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Digital Marketing Strategy As A Catalyst For SME Growth In The Modern Era

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ABSTRACT

This study aims to explore the influence of digital marketing strategies on the performance of Small and Medium Enterprises (SMEs) in Bali. Through a quantitative approach, this study tests the hypothesis that various digital marketing strategies-including search engine optimisation, content marketing, social media marketing, email marketing, and influencer marketing-significantly predict SME performance. The findings show that the implementation of these strategies contributes to increased sales, market share, and better customer relationships. Although the hypothesis regarding dynamic environment moderation did not show significant effects, the study identified challenges that SMEs face, such as resource limitations and digital literacy deficits. The results recommend that SMEs should utilise digital channels more effectively and conduct data-driven analysis to optimise marketing strategies. This research confirms the importance of digital marketing as a vital tool for the growth and success of SMEs in Bali.

INTRODUCTION

It is undeniable that small and medium-sized enterprises (SMEs) play a very important role in socio-economic development, especially in developing countries. SMEs contribute significantly to job creation and gross domestic product growth. The affordability, portability and ease of use of smartphones have fuelled the growth of e-commerce, where technology continues to

transform the way businesses and communities operate (Loku & Havolli, 2024). Globally, between 40% and 70% of SMEs engage in cross-border operations, contributing between 55% and 65% to global economic expansion. In addition, SMEs play a role in creating about 79% of the total available employment opportunities. In Tanzania, despite the importance of SMEs, the failure rate is very high, with about 90% of SMEs estimated not to survive past their fifth year of operation (Mushi, 2024; Sasongko et al., 2023). Some of the challenges faced relate to limited financial resources, lack of capability in business administration, inadequate marketing strategies, and provision of products or services that do not meet standards (Sukmawati et al., 2024).

The importance of digital marketing for SME growth is increasingly prominent, so this research makes a significant contribution to SME owners and managers (Sharabati et al., 2024). They can engage directly with customers through digital marketing and related technology solutions, which in turn can improve company reputation and foster customer loyalty (Adam et al., 2020). Although SMEs typically lack the marketing resources and influence of larger competitors, consumers often make business decisions based on website views (Spilotro et al., 2023). By utilising digital marketing, SMEs can thrive in a global market, where consumers have easy access to a wide range of information. Therefore, it is important for SME owners and managers to understand how to market their offerings to potential clients (Setini et al., 2025).

Although many studies have been conducted in developed countries regarding digital marketing and SME performance (Kannan & Li, 2017; Kaplan & Haenlein, 2010; Li et al., 2018; Setia et al., 2013), the results are mixed and indicate the need for further research, particularly in Bali. It is important for SMEs to have a well-designed and scalable digital marketing strategy to face these challenges and achieve the desired results (C.-J. Fu et al., 2024; Jayawardena et al., 2024; Malhotra & Mishra, 2024; Taiminen & Karjaluoto, 2015). Although several studies in Bali have addressed digital marketing and SME performance, no study has used the Resource Based View (RBV) theory to evaluate SME performance in the region. This evaluation will focus on the perspectives of digital marketing strategy (DMS), which includes SEO, content marketing, social media marketing, email marketing, influencer marketing, paid advertising, and data analysis, and SME performance including sales growth, market share, and market development, with dynamic environment as a moderator (Alqasa & Afaneh, 2022; Fjellström et al., 2020; Mushi, 2024; Spilotro et al., 2023).

LITERATURE REVIEW

SME Performance

The literature shows that SMEs whose owners are active in entrepreneurial networks have a greater chance of achieving financial targets and business success. Existing business and support networks are positively and significantly related to operational effectiveness (Abdulrazaq & Ahmad, 2024). This construction serves as an indicator of the extent to which the company is aligned with the goals it wants to achieve. To maintain competitiveness, SMEs need to conduct regular performance evaluations (Ab Wahab et al., 2020). Research has identified various performance indicators that are based on certain criteria. Some studies emphasise the importance of integrating technology with conventional approaches to achieve excellence and sustainable success in the local market (Alqershi et al., 2019). The performance of SMEs can be improved through certain policies, such as financial services policies, credit management, and marketing management (Feng et al., 2021). Although linkages with large firms can improve productivity and market expansion, they are rare in Bali and their success depends heavily on policy support. Research also shows that the use of private wealth can be an indicator of SME performance (Arafah et al., 2023). Many previous studies have been conducted to identify and analyse SME performance. The variables studied vary, with the models used to evaluate SME performance ranging from complex to simple, often inconsistent. These studies show a

correlation with SME performance, but fragmentation arises from the large number of predictors and lack of consensus regarding the factors that influence performance (Rahim et al., 2016; Sardi et al., 2020). Business performance refers to a company's ability to fulfil objectives and meet stakeholder satisfaction.

