



## The Impact of Marketing Capabilities on Digital Transformation for Small Firms in A Crisis Environment

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**THE IMPACT OF MARKETING CAPABILITIES ON DIGITAL TRANSFORMATION  
FOR SMALL FIRMS IN A CRISIS ENVIRONMENT**

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## **Abstract**

**Purpose** – Utilising the lens of dynamic capabilities, this paper adopts a case study approach to help understand how small firms reconfigure existing marketing capabilities with the use of digital technology to achieve organisational transformation digitally within a crisis environment.

**Design/methodology/approach** – Qualitative methods employed included triangulation of data sources (interviews and analyses of social media and websites), involving seven small firms on the island of Ireland, over a period of twelve months, from 2020 to date.

**Findings** – The preliminary insights gained from the research indicate an unprecedented digital shift evident within these businesses during a crisis situation. The results show that marketing capabilities may have a direct impact on the extent to which digital transformation occurs.

**Practical implications** – Many companies have experienced a degree of shifting to or extending the business online during the COVID-19 pandemic. But from surviving to thriving, in spite of continued uncertainty in the marketplace, the results suggest that small firm owner-managers need to think strategically how to realign existing marketing skills and knowledge and resources into a strategic plan for digital success.

**Originality/value** – This paper adds to the literature on the impact of marketing capabilities on digital transformation within the context of small firms. The study has highlighted that ‘sensing’ capability enabled by market information is the first driver for organisational change digitally. The findings support that small firms rely on word-of-mouth marketing while ‘seizing’ opportunities.

**Keywords:** Dynamic capabilities, marketing capabilities, resource-based view, digital transformation, small business marketing

## 1. Introduction

This study aims to address a lack of knowledge on the impact of marketing capabilities on digital transformation within the context of small firms. While it has been long recognised that small firms are particularly vulnerable to economic crises and disasters, a crisis environment can also create opportunities for businesses to reinvent themselves (Eggers, 2020). The ongoing COVID-19 pandemic and Brexit combined to change the marketing landscape in the United Kingdom (UK) and consequently accelerated the digital transformation efforts of small firms to build an online presence for survival. In small enterprise research, marketing has been widely identified as one of the most challenging issues that small firm owner-managers face (Reijonen, 2010; Nyuur *et al.*, 2016), due to factors such as lack of resources and know-how which limits their business expansion and potential development (Jones and Rowley, 2011; Guha *et al.*, 2018; Sadiku-Dushi *et al.*, 2019). However, the ubiquitous availability of new and emerging technologies has enabled small firms to reshape business around their customers. Accordingly, the use of digital technology allows small firms to achieve business performance through online engagements and interactions (Jones *et al.*, 2015; Shaltoni *et al.*, 2018).

From a marketing aspect, Morgan (2012) indicates that resources and capabilities can reinforce each other to enable a firm with performance outcomes. As such, while previous studies have described marketing capabilities in the small firm context as an ability to identify new market opportunities and deeply understand customer needs (Raymond *et al.*, 2015), very little is known about the relative contribution of capabilities to performance (Merrilees *et al.*, 2011; Verhoef and Bijmolt, 2019). According to the Resource-Based View (RBV), resources are assets controlled by a company that contribute to organisational capabilities (Morgan *et al.*, 2018), such that the resources are aligned with capabilities for enhanced performance (Sok *et al.*, 2016). On that basis, the current research seeks to explore linkages between resources and marketing capabilities within the context of small firms. To address marketing capabilities, this study adopts the four tenets of the marketing concept: (1) marketing as a culture: a set of values and beliefs that guide the firm; (2) marketing as a strategy: the focus of firm competence in the marketplace; (3) marketing as tactics: the set of key method or techniques that help achieve the firm's marketing objectives; (4) market intelligence: the market information gathered for decision makers in the firm (Stokes, 2000; Reijonen, 2010; Carson *et al.*, 2020).

