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THE IMPACT OF DIGITAL MARKETING CAPABILITIES ON FIRM PERFORMANCE: A MODERATING ROLE OF CUSTOMER ORIENTATION IN THE APPAREL INDUSTRY

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Abstract

Businesses must build new digital marketing capabilities to stay competitive while the marketing organization undergoes a digital transition. Although there is a lot of managerial and academic curiosity, how digital marketing capabilities affect business performance is still unknown. In addition, research on the connection between customer orientation and digital marketing capabilities is also lacking. By utilizing a mixed-methods strategy that combines in-depth interviews and multisource information from the fashion industry, this study aims to fill both research gaps. The findings show that Digital Marketing Capabilities substantially impact company performance. We examine the moderating impact of organizational and environmental factors on the interaction effect of Digital Marketing Capabilities and Firm Performance, drawing on a stochastic view of resource-based theory. This study identifies crucial tradeoffs with manageable managerial ramifications for maximizing the complementarity potential and avoiding the substitutive potential of a firm's digital marketing capabilities.

Keywords: Digital Marketing Capabilities, Firm Performance, Customer Orientation, Fashion Industry

INTRODUCTION

As consumers become increasingly plugged into technology and media, traditional marketing strategies are losing effectiveness (Faruk, Rahman et al. 2021). This change is having an impact on consumer behavior with 84% of consumers expressing dissatisfaction with conventional marketing strategies according to a study conducted (Dorie and Loranger 2020). Understanding client motivation and behavior is essential. With adverts showing up on nearly every scroll, social media marketing has grown to be a powerful force (Chinchanachokchai and de Gregorio 2020). The most popular alternative method for buying products and services is now online shopping, or e-commerce, which is advantageous for both businesses and consumers (Jimenez, Valdes et al. 2019). Customers now have access to a wider variety of products, information, and distribution channels thanks to digital marketing, which substantially impacts consumer behavior (Kurdi, Alshurideh et al. 2022). Digital marketing has had a specific impact on the fashion business because all people can now access items (Muniesa and Giménez 2020, Nurfadila and Riyanto 2020). Customer feedback is essential, and social media is the most economical and efficient way for businesses and their clients to interact (Nyagadza 2019).

According to (Kannan 2017, McIntyre and Virzi 2019, Sridhar and Fang 2019), and others, "digital marketing capabilities" (DMCs) refer to a company's capacity to use processes supported by digital technology to interact with consumers and suppliers in a targeted, quantifiable, and integrated way to create new types of value regardless of location or time. Even though managers' interest in digital marketing has led to a wealth of literature that has significantly advanced the field of marketing (Lamberton and Stephen 2016, Kannan 2017), there is little research in the area of DMCs, particularly in the apparel industry. This dearth is especially unexpected considering how frequently practitioners and academics (Kannan 2017, Verhoef and Bijmolt 2019) "urged scholars to examine these newer capabilities"(Moorman and Day 2016). The few empirical studies that have looked at skills in digital marketing are subject to some significant limitations, notwithstanding their valuable contributions (Kannan 2017).

First, it is unclear if DMCs have an impact on company performance. This is due to the lack of empirical research examining the impact of DMCs on company performance. More particular, the majority of studies often focus only on the business skills connected to a single marketing activity. As a result, there is a dearth of empirical data, particularly in the fashion sector, on whether building firm capabilities across a wide range of digital marketing activities (such as social media marketing, mobile marketing, and content marketing) pays off. More significantly, previous research has not taken into account the value of DMCs in terms of customer orientation while implementing marketing-mix-related activities. So, it's still unclear whether DMCs have value outside of how firms operate. Hence, this study endeavors to partly fill this research gap.

The following describes how the paper is organized: We explore the theoretical context and outline our study framework in the next section. After that, we create hypotheses to investigate the connections in our framework. The research technique and subsequent findings are then presented. The ramifications of our findings and contributions are finally discussed, along with the study's limitations and potential avenues for further research.

