

Digital Marketing Strategy As A Driving Factor of Sme Marketing Performance: Literature Review

Ira Yudi Farmawati^{1*}, Arybowo Soedarsono², Lasnoto³

^{1,2,3}Sekolah Tinggi Ilmu Ekonomi Samarinda (STIESAM), Samarinda, Indonesia

Corresponding Author:

E-mail: ira_yudi_farmawati@stiesamarinda.ac.id

Abstract.

Digital transformation has transformed the marketing landscape of Micro, Small, and Medium Enterprises (MSMEs), particularly in reaching consumers, building brands, and increasing sales. In an increasingly competitive environment, the use of digital media is no longer merely an additional promotional tool but has evolved into an integral part of marketing strategy. This study aims to analyze the role of digital media in marketing, digital marketing strategy as a driving factor for MSME marketing performance through an approach literature review. The study was conducted on scientific literature that discusses digital marketing strategies, digital marketing capabilities, social media, marketplace, customer engagement, market orientation, and MSME performance, with an emphasis on publications from 2022–2026. The study results show that digital marketing strategies contribute to marketing performance by increasing market reach, brand awareness, customer interaction, consumer acquisition and retention, and utilization of market information. Social media, content marketing, marketplace, and digital advertising. Digital marketing has become the primary tool used by MSMEs. However, the success of this strategy is determined not only by the use of technology, but also by the MSME's ability to understand consumers, produce relevant content, utilize data, innovate, and integrate digital activities with marketing objectives. Therefore, digital marketing strategy It needs to be viewed as a strategic capability, not just a promotional activity, because its effectiveness is determined by the ability of MSMEs to transform digital resources into value for consumers and improve marketing performance.

Keywords: Digital Marketing Strategy, Digital Marketing Capabilities, Marketing Performance, MSMEs and Customer Engagement.

I. INTRODUCTION

The development of digital technology has transformed the way companies conduct marketing activities. Consumers increasingly rely on the internet, social media, marketplaces, and various digital platforms to search for information, compare products, communicate with sellers, and even conduct transactions. These changes have created a more open marketing environment while increasing competition among businesses (Wu et al., 2024; Elkhoudary et al., 2026).

These changes present both opportunities and challenges for Micro, Small, and Medium Enterprises (MSMEs). On the one hand, digital technology enables MSMEs to reach a wider consumer base without the need for a large physical marketing network. On the other hand, the increasing number of businesses using digital platforms has intensified competition for consumer attention (Hazzam et al., 2026; Lestari et al., 2025).

In these conditions, digital marketing is no longer simply understood as the activity of uploading products to social media. Digital marketing strategy encompasses the process of selecting target markets, determining platforms, developing content, building interactions with consumers, managing customer relationships, and evaluating marketing results (Wu et al., 2024; Hazzam et al., 2026; Jaya et al., 2026). Therefore, the success of digital marketing depends heavily on the ability of MSMEs to integrate technology with marketing objectives.

Research by Wu, Botella Carrubi, and Blanco González Tejero (2024) shows that digital marketing strategies are related to SME performance and can be explained through a digital perspective. *Resource-Based View (RBV)* and *Dynamic Capabilities*. The study also demonstrated the importance of innovation, proactivity, and managerial skills in supporting the relationship between digital marketing strategy and performance.

In the Indonesian context, research on *social media marketing*. Research on MSMEs also shows that social media utilization is linked to MSME performance. These findings demonstrate that social media

functions not only as a communication channel but can also be a tool that supports marketing activities and business performance (Tatik & Setiawan, 2025).

A problem that arises is that not all MSMEs benefit equally from digital technology. Some businesses already have social media and marketplace accounts, but their use is still limited to simple promotional activities. This situation highlights the difference between using digital technology and having a digital marketing strategy and capabilities (Hazzam et al., 2026; Elkhoudary et al., 2026).

