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THE EVOLUTION OF MARKETING CAPABILITY AND ALLIANCE PORTFOLIO: CASE OF HILTON WORLDWIDE

Master's thesis

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I have written the Master's thesis independently.

All the works and major viewpoints of other authors, data from other sources of literature and elsewehere used for writing this paper have been referenced.

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INTRODUCTION

The fundamental question in the field of strategic management is how firms achieve and sustain competitive advantage. Winners in the global marketplace have been firms that deliver fast and flexible product innovation, coupled with the management capability to effectively coordinate and redeploy internal and external competencies (Teece et al. 1997, 515). The resource-based view (RBV) of the firm suggests that a firm achieves a competitive advantage through the conversion of firm resources into capabilities. Several researchers have argued that capabilities can be considered to be the basis of the competitive advantage and fast growth of an enterprise.

Alliances can be viewed as a firm's adaptive behaviour to maintain a match between firm's strategy and resource endowment on the one hand and changing environmental conditions on the other (Hoffmann 2007). Alliances represent a critical means of doing so, as they enable firms to overcome resource limitations, crack new markets and hedge against environmental uncertainties by creating options to expand.

Capabilities and alliances are the key components of a business model and the most valuable source of competitive advantage in today's turbulent business environment. Marketing play an essential role in the innovativeness of firms, in that it could initiate new innovations or translate customer needs into the pipeline of innovations. Marketing knowledge is one of the most valuable assets for a business and can provide a business with its competitive advantage, ultimately resulting in superior business performance (Tsai et al 2004, 2). The internal environment of the firm such as business strategy and organisational structure and external environment such as alliances are the primary factors that play role in developing marketing capability. The interaction between the development of marketing capability and alliances is becoming more and more important in today's fast-changing business environment in order to face consumer needs, stay competitive and optimize the two main resources firms' value time and money (Zhang 2010, 74).

This Master's thesis explores the marketing capability development tied with strategic alliances. The main objective of this Master thesis is to provide insight into how firms should build up their marketing and alliance relationship strategy in the overall business strategy and what are the key components of marketing capability which should be in strategic focus in certain phases of a focal firm. Thirdly, provide insight how the evolution of alliances develop marketing capability and what is the role of alliances in the evolution of marketing capability.

The main research question is hereby stated as follows: How marketing capability has been developed in cooperation with alliance partners in different phases of focal firm evolution? In order to examine this subject thouroughly and get better results, author has set up two sub-questions for the main question which are following: Sub-question 1: How the components of marketing capability were developed of focal firm? Sub-question 2: How alliances have affected the evolution of marketing capability of focal firm?

In order to solve research questions, author has chosen the Hilton Worldwide as a case company that is the leading global hospitality company existing over 90 years. Hilton has given so much for the whole hospitality industry development establishing standards of quality in the fields of hotel management and operations. The author has chosen single-case study research method with longitudinal approach. The author uses quantitive and qualitative methods for data collection.

This Master's thesis is divided into three chapters. The first chapter details the intersection of theoretical foundations of capabilities, strategic alliances and the evolution of marketing capability based on alliance relationship. The second chapter covers the research rationale for the study to frame the direction with the emphasis on research methodology and data collection and analysis. In the third chapter the Hilton Worldwide case study is presented which presents the overview of the object, the evolution of marketing capability in three different phases throughout the history and thirdly the evolution of alliance relationship in the same phases are being studied. The concluding part is dedicated to the key findings of this thesis. This section provides an overview of the evolution of marketing capability and alliances in three different phases.

1. LITERATURE REVIEW

1.1. Theoretical foundations of capabilities

The analysis of strategy content at the business unit level has evolved over the last 35 years, since strategic management first defined the normative challenge for the field as prescribing ways to achieve competitive advantage. One of the fundamental questions in strategic management is „why firms different"because the sources of firm heterogeneity underlie competitive advantage.

Penrose (1959) was one of the first researchers to recognize the importance of resources to a firms' competitive position. She argued that a firm's growth, both internally and then externally through merger, acquisition and diversification, is due to the manner in which its resources are employed. Porter's competitive forces approach was the dominant paradigm in strategic management during the 1980s. According to competitive forces, the main aspect of formulating the company's strategy is the industry in which it competes (Porter 1980, Teece et al 1997). Understanding sources of sustained competitive advantage for firms has been a main area of research in the field of strategic management (Porter 1985).

First attempt to formalize the RBV came from Wernerfelt (1984). Wernerfelt argued that resources and products are two sides of the same coin for a company and he proposed that firms may earn above normal returns by identifying and acquiring resources that are critical to the development of demanded products. Barney (1991) based his articulation of the RBV on two fundamental assumptions: resources and capabilities are heterogeneously distributed among firms and they are imperfectly mobile. He also pointed out that firms that possessed valuable and rare resources would attain a competitive advantage and enjoys improved performance in the short term. Peteraf (1993) argued that to grant a competitive advantage to a given firm, valuable resources must be properly leveraged. He also stated that heterogeneity of capabilities and resources in a population of firms is one of the cornerstones of resource-based theory. In conclusion the most appropriate approach how firms achieve sustainable competitive advantage from capabilities comes from resource based view (RBV) (Eisendhardt et al. 2000). Knowledge management approaches and the resource-based view suggest that capabilities and knowledge form the basis for differential firm performance (Helfat et al. 2000, 961).

The most recent emphasis within the strategic management research is on the importance of organisational capabilities as they are a valuable source of competitive advantage. Various scholars have proposed different constructs to underline the differences between resources and capabilities (Heimeriks and Duysters 2005, 10). In the present research resources are defined as „an asset or input to the production (tangible or intangible) that an organisation owns, controls, or has access to on a semi-permanent basis" (Helfat et al. 2003).

Several theoretical approaches in strategic management field discuss capabilities as influential factors in explaining the gaining and sustaining of competitive advantages. For example, transaction cost theory sees capabilities and transaction costs co-evolving together while heterogenous capabilities are essential for competitive advantages through specialisation (Jacobides et al. 2005) and evolutionary theory sees capabilities as a source of competitive advantage that enables to use fresh opportunities and abandon deteriorated ones (Eisendhardt et al. 2000).

Organisational capabilities are the best sources of sustainable competitive advantage (Collis 1994, 143). Capabilities are unique combinations of the knowledge-based, tangible or intangible resources of a firm, and indicate what a firm can achieve by having teams of resources working together. Capabilities are complex bundles of skills and knowledge exercised through organisational processes, that enable firms to coordinate their activities, use their assets, and continuously learn and improve (Tsai et al. 2004, 525). Helfat defines capabilities as the firm's capacity to deploy resources for a desired result.

Evolutionary economics refer to the capabilities of an organisation as „the repertoires of organisation members"that are associated with the possession of particular collections of resources, including the ability to utilize those resources productively. The development of capabilities entails intent and deliberation. The understanding of firm evolution helps to understand the birth of resources and capabilities (Helfat et al. 2002, 725-726).

There are different types of capabilities (Eisenhardt and Martin 2000):

- some that integrate resources (e.g. product development, strategic decision making)
- some that focus on reconfiguration of resources with firms to create new synergies (e.g. resource allocation to distribute scarce resources)
- related to the gain and release of resources (e.g. alliances, acquisitions).

Capabilities vary from each other and they are classified in different ways. Teece's distinction from 1986 was the following: capabilities were divided between core and complementary. Table 1 (see appendix 1) shows the classification of core and complementary capabilities. The classification of capabilities according to Teece where core capabilities refer to knowledge that fundamentally underlies and is required to create a product or service, including core technological knowledge and knowledge of customer needs. Complementary capabilities are those required to profit from core knowledge, including finance, manufacturing, marketing, sales and distribution (Helfat et al. 2002, 732).

The second taxonomy classifies capabilities to specialized and generalized ones. Table 2 (see appendix 2) gives a brief overview of this classification. Specialized capabilities include functional activities such as R&D, marketing and distribution that tend to be tailored in important ways to the technologies, operations and products of businesses in which a firm participates. Generalized capabilities which can be applied more broadly include general organisational capabilities such as skills for organizing multiple business units within a firm and for transfeering knowledge between business units (Helfat et al. 2002, 733).

The concept of the capability lifecycle flows naturally from Wernerfelt's (1984) observation that products and resources are two sides of the same coin. Just as products have development paths that follow recognizable patterns, known as product lifecycles, so do capabilities. Like the product life-cycle, the capability lifecycle describes recognizable stages, such as growth, maturity, and decline (Helfat et al. 2003, 998).The capability lifecycle depicts a general pattern and set of possible paths that characterize the evolution of an organisational capability. The framework is sufficiently general to incorporate the emergence, development, and progression of virtually any type of capability in any type of organisational setting, ranging from small start-ups to large diversified firms. The capability lifecycle also applies to the development paths of capabilities that reach across firm boundaries, such as those involving strategic alliances or supply chains (Helfat et al. 2003, 1000).

Under the resource-based view of the firm, resources drive the firm's ability to design, produce, market, and distribute its goods and services. The RBV has provided important theoretical foundations for understanding how heterogeneous resources drive firm performance. More recently, the focus of much RBV research has been on understanding the outcomes of resource deployment processes often referred to as organisational capabilities. Capabilities research has recognized that a firm's ability to deploy resources through organisational capabilities may be more important than absolute resource levels in driving performance. This emerging research stream has enabled theoretical explanations regarding how some firms overcome resource deficiencies by deploying their available resources in ways that outperform similar deployments by competitors, such as occurs for example, when small firms create innovative new products that offer customers more value than those offered by larger competitors (Vorhies et al. 2009, 1311).

Resource-based theory views heterogeneity among firms in resources assets tied semipermanently to the firm that allow its managers to conceive and execute value-creating strategies as fundamental in explaining firm performance. However, resource-based theory has been criticized for its inability to explain how resources are developed and deployed to achieve competitive advantage and its failure to consider the impact of dynamic market environments. Theorists have made a number of recent developments, collectively labeled dynamic capabilities theory, addressing these limitations in traditional resource-based theory. Capabilities are dynamic when they enable the firm to implement new strategies to reflect changing market conditions by combining and transforming available resources in new and different ways (Morgan et al. 2009, 910). The dynamic capabilities framework represents a strong break with Five Forces. Within the dynamic capabilities framework, the environmental context recognized for analytical purposes is not that of the industry, but that of the business ecosystem the community of organisations, institutions, and individuals that impact the enterprise and the enterprise's customers and supplies. It is a framework that recognizes that innovation and its supporting infrastructure have major impacts on competition. Also, whereas according to Porter the essence of strategy formulation is coping with competition. In the dynamic capabilities tradition the essence of strategy involves selecting and developing technologies and business models that build competitive advantage through assembling and orchestrating difficult-to-replicate assets, thereby shaping competition itself (Teece 2007, 1325).

Dynamic capabilities are conceived to be the mechanisms of adapting, integrating, and reconfiguring integrated clusters of resources and capabilities to match the requirements of a changing environment. According to Teece, the term "dynamic" refers to the capacity to renew competencies. More precisely, dynamic capabilities are conceptualized by three dimensions such as positions, paths, and processes (Schreyögg et al. 2007, 922).

Positions refer to both internal and external positions. The internal position relates to the specific set of resources available in a firm (financial, technological, reputational and structural). The external side refers to the specific market position/assets of the focal firm. Paths represent the history of an organisation and the current position of a firm is basically shaped by the patterns evolved from the past. And also, where a firm can go in the future depends on its current paths and their shaping force. The dimension processes is at the heart of this capability conception and is twofold. On the one hand, processes are devoted to coordinating and integrating available resources. This is understood as being the static component. On the other hand, processes refer to organisational learning and the reconfiguration of resources (Schreyögg et al. 2007, 922).

Helfat defines dynamic capabilities as the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments (Helfat et al. 2003, 998). Teece defines dynamic capabilities as the key factors which enable business enterprises to create, deploy and protect the intangible assets that support superior long-run business performance. Enterprises with strong dynamic capabilities are intensely enterpreneurial. They not only adapt to business ecosystems, but also shape them through innovation and through collaboration with other enterprises, entities, and institutions (Teece 2007, 1319-1320).

In a fast-moving environments open to global competition and characterized by dispersion in the geographical and organisational sources of innovation and manufactoring, sustainable competitive advantage requires unique and difficult-to-replicate dynamic capabilities. Dynamic capabilities include difficult-to-replicate enterprise capabilities required to adapt to changing customer and technological opportunities. They also embrace the enterprise's capacity to shape the ecosystem it occupies, develop new products and processes, and design and implement viable business models. These capabilities can be harnessed to continuously create, extend, upgrade, protect, and keep relevant the enterprise's unique asset base (Teece 2007, 1319-1320).

For analytical purposes, dynamic capabilities can be disaggregated into the three capacities (Teece 2007, 1319-1320):

1) To sense and shape opportunities and threats
2) To seize opportunities
3) To maintain competitiveness through enhancing, combining, protecting; reconfiguring the business enterprise's intangible and tangible assets.

The possession of dynamic capabilities is especially relevant to multinational enterprise performance in business environments that display certain characteristics. These four characteristics are the following (*Ibid.*):

1) The environment is open to international commerce and fully exposed to the opportunities and threats associated with rapid technological change.
2) Technical change must be combined to create products/services that address customer needs.
3) There are well-developed global markets for the exchange of goods and services
4) The business environment is characterized by poorly developed markets in which to exchange technological and managerial know-how.

As mentioned before, dynamical capabilities have been relevant to achieving competitive advantage for some time. However, the importance is now amplified because the global economy has become more open and the sources of invention, innovation, and manufacturing are more diverse geographically and organisationally and multiple inventions must be combined to achieve marketplace success. In fast-paced, globally competitive environments, consumer needs, technological opportunities, and competitor activity are constantly in a state of flux (Teece 2007, 1321-1322).

1.2. Theoretical foundations of strategic alliances

Thorelli (1986) views strategic alliances as interorganisational governance structures that exist between markets and hierarchies. The primary objectives of formation of alliances were to seek resources, develop technology, access markets, and acquire capital. Indeed, Matthyssens and Van den Bulte (1994) observe that the most important recent changes in industrial buying behavior are increased cooperation between suppliers and customers as during the past two decades have witnessed a surge in the formation of strategic alliances that foster cooperation among suppliers and customers (Murray 2001, 33).

Gulati defines strategic alliances as voluntary arrangements between firms involving exchange, sharing or codevelopment of products, technologies and services (Gulati 1998, 293). Gulati adds that it can include contributions by partners of capital, technology or firm-specific assets (Gulati 1999, 397). In an era of intense global competition, multinational enterprises are expanding their global sourcing activities and increasingly use a higher level of composing strategic alliances (Murray 2001, 30).

Alliances can be viewed as a firm's adaptive behaviour to maintain a match between firm's strategy and resource endowment on the one hand and changing environmental conditions on the other (Hoffmann 2007). Alliances take different forms, including joint ventures, collaborative R&D, and joint marketing (Lavie 2007).

In today's global environment, firms need a multitude of competences to achieve sustainable competitive advantage. Alliances represent a critical means of doing so, as they enable firms to overcome resource limitations, crack new markets and hedge against environmental uncertainties by creating options to expand. The last two decades have witnessed an unprecedented growth in alliance activity, including outsourcing relationships, R&D agreements, equity joint ventures and other forms of collaboration (Heimeriks et al. 2008, 1).

More and more firms are using strategic alliances as a means to for instance enter new markets, share development costs, increase their marketing reach, and provide complete solutions to the customer (Heimeriks and Duysters 2005, 2) and they have become a cornerstone of many business models (Osterwalder and Pigneur 2009, 8). McCormack is certainly accurate saying that collaboration is no longer a "nice to have" - it is a competitive necessity. In many key industries such as computer hard- and software, telecommunications, electronics, pharmaceuticals, and air transportation, strategic alliances have become an important strategic device and an essential part of firm strategy (Wassmer 2008).

Strategic alliance is an open-ended agreement between two or more organisations which enables cooperation and sharing of resources for mutual benefit (Parise et al. 2003). Alliances can involve different functional areas within an organisation such as R&D collaborations and marketing and cross-selling arrangements that span geographical boundaries (Parise et al. 2003).

Strategic alliances play a critical role in global innovation. Firms can overcome resource constraints and achieve superior innovative performance not only by using internal resources but also by acquiring knowledge-based capabilities from alliance partners and through that develop their own capabilities (Zhang et al. 2010, 74). In the year 2000, over 10 000 alliances were formed and the rate of alliance formation has grown at 25% per year since 1985. Furthermore, alliances are estimated to account for 16% of firm value which is expected to increase to 25%. With the increased attention on alliances, one would expect that the practice of developing and managing alliances would improve alliance success (Wittmann 2007, 2).

Alliances seem to be central element of most company business models and world financial crisis during the 2008-2009 while the amount of strategic alliances has been increased remarkably. Of course not all alliances succeed, yet at least half of all alliances fail and even more underperform. To succeed, alliance partners must learn how to adapt and integrate knowledge acquired from the alliance to serve specific needs of their own innovative efforts (Zhang et al. 2010, 74). However, more than half are doomed to failure. Alliances fail because decisions made or not made by managers “set up” alliances for failure long before an alliance is formed which means basically that wrong decisions are made in the strategic planning stage and partner evaluation and selection stage and long after an alliance should have been terminated (Wittmann 2007, 1).

Three main motivations why firms enter alliances are (Gulati 1998, 298):

1) Transaction costs resulting from small numbers bargaining

2) Strategic behaviour that leads firms to try to enhance their competitive positioning or market power

3) Organisational knowledge and learning that results maintaining its capabilities.

Firms are motivated to seek partnerships to improve their performance and to strenghten their capabilities through alliances. The strategic alliance is an interfirm cooperative agreement. Khanna, Gulati, and Nohria (1998) posit that in an alliance, partners cooperate with each other because of their belief in common benefits. Such a cooperative belief encourages joint work, which enhances the sender’s willingness and flexibility to share its resources with the receiver. In this sense, knowledge becomes more available and accessible. Furthermore, the resource dependence perspective suggests that one firm becomes dependent on another because the former lacks key resources that the latter possesses. Thus, a cooperative relationship can be derived from firms’ reliance on each other’s specific resources, and that reliance leads a focal firm to acquire knowledge from its partners (Zhang et al. 2010, 78).

Managers offer plausible but a diverse list of reasons for entering into an alliance. Reasons often given include, gaining access to a restricted market or overcoming barriers to entry, gaining market power, maintaining market stability, acquiring technologies products or new skills, pooling resources, reducing uncertainty, sharing risky research and development projects, speeding up entry into new markets, deriving new incremental sources of revenue from combining complementary assets and the list goes on (Koza et al. 2000, 3).

These facets are mirroring the following relevant research questions (Gulati 1998, 294)**:**

1) Which firms enter alliances and whom do they choose as partners?

2) What type of contracts do firms use to formalize the alliance?

3) How do the alliance and the partner's participation evolve over time?

Koza and Lewin (1998), building on March (1991) advanced a coevolution theory of strategic alliances. The theory distinguishes between two basic logics for entering alliances. First, alliances can offer a source of incremental revenue from pooling complementary resources that neither partner is interested in developing on its own. These exploitation alliances generally will be implemented as joint equity ventures. Prior to the early 1980s exploitation alliances were by far the most prevalent. A second distinguishing feature of exploitation alliances involves the monitoring and measurement of performance. The performance goals for exploitation alliances will generally be stated as measurable operational objectives, which greatly simplifies monitoring progress through outcome controls (Koza et al. 2000, 148).

