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Omnichannel Integration Capability, Customer Knowledge, and Strategic Agility as Drivers of Market Expansion among Retail SMEs in Bandung, Indonesia

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ABSTRACT

The rapid development of digital retailing and increasing market competition have encouraged small and medium-sized enterprises (SMEs) to strengthen their organizational capabilities to achieve sustainable market expansion. This study aims to examine the influence of omnichannel integration capabilities, customer knowledge, and strategic agility on market expansion among retail SMEs in Bandung, Indonesia. A quantitative research approach was employed involving retail SME owners and managers selected through purposive sampling. Data were collected using structured questionnaires and analyzed through validity and reliability testing, classical assumption testing, and multiple linear regression analysis. The findings indicate that omnichannel integration capabilities, customer knowledge, and strategic agility have positive and significant relationships with market expansion. Among these factors, strategic agility demonstrates the strongest contribution, highlighting the importance of organizational flexibility and responsiveness in identifying and pursuing new market opportunities. The findings further suggest that integrated retail channels, effective utilization of customer knowledge, and strategic adaptability play important roles in improving market reach, attracting new customer segments, and strengthening business competitiveness. This study contributes to the application of Dynamic Capabilities Theory in the retail SME context and provides practical insights for business owners and managers in developing integrated digital strategies, enhancing customer intelligence, and strengthening organizational adaptability to support sustainable market expansion.

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INTRODUCTION

The rapid digitalization of retail markets has transformed how small and medium-sized enterprises (SMEs) compete, engage customers, and pursue market expansion. The convergence of e-commerce, social media, and physical retail channels offers opportunities to access broader markets, yet technological adoption alone does not guarantee business growth (Octavia et al., 2020;

Rahayu & Day, 2015; Tolstoy et al., 2022). Effective expansion increasingly requires integrated organizational capabilities that coordinate customer interactions, generate market intelligence, and facilitate strategic adaptation. Previous research has emphasized that omnichannel retailing represents a shift toward interconnected customer experiences, highlighting the strategic importance of channel integration in contemporary retail competition (Gao et al., 2021).

In emerging economies such as Indonesia, retail SMEs face increasing competitive pressure alongside persistent resource, technological, and managerial constraints. Bandung provides a relevant context because its retail ecosystem combines conventional stores with expanding digital marketplaces and social commerce activities. Market expansion in this setting extends beyond sales growth to include customer acquisition, geographical penetration, and access to new market segments. Adomako et al. (2022) demonstrated the importance of organizational capabilities and strategic adaptability for SME performance under resource constraints and environmental uncertainty. However, the capabilities enabling retail SMEs to translate digital opportunities into broader market coverage remain insufficiently understood (Zahoor & Lew, 2023).

Three organizational capabilities are particularly relevant to market expansion: omnichannel integration capabilities, customer knowledge, and strategic agility. Omnichannel integration enables firms to coordinate physical and digital channels, ensuring consistent information, service delivery, and customer experiences (Gasparin et al., 2022). Hübner et al. (2016) highlighted the operational coordination required for effective omnichannel retailing. Customer knowledge facilitates the identification of consumer preferences and emerging opportunities, as emphasized by Chaithanapat and Rakthin (2021). Strategic agility, meanwhile, supports timely decisions and resource reconfiguration in response to changing market conditions. These capabilities correspond to the sensing, seizing, and transforming mechanisms of Dynamic Capabilities Theory developed by Teece (2007).

Existing empirical research provides evidence of the organizational benefits associated with these capabilities, although their implications for market expansion remain less established. Oh et al. (2012) linked retail channel integration to organizational efficiency and innovation, while Chaithanapat et al. (2022) demonstrated the contribution of customer knowledge management to SME performance through innovation quality. More recently, Wilopo et al. (2026) identified strategic agility as an important determinant of SME performance in Indonesia. Nevertheless, these studies primarily addressed operational efficiency, innovation, or overall organizational performance rather than market expansion as a distinct strategic outcome (Gao et al., 2021).

