Transforming SMEs: Bridging Digital Marketing Strategy Adoption Gaps through Perceived Usefulness and Ease of Use

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Abstract. This study examines the adoption of digital marketing strategies among SMEs, focusing on the integration of Perceived Ease of Use (PEU), Perceived Usefulness (PEOU), and Compatibility with Business (CWB) as critical factors influencing Digital Marketing Strategy (DMS) effectiveness and SMEs Business Performance (SBP). Using the Technology Acceptance Model (TAM) and Resource-Based Theory (RBT) as theoretical foundations, the research highlights the cognitive and strategic dimensions that facilitate or hinder digital marketing adoption on SMEs. The study employs an explanatory quantitative approach, utilizing Partial Least Squares-Structural Equation Modeling (PLS-SEM) to analyze data from 138 SME owners in Indonesia, collected through voluntary sampling. The results reveal significant relationships between PEU, PEOU, CWB, and DMS, confirming their impact on SBP. Notably, business compatibility plays a pivotal role in bridging adoption gaps, ensuring digital tools align with business processes. These findings underscore the importance of user-friendly technologies and strategic alignment in driving adoption. The study concludes that adopting holistic digital marketing strategies enhances SME performance, offering practical insights for policymakers and practitioners to address barriers through training and tailored solutions.

Keywords: technology acceptance model, digital marketing strategy, small medium enterprises, business compatibility, business performance

Introduction

Micro, Small, and Medium Enterprises (SMEs) serve as the backbone of many economies, particularly in developing countries, where they contribute significantly to employment, GDP, and poverty reduction. Despite their undeniable importance, SMEs face persistent challenges in keeping up with the rapid technological advancements shaping modern business landscapes. One of the most notable issues is their reluctance or inability to fully adopt digital marketing strategies as a critical component of their business operations(Zamri, Abdul Rahim, & Norizan, 2024). Digital marketing offers a vast array of tools and platforms that can enhance customer engagement, optimize marketing efforts, and ultimately boost business performance. However, many SMEs either avoid integrating digital tools altogether or limit their use to isolated, piecemeal implementations, such as relying solely on social media marketing or basic website creation (Rike Selviasari & Sudarmiatin, 2024). This fragmented approach leads to suboptimal results, often discouraging further investment in digital strategies. Consequently, SMEs are left behind in an increasingly competitive market where digital capabilities are no longer a luxury but a necessity for survival and growth.

The gap in adopting digital marketing strategies among SMEs is not merely a reflection of resource limitations but also a result of deeper systemic issues that warrant closer examination (Zahoor, Zopiatis, Adomako, & Lamprinakos, 2023). While numerous studies have addressed external barriers such as inadequate infrastructure, high technology costs, and regulatory hurdles, the internal organizational dynamics remain underexplored (Jeniffer GarcÍA-Mendoza, 2023; Putritamara et al., 2023; Yilmaz, Salter, McFarlane, & Schönfuß, 2023). Understanding the factors within SMEs that contribute to their hesitancy or failure to adopt digital marketing strategies holistically is critical for addressing this issue. The Technology

Acceptance Model (TAM) by Davis provides a valuable framework for understanding how psychological factors—such as perceived usefulness and perceived ease of use—influence the adoption of technology. However, most studies applying TAM have focused on individual technology users rather than businesses, leaving a research gap in understanding how these psychological dimensions play out in an SME context (Stergiou, Kavakli, & Kotis, 2023). Coupled with this is the relevance of Resource-Based Theory (RBT) by Jay Barney, which emphasizes the strategic alignment of internal resources to gain competitive advantage (Chun, 2016; Srivastava, Kumar, & Tarabasz, 2024). Integrating these two theories provides a novel lens to investigate how SMEs can overcome adoption barriers by aligning digital tools with their existing business processes.

Despite the growing body of research on digital marketing adoption, there is a lack of comprehensive studies exploring the interplay between perceived usefulness, perceived ease of use, and business compatibility in the SME context. Many previous studies have approached these variables in isolation, resulting in fragmented insights that fail to capture the complexity of digital marketing strategy adoption (Bhagat & R, 2021). For instance, perceived usefulness may drive initial interest in digital tools, but without alignment with business needs and compatibility, these tools may remain underutilized or abandoned altogether. Similarly, perceived ease of use can lower the cognitive barriers to adoption, but if the tools do not integrate seamlessly with existing operations, their practical utility is diminished (Affandi, Ridhwan, Trinugroho, & Hermawan Adiwibowo, 2024). This research gap underscores the need to examine these factors collectively to provide a more nuanced understanding of why SMEs struggle with adopting digital marketing strategies holistically and how these struggles impact their business performance (Han, Wang, & Zhang, 2023).