LITERATURE REVIEW

According to empirical evidence, ineffective organizational conditions are the main barrier to utilizing a firm's DMCs to their maximum potential (Armstrong and Taylor 2020). This is clear when looking at empirical findings from a distinct but connected field of study: Online and offline advertising have interaction effects on business performance that are either non-significant (Bayer, Triệu et al. 2020), beneficial (Tajvidi and Karami 2021), or negative (Homburg and Wielgos 2022), according to studies in the advertising environment. Such erratic results suggest the presence of potential obstacles that could either help or hinder businesses from attaining the full potential of their digital marketing strategies. However, there are little insights into how and when DMCs and traditional marketing capabilities (CMC) work as substitutes or complements in the context of marketing capability.

The primary way social media has transformed how consumers obtain information and interact with one another is in communication. Because of the accessibility of a wide range of options, accessibility, and the abundance of brand/product-related information available at the touch of a mouse, it has evolved into a crucial location for information search for consumers (Kochhar 2021). In a survey of 2000 US internet users, it was discovered that more than 50% of Gen Z and Gen Y (millennial users), 38% of Gen X, and 27% of baby boomers get their fashion ideas from social media browsing (Hudders, Van Reijmersdal et al. 2019). It is clear that social media is used by and inspires fashion consumers across all age groups. Different sources of fashion inspiration, such as peer reviews, user-generated content connected to specific brands, and fashion influencers, are seen as more reliable sources of branded information than branded marketing (Kochhar 2021). A recent survey by (Siregar, Kent et al. 2023) revealed that a third of British fashion consumers are influenced to buy a product or take part in an activity based on influencers' recommendations on social media. (Hagan, Jahankhani et al. 2021) reported that interaction with other users has the potential to trigger new consumer needs and even alter consumer purchase intention. The need for peer approval, looking to fashion influencers for inspiration, and copying celebrity styles online, along with a growing desire to share, discuss, and exchange opinions about fashion brands online, as well as a need to maintain significance and portray a social image online, highlight the changed consumer behavior (Park and Chun 2020).

It is not surprising that numerous fashion firms have adopted social media as a marketing and communications tool given the existence of sizable audiences on various social media platforms and a change in customer behavior. Fashion brands from various sectors of the fashion industry, including fast-fashion retailers (Zara, H&M), sports fashion brands (e.g. Nike), online-only retailers (e.g. ASOS, Boohoo), and even fashion SMEs, are increasingly using social media in their marketing and communication. This is due to the simplicity and cost-effectiveness of social media, increased visibility, and the opportunity to reach and engage more frequently with potential consumers (Godey, Manthiou et al. 2016). According to a recent industry report, social media has disrupted the fashion ecosystem by making it possible for fashion brands of all sizes to develop a customer base, raise brand awareness, support customers, and involve customers in their marketing initiatives, all of which have helped them achieve significant growth (Ansari, Ansari et al. 2019). As of 2019, the clothing brand "Reformation" had 1.3 million Instagram followers, demonstrating its considerable increase in brand awareness on social media.

Fashion brands emerged as one of the best-performing categories on Instagram, attracting the highest user engagement rate, according to a recent study by (Molina-Prados, Munoz-Leiva et al. 2022) using a sample of 150 businesses from various industries. This finding suggests that fashion brands are prioritizing the use of social media in their marketing activities. Although social media has given fashion brands new opportunities to engage with customers in a virtual setting that is accessible to businesses of all shapes and sizes (Ansari, Ansari et al. 2019), the marketing landscape has completely changed as a result of social media's ability to facilitate user-to-user communication as well as communication between businesses and their potential customers. Peer reviews, referrals, tags, online blogs, influencers, and other methods outside of the control of brands that can change the brand image in both positive and negative ways have significantly shifted power from fashion brands to consumers thanks to social media (Gensler, Völckner et al. 2013). The ability of consumer-generated material to affect how brands are developed, accepted, and rejected in the social media environment means that fashion firms are no longer fully in control of their marketing strategies (Gensler, Völckner et al. 2013, Quach, Shao et al. 2020). For instance, Gucci was forced to discontinue a line of just-released sweaters after receiving harsh criticism from Twitter users who claimed that the clothing's design evoked images of blackface (Hsu and Paton 2019). The enormous response from users illustrates the growing influence of customers, indicating that the firm no longer has sole custody of the brand

and that the voice of the customer cannot be disregarded. With these new difficulties, the question of whether to utilize social media is no longer relevant; rather, it is how to do so in a way that portrays fashion companies in the appropriate light and is advantageous to both consumers and brands (Neumann, Martinez et al. 2020).