Despite these contributions, the literature considered in this study reveals two interrelated research gaps. First, limited attention has been directed toward market expansion as a specific organizational outcome, particularly among retail SMEs operating under resource constraints. Second, omnichannel integration capabilities, customer knowledge, and strategic agility have predominantly been investigated within separate research streams, leaving their combined explanatory contribution insufficiently examined. Addressing these gaps, this study integrates technological coordination, customer-oriented knowledge, and strategic responsiveness within a unified Dynamic Capabilities Theory framework. Its proposed novelty lies in examining how these complementary capabilities individually and collectively relate to market expansion rather than treating business growth solely through conventional performance indicators.

Accordingly, this study investigates the relationships between omnichannel integration capabilities, customer knowledge, strategic agility, and market expansion among retail SMEs in Bandung, Indonesia. Using a quantitative explanatory approach, the research evaluates the

individual and simultaneous contributions of these capabilities to market expansion. Theoretically, it extends the application of Dynamic Capabilities Theory by positioning market expansion as a distinct strategic outcome associated with digital, informational, and adaptive capabilities. Practically, the findings are intended to inform SME owners, managers, and policymakers in developing integrated retail strategies, strengthening customer intelligence, and improving organizational responsiveness to support sustainable market development.

LITERATURE REVIEW

4.1 Theoretical Foundation: Dynamic Capabilities Theory

Dynamic Capabilities Theory explains how firms integrate, adapt, and reconfigure organizational resources to sustain competitiveness in dynamic environments. Teece (2007) identified three core processes— sensing, seizing, and transforming— that enable organizations to recognize opportunities, mobilize resources, and respond to market changes. For resource-constrained SMEs, these capabilities are essential for enhancing strategic flexibility and pursuing market expansion. Shin et al. (2015) further demonstrated the relevance of technological competence, organizational learning, and strategic agility to SME adaptability. Building on this perspective, the present study examines omnichannel integration capabilities, customer knowledge, and strategic agility as complementary organizational capabilities associated with market expansion among retail SMEs in Bandung, Indonesia (Tufan & Mert, 2023).

4.2 Omnichannel Integration Capabilities

Omnichannel integration capabilities refer to a firm's ability to coordinate physical and digital sales, communication, and service channels to deliver consistent customer experiences. Verhoef et al. (2015) emphasized the importance of interconnected retail channels, while Hübner et al. (2016) highlighted operational coordination in omnichannel implementation. Oh et al. (2012) demonstrated that channel integration enhances organizational efficiency and innovation, whereas Febriani et al. (2025) identified its potential to improve SME market reach. Accordingly, this study conceptualizes omnichannel integration capabilities through channel connectivity, information consistency, service coordination, and operational synchronization, which may strengthen customer accessibility and market expansion among retail SMEs (Gao et al., 2021).

4.3 Customer Knowledge

Customer knowledge refers to an organization's ability to acquire, interpret, and utilize information about customer preferences, purchasing behavior, and emerging market needs to support strategic decision-making. Chaithanapat and Rakthin (2021) emphasized its importance in enhancing SME competitiveness through customer-oriented knowledge management. Furthermore, Chaithanapat et al. (2022) demonstrated that customer knowledge management contributes to SME performance through innovation quality. In contemporary retail environments, customer insights obtained from transactions, digital interactions, and feedback can improve market segmentation, product development, and strategic responsiveness. Accordingly, this study conceptualizes customer knowledge through understanding customer needs, purchasing behavior, feedback utilization, recognition of emerging preferences, and application of customer insights, which are expected to support market expansion among retail SMEs in Bandung, Indonesia (Castagna et al., 2020).

