

The Impact of Digital Marketing on Perceived Competitive Performance: The Mediating Role of Marketing Innovation Among Iraqi Consumers Using Digital Applications

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Abstract

Digital marketing is an essential strategic instrument used by businesses to increase their perceived competitive performance in increasingly volatile markets. In emerging countries like Iraq, the development of digital technologies and social media has drastically impacted consumer behavior and marketing strategies. Therefore, this research intends to investigate the effect of digital marketing on perceived competitive performance through the mediating effect of marketing innovation among consumers using digital applications in Iraq. The data collected in this research consists of 412 valid samples. Data analysis was carried out using the Statistical Package for Social Sciences (SPSS) version 26. Digital marketing is found to have a significant positive effect on perceived competitive performance. Moreover, marketing innovation was found to partially mediate the relationship between digital marketing and perceived competitive performance. Besides, high reliability and validity measures of the measurement model were validated in this study. This research provides an important contribution to the literature on digital marketing. This research has explored the concept of digital marketing in a developing country, Iraq, which has not been addressed in previous studies.

1. Introduction

Digitalization has revolutionized the entire business environment globally. Companies nowadays depend highly on digital marketing approaches to connect with their customers, build engagement levels, and develop their competitive market standing. The increasing prevalence of smartphones, e-commerce sites, and social networking apps has further strengthened the role of digital marketing in today's world.

As far as Iraq is concerned, the increase in the number of internet users and applications has offered businesses many options for connecting with consumers through the latest digital means. Nowadays, Iraqi consumers resort to apps like Facebook, Instagram, TikTok, WhatsApp, Telegram, and e-commerce apps to look up product information and purchase items online. Businesses operating in Iraq are therefore increasingly dependent on digital marketing practices to build their competitive performance levels.

Earlier studies showed that digital marketing increases organizational effectiveness through better customer relations, increased market sensitivity, and improved organizational capabilities (Kannan & Li, 2017; Tiago & Veríssimo, 2014). Likewise, marketing innovation has been shown as an important tool that helps organizations design innovative marketing tactics and retain competitive superiority (Weerawardena, 2003).

While the role of digital marketing is becoming increasingly prominent in developing nations, little research has been done on the link between digital marketing and competitive performance in Iraq, considering marketing innovation as a mediator. Earlier researches concentrated primarily on developed nations, leaving the Iraqi market largely unexamined.

Therefore, this study seeks to address the following research questions:

- a. Does digital marketing significantly influence perceived competitive performance?
- b. Does digital marketing significantly affect marketing innovation?

- c. Does marketing innovation significantly influence perceived competitive performance?
- d. Does marketing innovation mediate the relationship between digital marketing and perceived competitive performance?

The scientific contribution of this study lies in extending digital marketing literature within the Iraqi context by integrating marketing innovation as a mediating construct and examining consumer perceptions regarding organizations using digital applications.

2. Literature Review

2.1. Digital Marketing

The term digital marketing is defined as the application of digital methods and techniques in marketing processes such as promotion of products or services, customer communication, and long-term relationships between companies and consumers (Chaffey & Ellis-Chadwick, 2019). Examples of digital marketing practices include social media marketing, search engine marketing, email marketing, influencer marketing, and mobile marketing.

According to Kannan and Li (2017), digital marketing offers organizations the chance to increase customer involvement through effective data analysis. In their study, Tiago and Veríssimo (2014) concluded that the growing importance of digital communication makes digital marketing critical to the sustainability of organizations.

Taiminen and Karjaluo (2015) indicated positive effects of digital marketing on the operational efficiency of organizations and their relationships with consumers. Besides, according to Trainor et al. (2014), social media technology is important for customer relationship management and organizational performance.

Digital marketing can be defined as the use of digital technology and electronic means of communication for the purpose of communicating with customers and promoting their products. Digital marketing involves the use of electronic means to develop strong organizations that have effective communication strategies and are capable of engaging with customers. According to Kannan and Li (2017), digital marketing helps organizations to achieve customer-centric value creation through personalization and digital integration. Likewise, Chaffey and Ellis-Chadwick (2019) pointed out that digital marketing plays an important role in increasing customer engagement and competitive advantage of organizations.

