




“From organizational agility to brand equity: Customer-perceived dynamic capabilities and service innovation”

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FROM ORGANIZATIONAL AGILITY TO BRAND EQUITY: CUSTOMER-PERCEIVED DYNAMIC CAPABILITIES AND SERVICE INNOVATION

Abstract

Organizational agility and service innovation have become critical strategies for strengthening customer-based brand equity in highly competitive hospitality markets. However, how customers perceive firms' dynamic capabilities and how such perceptions translate into brand-related outcomes remains insufficiently understood. Drawing on perception-based extensions of dynamic capabilities theory, this study examines the direct and indirect effects of customer-perceived dynamic capabilities on customer-based brand equity, with customer-perceived service innovation as a mediating mechanism, in the Indonesian hotel industry. Data were collected from 340 customers who stayed at three- to five-star hotels in Indonesia between June and August 2024 using a structured questionnaire. Two-stage Structural Equation Modelling (SEM) approach was employed to test the proposed relationships. The results indicate that customer-perceived dynamic capabilities have a significant positive effect on customer-based brand equity ($\beta = 0.389$, $p < 0.001$) and on customer-perceived service innovation ($\beta = 0.768$, $p < 0.001$). Customer-perceived service innovation positively influences customer-based brand equity ($\beta = 0.309$, $p < 0.001$) and partially mediates the relationship between dynamic capabilities and brand equity. Existing brand strength positively moderates the relationship between customer-perceived dynamic capabilities and perceived service innovation ($\beta = 0.109$, $p < 0.001$), while no moderating effect is observed between service innovation and brand equity. The model explains 77.78% of the variance in customer-based brand equity and 68.10% of the variance in customer-perceived service innovation. These findings demonstrate that dynamic capabilities contribute to brand equity not only through innovation outcomes but also as customer-recognized signals of organizational adaptability in service-intensive contexts.

Keywords

dynamic capabilities, service innovation, brand equity, brand strength, hospitality, customer perception

JEL Classification

M31, L83, O32

INTRODUCTION

The global hospitality market is experiencing a strong post-pandemic recovery, with market value projected to rise from approximately US\$4.7 trillion in 2023 to nearly US\$5.0 trillion in 2024, driven by renewed travel demand and increased competition (Donnellan, 2024). Hospitality services are directly contributing to economic recovery as they produce jobs, earn foreign exchange, and stimulate service sector growth. Customer centric and technology enabled services are the new mantra in the hospitality sector, compelling brands to innovate their offerings beyond the customary hospitality service (EHL Insights, 2025).

Consequently, hotels are investing heavily in organizational dynamic capabilities and service innovations (e.g., AI-enabled concierge systems, mobile-based check-in technologies, and mobile-based recommendation systems). However, these investments are not leading to

brand equity enhancements. Despite the importance of organizations' dynamic capabilities and service innovations, there is a lack of empirical evidence concerning how customers are evaluating these organizational capabilities and how this evaluation may be influencing customer-based brand equity in developing markets. Despite the substantial recognition within industry of operational and financial advantages, the extent to which the customer contributes to the evaluation of service changes via organizational capability is not well understood.

This is particularly true in emerging markets where the industry recovers, infrastructure improves, and competition increases, thus new technology may not add to brand equity if customers perceive it as having low relevance or value for them. Consequently, understanding how customers sense organizational agility and service innovation is critical for developing hospitality branding theory and practice within developing economies.

1. LITERATURE REVIEW AND HYPOTHESES

Literature within hospitality management has increasingly focused on the importance of branding, organizational agility and service innovation in affecting guest responses and creating competitive advantage. In the context of hotels as experiential, intangible and co-created services, the value of a brand emerges through the interpretation and evaluation of service experiences over time. More recently, hospitality and marketing studies have argued that, given the increased competition in the post-pandemic period, hotels need to align their innovation, agility, and branding strategies to improve CBBE (Seo & Shulga, 2024; Akbari et al., 2021). This is supported by research indicating that experience-related innovation has become a threshold requirement rather than a differentiator in the hotel industry among younger digital-age travelers (Maglovska, 2025). Hospitality firms have also moved towards competing on their ability to continuously reconfigure brand meaning through adaptive service design rather than pursuing static brand positioning (He & Zhang, 2022).