Academically, over the past ten years, a substantial body of research has been developed that covers various aspects of social media marketing in the fashion industry (Kim and Ko 2010, Godey, Manthiou et al. 2016, Athwal, Wells et al. 2019, Zollo, Filieri et al. 2020). From the perspective of marketing and communication, several scholars have acknowledged the social media phenomenon. Their research has covered a range of specific and isolated marketing and communication issues, including electronic word-of-mouth, the relationship between consumers and brands, as well as specific brand-related marketing initiatives (Wolny and Mueller 2013, Kontu and Vecchi 2014).

Despite the research that has been done over the past ten years, there is still a gap between the rate of change in industry practices and the expansion of the academic literature on digital marketing capabilities (Ngai, Tao et al. 2015). The fact that digital marketing is always changing, both in terms of the creation of new social media platforms and the modifications made to the functionality of already existing social media platforms, is one of the causes of this gap (Appel, Grewal et al. 2020).

New opportunities for firms who are skilled in efficient marketing to reach their consumer have been presented by the introduction of new social media platforms and the ongoing release of new features that gain popularity among users. Nevertheless, it can be difficult and time-consuming for social media researchers to continuously build constructs and measurements to provide results that are supported by evidence and that are compatible with the rapidly expanding and changing nature of the digital marketing environment. While social media has been around for about 20 years, (Kontu and Vecchi 2014) argue that the fashion industry is only now beginning to use it as a marketing and communication tool. In this regard, research on social media marketing for the fashion industry might be viewed as in its infancy. Furthermore, according to recent industry reports, small and mass fashion brands are using social media more and more (Molina-Prados, Munoz-Leiva et al. 2022). However, far less current research has been done on social media marketing for fashion brands outside of the luxury segment, such as small fashion retailers, fast-fashion brands, and even online-only retailers (Gornostaeva 2023). This may be somewhat attributable to the early stages of development of this field of study within the context of fashion. Thus, only a few studies have shed light on how social media marketing is used by fashion brands outside of the luxury fashion industry, focusing more on its general application (Asrizal, Amran et al. 2018, Gornostaeva 2023), with only a small number of publications focusing on more specialized issues (Roncha and Radclyffe-Thomas 2016, Scuotto, Santoro et al. 2017). As a result, there is a tremendous opportunity to undertake worthwhile research that can progress this quickly evolving field of study given the fast-paced and emergent nature of social media and the growing usage of social media for marketing by various types of fashion firms.

In light of this, our work makes significant contributions toward filling these research gaps. First, this study takes a more comprehensive approach and simultaneously examines how customer orientation and DMC influence firms' performance in the fashion industry, each imagined across a wide range of marketing actions, compare. The findings show that DMCs have a considerable impact on firm profitability.

Hypothesis Development

Marketing capabilities and firm performance

We contend that DMC improves business performance. This is due to their value, rarity, imperfect imitable nature, and organizational exploitation potential. An organization's profitability and cost structure are greatly improved by DMC, such as social media marketing or mobile marketing, according to prior empirical research (Nuseir and Aljumah 2020). Through ongoing interaction with both current and potential customers, DMC helps businesses engage with a sizable customer base. DMC continuously offers new revenue-generating opportunities in this manner at a reasonable price (Nuseir and Aljumah 2020). Results from a study of more than 400 marketing professionals from various industries show that the majority of these organizations had early DMC development deficiencies. Additionally, DMC allows businesses to create original knowledge and relational resources through repeated interactions with a large number of clients and partners (Nuseir and Aljumah 2020, Thaha, Maulina et al. 2021) should take note that social complexity and causal ambiguity are blatant signs that DMCs offer resources that are challenging for rivals to replicate. Businesses that decide to invest in DMCs often work to increase their organizational embeddedness, which measures how deeply a capability is ingrained in the context of a business's structures and operations. Organizations are required to create new market methods and capabilities in response to changes in the business environment, such as the advent of new technologies and modifications in client preferences (Ikramuddin, Matriadi et al. 2021, Khalayleh and Al-Hawary 2022). The various competencies are anticipated to create a competitive advantage and, eventually, have an impact on the viability of the firm (Zanubiya, Meria et al. 2023).

