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Competitive domestic markets and marketing capabilities: the mediating effect of online presence in SMEs

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Abstract: Marketing capabilities are essential to exploit opportunities and sustain competitive advantages in domestic markets. It is therefore fundamental to identify elements affecting these capabilities. This research aims to verify if there is a positive relationship between competitive domestic markets and marketing capabilities, and whether online presence of companies exerts a mediating effect between both factors. The empirical analysis uses OLS regressions and a mimic of process method in Stata software package on a sample of 205 SMEs from Costa Rica. The findings confirm a positive relationship between competitive domestic markets and marketing capabilities, and that online presence exerts a mediating effect on this relationship, with a total effect of greater relevance for SMEs, especially in the manufacturing sector. This implies that as organisations adapt their resources and generate actions to promote the use and adoption of their online presence, they are also having a positive impact on their marketing capabilities.

Keywords: competitive domestic markets; online presence; marketing capabilities; SME; competitiveness.

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1 Introduction

Highly competitive environments force businesses to be more resilient (Annarelli and Nonino, 2016) and capable of managing change (Ates and Bititci, 2011), to articulate resources and capabilities that shape their competitive position. According to Jin and Cho (2018), firms are prompt by highly competitive markets to develop capabilities such as marketing and technological capabilities, allowing organisations to make crucial decisions to deliver products and services that offer value to their customers and, in turn, achieve their objectives (Varadarajan, 2010).

Given that marketing capabilities are associated with firm performance and highly competitive markets (Qureshi and Kratzer, 2011; Homburg and Wielgos, 2022; Morgan et al., 2009; Weerawardena, 2003; Merrilees et al., 2011), it is important for companies to find new paths to foster their marketing capabilities. This is the case of SMEs responding to their environment with the implementation of new technologies, digital strategies, customer experiences, and data-based business models (Zaki, 2019; Dana et al., 2022), which are framed within digital transformation processes given their relationship with innovation and performance improvements (Ferreira et al., 2019).

As a result, firms have launched new engagement platforms that add to their engagement ecosystems (Breidbach et al., 2014), such is the case of an online presence, defined as websites through which they manage content and offer products online to their customers (Christodoulides, 2009). Interestingly, literature has shown that online presence faces multiple barriers for its adoption, among them the negative impact of uncertainty of customer intentions to online purchasing (Pavlou et al., 2007), or their concerns for the privacy and security of information shared online with organisations (Dinev and Hart, 2006). Thus, to mitigate barriers to establish exchange relationships, companies create mechanisms to promote trust, satisfaction, and loyalty of customers (Singh and Sirdeshmukh, 2000), by applying their marketing capabilities to deliver online experiences that seek to convert visitors into buyers (Bleier et al., 2019; Petit et al., 2019; Martínez-Villavicencio et al., 2021).

Therefore, it seems to configure a relationship between online presence and marketing capabilities of companies in the context of competitive domestic markets.

Hence, our objective is to examine the mediating effect of online presence on the relationship between competitive domestic markets and marketing capabilities, constructs developed by the work of Lafuente et al. (2020b) on the capabilities and resources that determine the competitiveness of companies.

Since research keep demonstrating the connection between marketing capabilities and firms' growth (Cataltepe et al., 2023; Olazo, 2023), and that not only the existence but the quality of online presence has a positive effect on the competitiveness of SMEs (Lányi et al., 2021), we adhere to the line of research of marketing capabilities. Making a unique contribution by empirically demonstrating that marketing capabilities can be strengthened when applied to activities, as online presence management, as firms focus on applying their resources to potential sources of competitive advantage in their markets (Wernerfelt, 2014).

In this way, regression models and mimic process were developed to validate that not only competitive domestic markets are positively related to marketing capabilities, but that online presence exerts a mediating effect producing a greater total effect on the marketing capabilities of SMEs, especially firms of the manufacturing sector. Uncovering a novel path for organisations to build on marketing capabilities and consolidating a stronger competitive position.

This article is organised as follows: in Section 2, we present the relevant literature on competitive domestic markets, marketing capabilities, and the effect of presence in this relationship. Next in Section 3, we introduce the methodological foundations of our research model. In Sections 4 and 5, we present and discuss the results of our research. Finally in Section 6, we provide our conclusions and point out possible future lines of research.

2 Conceptual framework and hypothesis

2.1 Competitive domestic markets and marketing capabilities

Competitive domestic markets are defined by the level of competition among firms operating in similar industries, since they compete for the same resources (Barnett, 1997). Driving them to develop new capabilities (Jin and Cho, 2018), based on the challenges they face when competition intensifies (Ghosh et al., 2001). Hence, firms foster competitive strategies that leverage capabilities to achieve growth and performance objectives (Alkasim et al., 2018).