The CBBE concept, defined in brand equity literature as the differential effect that brand knowledge affects consumer response to brand marketing (Aaker, 1991; Keller, 1993), highlights the experiential constructs (i.e., sensory, emotional, behavioral, and cognitive) that contribute to brand equity in hospitality. These constructs have an impact upon satisfaction, loyalty, and advocacy (Manthiou et al., 2015; Guan et al., 2021). Recent studies have found that emotional storytelling, multisensory branding and engaging service de-

sign increase brand attachment and memorability (Iglesias et al., 2023; Gedia et al., 2024), especially in experience-intensive services, such as hotels. Other empirical research delivers the conceptual basis for customer engagement being the key psychological mechanism that firms can leverage to create brand equity and loyalty outcomes for their experiential branding efforts in a hospitality context (Hollebeek & Macky, 2022). For example, engagement driven brand effects are likely to occur when the customer's service encounter is perceived to be authentic, coherent, and congruent with brand promises (Chen & Chou, 2025).

Digital transformation has led to a fundamental change in these experiential brand-building processes and the ways in which brand value is created, negotiated, and contested in hospitality markets. Online review platforms, social media, and travel intermediaries have amplified customer voice and reduced managerial control over brand meaning, increasing the importance of consistent and credible service delivery (Khaki & Khan, 2024). However, insufficient or excessive personalization can cause a reduction in trust and provoke a reactive backlash (Blümel et al., 2024; Dwivedi et al., 2023) despite reports of growing personalization of services based on data and AI. Concerns about authenticity have also grown as providers of services, are evaluated on sustainability principles and innovation practices that they do not exhibit toward their own services (Hornig et al., 2018; Giannoukou, 2024).

Recent hospitality research further shows that technology-mediated experiences create value only when digital interfaces complement, rather than replace, human-centered service interactions (Zhang

et al., 2022). Accordingly, the use of real-time information and the design of smart hospitality systems have been articulated as co-creation strategies that should be carefully orchestrated to reduce feelings of intrusiveness and value degradation (Buhalis & Sinarta, 2019). The management of such challenges requires organizational abilities that can support hotels in adapting their service design, technology, and brand promises to effectively respond to evolving guest needs and expectations.

Dynamic capabilities theory has been foundational to the understanding of how service firms deal with dynamic environments through sensing opportunities, seizing resources, and reconfiguring organizational operations (Teece et al., 1997). More recent extensions stress customer-facing and perception-based dynamic capabilities, arguing that adaptiveness must be visible and communicable to customers to create market value (Qiu et al., 2022; Prester, 2023). Relatedly, in service research, dynamic capabilities have also been understood as relational, interactional processes aimed at reconciling internal renewal and customer value creation, and from a service perspective, the perceived adaptability of a firm can be seen as a signal to customers of the firm's innovativeness and planned ability (Prester, 2023).

Dynamic capabilities also allow accommodation businesses to introduce service innovations that respond to technological changes and customer preferences (Kankam-Kwarteng et al., 2022). Service innovation has been consistently linked to enhanced perceptions of service quality and experiential value when customers recognize innovations as relevant and meaningful (Gedia et al., 2024; Mohammad et al., 2024). Innovations such as mobile check-in, AI-enabled concierge services, and personalized recommendation systems have been shown to influence customer satisfaction and loyalty, particularly when they improve convenience and emotional engagement (Hofacker et al., 2016; De Keyser et al., 2019). However, innovation outcomes are not uniform; customer evaluations mediate whether innovation investments translate into brand-related benefits (Füller et al., 2014).

In this study, dynamic capabilities are not conceptualized as internally embedded managerial routines or strategic decision-making processes that

are typically inaccessible to customers. Instead, dynamic capabilities are operationalized as customer-perceived manifestations of organizational adaptability observable through service encounters. Customers do not directly evaluate firms' internal sensing, seizing, and reconfiguring mechanisms; rather, they infer these capabilities from visible signals such as responsiveness to changing needs, flexibility in service delivery, and the firm's ability to adjust and improve services over time. This perception-based conceptualization aligns with recent extensions of dynamic capability theory, which emphasize that organizational adaptiveness must be recognizable and meaningful to market actors to generate value in service contexts (Qiu et al., 2022; Prester, 2023).