Recent literature reinforces this distinction. Hazzam et al. show that *digital marketing capabilities* contribute to SME performance and its benefits are stronger when supported by market orientation and capabilities. *customer relationship management*. Meanwhile, a 2026 systematic review of several articles showed that *digital marketing capabilities* consistently positively related to MSME performance, with innovation, strategic agility, and dynamic capabilities as important factors in this relationship.

Based on these conditions, a study is needed that specifically addresses digital marketing strategies as a driving factor in MSME marketing performance. The study focuses not only on the type of technology used, but also on how these strategies can generate market reach, customer engagement, increase brand awareness, and ultimately improve marketing performance.

II. LIBRARY REVIEW

Digital Marketing Strategy

Digital marketing is a marketing activity that uses digital technology and channels to deliver value to consumers and achieve marketing objectives. As it develops, digital marketing functions not only as a promotional medium but also as a means of communication, transactions, information gathering, and customer relationship management (Wu et al., 2024; Elkhoudary et al., 2026).

Digital marketing strategy Digital marketing can be understood as the process of planning and managing various digital marketing activities to achieve specific marketing objectives. This strategy includes selecting digital channels, determining consumer targets, developing content, engaging customers, using digital advertising, and measuring results.

In MSMEs, this strategy is generally realized through:

- *Social media marketing*, to build communication and interaction with consumers;
- *Content marketing*, to provide information and build product appeal;
- *Marketplace/e-commerce*, to expand market access and facilitate transactions;
- *Digital advertising*, to reach target consumers more specifically; and
- *Customer relationship management*, to maintain relationships with customers.

Recent studies show that the digital marketing strategies of MSMEs are mostly developed through social media, marketplaces, *content marketing*, SEO, and digital communications.

MSME Marketing Performance

Marketing performance is the level of success a company has in achieving its marketing objectives. In MSMEs, marketing performance is not only indicated by increased sales but can also be seen in customer growth, market expansion, and customer acquisition. *brand awareness*, customer interaction, and the ability to retain consumers (Jaya et al. 2026).

According to Octaviani et al. (2026), relevant marketing performance indicators in the context of MSMEs include:

- Sales growth;
- Growth in the number of customers;
- Expansion of market reach;
- Improvement *brand awareness*;
- Improvement *customer engagement*;
- Increased repeat purchases; and

- Ability to retain customers.

Thus, the impact of digital marketing on performance is not always immediately visible in the form of sales. *engagement*, brand awareness, and the number of potential customers can be the initial process before generating increased sales.

Resource-Based View And Dynamic Capability

According to Wu et al. (2024), Perspective Resource-Based View explains that a company's competitive advantage can be built through valuable and difficult-to-imitate resources and capabilities. In digital marketing, technology isn't the only source of competitive advantage. The ability to produce content, understand consumers, manage data, and build customer relationships are all strategic resources.

Meanwhile, according to Ongkowitzo et al. (2025), the perspective Dynamic Capability emphasizes a company's ability to adapt resources and strategies to environmental changes. This perspective is relevant for MSMEs because digital trends, consumer behavior, and platform characteristics can change rapidly.

Therefore, it's not enough for MSMEs to simply have a digital account. They need to be able to read market changes, capitalize on digital opportunities, and continuously adapt their marketing strategies.

III. METHODS

Types of research

This research uses an approach *literature review* using a qualitative descriptive analysis method. This approach was used to identify and synthesize the results of previous research on digital marketing strategies and MSME marketing performance.

Literature Sources

Literature was obtained from national and international scientific articles relevant to the research topic. The search was conducted using the following keywords:

- Digital Marketing Strategy;
- Digital Marketing Capabilities;
- WE Performance;
- MSME Marketing Performance;
- Social Media Marketing MSMEs;
- Digital Marketing MSMEs; and
- Customer Engagement SMEs.

Prioritized literature is publications from 2022–2026, especially empirical research and *Systematic Literature Review* latest.