H1 Digital Marketing Capabilities are positively related to firm performance.

The moderating effect of customer orientation

According to (Narver and Slater 1990), customer orientation refers to the company's understanding of its target customers and its ongoing efforts to provide them with higher value. We contend that customer orientation favorably modifies the relationship between DMCs and business performance. An organization's culture of customer data-driven decision-making is facilitated by a customer orientation (Leeflang, Verhoef et al. 2014). To provide a single perspective of the customer, customer-oriented businesses regularly collect and aggregate data from DMCs (such as social media and mobile apps) (Homburg and Wielgos 2022).

Customers' demands, behaviors, and purchasing patterns are therefore better understood by customer-oriented businesses at all points in the purchasing process. Such comprehension encourages a company's capacity to seamlessly combine traditional and digital channels and touchpoints from the perspective of the customer, enabling the company to more effectively reach, convert, and connect with customers at the proper stage of the purchasing process. As a result, customer-focused businesses may use their DMCs in the market more successfully and efficiently, which boosts business profitability (Järvinen and Karjaluoto 2015).

The systematic monitoring of customer-based performance measures, such as customer happiness, loyalty, or engagement, across channels and touchpoints is also a key component of customer-oriented businesses (Day and Nedungadi 1994). This makes it simpler for managers to resolve the complexity of the firm's capabilities portfolio and find the best DMC configurations by facilitating the attribution of marketing causes and effects. As a result, customer-focused businesses are more likely to consistently communicate with their clients using their chosen channel and touch point combinations, building better and more fruitful client relationships. Additionally, a more thorough understanding of the effectiveness of customer-based channels and touchpoints enables businesses to eliminate channels and touchpoints that don't offer much value to customers. As a result, a firm's capabilities portfolio becomes less complex and requires less management effort, increasing profitability (Herhausen, Miočević et al. 2020). Thus:

H2: Under high levels of customer orientation, the interaction effect of DMCs on firm performance is positive

The pace at which consumer preferences, competition behavior, and technological advancements occur in the market is the moderating influence of environmental dynamism (Jaworski and Kohli 1993). We contend that environmental dynamism favorably modifies the interplay between customer orientation and DMCs.

Customers regularly switch between traditional and digital touchpoints and channels in changing situations, which emphasizes the importance of smooth customer interactions

(Verhoef, Broekhuizen et al. 2021). To meet customer expectations and achieve superior performance, channel and touch point integration brought about by powerful DMCs is more important. As a result, the simultaneous deployment of DMCs should be more closely tied to firm profitability when businesses are functioning in dynamic environments (Narver and Slater 1990). This is so that businesses can consistently offer various consumer segment channels and touch point configurations that best suit their shifting preferences at various phases of the purchasing process (Van Bruggen, Antia et al. 2010). As a result, interactions with customers are strengthened, which eventually boosts business profitability. Additionally, having more channels and touchpoints as a result of strong DMCs enhances a company's capacity to swiftly respond to market rival activity and evolving technology. In light of this, we suggest that in dynamic situations, the advantages of a more complex capacity portfolio brought about by strong DMCs are probably greater than the accompanying management costs, hence enhancing firm profitability. Thus:

H3: Under high levels of environmental dynamism, the interaction effect of DMCs on firm performance is positive