Given the pace of market change brought about by the introduction of new technologies and platforms, the RBV has been criticised for not adequately explaining the strategic logic of changing a company's competitive advantages in a timely manner (Eisenhardt and Martin, 2000). As such, studies have extended RBV to incorporate the perspective of Dynamic Capabilities (DCs) which better accommodates the context of a rapid and unpredictable market environment (Teece, 2018). This highlights the need for firms "to create, integrate and commercialize a continuous stream of innovation consistent with customer needs and technological opportunities" (Fueglistaller and Schrettle, 2010; p.522). The accelerated technology trends therefore raise an important question of the extent to which and how marketing capabilities may contribute to digital transformation in small firms. In this context, the contribution of marketing capabilities in this study is conceptualised through the three dynamic components of competitive advantage: (a) sense: to identify changes in the business and the marketplace; (b) seize: to refine a defensible business model and allocate the resources for radical change; (c) transform: to realign the organisational structure and culture (Teece, 2018).

This paper begins by reviewing previous literature on the small firm context drawing on RBV, marketing capabilities, and DCs for conceptual development. Next, the research methodology employed in this study is outlined, including sampling and analysis procedures. Thereafter, initial key findings from the analysis are presented. Finally, the authors draw out the implications and conclusions from the research.

## **2. Theoretical background and conceptual development**

### **2.1 Resources and marketing capabilities of a small firm**

Previous research has shown that smaller firms have characteristics that differentiate them from their larger counterparts (O'Dwyer *et al.*, 2009; O'Donnell, 2011; Sadiku-Dushi *et al.*, 2019). They typically face a liability of smallness that affects firms' competitive advantages and business performance due to lack of resources (Franco *et al.*, 2014). For that reason, small firms are particularly vulnerable to global economy fluctuations in times of crisis and uncertainty (Eggers, 2020). This stems from the huge challenges that emanate from having limited time, money, and know-how (Jones and Rowley, 2011; Guha *et al.*, 2018; Sadiku-Dushi *et al.*, 2019). Most importantly, resource constraints can contribute to failure while the ability of the company to capture market information is limited (Parrott *et al.*, 2010). Therefore, it is of critical importance for small firms to leverage scarce resources for business development.

Resources are the assets that a firm controls that contribute to organisational capabilities by means of a rent-earning potential (Morgan *et al.*, 2018). Small firm resource management is often viewed through the lens of RBV. The concept suggests that a firm may possess resources and capabilities to implement strategies for obtaining sustainable competitive advantage and firm performance (Wernerfelt, 1984; Barney, 1991). As such, a resource must be valuable, rare, imperfectly imitable, and non-substitutable to account for potential advantages within the organisation (Barney, 2014). However, Merrilees *et al.* (2011) indicate that "resources *per se* [italic was original] cannot do anything. What is important is the capacity to utilize resources effectively, that is, a capability" (p.369). In addition to this, from a marketing perspective, Morgan (2012) discusses the processes by which the assets of marketing resources can be transformed by the firm's capabilities into valuable outcomes for target market(s). In this regard, the deployment of those capabilities can contribute to customer performance (Sok *et al.*, 2016; Morgan *et al.*, 2018).

Similarly, in the context of small businesses, marketing capabilities are defined as a firm's ability to "monitor the market, to seek and identify new opportunities and market niches" (Furlan *et al.*, 2009; p.938). More specifically, it is the ability to coherently manage and engage in marketing activities that relate to sales, pricing, and distribution across different markets (O'Cass and Sok 2014). In that respect, marketing capabilities help firms develop a deeper understanding of customers' needs to maximise market opportunities (Raymond *et al.*, 2015). Furthermore, larger firms generally have stronger competitive advantages than smaller firms when they have greater marketing capabilities (Grimes *et al.*, 2007), showing the importance for small firms to build and hold strong marketing resources to compete in the market. Prior research has identified both innovation and branding as two key marketing capabilities in the small business sector in Australia, but has called for research into different variables in other countries (Merrilees *et al.*, 2011).

