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ROLE OF DIGITAL MARKETPLACES IN ENHANCING SMEs COMPETITIVENESS

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ABSTRACT
This study examines the role of digital marketplaces in enhancing the competitiveness of small and medium-sized enterprises (SMEs) in Gujarat. A descriptive and causal research design was adopted, and data were collected from 390 respondents selected through stratified random sampling across various industries. Structural Equation Modelling (SEM) was employed to examine the relationship between digital marketplaces and SME competitiveness. The results indicate a statistically significant relationship, with a chi-square value of 35.500, 9 degrees of freedom, and a p-value below 0.05. The findings highlight the importance of digital marketplaces in expanding market reach, improving visibility, and strengthening SME competitiveness.
KEYWORDS: *Digital Marketplaces, SMEs, Competitiveness, Structural Equation Modelling*

INTRODUCTION

The emergence of the internet and continuous technological advancements has reshaped conventional business models, contributing to the rapid expansion of e-commerce and digital marketplaces (Obieze et al., 2024). The growth of the digital economy has considerably influenced consumer purchasing patterns, encouraging greater reliance on online platforms for buying and selling activities. This transformation is primarily attributed to the convenience of online transactions, competitive prices, and the availability of a wider variety of products compared with traditional marketplaces. Digital markets including e-commerce platforms, s-commerce, and digital payment systems offer unprecedented opportunities to expand business reach, improve efficiency, and enhance competitiveness (Calvano & Polo, 2021).

The growth of e-commerce has been largely facilitated by advancements in digital payment technologies, logistics systems, and data analytics. Unlike conventional retail channels, online marketplaces bring multiple buyers and sellers together on a common digital platform, simplifying product discovery and commercial transactions. Tripathi (2023) highlights that these marketplaces provide economies of scale, a wider selection of products, and greater price competitiveness, encouraging consumers to increasingly prefer online shopping over traditional retail outlets.

Over time, technological advancements transformed these basic online trading arrangements into sophisticated digital marketplaces that connect businesses and consumers across geographical boundaries. The emergence of platforms such as Amazon and eBay expanded opportunities for online product discovery, price comparison, electronic transactions, and customer interaction. According to the Organisation for Economic Co-operation and Development (OECD, 2019), the e-commerce landscape has evolved through the emergence of new business models, changing buyer–seller relationships, and the integration of innovative digital technologies and payment mechanisms.

The continuing development of digital marketplaces represents both an opportunity for SMEs to strengthen their competitiveness and innovation and a challenge requiring appropriate digital skills, strategic planning, and effective management of online business activities.

REVIEW OF LITERATURE

Grewal et al. (2015) considered although cross-border e-commerce platforms enable sellers to offer the same products to consumers across multiple countries at relatively low costs, differences in product characteristics between emerging and developed markets continue to exist. These variations can be attributed to differences in consumer preferences and market requirements. They suggested that consumers in emerging markets tend to prioritise product functionality, whereas consumers in developed markets generally show a greater preference for innovative products with advanced features.
Daxhammer et al. (2019) examined the potential for SMEs to adopt multi-sided platforms (MSPs) and explored how this business model could support the development of innovative strategies. They identified several barriers restricting their implementation, particularly the

limited integration of digitalisation into core business competencies and the considerable time devoted to routine operational activities, which leaves insufficient scope for innovation and strategic development.

Gulve (2021) investigated the effect of digital marketing on consumer purchasing decisions. The findings revealed that online shopping frequency was not necessarily associated with monthly income, indicating that consumers from different income groups participate in digital purchasing. The study also found that social media and online advertisements influenced the purchasing decisions of a considerable proportion of respondents, demonstrating the role of digital marketing in shaping consumer behaviour.

Nagrani & Kumar (2021) highlighted the importance of the five dimensions of digital marketing digital devices, platforms, media, data, and technology in improving consumer access to products and services and strengthening businesses' competitiveness across markets. The study concluded that increasing internet penetration, supportive government initiatives, and a digitally aware young population offer considerable opportunities for the growth of digital marketing and e-commerce in India.