Service innovation has thus been increasingly theorized as a co-creation process, where customer interpretations determine the extent to which new service offerings create experiential and symbolic value (Helkkula et al., 2023). Relational governance and frontline interaction quality further shape how customers assess the relevance and legitimacy of service innovations (Sjödin et al., 2022).

Brand strength further conditions these relationships. Strong brands function as trust mechanisms that reduce perceived risk and encourage customer openness to new services (Lee & Jeong, 2017; Manthiou et al., 2015). Recent research in marketing suggests brand equity may also be an antecedent and context for innovation by affecting how customers evaluate and adopt new service innovations (Keller & Swaminathan, 2019; Seo & Shulga, 2024). This is a calculated tension because strong brand heritage serves the legitimacy of innovation yet at the same time constrains the perception of innovation (Chen & Chou, 2025). The contradictory effects of reputation and levels of securing expectations on innovation are observed in hospitality brands where a good reputation already exists (Ásgeirsson et al., 2024). In contrast, weak or inconsistent branding has been found to impede the acceptance of innovation despite strong organizational capabilities (Guan et al., 2021).

Taken together, these studies suggest that branding, dynamic capabilities, and service innovation are closely interrelated. Still, their interplay is not understood sufficiently from a customer

perspective and, furthermore, prior research has treated branding, dynamic capabilities, and service innovation mostly separately or with a perspective aligned with the firm. While few researchers have studied the relationships between perceived organizational capabilities, perceived service innovation, and CBBE from customers' perspective in emerging markets (Ali et al., 2018; Khan et al., 2020; Motamedimoghadam et al., 2025), emerging-market hospitality management studies suggest that the institutional context, technology preparedness, and service expectations shape customers' perceptions of service innovation and brand equity (Chen et al., 2026).

These contextual differences underscore the need for integrative, perception-based models that move beyond firm-centric explanations (Laya et al., 2018). As service norms, technological readiness, and value assessments vary across institutional environments, this gap limits both theoretical integration and managerial relevance in hospitality branding research.

Building on the perception-based conceptualization of dynamic capabilities, this study assumes that customers do not evaluate firms' internal strategic routines directly. Instead, they interpret organizational agility through observable service encounters, such as responsiveness to changing needs, flexibility in service delivery, and continuous service improvement. These customer-perceived manifestations of dynamic capabilities operate as market-facing signals that shape how customers assess service innovation and brand-related outcomes in hospitality contexts. From a customer perspective, organizational adaptability becomes meaningful when it is translated into visible service changes that enhance convenience, relevance, and experiential value. Accordingly, customer-perceived dynamic capabilities are expected to positively influence customer-perceived service innovation and customer-based brand equity.

Service innovation represents the primary mechanism through which adaptive organizational behavior becomes tangible to customers. When innovation is perceived as relevant and valuable, it should reinforce favorable brand associations, perceived quality, and loyalty, thereby strengthening customer-based brand equity. Besides, prior research suggests that customer evaluations of adaptive behavior and innovation are shaped by preexisting brand-related

beliefs. Strong brands can legitimize organizational change and reduce uncertainty associated with new services, potentially amplifying the effect of customer-perceived dynamic capabilities on perceived service innovation. However, once service innovations are experienced, their contribution to brand equity is likely to depend more on experiential value than on brand heritage alone.

Therefore, this study aims to examine the direct and indirect effects of customer-perceived dynamic capabilities on customer-based brand equity, with customer-perceived service innovation as a mediating mechanism, in the Indonesian hotel industry. Accordingly, the following hypotheses are proposed:

- H1: Customer-perceived dynamic capabilities positively influence customer-perceived service innovation.*
- H2: Customer-perceived service innovation positively influences customer-based brand equity.*
- H3: Customer-perceived dynamic capabilities positively influence customer-based brand equity.*
- H4: Customer-perceived service innovation mediates the relationship between customer-perceived dynamic capabilities and customer-based brand equity.*
- H5: Existing brand strength moderates the relationship between customer-perceived dynamic capabilities and customer-perceived service innovation.*
- H6: Existing brand strength moderates the relationship between customer-perceived service innovation and customer-based brand equity.*