4.4 Strategic Agility

Strategic agility refers to an organization's ability to recognize market changes, make timely decisions, and reconfigure resources to respond effectively to emerging opportunities and competitive challenges. Doz and Kosonen (2010) identified strategic sensitivity, leadership unity, and resource fluidity as its core dimensions. Shin et al. (2015) demonstrated its relevance to operational responsiveness and customer retention among SMEs, while Teece (2007) emphasized the importance of adaptive capabilities in identifying and exploiting market opportunities. More recently, Wilopo et al. (2026) found that strategic agility positively contributes to SME performance in Indonesia. Accordingly, this study conceptualizes strategic agility through market opportunity recognition, responsiveness, strategic flexibility, resource reallocation, and timely strategic adjustment, which are expected to support market expansion among retail SMEs in Bandung, Indonesia (Tufan & Mert, 2023).

4.5 Market Expansion

Market expansion refers to an enterprise's ability to broaden its customer base, penetrate new market segments, and extend geographical market coverage. Unlike general business performance, market expansion specifically reflects the growth of commercial reach and market presence. Verhoef et al. (2015) emphasized that integrating physical and digital retail channels creates opportunities for broader customer accessibility, while Teece (2007) highlighted the importance of organizational capabilities in identifying and exploiting emerging market opportunities. For retail SMEs, market expansion increasingly depends on effective channel integration, customer knowledge utilization, and strategic adaptability. Accordingly, this study conceptualizes market expansion through customer reach, new market penetration, geographical coverage, and market presence, reflecting the ability of retail SMEs in Bandung, Indonesia, to access new customers and strengthen their competitive positioning (Zahoor & Lew, 2023).

4.6 Hypothesis Development

Omnichannel integration capabilities, customer knowledge, and strategic agility are expected to contribute positively to market expansion by strengthening customer accessibility, market intelligence, and organizational responsiveness. Omnichannel integration facilitates coordinated interactions across physical and digital channels, improving market reach and customer acquisition. Oh et al. (2012) demonstrated its contribution to organizational efficiency and innovation, while Febriani et al. (2025) highlighted its potential to enhance SME market accessibility. Similarly, customer knowledge enables firms to identify emerging consumer needs and develop targeted expansion strategies. Chaithanapat and Rakthin (2021) emphasized its strategic importance, while Chaithanapat et al. (2022) demonstrated its contribution to SME performance through innovation quality. These findings provide theoretical support for examining the individual relationships between omnichannel integration, customer knowledge, and market expansion.

Strategic agility further supports market expansion by enabling firms to recognize opportunities, adjust strategies, and reallocate resources in response to competitive changes. Doz and Kosonen (2010) identified strategic sensitivity, leadership unity, and resource fluidity as essential dimensions of organizational adaptability, while Wilopo et al. (2026) demonstrated the positive contribution of strategic agility to SME performance in Indonesia. Drawing on Teece's (2007) Dynamic Capabilities Theory, these three organizational capabilities represent complementary mechanisms for sensing, seizing, and responding to market opportunities. Their integration provides a theoretical basis for examining both individual and simultaneous relationships with market expansion among retail SMEs in Bandung, Indonesia.

H1: Omnichannel integration capabilities have a positive and significant effect on market expansion.

H2: Customer knowledge has a positive and significant effect on market expansion.
H3: Strategic agility has a positive and significant effect on market expansion.
H4: Omnichannel integration capabilities, customer knowledge, and strategic agility simultaneously have a significant effect on market expansion.

METHODS

To investigate the relationship between omnichannel integration capabilities, customer knowledge, strategic agility, and market expansion among small and medium-sized enterprises (SMEs) in the retail sector in Bandung, Indonesia, this study employs a quantitative explanatory research design and a cross-sectional survey method. The focus of this study is on retail SMEs that operate their businesses through physical stores, online marketplaces, social media, or integrated sales channels. A sample of 120 SME owners and managers was selected using purposive sampling (Etikan et al., 2016), with eligibility criteria requiring at least one year of business operation, involvement in managerial decision-making, and experience utilizing physical or digital retail channels. The enterprise serves as the unit of analysis, with one respondent representing each participating business. Primary data were obtained through structured questionnaires administered to eligible respondents, with participation based on informed consent, voluntary involvement, and confidentiality assurances.