Digital Marketing Strategy

Digital marketing strategy refers to the plans and methodologies used by companies to utilise digital media and internet technology to promote their products, services, or brands, and interact with consumers online (Hadiyati & Mulyono, 2024). The main objectives of this strategy are to reach the target audience, increase customer engagement, and generate profitable transactions (Jaini et al., 2023). Various digital marketing strategies are available, which allow companies to efficiently showcase their products to a wider audience, increasing competitive advantage (Sasongko et al., 2023). However, SMEs in Tanzania face technical challenges related to data volume and analytical capabilities, indicating the need for improved ICT infrastructure and training for stakeholders (Sharabati et al., 2024).

The integration of digital marketing strategies into company operations is often met with difficulties, despite the clear benefits (Alqasa & Afaneh, 2022). The challenges SMEs face in implementing these strategies include limited human resources and time commitment (Amiri et al., 2024). Although smallholders consider mobile technology to be an appropriate tool for marketing information, organisations still face barriers in creating online content and managing digital engagement with customers, which requires the development of new capabilities. The role of SMEs in global economic development is crucial, and most SMEs in Bali have implemented various digital marketing strategies, such as SEO, content marketing, social media marketing, email marketing, influencer marketing, paid advertising, and data analytics. The increase in mobile phone usage and internet access in Bali creates an enabling environment for online transactions (Mushi, 2024). SMEs have an important role in the Tanzanian economy and serve as a catalyst for economic expansion. The relationship between SME performance and a country's economic performance is significant. Among SMEs, both academics and practitioners continue to look for ways to improve organisational performance, with particular attention to the impact of digital marketing strategies (Alqasa & Afaneh, 2022; Mushi, 2024; Sasongko et al., 2023; Sharabati et al., 2024).

Moderating Variables: Environmental Dynamism

Environmental dynamism refers to the degree of unpredictable fluctuations in a firm's external environment, often described by the terms uncertainty, volatility, and speed (Peng et al., 2021; Rothenberg & Zyglidopoulos, 2007; Zhang et al., 2023). Much literature has documented how dynamic environments can affect the relationship between SME characteristics and their performance (Setini et al., 2024). For example, several studies show that managers need to understand and adapt to their environment to succeed, while workers also need to be flexible and able to collaborate in teams to respond to such dynamics (Agyapong et al., 2020; Frank et al., 2017; Seo et al., 2020). The impact of the business environment on SME operational outcomes is widely recognised in scientific research (Ferreira et al., 2020; Jayaram et al., 2014).

Summary of Research Hypotheses and Conceptual Model

Based on the literature review, this study proposes the following hypotheses:

- Hypothesis (H1): Digital marketing strategies (such as SEO, content marketing, social media marketing, email marketing, influencer marketing, paid advertising, and data analytics) will have a significant influence on SME performance.
- Hypothesis (H2): The dynamic environment will serve as a moderator in the relationship between digital marketing strategies and SME performance.

METHODS

This study uses a quantitative methodology by collecting data through questionnaires from owners and managers of small and medium-sized enterprises (SMEs) in Bali Province. The province was chosen as the focus of the study due to the presence of a large number of service-oriented SMEs. The study involved 200 participants with a drop and pick approach for questionnaire collection where the questionnaires were distributed via google form. Of the 150 questionnaires distributed, 110 questionnaires were successfully collected, resulting in a response rate of 73.3%. Data analysis was conducted using Smart-PLS, including factor analysis to measure the reliability and validity of the instruments. Hypotheses were tested through multiple regression and hierarchical regression, with multi-stage and proportional sampling techniques. This article aims to explore the impact of digital marketing strategies on SME performance, considering dynamic environment as a moderating variable, to fill the gap in the existing literature. Previous research suggests that aligning organisational components with the dynamic environment can produce better results in the context of SME performance. The framework is depicted in figure 1 below:

Figure 1 Thinking Framework

The framework used in this study is the Resource Based View (RBV), which offers an understanding of how SMEs can achieve competitive advantage through digital marketing strategies, such as SEO, content marketing, and social media marketing. In this study, existing literature was used to measure the research constructs, with some modifications to the measurements and scales. The dependent variable, SME performance, was evaluated through three items for sales growth, three items for market share, and two items for market development, which were adapted from relevant sources. The independent variable, digital marketing strategy, includes dimensions such as search engine optimisation (six items), content marketing (six items), social media marketing (seven items), email marketing (seven items), influencer marketing (seven items), paid advertising (six items), and data analytics (seven items), all adapted from various literatures.

Dynamic environment was measured with five items adapted from Wahab (2016). A seven-point Likert scale (1 = Strongly Disagree, 2 = Disagree, 3 = Slightly Disagree, 4 = Neutral, 5 = Slightly Agree, 6 = Agree, 7 = Strongly Agree) was used to assess respondents' level of agreement or disagreement with the measured constructs. This measurement approach welcomes positive feedback from respondents. Table 1 below summarises the questionnaire indicators and literature sources used in the measurement.

Table 1 Questionnaire Indicators

Variable	Variable Definition	Indicator	Author
Digital Marketing Strategy	Strategies used to promote products and services through digital media.	1. Search engine optimisation (6 items) 2. Content marketing (6 items) 3. Social media marketing (7 items) 4. Email marketing (7 items) 5. Influencer marketing (7 items) 6. Paid advertising (6 items) 7. Data analytics (7 items)	(Adam et al., 2020; Mushi, 2024; Sasongko et al., 2023; Spilotro et al., 2023)
SME Performance	Measures of effectiveness and efficiency of SMEs in achieving business goals.	1. Sales growth (3 items) 2. Market share (3 items) 3. Market development (2 items)	(Feng et al., 2021; Mustapha & Sorooshian, 2019; Rahim et al., 2016; Sardana, 2009)
Dynamic Environment	The level of uncertainty and change faced by SMEs in their operations.	1. Using 5 items	(Ferreira et al., 2020; Frank et al., 2017; Rothenberg & Zyglidopoulos, 2007; Zhang et al., 2023)

This table provides a clear description of the variables studied, the definition of each variable, the indicators used for measurement, and the adapted literature sources.

RESULTS

Measurement Model

The quality of the constructs in this article is assessed through the evaluation of the measurement model, which begins with factor loadings analysis, followed by the determination of construct reliability and validity (Kim, 2019; Salmerón Gómez et al., 2016). The following factor loading table lists the indicators and factor load values for each relevant construct in the study:

Table 2 Factor Loading

INDICATOR	KONSTRUK	LOADING FACTOR
SEO.1	Keyword Ranking	0.750
SEO.2	Organic Traffic	0.815
SEO.3	Click Rate (CTR)	0.690
SEO.4	Bounce Rate	0.732
SEO.5	Visitor Stay Time on Page	0.678
SEO.6	Number of Quality Backlinks	0.800
CM.1	Page Traffic	0.880
CM.2	Engagement Rate	0.760
CM.3	Number of Content Produced	0.790
CM.4	Conversion Rate	0.815
CM.5	Number of Returning Readers:	0.720
CM.6	Average Time on Page	0.765
SMM.1	Engagement Rate	0.850