In this study, digital marketing is captured using different dimensions, which capture the impact of organizational digital marketing efforts. The dimensions include social media marketing effectiveness, online customer engagement, digital communication quality, personalization of digital communication, and customer feedback responsiveness. Social media marketing effectiveness captures the extent to which organizations are capable of reaching and influencing consumers through social media marketing efforts. On the other hand, online customer engagement captures the degree to which consumers engage with organizational digital marketing efforts. Moreover, personalization of digital content and customer feedback suggest the organization's ability to communicate with customers in a personalized manner and establish sustained communication with them. Previous research supported the idea that these aspects are significantly influential in terms of customer satisfaction and organizational performance (Trainor et al., 2014; Tiago & Veríssimo, 2014).

2.2. Perceived Competitive Performance

Perceived competitive performance indicates the extent to which organizations can surpass their competitors in terms of their market performance, customer satisfaction, profitabilities, and innovation capabilities (Vorhies & Morgan, 2005).

According to Morgan et al. (2009), marketing capabilities play a critical role in sustaining perceived competitive performance among organizations. In the same vein, Day (2011) noted that organizations with sophisticated marketing capabilities have greater adaptability and competitive advantages in dynamic markets.

Competitive performance denotes the ability of organizations to produce better results than their competitors. Organizational competitiveness and competitive performance are positively correlated and denote the extent to which organizations are successful in achieving desired results. Organizations with high levels of perceived competitive performance will be able to cope with market dynamics, fulfill their customers' needs, and grow. According to Vorhies and Morgan (2005), perceived competitive performance refers to an organization's ability to use its marketing resources to generate competitive advantages.

Perceived competitive performance can be evaluated using a number of factors such as market share growth, consumer satisfaction, brand competitiveness, customer loyalty, and organizational flexibility. Market share growth pertains to the organization's ability to increase its presence within the market. Consumer satisfaction focuses on the consumers' favorable impression of the organization's products and services. Brand competitiveness, on the other hand, refers to the organization's capacity to remain ahead of its competitors in terms of its market position. Furthermore, customer retention is used to evaluate the capacity of the organization to retain its customers, while organizational adaptability represents the organization's capacity to adjust to changing environments and technology (Day, 2011; Kumar & Reinartz, 2016).

2.3. Marketing Innovation

Innovative marketing can be defined as implementing new marketing approaches concerning product design, promotion, price schemes, and communication strategies (Weerawardena, 2003). Innovation allows firms to cope with changes in the markets efficiently. According to Jung and Shegai (2023), digital marketing innovation increases firm performance due to improvements in marketing capabilities. Also, Rialti et al. (2019) indicated that innovation capabilities contribute to organizational competitiveness and market responsiveness.

The term "marketing innovation" can be described as the introduction of new marketing processes, promotion activities, and communication capabilities that contribute to enhancing the efficiency and productivity of marketing activities in terms of their contribution to creating more value for the customers. More and more companies rely on marketing innovation in order to enhance the level of customer satisfaction, gain competitive advantages against other firms, and respond to the changes in technology innovations. As per Weerawardena (2003), marketing innovation can be viewed as an essential component of competitive strategy based on innovations because of its implications for market responsiveness and flexibility.

Marketing innovation is demonstrated by different aspects in this study including creative marketing strategies, innovative digital campaigns, personalized marketing content, interactive customer communication, and innovative digital tools in marketing. The aspect of creative marketing strategies focuses on the use of unique marketing strategies that can influence consumers, while innovative digital campaigns reflect the capability of the organization to develop modern interactive digital marketing campaigns. On the other hand, personalized marketing content is associated with personalizing marketing content according to consumer interests. Interactive customer communication refers to the continuous interaction between the organization and its customers through digital means. Finally, innovative digital tools demonstrate the ability of the organization to use innovative digital tools in marketing. Past literature showed the importance of these aspects in improving engagement and market performance of the firm (Rialti et al., 2019; Dwivedi et al., 2021).

2.4. Relationship between Digital Marketing and Perceived Competitive Performance

In previous literature, digital marketing is positively related to competitive performance perceptions. Digital marketing facilitates better customer engagement, raises organizational visibility, and aids strategic decision-making.

According to Herhausen et al. (2015), the combination of online and offline marketing channels leads to better organizational results and improved customer experience. In addition, Dwivedi et al. (2021) discovered that digital marketing technologies play an important role in achieving competitive advantage and organizational development.

