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Dynamic Marketing Capabilities and Firm Performance: A Systematic Review of Empirical Literature

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Abstract

In the past business landscape, it was crucial for companies to have dynamic marketing capabilities (DMC) to maintain their competitiveness. DMC encompasses a range of marketing mechanisms that provide sustainable competitive advantage and improve business performance. The successful implementation of DMC by global corporations, such as Nike, Coca Cola, and Amazon, involves adapting to customer behavior, using data and analytics, and valuing innovation and flexible IT solutions. Despite the significant interest in DMC, a universal model to evaluate its impact on firm performance has not been established. The contextual nature of Dynamic Marketing Capabilities and the lack of consensus on its definition highlights the need for a theoretical framework to guide future empirical research and establish a clear understanding of the concept.

Keywords: *Dynamic Marketing Capabilities; Firm Performance.*

INTRODUCTION

In today's rapidly changing business environment, firms need to be agile and adaptable to stay competitive (Juan et al, 2014). For this reason, many companies prioritize developing their marketing resources and capabilities (Bruni, 2009). Moreover, market research generates knowledge that empowers companies to effectively adapt to changing markets. This adaptive capacity is a potential catalyst for improved business performance. Scholars have coined the term "dynamic marketing capabilities" (DMC) to refer to the range of marketing mechanisms that support sustainable competitive advantage and enhance business performance (Cavusgil et al. 2007; Fang and Zou 2009). The concept of DMC has become an interesting topic of research due to the successful adoption of Dynamic Marketing Capabilities (DMC) by numerous sustainable and global firms as noted by Forbes, owing to the positive outcomes it has yielded.

In accordance with the previous explanation, many firms have implemented dynamic marketing capabilities into their strategy. The first example is Nike. By sensing and adapting to customer behavior, Nike uses social media to engage with consumers and create tailored products and marketing campaigns. For example, Nike's "Flyknit" shoe was developed to meet customer demand for lightweight, breathable footwear and was promoted to specific customer segments. (Mahdi, 2015). Coca cola is another example of a company that has effectively implemented dynamic marketing capabilities. By using data and analytics to create personalized marketing campaigns based on real-time consumer behavior, the company stays ahead of changing preferences and market conditions (Lynch, 2018). Other example is Amazon. By valuing innovation and flexible

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IT solutions, Amazon was able to use DMC to adapt marketing efforts to the specific needs of different customer segments and personalize their offerings to enhance customer satisfaction (Jan, 2014). Therefore, the extensive implementation of dynamic marketing capabilities (DMC) in global corporations should be further explored.

Several studies have been conducted to explore the concept of Dynamic Marketing Capabilities (DMC) from various perspectives in marketing and business (Mitegra, 2020). Some of the research topics that have been investigated in relation to DMC include the development of DMC models (Molina, 2017; Amirul, 2022) and the impact of DMC on firm performance and competitive advantage (Morgan, 2011; Cacciolatti, 2016; Jeng, 2014). However, despite the significant interest, none of these studies have developed a universal model that can be applied to all research subjects and settings to assess their impact on firm performance. The previous research revealed that the model is context-dependent and varies depending on the researcher's focus, and there is no global consensus on dynamic marketing capabilities.

As a result, the wide range of topics and ideas explored in research on marketing and dynamic capabilities makes it difficult to compare results and develop a clear understanding of dynamic marketing capabilities. Therefore, there is a need to establish a theoretical foundation for dynamic marketing capabilities to aid future empirical research and establish a clear definition of the concept.

LITERATURE REVIEW

The Concept of Dynamic Marketing Capabilities

The concept of dynamic capacities has received a lot of attention in the literature (Teece et al., 1997; Helfat, 1997; Martin, 2000). It refers to a company's ability to integrate, grow, and reconfigure internal and external skills in order to deal with rapidly changing environments. The concept of "dynamic resource management," according to Wernerfelt, emphasized the significance of finding a balance between utilizing current resources and creating new ones in order to maintain competitive advantages (Wernerfelt, 1984). Furthermore, Hiroyuki emphasized the importance of resource management that aligns with future objectives, a notion similar to "resource fit" (Hiroyuki, 1987). Teece further divided dynamic talents into three categories: the ability to recognise and shape opportunities and threats, the ability to capitalize on opportunities, and the ability to extend, integrate, protect, and reconfigure tangible and intangible resources (Teece, 2007, 2018). Kwon (2013) investigated the influence of dynamic capabilities on the success of high-tech enterprises, categorizing them into three types: environment sensing capability, innovative reacting capability, and resource renewing capability. When it comes to marketing capabilities, Day (1994) proposes two types: outside-in capabilities, which accurately anticipate changes in external markets, and inside-out capabilities, which focus on managing in-house company resources.