2. METHODOLOGY

This study employed a quantitative, explanatory research design to examine the relationships among customer-perceived dynamic capabilities, customer-perceived service innovation, and customer-

based brand equity in the Indonesian hotel industry. Survey method was adopted to obtain primary data directly from hotel guests, enabling empirical testing of the proposed theoretical model using Structural Equation Modelling (SEM), which is appropriate for analyzing complex relationships among latent constructs (Hair et al., 2022).

Data were collected between June and August 2025 across major tourism and urban destinations in Indonesia, namely Jakarta, Surabaya, Yogyakarta, and Bali, where competitive intensity and innovation activity are high. The data collection period coincided with the post-pandemic stabilization phase of the hospitality industry, allowing customer evaluations to reflect relatively stable service operations and ongoing digital transformation initiatives. Following data collection, the study involved multiple stages of instrument validation, data screening, and robustness checks prior to final SEM estimation and manuscript preparation. To ensure sufficient statistical power for the SEM, the minimum sample size of 340 respondents used in this study is higher than the minimum sample size determined through G*Power analysis and the recommendations of prior studies on the sample size required to execute an adequate SEM (Hair et al., 2022). After omitting incomplete, inconsistent, and patterned responses, a total of 340 questionnaires were used for analysis.

Data were collected using a mixed-mode survey strategy. Online questionnaires were distributed via Google Forms through hospitality-related social media channels, customer mailing lists, and online travel communities. To reduce sampling bias in online surveys, offline intercept surveys were also conducted in hotel lobbies and tourism hubs, enabling the inclusion of respondents who might be underrepresented on digital channels. Prior to the main survey, a pilot test involving 30 hotel customers was conducted to assess item clarity, linguistic appropriateness, and response reliability. Based on the pilot results, minor wording adjustments were made to improve item comprehension and contextual relevance. Customers are not assumed to possess explicit knowledge of firms' internal routines or processes; rather, they infer organizational agility through repeated service encounters, observable service adaptations, and consistent improvements in service delivery over time.

The instrument is a structured questionnaire that uses a seven-point Likert scale, ranging from 1 to mean "strongly disagree" to 7 to mean "strongly agree". Customer-Perceived Dynamic Capability is constructed from six items based on Teece (2007) and Wilden and Gudergan (2015), which capture customers' perceptions of hotels' adaptability, responsiveness, and service reconfiguration as experienced through service encounters. The construct of Customer-Perceived Service Innovation was measured with six items adapted from Ordanini and Parasuraman (2011) and Witell et al. (2016). This reflects the perceived novelty, utility, and enhancement in service delivery. The wording of items referring to service reconfiguration reflects customers' perceived outcomes of operational changes, rather than direct assessments of internal processes. Customer-Based Brand Equity is a four-dimensional construct. It was measured using four items adapted from Yoo and Donthu (2001) and Keller (2003). Those items include brand awareness, brand image, perceived quality, and brand affection. Existing brand strength was assessed with three items. The items, adapted from Fombrun and Shanley (1990), measured perceived reputation and strength.

Content validity was ensured through expert evaluation by three scholars in hospitality and marketing, who assessed conceptual relevance, clarity of wording, and contextual suitability for the Indonesian hotel industry. Minor revisions were made following their feedback. Ethical considerations were strictly observed throughout the study. Participation was voluntary, informed consent was obtained from all respondents, and anonymity was guaranteed by collecting no personally identifiable information. The data were used exclusively for this study and have not been employed in prior publications. The item questionnaire is provided in Appendix A.

Comprehensive respondent characteristics are presented in Table 1, including gender, age, profession, purpose of stay, domicile, preferred hotel category, and visit frequency. These characteristics provide important contextual information for interpreting customer perceptions of service innovation, organizational capabilities, and brand equity in the hospitality sector.