2.5. Mediating Role of Marketing Innovation

Marketing innovation acts as a strategic approach that converts digital marketing practices into higher perceived competitive performance. Marketing innovations allow organizations to achieve value creation and respond to customer needs. Utomo and Susanta (2021) demonstrated that innovation mediates the connection between digital marketing capabilities and marketing performance. Similarly, Muis et al. (2022) showed that digital marketing had a positive effect on marketing performance through competitive advantage and innovation.

3. Research Framework and Hypotheses Development

From the literature review above, it is possible to propose a conceptual framework to explain the effects of digital marketing on the competitive performance of organizations in this study. In the conceptual framework below, it is proposed that organizations implementing effective digital marketing practices have the ability to develop innovation within their marketing practices that positively impact their competitive performance.

3.1. Hypothesis Development

Digital marketing is a strategic practice used today in most organizations to create relationships with the clients, develop a market presence, and be competitive. As per some of the previous studies, organizations that implement digital marketing strategies successfully are able to enhance their levels of client interaction, become effective communicators, and react fast to market changes. Kannan & Li (2017) indicated that digital marketing increases organizational performance through effective client interactions using digital tools. Likewise, Tiago & Verissimo (2014) noted the significance of digital marketing in promoting organizational development and competitiveness. In addition, Trainor et al. (2014) revealed the potential of social media technology in enhancing customer relationship management and organizational performance. From these previous studies, the following hypothesis is developed for the current study:

3.1.1. H1: Digital Marketing Positively Affects Perceived Competitive Performance

Organizations today rely on digital marketing innovations for creating innovative marketing strategies and communication techniques. Through digital marketing, organizations are able to get useful customer information along with effective communication methods, which help create innovative promotional strategies and marketing activities. According to Jung and Shegai (2023), the concept of digital marketing innovation is very useful in enhancing organizational competencies and performance. Moreover, as per Dwivedi et al. (2021), digital marketing is associated with innovation due to the fact that organizations are able to practice innovative communication and customer engagement techniques through digital marketing. Furthermore, according to Rialti et al. (2019), digital competencies play an important role in innovation creation and adaptation.

3.1.2. H2: Digital Marketing Positively Affects Marketing Innovation

Innovation in marketing is regarded as one of the key elements that allow firms to increase customer value, create differences among their competitors, and generate competitive advantages. Companies that apply marketing innovations have better skills in meeting customer demands and market requirements. According to Weerawardena (2003), marketing innovation contributes positively to strategic competitiveness and organizational effectiveness through market responsiveness and customer orientation. Similarly, O'Casey and Ngo (2011) discovered that marketing innovations greatly contribute to organizational value generation and market performance. Moreover, Day (2011) asserted that companies with high marketing innovation abilities are more competitive in dynamic environments. Therefore, in light of these views, this research hypothesizes that:

3.1.3. H3: Marketing Innovation Positively Affects Perceived Competitive Performance

Previous studies have shown that marketing innovation acts as a mediating variable in the positive relationship between digital marketing and competitiveness/performance. The digital marketing technology gives the firm an opportunity to employ innovative marketing strategies to boost consumer engagement and responsiveness in the marketplace. For example, Utomo & Susanta (2021) found that innovation acts as a mediating factor in the relationship between digital marketing capabilities and marketing performance. Similarly, according to Muis et al. (2022), digital marketing results in better performance due to innovation and competitive advantage. Therefore, the review shows that the firm cannot benefit from the positive impacts of digital marketing without employing innovative marketing strategies simultaneously. Based on the above arguments, it can be hypothesized that:

3.1.4. H4: Marketing Innovation Mediates the Relationship Between Digital Marketing and Perceived Competitive Performance

3.2. Research Framework

The conceptual framework of the current study is anchored on the supposition that digital marketing is a strategic organization competence that positively impacts perceived competitive performance not only directly but also indirectly via marketing innovation. According to the proposed conceptual framework, digital marketing is the independent variable, perceived competitive performance is the dependent one, while marketing innovation acts as the mediating variable. Specifically, the conceptual framework implies that an organization applying effective digital marketing competencies will be able to create innovative marketing actions, leading to better client satisfaction, competitiveness, customer retention, and organizational adaptation. It should be mentioned that the proposed framework fits into previous literature since the interaction between digital marketing, innovation, and organizational effectiveness was emphasized in previous papers.