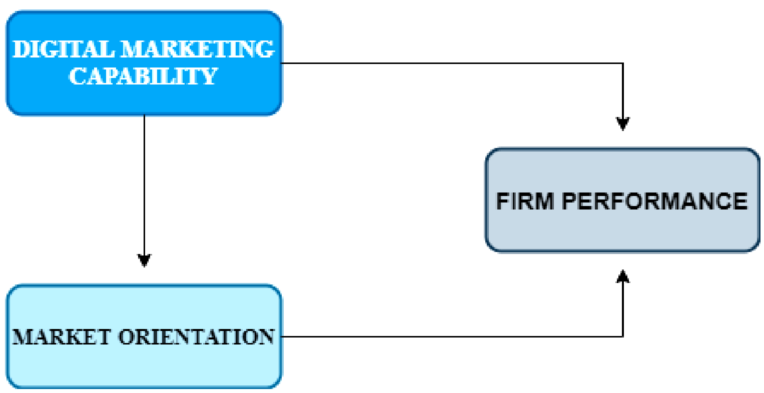

Figure 1 Proposed Research Model

RESEARCH METHODOLOGY

Research Design

According to (Gammelgaard 2017) there are three possible research design types: multiple-case, qualitative, and quantitative. As a result, a qualitative methodology is necessary for this study because there is little theory or evidence regarding the research gaps (Minichiello, Kottler et al. 2010). However, the multiple-case study approach is appropriate for gathering in-depth data and learning more about the topic (Lune and Berg 2017). This methodologies were selected so that the researcher could both qualitatively and quantitatively illustrate how digital marketing capabilities affect firm performance using customer orientation as a moderating role as well as the variables that influence them. The quantitative approach best seeks to create precise estimates and analyses of the concepts while eschewing the researcher's subjective evaluations (Lune and Berg 2017).

Collection of primary and secondary data

To evaluate our hypotheses, we combined primary management data with secondary performance data from an impartial database in this study (Burrell and Morgan 2019). In reality, an important participant technique has a long history in marketing and management research and can offer the most direct assessments of marketing capabilities (Danneels 2016).

In the initial stage, we used an online career portal to find potential survey respondents. Once more we used employees or supervisors in the clothing sector. After conducting our interview, we decided that competent respondents were senior and top-level managers who had primary responsibility for their company's general or digital marketing, sales, customer service, or business operations. We took several steps to boost response rates and promote participation (Hulland, Baumgartner et al. 2018). We pretested the survey instrument design with four independent experts and 15 graduate students with several years of professional experience to ensure clarity and reduce completion costs. Additionally, we sent out two waves of reminders after inviting potential participants via a personalized email to take part in our extensive online survey. Last but not least, we provided the informant with a study report as a reward.

We created a unique scale for DMCs because there isn't much empirical research on digital marketing, so we couldn't use the scales that were already in place. In prior marketing and management studies on marketing capabilities (Vorhies, Orr et al. 2011, Krush, Sohi et al. 2015), we used a well-established scale development approach. We sought to identify digital core marketing capabilities that are frequently used and acknowledged by practitioners in the apparel sector because listing all capabilities is impossible and "because every business develops its competition develops its configuration of capabilities that is rooted in the realities of its competitive market, past commitments, and anticipated requirement"(Olavarrieta and Friedmann 2008). To create a preliminary definition of our focal construct, we thoroughly reviewed the academic and business literature. Second, to better grasp digital core marketing skills, we leveraged managerial knowledge from our 30 in-depth interviews. We painstakingly created a complete set of items that accurately capture the domain of the focal construct by fusing our managerial and literature-based ideas. We presented the topics to three independent academic experts and 10 executive MBA students to determine the quality of the content, and we made revisions in response to their comments. Seven digital core marketing capabilities media marketing, mobile marketing, content marketing, search engine marketing, web analytics, marketing automation, and e-mail marketing—are incorporated into our model of DMCs, which is a one-dimensional reflecting construct. We evaluated DMC in comparison to competitors because the research at the time (Vorhies and Morgan 2003) consistently supported these skills.

Moderating Variable

We used items from (Jaworski and Kohli 1993) and (Narver and Slater 1990) to measure customer orientation and environmental dynamism, respectively.

Firm Performance

We utilized ROA, which is the ratio of profit to total assets, to assess the profitability of the organization. According to (Vorhies, Orr et al. 2011), we calculated industry-adjusted ROA by deducting the industry mean ROA from the individual firm ROA. We recorded this variable one year (t + 1) following the survey.

Control Variables

We incorporate control variables that have frequently been employed in prior marketing capability studies (Kamboj and Rahman 2015). Following the firm level, we take into account the impact of firm age and size, since older firms may have more relational and knowledge resources while larger enterprises may have more spare resources (Vorhies, Orr et al. 2011). To account for the complex distinctions between B2B and B2C contexts, we also control for firm type (i.e. B2B vs. B2C) (Lilien 2016). To account for variations in the pressure to provide digital goods or services, we also control for whether industries are significantly or weakly influenced by digital business transformation (Edeling and Himme 2018).