Two different motives for entering alliances are „learning alliances"and „business alliances". In learning alliances partners hope to learn and acquire from each other technologies, products, skills and knowledge. Business alliances maximize the utilization of complementary assets which means that each partner brings and contributes a distinctive capability in a particular value adding activity (Koza et al. 1998, 256). As companies rush to leverage the potential value of alliances, the right choice of alliance partners is critically important and companies often overlook the potentially detrimental effects of poor alliance partner selection. The review of more than 40 studies uncovered four key factors that have been shown to influence partner selection and subsequent strategic alliance performance: trust, commitment, complementarity and value, or financial payoff (Shah et al. 2008, 472).

Higher financial payoffs could result from higher perceived market opportunities that translate into higher revenues. Financial payoffs may also result from cost reductions stemming from better economies of scale that, in turn, derive from combining production or research and development (R&D) operations in a strategic alliance. The alliance financial and social system is viewed as the resulting interaction of internal and external political economies. It is thought to affect the behavior and performance (process and outcomes) of firms in the system and refers to the worth of the alliance based on the projected monetary output associated with it (Shah et al. 2008, 476).

A second very important issue for alliances is their performance consequences, both in terms of the performance of the alliance relationsship itself and the performance of firms entering alliances. Two research questions focus on the performance issue are the following (Gulati 1998, 295):

1) What factors influence the success of alliances?

2) What is the effect of alliances on the performance of firms entering them?

Firms entering alliances face considerable moral hazard concerns because of the unpredictability of the behaviour of partners and the likely costs to a firm from opportunistic behaviour by a partner if it occurs. Despite the rapid growth of both domestic and international alliances in many industrial sectors, such partnership is considered risky. A partner may either free-ride by limiting its contributions to an alliance or simple behave opportunistically. Rapid changes in the environment may lead organisations to alter their needs and orientation, thus affecting their ongoing partnership. For organisations to build ties that effectivily address their needs while minimizing the risks posed by such concerns, they must be aware of the existence of their potential partners and have idea of their needs and requirements. Organisations also need information about the reliability of those partners, especially when success depends heavily on upon the partner's behaviour (Gulati 1998, 300).

Researchers and practitioners have identified several reasons for this failure including over-dependence of one partner on another, opportunistic behavior, conflict, incompatible goals, and changes in the business environment, disintegrating relationships, and failure to use formal performance measures. In general, alliance success is associated with high (low) levels of particular factor and failure with low (high) levels of the same factor. Alliances may be considered failures when, for example, no expectations are set and no value is created by the alliance, performance expectations are set and not met, and an alliance persists to exist even when it has ceased producing value (Wittmann 2007, 3).

The underlying reason why a company should form an alliance is to gain access to another organisation's resources and, ideally, enhance its own resources and competences. To do so, firms must identify the specific strategic and tactical needs prior to seeking a partner. In other words, alliances should be tied to the strategic plan of the company. However, alliances are not created equally and all parties do not view an alliance in the same way. An alliance viewed as "strategic" by one party may be viewed as a "tactical" or operational alliance by the other party. Consequently, firms should prioritize alliances and allocate resources based on the propensity of an alliance to contribute to a sustainable competitive advantage. Some firms simply do not have an alliance strategy for their strategic alliances. In other words, companies form alliances without a specific purpose or with the intention of better defining the purpose and goals of the alliance at a later date. The path dependency created by these alliances may give rise to irrational behavior that results in the firm making its strategy fit its alliances rather than creating alliances to fit its strategy (Wittmann 2007, 8).

There are three different strategies that allow firms to cope with a complex and changing environment (Hoffmann 2007, 830):

1) Adapting strategy

2) Shaping strategy

3) Stabilising strategy.

The adapting strategy aims to increase strategic flexibility by broadening the resource endowment and generelly improving the ability to learn and change. The goal is to explore new opportunities without making high and irreversible investments. The shaping strategy requires expanding and deepening the company's resource endowment in a focused manner. It means that here the exploration alliances are entered into with the strategic intent to develop new resources and capabilities and to explore new development opportunities. The stabilising strategy, on the other hand, relies on efficiently exploiting the existing resources and protecting competitive advantages as mush as possible. It means that exploitation alliances are entered into to commercialise resources and capabilities gained through exploration (Hoffmann 2007, 831).

Several practitioners have sought to identify the magical formula for alliance success. This includes the following facets: flexibility in management of the alliance, building trust with partners, regular information exchange with the partners, constructive management of conflict, and continuity of boundary personnel responsible for the interface between the firm and the alliance and managing partner expectations. Though, performance of the alliances can be difficult to measure with financial outcomes. And sometimes performance is asymmetric: one firm achieves its objectives while the other fails to do so (Gulati 1998, 306).

As firms have entered alliances with growing frequency, many promoment firms such as General Electric, Motorola, IBM etc, have found themselves in hundreds of alliances. While issues concerning the management of individual alliances are still important and merit further consideration, new issues resulting from managing a portfolio of alliances have arisen. This opens up numerous questions about the cooperative capabilities of firms. This poses questions about what such capabilities are and what might be some systematic tactics firms use to internalize such capabilities. At least some of these capabilities include: identifying valuable alliance opportunities and good partners, using appropriate governance mechanisms, developing interfirm knowledge-sharing routines, making requisite relationship-specific asset investment and in initiating necessary changes to the partnership as it evolves while also managing partner expectations. The fact that a firm may have entered a wide array of alliances requests the simultaneous management this portfolio and aadress conflicting demands from different alliance partners (Gulati 1998, 308).

Many firms today are embedded in a dense network of interorganisational relationship with customers, suppliers, competitors and complementors. How a focal company is positioned in these intertwined relationships significantly influences its competitiveness. Goal-oriented management of the alliance portfolio plays a decisive role in company performance. Interorganisational relationship is therefore recognized as an increasingly important source of competitive advantage and superior performance. The whole alliance network and guidance of its evolution is important strategic issues for firms engaged in numerous alliances (Hoffmann 2007, 827). In order to enhance alliance portfolio performance, firms can adopt various solutions to enhance their alliance capability, which can be defined as a firm's ability to capture, share, disseminate and apply alliance management knowledge (Heimeriks et al. 2008, 3).

Because ultimately any strategy has to be evaluated in terms of its success, the alliance portfolio performance has received much research attention. In general firms adjust their portfolios, thereby changing the networks. Yet, the empirical evidence on the contribution of partners resources has been generally limited to startup firms and intermediate outcomes, such as innovation output and revenue growth" (Lavie 2007).

Alliance portfolio is defined as all alliances of focal firm. The important issue for a firm is that the company will reach its strategic goals with the bundle of its alliances, placing the structure and strategic orientation of the whole alliance portfolio at the center of interest. Every alliance of the focal firm's alliance portfolio is simultaneously embedded in the interorganisational field. Alliances can be viewed as a firm's adaptive behavior to maintain a match between firm strategy and resource endowment on the one hand and changing environmental conditions on the other (Hoffmann 2007, 828). An emerging perspective is to manage alliances as a portfolio, and to understand how individual alliances impact each other and the internal organisation. Collaborative networks are common in many sectors and industries, including high technology, life sciences, retail, and financial services, among others (Parise et al. 2003, 25).

The Star and OneWorld networks for example, whose purpose is to link geographical markets together in the airline industry, each consist of several national and transnational airline carriers. Both networks create global brands, with integrated services such as frequent flier programs and special airpasses that allow passengers to purchase discounted travel itineraries throughout the world. In high-technology industries, these networks are almost a necessity, since it is very difficult for any one company to develop a platform standard without others providing complementary hardware, software, and services support. In the wireless telecommunications industry, wireless carriers, content providers, device manufacturers, and billing-service providers are partnering to deliver new technologies and services to their customers that no player could provide on its own (Parise et al. 2003, 26).

The alliance strategy determines the configuration of the alliance portfolio. Essential configuration parameters of alliance portfolios are the number, dispersion, and redundancy of the alliances plus their linkage strength. The number of alliances determines the quantity (volume) of information and resources that a firm can access and acquire by virtue of its alliances (Koka et al. 2002). The amount of accessible information and resources is also influenced by the position of the alliance partners in the interorganisational field and the partners' resource endowment. Dispersion is the spread of alliances. Alliance portfolios with high dispersion tie the focal company to partners from different strategic groups and industries. Redundancy is the contextual overlapping of alliances and increases with the density of the egocentric network of the focal firm. Interorganisational relationships are considered redundant if they give access to the same information and resources (Hoffmann 2007, 834).

An alliance capability is an organisational resource that is difficult to obtain or imitate and has the potential to positively affect the performance of alliances and other resources brought into these alliances. These resources are captured by alliance practices that increase a firm's ability to perform similar activities repeatedly (which can include identifying partners, initiating relationships or restructuring individual alliances or portfolios). When a firm's alliance portfolio expands, the possession of an alliance capability enables the identification of repeatable actions in terms of alliance management. Hence, an understanding of how alliance capabilities can be built is important to ensure firms continue to be successful as alliance portfolios expand (Heimeriks et al. 2008, 3).

1.3. Theoretical foundations of marketing capability and alliances

1.3.1. The evolution of marketing capability

Marketing's role within firms has received much attention in the academic literature and popular press. The general conclusion has been that in many companies, the marketing function is in steep decline. This claim is not really new, for example, Nath and

Mahajan maintain that over the past three decades, marketing academics have raised their concern with marketing's decreasing influence at the level of corporate strategy. However, many statements about the role of marketing in modern firms remain anecdotal or journalistic (Verhoef et al. 2009, 14).

The effect the environment has on the development of marketing capability has been studied by researchers in strategic management, as well as marketing researchers. In the strategic management area, Miller (1988) investigated how various dimensions of the firm's environment affected manager's perceptions of the environment and their strategic decisions. In this and related research more turbulent environments were shown to be related to the development of a strategic orientation that relied on well-developed marketing skills (Vorhies 1998, 5). Market knowledge competence is a core organisational competence (Hamel and Prahalad, 1994; Sinkula, 1994). Glazer (1991) considered marketing knowledge to be a strategic asset for organisations. Consequently, marketing knowledge is one of the most valuable assets for a business and can provide a business with its competitive advantage, ultimately resulting in superior business performance (Tsai et al 2004, 2).

The development of differentiated products, product innovation and new product development kills enabled firms to outperform other less marketing-oriented firms. When an environment is turbulent, managers need more information to be able to make decisions and also have a greater need for market information. Thus, it appears that the development of marketing capability will be a strong organisational mechanism for dealing with the problems and opportunities created by a turbulent environment (Vorhies 1998, 5).

Marketing might play an essential role in the innovativeness of firms, in that it could initiate new innovations or translate customer needs into the pipeline of innovations. Thus, we define the innovativeness of the marketing department as the degree to which it contributes to the developed new products within the firm. The customer connecting role of the marketing department pertains to the extent to which the marketing department is able to translate customer needs into customer solutions and the extent to which it demonstrates the criticality of external customers and their needs to other organisational functions (Verhoef et al. 2009, 17).

The resource-based view of the firm (RBV) advocates that the desired outcome of firm managerial effort is the creation and deployment of sustainable competitive advantage which in turn achieves superior business performance. According to the RBV, sustainable competitive advantage can be achieved by possessing certain key assets or capabilities. Since marketing processes are frequently firm specific, unique marketing capability is developed as firms combine their particular knowledge and skills with other intangible and tangible resources available to them (Tsai et al. 2004, 526).

When these components of marketing capability are inimitable and nonsubstitutable, and moreover cannot be easily transferred between competitors, these capabilities provide the basis for sustainable competitive advantage. Day (1994) noted that it is impossible to enumerate all possible components of marketing capability because they generally vary among businesses owning to the nature of competitive markets, past commitments and anticipated future needs. Marketing capability is an important source at competitive advantage for firms. Song and Parry (1997) found that the components of marketing capability influence competitive advantage. Additionally Fahy (2000) suggested that marketing capability can enhance financial and market performance (Tsai et al. 2004, 526).

Marketing capability is defined by Morgan as capabilities concerning processes such as product development and management, pricing, distribution management, marketing communications, selling, marketing planning, marketing implementation and the processes of marketing strategy development and execution. Marketing capability concerns the integrative processes by which skills and knowledge are combined with tangible resources to transform marketing inputs to outputs (Morgan et al. 2009, 910).

Marketing capability is developed by learning processes when firm marketers repeatedly apply their knowledge to solve marketing problems. Marketing capability development can be considered as integrative processes by which knowledge-based resources and tangible resources combine to create superior customer value. Marketing capability therefore can be defined as integrative processes designed to apply the collective knowledge, skills, and resources of a firm to the market-related needs of its business, enabling the business to add value to customer value creation and be competitive (Tsai et al. 2004, 525-526).

To create economic value, sustain competitive advantage and achieve superior profitability, an organisation requires a wide range of capabilities. Although it would be impossible to list them all, certain categories of capabilities common to many organisations have been identified and used in prior research. Market-linking capabilities such as sensing market trend, channel and customer linking, and technology monitoring enable an organisation to be responsive to changing customer needs and to use its technical capabilities effectively to exploit external possibilities (Song et al. 2008, 9).

The components of marketing capability such as segmentation, targeting, pricing, and advertising enable the organisation to take advantage of its market-sensing and technological capabilities and to implement effective marketing programs. Market-linking and sensing capabilities enable the organisation to compete by sensing market changes effectively, anticipating shifts in the market environment, creating and retaining durable links with customers, and creating strong bonds with channel members such as wholesalers and retailers. These capabilities enable the organisation to sense market-place requirements before competitors and to connect its other capabilities to the external environment (*Ibid.*).

Marketing capability develops in response to the strategic actions taken by the firm as well as the day to day business activities used to implement the firm's strategies. Among the activities performed by firms interested in creating value for their customers, the development of capabilities in market research, product development and management, promotional management, pricing and distribution are vital to enable an organisation to understand consumer needs, develop goods and services to satisfy those needs at a price consumers will accept, communicate the benefits of the firm's offerings and deliver the goods or services to the consumer in a timely manner. Marketing capability is seen as processes supportive of the firm's strategic objectives (Vorhies 1998, 8).

Developing marketing capability creates a set of processes that enable an organisation to achieve its strategic goals and, therefore, help it attain its desired strategic position. When a firm achieves its desired position within selected product markets, higher levels of performance are more likely. Marketing capability represents enabling processes for supporting and implementing the overall strategy of the firm. For example, firms with higher levels of product development and marketing implementation capabilities have been found to achieve higher levels of performance than firms without these vital capabilities (Vorhies 1998, 9).

Extant theory suggests that developing marketing capability to affect the outcomes of strategy can drive significant performance improvements. Firms that are better able to align their marketing capability with the demands of their product-market strategy should see performance advantages accrue over time (Vorhies et al. 2009, 1315). The deployment of valuable resources such as the components of marketing capability enable firms to gain competitive advantage with positive implications for financial and market performance (Fahy et al. 2000, 68). Performance measurement in business research has always proved to be a troublesome issue. Absolute performance figures, such as ROI, sales volume and market share are difficult to compare between firms of different sizes, operating in different markets, using different accounting standards and defining their markets in different ways. The resource-based perspective of strategy advocates the deployment of idiosyncratic capabilities to attain economic rents (*Ibid.*).

The development of key components of marketing capability has been identified as one of the primary ways firms can achieve a competitive advantage. To develop and sustain a competitive advantage, firms must develop processes that allow them to collect information about market opportunities, develop goods and services to meet the needs of targeted customers in selected markets, price these products according to market information, communicate product advantages to potential customers and distribute products to customers. Because of the important role marketing capability has been predicted to play in influencing the selection of product markets and because of their fundamental ability to impact on the implementation of market strategies, the marketing capability of the firm has been predicted as a major determinant of organisational effectiveness (Vorhies 1998, 3-4).

The components of marketing capability, such as customer and competitive knowledge, skill in market segmentation and targeting, and effective marketing program design, should also be related to an organisation’s performance. In a pioneering study, Conant, Mokwa, and Varadarajan (1990) link marketing capability to the four strategic types and find that prospectors are superior in the components of marketing capability.

The marketing literature suggests that obtaining market and competitive information and diffusing it throughout the organisation lead to better market orientation, better performance, and sustainable competitive advantage (Song et al. 2008, 8). However, although both prospectors and defenders require skills in marketing and market research to succeed certain components of marketing capability will be of most importance to defender firms because they are most concerned about protecting products and retaining customers (Song et al. 2008, 11).

1.3.2. The evolution of marketing capability based on alliance relationship

The interaction between the development of marketing capability and alliances is becoming more and more important in today's fast-changing business environment in order to face consumer needs, stay competitive and optimize the two main resources firms' value – time and money. The logic of working with a strategic partner is especially compelling in increasingly competitive global markets and has gained new momentum in the wake of the 2008–2009 world financial crises (Zhang 2010, 74). Strategic alliances have become a pervasive feature of the competitive environment and are having a growing impact on the development of marketing capability. Alliances have been used for such diverse marketing purposes as gaining access to markets, channels and knowledge, also accelerating market entry and enhancing marketing capability (Day 1995, 297).

The components of marketing capability are defined as one of the primary ways firms can achieve a competitive advantage. In today's turbulant business environment where competition is fiercer than ever, partnership and alliances play a critical role in firm's performance. To develop and sustain a competitive advantage and keeping tracking consumer needs, firms must develop marketing capability processes that allow them to collect information about market opportunities, develop goods and services to meet the needs of targeted customers in selected markets, price these products according to market information, communicate product advantages to potential customers and distribute products to customers (Vorhies 1998, 3-4).

Product innovation and new product development are definitely the key components of marketing capability where the success of strategic alliances is evident. The first core component of marketing capability is product development because if a firm has a variaty of quality products or services, the next processes of the components of marketing capability such as customer segmentation, pricing, selling, distribution channels are set up which means the second core marketing capability component is coming to the picture – marketing strategy development and implementation. Thirdly, such components of marketing capability as marketing communication and customer relationship management is beeing in focus of the marketing capability evolution process (Vorhies 1998, 3-4).

One example how key components of marketing capability such as new product innovation and development has been developing in cooperation with alliance is Apple who some years ago announced record corporate profits that accompanied its dramatic reversal of fortune from "near death" a decade earlier. But Apple did not act alone to bring about this reversal. Rather, Apple's portfolio of ties with EMI, Google, Salesforce.com, Microsoft, and other firms was a key factor to its success. These ties enabled Apple leaders to focus on their strengths, such as architectural design, while leveraging their partners' resources and market positions. And the Apple story is not unique, for many firms rely on their portfolios of ties to enhance performance (Ozcan et al. 2009, 246).

For example, in the hospitality industry, cooperative relationships among organisations are increasingly referred to as a crucial factor for organisational performance and survival. Within this framework, hotels are increasingly forming permanent alliances with other organisations such as airlines, car rental agencies, suppliers, other hotels, and travel agencies. An important and unique feature of the tourism industry concerns the interrelationship of the various different types of organisations comprising the industry: travel organisers, transport companies, accommodation companies, food and beverage companies, recreational and leisure companies, and co-ordinators of the tourism industry. Although these companies operate independently and frequently compete with each other, they all form part of an overall system, in which all organisations interacting with a traveller must work appropriately in order to provide the traveller with a pleasant overall experience. The establishment of cooperative relationships with other organisations is being referred to as particularly crucial for tourist organisations (Garcia-Falcon 1999, 102-103).

Tourism is a very dynamic sector in the world economy and one of the most internationalised, which lead to the formation of large companies operating on a global level. This development is possible especially because of important innovations, such as charter flights, the forming of hotel chains – some originating in family businesses, rent-a-car services, debit and credit cards that easily allow for international money transfers etc. At the same time, the innovations of the kind mentioned allowed for a high degree of standardisation of services, so that the segment of the large international companies can offer clients quality services at affordable prices (Ioncica et al. 2007, 213).