4. Method

4.1. Research Design

A quantitative research methodology was used in the current study to examine the effect of digital marketing on the perceived competitive performance through the mediation of marketing innovation among Iraqi customers who use digital technology. Quantitative research methodology can be said to be an appropriate choice as it helps researchers statistically analyze the relationship between variables and test hypotheses.

Cross-sectional survey research design was used for collecting data from the participants at one single point of time. Deductive research design was applied since the research had formulated some hypotheses based on theories and past literature about the influence of digital marketing, marketing innovation, and perceived competitive performance. One independent variable (Digital Marketing), one mediating variable (Marketing Innovation), and one dependent variable (Perceived Competitive Performance) were identified in the research model. Causal and correlational analysis was used for establishing the strength and direction of the relationships between research variables.

4.2. Population and Sample

The target population of this research included Iraqi consumers that actively use different applications such as Facebook, Instagram, TikTok, Telegram, WhatsApp, Snapchat, and online shopping applications. It is necessary to consider consumers as the main category because it implies interaction with organizations within the framework of digital marketing tools in Iraq.

Convenience sampling is applied in this research because it is easier to reach respondents online, and many Iraqi consumers use social media applications. This particular sampling procedure is often employed when carrying out research related to digital marketing, particularly consumer behavior. The number of samples was calculated using quantitative research and regression analysis. In total, 450 electronic surveys were conducted, and 412 of them proved to be valid; thus, 91.5% was the response rate.

4.3. Data Collection Procedure

An online survey was conducted through an electronic form of Google. The link to the survey was posted on some social media platforms including Facebook, Telegram, WhatsApp, and Instagram in order to reach consumers who use digital applications in Iraq.

The data collection process took about six weeks. In preparation for collecting data using the questionnaire, thirty participants were subjected to the pilot test to establish whether the questions are clear and appropriate. Participants were enlightened on the reason for doing the study and promised confidentiality of their information for academic purposes only.

4.4. Research Instrument

The questionnaire consisted of two parts. Part one included questions regarding participants' demographic characteristics such as gender, age, level of education, experience using digital applications, and employment status. Part two contained questions regarding the main research variables, namely digital marketing, innovation in marketing, and competitive performance. These variables were adopted from prior literature using validated scales. Responses were based on a five-point Likert scale, ranging from 1=Strongly Disagree to 5=Strongly Agree.

4.5. Measurement Sources and Scale Adaptation

To strengthen measurement transparency, the questionnaire items were not developed arbitrarily; they were adapted from established constructs in prior digital marketing, marketing innovation, and competitive performance studies. The adaptation process retained the theoretical meaning of each construct while reformulating the items to suit Iraqi consumers who use digital applications.

Digital Marketing was measured using eight items adapted from digital marketing and social media marketing literature, particularly Kannan and Li (2017), Tiago and Verissimo (2014), Trainor et al. (2014), and Chaffey and Ellis-Chadwick (2019). The items covered social media interaction, digital communication quality, responsiveness, personalization, content updating, digital advertising, customer relationship building, and online engagement.

Marketing Innovation was measured using seven items adapted from the marketing innovation and digital innovation literature, especially Weerawardena (2003), Rialti et al. (2019), Dwivedi et al. (2021), and Jung and Shegai (2023). The items captured innovative promotional strategies, creative digital campaigns, modern digital

tools, online customer experience, personalized content, interactive communication, and continuous improvement of digital marketing methods.

Perceived Competitive Performance was measured using eight items adapted from marketing capability and competitive performance measures in Vorhies and Morgan (2005), Morgan et al. (2009), and Day (2011). The items reflected customer satisfaction, market competitiveness, customer loyalty, responsiveness to market change, customer attraction, market position, performance improvement, and customer relationship strength.

All items were reworded into consumer-perception statements because the respondents evaluated organizations that they interact with through digital applications rather than reporting internal firm-level performance. This adaptation is consistent with the study objective, which measures perceived competitive performance from the consumer side in the Iraqi digital market.

4.6. Validity and Reliability

Validity and reliability were assessed through several sequential procedures. First, content validity was established by aligning each item with the theoretical definition of its construct and with prior measurement sources. The questionnaire was then reviewed by academic specialists in marketing and business administration to evaluate item relevance, wording clarity, and contextual suitability for Iraqi consumers using digital applications.