Table 1. Variable and Definitions

Variable	Definition
Digital Marketing Capabilities	Refer to a firm’s ability to use digital technology–enabled processes to interact with customers and partners in a targeted, measurable, and integrated way to create new forms of value without regard for distance or time.
Customer Orientation	Refers to the firm’s understanding of its target buyers to create superior value for them continuously.
Environmental Dynamism	It is the rate at which customer preferences, competitor actions, and technologies change in the marketplace.
ROA	This is the ratio of profit to total assets

Analytical Approach

The SPSS 17.0 statistics package was employed to analyze the study's objectives and test hypotheses. To examine the preliminary test findings and determine the demographics of the sample, descriptive statistics and correlation were used. Cronbach's alpha was used to measure reliability. Finally, an efficient regression model was established and used to test the study's hypotheses.

FINDINGS

Measurement Assessment

We performed confirmatory factor analyses (CFAs) to assess the validity and reliability of our measures. We used item parceling and averaged the items on the level of each first-order dimension after confirming the constructions to create an aggregated scale (Bagozzi and Edwards 1998). Second, we conducted a single CFA on all multi-item constructs, and the results were satisfactory: CFI = 0.92; TLI = 0.91; RMSEA = 0.05. Overall, all of the standardized factor loadings were high and significant (Homburg and Wielgos 2022), and all of the Cronbach's alphas and composite reliabilities were above the necessary level, supporting the claim that the factors were validly convergent. The mean, standard deviations, and measurement characteristics of our measures are displayed in Table 2.

Table 2 Descriptive Statistics

Variable	Mean	SD	CA	CR
Multi-item measures				
Digital marketing capabilities	3.06	0.82	0.85	0.87
Customer Orientation	3.87	0.79	0.78	0.80
Environmental dynamism	3.54	0.81	0.84	0.85
Objective performance measures				
ROA(t + 1)[%]	6.65	8.74		
Other measures				
Firm age (log)	8.79	2.56		
Firm size (log)	3.66	1.00		
B2B vs. B2C (%)	73.52	26.89		
Product vs. service (%)	68.44	27.53		
Relevance of digital business transformation	0.38	0.56		

Notes: SD = Standard deviation; CA = Cronbach’s alpha; CR = composite reliability. The values are based on our full sample of 250 firms in the Apparel industry in Ethiopia. The values for ROA (t + 1) and firm size are based on 204 firms. The values for the variables firm size and firm age are logarithmically transformed.

Model specification

To evaluate our hypothesis, we used regression analyses (Table 4). Before putting the proposed relationships to the test, look for bias and important endogenous factors. The evidence suggests that these threats have little effect on the study's conclusion.

We used four different strategies to increase our trust in the reliability of the key informants. First, we made sure to select responders who held jobs that were comparatively high in the hierarchy. The majority of my correspondents (180) had department head or higher designations. We also inquired about the job experience of key participants to assess their proficiency. The sampled participants had a lot of experience, as evidenced by the respondents' average length of employment with their respective companies being (10) years and (5) years in their current position. Additionally, we asked the study participants directly about their level of comfort in answering survey questions. The results suggest that the participant was qualified to report on the survey since (75%) of the major participants were highly competent and (22%) were competent. This result implies that the study subjects are well-informed about the capabilities of their companies and other study variables. Thirdly, we extensively pretested the questionnaire to make sure the study correspondents understood and could provide accurate answers. Finally, we compared the main manager and secondary sales revenue data to confirm the participants' responses. The strong correlations (r = 0.72, p 0.001) indicate that the key correspondent bias is not an issue.