Thus, highly competitive environments demand that companies be able to manage change (Ates and Bititci, 2011) and be resilient (Annarelli and Nonino, 2016) to refocus their capabilities. According to Jin and Cho (2018), firms are prompt by domestic market competition to develop their marketing and technological capabilities. Which are defined as the resources and processes that companies use to plan and implement marketing activities to achieve superior results (Sok et al., 2013; O'Cass and Sok, 2012). Including functions such as market research, price management, product development, distribution channels, promotion, and marketing management (Vorhies et al., 1999).

This highlights that marketing capabilities are necessary to cement product differentiation and stakeholder satisfaction in domestic markets (Pérez-Cabañero et al., 2012; Hooley et al., 2005). In this way, competitive domestic markets act as enabling

mechanisms of marketing capabilities for SMEs (Merrilees et al., 2011; Qureshi and Kratzer, 2011).

Therefore, the existence of a positive relationship between both that adds to the competitive position of companies is proposed and summarised in the following hypothesis:

H1 There is a positive relationship between competitive domestic markets and marketing capabilities.

2.2 The mediating effect of online presence

Online presence is defined as the existence of websites set by firms to manage content and offer products online (Christodoulides, 2009), as well as for consumers to conduct transactions, complete tasks, and resolve problems (Borck, 2000). Hence, the online presence is added to the engagement ecosystem (Breidbach et al., 2014), bringing together a variety of physical and virtual platforms through the application of direct and relational marketing techniques (Gurău and Duquesnois, 2011).

For companies, online presence is the result of digital transformation processes combining information, computing, communication, and connectivity technologies (Vial, 2019), to launch, for example, new online channels (Matarazzo et al., 2021) that favour greater customer engagement (Jaakkola and Alexander, 2014). Hence, capturing value in markets through digital business strategies that develop new products and services based on information (Bharadwaj et al., 2013).

This entails organisations to reconfigure their capabilities, especially to develop digital marketing skills, which enable them to exploit digital products and services (Wang, 2020) thorough new business models (Bouwman et al., 2019), the use of social media (Li et al., 2018), mobile devices (Pousttchi et al., 2015), cloud services (Alshamaila et al., 2013), and technological platforms (Tan et al., 2015).

Online presence is not immune to adoption barriers, such as the uncertainty customers experience when establishing exchange relationships (Bleier et al., 2019), because of perceived information asymmetry, seller opportunism, and information privacy and security concerns (Pavlou et al., 2007). Given that relational exchanges require companies to create mechanisms to foster trust, satisfaction, and loyalty to minimise uncertainty in individual encounters (Singh and Sirdeshmukh, 2000), online presence is not exempt of these efforts.

Thus, SMEs can appeal to resources and capabilities such as marketing capabilities to configure signals and incentives that facilitate exchange relationships. For example, by applying marketing capabilities to their online presence firms can identify customer segments visiting their sites, to invest in designing tailored websites that foster trust and purchase intention (Schlosser et al., 2006; Bleier et al., 2019). Being flexible to implement online marketing activities like market research, definition of product portfolios, pricing and distribution strategies, and the development of digital tools for their promotion is key to convert visitors into buyers and be more competitive in their market environment (Ozer, 2002). Due to the latter, online presence management builds essential marketing capabilities which are a foundational premise of marketing strategies to deliver value to firms (Varadarajan, 2010).

In line with the resource-based view, companies acquire or develop resources and capabilities that allow them to sustain competitive advantages (Grant, 1991; Prahalad and

Hamel, 1990; Barney, 1991), improve chances of survival (Naidoo, 2010) and capitalise on growth and performance opportunities (Gaur et al., 2011). Being the case of SMEs developing marketing capabilities (Reijonen and Komppula, 2010) through online presence. That is, SMEs pursuit of launching an online presence that promotes interactions (Chen and Yen, 2004) in response to their competitive domestic environment constitutes together a mediating effect for the development of their marketing capabilities, as proposed in the following hypotheses:

H2 There is a positive relationship between competitive domestic markets and online presence.

H3 There is a positive relationship between online presence and marketing capabilities.

H4 The positive relationship between competitive domestic markets and marketing capabilities is mediated by online presence.

3 Methodology

3.1 Sample and data collection

The present research uses data from the Global Competitiveness Project (GCP). The GCP is an international project dedicated to the study of competitiveness of SMEs and involves the participation of universities from eleven countries (Bosnia and Herzegovina, Brazil, Colombia, Costa Rica, Spain, France, Hungary, Mexico, Pakistan, Czech Republic, and Romania). Additional information about the GCP can be found on the website: http://www.sme-gcp.org.

Data was collected from 205 small and medium-sized companies in Costa Rica. The selection criteria used by the GCP were:

a companies with at least two complete years of operation

b with more than two employees.

The data was collected in 2019, between the months of February and May, through a questionnaire composed of 112 mostly closed-ended questions and was obtained in face-to-face interviews. For firms with less than 20 employees, at least one of their owners was interviewed (only if they were part of the management team). For firms with 20 or more employees, a high-level manager was interviewed (regardless of whether they had ownership rights or not). The fieldwork was supervised by a team of researchers from the Costa Rica Institute of Technology, the university in charge of directing the GCP in Costa Rica.