Literature Selection Criteria

The literature was selected based on several criteria, namely:

- Discussing MSMEs, MSMEs, or SMEs;
- Has a Direct Relationship With Digital Marketing;
- Discussing Marketing Performance or Business Performance;
- Published in a Verifiable Journal or Academic Source; and
- Has relevance to research objectives.

Literature that only discusses digital transformation in general without any connection to marketing and performance is not the main focus.

Analysis Techniques

The analysis was carried out by grouping the results of previous research into main themes, namely digital marketing strategies, market expansion, *brand awareness*, *customer engagement*, digital capabilities, market orientation, and marketing performance. Furthermore, the research results were compared to identify patterns of relationships between digital marketing strategies and MSME marketing performance

IV. RESULT AND DISCUSSION

Digital Marketing Strategy for MSMEs

Based on the results of the study, digital marketing strategies in MSMEs are developing through the use of various digital channels, especially social media, marketplaces, *content marketing*, and digital advertising. Social media is one of the easiest channels to use because it allows MSMEs to communicate directly with consumers. Meanwhile, marketplaces make it easier to expand markets and conduct transactions. *Content marketing* used to provide information and build brand perception, while digital advertising allows MSMEs to reach consumers based on certain characteristics.

However, utilizing various platforms does not automatically indicate that MSMEs have an effective digital marketing strategy. A strategy can only be considered effective if each channel is used with a clear purpose and supports each other.

For example, social media can be used to build *awareness* And *engagement* The marketplace is used to generate transactions, while WhatsApp Business can be used to maintain customer relationships. This integration allows each platform to serve distinct yet mutually supportive functions.

A systematic study of digital marketing for MSMEs in Indonesia shows that social media, e-commerce, SEO, and digital collaboration are important instruments in expanding market reach and increasing consumer engagement.

Thus, the main problem for MSMEs does not lie in the number of platforms used, but in the appropriateness of platform use according to marketing objectives.

Digital Marketing Strategy in Expanding Market Reach

One of the main contributions of digital marketing to marketing performance is its ability to expand market reach (Khan & Kansal, 2026; Tatik & Setiawan, 2025). Conventional marketing tends to rely on business location and distribution networks. Digital marketing reduces these limitations because products can be displayed to consumers outside the MSME's geographic area.

Marketplaces allow products to be discovered by consumers who previously wouldn't have access to them. Social media also allows MSME content to be shared with other users, allowing information to grow organically.

Expanding market reach is important because the greater the number of consumers who know a product, the greater the opportunity for MSMEs to acquire new customers.

However, market reach shouldn't be viewed as an end in itself. Reach must translate into customer interactions, transactions, and relationships. Therefore, a digital marketing strategy must have clear stages:

Market Reach → Awareness → Engagement → Purchase → Repurchase

The series shows that the success of digital marketing is not only determined by how many people see the product, but also by the ability of MSMEs to convert consumer attention into purchasing decisions.

Digital Marketing Strategy in Increasing Brand Awareness

Brand awareness is one of the important outcomes of digital marketing activities (Kanthi et al., 2026). Consumers tend to be more likely to consider products they are familiar with than products they are completely unfamiliar with. Social media provides MSMEs with the opportunity to consistently display their brand identity through logos, colors, communication styles, product stories, and visual content. This consistency can help shape consumer perceptions of the brand.

Content marketing also plays a crucial role. Informative and relevant content can help consumers not only learn about a product but also understand its value. Therefore, MSMEs should not use all content as direct advertising. Educational content, information, testimonials, *storytelling*, product usage demonstrations, and customer experiences can be used to build rapport with consumers.

The results of a study of digital marketing research for MSMEs show that the increase *brand awareness* And *customer engagement* is one of the mechanisms that often appears in the relationship between digital marketing and MSME growth.