To address marketing capabilities, this study adopts the four tenets of the marketing concept (see Stokes, 2000; Reijonen, 2010; Carson *et al.*, 2020). First, marketing as a culture relates to a set of values and beliefs that guide the firm. In addition, it emphasises that an understanding of

customer's needs should precede marketing and product or service development (Stokes, 2000). Second, marketing as a strategy draws on the focus of firm competence in the marketplace. In practice, this might be, for example, how market segmentation, targeting, and positioning are effected (Reijonen, 2010). Third, marketing as tactics refers to the set of key methods or techniques that help achieve the firm's marketing objectives. As such, these are typically focused on the use of the marketing mix (Stokes, 2000), with specific emphasis on word-of-mouth marketing (Reijonen, 2010) to implement the strategy. Finally, market intelligence relates to the market information gathered for decision makers in the firm. It is evident that the continuous deployment of informed and actionable insights benefits small firms in the development of marketing capabilities (Carson *et al.*, 2020).

## **2.2 *Dynamic capabilities of a small firm***

Given the pace of market change brought about by the advent of new and emerging technologies and social media platforms, RBV, despite its emphasis on connecting resources and capabilities, is criticised for not adequately explaining the strategic logic of changing a company's competitive advantages in a timely manner (Eisenhardt and Martin, 2000). In dealing with this weakness of RBV, studies have extended the theory to incorporate the perspective of DCs which better accommodates the context of rapid and unpredictable market environments (Helfat and Peteraf, 2003; Wójcik, 2015). This perspective captures the ability to enable an enterprise to manage the change necessary to capitalise on potential market opportunities. According to Teece (2018; p.43), strong DCs allow firms to "profitably build and renew resources, assets, and ordinary capabilities" in response to changes in the business environment. It is particularly important for small firms to build DCs as early as possible in order for them to receive the full benefits, for example, finding their own niche market (Arend, 2014). From empirical research, it is evident that small firms should focus on revising their resource configurations in dynamic markets (Heider *et al.*, 2021).

Over the decades, the business landscape has been dramatically influenced by technologies which have developed at a fast and frenetic pace. Such technological change has given way to different online forms of marketing (e.g., Lambertson and Stephen, 2016; Kannan and Li, 2017). The accelerated technology trends therefore raise an important question as to the extent to which and how marketing capabilities may contribute to digital transformation in small firms. From the perspective of DCs, researchers found both sensing and learning capabilities act as facilitators of digital transformation in the context of the Italian small business sector (Matarazzo *et al.*, 2021). DCs are therefore necessary for small firms to compete in the changing business environment. Although they tend to be resource-constrained, it is still recommended that small firms should concentrate "on investment in resources that promise the largest return on their investment" (Hernández-Linares *et al.*, 2018).

The contribution of marketing capabilities in this study is formed and conceptualised through the three dynamic components of competitive advantage to sense, seize, and transform (Teece, 2018). First, the sensing capability is to identify changes in the business and the marketplace. This ability enables small firms to detect changing opportunities in the external environment in order to pave a way to enhance their performance (Hernández-Linares *et al.*, 2018). This might incorporate, for example, the ability to develop deeper insights into customer intentions and the ability to find the right mix between traditional and digital (Matarazzo *et al.*, 2021). Second, the seizing capability is to refine a defensible business model and allocate the resources for radical change. This ability requires an organisation to be able to seize the opportunities that were identified outside the

company (Heider *et al.*, 2021). Finally, the transforming capability is to realign the organisational structure and culture. The emphasis at this stage is to be able to replace and recombine old and new resources to reflect the changes in the market (Teece, 2018).

It has long been recognised that in a time of crisis, small firms are particularly badly affected due to the presence of high uncertainty (Eggers, 2020). As such, the concept of DCs is often used to advance understanding of how small firms overcome the challenges and create opportunities for reinvention. Battisti and Deakins (2017), for example, examined the relocations and changes made to firms’ resource bases and performance in the wake of a series of major earthquakes in New Zealand 2010-2011, while Weaven *et al.* (2021) explore the contribution of DCs to the firm’s survival and growth in times of economic uncertainty and recovery. As such, the perspective of DCs is an appropriate lens through which this study will account for the effects of the recent COVID-19 pandemic on small firms. Based on the preceding discussion, a conceptual framework for the current study has been developed and is presented in Figure 1.