The two components of dynamic marketing capabilities are market-reacting capabilities and marketing resource-rebuilding capabilities (Griffith et al., 2006; Bruni & Verona, 2009). Marketing capabilities are the knowledge and skills of a company's marketing professionals that are used to produce customer-satisfying results (Bush et al., 2011). They are the recurrent patterns that a corporation uses to efficiently meet its market-related needs (Chang et al., 2010), and they include combining market knowledge and organizational resources to develop added value (Vijande-S et al., 2012). Marketing capabilities are built when marketing personnel consistently apply their knowledge and skills to solving marketing challenges for the firm, and they are represented in a firm's organizational procedures and performance (Chang et al., 2010; Vorhies and Morgan, 2005). The overall effect of the adjustments and methods implemented determines the degree of exploration and exploitation in marketing capabilities (Voss, 2012). Marketing synergy is defined by Henard and Szymanski (2001) as the congruency between the firm's existing marketing talents and the marketing skills required to execute a new product venture successfully. Rather than guaranteeing the congruence or fit of abilities to proposed methods, the strategies implemented may improve or replace prior marketing approaches (Voss, 2012).

Marketing capabilities and its impact

Multiple studies have consistently found a positive relationship between company success and marketing capability (Gima et al., 2011; Krasnikov, 2008). The basic premise of this relationship is founded on the idea that capabilities are talents that are firmly buried in organizational routines and practises, representing knowledge that has been collected over time. As a result, capabilities are difficult to trade, mimic, or replicate, and thus serve as a long-term source of competitive advantage (Teece et al., 1997). Furthermore, marketing capabilities enable enterprises to apply customized strategy orientations to meet market conditions and accomplish specific performance goals (Morgan et al., 2009). The relationship between organizational culture and marketing capabilities is marked by asset interdependence, which makes it difficult for competitors to extricate. Therefore, possessing a favorable organizational culture, robust marketing capabilities, and supportive organizational processes are critical drivers of competitive advantage and performance outcomes (Amit, 1993). The significance of marketing capability in enhancing firm performance has captured the attention of marketing scholars, as it refers to a company's ability to comprehend and predict customer needs more effectively than its rivals and to successfully connect its offerings with its customers (Mu, 2015). Marketing capability is defined as a firm's ability to use its tangible and intangible resources to grasp intricate customer-specific needs, accomplish product differentiation relative to competitors, and achieve superior performance (Mu, 2015; Song, 2005).

According to the capability-based approach, having distinct capabilities can give a company a competitive edge. These capabilities must be continually developed in order to maintain and expand current capabilities and prevent imitation. The ability of a company to distinguish its goods and services from those of its rivals, build strong brands, and establish successful brands that allow it to command premium prices in foreign markets, thereby increasing profitability, is a sign of its marketing prowess (Weerawardena, 2003). A firm's capabilities are only a source of competitive advantage if they cannot be easily imitated by competitors. Therefore, the potential drivers of competitive advantage for a firm are those capabilities that are challenging to create and replicate (Pavic et al., 2003). Competitive advantage may arise from any aspect of a firm's product or service, but when the components are synergistic, the combined effect is greater than the sum of its individual parts. Marketing capabilities, as described by Vorhies (1998), allow firms to provide superior value and adapt to changing market conditions by fulfilling the market-related needs of the business, utilizing accumulated knowledge of clients, markets, and the environment, as well as the experience and resources of individuals within the company, to solve commercial problems and create higher value for clients, leading to a competitive advantage. Thus, the acquisition and maintenance of marketing capabilities play a critical role in achieving and retaining a competitive advantage (Corso, 2006).

Marketing Capabilities: A Review of Empirical Research

Marketing capabilities were found to have a positive relationship with performance, with marketing capabilities enabling firms to effectively implement strategic orientations designed to achieve specific performance objectives and being mostly related to overall company performance (Krasnikov, 2008; Mason et al., 2009; Murray et al., 2011). The findings support the existence of a positive association between marketing capabilities and competitive advantage, with marketing capabilities defined as the collected knowledge and skills of the firm's marketing workers used to promote customer pleasure (Bush et al., 2011). This is consistent with the literature, which identifies marketing competencies as critical variables in achieving and maintaining competitive advantage (Corso et al., 2006).

CONCLUSION

The article discusses the concept of dynamic capabilities and its subsets, as well as marketing capabilities, which refer to a company's ability to understand and meet customer needs, achieve product differentiation and superior performance. The literature consistently shows a positive association between marketing capabilities and firm performance, as they represent skills that are difficult to trade, imitate, or replicate. Possessing a favorable organizational culture, robust marketing capabilities, and supportive organizational processes are critical drivers of competitive advantage and performance outcomes. Competitive advantage arises from capabilities that are challenging to create and replicate, and the potential drivers of competitive advantage for a firm are those capabilities that are challenging to create and replicate. Marketing capabilities play a critical role in achieving and retaining a competitive advantage.

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