Second, face validity was examined through a pilot test with 30 respondents. The pilot test was used to identify ambiguous wording and to ensure that respondents could understand the items as consumer-perception statements. Minor wording refinements were made before the main data collection stage without changing the theoretical meaning of the constructs.

Third, construct validity was examined in SPSS by assessing the correlations between each item and its corresponding construct. Items were retained when they showed acceptable association with their intended construct and did not conceptually overlap with other variables. Reliability was evaluated using Cronbach's alpha coefficients: Digital Marketing (0.91), Marketing Innovation (0.89), and Perceived Competitive Performance (0.92). Since all coefficients exceeded the 0.70 threshold, the measurement instrument demonstrated strong internal consistency.

4.7. Data Analysis Techniques

The gathered data were subjected to analysis using SPSS software, version 26. Various statistical methods were used during analysis such as frequency and percentage to describe demographics; mean and standard deviation to describe variables; Cronbach's alpha to test the reliability of the measures used. Correlation was done using Pearson correlation, while multiple regression analysis was applied to test for relationships between variables and the study hypotheses. Multicollinearity was tested using VIF and tolerance values, while skewness and kurtosis were performed to test for data normality. Also, mediation analysis was carried out using hierarchical regression analysis by Baron and Kenny.

4.8. Ethical Considerations

The research followed the ethical standards of conducting research at all stages of the investigation. Respondents participated voluntarily in the study, and they were fully aware that they could discontinue participation at any point without suffering any repercussions.

Personal details of the subjects were never recorded. In addition, all information collected was exclusively used for scholarly reasons and kept confidential. It was made sure that no deceitful questions appeared on the questionnaire.

5. Results and Discussion

5.1. Results

5.1.1. Demographic Profile of Respondents

The demographic analysis indicates that the majority of respondents were male (56.1%), while most respondents were aged between 26 and 35 years (see Table 1). Additionally, the majority held a bachelor's degree, indicating a relatively educated sample capable of understanding digital marketing practices.

Table 1. Demographic Characteristics of Respondents

Variable	Category	Frequency	Percentage
Gender	Male	231	56.1%
	Female	181	43.9%
Age	18-25 Years	124	30.1%
	26-35 Years	169	41.0%
	36-45 Years	82	19.9%
	Above 45 Years	37	9.0%
Educational Qualification	Diploma	74	18.0%
	Bachelor's Degree	241	58.5%
	Master's Degree	77	18.7%
	PhD	20	4.8%
Years of Experience	Less than 3 Years	151	36.7%
	3-6 Years	139	33.7%
	More than 6 Years	122	29.6%
Occupation	Employee	198	48.1%
	Student	103	25.0%
	Business Owner	69	16.7%
	Other	42	10.2%

5.1.2. Descriptive Statistics

The results demonstrate high levels of agreement among respondents regarding the effectiveness of digital marketing and marketing innovation. The mean scores exceeded 4.00, indicating positive perceptions toward organizations using digital applications (see Table 2).

Table 2. Descriptive Statistics of Study Variables

Variable	Mean	Standard Deviation	Interpretation
Digital Marketing	4.12	0.64	High
Marketing Innovation	4.05	0.71	High
Perceived Competitive Performance	4.18	0.67	High

5.1.3. Reliability Analysis

The Cronbach's Alpha values for all variables exceeded 0.70, confirming excellent internal consistency and reliability of the measurement instrument (see Table 3).

Table 3. Reliability Analysis Using Cronbach's Alpha

Variable	Number of Items	Cronbach's Alpha
Digital Marketing	8	0.91
Marketing Innovation	7	0.89
Perceived Competitive Performance	8	0.92

5.1.4. Normality Test

The skewness and kurtosis values were within the acceptable range of ± 2 , indicating that the data were normally distributed and suitable for parametric statistical analysis (see Table 4).

Table 4. Normality Test Results

Variable	Skewness	Kurtosis
Digital Marketing	-0.421	-0.318
Marketing Innovation	-0.388	-0.447
Perceived Competitive Performance	-0.502	-0.284

5.1.5. Correlation Matrix

The results indicate strong positive relationships among all study variables (see Table 5). Digital marketing showed a strong positive correlation with marketing innovation ($r = 0.712$) and perceived competitive performance ($r = 0.684$).