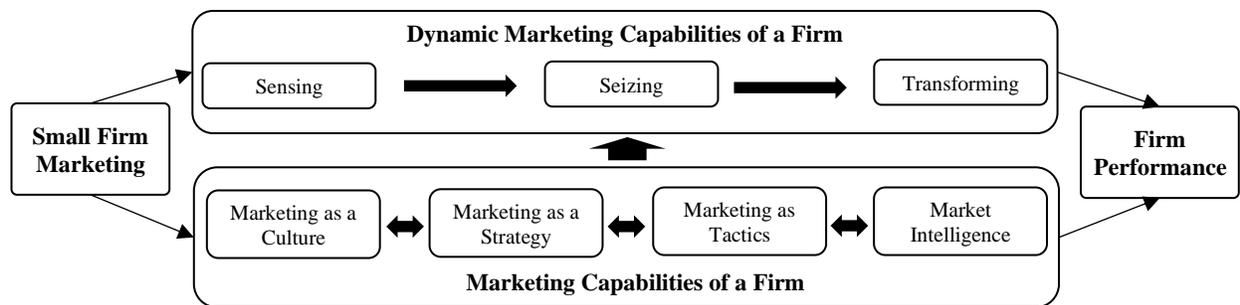


Figure 1 – A theoretical model of dynamic-marketing capabilities in small firms

### 3. Methodology

This study employs a qualitative research design and utilises a multi-case study approach incorporating seven firms, each employing fewer than 50 employees and thereby fitting the EU’s definition of a micro- to small-sized business. A multi-case study approach is used to conduct an inquiry into the subject within its real-life setting (Yin, 2018) and is regarded as particularly suitable for developing a holistic exploration of the phenomenon (Rashid *et al.*, 2019). This study is located within the food service and hospitality industry. The sector has been particularly badly impacted by the pandemic; it is reported that 55% of hospitality businesses in the UK had to temporarily suspend trading in early March 2021, in comparison with 24% across all industries (Hutton and Foley, 2021). In addition to industrial sector, two other inclusion criteria were imposed: (1) number of employees: small firms are generally defined as having no more than 50 employees, and as such, a maximum of 50 employees was the first inclusion criterion for this study and (2) digital engagement: in order to draw meaningful conclusions, the selected firm needed to have a minimum level of online presence. As such, the second inclusion criterion was that the firm has a website and be active on social media platforms.

The seven case companies were selected from a group of businesses comprising: contacts gathered from Invest NI’s (the Small Business Agency of Northern Ireland) Business Information Centre, the researchers’ business networks, and contacts made via social media. An email was sent to invite potential participants to take part in this study. Table 1 presents the profile of participating firms.

Table 1. Profile of participating firms

<b>Case Company</b>	<b>Nature of business</b>	<b>Number of employees</b>	<b>Launched</b>	<b>Interviewee alias name</b>	<b>Current position</b>
<b>A</b>	Accommodation	46	2001	Tom	Owner-director
<b>B</b>	Accommodation	35	2008	James	Owner
<b>C</b>	Café	30	2015	Mark	Owner-manager
				Nina	Manger
<b>D</b>	Food service	9	2014	Lisa	Owner
<b>E</b>	Food service	43	2014	Alex	Owner
<b>F</b>	Restaurant	11	2017	Joe	Owner-director
<b>G</b>	Food service	30	2013	Harry	Owner