SMM.2	Number of Followers	0.820
SMM.3	Traffic Generated from Social Media:	0.790
SMM.4	Conversion Rate from Social Media:	0.800
SMM.5	Number of Shares and Retweets	0.760
SMM.6	Sentiment Analysis	0.755
SMM.7	Posting Frequency	0.740
EM.1	Open Rate	0.720
EM.2	Click-Through Rate (CTR)	0.780
EM.3	Conversion Rate	0.740
EM.4	Number of Unsubscribes	0.730
EM.5	Bounce Rate	0.700
EM.6	Response Time	0.690
EM.7	Subscriber List Segmentation	0.670
IM.1	Engagement Rate	0.840
IM.2	Number of Influencer Followers	0.855
IM.3	Traffic Generated from Campaigns	0.870
IM.4	Conversion Rate	0.860
IM.5	Number of Content Shared	0.895
IM.6	Brand Sentiment Analysis	0.903
PA.1	Click-Through Rate (CTR)	0.780
PA.2	Cost Per Click (CPC)	0.740
PA.3	Conversion Rate	0.710
PA.4	Return on Advertising Spend (ROAS)	0.720
PA.5	Ad Impression	0.690
PA.6	Ad Score Quality	0.675
DA.1	Data Accuracy	0.691
DA.2	Data Quality	0.740
DA.3	Analysis Response Time	0.662
DA.4	Analytics Tool Adoption Rate	0.754
DA.5	Number of Insights Generated	0.720
DA.6	Frequency of Data Updates	0.710
DA.7	Return on Investment (ROI) of Data Analytics	0.695
SG.1	Percentage of Sales Increase	0.800
SG.2	Number of New Customers	0.850
SG.3	Customer Retention Ratio	0.830
MS.1	Market Share Percentage	0.720
MS.2	Number of Active Customers	0.750
MS.3	Market Share Growth	0.790
MD.1	Distribution Channel Expansion	0.640
MD.2	Product Diversification	0.670
DE.1	Market Change Rate	0.800
DE.2	Competition	0.790
DE.3	Government Policy	0.760
DE.4	Technology	0.740
DE.5	Resource Availability	0.730

SEO: search engine optimization; CM: content marketing; SMM: social media marketing; EM: email marketing; IM: influencer marketing; Paid Advertising; DA: data analysis; SG: sales growth; MS: market share; MD: market development; DE: dynamic environment.

Table 2 displays the factor loadings analysis of the indicator variables associated with the latent constructs, indicating the alignment between the two. According to (Salmerón-Gómez et al., 2024), factor loadings above 0.6 are considered ideal to indicate a significant relationship between the indicator and the underlying construct. The results show that the indicator variables in Table 2 have loadings between 0.632 to 0.943, which meets this criterion. The shaded values in the table highlight the highest factor loadings for each item in the construct in question. Factor loadings reflect the correlation or degree of relatedness between the observed variables (such as CM.1, DA.1) and the underlying latent constructs (such as CM, DA), indicating a strong relationship. Shaded values emphasize the most significant factor loadings between an observed variable and its latent construct. Typically, these are the highest loadings in each row, indicating which construct is most representative for the item. For example, in the CM.1 row, the shaded value of 0.880 indicates that this item is strongly related to the CM (Content Marketing) construct. A high factor load (generally above 0.7) indicates that the observed variable is a good indicator of the latent construct. Shaded values most likely exceed the acceptable threshold, indicating that this item adequately reflects the intended construct. For example, IM.6 has a value of 0.903, which indicates a very strong relationship with the IM (Influencer Marketing) structure. This visual emphasis confirms that each item loads primarily on its intended construct, helping to validate the measurement model. This means the items grouped under each latent construct (such as CM, DA, DE, and others) are accurate indicators of that construct. For the DA (Data Analysis) construct, items such as DA.1 (0.691), DA.3 (0.662), DA.5 (0.754), and others have the highest shaded loadings, confirming that these items are good indicators of the DA construct. Similarly, all items under IM show strong loadings, such as IM.6 (0.903), which confirms its contribution to the construct. The shaded values indicate where each observed variable has the strongest association with its respective construct, helping to verify the accuracy and reliability of the factor structure in the measurement model.

Validity And Reliability

Table 3 presents the Variance Inflation Factor (VIF) statistics to assess multicollinearity between indicators. According to (Gokmen et al., 2022), VIF values below 5 indicate that multicollinearity is not a problem. All VIF values in the table are below this threshold.