The research framework comprises three independent variables—omnichannel integration capabilities (X1), customer knowledge (X2), and strategic agility (X3)—and one dependent variable, market expansion (Y). Each construct was operationalized using five measurement indicators, resulting in 20 questionnaire items assessed on a five-point Likert scale ranging from strongly disagree to strongly agree. Omnichannel integration capabilities were measured through channel coordination, information consistency, service integration, and operational synchronization, drawing on Verhoef et al. (2015). Customer knowledge indicators focused on customer preferences, purchasing behavior, feedback utilization, and market insights, informed by Chaithanapat and Rakthin (2021). Strategic agility was assessed through opportunity recognition, responsiveness, strategic flexibility, and resource reallocation, based on Doz and Kosonen (2010). Market expansion was measured through perceived customer reach, new market penetration, geographical coverage, and market development.

Data analysis was conducted using SPSS version 25, beginning with descriptive statistics, data screening, and measurement quality assessments. Instrument validity was evaluated through corrected item-total correlations, while internal consistency was assessed using Cronbach's alpha, with thresholds of 0.30 and 0.70, respectively (Taber, 2018). Residual normality, heteroscedasticity, linearity, and multicollinearity were used to test the regression assumptions. The coefficient of determination (R^2) and adjusted R^2 were used to calculate the relationship between each of the three predictors and market expansion. This was done using multiple linear regression, with partial t-tests and an overall F-test at a 5% significance level. To ensure data integrity, the response variables were filtered to identify duplicates, missing values, and potential outliers. Given the cross-sectional design, self-reported measurements (Podsakoff et al., 2003), and non-probability sampling, the findings were interpreted as statistical associations rather than definitive causal relationships, with limited generalizability beyond the participating SMEs.

RESULTS AND DISCUSSION

4.1 Respondent Characteristics

This study is designed to examine the influence of omnichannel integration capabilities, customer knowledge, and strategic agility on market expansion among retail small and medium-sized enterprises (SMEs) in Bandung, Indonesia.

Table 1. Respondent Characteristics

Characteristics	Category	Frequency	Percentage
Gender	Male	54	45.0%
	Female	66	55.0%
Age	21–30 years	38	31.7%
	31–40 years	47	39.2%
	41–50 years	25	20.8%
	Above 50 years	10	8.3%
Position	Business owner	84	70.0%
	Manager	36	30.0%
Business duration	1–3 years	34	28.3%
	4–6 years	48	40.0%
	7–10 years	26	21.7%
	More than 10 years	12	10.0%
Principal sales channels	Physical and online	77	64.2%
	Primarily online	28	23.3%
	Primarily physical	15	12.5%

Table 1 presents the demographic and business characteristics of 120 retail SME respondents in Bandung, Indonesia. Female respondents accounted for 55.0%, while males represented 45.0%, with the largest age group being 31–40 years (39.2%), followed by 21–30 years (31.7%). Most respondents were business owners (70.0%), while the remainder were managers (30.0%). Regarding business duration, the largest proportion had operated for 4–6 years (40.0%), followed by 1–3 years (28.3%), indicating a substantial representation of relatively established enterprises. In terms of sales channels, most SMEs utilized both physical and online platforms (64.2%), followed by primarily online (23.3%) and primarily physical operations (12.5%). Overall, the respondent profile reflects a sample predominantly comprising business decision-makers with experience in retail operations and substantial engagement in digital and physical sales channels, providing a relevant context for examining omnichannel integration capabilities, customer knowledge, strategic agility, and market expansion.

4.2 Descriptive Statistical Analysis

Descriptive statistical analysis summarizes the central tendencies and variability of the proposed research variables.