Table 3 Correlation Results

Variables	1	2	3	4	5	6	7	8
Digital marketing capabilities	0.68							
Customer orientation	0.33***	0.75						
Environmental dynamism	0.21***	0.52***	0.73					
Firm size	0.07	0.11*	0.06	-				
Firm age	0.03	0.02	-0.11**	-0.06	-			
B2B vs. B2C	-0.05	-0.07	-0.24***	-0.12*	0.06			
Product vs. services	0.04	0.03	-0.04	-0.05	0.04	-		
Relevance of digital business transformation	0.07	-0.04	0.29***	-0.05	-0.11**	-0.04	-	
ROA (t + 1)	0.25***	0.22***	-0.03	-0.04	0.02	0.02	-0.06	-

Note: (p < .10, ** p < .05, *** p < .01)

We present the outcomes of the hierarchical ROA model estimate process in Table (4). This process comprises the estimation of control variables (model 1), main effects (Model 2), and two-way interactions (Model 3). Before constructing the interaction terms, we mean-centered all the variables. The validity of our findings was also tested for multicollinearity, which did not appear to pose a threat because the variance inflation factors for the regression models are below the generally recognized cutoff value of 10 (Homburg and Wielgos 2022). Model 2 results demonstrate a positive link between DMCs and ROA that is statistically significant and supports hypothesis one with a p-value of less than 5%. The conclusion suggests that DMCs influence business performance significantly (Table 4).

Following the (Schoonhoven 1981) partial derivative approach, which was previously used in marketing research (Wathne and Heide 2004, Noordhoff, Kyriakopoulos et al. 2011), we analyze the interaction effect of DMCs across the value of the moderating variable to show the significant two-way interaction effects. These connections are shown in table (3). As per the findings, the interaction impact of DMCs is considerably favorable at high levels of customer orientation (SD =.24, p> .05; SD =.29, p> .05) and strongly negative at low levels (SD = -0.45, p .05; SD = -0.31, p> .10). Likewise, the outcome demonstrates that the interaction impact of DMCs is significantly positive at high values (SD = 0.11, p >.10; SD = -0.25, p > .05) and negative at low values (SD = -0.17, p >.10).

Discussions

Although academics and industry experts have emphasized time and time again how crucial DMCs are for businesses to stay competitive in increasingly digital market conditions, little study has been done on these capabilities to date. Through the use of a mixed-methods approach, we add to and go above previous marketing research in various crucial ways.

First, by combining information from interviews and the literature, we offer a fresh viewpoint on the various DMCs. According to the results of our qualitative investigation, the different DMCs vary in terms of (1) scalability, (2) measurability, (3) interconnection, and (4) flexibility (Table 3). We offer a conceptual distinction and broaden our understanding of marketing capabilities in this way. Second, beyond the effects of customer orientation, our analysis enhances and broadens our understanding of whether DMCs contribute to company performance. In contrast to the majority of earlier studies (Wathne and Heide 2004, Vorhies, Orr et al. 2011), we took into account both constructs and conceptualized themes across a wide range of marketing actions to help make our findings more generalizable.

We offer strong empirical support for the significance of DMCs to firm performance by using the Apparel industry in Ethiopia as a case study, and a multisource dataset collected at two periods in time. In response to (Verhoef and Bijmolt 2019) call for research to identify the main capabilities that drive business performance in the digital age, we therefore contribute to the marketing literature.

Table 4 Regression results

Dependent variable	ROA(t+1)			
	Model 1	Model 2	Model 3	
Main Effects				
Digital marketing capabilities (DMCs)		0.21**	0.25**	H1(+)
Two-way interaction effects				
DMCs x CUST			-0.02	H2(+)
DMCs x ED			0.07	H3 (+)
Controls				
Customer Orientation (CUST)	-0,04	-0.04	-0.02	
Environmental dynamism (ED)	-0.05	-0.04	-0.07	
Firm size	-0.17	-0.14	-0.08	
Firm age	0.05	0.02	0.01	
Product vs. service	0.01	0.01	0.02	
B2B vs. B2C	-0.03	0.01	0.02	
Relevance of digital business information	-0.08	-0.07	-0.11	
R_square	0.07	0.09	0.19	
$\Delta \boldsymbol{R\_square}$	0.04	0.02	0.10	
F_Change	12.87***	5.08**	2.28**	

Note: (p < .10, ** p < .05, *** p < .01)

According to the study's findings, customer orientation is essential to releasing the potential value of DMCs because their use boosts firm profitability when customer orientation is high. Contrarily, the extra studies we conducted for the section on testing the hypotheses show that the use of DMCs has a detrimental effect on company profitability when customer orientation is low. According to an earlier study, companies need to have a compatible organizational perspective to use their unique talents to function better (Vorhies, Orr et al. 2011). This leads us to the conclusion that companies with a low customer orientation may struggle to effectively utilize their marketing capability portfolios in a lucrative way. For instance, it's possible that these businesses haven't implemented the necessary systems, procedures, or metrics to thoroughly understand their clients' demands, behaviors, and purchasing habits. However, without this in-depth insight from the client, businesses struggle to pinpoint the combinations of traditional and digital channels that best suit the preferences and actions of various customer segments at various stages of the purchasing process.