Digital Marketing Strategy in Improving Customer Engagement

According to Gempol et al. (2026), the main advantage of digital marketing over most forms of conventional marketing is its ability to create two-way communication. Consumers can comment, send messages, provide reviews, share content, and follow...*live streaming*, and provide direct responses. These activities form *customer engagement*. *Customer engagement* is important because consumers who actively interact with brands have a greater chance of getting to know the product, trusting the brand, making purchases, and making repeat purchases.

Recent research shows that *customer engagement* can be a mechanism that connects *digital marketing capability* with SME performance. This means that digital marketing capabilities not only have an impact through direct promotions but also through the ability to build customer engagement.

Thus, the measure of social media success should not be based solely on the number of followers. Indicators such as comments, *share*, incoming messages, reviews, response rates, and repeat purchases are also important to pay attention to.

Digital Marketing Strategy and Marketing Performance Improvement

According to Wu et al. (2024), Tatik & Setiawan (2025), Hazzam et al. (2026), and Jaya et al. (2026), literature synthesis results show that digital marketing can drive marketing performance through several channels.

1. Increased Market Reach.

Digital marketing enables MSMEs to reach consumers outside their operational areas.

2. Increased Brand Awareness

Consistent digital content makes it easier for consumers to recognize and remember brands.

3. Improved Customer Engagement.

Digital interactions enable MSMEs to build closer communication with customers.

4. Increased Customer Acquisition.

Easy-to-find product information increases the chances of new consumers making a purchase.

5. Increased Customer Retention.

Communication through digital media allows MSMEs to maintain relationships with consumers after transactions.

6. Increased Sales.

Market reach, *awareness*, *engagement*, and customer relationships can ultimately increase the chances of a transaction occurring.

Wu et al.'s (2024) empirical findings support the relationship between digital marketing strategies and SME performance, while research on MSMEs in Indonesia also found the importance of *social media marketing* on performance.

These findings are reinforced by recent research on *digital marketing capabilities*. Hazzam et al. showed that digital marketing capabilities contribute to SME performance beyond CRM capabilities, while market orientation helps shape these capabilities.

Thus, it can be concluded that:

The better an MSME's ability to plan, integrate, and manage digital marketing strategies, the greater the opportunity to improve marketing performance through market expansion, increased brand awareness, customer engagement, and customer acquisition and retention.

Factors That Determine the Effectiveness of Digital Marketing

According to Lestari et al. (2025) and Kanthi et al. (2026), although digital marketing offers significant opportunities, the results achieved by each MSME can vary. These differences are influenced by several factors.

1. Digital Literacy

Digital literacy determines the ability of MSMEs to select and utilize digital platforms. Low literacy often limits technology use to basic activities.

2. Content Quality

Content is a crucial part of digital communication. It must be relevant, engaging, consistent, and aligned with the characteristics of your target consumers.

3. Market Orientation

MSMEs must understand consumer needs and changing behavior. This knowledge forms the basis for determining products, pricing, content, and marketing channels.

Hazzam et al.'s (2026) research shows that market orientation plays a role in the development of *digital marketing capabilities* and the combination of market orientation, DMC, and CRM can support higher levels of SME performance.

4. Data Analysis Skills

Digital platforms generate data on consumer behavior. This data can be used to identify effective content, audience characteristics, and consumer responses.

5. Ability to Innovate

Digital trends change rapidly. MSMEs need to adapt their content formats, platforms, communication methods, and promotional strategies.

6. Consistency

Digital marketing requires ongoing activity. Accounts that are only active when a specific product or promotion is available will struggle to build long-term relationships with consumers.

Recent systematic studies have identified innovation, strategic agility, dynamic capabilities, market orientation, and entrepreneurial competencies as important factors in explaining the relationship between digital marketing capabilities and MSME performance.