Among the characteristics of the sample companies, it is noted that the commerce and services sectors represent most of the sample (74.3%). Regarding the number of employees, the mean is 25.2 collaborators (SD = 41.2). According to the classification proposed by the Zhongming et al. (2021), 49.3% are microenterprises, 36.7% small enterprises, and almost 15% are medium-sized enterprises. Almost a third of the firms are in the capital city (San José). The companies that make up the sample have been in the market for an average of 17 years (SD = 14.7).

3.2 Variables

Based on resource-based theory (Barney, 1991; Wernerfelt, 1984), the GCP considers competitiveness as a set dependent on ten pillars, namely, human capital, product innovation, domestic markets, networks, technology, decision-making strategy, marketing, internationalisation, and online presence, which allow the firm to effectively compete with others and provide customers with valuable goods and services (Lafuente et al., 2020a). This pillar also reflect how competitiveness can be described as a matrix combining internal capabilities and external conditions (Fiegenbaum et al., 1996), such as marketing capabilities and online presence as internal capabilities, and external conditions like domestic markets.

Grounded on the above, Lafuente et al. (2020a) developed a methodology to create an index that allows measuring the competitiveness of companies, based on 46 variables related to the ten pillars of competitiveness. Lafuente et al. (2020a) provide further details of the index calculation methodology for each of the pillars of the GCP competitiveness index in https://www.sme-gcp.org/research. It should also be mentioned that the GCP approach has been used in multiple works (Alonso and Leiva, 2019; Lafuente and Vaillant, 2021; Lukovszki et al., 2021). Regarding the GCP competitive pillars indices, our study uses the following three:

a marketing capabilities

b competitive domestic markets

c online presence, which constitute the main variables of the study.

3.2.1 Dependent variable

The GCP pillar of marketing capabilities is measured based on three indicators evaluating the degree of strategic importance that marketing resources or capabilities have for the business, where 0 represents no strategic value, 1 represents low strategic value, and up to 4, which represents high strategic value. These indicators are as follows: marketing and communication tools applied, marketing innovation, and level of rarity of marketing techniques employed by the company (Lafuente et al., 2020a). Then, GCP normalise each indicator between 0 and 1 using the maximum score obtained for each indicator in the different firms of the sample, whose value represents the 'best practices' of the firms. Subsequently, they make up the pillar as an average of the normalised value of the six indicators. In this way, the closer the pillar value is to 1, the higher the strategic value of marketing capabilities relative to competitors. The mean of this normalised index is 0.46 (SD = 0.26). Appendix 1 presents reliability and validity statistics of this construct.

3.2.2 Independent variables

The competitive domestic market pillar comprises two indicators, namely, the geographical scope of sales in the country, and the competitive level of the firm in the market (Lafuente et al., 2020a). These indicators are normalised between 0 and 1 and averaged according to the method mentioned above. Consequently, values close to 1 indicate a higher strategic value for the competitive domestic markets of the firm relative to its competitors. This normalised index has a mean of 0.51 (SD = 0.29).

On the other hand, the online presence pillar is an average of the normalisation of the following three resources or capabilities: technical characteristics of the website, website content, and applications for online marketing (Lafuente et al., 2020a). Online presence, as a normalised variable between 0 and 1, suggests that values close to 1 are indicative of a higher strategic value for the online presence capability of the firm relative to its competitors. In this study the average value of this normalised index is 0.32 (SD = 0.27). The reliability and validity statistics of these two constructs are showed in Appendix 1.

3.2.3 Control variables

In this study, the analytical models control for the size and age of the firm. Regarding size, a positive relationship has been found between elements that make up the online presence and the size of SMEs (Lopes and Melão, 2016). Likewise, the results of Joensuu-Salu et al. (2023) study indicate that larger SMEs have stronger marketing capabilities. In addition, the larger the firms the better conditions to successfully face highly competitive environments as suggested by Silva and Maçãs (2008) and Dvouletý and Blažková (2021), such as those that characterise domestic markets. This control variable is measured as the natural logarithm of the number of employees to smooth the data and to avoid the effects of a skewed data distribution (Lafuente et al., 2020a).

Regarding the latter, firm age may have an impact since younger organisations tend to adopt structures to organise their resources and capabilities that differ greatly from those with more seniority (Hannan and Freeman, 1984). For instance, a positive relationship between age and dynamic marketing capabilities was showed by Guo et al. (2018) when controlling for firm age in their research on the impact of marketing capabilities. These are the marketing capabilities related to firm's ability to create value in response to changes in the market, especially in highly competitive markets. However, concerning firm age and online presence their relationship does not seem to be evident. For example, González-López et al. (2021) found no significant relationship when evaluating the effect of online presence on turnover while controlling for firm's age. Similarly, in their systematic literature review of factors influencing SMEs adoption of online presence, Costa and Castro (2021) do not mention the age of the firm as one of the determining factors.