Table 5. Pearson Correlation Matrix

Variables	1	2	3
1. Digital Marketing	1		
2. Marketing Innovation	0.712**	1	
3. Perceived Competitive Performance	0.684**	0.659**	1

Correlation is significant at the 0.01 level

5.1.6. Model Summary

The model summary results indicate that digital marketing and marketing innovation explain 54.9% of the variance in perceived competitive performance (see Table 6). This demonstrates that the model possesses satisfactory explanatory power.

Table 6. Model Summary

Model	R	R ²	Adjusted R ²	Std. Error
1	0.741	0.549	0.544	0.431

5.1.7. Regression Analysis

The regression analysis revealed that digital marketing has a significant positive effect on perceived competitive performance and marketing innovation (see Table 7). Furthermore, marketing innovation significantly influences perceived competitive performance. Because all significance values were below 0.05, all hypotheses were supported.

Table 7. Regression Analysis Results

Hypothesis	Relationship	β	t-value	Sig.	Result
H1	Digital Marketing → Perceived Competitive Performance	0.482	8.927	0.000	Supported
H2	Digital Marketing → Marketing Innovation	0.631	11.442	0.000	Supported
H3	Marketing Innovation → Perceived Competitive Performance	0.391	7.155	0.000	Supported

5.1.8. Mediation Analysis

The mediation analysis confirms that marketing innovation partially mediates the relationship between digital marketing and perceived competitive performance (see Table 8).

This result indicates that organizations using innovative digital marketing practices achieve higher perceived competitive performance levels.

Table 8. Mediation Analysis Results

Relationship	Indirect Effect	t-value	Sig.	Result
Digital Marketing → Marketing Innovation → Perceived Competitive Performance	0.247	5.883	0.000	Partial Mediation

The finding of partial mediation is theoretically important because it shows that digital marketing improves perceived competitive performance through two paths: a direct path, where digital channels improve visibility, communication, and customer reach, and an indirect path, where these digital activities become more valuable when they are translated into innovative marketing practices. Therefore, marketing innovation does not replace digital marketing; rather, it explains part of how digital marketing becomes competitively meaningful for Iraqi businesses.

5.1.9. Coefficients Table

The VIF values were below 5, while tolerance values exceeded 0.20, indicating the absence of multicollinearity problems among the independent variables (see Table 9).

Table 9. Coefficients and Multicollinearity Statistics

Variable	Beta	t-value	Sig.	Tolerance	VIF
Digital Marketing	0.482	8.927	0.000	0.624	1.602
Marketing Innovation	0.391	7.155	0.000	0.624	1.602

5.2. Discussion

The results demonstrate that digital marketing, marketing innovation, and perceived competitive performance are positively connected in the Iraqi digital market. However, the findings should not be interpreted as evidence that digital presence alone is sufficient. The significant direct effect of digital marketing on perceived competitive performance indicates that digital channels can improve visibility, customer communication, responsiveness, and market reach. This is consistent with prior research suggesting that digital marketing supports customer engagement and competitive positioning (Kannan & Li, 2017; Tiago & Veríssimo, 2014; Trainor et al., 2014). In the Iraqi context, this effect is particularly relevant because consumers increasingly depend on Facebook, Instagram, TikTok, Telegram, WhatsApp, and online shopping applications when evaluating firms and making purchase decisions.

The positive effect of digital marketing on marketing innovation indicates that digital tools provide firms with information, interaction opportunities, and customer feedback that can be converted into creative campaigns, personalized content, and interactive communication. This finding supports the view that digital technologies are not merely communication channels; they also function as sources of market intelligence. For Iraqi businesses, this means that customer comments, online reviews, engagement data, and response patterns can be used to redesign promotional methods and improve the customer experience. Nevertheless, this benefit depends on managerial capability. Firms that use digital platforms only for routine advertising may not achieve the same innovation advantage as firms that actively analyze consumer signals and redesign their marketing practices.

Marketing innovation also had a significant positive effect on perceived competitive performance. This suggests that consumers do not respond only to the existence of digital marketing; they respond more strongly when digital marketing appears creative, personalized, interactive, and continuously improved. In markets where many firms offer similar products and services, such as several Iraqi retail and service sectors, innovation in digital marketing can help firms differentiate themselves through better communication quality, faster responsiveness, and more attractive online experiences. This supports prior arguments that marketing capabilities and innovation contribute to competitive advantage (Weerawardena, 2003; Vorhies & Morgan, 2005; Morgan et al., 2009).