Table 1. Demographic profile of respondents (n = 340)

Variable	Category	n	%
Gender	Male	147	43.24
	Female	193	56.76
Age (years)	16-20	23	6.77
	21-25	56	16.47
	26-30	64	18.82
	31-35	97	28.53
	36-40	52	15.29
	>40	48	14.12
Profession	Student	42	12.35
	Employee	127	37.35
	Professional	64	18.82
	Entrepreneur	107	31.47
Purpose of stay	Holiday	92	27.06
	Business trip	175	51.47
	Other	73	21.47
Domicile	Jakarta	204	60.00
	Surabaya	52	15.29
	Yogyakarta	48	14.12
	Bali	36	10.59
Hotel category most visited	3-star	73	21.47
	4-star	213	62.65
	5-star	54	15.88
Visit frequency (per year)	Once	42	12.35
	2-3 times	236	69.41
	>3 times	62	18.24

3. RESULTS

The analysis was conducted using data from 340 valid respondents who had stayed at three- to five-star hotels in Indonesia. Female respondents accounted for 56.76% of the sample, while male respondents represented 43.24%. The largest group were aged 31-35 years at 28.53%, followed by 26-30 years at 18.82% and 21-25 years at 16.47%. Employed individuals were the largest occupational group (n = 318, 37.35%), entrepreneurs were next (n = 181, 27.06%), and professionals followed (n = 85, 12.94%). Businesses made up most stays (51.47%) and most respondents lived in major metropolitan areas such as Jakarta or Surabaya. Four-star hotels were the most frequently visited category (62.65%). Detailed respondent characteristics are presented in Table 1.

The measurement model was assessed in terms of reliability and validity. The indicator loadings were all higher than the minimum value of 0.70, showing indicator reliability. Internal consistency reliability was also assessed through three common approaches: Cronbach's Alpha, rho_A and com-

posite reliability. All values for these three were high (ranging from 0.857 to 0.952). Convergent validity was also satisfactory as all AVE values were above 0.50.

Customer-Based Brand Equity (CBBE) was modeled as a second-order reflective construct using a two-stage approach. The higher-order construct demonstrated strong reliability (CR = 0.919; AVE = 0.740), confirming that brand awareness, brand image, perceived quality, and brand loyalty adequately represented the CBBE construct. Discriminant validity was verified using the Fornell-Larcker criterion and HTMT ratios. Overall, the measurement model satisfied established psychometric criteria. Measurement results are summarized in Table 2.

Structural relationships were examined using PLS-SEM. Customer-perceived dynamic capability had a strong positive effect on customer-perceived service innovation ($\beta = 0.768, p < 0.001$). The customer perceived that service innovated, which directly and importantly affected customer-based brand equity ($\beta = 0.309, p < 0.001$).

Table 2. Reliability and validity assessment of the measurement model

Construct	Item	Indicator	Loading	α	ρ_A	CR	AVE
Customer-Based Brand Equity (HOC)							
	LV scores – Brand Awareness		0.924	0.881	0.897	0.919	0.740
	LV scores – Brand Image		0.864				
	LV scores – Perceived Quality		0.902				
	LV scores – Brand Loyalty		0.740				
Customer-Perceived Dynamic Capability							
	CPDS1		0.860	0.883	0.884	0.912	0.635
	CPDS2		0.835				
	CPDS3		0.834				
	CPDS4		0.761				
	CPDS5		0.811				
	CPDS6		0.663				
Customer-Perceived Service Innovation							
	CPSI1		0.897	0.921	0.927	0.939	0.721
	CPSI2		0.891				
	CPSI3		0.904				
	CPSI4		0.865				
	CPSI5		0.812				
	CPSI6		0.709				
Existing Brand Strength							
	EBS1		0.843	0.857	0.859	0.903	0.701
	EBS2		0.869				
	EBS3		0.889				
	EBS4		0.741				

Besides, direct and meaningful positive effect existed in customer-perceived dynamic capability and customer-based brand equity ($\beta = 0.389, p < 0.001$). Mediation analysis revealed that customer-perceived service innovation partially mediated the relationship of customer-perceived dynamic capability with customer-based brand equity ($\beta = 0.237, p < 0.001$).