Finally, in reference to the relationship between firm age and domestic market, firm's orientation towards the market is associated with responding to competitive intensity. However, Hult et al. (2003) found that firms develop a particular competitive culture, where the age of the firm is related to a diversity of competitive approaches. In other words, firm age is not only associated with market orientation and its competitive level, hence cannot be established a clear relationship. Firm age is measured as the natural logarithm of the number of years in the market to also avoid the problem of a skewed data distribution (Lafuente et al., 2020a).

3.3 Procedure

To test our hypothesis, we run a simple mediation model with statistical controls employing the process method put forward by Hayes (2018). We utilise the Stata 17.0 software package to data processing analysis. Following Hayes (2018), firstly we run three OLS regressions as follows:

$$\text{MktMg}_i = \beta_{Y*i} + \beta cDomMk_i + \sum_{j=1}^{3} \beta h_{ji}\ Cji + e_{Y*i}, \quad i = 1, 2, ..., N \tag{1}$$

where MktMg is our dependent variable, β_{Y*} is the intercept, βc is the parameter estimate for competitive domestic markets that accounts for the total effect, βh_{ji} are the parameter estimates for the j^{th} control variables (firm sector, firm size, and firm age), and e_{Y*i} is the error term in the estimation of marketing capabilities.

$$\text{Online}_i = \beta_{Mi} + \beta aDomMk_i + \sum_{j=1}^{3} \beta f_{ji}\ Cji + e_{Mi}, \quad i = 1, 2, ..., N \tag{2}$$

where online is the mediator variable online presence acting as dependent variable in this model, βM is the intercept, βa is the parameter computed for the consequent variable competitive domestic markets, βf_{ji} are the parameter estimates for the f^{th} control variables in this model (firm sector, firm size, and firm age), e_{Mi} is the error term in the estimation of online presence.

$$\text{MktMg}_i = \beta_{Y*} + \beta c' DomMk_i + \beta b\ Online_i + \sum_{j=1}^{3} \beta g_{ji}\ Cji + e_{Yi}, \quad i = 1, 2, ..., N \tag{3}$$

where MktMg is our dependent variable, β_Y is the intercept, $\beta c'$ is the parameter computed for competitive domestic markets, βb is the parameter computed for online presence, βg_{ji} are the parameter estimates for the g^{th} control variables in this model (firm sector, firm size, and firm age), and e_{Yi} is the error term in the estimation of marketing capabilities.

The total effect competitive domestic markets on marketing capabilities holding control variables constant (βc) is the sum of the direct effect of competitive domestic markets on marketing capabilities holding control variables constant ($\beta c'$) and the indirect effect of competitive domestic markets on marketing capabilities through online presence holding control variables constant ($\beta a * \beta b$). To determine the significance of the indirect effect we conducted a bootstrapping confidence interval estimates for the indirect effect ($\beta a * \beta b$). For this purpose, we utilise a mimic of Hayes (2018) process method proposed by Crowson (2021) to be ran in Stata. It consists in the estimation of a SEM path analysis of simple mediation model with statistical controls (we follow the recommendations of Acock (2013) for its application, using Stata software). Then we adapted the Crowson's syntaxis to run 5,000 bootstrap sample estimates to report the percentile bootstrap confidence interval (Hayes, 2018) to assess the significance of the indirect effect (for more details see Appendices 2 and 3).

4 Results

4.1 Descriptives

Table 1 presents the descriptive statistics and correlations of the variables included in the research. Examining the data, significant and moderate correlations are found between competitive domestic markets, online presence, and marketing capabilities, and between these variables and firm size.

Table 1 Descriptive and bivariate correlations, $N = 205$

Variables		*Mean*	*S.D.*	*Min*	*Max*	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*
1	Sector	0.74	0.44	0	1					
2	Firm size	2.58	1.08	1.10	5.46	–0.11				
3	Business years	2.59	0.80	0.69	4.77	–0.11	0.40***			
4	Competitive domestic markets	0.51	0.29	0.00	1.00	–0.09	0.36***	0.12		
5	Online presence	0.32	0.27	0.00	1.00	0.06	0.36***	0.05	0.39***	
6	Marketing capabilities	0.46	0.26	0.00	1.00	0.08	0.30***	–0.05	0.29***	0.54***

Notes: Sector is categorised as 1 = Commerce and services and 0 = Manufacturing. Firm size corresponds to the natural logarithm of the number of firm employees, and business years to the natural logarithm of company years of activity. Competitive domestic markets is a normalised pillar (two indicators); online presence is a normalised pillar (three indicators), and marketing capabilities a normalised pillar (three indicators). Regarding the three competitive pillars, it should consider that these variables are normalised ranging from 0 to 1, when interpreting their mean and standard deviation.
Significance level *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$.

