have customers and even better if they were loyal customers to the product or the company, everything would be fine, and companies would never feel the lack of customers.

Customer loyalty has been universally recognized as a valuable asset in competitive markets (Srivastava, Shervani, & Fahey, 2000). Superior customer loyalty in service industries will lead to better productivity. Several types of research

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6. Conclusion

The findings of the direct hypotheses testing were presented. The results mentioned evidence on the relationship between market sensing capability, market learning capability, and customer loyalty. The findings also showed that customer loyalty is influenced by market sensing capability and market learning capability.

The results of this study can be summarized in the following:

- Market sensing capability has a significant and positive influence on customer loyalty.

The result of this hypothesis showed that the t-value (C.R) and a p-value of market sensing capability in predicting customer loyalty were (3.388) and (0.009), respectively; $p< 0.05$. It means that market sensing capability has a significant and positive influence on customer loyalty.

- Market learning capability has a significant and positive influence on customer loyalty.

The result of this hypothesis showed that the t-value (C.R) and a p-value of market learning capability in predicting customer loyalty were (3.108) and 0.002; ($p<0.05$), respectively. It means that the probability of getting at-value as large as 3.108 in absolute value is (<0.05). In other words, the regression weight for market learning capability in the prediction of customer loyalty is significantly different from zero at the 0.05 level.

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