Changes in the political and economic environment in the last century had strong effects on the way companies operate. Turning from a production economy to a market economy and globalisation have confronted companies with new realities based on competition in which they needed new tools to succeed. Along with innovation, technology is an important strategic asset that allows hotel chains to improve their performance and competitiveness. On a global scale, the role of technology in strengthening the competitive advantage of a hotel is recognized, hence its contribution to the hotel‘s success (Ioncica et al. 2007, 213).

Alliances, voluntary collaborative arrangements between firms that involve the exchange, sharing, and codevelopment of products, services, and knowledge have become a pervasive phenomenon in business today. As markets have grown increasingly fragmented and patterns of market growth and evolution have become increasingly influenced by the forces of globalisation and the rapid diffusion of technology, nurturing and sustaining partnerships along the value delivery chain have become significant marketing skills in achieving market performance. Today, marketers relate to one another increasingly in the roles of suppliers, customers, collaborators, and competitors (Kandemir 2006, 324).

Interorganisational marketing collaborations play an important role in today’s global marketplace and thus have been identified as a key component of marketing strategy. One such collaboration is the formation of alliances. Examples of marketing alliances include joint product development arrangements, manufacturer-distributor partnerships and joint promotion agreements. These alliances and others can bring numerous marketing benefits to firms, such as the development of new products, reaching new markets without a long buildup of relationships in channels, strengthening supply chains, accessing technology and sharing of marketing, R&D, and/or manufacturing costs (Li et al. 2010, 141).

The management literature on strategic alliances points out that they are formed for a variety of reasons and notes that the rationales for holding them together may shift over time. Alliances open doors to markets by pooling financial and human resources, thereby producing new combinations of products, services, and expertise. They extend marketing capability by improving the delivery of services, generate greater economies of scale and reduce expenses by linking complementary technologies or sharing facilities and capacities and jointly investing in new innovations for product and service innovation. Alliances have been shown to facilitate the development of new ideas and products which is the key marketing capability in today's turbulant business environment. Partners that join together learn from one another and through that firm's marketing capability is changing more dynamical. This is an advantage since buying knowledge and expertise in the marketplace can be prohibitively expensive and resource requiring. Together, organisations may find it easier to monitor the changing environment and better understand emerging opportunities or risks (Eckel et al. 2008, 614).

By participating in alliances, firms can develop marketing capability with forming alliances that accrue as a result of historical processes of learning. An important basis for alliance capabilities is learning from prior experience. Firms may build marketing capability from experience and then engage in repeat experiences that further refine their capabilities. The benefits firms experience with alliances extend beyond gaining visibility and external recognition from their participation in alliance networks, which makes them attractive partners to other firms, to building capabilities and alliances (Gulati 1999, 403).

Marketing has a long tradition of examining dyadic exchange relationships involving buyer–seller relationships and strategic alliances (Swaminathan et al. 2009, 52). Alliances are formalised collaborative arrangements between two or more organisations focused on downstream value chain activities. First, an alliance gives the firm access to new markets. For example, by forming an alliance with a well-entrenched retailer, a firm gains access to the retailer's customers. This access can increase the level and speed of firm cash flows. Second, an alliance provides a firm with access to entire products, product features, brands, or services. Such access can help the firm create stronger offerings, which can increase customer acquisition, satisfaction, and retention and associated cash flows. Third, an alliance supplies a firm with access to new knowledge and skills. Such access means that firms do not need to develop these internally. Thus, cash flow levels due to lower costs and cash flow speed increase because the firm is accessing existing resources (Swaminathan et al. 2009, 53).

2. RESEARCH RATIONALE

This chapter lists the research problem and questions with the current study set out to answer. The objectives of this study are derived from two specific questions that support the main research question. Finally research methodology will be described in detail.

2.1. Research problem and questions

In fast-moving business enviroments open to global competition and characterised with geographical dispersion, sustainable competitive advantage requires unique and difficult-to-replicate capabilities. The components of marketing capability are seen as supportive processes of the firm´s strategic objectives. The development of key components of marketing capability has been identified as one of the primary ways to achieve competitive advantage. The internal environment of the firm such as business strategy and organisational structure and external environment such as alliances are the primary factors that play role in developing marketing capability.

The external environment has a huge impact on development firm's marketing capability, especially in such a turbulent and high-technology market where customer's composition and preferences change rapidly. The success of an innovating firm not only depend on firms interorganisational efforts but also on other innovators in its external environment, it means that the importance of strategic alliances is very high. As alliances nowadays play critical role in the development of firm's capabilities, its an important issue to study.

The interaction between the development of marketing capability and alliances is becoming more and more important in today's fast-changing business environment in order to face consumer needs, stay competitive and optimize the two main resources firms' value – time and money (Zhang 2010, 74). Strategic alliances have become a pervasive feature of the competitive environment and are having a growing impact on the development of marketing capability. Alliances have been used for such diverse marketing purposes as gaining access to markets, channels and knowledge, also accelerating market entry and enhancing marketing capability (Day 1995, 297).

This study defines capabilities as unique combinations of the knowledge-based, tangible or intangible resources of a firm, and indicates what a firm can achieve by having teams of resources working together (Tsai et al. 2004, 525). Helfat defines dynamic capabilities as 'the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments (Helfat et al. 2003, 998). Marketing capability is defined by Morgan as capabilities concerning processes such as product development and management, pricing, distribution management, marketing communications, selling, marketing planning, marketing implementation and secondly the processes of marketing strategy development and execution (Morgan et al. 2009, 910). Current study defines strategic alliances as voluntary arrangements between firms involving exchange, sharing or codevelopment of products, technologies and services (Gulati 1998, 293).

The former researches have not looked deeply the development of marketing capability tied with the strategic alliances. These two components are becoming the key components in business model in today's fast changing and innovative business environment. The author will study marketing capability development on one hand and secondly how alliances have developed the marketing capability of focal firm.

The main research question is hereby stated as follows: **How marketing capability has been developed in cooperation with alliance partners in different phases of focal firm evolution?** In order to examine this subject thouroughly and get better results, author has set up two sub-questions for the main question which are following:

Sub-question 1: How the marketing capability was developed of focal firm?

Sub-question 2: How alliances have affected the evolution of marketing capability of focal firm?

In order to solve research questions, author has chosen the Hilton Worldwide as a case company that is the leading global hospitality company, spanning the lodging sector from luxurious full-service hotels and resorts to extended-stay suites and mid-priced hotels. Hilton has given so much for the whole hospitality industry development and Hilton brands have provided business and leisure travelers the finest in accommodation, service, amenities and value. With more than 3,500 hotels in 81 countries, their trusted portfolio of brands includes the Waldorf Astoria Hotels & Resorts, Conrad Hotels & Resorts, Hilton Hotels & Resorts, and Doubletree by Hilton, Embassy Suites, Hilton Garden Inn, and Hampton by Hilton, Homewood Suites, Home2 Suites and Hilton Grand Vacations. Since their founding over 90 years ago, Hilton's commitment to creating exceptional guest experiences remains unchanged, and their more than 130 000 team members continue to bring the highest quality of service to the world's visitors (Hilton Worldwide At a Glance).

2.2. Research objectives

The main objective of this study is to provide insight into how firms should build up their marketing and alliance relationship strategy in the overall business strategy in order to gain sustainable competitive advantage and what are the key components of marketing capability which should be in strategic focus in certain phases of a focal firm. Secondly, this study gives an overview of the role of strategic alliances and partners in certain phases of a focal firm and how the alliance relationships affect the evolution of marketing capability.

Marketing play an essential role in today’s turbulant business environment especially concerning the innovativeness of firms, in that it could initiate new innovations or translate customer needs into the pipeline of innovations. The development of marketing capability is definitely in focus in this fast-changing business environment in order to achieve competitive advantage which is the key of business success. Strategic alliances and managing effectivily firm’s alliance relationship are two main issues organisations are dealing because for the cost-effective operations firms have to restructure resources and it’s not cost-effective to operate your own in today’s business environment where the customer needs, trends and technology change so rapidly. In this study the author is focusing on two key components of the business model – the marketing capabilities and alliances, and the linkage between them. (see figure 1)

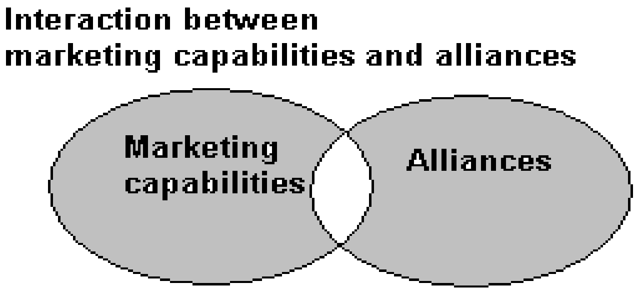


Figure 1. Interaction of marketing capabilities and alliances

Source: Author.

The main outcome of the study is the conclusion of the interaction of marketing capability components and alliances and how alliances have been supporting and affecting the evolution of marketing capability in different phases of a focal firm.

The empirical part of the study has two prime objectives. Firstly, find out the components of marketing capability of focal firm's which were developed througout the history in specific time phases and why these components of marketing capability were on focus on each phase of the focal firm. Author will study specifically the key components of marketing capability in each phase and study thouroughly the evolution of these capabilities. In order to study this effectivily, author will use the table in figure 2 in order to emphasise the key components of marketing capability in each phase of focal firm. Figure is derived from Osterwalder's and Pigneur (2009) business model where capabilities are one component of business model. Author took Morgan's definition of components of marketing capability as a basis, added some important components of marketing capability and composed a table seen in figure 2.

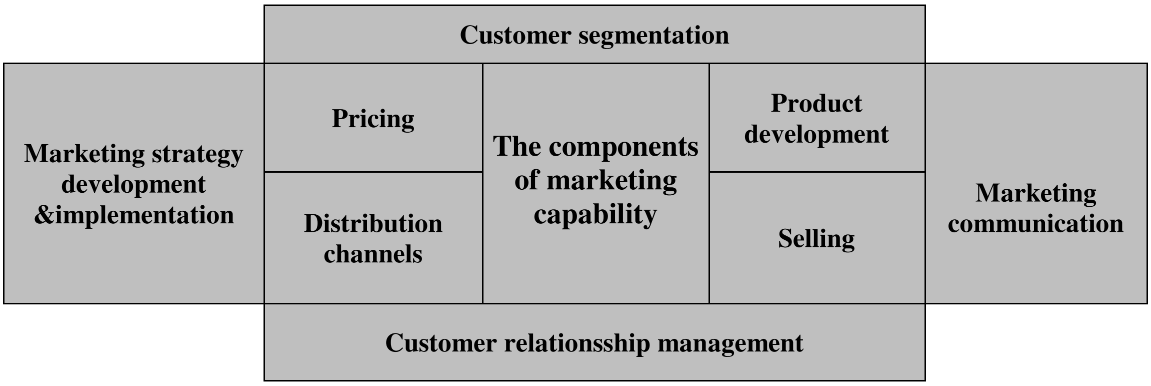


Figure 2. The components of marketing capability

Source: Author.

Author has divided the focal firm's development into three phases in order to describe firstly the components of marketing capability and secondly the strategic alliances composed during these periods which affected the evolution of marketing capability. The first phase is named as a development phase including the time period 1919-1940. Second phase includes the period from 1940-1980 and named as a growth phase and the latter, third one is named as maturity and innovation phase describing the components of marketing capability in 1980-2010. Secondly, is author focusing on drawing out the patterns about strategic alliances in these phases and when and why each strategic alliance was composed. The author has divided the history of the research object into these time periods because in each this phase the business model and strategy of the company changed and the business model and strategy was adapted into the new phase. The names and classification of the phases have been tested and confirmed with the interviewees of Hilton Worldwide.

2.3. Research methodology

The author has chosen case study research. For collecting empirical evidence the qualitative method will be used. The data collection is explained below in this subchapter. The case study is one of the many ways for doing social science research. Others include experiments, surveys, histories, and economic and epidemiologic research (Yin 2009, 2). The case study is a research strategy which focuses on understanding the dynamics present within single settings. Case studies typically combine data collection mehtods such as archives, interviews, questionnaires, and observations. The evidence may be qualitative (e.g., words), quantitative (e.g., numbers), or both. Case studies can be used to accomplish various aims: to provide description, test theory, or generate theory (Eisenhardt 1989, 534). Yin's opinion is that the case study research is in general a preferred method when „how“ and „why“ questions are being posed and secondly the investigator has little control over events and thirdly the focus is on a contemporary phenomenon within a real-life context (Yin 2009, 8).
According to Yin (1994) case studies are used in many situations, including (Yin 1994, 1):

- Policy, political science, and public administration reasearch
- Community psychology and sociology
- Organisational and management studies
- City and regional planning research, such as studies of plans, neighborhoods, or public agencies
- The conduct of dissertations and theses in the social sciences – the academic disciplines as well as professional fields such as business administration, management science, and social work.

Comparison of other research strategies is depicted in table 3.

Table 3. Relevant Situations for Different Research Strategies

Strategy	Form of research question	Requires control over behavioral events?	Focuses on contemporary events?
Experiment	How, why	Yes	Yes
Survey	Who, what, where, how many, how much	No	Yes
Archival analysis	Who, what, where, how many, how much	No	Yes/no
History	How, why	No	No
Case study	How, why	No	Yes

Source: Yin 1994, 6.

Case study as a tool for generating and testing theory represent a methodology that is ideally suited to creating managerially relevant knowledge. Case studies are carried out in close interaction with practitioners and they deal with real management situations. Case studies seek to study phenomena in their contexts, rather than independant of context. Though, case study method needs to prove its validity and reliability. Eisenhardt argues that a good basis for an analytical generalization starts from cross-case analysis involving four to ten case studies. According to Yin, instead of multiple case studies in different organisations, case studies within one organisation give also analytical generalization (Yin 2009, 8).

A single-case study is an appropriate design under several circumstances. First, single case study is analogous to a single experiment, and many of the same conditions that justify a many of the same conditions that jusfify a single experiment also justify a single-case study. One rational for a single case study is when it represents the critical case in testing a well-formulated theory. The theory has specified a clear set of propositions as well as the circumstances within which the prepositions are believed to be true. To confirm, challenge, or extend the theory, there may exist a single case, meeting all of the conditions for testing the theory. A single case can then be used to determine whether a theory's propositions are correct or whether some alternative set of explanations might be more relevant (Yin 1994, 38).

This research particular focuses on the development of marketing capability and alliances of Hilton Worldwide during the years 1919-2010, and follows the single case study design. The single case study may be appropriate under several circumstances. Current research represents a single-case study with longitudinal approach. According to Yin, longitudinal approach studies the same single case at two or more points in time and would specify how certain conditions change over time (Yin 2009, 8).

The search setting, Hilton Worldwide, which is the world's leading hospitality companies, is suitable as unit of analysis for several reasons. Firstly, the founder and owner Conrad Nicholson Hilton built the largest hotel real estate empire of his time – Hilton Hotels Corporation and Hilton International (Baird, 5). Secondly, he established standards of quality in the fields of hotel management and operations for the entire hospitality industry. Thirdly, Hilton Worldwide is one of the largest hospitality companies in the world and they are growing currently faster than ever. Hilton Worldwide has contributed to the marketing capability such as product development throughout the history being the first one who brought air-conditiong into hotel rooms, starting to deal with additional services in the lobby, launching their central reservation system, made an application deal with Apple etc.

The major strength of case study data collection is the opportunity to use many different sources of evidence. Use of multiple information sources allows address a broader range of historical, attitudinal, and behavioral issues. Thus, any finding in a case study is likely to be more reliable if it is based on several sources of information (Yin 2003).

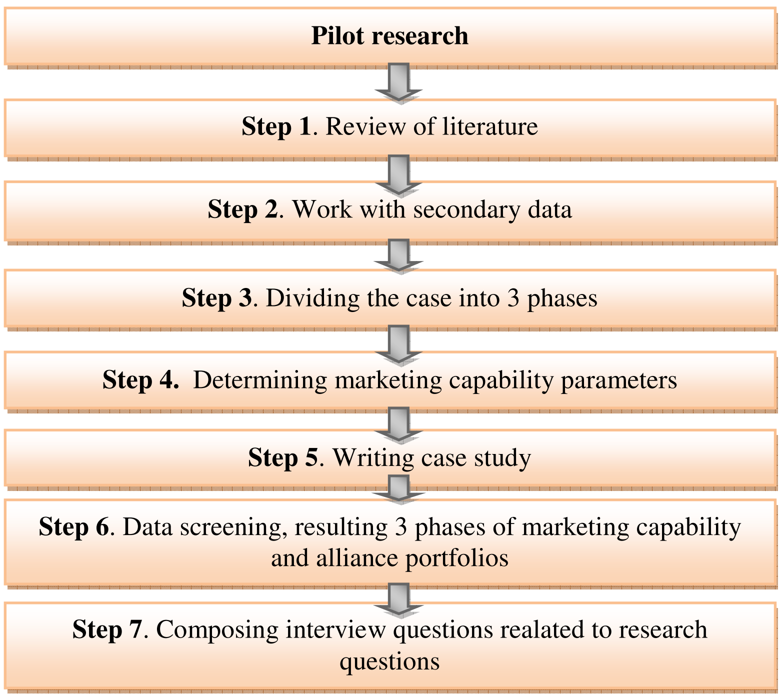
Prior to writing current thesis the author got acquinted with a thourough pilot study about Hilton's evolution of dynamic capabilities and alliances. The current study is derived from this pilot research but the author of current research has taken the evolution of marketing capability as the objective correlated with strategic alliances and alliance portfolio management. The author uses the qualitative method for data collection which includes interview data from original interviews carried out by the author.

Two main examples of data types important for a study include – primary and secondary data. In case of primary data collection the author collects the data herself through many sources such as interviews. The seconday data collection (qualitative and quantitative data already publised) was chosen, as it is more time efficient and fits the purpose to gain the background knowledge about the subject.

Author acknowledges that there are limitations to a single case study. Analysing many corporations active in the same business sector would give more comprehensive results. However, using multiple sources of evidence secures the quality of the empirical research.

2.4. Data collection and analysis

The data collection process for case studies is more complex than those used in other research methods (Yin 2009, 124). Current sub clause introduces work conducted with research materials in the course of writing thesis, illustration of which is demonstrated in figure 3.



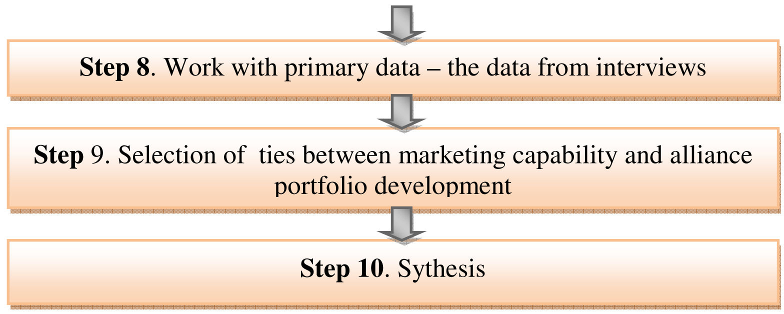


Figure 3. Data collection and analysis framework

Source: Author.

As mentioned, a pilot research was written by author's fellow students on dynamical capabilities and alliances using the same case object Hilton Worldwide which confirmed interest in conducting further research on this subject concentrating in marketing capability tied with alliances. In order to define the research question, the author started by reviewing existing theoretical literature on capabilities, focusing on the components of marketing capability and strategic alliances. Table 4 displays the literature overview of researchers and their input into the field of capabilities and alliances.