4.2 Direct and indirect effects

Table 2 presents the results of the unstandardised estimates for our three Models following equations (1) to (3) showed in subsection 3.3. From the F values showed in Table 2, all the models show a good and significant model fit. Concerning collinearity, the average inflation factor (VIF) was computed for all independent variables. In all model specifications depicted in Table 2, the average VIF values are below the commonly used cut-off threshold of ten (Hair et al., 2019a). Thus, collinearity is not a matter of concern in our regression models.

Regarding model 1 in Table 2, which refers to the total effect which refers to the total effect, indicates that competitive domestic markets is positively linked to marketing capabilities ($\beta c = 0.183$; $p < 0.01$), when controlling for sector, firm age, and firm size. This effect is statistically significant, supporting Hypothesis 1. This model explains 17.6% of the variance on marketing capabilities.

In accordance with Table 2, model 2 results confirm that competitive domestic markets are directly and positively associated with online presence ($\beta a = 0.269$; $p < 0.001$) after controlling by sector, firm size, and firm age; thus, supporting Hypothesis 2. Following with the analysis, model 3 results indicate a positive and statistically significant relationship between online presence and marketing capabilities ($\beta b = 0.443$; $p < 0.001$) after controlling by sector, firm size, and firm age, supporting Hypothesis 3. Nonetheless, when introducing online presence in model 3 the connection between competitive domestic markets and marketing capabilities vanishes ($\beta c' = 0.063$; $p > 0.05$), after controlling by sector, firm size, and firm age. Multiplying $\beta a = 0.269$ and $\beta b = 0.443$ yields an indirect effect equal to 0.119.

We run a path SEM full model to test percentile bootstrapping of the above indirect effect. The result of the full model is depicted in Figure 1 that we used as a basis for the calculation of the indirect effect bootstrap. We employed the robust standard error

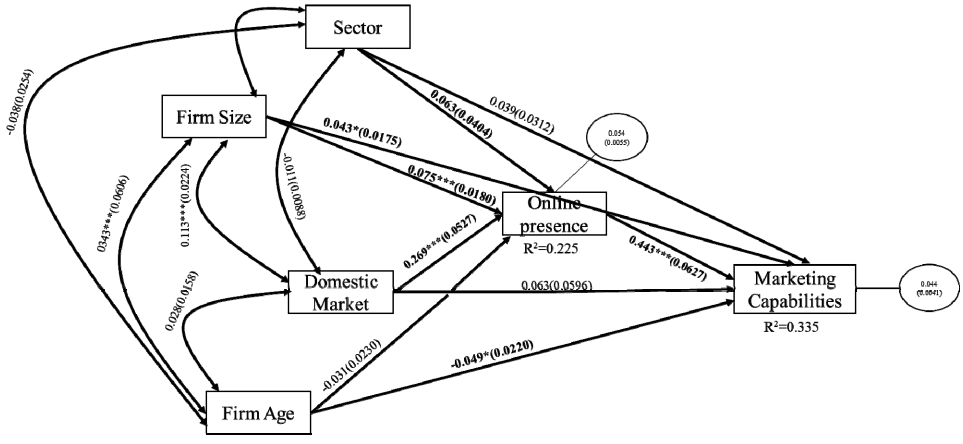
estimator (a detailed Stata syntaxis of the path SEM model and the indirect effect bootstrap utilised in this study is presented in Appendix 2). The results indicate that the indirect effect is positive and statistically significant ($\beta a^* \beta b = 0.119$, bootstrap standard error = 0.0292, $p < 0.001$, P95%CI[0.0662, 0.1814]). Consequently, all the analysis allows to sustain Hypothesis 4, finding a total mediation effect of online presence in the relationship between competitive domestic markets and marketing capabilities.

Table 2 Regression models results, $N = 205$

	Model 1	*Model 2*	*Model 3*
	Marketing capabilities [Equation (1)]	*Online presence [Equation (2)]*	*Marketing capabilities [Equation (3)]*
Competitive domestic markets	0.183**(0.0603)	0.269***(0.0532)	0.063(0.0603)
Online presence			0.443***(0.0635)
Sector	0.067(0.0368)	0.063(0.0408)	0.039(0.0316)
Firm size	0.076***(0.0177)	0.075***(0.0181)	0.043*(0.0178)
Business years	–0.063*(0.0251)	–0.031(0.0233)	–0.049*(0.0223)
Constant	0.281***(0.0719)	0.022(0.0713)	0.272***(0.0618)
F-test	11.01***	17.71***	24.50***
R2 (adjusted)	0.176	0.226	0.335
VIF mean (min.-max.)	1.18 (1.02–1.35)	1.18 (1.02–1.35)	1.25 (1.03–1.47)
Observations	205	205	205

Notes: Significance levels, *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$. Robust standard errors in parenthesis.