Moderation analysis showed that existing brand strength positively moderated the relationship between customer-perceived dynamic capability

and customer-perceived service innovation ($\beta = 0.109, p < 0.001$). However, no moderating effect was observed between customer-perceived service innovation and customer-based brand equity ($\beta = -0.033, p = 0.111$), as shown in Figure 1. The model explained 77.8% of the variance in customer-based brand equity and 68.1% of the variance in customer perceived service innovation. Predictive relevance ($Q^2_{predict}$) values were positive, and variance inflation factors indicated no multicollinearity. Hypothesis testing results are presented in Table 3.

Table 3. Structural model results and hypothesis testing

Hypothesis	Path	β	p-value	Decision
H1	Customer-Perceived_Dynamic Capability → Customer-Perceived Service Innovation	0.768	0.000	Supported
H2	Customer-Perceived Service Innovation → Customer-Based Brand Equity	0.309	0.000	Supported
H3	Customer-Perceived Dynamic Capability → Customer-Based Brand Equity	0.389	0.000	Supported
H4	Customer-Perceived Dynamic Capability → Customer-Perceived Service Innovation → Customer-Based Brand Equity	0.237	0.000	Supported
H5	Existing Brand Strength x Customer-Perceived Dynamic Capability → Customer-Perceived Service Innovation	0.109	0.000	Supported
H6	Existing Brand Strength x Customer-Perceived Service Innovation → Customer-Based Brand Equity	-0.033	0.111	Not supported

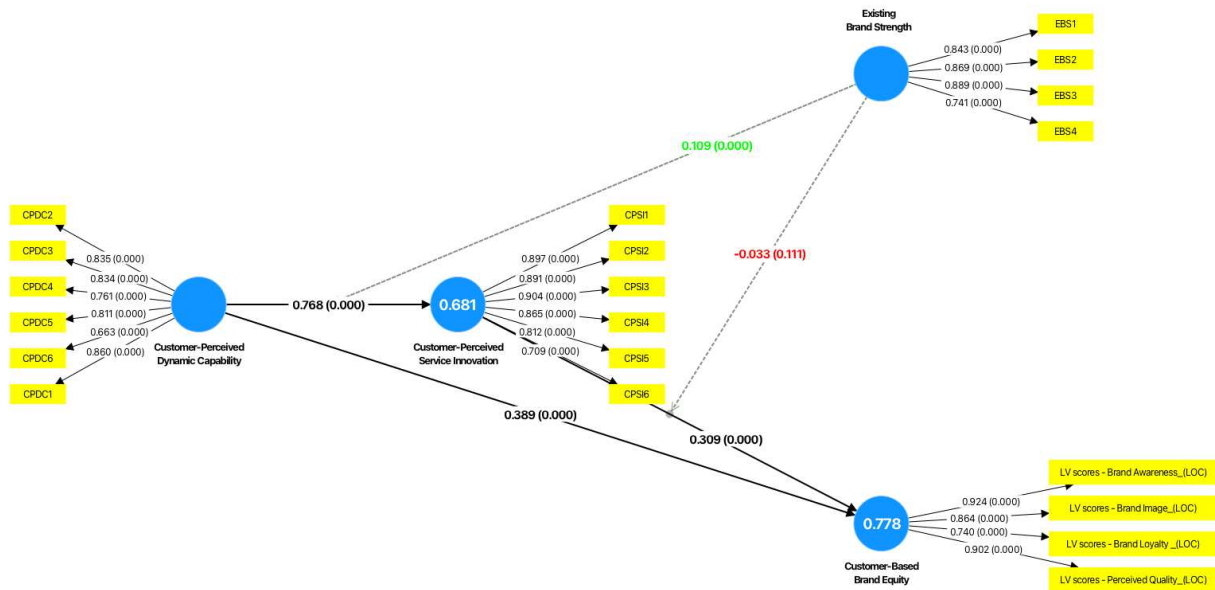


Figure 1. Model results with standardized path coefficients

4. DISCUSSION

This study provides robust empirical evidence that customer-perceived dynamic capabilities constitute an important mechanism through which hotels create perceived service innovation and customer-based brand equity (CBBE), thus contributing novel insights to the hospitality literature. In line with the recent emphasis on perceptibility and market-based adaptiveness as extensions of DC theory (Qiu et al., 2022; Prester, 2023), our findings show that DCs are perceived by consumers during service encounters as salient behavioral patterns which they are able to cognize, rather than internal Sensing-Seizing-Reconfiguring routines as conceptualized by prior hospitality studies that have explored dynamic capabilities on the firm level as calculated resources ((Teece et al., 1997; Ziyae & Golmohammadi, 2021; Kankam-Kwarteng et al., 2022)). This acknowledges that for DCs to be perceived as part of innovation and brand equity, they must first be salient and meaningful to customers. Thus, it links calculated management and hospitality branding research from the consumer perspective.