Table 4. Literature overview of capabilities and alliances

RESEARCHER	**RESEARCH VIEW**
Capabilities:	
Penrose, 1959	The growth of firm
Porter, 1985	Competitive forces approach
Wernerfelt, 1984	Resource-based view (RBV), capability lifecycle
Barney, 1991	Resource-based model, firm resources, RBV
Peterraf, 1993, 2003	Resources, competitive advantage, RBV
Teece, 1986, 2007	Capabilities, dynamical capabilities
Collis, 1994	Organisational capabilities
Helfat, 2003	Capabilities, the concept of capability lifecycle
Marketing capability:	
Conant,Mokwa,Varadarajan, 1990	MC linkage to 4 strategic types
Glazer, 1991	Marketing knowledge strategic asset
Hamel, Prahalad, Sinkula, 1994	Market knowledge competence is core competence

Song and Perry, 1997, 2008	MC influence competitive advantage
Vorhies, 1998	MC in a turbulant environment
Fahy, 2000	MC enhance financial and market performance
Morgan, 2009	MC processes
Verfoef, 2009	Marketing department role in customer connecting
Alliances:	
Thorelli, 1986	Strategic alliances
Gulati, 1998	Defining the strategic alliances
Koza and Lewin, 1998	Coevolution theory of strategic allainces
Parise, 2003	A firm's network of business-partner relationship
Hoffman, 2005, 2007	All alliances of a focal firm, alliance portfolio
Lavie, 2007	A firm's collection of direct alliances with partners
Zhang, 2010	Strategic alliances

Source: Author.

Secondly, the author worked with secondary data such as internal reports, archives, annual reports, press or other secondary articles and homepage of Hilton Worldwide. Based on this the author decided to divide the case study into three phases with regard to the fundamental changes in corporate marketing strategy. The case study was written by the author, namely the evolution of Hilton Worldwide marketing capability and interaction of alliances using data from primary and secondary data. All the Hilton Worldwide history of 93 years has been taken into the study starting with the year 1919 until 2010. For better analytical purposes, author composed figures each for one phase for illustrating the key marketing capability components in each phase and secondly the alliance portfolio by industries which affected the evolution of marketing capability in each phase.

The author composed the interview questions according to the main research questions and sub-questions. The author composed seven questions which consisted of three questions about marketing capability, three questions about alliances and one question about the trends in hospitality industry in the following years. All interview questions derived from the research questions are shown in a table in appendix 1.

Yin (1994) points out that one of the most important sources of case study information is an interview. The author carried out 10 interviews which included interviews with Hilton top management, interviews with the competitors of Hilton Worldwide and industry experts. While selecting the experts for interviews, the author aimed to include Hilton Worldwide managers with different backround as well as industry experts with different backgrounds (see table 5). The selection was the following:

– Top managers of Hilton Worldwide responsbile for development of Hilton Worldwide
– Middle managers of Hilton Worldwide specific hotels in Nordic region
– Middle manager of the main competitor of Hilton Worldwide in Nordic region
– Academia experts such as university professors in fields of tourism and hospitality management and strategic management
– Middle managers of independant hotels in Nordic region.

Interviews were carried out in Tallinn, Helsinki, and Stockholm and via skype from London, Istanbul and Moscow between October 24 and November 14. Interviews with the described mix of experts have proven to give a broader understanding of various aspects of the industry. The following step by the author was to analyse the primary data from the interviews, add data to the study and finally draw out the trends about the evolution of marketing capability tied with alliances.

The final step was synthesis of findings in the literature and findings of the case study with the purpose of analysing the evolution of marketing capability interaction with strategic alliances of case company. In order to achieve this objective the author compared results from the empirical study with literature.

Table 5. Interviewees of current research

Interviewees	Position of the interviwees	Location
Juan Corvinos	Development Manager Europe&Africa Hilton Worldwide	London
Michael Collini	Vice President Development Turkey, Russia&Eastern Europe Hilton Worldwide	Istanbul
Ari Arvonen	General Manager of Hilton hotels in Helsinki	Helsinki
Peter Eriksson	General Manager of Hilton Stockholm Slussen	Stockholm
Philippe Mahuas	Director of Operations Marriott Grand Moscow (former employee Hilton Worldwide 15 years)	Moscow
Jenni Piironen	Sales Executive of Hotel Haven	Helsinki
Vitali Makejev	Sales and Marketing Director of Radisson	Tallinn

	Olümpia	
Johanna Pettersson	Sales Director of Albert Hotel (former Rezidor Group employee)	Riga
Rob Davidson	Senior Lecturer in Events Management, University of Greenwich	London
Anton Jolkin	Director of Sales and Marketing Telegraaf Hotel	Tallinn

Source: Author.

3. THE EVOLUTION OF MARKETING CAPABILITY AND ALLIANCE PORTFOLIO: CASE OF HILTON WORLDWIDE

The earlier chapters provided background to the theory as well as research rationale, supporting the research problem and questions. In the current chapter the author provides an overview of the case object and compares the results to the theory.

3.1. The overview of Hilton Worldwide

When Conrad N. Hilton opened the first hotel to bear the Hilton name in 1925, he aimed to operate the best hotel in Texas. As a result of his commitment, leadership and innovation, today Hilton Worldwide is one of the most respected brands in the world (Hilton Worldwide homepage). The company operates more than 3500 hotels in 81 countries around the world empolying about 130 000 people. The company offers a wide range of boarding and lodging services across luxury, upscale, mid-priced, extended-stay or vacation ownership. It enjoys a strong brand awareness and brand recall in most of its key markets where it operates which gives it a distinct competitive advantage over its peers (Hilton Worldwide 2010, 4).

The brand name itself is like a synonym to the hospitality industry. People around the world say spontaneously the name of Hilton if they are asked to name some brands of hotel chains (Arvonen 2011). The vision of one man, listening the market needs and employing right persons with right competence were the key aspects that helped Conrad Hilton to develop the Hilton chain. He had a brain to surround himself with smart persons (Mahuas 2011).

The strong brand image of the company has led to a strong customer base for Hilton Worldwide. The company's portfolio of hotel brands include Waldorf Astoria Hotels & Resorts, Conrad Hotels & Resorts, Hilton, Doubletree, Embassy Suites Hotels, Hilton Garden Inn, Hampton Inn & Suites, Homewood Suites by Hilton, Home2 Suites by Hilton and Hilton Grand Vacations. A strong brand image provides the company a competitive distinct advantage over its specialized rivals in the market place, which results in steady revenue growth (Hilton Worldwide 2010, 5).

The biggest threat witnessed is intense competition which may lead to pricing pressures. The hospitality industry is characterized by a large number of players, with many of them having a worldwide presence similar to Hilton Worldwide. There are many large hotel chains similar to the group such as Accor, Marriott International, Rezidor Hotel Group and Hyatt, who are also expanding in potential growth regions such as Asia. In addition, the wide presence of independent hotels especially in the US region provides scope for consolidation, which would increase competition further. Furthermore, some of the company's competitors have greater financial resources, resulting in greater purchasing power, better financial flexibility and more capital resource for expansion and improvement, which enables them to compete more effectively (*Ibid.*).

Today, Hilton Worldwide performance advantage is an integrated system of innovative solutions and advanced technologies together to drive increased business and keep costs down, without comprising quality. The Hilton performance advantage combines the power of scale, access, reputation, and innovation delivered by the world's premier hospitality company. Their system provides powerful resources across their portfolio of brands, delivering leading edge solutions to consistently drive profits and efficiencies. This solution can create a higher share of wallet, guest loyalty, and leading innovation making it easier for on-site personnel to focus on delivering a superior guest experience (Hilton Worldwide Homepage).

The company owns, manages or franchises the hotels in the brand portfolio. Franchising, management and ownership distribution system contained by the end of 2006 2935 properties with approximately 501 000 rooms in 78 countries and territories. Of such properties, they owned and operated 60 hotels, leased and operated 203 hotels, owned an interest in and operated 53 hotels, managed 343 hotels owned by others and franchised 2242 hotels owned and operated by third parties (Hilton Hotels Corporation).

The customer segmentation of Hilton is at the moment 70% of business tourists and 30% leisure tourists but the objective is to increase the amount of leisure tourists in order to keep occupancy level high during all the periods of the week as well as dispel the demand on monthly and year basis. Though currently Hilton is the leader in business tourism, they are contributing a lot the leasure market with differentied products (Corvinos 2011). Hilton strong focus is on the leisure market in order to fill up the weekends. Hilton has significant leisure programs such as summer and winter campaigns and some regions have the huge potential for leisure hotels because they need branded hotel chains in the destinations like Turkey for instance (Collini 2011).

Hilton Resorts and spa-hotels are the products that help them to widen their leisure market. Hilton has unified its global spa business under their spa brand Eforea, which stand for spa at Hilton brand. The joint brand is necessary for offering a consistent spa standard and Eforea delivers the high standards guests expect from Hilton and further reinforces their position as the stylish, forward-thinking leader of global hospitality (Hilton launces Eforea Spa Brand).

The letters of the brand name Hilton stand for values that are targeted to customers, employees and partners. H stands for hospitality which means that they are passionate about delivering exceptional guest experiences. I stand for integrity to do the right things all the time. L stands for leadership which means that they are leaders in their industry and in their communities. T stands for teamwork and they are team players in everything they do. O stands for ownership which means that they are the owners of their actions and decisions. Finally, N stands for now which stands for the ability to adapt with a sense of urgency and discipline (Corvinos 2011).

One of the key advantages Hilton has is Hilton engine which means the power of marketing, distribution, reservation and guest loyalty program and technology platform. Hilton is developing internally their own technology platform which is really connecting the guest into the global marketplace (Collini 2011).

3.2. The evolution of marketing capability of Hilton Worldwide

The history of the development of marketing capability started 93 years ago in 1919 and the capability has developed throughout the history, though the key components of marketing capability which has been in focus are varifing in different periods of the company. Next subchapters below show the most important milestones and concrete activities throughout the history which has developed the marketing capability and which has been strategically very important in marketing strategy of Hilton Worldwide.

3.2.1. Phase I (1919-1940) – Development phase

At the very beginning of the company, when Conrad Hilton purchased his first hotels, the main value proposition of Hilton Worldwide was in convenient accommodation and hospitality. The most important capability of Hilton Worldwide at this stage was the cost efficient management of the properties (Baird 2004). Hiltons approach to cost management, forecasting and efficiency was rather innovative for the time being. This approach made it possible for Hilton to purchase unprofitable properties and turn them around to start making profit. High demand for rooms in appropriate locations put relatively small pressure on such components of marketing capability as customer relationship and marketing issues (Baird 2004).

In 1919 Conrad Hilton purchased his first hotel - the Mobley with 40 guest rooms and he paid for the hotel 40 000 00 $. At that time he decided to invest to the hospitality industry rather than invest in a bank. Following the end of World War I, many businessmen were seeking new opportunities brought forth by Texas oil drilling. Conrad called the Mobley something between a flophouse and a gold mine because the small 40-room hotel averaged 300% occupancy and its profitability enabled Conrad to purchase a second hotel in Fort Worth and in 1920, two more small Texas hotels (*Ibid.*).

By the end of 1923 Hilton had already 530 hotel rooms in Texas and he began to dream about building the first hotel to carry the Hilton name. And he didnt wait long because 1924 he and his friend William R. Irwin formed „Hilton Hotel, Inc“ and construction of the Dallas Hilton began becoming the first hotel carrying the name of founder. During the next 10 years, Hilton built and opened new hotels in Abilene, Dallas, El Paso, Long View, Lubbock, and Plainview being president of 19 Hilton

Hotels. The new brand name Hilton Hotels, Inc renewed in 1929 (Hilton Worldwide homepage).

During the first phase, Hilton contributed a lot to product development. First product development of Hilton, which was implemented in the first hotel seem very simple today, but was innovative and successful 90 years ago. For instance Conrad decided that every area in the hotel should bring profit and placed counters with magazines and personal care products in the hotel lobby. Each such kiosk brought additional 8000 dollars, which was a significant addition at the time. Later these principles were introduced in all the hotels of Hilton (Baird 2004, 7). Since air-conditioning hadnt yet been invented, the elevators, laundry chutes, airshafts, and other non-customer facilities were placed on the building's west side, so that no guest room faced the western sun. 1927 the first hotel was opened with cold running water and air-conditioning in public areas (Hilton Worldwide homepage).

During the first decades Hilton strategy was to contribute into infrastructure and effective management system. Hilton earned success by purchasing these hotels when they were unprofitable, and then turned each one into an exceptionally profitable operation (Baird 2004). Customers were primarily oilfield workers and due to the fact that hotel's occupancy was 300%, the price policy was easy to solve and competitors were missing on the market. **Figure 4** shows the components of marketing capability and concrete marketing actitivities of the first phase, including the years 1919-1940.

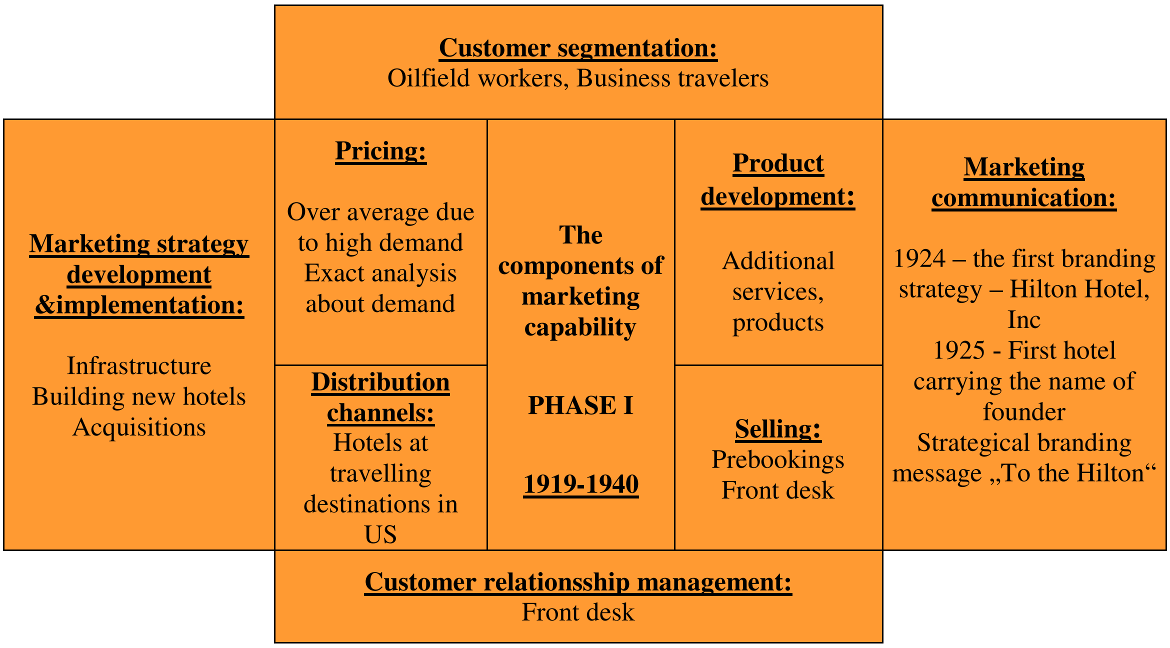


Figure 4. The components of marketing capability of phase I (1919-1940)

Source: Author.

3.2.2. Phase II (1940-1980) – Growth phase

In year 1942 Hilton bought his first luxury hotel property, the Town House in Beverly Hills, which put the beginning to a new period in Hilton's history, period when Hilton created the value proposition based on luxury and landmark locations of properties. While efficient management still remained a key capability, value of luxury demanded marketing investments and brand building. At the same time Hilton created extra value by linking hotels to casinos, night clubs and airports creating „full package service“. During and immediately following WWII, Hilton began to purchase landmark hotels across the country. He purchased the luxurious Plaza Hotel in 1943 and in spite of wartime restrictions, his staff completed important decorative and mechanical renovations that increased the hotel's operational and revenue producing efficiency (Baird 2004, 9). 1943 Hilton became the first coast-to-coast chain in the US (Corvinos 2011).

In 1946 The Hilton Hotels Corporation was formed and it became the first hotel company to be listed on the New York Stock Exchange (Hilton Worldwide homepage). In 1946, Hilton entered into the international business by building the first Hilton international property. In 1953 the first hotel in Europe was opened located in Madrid. Hilton continued to purchase new hotels and for example 1954 the Statler Hotel chain was purchased with its 11 hotels. In 1947 Hilton converted a bookstore in the Stevens Hotel Arcade (Baird 2004, 9).

The customer segment started to widen, for example as a new salad bar lunch attracted the young professionals working in the neighborhood as well as the elderly ladies residing in the hotel. This augmented dining room revenue later attracted more transient guests to stay at the hotel provided offices and accommodations for the American delegation to the United Nations. First time the strategy for women as a separate target group was developed (Corvinos 2011). Hilton established its first department of women's services to stimulate greater interest amongst women travelling either in connection with a convention, or independently for business or pleasure. These services evolve into the Lady Hilton concept. Lady Hilton, the brand's first concept designed for women travelers, was introduced in 1965 (Hilton history). In selected hotels women-only floors and rooms were featured and special amenities were provided tailored to women (Hilton Worldwide homepage). The Stevens Hotel Hilton created its first special amenity for female travelers – a folder containing "social note paper," a sewing kit and a booklet with names and telephone numbers for baby sitters, places to get a dress patched or ironed and gift shops. Many male travelers took these hotel kits home to their wives as gifts (Hilton history).

Many foreign ambassadors, American political leaders and international entertainers maintained apartments at this hotel and Hilton was considered a friend by many of these important people. Conrad Hilton took an active role in international affairs behind-the-scenes by hosting social events. Several hotels frequently hosted high-level government meetings and social affairs (Baird 2004, 7). Hilton was one of the first hotel chains who actually started to brand its meeting and conference products. It meant that booking a meeting in one part of Europe, has the similar experience booking a meeting in another city. It was very important reassurance for meeting planners to get the idea of stable and standardised services. For decades ago it was revolutionay that the standardised services were delivered and of course it didnt get a lot of time the competitors started to immitate for these kind of services (Davidson 2011).

Once the new international Hilton hotels began operations outside the United States, they were perceived as providers of safe hotels for Americans travelling internationally with uniform standards of clean water, safe food and good beds, working plumbing, air conditioning, good housekeeping standards, a safe environment, and the communications equipment necessary to business travelers. Repeat business by important members of the local community enhanced the international image of the hotels. In addition, America's self-made millionaires felt more comfortable at Hilton International hotels than at the traditional, class-conscious, luxury European hotels. The Americans explored the customs, habits and traditions of a foreign country, but when evening arrived, they often desired „American-style accommodations". Hilton could almost be called the patron saint of the tourist (Baird 2004, 8).

Product development and innovation has been one of the primary components of marketing capability Hilton has been developing and contributing into. Many features that have with time become industry standards were first introduced by Hilton. For instance in 1951 Hilton was the first hotel chain to place TVs in all rooms, in 1959 Hilton was the first company to open hotels at the airports (Baird 2004, 9). Hilton hotels were the first to be entirely air-conditioned. Hilton offered its first brand-wide direct-dial telephone service following an initial launch at The Conrad Hilton Towers in Chicago in the late 1940s (Hilton history).

In 1948 Hilton inaugurated Inter-Hilton Hotel Reservation System which was the first serious contribution to the innovative product development. Hilton was the first to launch inter-hotels reservation system which was the beginning of the modern day reservation system (Corvinos 2011). After the end of World War II the focus was to seek possibilities for cooperative business between European hotels and important American hotels in the eastern American gateway cities of New York, Boston, and Washington, D.C. Initially, Hilton expected to implement a program only for the coordination of sales promotion and reservation services between European and American hotels (Baird 2004, 7).