### *Data collection*

The locus of this research is the island of Ireland. Given the fast-moving nature of the digital economy, the study uses longitudinal data collection to address the research questions, as well as undertaking triangulation of data sources (interviews and analyses of social media and websites) to capture the social reality in a comprehensive manner (Farquhar *et al.*, 2020). First, initial interviews were conducted in a semi-structured form to allow for deep insights from participants around the chosen topic (Carson *et al.*, 2001) and were based upon theoretical insights pertaining to each element of the conceptual framework. Due to restrictions presented by the COVID-19 pandemic, interviews were held virtually over Microsoft Teams (MS Teams). The duration of the interview with each case company was approximately 40 to 60 minutes. For this initial stage of the study, seven interviews have been completed. Another two rounds of interviews (three to four months between each round in each case firm) will be conducted to further investigate if and how the firms' practices has changed over time. With prior consent from the owner-managers, the research team also gathered and analysed online content associated with the respective firms. The social media data were collected from the digital medium of Facebook (posts) and Twitter (tweets). By way of justification, other studies have used this approach for collecting data from social media for small firm capability development (e.g., Drummond *et al.*, 2020; Ho *et al.*, 2020). The posts and tweets were gathered on the firm's social media pages by using 'NCapture' and 'Snipping Tool' from 1st March 2020 to 31st December 2020. This date was chosen as the first COVID case was reported in Northern Ireland on 27th February 2020 and in the Republic of Ireland on 29th February 2020. Finally, the website data (i.e., web pages) from each case company were captured by using the printing function from browsers, starting in May 2021 for every three months.

### *Data analysis*

The interviews generated over three and a half hours of recordings. Initial online content gathered comprises 2,513 Facebook posts, 1,733 Twitter tweets, and 163 web pages. After collecting data, the 'raw' data were transcribed and coded thematically into units of meanings following the analysis steps proposed by Braun and Clarke (2006). More specifically, the software 'NVivo' was used to help collate and manage the data by 'codes' or 'labels'. This approach is generally used to "assist in the interpretation of the text and inter-relationships between codes" (Foroudi *et al.*, 2017; p.233). The initial units were defined by the dimensions from the conceptual framework. Thereafter, further iterations of the data analysis were used to identify "new codes or new ideas" (Carson *et al.*, 2001; p.83).

## 4. Findings

The preliminary insights gained from the research indicate an unprecedented digital shift evident within these businesses during a crisis situation. However, while this outcome is well-recognised by the owner-managers, a key aspect here is how swiftly and effectively some of the firms have realigned existing marketing capabilities and resources to achieve organisational transformation through the use of digital technology. The results show that marketing capabilities may have a direct impact on the extent to which digital transformation occurs. In this study, most cases have adapted in a bid to reposition themselves in the local marketplace, but not all cases have as yet refined their business model and allocated resources to develop their digital success. This section presents the key findings supported by quotes from case company respondents.

### 4.1 *Sensing capability enabled by market understanding*

The concept of ‘sensing capability’ describes how small firms identify changes in the business and the marketplace. This ability is enabled by integrating the market information gathered for decision makers in the firm. There is no doubt that all case companies have experienced changes brought about by the COVID-19 pandemic. In this study, a business opportunity was seeded when the cases noticed a shift in market demand. This represents the critical moment that decision makers had a chance for early preparation to better respond to the changes or detect new market opportunities. As two of the owner-managers described:

We noticed straightaway last January and February that those customers had disappeared because they obviously weren't travelling... I remember having a staff meeting in February and word was just getting out about Corona virus. And I just say, guys, this is something we have to think about it. (Alex, Case E)

We started thinking that people can't sit in because of the Covid, I know we can only do delivering and takeaway, and also the trends of people eating out is huge. I think people are kind of scared to come inside and eat, and I think the whole trend of street food and food traders. (Harry, Case G)

However, in consideration of existing competitor environments, while some cases considered that it was important to the business to gather information on their competitors for getting the right price-bracket market (Cases A, B, C, F), others considered competitor information less important and even not important at all. The reasons offered included that they do not really have much to gain from doing so (Case D), they have a niche market (Case E), or they develop products that people cannot copy (Case G). By contrast, when it comes to deploying social media activities, most case firms tend to learn from what competitors post and from observations from within their respective local areas. In terms of understanding their respective markets, although all the owner-managers stated that they do not perform market research themselves, occasionally, case firms sought support from an external party or built an internal team when the need was identified, as exemplified below:

I don't have experience of doing research. Obviously, we keep in touch with Tourism NI, the Tourist Board, the Northern Ireland Hotels Federation, who are excellent and give us good info, as well about where our market is, where it's coming from etc. (Tom, Case A)