Erdmann et al. (2022) highlighted the importance of SEO in enhancing online visibility and search rankings of urban courier companies. By improving website content, incorporating relevant keywords and providing a better user experience, these companies can attract more website visitors and potential customers, ultimately increasing business opportunities and financial performance.

Basu & Naskar (2023) investigated impact of digital marketing on different dimensions of consumer behaviour. Their study highlighted increasing influencing consumer engagement and satisfaction. The findings suggested that digital marketing has reshaped the interaction between businesses and consumers by facilitating personalised communication and interactive experiences, enabling organisations to better understand consumer preferences and strengthen customer relationships.

Abirami & Jagadeesan (2024) examined the influence of digital marketing on consumer behaviour and highlighted its importance in helping businesses develop and implement effective marketing strategies. The study found that digital marketing techniques allow marketers to customise promotional messages and advertisements for specific consumer groups by considering demographic characteristics, individual preferences, and online browsing patterns. Such targeted marketing approaches enable businesses to reach relevant audiences more effectively and align their promotional activities with consumer needs and interests.

Fatorachian & Pawar (2025) observed that, despite the extensive implementation of digital technologies in retail, the wholesale textile industry has lagged in embracing digital transformation. This slower adoption has contributed to operational inefficiencies and limited the sector's ability to explore new markets and expand its business opportunities.

OBJECTIVE OF THE STUDY

1. To study the role of digital marketplaces in enhancing SMEs competitiveness.

RESEARCH DESIGN

The present study adopted a descriptive and causal research design to analyze the role of digital marketplaces in enhancing SME competitiveness.

Sample Design & Sample Size

The study adopts stratified random sampling to select respondents that meet the specific criteria of the research. The sample included in present study representing SMEs across various industries in Gujarat. Respondents included owners, promoters, senior managers and personnel involved in marketing, sales, and operations. A total sample of 390 employees was selected for the present study. The sample size was considered adequate for examining the relationships among the study constructs through SEM. It provides sufficient observations for estimating the measurement and structural models and assessing the relationships between variables.

Primary Data

Primary data were collected from 390 respondents through a structured questionnaire designed to examine the influence of digital marketplaces on SME competitiveness and innovation. The questionnaire included demographic information and questions based on objectives of the study.

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ANALYSIS RELATED TO ROLE OF DIGITAL MARKETPLACES IN ENHANCING SMES COMPETITIVENESS

Table 1: Table showing the response related to role of digital marketplaces in enhancing SMEs competitiveness

S. No.	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Digital marketplaces help our SME reach customers beyond our traditional geographic market.	74 (18.97%)	187 (47.95%)	47 (12.05%)	39 (10%)	43 (11.03%)
2	Digital marketplaces help our SME generate new business leads.	70 (17.95%)	156 (40%)	66 (16.92%)	43 (11.03%)	55 (14.10%)
3	Digital marketplaces improve our SME's ability to compete with other businesses.	70 (17.95%)	168 (43.08%)	39 (10%)	39 (10%)	74 (18.97%)
4	Digital marketplaces help our SME access new business opportunities.	59 (15.13%)	175 (44.87%)	43 (11.03%)	43 (11.03%)	70 (17.95%)
5	Digital marketplaces improve the visibility of our SME's products or services.	82 (21.03%)	171 (43.85%)	55 (14.10%)	39 (10%)	43 (11.03%)
6	Digital marketplaces help our SME develop relationships with new buyers or business partners.	66 (16.92%)	180 (46.15%)	66 (16.92%)	39 (10%)	39 (10%)

Hypothesis Testing

H_{o1}: Digital marketplaces have no significant role in enhancing the competitiveness of SMEs.