The close relationship between customer-perceived dynamic capabilities and CBBE extends brand equity theory (Aaker, 1991; Keller, 1993). Several hospitality studies have investigated experiential branding, emotional engagement and service design as antecedents of brand equity (Iglesias et al., 2023;

Hollebeek & Macky, 2022). Overall, it appears that perceived organizational flexibility is a brand-relevant construct as, in fast moving service businesses, consumers view flexibility, responsiveness, and continuous improvement as credible drivers of dependability. This work supports signaling theory in brand management by showing that flexibility appears to improve brand equity independent of the actual utility of innovations in meeting future demand.

The mediating role of PSI confirms previous findings that innovation improves experiential value and service quality when customers believe innovation to be relevant (Gedia et al., 2024; Mohammad et al., 2024). Our results extend existing research on innovation as translation in that adaptive OCB is important for the brand only if it results in service improvements perceived as relevant by customers. This matches co-creation perspectives and the general finding that innovation outcomes are driven by customer interpretation rather than being automatic brand benefits (Füller et al., 2014; Helkkula et al., 2023).

The findings from the moderation analysis provide additional theoretical implications, where the asymmetric moderating effect of preexisting brand strength on the relationship of dynamic capabilities and perceived service innovation supports the idea that strong brands are trust and legitimacy mechanisms (Lee & Jeong, 2017; Seo & Shulga, 2024). The findings suggest a moderating role of brand heritage that reduces the uncertainty and legitimizes adap-

tive behavior, while consumers are more likely to accept organizational change. However, the moderating role of brand equity on service innovation is weakened by the experiential value of the service rather than any previously held beliefs. This aligns with those suggesting that innovation has become a threshold offering in contemporary hospitality markets, rather than a unique source of competitive advantage (Maglovska, 2025), meaning brand strength can strengthen the positive effect of innovation but cannot outweigh the experiential judgement.

The results are particularly relevant in emerging markets where institutional context, technology readiness, and service expectations influence the consumer's response to innovation and branding (Chen et al., 2026). Filling this gap in the emerging hospitality context, we find that customers do not reward innovation per se, but reward perceptible adaptability that translates into desired service experience. Thus, this study seeks to fill the gap regarding customer evaluation of organizations' capabilities and how their evaluation relates to CBBE (Ali et al., 2018; Khan et al., 2020).

Taken together, the study contributes to hospitality branding literature in three ways: It reconceptualizes dynamic capabilities as customer-perceived market signals instead of merely managerial processes; it integrates dynamic capabilities, service innovation, and customer-based brand equity (CBBE) into a single perception-based model, responding to calls to theorize integrative models beyond firm-centric logics (Laya et al., 2018). Third, it presents the contingent role of brand strength, whereby brand heritage legitimizes but does not supplant experiential value in innovation adoption.

In a dynamic competitive, tech-enabled hospitality environment, adaptive capability generates brand equity by renewing operations as well as relevant perceptions of brand agility, brand relevance and co-created experiences. For example, the development of AI-enabled concierge systems, mobile check-in and service personalization are likely to benefit hospitality brand equity when consumers perceive them to fit the brand promise or improve service quality.

CONCLUSION

This study aims to examine the direct and indirect effects of customer-perceived dynamic capabilities on customer-based brand equity, with customer-perceived service innovation as a mediating mechanism, in the Indonesian hotel industry. Using survey data from hotel guests in Indonesia and structural equation modelling, the study provides empirical evidence clarifying how organizational adaptability is translated into brand value from the customer's perspective.