Figure 1 Path model analysis of the unstandardised results as a basis for the computation of percentile bootstrapping test

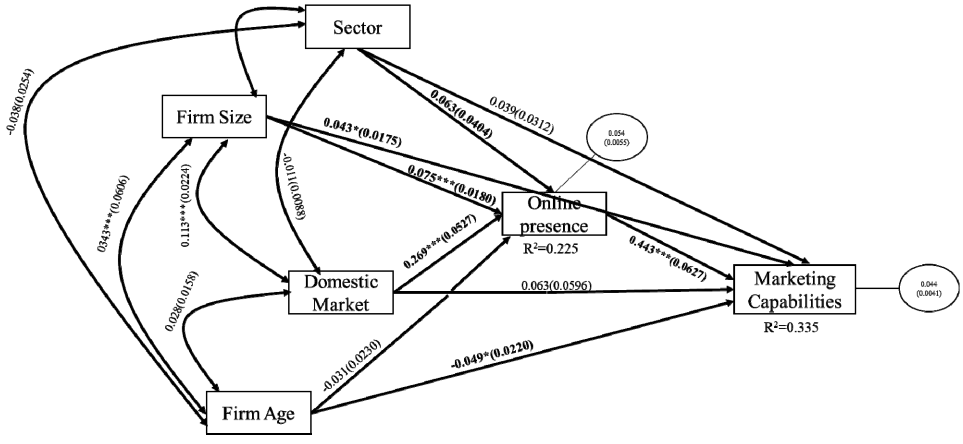


Notes: This path SEM model estimates standard error utilising robust standard errors. Significance levels, *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$.

4.3 Robustness check

We conducted a path SEM full model with an alternative standard error estimations procedure; specifically, the Satorra-Bentler scaled χ^2. It is another option when data are not multivariate normal distributed (Byrne, 2006), as in the case of our variables. Figure 2 present the result of the full model employed to compute the indirect effect bootstrap (Appendix 3 shows a detailed Stata syntaxis of the Path SEM model and the indirect effect bootstrap utilising robust Satorra-Bentler scaled χ^2 standard error estimations). As can be seen in Figure 2, the results are similar as in the case of robust standard error estimation option showed in Figure 1. The calculation of indirect effect is positive and statistically significant ($\beta a^* \beta b$ = 0.119, bootstrap standard error = 0.0290, $p < 0.001$, P95%CI[0.0695, 0.1820]). Consequently, the analysis support Hypothesis 4.

Figure 2 Path model analysis of the unstandardised results as a basis for the computation of percentile bootstrapping test for robustness check



Notes: This path SEM model estimates standard error utilising Satorra-Bentler scaled χ^2 standard error estimations.
Significance levels, $^*p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$.

5 Conclusions and implications

This research contributes to the knowledge about marketing capabilities, adding to recent studies reaffirming the value of marketing capabilities given their positive impact on firm's growth and as a mechanism to sustain competitive advantages (Cataltepe et al., 2023; Olazo, 2023). Especially for market-oriented companies (Merrilees et al., 2011; Pérez-Cabañero et al., 2012) that relay on marketing resources as means to exploit opportunities in the markets where they operate (Hooley et al., 2005).

In this way, our contribution acquires special value by revealing that through online presence, a greater effect on marketing capabilities can be obtained. Furthermore, since smaller SMEs have lower marketing capabilities (Joensuu-Salo et al., 2023), our research provides these firms with the possibility to find a novel path to positively impact their marketing capabilities through online presence.

Consistent with the results of Bharadwaj et al. (2013), evidence underscores the importance of online presence as a digital business strategy for capturing value in markets, through the development of new products and services based on information. This requires organisations to reconfigure and expand their marketing capabilities, which enable their exploitation (Wang, 2020).

As Madill and Neilson (2010) points out, online presence expressed as websites that provide information to customers, allow e-commerce transactions, and establish relationships with current and potential customers, requires extensive management. This is to provide usability, informative character and create incentives that promote online commercial exchange between companies and customers. Given this fact, online presence alone is not enough to achieve the greatest possible impact on SMEs' performance, its quality matters greatly (Lányi et al., 2021).

Therefore, marketing actions such as providing informative content, clearly describing products, and providing a sense of social presence, help mitigate barriers to establish exchange relationships through online presence (Pavlou et al., 2007). In this way, while responding to competitive domestic markets by creating an online presence to gain a stronger competitive position, SMEs build higher strategic marketing capabilities, fostered by their intent of building trust in physical and digital channels (Kuan and Bock, 2007) to positively influence purchase intention (Benedicktus et al., 2010).

Based on our analysis, we extend the line of research centred in marketing capabilities by clearly revealing that a positive path for the construction of strategic marketing capabilities stems from the management of online presence. This is because the development of marketing actions around online presence is not a trivial task but requires significant resources to create an effective online experience (Bleier et al., 2019), which ultimately affects higher strategic marketing capabilities for SMEs.