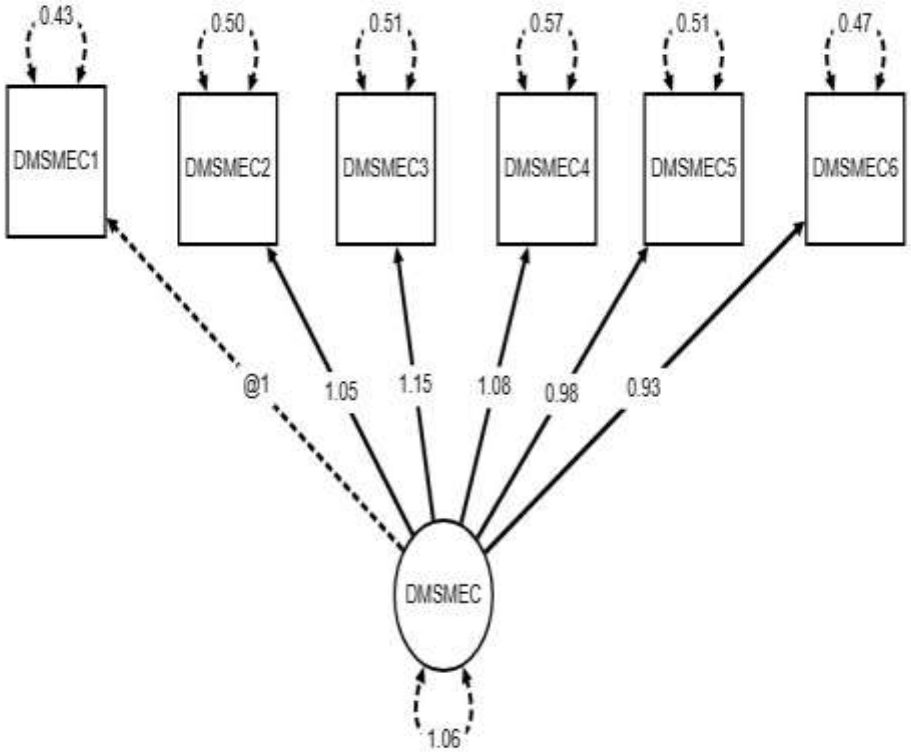


Figure 1: SEM measurement model showing factor loadings and residual variances regarding role of digital marketplaces in enhancing the competitiveness of SMEs

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Analysis: The factor loading values in the measurement model indicate the contribution of each observed variable to the latent construct, Digital Marketplace Influence on SME Competitiveness (DMSMEC). The factor loading values for DMSMEC2 (New Business Leads), DMSMEC3 (Competitive Business Advantage), DMSMEC4 (New Business Opportunities), DMSMEC5 (Product and Service Visibility), and DMSMEC6 (Buyer and Partner Relationships) are 1.05, 1.15, 1.08, 0.98, and 0.93, respectively. These values indicate strong relationships between the observed indicators and the latent construct. DMSMEC1 (Geographic Market Reach) has a fixed loading of 1.00, used as a reference indicator for model identification. Overall, the factor loadings suggest that all six indicators contribute to measuring the role of digital marketplaces in enhancing SME competitiveness.

The residual values for DMSMEC1 to DMSMEC6 are 0.43, 0.50, 0.51, 0.57, 0.51, and 0.47, respectively. These values represent variance in each observed indicator, with lower residual values generally indicating that a greater proportion of variance is explained by the latent construct. DMSMEC1 has the lowest residual value (0.43), whereas DMSMEC4 has the highest (0.57). The diagram also reports a variance of 1.06 for the latent construct. So, with this analysis it has been observed that digital marketplaces have significant role in enhancing the competitiveness of SMEs.

Table 2: Table showing test statistics value and p-value for testing hypothesis 1

Model Test	User Model
Test Statistic	35.500
Degree of Freedom	9
P- Value	0.000

Result: The SEM results indicate that the proposed measurement model is statistically significant, with a Chi-square (χ^2) test statistic of 35.500, 9 degrees of freedom, and a p-value of 0.000. Since the obtained p-value is less than the significance level of 0.05, H_0 is rejected and result confirms that there is a significant role of digital marketplaces in enhancing the competitiveness of SMEs.

CONCLUSION

The study concludes that digital marketplaces play a significant role in enhancing the competitiveness of small and medium-sized enterprises. These platforms enable SMEs to expand their geographical reach, improve product visibility, attract potential customers and generate new business opportunities. By facilitating access to wider markets and strengthening customer connections, digital marketplaces help SMEs improve their market presence and competitive position. However, their effective utilisation requires appropriate digital skills, strategic planning and efficient management of online operations. Therefore, SMEs should adopt suitable digital marketplace strategies to strengthen their competitiveness and achieve sustainable business growth.

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