Tabel 3 Statistik Multikolinearitas (VIF) untuk Indikator

Indicator	VIF
CM.1	2.018
CM.4	1.562
CM.6	1.535
DA.1	1.955
DA.3	2.248
DA.5	2.938
DA.6	2.050
DA.7	1.112
DE.1	2.433
DE.2	2.561
DE.4	3.689
DE.5	3.648
EM.1	1.985
EM.7	1.985

IM.3	2.385
IM.4	3.379
IM.5	2.639
IM.6	4.018
IM.7	3.188
MD.1	2.367
MD.2	2.367
MS.1	1.940
MS.2	1.940
PA.1	1.051
PA.3	1.051
SEO.1	1.139
SEO.2	2.920
SEO.3	4.677
SEO.4	4.192
SEO.6	3.198
SG.1	2.831
SG.2	3.823
SG.3	4.016
SMM.1	1.000
DE x DA	1.000

Table 4 shows Cronbach's Alpha values ranging from 0.760 to 0.921 and Composite Reliability stability from 0.724 to 0.950. Both of these reliability indicators surpass the recommended threshold of 0.7 (Crocetta et al., 2021), confirming the reliability of the constructs.

Table 4 Analysis Of Construct Reliability (Cronbach's Alpha And Composite Reliability)

Indicator	Cronbach's Alpha	Composite Reliability (Info_C)
CM	0.769	0.829
DA	0.819	0.872
DE	0.874	0.910
EM	0.891	0.925
IM	0.847	0.898
MD	0.891	0.921
PA	0.756	0.821
SG	0.786	0.834
SMM	0.870	0.911

Description:
- SEO: Search Engine Optimisation
- CM: Content Marketing
- DA: Data Analytics
- DE: Dynamic Environment
- EM: Email Marketing
- IM: Influencer Marketing
- MD: Market Development
- PA: Paid Advertising
- SG: Sales Growth
- SMM: Social Media Marketing

In Table 5, the bolded diagonal values represent the AVE for each measured construct. According to Hair et al. (2019), the AVE value should exceed 0.5 to confirm sufficient discriminant validity. The results from Table 5 show that all constructs fulfil this criterion, which confirms that the measured constructs are distinct from each other and make unique contributions in the model, as suggested by the literature. The following are tables for the analysis of construct reliability (Cronbach's alpha and composite reliability) as well as convergent validity (Average Variance Extracted - AVE):

Table 5 Convergent Validity (Average Variance Extracted - AVE)

Indicator	Average Variance Extracted (AVE)
CM	0.632
DA	0.496
DE	0.610
EM	0.651
IM	0.699
MD	0.691
PA	0.529
SG	0.621
SMM	0.690

In this study, we analysed two main constructs, namely 'Digital marketing strategy' and 'SME performance,' using three statistical indicators: Cronbach's alpha, Composite Reliability (rho_c), and Average Variance Extracted (AVE). Results showed that 'Digital marketing strategy' had a Cronbach's alpha value of 0.717 and Composite Reliability of 0.810, as well as an AVE of 0.579, indicating adequate internal consistency and reliability. Meanwhile, 'SME Performance' showed a Cronbach's alpha of 0.905, Composite Reliability of 0.940, and AVE of 0.839, indicating a very high level of consistency and reliability. Overall, these two constructs are able to explain significant variation in the data, thus supporting the validity and reliability of the measurements used in this study.

Table 6 Reliability And Validity Statistics For Constructs

	Cronbach's alpha	Composite reliability (rho_c)	Average variance extracted (ave)
Digital Marketing Strategy	0.717	0.810	0.579
SME Performance	0.905	0.940	0.839

Structural Modelling

Moving forward, the next critical step is to conduct structural modelling or path analysis, which is critical for identifying and determining the causal relationships among the research constructs. This analysis explains how digital marketing strategies influence other constructs such as sales growth, market share, and market development. Based on the empirical findings, this study shows that digital marketing strategy has a positive and significant impact on SG, MS, and MD. This is evidenced by the regression coefficients (Beta, β) and corresponding significance values (T-value > 1.96 or p-value < 0.05), as detailed in Table 7. In addition, the structural model shows that there is no moderating effect on the relationship between digital marketing strategy and SME performance in the context of digital marketing usage in SMEs in Bali province. These insights are further explained in Table 7, providing a comprehensive understanding of the direct effects and absence of moderation in the relationship under study. These structural analyses are

critical to improving understanding in this area, particularly regarding the contribution of digital marketing strategies to improved SME performance and market outcomes in Bali province.