Regarding environmental uncertainties, we demonstrate that the use of DMCs is particularly beneficial when businesses must deal with quick changes in consumer preferences, competition behavior, and technological advancements in the marketplace. In particular, in a dynamic environment, the advantages of a broad capacity portfolio seem to outweigh the related development and maintenance expenses, increasing organizations' profitability. However, as was previously mentioned in the section on testing hypotheses, the deployment of DMCs has a detrimental effect on enterprises' profitability in stable contexts. In general, organizations do not need to have bigger, more complicated capability portfolios in a stable environment, therefore the development and maintenance costs that go along with it are not warranted. In conclusion, our study demonstrates that when guided by adaptive marketing skills, the capabilities for determining and implementing marketing mix decisions will become more effective (Wolny and Mueller 2013, Nuseir and Aljumah 2020).

CONCLUSION AND POLICY IMPLICATIONS

Although managers are aware that digital technology might alter how a company creates value, almost two out of every three marketing executives still choose to concentrate on "managing the present" as opposed to "preparing for the future" (Herhausen, Miočević et al. 2020). Our empirical results have significant ramifications that could increase managerial understanding of DMCs. We use a case study from the Ethiopian fashion sector to eloquently illustrate the DMCs' financial responsibility. The study's findings in particular show that DMCs greatly support accounting-based returns on assets (ROA). DMCs therefore not only assist companies in making better use of their resources and generating higher levels of profit, but they also appear to be viewed by investors as a strong indicator that the company is moving toward a forward-looking position. We also found a few environmental factors that either positively or negatively influence the deployment of DMCs. These findings have significant ramifications for fashion companies working to integrate their marketing tactics.

We discover that businesses may fully realize the value-generating potential of DMCs by focusing on their customers. According to these results, "treating the concept of market orientation as an aggregate construct of equally important behavioral orientations can be misleading and limit its strategic value for management practice" (Herhausen, Miočević et al. 2020). Managers should be aware that the use of DMCs is particularly lucrative for businesses working in fast-changing environments when it comes to environmental contingencies.

The results also show that B2B companies benefit less from the use of DMCs than do B2C companies. We argue that the following factors could account for these performance differences, (Lilien 2016): B2B businesses also have less need for big-scale data analysis in the context of customer segmentation, targeting, and positioning based on DMC due to the much lesser number of possible consumers in B2B markets. Three factors limit the value potential of deploying DMCs: (1) B2B customers typically expect a significantly higher level of personal interaction; (2) B2B buying processes are highly complex and involve multiple decision-makers;

and (3) B2B marketing complexity is higher. Another reason for the performance gaps between B2B and B2C companies could be because, on average, B2B companies have less expertise in digital marketing than B2C companies (Moorman and McCarthy 2021). In addition, B2B companies are more likely than B2C companies to experience fragmented digital marketing strategies, ambiguity around who owns which digital activities, and a lack of important performance indicators for digital projects (Harrison, Birks et al. 2017, Shaltoni 2017).

FURTHER RESEARCH AND LIMITATIONS

Our study has limits, just like any other research, but these constraints also open up new research directions. First, we recommend future studies to look at the determinants of DMCs because managers need to know how to construct them to get larger profits. When should businesses create DMCs internally, and when should they hire agencies to do it? Additional studies should pinpoint the beneficial and detrimental mediating processes that affect both DMCs and firm performance, as well as how external and internal factors affect these. The final point is that, even though our data are not technically cross-sectional because we used a temporal lag between the primary and secondary data, future research could build on a longitudinal design to expand our findings. Examining how the performance effects of DMCs grow over time and evaluating related factors that may increase or decrease their impact on company performance are attractive directions for future research.

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