The integration of TAM and RBT in this study provides a dual framework that captures both the cognitive and strategic dimensions of digital marketing strategy adoption. TAM focuses on the psychological barriers that hinder SMEs from embracing digital tools, such as skepticism about their benefits or fears about the technical complexity of implementation. On the other hand, RBT highlights the importance of aligning digital marketing tools with the firm's internal resources and existing capabilities to ensure strategic fit. Together, these theories offer a comprehensive approach to understanding how SMEs can navigate the challenges of digital marketing adoption (Talafidaryani & Asarian, 2023). This study seeks to identify not only the barriers but also the enablers of successful adoption, emphasizing the importance of a strategic alignment between perceived benefits, ease of use, and operational compatibility.

By addressing these gaps, this research makes significant contributions to both academic literature and practical applications in the SME sector. For academia, it provides a new theoretical perspective by integrating TAM and RBT to explore digital marketing adoption in SMEs, an area that remains under-researched. For practitioners and policymakers, it highlights actionable insights that can help SMEs overcome barriers to digital transformation. For instance, the findings can inform the design of training programs that address psychological barriers, the development of digital tools that are tailored to SME needs, and the formulation of policies that incentivize holistic adoption of digital marketing strategies. Ultimately, this research aims to empower SMEs to embrace digital marketing not as a fragmented add-on but as a core component of their business strategy, enabling them to thrive in an increasingly digital economy.

Methods

This research is an explanatory quantitative research used to get an explanation of the occurrence of a phenomenon. Explanatory quantitative research is a methodological approach that aims to explain the relationship between variables through the collection and analysis of numerical data (Creswell & Creswell, 2017). This study also uses the Partial Least Square-Structural Equation Modeling (PLS-SEM) analysis method which allows the testing of several alternative models that are quite complex. Testing using PLS-SEM is carried out in two stages, where the first stage is measurement testing, which is then followed by structural testing (Hair, Babin, Black, & Anderson, 2019).

The population used is using empirical data from SMEs in Indonesia that have implemented digital marketing, both in the form of push and pull strategies. The number of samples used is 138 SMEs represented by owners from each business. The number of samples was obtained by taking into account the effect size of 0.15 using the G-Power application (Faul, Erdfelder, Buchner, & Lang, 2009). Data was collected

by survey method and using questionnaire instruments distributed by voluntary sampling method. The profiles of the respondents who were the research sample can be seen in table 1.

Table 1. Sample of Survey

Category		Number	Percentage
Age	17-25	16	12%
	26-35	53	38%
	36-45	43	31%
	46-55	16	12%
	56-65	10	7%
Gender	Male	87	63%
	Female	51	37%
Education	Vocational	33	24%
	Graduates	67	49%
	Postgraduates	8	6%
	High School	27	20%
	Junior High School	3	2%
Location	DKI Jakarta	44	32%
	DKI Yogyakarta	32	23%
	Jawa Barat	13	9%
	Jawa Timur	28	20%
	Lampung	21	15%
Business Scale	< 300 juta/Tahun	41	30%
	300 Juta - 2,5 Milyar/Tahun	44	32%
	2,5 milyar - 50 milyar/tahun	53	38%
Business Type	Agribusiness	6	4%
	Education	3	2%
	Electronic & Computer	8	6%
	Fashion	49	36%
	Handicraft	15	11%
	Culinary	36	26%
	Otomotive	4	3%
	Tourism	11	8%
	Retail	6	4%

The instrument used to collect the data was a structured questionnaire and began with basic questions regarding the demographic profile of the respondents, followed by a series of detailed questions related to research variables adapted from previous empirical studies, as briefly presented in Table 1. Afterwards, to verify the validity of the content and appearance of the questionnaire, in-depth interviews with a small number of academic specialists and SMEs managers were conducted. The survey instrument uses a Likert-Interval Scale with a value of 1-7, ranging from Strongly Disagree (1) to Strongly Agree (7). This instrument is distributed both offline and online has been tested for validity and reliability.