Customer relationship management started to be on focus in 1955's. Firstly, in 1955 Hilton created its first central reservation office, called Hilcron. It meant that reservations could be made at any domestic or international Hilton by telephone, telegram or teletype. In 1958 the new Hilton Carte Blanche credit card was launched which was the premier travel and entertainment card owned by Hilton Hotels. Throughout most of the 1960s and 1970s, the Carte Blanche card was considered to be a more prestigious worldwide travel and entertainment card than American Express or Diners Club, though its small cardmember base hindered its success. Carte Blanche also was the first to implement a Gold Card program, but initially only as a means to recognize cardholders who were frequent users and paid their bills on time.

In 1973 a unique information system Hiltron was launched through which customers could remotely receive current information on room's availability, book hotel rooms and travelling tickets. This computer system became the first of a kind in the history of the global hospitality industry and was in operation until year 1999 when it was replaced by more modern Hilstar (Baird 2004). The system was the most sophisticated computerized hotel reservation referral and reporting system in the industry and served HHC and HI until 1999 (Hilton history). In 1976 HNSIS went into operation, allowing the first complete computerization of Hilton national sales accounts, bookings, records and reporting system.

The real internationalisation period started in 1960's when a number of new hotels were opened all around Europe. For the year 1963 Hilton had 32 hotels in the United States and 29 international hotels for a combined total of 61 hotels in 26 countries with 40 298 guest rooms. Assets totalled $296 million. The company had 50 000 employees of 50 different nationalities and net earnings that exceeded $2.5 million (Baird, 9).

In 1966, Hilton started to bet on franchising. The company set the franchisee the following conditions: the interior rooms must conform to established standards, guests must provide high service levels and provide a specific set of services. At this time to support the model development Hilton would invested own money (backed by appropriate financing) to build new hotels and either sold or leased them to franchisees (Baird 2004). Franchising model was used only in United Nations and international franchising model was implemented in 2005 and the number of franchising hotels has been increasing since then because it helps Hilton to grow internationally (Collini 2011).

Due to the internationalisation strategy during the second phase, the development of service standards became an important issue. The development of brand values and standardised services was a key marketing capability at this time. The development of standards for Hilton was in high focus also some decades ago. Nowadays it is still very important marketing tool for Hilton as well but as the standards are so well developed and controlled already, Hilton's focus has been shifting more to the guest experiences (Corvinos 2011). Standards are controlled by the auditor several times per year when everything is controlled all over the hotel starting checking if the stuff is friendly and smiling and finishing if the breakfast is served as it should be (Arvonen 2011).

As company grew globally, the accessibility for booking a hotel room was an important issue for Hilton. They were the first ones who launched the inter-hotel reservation system and central reservation office and they have been adapting this since keeping mind the changing needs of customers and technology. Nowadays the issue is that this online reservation system is available for all markets in all languages to make the guest experience memorable and convinient from the moment the customer starts to make a booking (Corvinos 2011). Not only the websites are in different languages but the complete booking engine as well because is the only way to connect the domestic consumer (Collini 2011). Figure 5 shows the components of marketing capability and concrete marketing actitivities of the second phase, including the years 1940-1980.

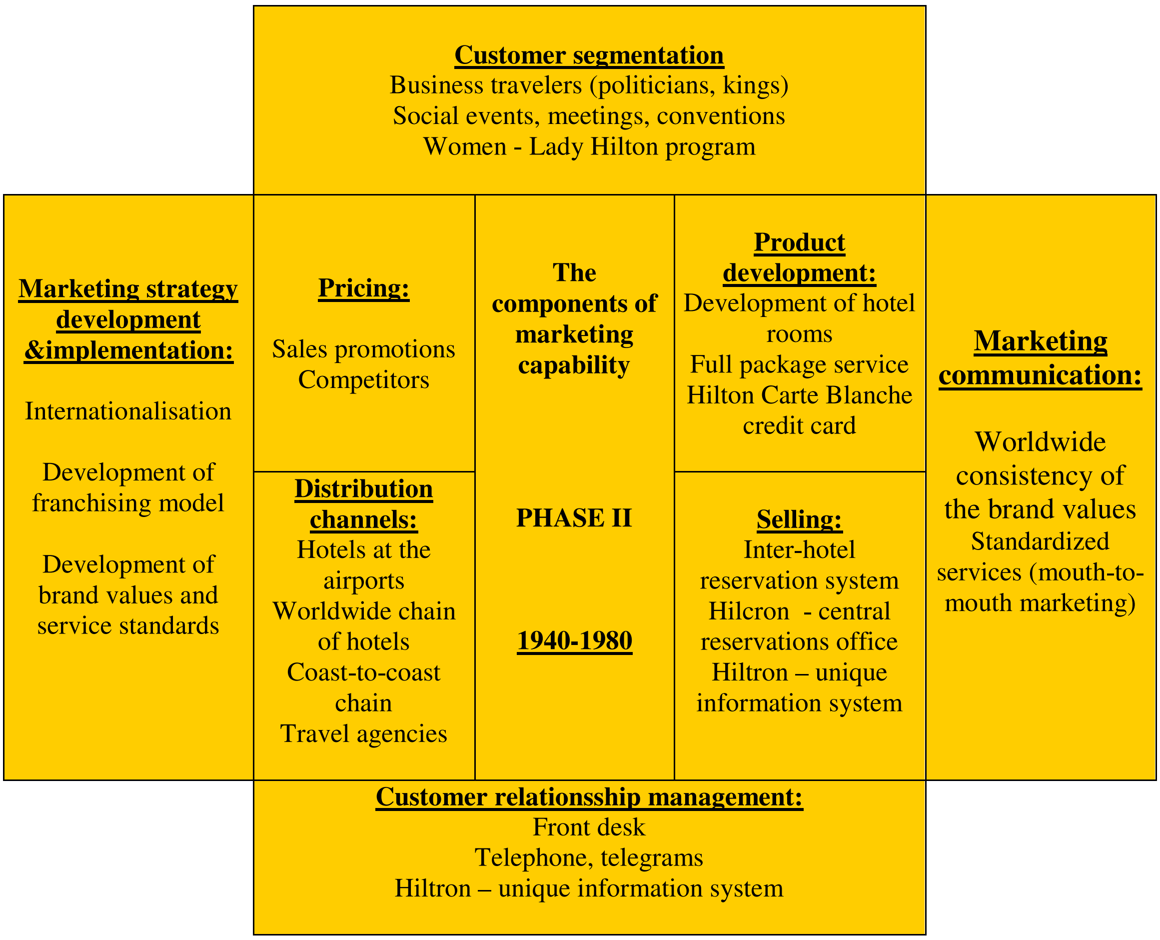


Figure 5. The components of marketing capability of phase II (1940-1980)

Source: Author.

3.2.3. Phase III (1980-2010) – Maturity and innovation phase

The last phase during 1980-2010 can be described as shifting focus entirely into marketing, branding and product development. The Hilton's brand portfolio started to grow in the beginning of 1980's. Hilton have great portfolio of brands which is segmented to different customer segments all connected in one loyalty program. Hilton is a synonym to the word hotel and the competitive advantage Hilton has is the legacy and brand awareness (Collini 2011, Corvinos 2011, Arvonen 2011, and Eriksson 2011).

In 1987 Hilton introduced its guest loyalty program named Hilton HHonors which was the the most important milestone in the developement of marketing capability and marketing the brand as one joint brand. Guests felt personalised and belonging to the club made them feel more comfortable arriving to the hotel (Davidson 2011). HHonors gives a huge advantage tracking customer's behaviour and needs globally and this information is available in each Hilton hotel globally (Arvonen 2011). Besides the benefits for customers this loyalty program is offering, it is a great tool for Hilton employees from the service point and helps to keep the personalised connection with the customer all over the Hilton hotels in the world (Arvonen 2011). Thirdly, it is a great tool for targeted selling (Eriksson 2011).

In 1994 Hilton HHonors surpassed competing hotel loyalty programs by offering members both points and air miles. It believed in honoring members with exciting, authentic and extraordinary possibilities (Mahuas 2011). Today this program gives a customer access to a world of experiences worth sharing over 3750 hotels in 84 countries. Customers value the benefit earning points while using the hotel services because next time they are travelling for leisure with their family for instance, they can have some services free of charge redeeming the points (Petterson 2011).

Hilton Hhonors program is a clear competitive advantage for Hilton Worldwide, their customers and partners. They are more dynamic and one step ahead from some of their competitors. Rezidor Group Club Carlson loyalty program is concentrating to attract new members join with this program rather than contributing to the reward products customers can get from the program. The focus is that customers can earn and redeem points more inside the hotel chain rather than from the third parties. They are cooperating with airlines, credit card companies but the portolio of partners is not increasing significantly and they are holding quite conservative strategy from the new partner perspective. Rezidors loyalty program has around 6 million members compared with HHonors 27 million members. From this 27 million 10 million users are active customers who stay at least one night per every year in Hilton's hotel

(Arvonen 2011). The number of Club Carlton members has grown 24% during 2010 and the target is to reach 10 million members by 2013. The strategy for reaching this objective is implemented in the hotels locally, where competitions are held between regions who are gaining more members to the loyalty program (Makejev 2011). There are competitions held in Hilton hotels as well in order to increase the amount of members (Arvonen 2011).

1995 Hilton launced HILSTAR - central reservations system (CRS), was creating a network of more than 440 hotels worldwide which represented the latest success in Hilton's global distribution strategy bringing enhanced value to business and leisure travelers, as well as to the owners/partners of hotels affiliated with the Hilton brand. HILSTAR supported Hilton's overall strategy, feeding real-time information directly into HRW (Hilton Reservations Worldwide), industry global distribution systems (GDS), individual Hilton hotels and www.hilton.com. In addition, the new system facilitated global sales and marketing initiatives for Hilton's worldwide network of hotels in more than 50 countries (Hilton launches HILSTAR, 1999). The issue how connect and communicate with customers has been focus in Hilton core strategy (Collini 2011). The consistant development of reservation system includes as well the methods of payment, earning points and getting the best available rate (Corvinos 2011).

In 1995 corporation first launched its own website which was the beginning of the e-marketing phase (Corvinos 2011). Nowadays it's all about internet and online distribution channels. The trend is that big hotel chains are contributing more to their own online reservation system than using the intermediaries (Arvonen 2011). Global hotel chains like Hilton are developing their webpages and booking engines into various languages in order to make it convinient for the customer to search and make a reservation (Collini 2011, Arvonen 2011). From the business perspective it is cost-effective because high commissions paid to the third parties will be remained and instead of paying commissions Hilton own website and booking engines are being developed sustainable and Hilton can handle its price policy (Arvonen 2011). Nowadays in the Internet age where the prices are so transparent and the choice for customer is endless, the price policy is very important marketing capability to develop (Arvonen 2011).

In 1997 Hilton Hotels Corporation and Hilton International formalised their previously announced alliance. Essentially, three jointly owned companies were formed: Hilton Marketing Worldwide, which unified the Hilton name internationally, including the development of a common logo; Hilton HHonors Worldwide which started to operate the customer-loyalty program and Hilton Reservations Worldwide which started to operate the existing joint reservation system (Hotel and motel management, 1997).

The potential of these great brands including international brands were not fully exploited. In 2005 only 15% were international and 10% of what was under construction was international. Within five years, the global growth strategy was implemented and the outcome was 43% of the hotels were international (Watkins 2010, 32). In 2006 Hilton reaquired Hilton International after a 42-year separation which brought so many strategic changes (Collini 2011). This alliance was an important milestone in the perspective of marketing capability in order to market the brand globally (Collini 2011).

During the years in which the two companies were separate, Hilton in the U.S. was prevented from expanding its brands overseas. Since 2006 when Hilton and Hilton International reunited they have worked to create an integrated organisation with one voice, one portfolio of brands and one vision for success. Hilton aligned their culture and organisation, maximised performance across the enterprise, strengthened and expanded their brands and commercial services platform and expanded their global footprint. Above all they always work to ensure that they are delivering great guest experiences and exceeding guest expectations at all of their properties around the world (Bartlett 2010, 31).

Hilton has defined a guest experience for the brand as equilibrium. It's all about putting the balance back into life and it needs to be brought to life at every link in the chain. People need to have a good experience booking with reservations call centre or online and they don't have to queue up at the desk and the breakfasts are the best (Corvinos 2011). In 1989 the Satisfaction Guarantee was launched and the Hampton Hotels was the first hotel company to promise 100% Satisfaction Guarantee. It stated: „Friendly service, clean rooms, comfortable surroundings evey time. If you are not satisfied, we dont expect you to pay“(Ashton 2006, 18).

The customer segmentation focus has also changed from a core business customer due to the consumer base expanding strategy. The focus is widening consumer base with younger people who are rich international travelers for business and leisure as well as the consumers over 50's who have vast amounts of income, leisure time and are very demanding. As the environment and customer needs are changing very fast and Hilton has adapted to these changes because they have managed to get the competence (Mahaus 2011). In 2005, they came out with a strategy that helped Hilton appeal to a younger generation and had a real impact on the commercial results (Ashton 2006, 19).

The new strategy included also refining its marketing and product offerings to reflect changing customer expectations. As the meetings business remained soft, particularly among big groups, Hilton started to adjust its offerings to attract and accommodate smaller groups. So the adjustments in target groups were made by listening meeting planners adjusting its offerings to attract and accommodate smaller groups. Making meetings sustainable for example was one example. Hilton's product innovation focus is on the processes of feedback from customers and owners to improve and create new products, services and brands (Watkins 2010, 32).

The challenge for Hilton and as well for the whole hospitality industry is definitely to face the needs and expectations of the new generation called generation Y because it's very different they are looking from hotels (Davidson 2011). The babyboomers generation (born after the II World War) are looking for standard brand, comfort and predictability but the generation Y which is the fastest growing generation in the global workforce looking for something different, something more funky and edgy (Davidson 2011). Younger generation has money, they are more eager to spend it to travelling in order to experience moments and they need hotels to stay (Arvonen 2011).

Generation Y is less interested in nice gastronomic restaurants. They appreciate more snack food, wifi and technology facilities. The challenge for Hilton and also some other chains is to adapt themselves and almost reinvent themselves for the latest generation because some hotels are already doing this offering colorful design, something more surprising and funky (Davidson 2011). Generation Y wants to be around other people and socialise either face-to-face or via social media. Opened lounges are attractive for generation Y even for working (Petterson 2011).

The brand of Hilton has become an upscale brand which offers significantly more than the mid-market. For many people Hilton is a luxury experience but it depends on the positioning because it is definitely not an ultra-luxury brand along the lines of the Savoy hotel for example. In addition what was defined as „luxury“ has now become blurred. It used to be all about tangible possessions but it has shifted. People are far more concerned concerned about is luxury of time, space and connectedness. The things that surprise and engage people are more to do with the way they feel and the whole experience. Most of the words Hilton is using with brand promises are about the emotional connection and helping people restore, relax, refresh and improve their lives. That takes a lot more than a comfortable bed and a hot meal those things are taken for granted. Hilton has done a lot of work figuring out how to turn nice feelings into the reality of an experience (Ashton 2006, 18). The brand Hilton is positioned in 2010 as a more traditional four-star commercial and group hotel (Watkins 2010, 36).

2009 Hilton Worldwide announced a mission to become the preeminent global hospitality company. Sales strategy of Hilton Worldwide’s has a deep understanding of customers needs on a global basis. They have a strong belief that they must sell to their customers in the way they want to buy, so they deploy their team members on an account according to how the customer is organised. For example, if there are decision-makers for a customer in different parts of the world, their sales organisation puts together an account team to work with them in the same regions. This allows them to always present one consistent voice to the customer and to provide exceptional, personalised service worldwide (Bartlett 2010, 32). Global marketing strategy concerns more brand awareness, brand portfolio, brand values and local marketing strategy is more tied with the location, soul and customer differentation (Eriksson 2011). Fast global growth demands more and more local sales and marketing activities where global marketing strategy is adjusted domestically to customer needs (Arvonen 2011).

Customer-centricity is Hilton’s touchstone as the hospitality industry is more than just sell rooms as this industry is in the business of creating experiences and exceeding expectations. At all levels of the organisation, they understand how important their customers are to the business, and they must continue to meet their needs and surpass their expectations from the moment they entered the hotel to the time they leave it (Bartlett 2010, 32).

The development of Hilton product development in the 21th century is very much connected to the digital media, social media, web 2.0 and technological product innovation from computerised rooms to mobile booking applications. Hotel industry is drastically affected by the technology development, which creates new opportunities to those who are able to manage it the best (Corvinos 2011).

Future for Hilton is definitely to keep up following the core values which are hospitality, integrity, leadership, teamwork, ownership and now and alliancing with different partners gives them the opportunity to concentrate into their core values (Corvinos 2011, Mahuas 2011). As the hospitality market is consolidating, customers are looking for some kind of standard level from hotels and in this perspective hotel chains have a huge advantage with their standardised concept, joint marketing and loyalty programs (Makejev 2011, Collini 2011). Customer look for the guarantees where are safe to sleep and safe to eat and global hotel chain with high brand awareness and standardised services can ensure the safety issues (Arvonen 2011).

In the hospitality industry from the business perspective, all is matters is volume, distribution and brand awareness and values. It doesnt matter if Hilton is managing or franchising the property, customer is making their decision because there is a Hilton flag standing there with all brand values and promises (Collini 2011). Figure 6 shows the components of marketing capability and concrete marketing actitivities of the third phase, including the years 1980-2010.

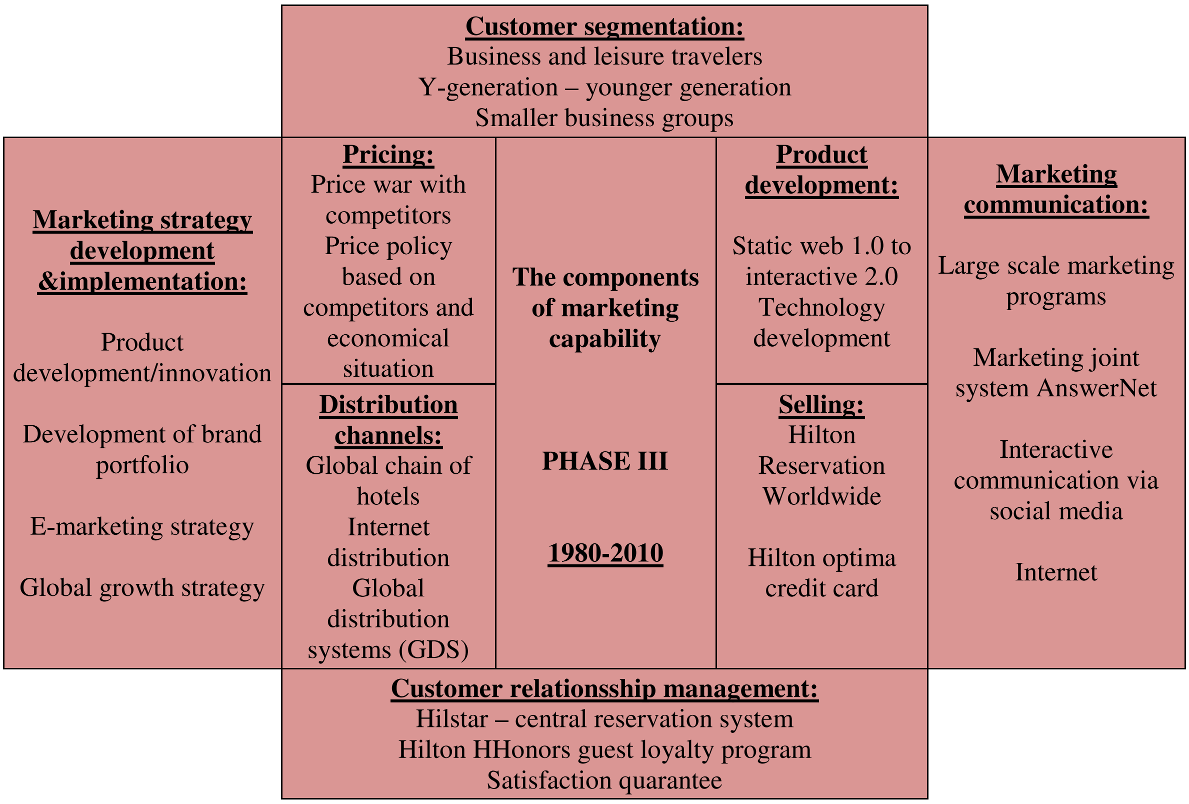


Figure 6. The components of marketing capability of phase III (1980-2010)

Source: Author.