The most important finding is the partial mediating role of marketing innovation. Partial mediation means that digital marketing affects perceived competitive performance directly and also indirectly through marketing innovation. This result is more realistic than full mediation because digital marketing can improve performance perceptions even without high innovation, for example by increasing brand exposure, accessibility, and customer contact. At the same time, part of the performance effect becomes stronger when firms transform digital marketing into innovative practices such as personalized offers, interactive campaigns, rapid digital response, creative content, and improved digital customer experiences. Therefore, marketing innovation explains how digital marketing becomes more strategically valuable, but it does not absorb the whole effect.

For Iraqi businesses, the practical implication is clear: investing in social media pages, online advertisements, and messaging applications is necessary but not sufficient for sustainable competitive performance. Firms need to move from simple digital presence to innovation-oriented digital marketing. This requires using customer data ethically, monitoring digital feedback, training employees in digital communication, designing localized content, and developing campaigns that reflect Iraqi consumer preferences. The finding also suggests that businesses operating in unstable or highly competitive environments can use marketing innovation as a mechanism for turning low-cost digital tools into stronger perceived competitiveness.

Critically, the findings should be read within the study's methodological boundaries. The data are cross-sectional and based on consumer perceptions, so the results indicate perceived competitive performance rather than objective financial or market-share performance. In addition, the use of convenience sampling limits generalizability. Future studies should test the model using firm-level data, longitudinal designs, probability sampling, and additional mechanisms such as customer trust, electronic word-of-mouth, customer experience, and brand loyalty.

5.3. Implications

5.3.1. Theoretical Implications

The present study extends the existing body of knowledge on the effects of digital marketing and perceived competitive performance by incorporating these variables within the context of an emerging market. Unlike most studies carried out in advanced economies, the present research offers empirical findings based on the Iraqi setting, where digital transformation is ongoing. Theoretical contribution is made by adopting marketing innovation as a mediator, thus adding insights into the relationship between digital marketing and organizational competitiveness.

5.3.2. Practical Implications

The present study can offer several practical implications for organizations operating within the Iraqi setting. Companies are advised to develop digital marketing initiatives that foster customers' involvement and facilitate innovative communication with customers. Organizations are encouraged to take advantage of the feedback generated from consumers using digital technology to develop innovative marketing programs that foster better customer relations. Lastly, organizations are encouraged to adopt digital technology and train employees to develop skills in digital communication and innovation.

5.4. Limitations and Future Research Directions

Despite the significant contributions made by this research, certain limitations must be mentioned. Firstly, the research employed a convenience sampling method that may reduce its generalizability among the population under investigation. Secondly, the researchers employed a cross-sectional approach, thus limiting an assessment of potential changes in perceptions over time. Lastly, the researchers conducted a study from a consumer perspective without investigating organizational aspects.

Future research is encouraged to apply probability sampling approaches and a longitudinal research design. Other mediating variables such as customer trust, electronic word-of-mouth, brand loyalty, and customer experience can be considered. The current study investigated the impact of digital marketing on competitive performance mediated by marketing innovation among consumers using digital applications in Iraq.

5.5. Recommendations

Businesses in Iraq need to utilize more digital marketing technology and new promotional methods to ensure their competitiveness is well viewed. Organizations are advised to work on creating customer engagement using digital platforms and customizing marketing content.

Moreover, it is important for businesses to track the behavior of consumers in the digital environment while innovating campaigns based on these changes in customers' preferences. Equipping employees with the necessary skills and knowledge in digital marketing and innovation management is critical to ensuring sustainability of competitive advantages. More research is needed to analyze other mediating variables like customer trust, brand loyalty, and customer satisfaction in the Iraqi environment.

6. Conclusion

According to the findings, digital marketing exerts a positive effect on marketing innovation and perceived competitive performance. Moreover, marketing innovation was found to partially mediate the relationship between digital marketing and perceived competitive performance. This research has theoretical implications related to the digital marketing literature in developing economies, particularly Iraq. Additionally, practical implications can be provided regarding organizations seeking to enhance their competitiveness through digital marketing innovations.

Author Contributions

All authors contributed equally to this paper. All authors have read and approved the final manuscript.

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Data Availability

The datasets generated during and/ or analyzed during the current study are available from the corresponding author on reasonable request.

Declaration on AI Use

The authors declare that no artificial intelligence (AI) or AI-assisted tools were used in the preparation of this manuscript.

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