The conceptual framework for this research has been meticulously developed to address the persistent challenges SMEs face in adopting and implementing digital marketing strategies. Numerous studies have emphasized the transformative potential of digital marketing in enhancing business performance, yet adoption rates among SMEs remain suboptimal due to limited resources, insufficient technical knowledge, and fragmented implementation efforts (Avelar, Borges-Tiago, Almeida, & Tiago, 2024; Fiona, Salim, Hadi, & Hayu, 2024; Lestari, Sulastri, Shihab, & Andriana, 2024). This model draws insights from prior research on

digital marketing adoption and implementation to propose an integrated approach that bridges these gaps. By focusing on critical factors such as perceived ease of use, perceived usefulness, compatibility with business operations, and the eventual impact on business performance, this framework seeks to provide a comprehensive understanding of how SMEs can effectively integrate digital marketing strategies into their operational structures. This framework emphasizes not only the adoption but also the strategic alignment and holistic utilization of digital tools to enhance competitiveness in the digital era.

The development of research framework is grounded in two theoretical underpinnings: the Technology Acceptance Model (TAM) by Davis and the Resource-Based Theory (RBT) by Jay Barney. TAM serves as the foundation for understanding the psychological determinants of digital tool adoption, highlighting the significance of perceived usefulness and ease of use in influencing user attitudes and behaviors (Taherdoost, 2018). Meanwhile, RBT provides a complementary perspective by emphasizing the importance of aligning digital marketing strategies with the firm's internal resources and capabilities to achieve sustainable competitive advantages (Jiang, Liu, Fey, & Jiang, 2018). The integration of these theories allows the model to capture both cognitive and resource-based dimensions of digital marketing adoption, making it a holistic representation of the factors influencing SME business performance. This framework, therefore, serves as both a theoretical and practical guide for understanding and addressing the barriers to digital marketing strategy implementation among SMEs.

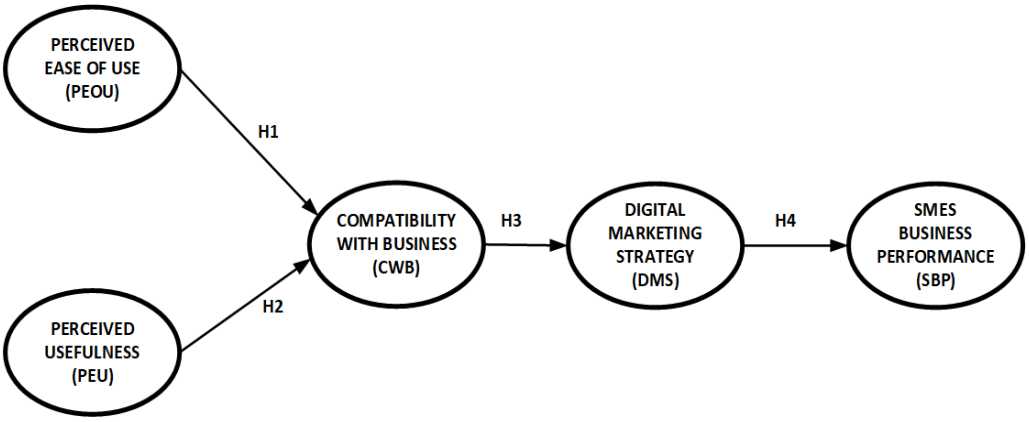

Figure 1. Research Conceptual Frameworks

The relationship between Perceived Ease of Use (PEOU) and compatibility with business in the context of digital marketing implementation by small and medium enterprises (SMEs) is critical for enhancing business performance. PEOU refers to the degree to which a person believes that using a particular system would be free of effort, which significantly influences the adoption of digital marketing strategies among SMEs. Research indicates that when SMEs perceive digital marketing tools as easy to use, they are more likely to integrate these tools into their business processes, thereby improving their marketing effectiveness and operational efficiency (Maulana, Hidayat, & Agustina, 2022). Furthermore, compatibility, defined as the degree to which a technology aligns with the existing values, past experiences, and needs of potential adopters, plays a pivotal role in this relationship. SMEs that find digital marketing practices compatible with their business models are more inclined to embrace these innovations, leading to enhanced customer engagement and market reach (Taiminen & Karjaluoto, 2015; Thakur, 2023). This synergy between PEOU and compatibility not only facilitates the adoption of digital marketing but also fosters a more resilient business environment, allowing SMEs to adapt to changing market dynamics and consumer behaviors effectively (Budiarto, Diansari, Afriany, Nusron, & Seta, 2022). Thus, understanding and addressing these factors can significantly enhance the success of digital marketing initiatives within SMEs, ultimately contributing to their growth and sustainability in a competitive landscape. Thereby, it can be hypothesized that:

H1: Perceived Ease of Use (PEOU) have significant effect on compatibility business (CWB) to implement digital marketing

Perceived Usefulness (PEU) refers to the degree to which a person believes that using a particular system enhances their job performance, which is particularly relevant for SMEs adopting digital marketing strategies. When SMEs perceive digital marketing as useful, they are more likely to integrate these tools into their operations, enhancing their marketing effectiveness and overall business performance (Maulana et al., 2022; Ramdani, Chevers, & Williams, 2013). If SMEs find that digital marketing tools align well with their current practices and customer engagement strategies, they are more inclined to adopt these technologies, leading to improved customer outreach and satisfaction. Furthermore, studies indicate that the perceived usefulness of digital marketing is heightened when it is seen as compatible with the firm's goals and operational frameworks, thereby facilitating a smoother transition and greater acceptance among stakeholders (Rupeika-Apoga, Petrovska, & Bule, 2022). This interplay between PEU and compatibility not only enhances the likelihood of successful digital marketing adoption but also contributes to the long-term sustainability and competitiveness of SMEs in an increasingly digital marketplace. Thus, it can be hypothesized that:

H2: Perceived Usefulness (PEU) have significant effect on compatibility business (CWB) to implement digital marketing

The compatibility of business practices with digital marketing strategies is essential for the effective implementation of digital marketing in small and medium enterprises (SMEs). When SMEs adopt digital marketing strategies that are compatible with their operational frameworks, they can leverage these tools to enhance customer engagement and expand their market reach (Herawati, Sarwani, Listyawati, Kamariyah, & Widiarto, 2023). For instance, a digital marketing strategy that integrates social media platforms can significantly improve brand visibility and customer interaction, provided it aligns with the company's overall marketing goals and customer demographics (Malesev & Cherry, 2021). Moreover, research indicates that SMEs that successfully align their digital marketing strategies with their business objectives experience improved marketing performance and innovation(Giakomidou, Kriemadis, Nasiopoulos, & Mastrakoulis, 2022). This alignment not only facilitates a smoother transition to digital marketing but also fosters a culture of adaptability and responsiveness to market changes, ultimately leading to sustainable business growth (Dimitrijević, 2023). Therefore, ensuring compatibility between business practices and digital marketing strategies is crucial for SMEs aiming to thrive in a competitive digital landscape. Thus, it can be hypothesized that:

H3: compatibility of business (CWB) on SMES with digital marketing tools have significant effect on their effective digital marketing strategy (DMS)

The effectiveness of digital marketing strategies is fundamentally linked to the overall business performance of small and medium enterprises (SMEs). Effective digital marketing strategies enable SMEs to enhance their visibility, engage with customers more meaningfully, and ultimately drive sales growth (Malesev & Cherry, 2021; Vuttichat, 2023). By leveraging digital channels such as social media, email marketing, and search engine optimization, SMEs can reach a broader audience and tailor their marketing efforts to meet the specific needs of their target market. Research indicates that SMEs that implement well-defined digital marketing strategies experience improved customer acquisition and retention rates, which are critical for sustaining competitive advantage in a rapidly evolving marketplace (Shiratina, Ramli, Imaningsih, Rajak, & Ali, 2023). Furthermore, the integration of digital marketing into business operations not only facilitates better market intelligence and responsiveness to consumer behavior but also fosters innovation in product offerings and service delivery (Chinakidzwa & Phiri, 2020; Setyawan, Mudhofar, Arum, Susila, & Nasir, 2022). Consequently, the alignment of effective digital marketing strategies with business objectives is essential for SMEs to enhance their performance, adapt to market changes, and achieve long-term success. Thus, it can be hypothesized that:

H4: Digital Marketing Strategy (DMS) have significant effect on SME's Business Performance (SBP)