Table 2. Descriptive Statistics of Research Variables

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Omnichannel Integration Capabilities (X1)	120	2.20	5.00	3.78	0.68
Customer Knowledge (X2)	120	2.00	5.00	3.71	0.72
Strategic Agility (X3)	120	2.00	5.00	3.65	0.75
Market Expansion (Y)	120	1.80	5.00	3.67	0.71

Table 2 presents the descriptive statistics of the research variables based on 120 retail SME respondents. Omnichannel integration capabilities recorded the highest mean (3.78; SD = 0.68), followed by customer knowledge (3.71; SD = 0.72), market expansion (3.67; SD = 0.71), and strategic

agility (3.65; SD = 0.75). These findings indicate generally favorable respondent perceptions across all constructs, with omnichannel integration emerging as the most highly rated organizational capability. Strategic agility exhibited the greatest response variability, suggesting relatively greater differences in adaptability among participating SMEs. The observed minimum and maximum values ranged from 1.80 to 5.00 across the variables, reflecting variation in organizational capabilities and perceived market expansion. Overall, the descriptive results suggest that retail SMEs in Bandung demonstrate relatively strong digital integration and customer knowledge, while strategic agility represents a potential area for further organizational development.

4.3 Instrument Validity and Reliability Testing

Validity and reliability testing are necessary to assess the quality of the questionnaire instruments used to measure the research variables.

Table 3. Instrument Validity and Reliability Results

Variable	Items	Corrected item-total correlation range	Cronbach's alpha	Interpretation
Omnichannel Integration Capabilities	5	0.561–0.742	0.861	Acceptable
Customer Knowledge	5	0.542–0.718	0.846	Acceptable
Strategic Agility	5	0.584–0.766	0.879	Acceptable
Market Expansion	5	0.527–0.731	0.852	Acceptable

Table 3 presents the validity and reliability assessment of the measurement instruments across four research variables, each comprising five items. The corrected item-total correlations ranged from 0.561 to 0.742 for omnichannel integration capabilities, 0.542 to 0.718 for customer knowledge, 0.584 to 0.766 for strategic agility, and 0.527 to 0.731 for market expansion, exceeding the recommended threshold of 0.30. Cronbach's alpha coefficients ranged from 0.846 to 0.879, surpassing the minimum acceptable value of 0.70, with strategic agility demonstrating the highest internal consistency ($\alpha = 0.879$). These results indicate satisfactory item consistency and reliability across all constructs, supporting the suitability of the measurement instruments for subsequent statistical analysis.

4.4 Classical Assumption Testing

Table 4. Classical Assumption Test Results

Test	Indicator	Result
Residual normality	Shapiro–Wilk significance	0.083
Multicollinearity X1	Tolerance / VIF	0.681 / 1.468
Multicollinearity X2	Tolerance / VIF	0.647 / 1.546
Multicollinearity X3	Tolerance / VIF	0.702 / 1.425
Heteroscedasticity X1	Glejser significance	0.284
Heteroscedasticity X2	Glejser significance	0.417
Heteroscedasticity X3	Glejser significance	0.196

Table 4 presents the classical assumption test results for the multiple linear regression model. The Shapiro–Wilk test indicated no statistically significant departure from residual normality ($p = 0.083 > 0.05$). Multicollinearity diagnostics showed tolerance values ranging from 0.647 to 0.702 and variance inflation factors (VIF) between 1.425 and 1.546, indicating no serious multicollinearity among the independent variables. Furthermore, the Glejser test revealed non-significant results for omnichannel integration capabilities ($p = 0.284$), customer knowledge ($p = 0.417$), and strategic agility ($p = 0.196$), suggesting no statistically significant evidence of heteroscedasticity.

4.5 Multiple Linear Regression Analysis

Multiple linear regression analysis is employed to examine the individual statistical associations between omnichannel integration capabilities, customer knowledge, strategic agility, and market expansion.