The results indicate that customer-perceived dynamic capability has a positive effect on customer-based brand equity directly and indirectly through perceived service innovation. Perceived service innovation is an important perceptual mechanism for transforming organizational agility and responsiveness into positive brand associations among customers. Furthermore, brand strength strengthens the positive influence of dynamic capability on perceived service innovation, but not on perceived brand equity. Thus, although brand heritage provides a legitimization for adaptive behavior, in the context of perceived service innovation, experiential value is what determines customer responses rather than brand heritage.

The findings suggest that deliverable sustainable brand equity in hospitality is not only a question of capability building or an investment in innovation. Customers perceive organizational agility as visible, relevant and value-improving to the service. In this sense, it becomes an organizational asset only if customers perceive and interpret it as meaningful innovation.

Several directions for future research emerge from this study. First, the findings of this study are based on perceptual data from a single national context, and we caution against generalizability to other countries and service contexts. Comparative or cross-country studies could focus on comparing differences in customer perceptions of dynamic capability and innovation between different institutional contexts.

Third, the data collection is cross-sectional. In future studies, longitudinal designs might reveal the relationships between customer perceived agility, perceived innovation, and brand equity over time more accurately. Future research could consider other psychological or contextual moderators of the relationship between dynamic capabilities and sustained brand relevance in service industries including customer innovativeness, the period of the relationship, and the intensity of digital interactions.

AUTHOR CONTRIBUTIONS

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Project administration: Kurnia, Indra Santo.

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Supervision: Evo Sampetua Hariandja.

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APPENDIX A

Table A1. Constructs and items questionnaire

Construct	Item	Indicator	Loading	α	ρ_A	CR	AVE
1st stage constructs assessment and indicators							
Customer-Perceived Dynamic Capability	CPDC1	This hotel understands what I need.	0.860	0.883	0.885	0.912	0.635
	CPDC2	This hotel's service matches my preferences.	0.835				
	CPDC3	This hotel can adjust its service when customer needs change.	0.834				
	CPDC4	This hotel always looks for ways to improve the experience.	0.765				
	CPDC5	This hotel listens and responds to customer feedback.	0.814				
	CPDC6	This hotel makes me feel well taken care of.	0.835				
Customer-Perceived Service Innovation	CPSI1	This hotel frequently introduces new and unique services.	0.897	0.921	0.928	0.939	0.721
	CPSI2	Services offered are innovative and different from competitors.	0.892				
	CPSI3	Service delivery processes are modern and efficient.	0.904				
	CPSI4	This hotel constantly seeks new ways to enhance experience.	0.865				
	CPSI5	Innovations significantly improve my stay.	0.812				
	CPSI6	This hotel can reconfigure operations to improve experiences.	0.707				
Customer-Based Brand Equity							
Brand Awareness (LOC)	BA1	I can easily recognize this hotel brand among other hotel brands.	0.934	0.924	0.925	0.952	0.868
	BA 2	I am aware of this hotel brand.	0.948				
	BA 3	Some characteristics of this hotel brand come to my mind quickly.	0.913				
Brand Image (LOC)	BI1	This hotel brand has a strong and positive image.	0.914	0.883	0.895	0.927	0.810
	BI2	I have a clear picture in my mind of what this hotel brand stands for.	0.921				
	BI3	This hotel brand has a unique personality.	0.863				
Perceived Quality (LOC)	PQ1	The overall quality of services at this hotel is excellent.	0.917	0.894	0.897	0.934	0.826
	PQ2	This hotel provides high-quality facilities and amenities.	0.892				
	PQ3	The staff at this hotel are highly competent and provide excellent service.	0.917				
Brand Loyalty (LOC)	BL1	I consider myself loyal to this hotel brand.	0.911	0.886	0.888	0.930	0.815
	BL2	I intend to stay at this hotel brand again in the future.	0.888				
	BL3	I would recommend this hotel brand to others.	0.908				
Existing Brand Strength	EBS1	This hotel brand is well-known.	0.847	0.857	0.857	0.904	0.702
	EBS2	This hotel brand has a strong reputation.	0.868				
	EBS3	I had a positive impression before my stay.	0.890				
	EBS4	I trust this hotel brand compared to others.	0.738				