Result and Discussion

A. Descriptive and Normality Statistics

Evaluating normality is particularly important as it determines the suitability of parametric tests, which assume that the data is symmetrically distributed around the mean. Constructs such as Perceived Ease of Use (PEU), Perceived Usefulness (PU), Compatibility with Business (CB), Digital Marketing Strategy (DMS), and SMEs Business Performance (SBP) are central to this study, and their distributions must adhere to these normality assumptions to ensure robust and accurate results. By examining the descriptive and normality statistics for each construct, this analysis aims to establish a solid foundation for the subsequent hypothesis testing and model evaluation. In this study, the normality of the data is assessed using skewness and kurtosis values as per the thresholds constituted by Curran, West, and Finch (1996) and West, Finch, and Curran (1995). These thresholds specify that the data is considered normally distributed when skewness values fall between -2 and 2, and kurtosis values are within the range of -7 to 7. The detailed normality descriptive and normality result for all constructs indicators are shown in table 2 below.

Table 2. Descriptive and Normality Statistics

Constructs	Item Code	Mean	Min	Max	Std. Deviation	Kurtosis	Skewness
PEU	PEU1	4.203	1	5	0.724	1.458	-0.795
	PEU2	4.312	3	5	0.657	-0.729	-0.436
	PEU3	4.217	2	5	0.689	-0.309	-0.451
	PEU4	4.109	2	5	0.729	-0.718	-0.285
	PEU5	4.101	1	5	0.828	0.473	-0.735
PEOU	PEOU1	4.333	1	6	1.287	-0.701	-0.418
	PEOU2	4.399	1	6	1.225	-0.602	-0.515
	PEOU3	4.391	1	6	1.282	-0.650	-0.516
	PEOU4	5.507	2	7	1.078	0.217	-0.667
	PEOU5	4.072	1	5	0.795	0.326	-0.568
CWB	CWB1	4.072	1	5	0.795	0.326	-0.568
	CWB2	4.051	1	5	0.871	0.004	-0.632
	CWB3	4.051	1	5	0.828	0.736	-0.792
	CWB4	4.188	1	5	0.873	0.639	-0.974
DMS	DMS1	4.783	2	6	0.907	-0.257	-0.438
	DMS2	5.000	1	6	0.940	2.030	-1.163
	DMS3	4.522	2	6	1.098	-0.800	-0.288
	DMS4	4.964	2	6	0.928	-0.261	-0.588
SBP	SBP1	5.355	2	7	1.256	-0.554	-0.300
	SBP2	5.442	1	7	1.222	0.526	-0.707
	SBP3	5.080	2	7	1.415	-0.823	-0.329
	SBP4	5.087	1	7	1.201	0.230	-0.449
	SBP5	4.971	1	7	1.351	-0.314	-0.375
	SBP6	4.688	3	6	0.999	-0.977	-0.266

Based on Table 2, Descriptive and Normality Statistics, an evaluation of all constructs in the dataset reveals that the data consistently meets the normality criteria outlined by Curran et al. (1996) and West et al. (1995). Specifically, skewness values for all constructs and their respective items fall within the acceptable range of -2 to 2, while kurtosis values remain between -7 and 7. These results suggest that the data exhibits no significant skewness or kurtosis across any construct, indicating that the distribution of responses is symmetrical and falls within the parameters of normality. The consistency in skewness and kurtosis across all constructs strengthens the reliability of the dataset, ensuring it is suitable for parametric statistical analyses. This uniformity implies that the constructs have been effectively measured, with responses distributed appropriately to support further hypothesis testing and model validation. As a result, the findings can confidently proceed with the assumption of normal distribution, bolstering the robustness and credibility of the study's conclusions.

Similarly, the standard deviation values across the items are consistent, indicating relatively low variability in the responses. This uniformity enhances the reliability of the data for subsequent statistical analyses. The adherence of skewness and kurtosis values to the specified thresholds across all constructs indicates that the data for the study are robust and normally distributed. Consequently, parametric statistical tests, which assume normal distribution, can be confidently employed for further analysis, ensuring the validity and reliability of the findings

B. Measurement Model

The measurement model analysis is a crucial step in structural equation modeling (SEM) as it validates the relationships between observed variables (indicators) and their underlying latent constructs. In this study, constructs such as Perceived Ease of Use (PEOU), Perceived usefulness (PEU), Compatibility with Business (CWB), Digital Marketing Strategy (DMS), and SMEs Business Performance (SBP) are evaluated through their respective indicators to ensure they accurately represent the latent variables. This process involves assessing reliability, convergent validity, and discriminant validity to confirm that the measurement model is robust and suitable for further structural analysis. By doing so, the analysis ensures that the constructs are properly defined, which is essential for testing the hypothesized relationships in the structural model. The detailed hypothesized PLS path model can be described on Figure 2.