3.3. The evolution of alliance portfolio of Hilton Worldwide 1919-2010

Author has analysed previously the evolution of Hiltons marketing capability. In every of the described historical development phase Hilton was able to add value and create competitive differentiation through partnerships and alliances and through that developed also marketing capability. Figures 7-9 illustrate how the partnership portfolio of Hilton grew over years including different alliances from different industries which affected the evolution of marketing capability. (Illustration does not display all the partnerships, but is presented for the purpose to demonstrate the dynamics and trends in each period). Groups displayed for different time periods are additions to the next portfolio.

In the beginning of Hilton Corporation history, when the model was based mainly on ownership and management capabilities, Hilton needed large scale resource for growth through financing. Growth with the ownership based model obviously required significant financial resources or access to such resources through partners. The best known and crucial financial partner in the early history of Hilton was Moody family of Galveston, whose involvement allowed Hilton to keep going after the depression era when Hilton's business was saved by this partnership. Thus the partnership was based on possession of different assets: Hilton – hotel management know-how and Moody – financial resources (Baird 2004).

In December 1931, the Moodys foreclosed on the loan and took over the Hilton hotels. In return, the Moodys offered Hilton the management of his own hotels along with management of their hotels. The Hilton and Moody hotels were merged into the National Hotel Company with Conrad Hilton holding one-third ownership with a salary of $18,000 per year (Baird 2004).

Once hotel room occupancy started to pick up again in 1930's and funds began to flow back into the Hilton coffers, Conrad Hilton moved on to the third stage of his empire building. Interest was now directed toward acquisition of great established hotels across the nation. These hotels were bought cheaply, and Hilton "doctored the financial wounds left on them by the Depression." The first hotel outside of Texas, the Sir Francis Drake of San Francisco entered the chain in 1938. Other West Coast hotels followed, then New York properties and in 1945 Chicago's two most famous hotels, the Stevens and the Palmer House were acquired. The purchase of the Waldorf-Astoria in 1949 brought to fruition one of Hilton's most cherished personal dreams (Baird 2004).

Secondly, development of infrastructure of the hotels was the key capability which grew during the first phase together with alliances. The first hotels were built, the hotels which were merged were designed and redecorated (Corvinos 2011).

Hilton grew together with alliances contributing to the product development by adding personal care products and magazines to the lobby and public area of the hotels. This was effective for both parties – to the customers who gained additional value having this kind of additional services in the hotel and secondly, it had direct impact on the financials of Hilton. Hilton was the first hotel chain who implemented the additional service concept at the hospitality industry (Collini 2011).

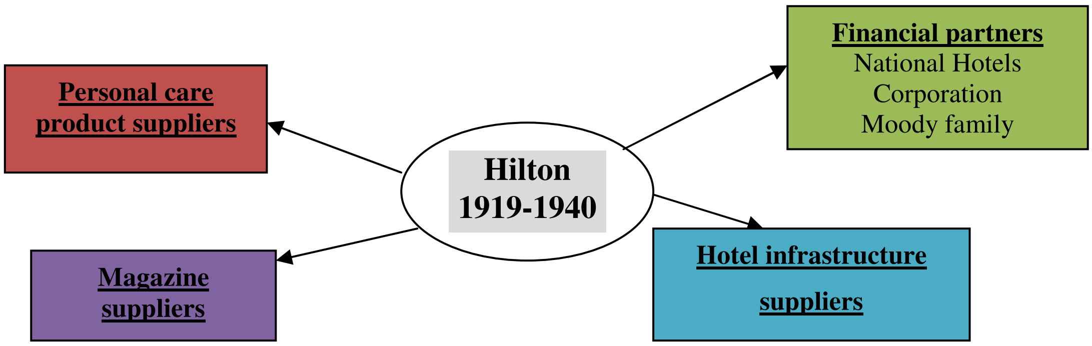


Figure 7. The alliance portfolio of Hilton 1919-1940

Source: Author.

In the next phase (1940-1980) Hilton formed extremely successful partnerships with airports and entertainment providers – casinos and night clubs. This partnerships created new value for the clients and significantly leveraged value for all partners. These partnerships were mainly based on similar goals as attracting more clients and similar target segment. The most important model transformation of this phase was the shift to franchising model of operation. Introducing franchising model can be seen as focusing on the core competence (hotel management) and outsourcing the auxiliary operations (real estate investment and management) to partners who can do this part better. Additionally franchising model frees the financial resource and accelerates growth thus leveraging the values of brand name, consistent brand quality, cross selling and etc. Thus the main addition to the partnership portfolio of this period was the franchising partners (Baird 2004).

1949 Hilton Hotels Corp. merged the various credit records and cards from its separate hotels into one uniform system. The first uniform credit card that could be used at any Hilton Hotels property was mailed to the previous 175 000 plus cardholders (Hilton History).

Hilton opened the first hotel at the San Francisco Airport in 1959, pioneering the airport hotel concept (Hilton History). Hilton marketing capability evolved a lot, Hilton got new segment of customers, their brand awareness grew as well and Hilton was again the innovative one who developed the whole hospitality industry (Corvinos 2011). In 1970's the hotel business was intimately connected with air travel. Hotel capacities and airline seats hold a complementary relationship. As superjets increased air travel supply, hotel rooms were supposed to be available in places the public wished to visit. Two frustrations of air travel were airport check-in and baggage delivery. Increased patronage posed intensified check-in and check-out problems at the hotel desk. Hilton started experimenting with procedures to minimise these traveler-patron headaches such as baggage going directly from airport to the traveler's hotel room with computer pre-registration completed when the airline ticket was purchased (Wright 1969, 62).

Hilton International was separated from Hilton Hotels Corporation in 1964 and purchased by Trans World Airlines, Inc. in 1967. The TWA subsidiary operated 43 hotels outside the continental United States with ten more under construction at this time HHC retained the exclusive rights to operate Hilton hotels in the states of the US, and Hilton International the exclusive rights to operate Hilton hotels anywhere else in the world (Wright 1969, 63). Hilton International grew rapidly and at the end of 80's Hilton International was sold to Aegis, holding company for United Airlines and Ladbroke - a British gaming and betting company with headquarters in London (Baird 2004).

In early 1970's Hilton entered into the car-rental business. Car rentals were used as a promotional adjunct leading to increased occupancy by furnishing the car without mileage charge (Wright 1969, 63).

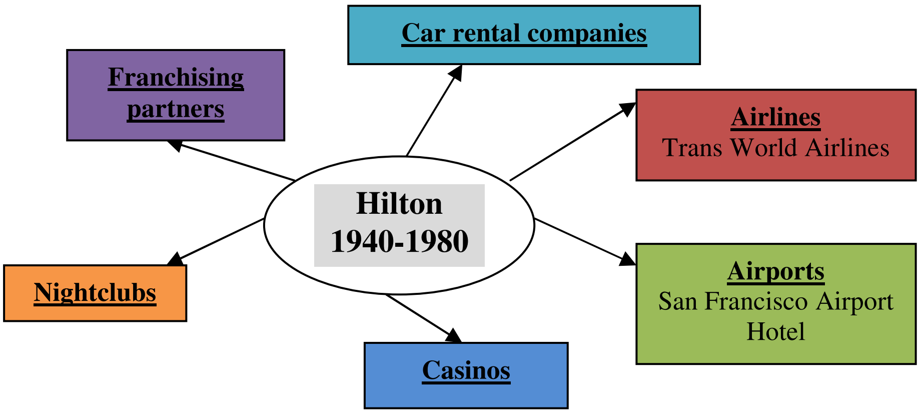


Figure 8. The alliance portfolio of Hilton 1940-1980

Source: Author.

In the 1980's Hilton having established franchising model, Hilton began to leverage its brand value by focusing on branding, marketing and product development. During this period Hilton significantly expanded its partnership portfolio and attracted new partners which had a direct impact on the evolution of the marketing capability. In 1987 Hilton introduced its first guest loyalty program HHonors and alliances with numerous companies were made to offer additional bonuses to the clients and offer full package services.

Today Hilton is partnering with more than 50 airlines worldwide, most of the major car rentals, Disney World and Universal studios, cruise ship operators, major credit card companies and others who all play a huge role leveraging experiences to the Hilton customers (Hilton Worldwide official web site). HHonors loyalty program is one of the competitive advantages of Hilton Worldwide and the number of partners they are attracting to this program is increasing (Corvinos 2011). HHonors loyalty program is connecting a lot of partners into the program since 1995 and this number is increasing consistantly in order to be able to offer the full package of services to the customers.

Earning points section includes all the worldwide hotels in Hilton brand portfolio, several airlines, car rental companies, mobile operators, credit card companies, shopping and dining properties, rail and cruise travel etc. Redeeming partner portfolio consist of all hotels and resorts, leisure and entertainment partners, motorcycle rentals, car rentals, cruises, shopping and dining partners (see figure 9). Hilton HHonors Shopping Mall is a global online shop where Hilton HHonors members around the world can redeem HHonors points for products from various partners like electronics, sporting goods, housewares and more (HHonors webpage). HHonors loyalty program alliance porffolio consist even partners as charitable organisations where customer can make donations with their HHonors points.

All these above mentioned partners have delivered value for Hilton and developed the marketing capability for Hilton for decades and currently the selection of services customers can earn and redeem is increasing. Partners from different kind of industries have been increased in order to offer different and exciting experiences for customers. 27 million of people are carring this card in their pockets and earning points besides all the hotels in Hilton portfolio but as well from the airlines and other partners. The number of partners in the loyalty program is increasing every day and focus is on all kind of experiences outside the hotel and more tied with destinations. HHonors program is not anymore focusing on giving points to the customers redeeming these points for a simple hotel stay but instead they are offering real life experiences together with partners (Corvinos 2011). Customer habits and needs are all in this joint program which gives the extra value and personalised feeling for the customers and it is a very important tool for hotels in order to fulfill special needs of every customer (Arvonen 2011).

In 2002 BAA Worldcard joined forces with Hilton Hotels to provide up to 100 pounds worth of offers when credit card holders book a Hilton Leisure Break in order to offer BAA customers a genuine benefit with great deals and offer extra value and services to their customers (Precision marketing 2002).

In 1996 Hilton USA formed an alliance with Ladbroke/Hilton International to jointly develop the Hilton hotel brand around the world, in a move that also allows the two companies to buy stakes in each other. 1997 Ladbroke and Hilton Hotels agreed to a plan to reunite the Hilton hotel brand worldwide in a deal which will see Hilton Hotels acquire an initial 5% of Ladbroke. 1997 on January 13, Hilton Group plc. announced the signing of a worldwide alliance with Hilton Hotels Corporation, the owner of the Hilton name within the USA that reunited the Hilton hotel brand for the first time since

1964. Under the terms of the alliance, Hilton Hotels Corporation and Hilton International were co-operating on sales and marketing, loyalty programs, central reservation systems and other operational matters (Mahuas 2011). In November 2000 Hilton Group and Hilton Hotels Corporation announced a further initiative between the two companies - the formation of a joint venture company to expand the Conrad brand of luxury hotels on a worldwide basis (Baird 2004, 9).

The basic idea of this collaboration is in cross-selling within the partnership and offering a complete service to the clients. And finally today, through the partnership portfolio we can see Hilton is focusing even closer on branding, marketing and product development and innovation. According to Hilton Vice-president Tim Bridwell Hilton is very seriously taking the e-marketing opportunities. Google, Bing and other search engines are very important marketing tools for Hilton globally and locally, the objective is to be the first or second popping up when finding hotels in search engines (Collini 2011).

Today Hilton has alliance agreements with such companies as Facebook, YouTube, Twitter, and Tripadvisor. Social media strategy is composed from the Hilton Worldwide head office marketing team and local hotels are working inside these frames. Hotels do their own marketing plans adjusted to the domestic market (Eriksson 2011). Twitter is a tool for rewarding customers with lotteries, communications, brand awareness and also interactive selling tool for hotels. Facebook is more for communication tool sending out news and offers (Eriksson 2011) with increasing possibilities to integrate hotels's own reservation system which means that Facebook is becoming a sales tool for hotels. Some hotels are already gaining success from this strategy (Jolkin, 2011).

Tripadvisor is an important marketing tool for connecting and communicating with customers and get their feedback interactivily and fast (Piironen 2011). Tripadvisor is an effective tool for the customers who get valuable information about the hotels before making their purchase decision (Eriksson 2011). Tripadvisor for example is a fundamental tool for customers finding out what a certain hotel is standing for (Corvinos 2011). Foursquare is a tool for customers for socialising and getting know each other where they are located in certain time periods. For Hilton it is a marketing tool via Hilton customers who market and promote Hilton properties amoung their friends checking in themselves when arriving to the hotels (Eriksson 2011).

Topguest is a loyalty program which rewards users for engaging with brands on social networks. Customers are collecting ariline, hotel and other travel reward points for social networking activity, like foursquare and facebook check-ins. Today they are announcing a new product which allows brands to customise their communication with each of their customers based on their social networking activity. Topquest's first partner with this effort is Hilton HHonors. Hilton's new social loyalty program, powered by Topguest, will be available at special webpage www.socialhhonors.com and members will receive 2500 points simply for connecting their Facebook account.

So basically this is a direct selling channel for Hilton as well. For instance customers having RSVP to a conference taking place in London in Facebook and the customer is also a member who likes for example one of the Hilton brands Doubletree, Doubletree will be able to send a personal offer for the specific dates with a discount which gives an excellant selling tool personalising and narrowly targeting offers to each person individually, instead of blasting out millions of emails to all their members at once (Social loyalty startup... 2011). This is one example how Hilton is adapting itself for the generation Y. Youtube is a marketing tool as well. The visualisation of the services is needed in service indsustry where emotions and experience are the important ones and youtube is a great advertisement and promotion tool for hotels (Eriksson 2011).

Recognising the opportunity for partnership and the need to focus on its core hotel businesses, Hilton created the Innovation Collaborative, working with top global technology companies. Under the program, Hilton's IT partners have implemented systems development best practices, leveraged extensive R&D efforts and delivered next-generation technology solutions. As the technology is changing in a rapid speed, it is increasingly challenging for companies to maintain their technological edge, so cooperation with different technology partners is a must. Recognising the opportunity for partnership and the need for stronger focus on core business, they work closely with top technology companies in several key areas. The collaborative's mission is to deliver exceptional guest experiences while leveraging the skills, quality and scale of these technology leaders to differentiate Hilton Worldwide brands from the competition (Hilton books IT partners... 2011).

Accenture provides application development and support services for Hilton property management systems and multibrand, transactional websites. It also supports them with a global service desk. (Hilton books IT partners… 2011). TCS spearheads the transformation and management of a core group of application platforms that deliver enhanced product offerings. TCS also oversees Hilton corporate suite of applications, including property information management, learning management, quality assurance, business intelligence, financial systems and intranet applications (Hilton books IT partners...2011).

Technology giant IBM is hosting and managing the technology that supports Hilton brands, including data center management and monitoring, e-mail, web hosting, and the central guest reservation system. The partnership will allow Hilton to focus more intensely on its core strengths, namely operating hotels (Turner 2010).

The company in order to enhance and improve its service offerings to a large customer base entered an agreement with AT&T, one of the largest providers of hosted internet access in the hospitality industry in July 2010. Under this agreement, AT&T will offer premium online service to the company's guests in more than 3,200 properties located in the US, Canada and Puerto Rico. Furthermore, this agreement is likely to strengthen the company's ''Stay Connected" program started in 2005, by providing its guest with access to high-speed internet services, making it more convenient for its guests to access internet from their hotel rooms, meeting spaces and public areas. Therefore, the strategic agreement with AT&T is likely to enhance the company's online service offerings to its customers which will increase the customer traffic enabling Hilton Worldwide to maintain its leadership position in its key markets (Hilton Worldwide 2010, 7).

Other product innovation related partners of Hilton are Apple (Hilton was the first company to launch a booking application for iPhone), BlackBerry, HP, Sony (Corvinos 2011). The company launched a comprehensive iPhone and iTouch applications in the lodging industry in November 2009, observing an increase in the hotel reservations made through mobile phones. The launch of the new applications offers special features which will help the company to attract more customers. For instance, the new applications have features like “Request upon Arrival” service that enables a traveler to place an order for room service and have a meal in the guestroom upon arrival (Hilton Worldwide 2010, 7).

Additionally, the new applications also offer e-check in, a feature that provides remote check-in up to 48 hours in advance. The launch of iPhone and iTouch applications will provide more convenience to its existing and new customers who usually make hotel reservations on mobile devices. Therefore, the company’s readiness in adapting the latest technology changes in the hospitality segment through launch of new applications such as iPhone and iTouch could help it to stay competitive through increased revenue and customer base (Hilton Worldwide 2010, 7).

Hilton’s global growth strategy in 21th century included also expanding the strategic account management program internationally. Expanding their global footprint will allow Hilton to uncover additional opportunities to partner with their strategic accounts, resulting in better experiences for their guests around the world and even stronger relationships with these important partners (Bartlett 2010, 31). Hilton implemented a strategic account management program in 2005 and the program has expanded markedly since it was launched. They have benefited enormously from partners’ expertise, and their share of business from strategic accounts has increased by nearly 40% (Bartlett 2010, 33).

By aligning their company with the right partners, Hilton Worldwide has enjoyed increased market share, discovered products and services new in the marketplace to help meet their business objectives and expanded executive relationships higher, wider and deeper across their customers’ enterprises (Bartlett 2010, 33).