We started to establish a little bit on the social media front, but we weren't as active as we would have liked to be. And in saying that, I actually did bring a marketing executive on to work for us last August. Unfortunately, that only lasted three months because we went into another lockdown. (Joe, Case F)

In terms of customer insights, there are many well-known marketing tools or platforms that help businesses to better understand their customers. But in general, small firms are not data-driven in

decision making. Indeed, although most of the case firms have accounts such as MailChimp and Google Analytics that gather customer information and data automatically, the small firms have not yet fully benefited from utilising those data to implement their marketing strategies. This is because the small firms in this study can be considered to lack expertise in marketing. That said, although not data-driven, some cases evidently recognised customers' specific needs and preferences gradually over time, through direct observation of social media engagement with online audiences who are already existing or potential customers, as per below:

We're only starting to look at things like Google analytics and stuff to see where our actual business is coming from. But you know, that's something we're going to have to develop further. (Alex, Case E)

We did a post about getting an alcohol licence so you can have wine with your lunch. And it was good. It got a great response. But then the next day, I posted something about a dog coming in, and it was just kind of overrate the alcohol. We just kind of have learnt over time what customers want to see on our pages. (Nina, Case C)

We have a huge reach between kind of younger millennials who kind of want to be more eco conscious and are sort of trying to try to shop locally as much as possible to older people. (Lisa, Case D)

#### ***4.2 Seizing capability mediated by involvement in strategic change***

The concept of 'seizing capability' describes how small firms refine a defensible business model and allocate resources for radical change. This ability is mediated by involving strategic change in the firm after opportunities are sensed and identified. From a strategic marketing perspective, this involves how market segmentation, targeting, and positioning are used in business. In this study, some cases adapted in a bid to reposition themselves in the local marketplace rather than in the global marketplace under uncertainty. More specifically, this represents how the cases respond to the changes in times of a crisis by redefining their target audience geographically. This is illustrated as follows:

I believe that this year we won't see any international guests. They'll all be the people from Ireland and Northern Ireland, which we have to make sure that we can capture as much of that market as possible. (Tom, Case A)

We don't know what's going to happen and if we can get back out, open up again, it will be the local market and down South coz I can't see too many people flying in across the world. (Mark, Case C)

All businesses have different marketing options that they could consider with regard to product, place, price, and promotion. In practice, the cases here tend to use tactics that represent their brand to get the messages out there. For instance, some case firms deliberately espoused an ethos: to support local makers and local producers (Case B, D, E) and/or to show themselves as dog friendly (Case B and C), all in the hope of creating greater engagement with customers. The initial results from an analysis of digital content also indicate that the small firms in this study tend to post educational type content, such as announcements, industry-related news, and tips and tricks within their product category. Moreover, the content and updates serve to provide information that an online audience might find useful and educational, especially in times of a crisis. As one of the owner-managers said in terms of the use of social media and/or website:

Getting our name out there as much as possible, ensuring that our customer base is very familiar with what we are, any promotional activity that we have, any up to date, predominantly up to date marketing stuff that we will do within our business. (Joe, Case F)

In addition to this, it is evident that most cases rely on word-of-mouth marketing to acquire new customers. That said, some small firms might need to consider additional tactics to ensure their business is known. For example, while the small firm owner-managers describe how effective it is for reaching an online audience, it appears that the small firms may not yet fully utilise the benefits that user-generated content (such as online reviews and comments) can bring to the business for building brand awareness. However, in practice, some cases do simply share customer reviews as part of their social media posts (Case C, D, E, G). This aspect could be particularly important because effects of user-generated content may influence consumer purchase decisions of the product or service, as highlighted below:

We do make an effort to answer just about every TripAdvisor, Google, Expedia, Booking.com comment as well..., it's hard work, but that's what we do so that we use social media really to try and manage those relationships, our own newsletters to a degree as well. (Tom, Case A).

Every Friday and Saturday when the meals go away, you'll get photographs out evening of the finished meal or people are thanking you. And you can retweet them to various people and to give the idea of what can be done. (Alex, Case E).