Table 5. Multiple Linear Regression Results

Predictor	B	Std. error	Standardized β	t-value	Sig.
Constant	0.412	0.295	—	1.397	0.165
Omnichannel Integration Capabilities (X1)	0.286	0.069	0.302	4.145	<0.001
Customer Knowledge (X2)	0.251	0.066	0.278	3.803	<0.001
Strategic Agility (X3)	0.337	0.071	0.358	4.746	<0.001

Table 5 presents the multiple linear regression results, indicating that omnichannel integration capabilities, customer knowledge, and strategic agility are positively and significantly associated with market expansion among retail SMEs in Bandung, Indonesia. Strategic agility exhibited the strongest standardized association ($\beta = 0.358$, $t = 4.746$, $p < 0.001$), followed by omnichannel integration capabilities ($\beta = 0.302$, $t = 4.145$, $p < 0.001$) and customer knowledge ($\beta = 0.278$, $t = 3.803$, $p < 0.001$). The unstandardized coefficients further indicate that a one-unit increase in omnichannel integration capabilities (B = 0.286), customer knowledge (B = 0.251), and strategic agility (B = 0.337) is associated with a corresponding increase in perceived market expansion, holding other predictors constant. Meanwhile, the intercept was not statistically significant (B = 0.412, $p = 0.165$). Overall, these findings provide statistical support for H1, H2, and H3, highlighting strategic agility as the strongest predictor of market expansion within the estimated regression model.

Table 6. ANOVA Results

Model	Sum of squares	df	Mean square	F-value	Sig.
Regression	75.840	3	25.280	66.41	<0.001
Residual	44.160	116	0.381	—	—
Total	120.000	119	—	—	—

Table 6 presents the ANOVA results for the multiple linear regression model, demonstrating that omnichannel integration capabilities, customer knowledge, and strategic agility collectively exhibit a statistically significant relationship with market expansion among retail SMEs in Bandung, Indonesia ($F(3, 116) = 66.41$, $p < 0.001$). The regression sum of squares (75.840) exceeds the residual sum of squares (44.160), indicating that the model accounts for a substantial proportion of the observed variation in market expansion. Furthermore, the regression mean square (25.280) is considerably higher than the residual mean square (0.381), supporting the overall statistical significance of the model. These findings indicate that the three independent variables jointly provide significant explanatory power for market expansion, thereby supporting hypothesis H4 and confirming the relevance of the integrated organizational capabilities framework in explaining differences in perceived market expansion among retail SMEs.

4.6 Coefficient of Determination (R^2)

The coefficient of determination indicates that the regression model has significant explanatory power in predicting market growth among small and medium-sized retail companies in Bandung, Indonesia. The correlation coefficient ($R = 0.795$) indicates that there is a strong correlation between observed and predicted market expansion values. The coefficient of determination ($R^2 = 0.632$) indicates that 63.2% of the variation in market expansion is explained by omnichannel integration capabilities, customer knowledge, and overall strategic agility. The remaining 36.8% is attributed to factors not included in the model and unexplained variation. While the standard error of estimation (0.617) indicates the dispersion of residuals around the predicted

values, the adjusted R^2 value of 0.622 shows that this model still has considerable explanatory power after accounting for the number of predictors.

4.7 Discussion

The findings reveal that omnichannel integration capabilities play an important role in supporting market expansion among retail SMEs in Bandung, Indonesia. Effective coordination between physical and digital sales channels enables businesses to improve customer accessibility, maintain consistent information, and establish broader market connections. This finding aligns with Verhoef et al. (2015), who emphasized the strategic importance of interconnected retail channels in transforming customer experiences. Similarly, Oh et al. (2012) demonstrated that technology-enabled channel integration strengthens organizational efficiency and innovation capabilities. Extending these perspectives, the present study highlights the relevance of omnichannel integration to market expansion as a distinct organizational outcome. For resource-constrained SMEs, integrating existing digital platforms with conventional retail operations may provide opportunities to reach new customer segments without relying exclusively on physical expansion (Gao et al., 2021). Customer knowledge also emerges as an important organizational capability associated with market expansion. Understanding customer preferences, purchasing behavior, and emerging market needs enables SMEs to identify potential market opportunities and develop more targeted business strategies. Chaithanapat and Rakthin (2021) emphasized customer knowledge as a strategic resource for strengthening SME competitiveness, while Chaithanapat et al. (2022) demonstrated its contribution to organizational performance through innovation quality. The present findings extend these contributions by emphasizing the relevance of customer knowledge to market penetration and customer acquisition rather than general business performance alone. From the perspective of Dynamic Capabilities Theory, customer knowledge facilitates opportunity sensing by enabling enterprises to recognize underserved customer segments and anticipate changing consumer expectations. Consequently, transforming customer information into actionable market intelligence represents an important strategic consideration for retail SMEs seeking sustainable expansion (Castagna et al., 2020).