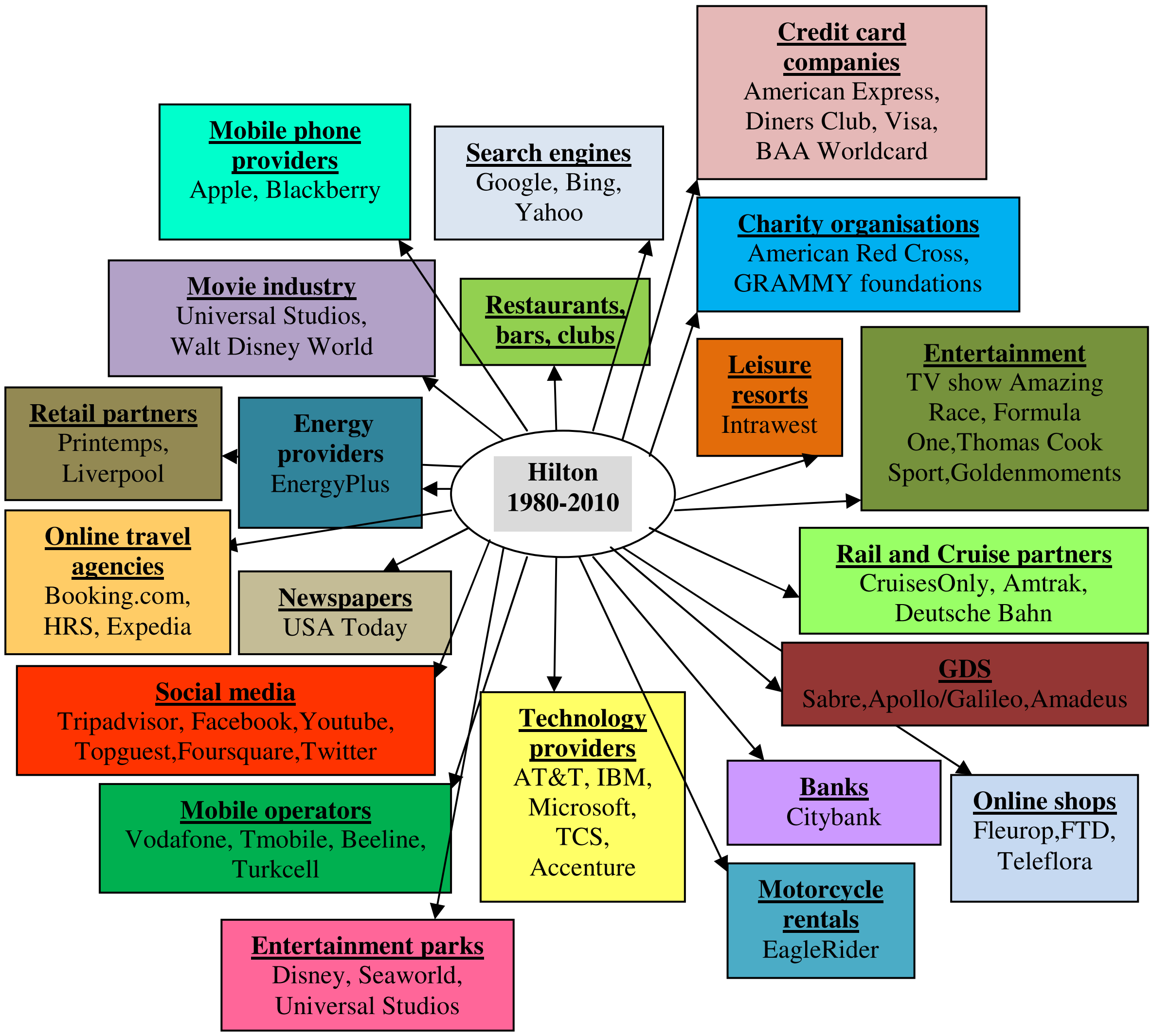


Figure 9. The alliance portfolio of Hilton 1980-2010

Source: Author.

3.4. Discussion and results

At the beginning of this thesis the author outlined 2 subquestions and the main question that served for a better understanding of the problem. The following discussion draws up the two subquestions based on empirical findings.

1) **How the marketing capability was developed of focal firm?**

Hilton Worldwide is a good example how a large multinational corporation has been developing their components of marketing capability to achieve their strategic position and gain competitive advantage with positive implications for finacial and market performance (Vorhies 1998, 9). When company started in 1919, there were no competitors in the market and the demand for the hotel rooms exceeded the offering which meant that price policy, distribution, selling, customer relations and other components of marketing capability were not extremely relevant at this phase.

The components of marketing capability such as product development and marketing communications were the key components of marketing capability which were on focus which helped Hilton Worldwide grow during this phase. Product development which has been highly in focus in every phase of Hilton Worldwide was developed by the additional services in the hotel lobby which had direct impact on the revenue of the hotel. Secondly, strategical development of brand awareness started already in the first phase which is definitely the reason why Hilton brand is so well-known brand nowadays in the hospitality market.

During the second phase 1940-1980, marketing strategy of Hilton Worldwide was built up on internationalisation, development of franchising model and development of brand values and service standards. Hilton saw an opportunity to widen their customer segments and offer different products and services to different segments. First of all, they started to acquire luxury and landmark hotel properties which immediately required even more marketing investments and the marketing capability became more important in the business strategy.

Customer segmentation was higly in focus during this phase. Politicians and kings started to be the customers of these new luxury hotels where social events, meetings and conventions were being held. Secondly, Hilton started to offer services for the young professionals working in the neighborhood offering food and beverage servises to them which had direct impact on the revenue (Baird 2004, 7). Thirdly, Hilton developed a strategy for women travelers in 1965 with a specific Lady Hilton program which consisted of woman-only floors, special amenities were tailored to women and rooms designed specially for women (Corvinos 2011). Product development was also as a key marketing capability Hilton was contributing into by placing TVs in all rooms, air-conditioning to the public rooms and later in all hotel rooms. At the same time, Hilton started to offer „full package service“ to the customers by linking hotels to casinos, night clubs and started to coopeate with car rental companies and airports (Baird 2004, 9).

After having a strong position in the domestic market as coast-to-coast chain, Hilton entered into the international business just after the II World War (Corvinos 2011). Due to the internationalisation strategy, components of marketing capability such as the development of brand values and standardised services became relevant to develop in order to offer service consistency to the customers in every Hilton hotel over the world (Arvonen 2011). Due to the fact that Hilton started to grow internationally, the distribution channels widened as well with worldwide hotels, hotels in the airports and travel agencies. Hilton was the first one who launched the concept of airport hotels (Corvinos 2011).The difficulties which were created by the rapid expansion under the ownership model gave Hilton the reason to use the franchising model for their worldwide growth (Baird 2004). This gave the real impulse to concentrate on the standards and brand values and Hilton could focus on their core competence which was hotel management.

Growth domestically and internationally required tools for communication between hotels as well as with customers. Hilton started to contribute more to the components of marketing capability such as selling and communication implementing different innovative tools such as Inter-Hilton hotel reservation system, Central reservation office Hilcron and unique information system Hiltron (Corvinos 2011).

During last phase 1980-2010, Hilton marketing strategy was focused on product development and innovation, development of brand portfolio and e-marketing strategy. The development of differentiated products, product innovation and new product development in a fierce competitive environment are the key capabilities to develop in order to gain sustainable competitive advantage and efficient cash flows (Vorhies 1998, 5). The components of marketing capability such as product development, branding strategy, sales tools, and customer relations management were on focus during this phase. The development of brand portfolio was necessary because the market needed different products with different price level and at the end of this phase Hilton had 10 different brands in the portfolio which is one of the main competitive advantages for Hilton Worldwide (Collini 2011).

The consistant growth of brand portfolio all over the world and from the other side the fiercer competition in the market, gave an input and direct need to reward their customers being loyal to the hotel chain. In 1987 Hilton launced its guest loyalty program Hilton HHonors which was the most important marketing capability in focus during this phase by creating new values for customers consistantly and increasing the revenue and market share of the company (Corvinos 2011).

As the number of hotels and the amount of customers increased consistantly worldwidly, Hilton understood that the more cost-effective and faster way to do sales and communicate with the huge customer basis was through Internet. Hilton’s website and their central reservation system Hilstar were launched and at the end of this phase, Hilton’s webpage and reservation system became the most important distribution, sales and communication tools (Corvinos 2011, Collini 2011).

According to Collis (1994) organisational capabilities are the best sources of sustainable competitive advantage. One very important asset for developing capabilities is knowledge-based resources (Tsai et al. 2004, 525). Hilton has implemented this strategy from the very beginning to employ the best individuals in order to put them develop their capabilities. This has been one of the important issues for Hilton from the very beginning concentrating to the internal knowledge-based resources and they had the ability to utilize those resources productively which evoluted directly their marketing capability. Eriksson and Corvinos (2011) confirmed that this is one of the priorities still for Hilton in their growth strategy and they contribute to the internal marketing as well.

International growth required Hilton to shift the focus from generalised capabilities to specialised ones and this focus affected the evolution of marketing capability tremendously. According to Helfat (2002) specialised capabilities include functional acitivities such as R&D, marketing and distribution that tend to be tailored in important ways to the technologies, operations and products of businesses in which a firm participates. This shifted focus helped Hilton to focus on marketing, distribution channels, branding strategy and adapt them with conditions of foreign countries and regions they were expanding into which had direct impact on the evolution of marketing capability. Growing globally needed focusing on local conditions and adapting the core strategy into local communities and customer habits.

Hilton's success has been definitely the ability to adapt with changing customer needs and engage customers to the processes which had direct impact on the evolution of marketing capability. The possession of dynamic capabilities is especially relevant to multinational enterprise performance (Teece 2007), so Hilton continued to develop its marketing capability more dynamical by adapting themselves to technological opportunities by combining creating their products and services that addressed customer needs. Hilton gained its position in the market sustaining its competitive advantage through adapting themselves to the technologial innovations that affected the marketing capability to come more dynamical. This was one important issue for Hilton to possess the dynamical capabilities in order to be able to adapt themselves to changing customer needs which became one of the primary ways to achieve competitive advantage.

2) **How alliances have affected the evolution of marketing capability of focal firm?**

Hilton added value and created competitive differentiation through partnerships and alliances in all three phases and through that developed also marketing capability. As the primary objectives of formation of alliances (Murray 2001) are to seek resources, develop technology, access markets, and acquire capital, Hilton strategy supported the theory with the outcome of formation alliances with different partners which had direct impact on the development of marketing capability and firm's performance.

During the first phase the amount of strategic alliances which had direct ties in the development of marketing capability was modest. As one of the objectives of strategic alliances is to foster cooperation among suppliers (Matthyssens et al. 1994), Hilton formed alliances with personal care product suppliers and magazines in order to develop the product development and leverage extra value for customers and icrease the revenue. One of the objectives of alliances is acquiring capital (Gulati 1998) and during the first phase, Hilton needed financial partners in order to build new hotels, acquire the excisting ones and develop the infrastrucure which affected the evolution of marketing capability as well.

The international growth strategy of Hilton during the second phase proved the theory that in order to gain market share, the formation of alliances was relevant which had direct impact on efficient cash flows and helped them to gain competitive advantage. During the second phase, alliance portfolio enlarged as well diversified by industries composing alliances with franchising partners, airports which affected the evolution of such components of marketing capability as international growth and distribution. Product development was supported by the alliances from industries such as car rentals, airlines, nightclubs and casinos.

The third phase supported the theory (Zhang 2010) that working with a partner is especially compelling in increasingly competitive global markets. After the development of efficient franchising model and the portfolio of brands, Hilton expanded globally and diversified and enlarged their alliance portfolio significantly. Hilton could then concentrate on their core competences and alliances supported their evolution of marketing capability. Hilton strategy during the last decade was to increase franchising partners mostly in US. In 2005, their franchising strategy took the next direction and the strategy was to increase the franchising partners internationally (see appendix 7). This strategy had direct impact on revenue and income (see appendicies 5 and 6).

During the last decade, the diversification of alliance portfolio was evident and supported the theory (Kandemir 2006, 324) that with the rapid diffusion of technology, the role of alliances is even more important. Hilton formed alliances with technology partners in order to adapt faster to the changes in the technology field in order to face customer new expectations and needs. The rapid growth of Internet and partnering with social media channels and emarketing partners had direct impact on the evolution of the components of marketing capability such as distribution, selling, communications, and price policy.

The last phase proved the theory that marketing capability became the primary ways firms achieved a competitive advantage and tieing these capabilities with alliances, played a critical role in firm’s performance. As the competition was fiercer than ever and price war was consistant, Hilton started to evolute their marketing capability through engaging partners to the loyalty program rewarding them to be loyal and offering them experiences which was more than just a hotel room for accommodation. The implementation of loyalty program enlarged and most of all diversified the alliance portfolio in order to sustain competitive advantage in the consolidating hospitality industry (see appendix 4).

This strategy was clearly proved because the main competitive advantage Hilton Worldwide has today, is the loyalty program which has the direct impact of firm's performance indicators such as market share and financial indicators such as revenue and income (see appendicies 5 and 6). In addition, the increasing numbers of properties (see appendix 7) during the last decade, is a clear indicator that today's extremely competitive global business environment where the technology and customer needs are changing faster than ever, strategic alliances are critical to face consumer needs, stay competitive and optimise the resources whic have direct impact of the evolution of marketing capability.

In an era of intense global competition, multinational enterprises are expanding their global sourcing activities and increase composing strategic alliances (Murray 2011). The ability to implement external resources into the processes of evolution of marketing capability is a competitive advantage. Growing together with alliances and use these external resources, help enterprises to develop their capabilities more dynamical which is one of the competitive advantages.

Hilton understood that in order to grow internationally and globally, they need to engage partner capital in order to improve their performance and to strengthen its marketing capability through alliances Gulati (1999). They saw the ability to implement external resources into the evolution of marketing capability by cracking new markets and hedging against environmental uncertainties by creating options to expand (Heimeriks et al. 2008, 1). The implementation of this strategy was justified, today Hilton owns and operates only approximately 2% of their properties but is one of the leading and best known brand in the market which means that customer care for the brand and brand promises (Collini 2011). The ability to grow together with partner capital, has affected the evolution of marketing capability which have direct impact on performance issues.

According to Gulati (1999) and Lavie (2007) collaborative R&D and contributing partners of technology is critical in order to develop products and services providing complete solutions to the customers (Heimeriks et al 2005, 2). Hilton had the ability to compose alliances with „learning alliances“ with the objective to learn and acquire techologies, products, skills and knowledge from partners. The strategy was as well justified to enter into alliances with the right choice of partners such as technology gigants IBM, Microsoft, and Apple etc. because alliancing with right partners is a key to the success. Hilton strategy is proved by the theory (Zhang et al. 2010, 74) that in order to overcome resource constraints and achieve superior innovative performance not only by using internal resources but also by acquiring knowledge-based capabilities from alliance partners and through that develop their own capabilities.

Interorganisational marketing collaborations play an important role in today's global marketplace and thus have been identified as a key component of marketing strategy (Li et al. 2010, 141). Hilton has gained a lot of success by integrating partners into the development of their loyalty program and this strategy made this capability one of the most dynamical marketing capability of Hilton which has huge impact on firm's performance and is one of the main competitive advantages of Hilton Worldwide.

Through these alliances Hilton has improved the delivery of services, producing new combinations of products and services and helped them to create stronger offerings to the customers which had direct impact of increasing customer acquisition, satisfaction and retention and evaluated the marketing capability. This strategy was justified, today 27 million of customers belong to the loyalty program and approximately 40% of the customers make their hotel choice according to the benefits loyalty card offers to them (Mahuas 2011). This marketing capability is today so powerful and dynamic only because Hilton saw the need for alliances and the number of alliances is increasing consistently (Corvinos 2011).

CONCLUSIONS

This thesis has been motivated by the author's interest in global hotel chains and overall gets an overview of the global hospitality industry from the global hotel chain perspective. As author has worked last years in hospitality industry in several independant small hotels in sales and marketing department, the author decided to study how global hotel chains are building up their strategy and what is the role of the marketing in the overall business strategy.

The main objective of this research was to describe how firms should build up their marketing and alliance relationship strategy in the overall business strategy and how alliances affect and support the evolution of marketing capability. This thesis was divided into three chapters. The first chapter detailed the theoretical intersection in the field of capabilities, strategic alliances and marketing capability. The second chapter covered the research rationale of the study to frame the direction. In the third chapter, a case study was undertaken to examine the components of marketing capability and concrete marketing acitivities in each phase and how and which kind of alliances supported the development of marketing capability.

In order to fulfil the research objective, the author chose single-case study research method and for collecting empirical evidence, the qualitative method was used. This research particularly focused on the development of marketing capability and alliances of Hilton Worlwide during the years 1919-2010. The search setting, Hilton Worldwide, which is the world's leading hospitality companies, is suitable as unit of analysis for several reasons. Hilton Worldwide is one of the leading and fastest growing hospitality companies in the world.

The empirical part of this thesis was based on intersection of three theories – the resource-based view, capabilities focusing on marketing capability and alliances which explained how a corporation can gain competitive advantage in this rapidly changing environment. In short, the resource-based view explains how the companies in the same field differ in terms of resources and capabilities. The company converts resources into capabilities which allow it to identify and seize opportunities and maintain competitive advantage. Marketing capability as supportive capabilities are one of the primary ways firms can achieve a competitive advantage and to develop and sustain competitive advantage, firms must develop processes that allow them to collect information about market opportunities, develop goods and services to meet the needs of targeted customers in selected markets, price these products according to market information, communicate product advantages to potential customers and distribute products to customers. The possession of these components of marketing capability is especially relevant for a multinational corporation like Hilton Worldwide.

In today's fast-changing environment where the needs of customers and the technology are changing so quickly, strategic alliances play a critical role in global innovation. Firms can overcome resource constraints and achieve superior innovative performance not only by using internal resources but also by acquiring knowledge-based capabilities from alliance partners and through that develop their own capabilities. The interaction between the development of marketing capability and alliances is becoming more and more important in today's fast-changing business environment in order to face consumer needs, stay competitive and optimise the two main resources firms' value – time and money. The logic of working with a strategic partner is especially compelling in increasingly competitive global markets.

The data for the case study was collected from primary and secondary data to gain background knowledge about the subject. In case of primary data collection the interviews were held with Hilton employees, competitors and industry experts. The secondary data collection concerned qualitative and quantitative data already published. After the data collection and analysis from the secondary data, the author was able to divide Hilton Worldwide into three phases and gave an overview of concrete key marketing activities which supported the evolution of marketing capability. Secondly researched the author the growth of alliance portfolio in these phases and identified the concrete industries and even concrete key partners which affected the development of marketing capability.

In conclusion, Hilton developed its marketing capability by contributing to knowledge-based resources consistently focusing to internal resources which mean that they were higly concentrating on employing right persons into their company because this affects the evolution of marketing capability. Their strategy is to contribute to the internal marketing as well because they believe that this has impacts on the evolution of marketing capability as well.

Secondly, Hilton shifted focus from generalised capabilities to specialised capabilities by concentrating more to R&D, marketing and distribution which affected the evolution of marketing capability. This strategy developed marketing capability because they were able to adapt themselves to technological opportunities by combining creating their products and services that addressed customer needs. Hilton gained its position in the market sustaining its competitive advantage through adapting themselves to the technologial innovations that affected the marketing capability to come more dynamical and through that gain competitive advantage and enhance firms performance.

Thirdly, Hilton has developed its marketing capability by engaging external resources. Hilton had the ability to grow together with partner capital, technology partners and interorganisational marketing collaborations which all supported the evolution of marketing capability and Hilton marketing capability became dynamical together with increased and diversified alliance portfolio. The strategy of Hilton to reward their loyal customers had direct impact on the growth of revenue and net income. Hilton developed this loyalty program to a dynamical one, engaging different partners from different industries.

Hilton has gained its strong position in the global hospitality market increasing constantly the role of marketing capability in firm’s core strategy and has developed the ability to tie these capabilities with alliances. This strategy leverages value for the customers and owners which have direct impact on firm’s performance indicators.

The role of strategic alliances in developing the marketing capability is critical in the business core strategy when competition gets fiercer, customer segmentation enlarges, firms start to grow globally and product development and innovation are critical in order to face customer needs. Organisations gain competitive advantage if they have the ability to engage internal and external resources in the processes of developing the components of marketing capability. Organisations can develop new innovative products and services by formalising strategic alliances with technology partners which first optimises resources and secondly gives the opportunity to concentrate to firm’s core values. There is direct positive impact on market and financial performance when organisations reward their loyal customers and firm’s marketing capability is more dynamic engaging partners to these processes. Firms can grow when they have the ability to utilise the enlarged and diversified alliance portfolio in order to develop the marketing capability.