Digital Marketing Capabilities as the Key to Success

An important finding from the literature is the existence of differences between *digital marketing adoption* and *digital marketing capability* (Hazzam et al. 2026 and Jonasthasia et al. 2026). *Digital marketing adoption* shows that MSMEs have used digital technology. On the other hand, *digital marketing capability* shows the ability of MSMEs to use this technology strategically (Wu et al., 2024; Hazzam et al., 2026; Elkhoudary et al., 2026).

The difference can be described simply:

1. Digital Adoption

Memiliki Instagram → memiliki marketplace → mengunggah produk → menerima pesanan.

2. Digital Marketing Capabilities

Memahami konsumen → menentukan target → memilih platform → membuat konten → membangun engagement → menganalisis data → mengevaluasi hasil → memperbaiki strategi.

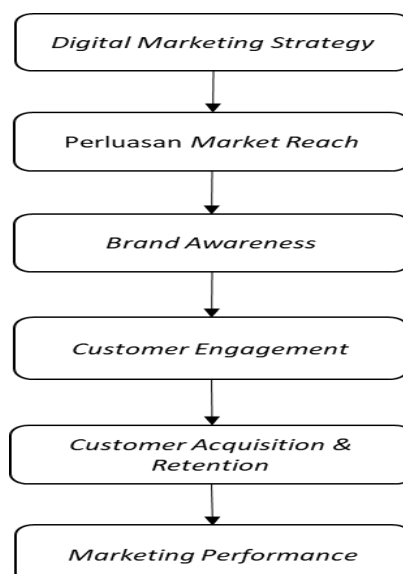
These differences explain why using the same platform can result in different performance for different MSMEs.

Recent research shows that *digital marketing capabilities* contributes to SME performance and does not merely serve as a complement to CRM. In fact, a 2026 systematic review of 52 articles found a positive pattern between DMC and MSME performance, with innovation and strategic agility as key mechanisms.

This means that technology is a tool, while the ability to manage technology is a source of strategic advantage.

Synthesis of Discussion

Based on the overall results of the study, the relationship between digital marketing strategies and MSME marketing performance can be formulated as follows: Figure 1. Conceptual Framework *Digital Marketing Strategy* and Marketing Performance of MSMEs



Source: Processed by the author based on the synthesis of Wu et al. (2024), Tatik and Setiawan (2025), Hazzam et al. (2026), Gempol et al. (2026), and Elkhoudary et al. (2026).

However, the relationship is strengthened by:

Digital Marketing Capability + Market Orientation + Innovation + Managerial Capability

This model demonstrates that digital marketing isn't a one-size-fits-all process. The use of technology will yield better results when supported by an organization's ability to understand the market, manage customers, create content, utilize data, and adapt to change.

V. CONCLUSION

Based on the results literature review, it can be concluded that *digital marketing strategy* is one of the factors that can encourage increased marketing performance of MSMEs. Digital marketing strategies provide opportunities for MSMEs to expand market reach, increase *brand awareness*, build *customer engagement*, acquire new customers, and retain existing customers.

The most widely used strategies include *social media marketing*, *content marketing*, marketplace, and *digital advertising*. However, the presence of multiple digital channels does not automatically translate into better performance. Their effectiveness depends on MSMEs' ability to integrate technology with market needs and marketing objectives.

Literature shows that *digital marketing capability* is a crucial factor in explaining this success. MSMEs that are able to understand consumers, produce relevant content, manage customer relationships, utilize data, innovate, and adapt strategies to market changes have a greater chance of achieving better marketing performance.

Thus, digital marketing needs to be positioned not merely as a promotional tool, but as a business strategy and capability that supports the creation of customer value and improves the marketing performance of MSMEs.

For MSMEs, digital marketing implementation needs to be directed toward measurable goals, not just increasing the number of followers or posting frequency. MSMEs need to choose platforms based on their consumer characteristics, produce relevant content, build engagement, and use data to evaluate marketing results.

For the government and institutions supporting MSMEs, digitalization programs should not only provide access to technology, but also improve digital literacy, content creation skills, data analysis, and managerial skills of MSME actors.

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