### ***4.3 Transforming capability guiding a business digitalised***

The concept of 'transforming capability' describes how small firms realign the organisational structure and culture. This ability guides the firm to make necessary changes that further influence business vision of the organisation. From this study, most cases have a clear business vision that underpins their brand story and message. This could be the way they communicate with potential and existing customers to reinforce their market position. In addition, it is also the focus to drive the business forward in the way they wanted. However, the advent of digital technology has clearly changed the way businesses communicate to their customers. As one of the owner-managers described:

I think it [social media] allows you to have kind of a more casual, kind of chatty relationship with customers, which is good for a business like ours (Lisa, Case D)

Moreover, given the recent crisis, some cases have changed their business vision due to market uncertainty, something that is understandable given how people's lives and habits changed since the pandemic. This awareness of changing could play a vital role in decision making in order to continuously meet consumer needs and expectations, as highlighted below:

Now, it might change this year because of the pandemic and things have changed immensely. But I do believe that we'll come back stronger. I do believe that we'll have a really good, good market here in Northern Ireland. (Tom, Case A)

It would have certainly changed prior to the pandemic on where we are currently now. I believe the vision is that when we return to the business. It seems to be an element of the unknown, how people will react to, how people will react to socialising as a result of the pandemic. (Joe, Case F)

As a result, after sensing and seizing the marketplace, two cases from this study refined their business model and developed into an online retailer to continue trading (Case E and G). This is attributable to the increase in demand from the market for home delivery service or carry outs or takeaways during the lockdown. That said, while some cases indeed introduced a takeaway service (Case B, C, D), others decided to temporarily suspend trading (Case A and F).

Regarding organisational, digital transformation, all case companies recognise the importance of digital technology development, particularly during a crisis. This is because the digital medium

had become their only way to get messages out during lockdown. That said, there were differences in how each firm reallocated their old and new resources to reflect changes in the market. Some cases recruited new personnel and developed their capability in digital marketing internally and/or outsourced externally (Case A, C, F, G); some cases have planned to revamp their website or have introduced a mobile app (Case A, E, G); and some cases have extended to become an online retailer to continuously operate trading (Case E and G). On the other hand, one case (Case B) exhibited relatively better understanding of the digital realm than other case companies, and did not feel the need for organisational transformation; it had been at an advanced stage in terms of digitalisation prior to the pandemic. The following highlight these varying perspectives:

I believe it's very important. Like most people now have their iPhones, they can book online. We have an app where they can actually, book their meal, they can book a room on our app. (Tom, Case A)

It has been crucial now since Covid... because people just think of us as a restaurant, that's a restaurant... And now we have to get people into people's heads that we're an online meal retailer. (James, Case B)

It wouldn't have been 10 years ago, but clearly it has now become a very important marketing tool. I am not of the phase in life where I just want to start to learn everything about digital marketing. So I do obviously hire the expertise from people either internally or externally. (Joe, Case F)

## **5. Discussion and conclusions**

This paper helps understand the impact of marketing capabilities on digital transformation within the context of small firms in times of crisis. The major emphasis of marketing capabilities from the literature is how small firms can identify new market opportunities and deeply understand customer needs (Raymond *et al.*, 2015). Following Eggers (2020), it is clear that small firms are able to create opportunities to reinvent business during an economic downturn. Utilising the lens of dynamic capabilities (Teece, 2018), the study has highlighted that 'sensing' capability, enabled by market information is the first driver for organisational change digitally which included a switch or extension to online business operations during the COVID-19 pandemic. But from surviving to thriving, a key aspect here is whether they had identified changes in the market that caused them to employ different strategic tactics for market success. Following Reijonen (2010), our results confirm that small firms rely on word-of-mouth marketing while 'seizing' opportunities. The literature often suggests that small firms lack resources and know-how which limits their business expansion and potential development (Jones and Rowley, 2011; Guha *et al.*, 2018; Sadiku-Dushi *et al.*, 2019). However, while this study certainly supports this fact, it also emphasises the importance of small firm owner-managers to think strategically about how to realign existing marketing skills and knowledge and resources into a plan for digital success, in spite of continued uncertainty in the marketplace.

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