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RESÜMEE

Strateegiliste liitude roll turundusvõimekuse arendamisel Hilton Worldwide näitel

Marju Teras

Käesoleva magistritöö teema valiku ajendiks oli autori huvi saada ülevaade turunduse rollist ettevõtete üldises strateegias ja turundusvõimekuse arengust globaalse hotelliketi näitel. Eelnevad uurimused on tõestanud, et turundusvõimekuse komponendid ja strateegilised liidud on ühed tähtsamad komponendid ettevõtte ärimudelis tänases kiiresti muutuvas ja innovatiivses ärikeskkonnas. Kuna eelnevad uurimustööd ei ole vaadelnud, kuidas turundusvõimekus areneb koos strateegiliste liitudega, oli teema valiku aktuaalsus ja uudsus põhjendatud.

Põhiküsimus strateegilises juhtimises on ettevõtte konkurentsieelise saavutamine ning võime hoida konkurentsieelist jätkusuutlikuna ettevõtte arengu erinevates etappides (Teece jt 1997, 515). Ressursipõhise vaate (RBV) põhiteesiks on, et ettevõtted saavutavad konkurentsieelise läbi võimekuse, mille aluseks on ettevõtte materiaalsed ja mittemateriaalsed ressursid (Eisendhardt jt 2000). Organisatsiooni võimekus on ettevõtte teadmistepõhiste, materiaalsete ja mittemateriaalsete ressursside unikaalne kombinatsioon, mis mõjutab ettevõtte jätkusuutlikku konkurentsieelist ning määrab, mida need ressurssid üheskoos on võimelised saavutama (Tsai jt 2004, 525).

Gulati (2004) defineerib strateegilised liidud kui ettevõtete vahelised kokkulepped, mille eesmärk on toodete/teenuste ja tehnoloogiate vahetamine, jagamine või ühisarendus. Liidud aitavad ettevõtetel optimeerida ressursse, siseneda uutele turgudele ning kohaneda muutuva keskkonnaga ja kliendivajadustega (Hoffmann 2007). Saavutamaks jätkusuutlikku konkurentsieelist kiiresti muutuvas ärikeskkonnas, mida iseloomustab globaalne konkurents ja geograafiline hajutatus, vajavad ettevõtted unikaalseid ning dünaamilisi võimekusi.

Teadmised, mis ettevõtte saavutab läbi turunduse, on saanud üheks tähtsamaks varaks ettevõtte arengule ning loob ettevõttele läbi nende teadmiste konkurentsieelise, mille konkreetne väljund on ettevõtte tulemuslikkus (Tsai 2004). Ettevõtte sisekeskkonna komponendid nagu ettevõtte strateegia ja organisatsiooni struktuur ning teisalt väliskeskkond, milleks on liidud, on peamised faktorid, mis mõjutavad ettevõtte turundusvõimekuse arengut. Turundusvõimekuse arengus mängib üha enam rolli liitude kaasamine, sest nende kahe komponendi kombinatsioon aitab ettevõtetel saavutada konkurentsieelist, adapteeruda kliendivajadustega ning optimeerida põhiressursse, milleks on aeg ja raha (Zhang 2010, 74). Võtmeküsimus ettevõtte kasvustrateegias on kuidas kaasata liite ettevõtte võimekuste arendamisel.

Käesolev magistritöö uurib turundusvõimekuse arengut stareegiliste liitude kaasamisel. Käesoleva magistritöö eesmärk on uurida, kuidas ettevõtted peaksid üles ehitama oma turunduse ja strateegiliste liitude strateegia üldises ettevõtte strateegias, et saavutada jätkusuutlikku konkurentsieelist ning mis on need võtmetähtsusega turundusvõimekuse komponendid, mis peaksid olema teatud ajaetapis strateegilise fookusega. Teiseks annab see magistritöö ülevaate strateegiliste liitude rollist teatud ettevõtte faasides ja kuidas ettevõte on erinevates faasides kasvanud kaasates strateegilisi liite.

Käesoleva töö uurimusküsimus on: „Kuidas arendada turundusvõimekust kaasates strateegilisi liite?“ Selleks, et uurida teemat põhjalikumalt ning saavutada parim tulemus, on töö autor tõstatanud 2 alaküsimust, mis on järgmised: Alaküsimus nr 1: „Kuidas arendati ettevõtte turundusvõimekust?“ Alaküsimus nr 2: „Kuidas mõjutasid strateegilised liidud ettevõtte turundusvõimekuse arengut?“

Selleks, et lahendada püstitatud uurimusküsimused, on autor valinud juhtumianalüüsi objektiks juhtiva globaalse hotelliketi Hilton Worldwide, mis on andnud suure panuse tervele hotellimajanduse valdkonna arengule. Töö autor valis uurimustöö meetodiks juhtumianalüüsi ühe ettevõtte näitel ning kogus juhtumianalüüsi jaoks andmeid nii esmastest kui teisestest allikatest. Esmaste andmete kogumiseks kasutas autor kvalitatiivset meetodit, viies läbi intervjuud Hiltoni töötajatega, konkurentidega ja antud valdkonna ekspertidega. Teiseste andmete kogumiseks töötas autor läbi juba avaldatud kvalitatiivsed ja kvantitatiivsed andmed.

Töö autor uuris objekti kolmes faasis läbi ettevõtte ajaloo, analüüsides turundusvõimekuse ja liitude porfoolio arengut aastatel 1919-2010. Autor jagas ettevõtte arengu kolme faasi, kus iga faas esindas uusi strateegilisi suundi ja muutusi ärimudelis. Esimene etapp on arengufaas, mis vaatleb perioodi turundusvõimekuse komponente ning liite aastatel 1919-1940, teine etapp, mille autor on nimetanud kasvufaasiks, vaatleb ajajärku 1940-1980 ning kolmas küpsus- ja innovatsiooni faas vaatleb perioodi 1980-2010.

Hilton Worldwide arendas oma turundusvõimekust panustades jätkusuutlikult teadmiste-põhistele ressurssidele fokuseerides just sisemistele ressurssidele, mis tähendas, et fookus oli kaasata ettevõttesse parimad spetsialistid, sest see aitas ettevõttel arendada turundusvõimekust. Samuti panustas Hilton ettevõtte siseturundusele, olles arvamusel, et ettevõtte töötajatest saab alguse ettevõtte turundamine väljapoole, millel on konkreetne mõju ettevõtte turundusvõimekuse arengule.

Teiseks, kohandas Hilton oma strateegia laienedes rahvusvahelistele turgudele, fokuseerides rohkem spetsiifiliste võimekuse komponentide arengule, milleks on ettevõtte R&D, turundus ja jaotuskanalid, sest nende komponentide arendamine oli võti saavutamaks ettevõtte konkurentsieelist laienedes globaalselt. Sellel strateegial oli otsene mõju turundusvõimekuse arengule, sest ettevõtte oli suuteline kohanema efektiivsemalt tehnoloogilistele arengutele ja võimalustele, mis väljendus võimes arendada uusi tooteid ja teenuseid, mille ajendiks oli kliendi muutuvad vajadused. Hilton saavutas oma positsiooni turul kohanedes tehnoloogiliste uuendustega, mis muutis turundusvõimekuse dünaamiliseks, millel oli otsene mõju ettevõtte tulemuslikkusel.

Kolmandaks, kaasas Hilton oma turundusvõimekuse arengu protsessidesse väliseid ressursse. Hilton omas organisatsioonina tugevat võimekust kasvada koos partneritega, kes arendasid ettevõtet finantsiliste kui ka teadmistepõhiste ressurssidega. Järjest suurenev ja mitmekesisem liitude portfoolio mõjutas tugevalt ettevõtte turundusvõimekuse arengut, luues väärtust nii klientidele kui ka ettevõtte omanikele. Hiltoni strateegia premeerida kliente korduskülastuste eest, avaldas otsest mõju ettevõtte käibekasvus ja turuosa suurenemises. Hilton muutis lojaalsusprogrammi dünaamiliseks kaasates selle arengusse erinevaid partnereid erinevatest valdkondadest. Hilton on saavutanud oma juhtiva turupositsiooni tänu suurendades turundusvõimekuse rolli ettevõtte üldstrateegias ning on arendanud pidevalt oma oskust siduda turundusvõimekuse komponendid strateegiliste liitudega.

Teooria ja läbi viidud intervjuudest saadud andmete analüüs kinnitas, et strateegiliste liitude roll turundusvõimekuse arengul on kriitilise tähtsusega ettevõtte strateegias, kui ilmnevad järgmised tegurid: konkurents turul tiheneb, kliendisegmendid suurenevad, ettevõte laieneb globaalselt ning tootearendus ja innovatsioon on tähtsad tegurid, et suuta rahuldada muutuvaid kliendivajadusi. Ettevõtted saavutavad konkurentsieelise kui nad oskavad kaasata turundusvõimekuse arengu protsessidesse nii sisemisi kui ka väliseid ressursse. Ettevõtted suudavad arendada uusi innovatiivseid tooteid ja teenuseid, kui nad optimeerivad ressursse kaasates tootearendusse tehnoloogia partnerid, mis annab neile võimaluse kontsentreeruda ettevõtte põhitegevusele. Ettevõtte turu- ja finantsnäitajad kasvavad, kui ettevõtted tunnustavad kliente nende lojaalsuse eest ning ettevõtte turundusvõimekus on dünaamilisem kui sellesse protsessi kaasatakse ka partnerid erinevatest valdkondadest. Ettevõtted kasvavad kui nad oskavad kasutada järjest suurenevat ja mitmekesisemat liitude portfooliot arendades seeläbi ettevõtte turundusvõimekust.

APPENDICES

Appendix 1. Core versus complementary capabilities

Core resources and capabilities:	Complementary resources and capabilities:
Knowledge required to create a product or service	Resources and capabilities needed to profit from core resources and capabilities
Examples:	*Examples:*
• Technological knowledge	• Finance
• Knowledge of customer needs	• Marketing and sales
	• Distribution and logistics
	• Customer service

Source: Helfat and Lieberman 2002, 732.

Appendix 2. Specialised versus generalised capabilities

Specialized resources and capabilities: Resources and capabilities that are more specialized to particular settings	Generalized resources and capabilities: Resources and capabilities that can be applied in a broad range of settings
Functional area resources *Examples:* • Marketing • Research and development • Distribution	Functional area resources *Examples:* • Financial capital
Intangible resources *Examples:* • Relationships with buyers, suppliers • Brand name • Patents and trademarks	General organizational capabilities *Examples:* • Transfer of knowledge • Management of multiple businesses (single location or geographically dispersed)
Market-specific knowledge *Examples:* • Industry conditions • Country or regional conditions	Mode of entry capability *Examples*: • Acquisition • Joint venture

Source: Helfat and Lieberman 2002, 732.

Appendix 3. Interview questions

<u>MAIN RESEARCH QUESTION:</u> **How marketing capability has been developed in cooperation with alliances in different phases of focal firm?**
Sub-question 1: How the components of marketing capability were developed of focal firm?
3 Interview questions:
1. How has Hilton's core marketing strategy changed over time and what are the reasons for these changes?
2. Which components of marketing capability were on focus in different phases of Hilton's history? (1919-1940; 1940-1980; 1980-2010)
3. How important is the role of marketing capability in today's business environment and which capabilities should be on focus during the next decade?
Sub-question 2: How alliances have affected the evolution of marketing capability of focal firm?
4 interview questions:
4. How important are partner relations and alliances in Hiltons marketing strategy?
5. What strategic alliances are playing crucial role in developing marketing capability?
6. How is Hilton planning to develop alliance portfolio in further future?
7. How fast does the hospitality market change and what are the trends in hospitality industry for next decade?

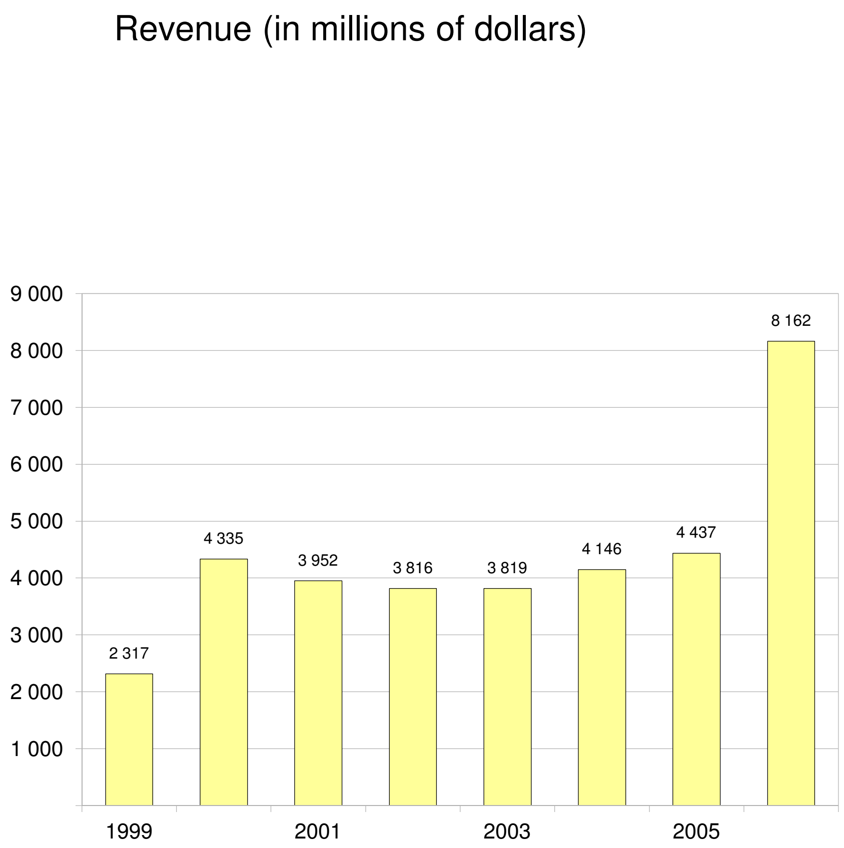
Source: Author.

Appendix 4. The evolution of marketing capability tied with alliances

	Components of marketing capability	Alliances (displayed by industries)
PHASE I 1919-1940	**Product development** **Development of infrastructure**	Magazines, personal care products Hotel infrastructure providers Financial partners
PHASE II 1940-1980 Growth phase	**Product development** **Internationalization** **Development of the franchising model** **Development of service standards** **Development of worldwide brand values** **Customer segmentation** **Distribution channels**	Airports Airlines Car rentals Casinos, nightclubs Franchising partners
PHASE III 1980-2010 Maturity & Innovation phase	**Marketing and branding strategy** **Development of brand portfolio** **Product development/innovation** **Contribution to e-marketing** **The development of customer relations and loyalty program** **The strategy for customer satisfaction, needs, expectations, delivering extra value, feedback** **Internet age – the growth of online reservations and distribution channels** **Large scale global marketing programs** **Integrated joint brand strategy** **Interactive communications via social media and web 2.0**	Entertainment Leisure resorts Retail partners Mobile operators Credit card companies Shopping and dining, online shops Rail and cruise travel Motorcycle rentals Charitable organisations Search engines Social Media Technology partners Mobile phones Travel agencies, global distribution channels

Source: Author.

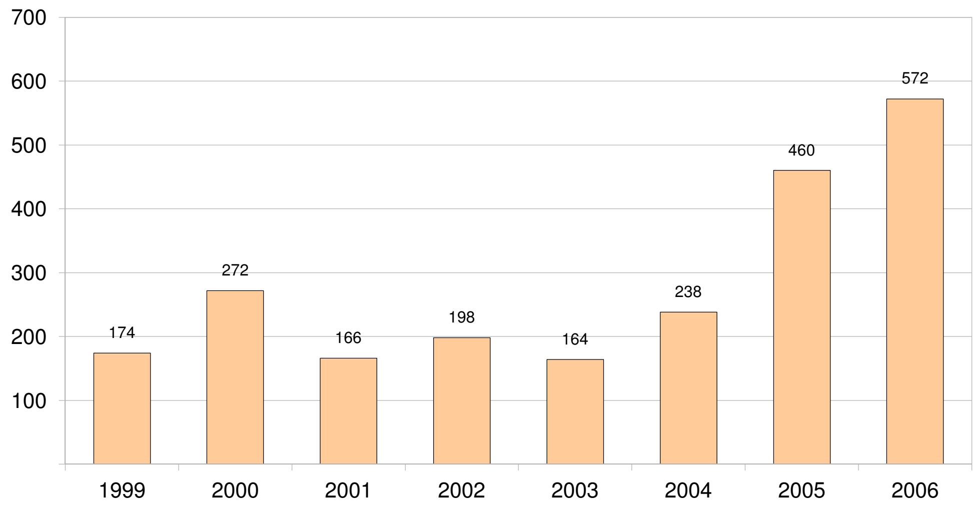
Appendix 5. Revenue of Hilton Worldwide 1999-2006



Source: Author.

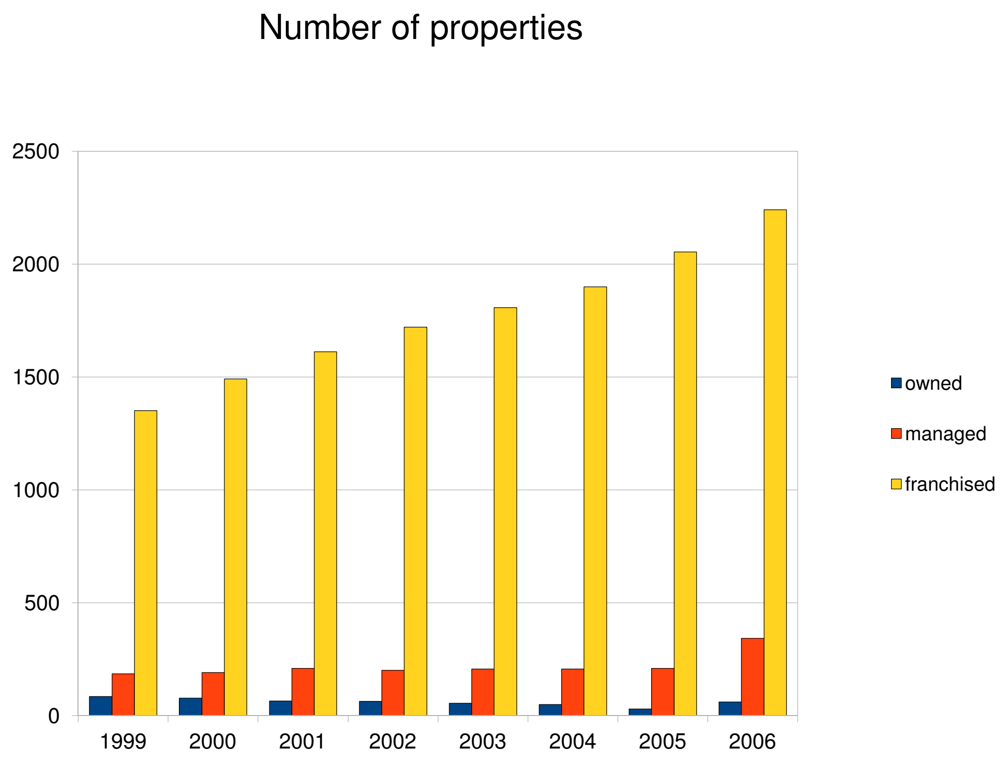
Appendix 6. Net income of Hilton Worldwide 1999-2006

Net income (in millions of dollars)



Source: Author.

Appendix 7. Number of properties of Hilton Worlwide 1999-2006



Source: Author.