Confirming the importance of the mediating effect of online presence between competitive domestic markets and marketing capabilities, the findings also demonstrate that in addition to understanding competitiveness as a series of strategic pillars (Lafuente et al., 2020b), there are direct and mediating relationships between the pillars. Therefore, their study should not only be carried out in the context of the constructs and variables that make up each pillar, but also among their possible interactions.

At last, regarding the greater weight of the effect of online presence for the manufacturing sector, it should be noted that in the context of Industry 4.0, this behaviour could be related to the fact that manufacturing companies are experiencing an increase in the need to shorten product development cycles, make production more flexible, and incorporate digitalisation into their processes (Lasi et al., 2014). This could be leading them to identify drivers and obstacles to their digital transformation (Stentoft et al., 2021), where the development of an online presence would be relevant since such transformation processes extend also to marketing channels (Fatorachian and Kazemi, 2021).

5.1 Implications for theory and practice

To deepen the understanding of the factors that determine the competitiveness of companies, our study was able to demonstrate the relevance of online presence in shaping SMEs marketing capabilities. Thus, this research is one of the first to empirically demonstrate that the relationship between competitive domestic markets and marketing capabilities is mediated by online presence of companies. This is a key finding for SMEs

to face competitive domestic environments by developing their online presence, which in turn strengthens their marketing capabilities that can positively influence their performance. This is especially true for organisations belonging to the manufacturing sector, where the mediating effect of online presence is greater.

From a theoretical perspective, our research first contributes to the literature on SMEs that reconfigure their resources in response to their environment in search of better results (Teece et al., 1997). In this way, those organisations that, in response to their competitive domestic environment develop an online presence, also develop marketing capabilities of greater strategic value that potentially equip them with a superior competitive position.

From a managerial point of view, our findings imply that, within the spectrum of digital technologies that are part of the digital transformation processes of companies (Vial, 2019), online presence needs to be managed in terms of the characteristics of websites, content, and services they offer. In this way their marketing capabilities are strengthen, and firms can increase their visibility and brand awareness to establish a stronger position in the market. Similarly, through marketing strategies, companies can reach their target audiences, acquire new customers, retain current ones, enhance customer loyalty, and even opening the doors to internationalisation processes (Vătămănescu et al., 2017).

5.2 Limitations and future research

We also recognise that our research is limited by using a heterogeneous sample of firms, which does not allow us to generalise the findings and conclusions to a particular industry and company profile.

Similarly, under the methodology used, the competitiveness of companies is explained by a diversity of strategic pillars, hence there may be other variables involved besides those investigated. In line with the above, the findings open the possibility for some future research lines, such as the development of a non-recursive model that validates the way in which marketing capabilities mediated by online presence affect the domestic markets.

Finally, longitudinal analyses on degrees of adoption of online presence and their impact on greater or lesser marketing capabilities would be of interest to determine optimal points in the described relationships.

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Appendix 1

Measurement models assessment

Table A1 Measurement models' indicators (competitive pillars)

Competitive pillar	*Indicators*
Competitive domestic markets	Dmk1: The geographical scope of selling in Costa Rica
	Dmk2: The level of firm's competition in the market
Online presence	Op1: Webpage technical characteristics
	Op2: Webpage content
	Op3: Online marketing applications
Marketing capabilities	Mk1: Applied marketing and communication tools
	Mk2: Marketing innovation
	Mk3: The uniqueness of marketing methods

We assessed the reliability and validity of the measurement models using the PLS-SEM approach and software package Smart PLS 4.0, following Hair et al. (2014), and Hair et al. (2019b) guidelines. As it is highlighted by Hair et al. (2019b, p.7) 'when using PLS-SEM, researchers benefit from the method's high degree of statistical power compared to CB-SEM' …'This characteristic holds even when estimating common factor model data'.

As can be seen in Table A2, the outer loadings for the measurement indicators are above the cut-off of 0.708 except for Mk3, but this is in the range allowed for exploratory research (Hair et al., 2019a). These loadings are statistically significant. In column 7 the compositive reliability criterion is above the cut-off (0.70), indicating satisfactory levels of reliability for the measurement models (Hair et al., 2014). Regarding convergent validity, the average variance extracted is above the 0.50 cut-off, indicating that our measurement models explain more than half of the variance of their indicators.

Table A2 Measurement model results

Comp pillar	*Indicators*	*Outer loadings*[a]	*Std. err.*	*t-value*	*Confidence interval*[b]		*CR*[c]	*AVE*[d]
Competitive domestic markets	Dmk1	0.71***	0.090	7.875	0.481	0.842	0.762	0.618
	Dmk2	0.86***	0.055	15.552	0.723	0.943		
Online presence	Op1	0.86***	0.027	31.673	0.773	0.893	0.863	0.677
	Op2	0.83***	0.033	25.370	0.739	0.878		
	Op3	0.78***	0.030	26.366	0.713	0.830		
Marketing capabilities	Mk1	0.83***	0.029	28.700	0.762	0.877	0.771	0.533
	Mk2	0.74***	0.048	15.527	0.629	0.819		
	Mk3	0.60***[e]	0.078	7.634	0.406	0.719		

Notes: [a]Significance level ***$p < 0.001$. [b]Bootstrapp confidence intervals for 5% probability of error (alpha = 0.05). [c]Composite reliability. [d]Average variance extracted. [e]According to Hair et al. (2019a), it fulfils the minimum indicator loading requirements for exploratory research.