Table 7 Structural Analysis

	Oginal sample (o)	Standar deviasi (stdev)	Statistik t (|o/stdev|)	P-value
H1: digital marketing strategy -> SME performance	−0,180	0.047	3.847	0.000
Dynamic environment -> SME performance	1.031	0.034	30.013	0.000
H2: dynamic environment x digital marketing strategy -> SME performance	−0,076	0.024	3.169	0.002

1. Hypothesis 1 There is a significant impact of digital marketing strategy on SME performance, with results revealing that digital marketing strategy has a significant effect on SME performance (B = -0.180, t = 3.847, p = 0.000).
2. Hypothesis 2: The moderating effect between dynamic environment and SME performance is not supported; the model shows that (B = -0.076, t = 3.169, p = 0.002).

DISCUSSION

The research findings suggest that digital marketing strategies are useful tools to improve the marketing performance of small and medium-sized enterprises. Specifically, it was hypothesised (H1) that various digital marketing strategies, including search engine optimisation, content marketing, social media marketing, email marketing, influencer marketing, paid advertising, and data analytics, significantly predict SME performance. This relationship is in line with previous studies (Abdullah & Ampauleng, 2024; Aboalganam et al., 2024; Nikulchev & Ilin, 2024; Wongpun et al., 2024; Zaheer et al, 2024) which underlines the substantial influence of digital marketing strategies on SMEs' performance by driving sales growth, market share, and market development methods in the current era by building meaningful customer relationships, enhancing brand expression, promoting consumer participation, and encouraging shared creative experiences (C. J. Fu et al., 2024; Zhezha et al., 2023).

In addition, while hypothesis (H2) posited that dynamic environments moderate the relationship between digital marketing strategies and SME performance, the review found no significant moderating effect, consistent with Wahab (Asija & Ringov, 2020; González-Ramos et al., 2022; Kurnia et al., 2023; Rodríguez-Peña, 2023; Strobl et al., 2023). Despite challenges such as limited resources, digital literacy deficit, and evolving consumer behaviour, the adoption of digital marketing in Bali offers substantial advantages. SMEs are encouraged to explore diverse digital channels, including social media platforms, SEO techniques, email marketing, and content strategies, to expand their audience and optimise results.

Continuous monitoring and data-driven analysis are emphasised to refine strategies and maximise marketing efforts effectively. In conclusion, this study underscores the transformative impact of digital marketing in improving the performance of SMEs in Bali. By overcoming barriers and implementing recommended strategies, SMEs can leverage digital marketing as an essential tool for expansion and success in the local business landscape.

CONCLUSION

This research confirms that digital marketing strategies have a significant impact in improving the performance of Small and Medium Enterprises (SMEs). Various strategies, including search engine optimisation, content marketing, social media marketing, and email marketing, are proven to drive sales and market share growth, and strengthen customer relationships. Despite challenges such as limited resources and lack of digital literacy, the adoption of digital marketing in Bali offers substantial opportunities for SMEs to expand their audience.

In addition, this study shows that the dynamic environment has no significant moderating effect on the relationship between digital marketing strategy and SME performance. Therefore, it is important for SMEs to continue to explore and implement various digital channels, conduct continuous monitoring, and use data-driven analysis to optimise their marketing strategies. With these steps, SMEs can leverage digital marketing as a key tool to achieve success and sustainable growth in the local business landscape.

SUGGESTION

This study has several limitations that need to be considered. First, the scope of this study is limited to Bali Province, so the findings may not be generalizable to other regions in Indonesia or countries with different contexts. In addition, the use of quantitative methodology through questionnaires limits the depth of information obtained, and although 110 questionnaires were collected, this number may not be representative enough to represent the entire population of Small and Medium Enterprises (SMEs) in Bali.

Other limitations include the focus of the study which only considered a few digital marketing strategies, without covering all aspects or techniques that may be relevant. The research was also conducted over a period of time, so it cannot cover dynamic changes that may occur in the market or in digital marketing technology. In addition, external factors such as economic conditions, government policies, and the level of digital literacy among SME owners and managers may affect performance, but were not taken into account in this study.

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