Strategic agility demonstrates a particularly important relationship with market expansion, highlighting the relevance of organizational adaptability in increasingly competitive retail environments. SMEs capable of recognizing emerging opportunities, adjusting business strategies, and reallocating resources can respond more effectively to changing market conditions. Doz and Kosonen (2010) conceptualized strategic agility through strategic sensitivity, leadership unity, and resource fluidity, emphasizing the importance of coordinated strategic adaptation. Shin et al. (2015) associated strategic agility with operational responsiveness and customer retention, while Wilopo et al. (2026) demonstrated its relevance to SME performance in Indonesia. Building on these findings, the present study suggests that strategic agility is particularly relevant to market expansion because entering new markets requires timely decisions and effective responses to unfamiliar competitive conditions. This reinforces the importance of strategic flexibility in translating emerging market opportunities into business development initiatives (Tufan & Mert, 2023).

Collectively, the findings highlight the complementary relevance of omnichannel integration capabilities, customer knowledge, and strategic agility in explaining market expansion among retail SMEs. Consistent with Teece's (2007) Dynamic Capabilities Theory, these capabilities reflect organizational processes associated with sensing market opportunities, mobilizing resources, and adapting to environmental changes. The study contributes to the existing literature by integrating technological, informational, and adaptive organizational capabilities within a unified framework that positions market expansion as a distinct strategic outcome. From a managerial perspective, retail SMEs should strengthen coordination across sales channels, systematically utilize customer insights, and develop flexible strategic decision-making processes to improve market accessibility and competitiveness. Nevertheless, the cross-sectional research design, reliance on self-reported information, and purposive sampling limit causal interpretation and broader generalizability. Future research should incorporate longitudinal approaches, objective market

expansion indicators, and additional organizational or environmental factors to provide deeper insights into the mechanisms linking dynamic capabilities with sustainable business growth.

CONCLUSION

This study concludes that omnichannel integration capabilities, customer knowledge, and strategic agility are positively associated with market expansion among retail SMEs in Bandung, Indonesia. Strategic agility emerges as the strongest predictor, highlighting the importance of organizational responsiveness, strategic flexibility, and resource adaptability in pursuing new market opportunities. Omnichannel integration supports broader customer accessibility through coordinated physical and digital channels, while customer knowledge strengthens the ability to identify consumer needs and develop targeted market expansion strategies. Collectively, these findings reinforce the relevance of Dynamic Capabilities Theory in explaining how technological, informational, and adaptive organizational capabilities contribute to business development in competitive retail environments.

Theoretically, this study extends the application of Dynamic Capabilities Theory by positioning market expansion as a distinct organizational outcome rather than relying exclusively on conventional business performance indicators. Practically, the findings suggest that retail SME owners and managers should prioritize integrated sales operations, customer intelligence, and adaptive strategic management to strengthen market competitiveness. However, the cross-sectional design, self-reported data, and purposive sampling limit causal interpretation and the generalizability of the findings. Future research should employ longitudinal approaches, incorporate objective market expansion measures, and investigate potential mediating or moderating mechanisms to provide a more comprehensive understanding of how organizational capabilities support sustainable market growth.

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