Finally, Tables A3 and A4 accounted for the discriminant validity of our measurement models. In Table A3, the results of the heterotrait-monotrait ratio show values below the threshold value of 0.85 for measurement models that are conceptually different. In addition, Table A4 shows outer loadings on the associated measurement model greater than all their loadings on the other measurement models. All in all, we conclude that our measurements are reliable and valid.

Table A3 Heterotrati-Monotrait ratio for measurement models

	Domestic competitive markets	*Marketing capabilities*
Competitive domestic markets		
Marketing management	0.605	
Online presence	0.711	0.810

Table A4 Cross loadings among indicators

Indicators	*Online presence*	*Marketing management*	*Product innovation*
Dmk1	0.710	0.243	0.212
Dmk2	0.855	0.369	0.235
Op1	0.384	0.855	0.338
Op2	0.328	0.832	0.304
Op3	0.279	0.779	0.706
Mk1	0.199	0.555	0.832
Mk2	0.282	0.382	0.742
Mk3	0.137	0.329	0.598

Appendix 2

Crowson's Mimic of Hayes (2018) process method utilising robust standard error estimates for SEM path full model.

- Part 1: SEM path analysis for the full model

  sem (onl_reg -> mk_reg,) (dmk_reg > onl_reg,) (dmk_reg -> mk_reg,) (ln_fsize -> onl_reg,) (ln_fsize -> mk_reg,) (ln_fyear -> onl_reg,) (ln_fyear -> mk_reg,) (sector -> onl_reg,) (sector -> mk_reg,), vce(robust) cov(ln_fsize*dmk_reg ln_fsize*ln_fyear ln_fsize*sector ln_fyear*dmk_reg ln_fyear*sector sector*dmk_reg) nocapslatent.

- Part 2.1: to obtain coefficient's legend concerning the mediation path dmk_reg->onl_reg->mk_reg for the path analysis SEM model.

  sem, coeflegend

- Part 2.2: generating the bootstrap estimates

```
program indirect1, rclass
sem (onl_reg -> mk_reg,) (dmk_reg -> onl_reg,) (dmk_reg -> mk_reg,) (ln_fsize
-> onl_reg,) (ln_fsize -> mk_reg,) (ln_fyear -> onl_reg,) (ln_fyear -> mk_reg,) (sector
-> onl_reg,) (sector -> mk_reg,), vce(robust) cov(ln_fsize*dmk_reg ln_fsize*ln_fyear
ln_fsize*sector ln_fyear*dmk_reg ln_fyear*sector sector*dmk_reg) nocapslatent
return scalar IE1=_b[onl_reg:dmk_reg]*_b[mk_reg:onl_reg]

end
bootstrap r(IE1), reps(5,000) seed(123): indirect1
estat bootstrap, all
```

Appendix 3

Crowson's Mimic of Hayes (2018) process method utilising Storra-Bentler scaled χ^2 robust standard error estimates for SEM path full model.

- Part 3.1: SEM path analysis for the full model.

  sem (onl_reg -> mk_reg,) (dmk_reg -> onl_reg,) (dmk_reg -> mk_reg,) (ln_fsize -> onl_reg,) (ln_fsize -> mk_reg,) (ln_fyear -> onl_reg,) (ln_fyear -> mk_reg,) (sector -> onl_reg,) (sector -> mk_reg,), vce(sbentler) cov(ln_fsize*dmk_reg ln_fsize*ln_fyear ln_fsize*sector ln_fyear*dmk_reg ln_fyear*sector sector*dmk_reg) nocapslatent.

- Part 3.2: to obtain coefficient's legend concerning the mediation path dmk_reg->onl_reg->mk_reg for the path analysis SEM model.

  sem, coeflegend

```
program indirect2, rclass
sem (onl_reg -> mk_reg,) (dmk_reg -> onl_reg,) (dmk_reg -> mk_reg,) (ln_fsize
->onl_reg,) (ln_fsize -> mk_reg,) (ln_fyear -> onl_reg,) (ln_fyear -> mk_reg,) (sector
-> onl_reg,) (sector -> mk_reg,), vce(sbentler) cov(ln_fsize*dmk_reg ln_fsize*ln_fyear
ln_fsize*sector ln_fyear*dmk_reg ln_fyear*sector sector*dmk_reg) nocapslatent
return scalar IE2=_b[onl_reg:dmk_reg]*_b[mk_reg:onl_reg]

end
bootstrap r(IE2), reps(5,000) seed(123): indirect2
estat bootstrap, all
```