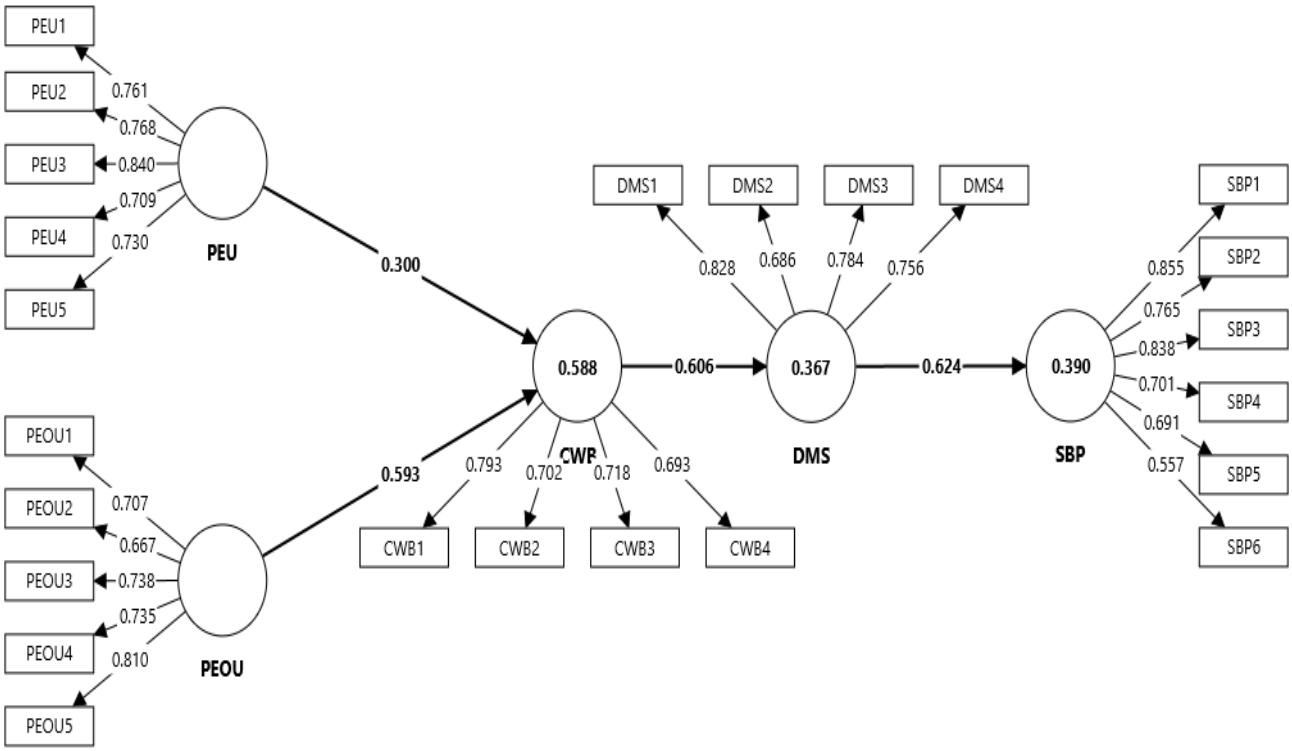

Figure 2. hypothesized PLS Measurement Model

The analysis of convergent validity and internal consistency reliability is crucial to ensure the measurement model's robustness and accuracy. Convergent validity assesses the extent to which a construct's indicators are correlated, while internal consistency reliability evaluates the consistency of the items in measuring the same construct. In this study, the validity and reliability of the constructs were examined based on established thresholds. Indicators are considered valid if their outer loadings exceed 0.50, and constructs are deemed reliable if they meet the following criteria: Cronbach's Alpha > 0.70, Rho_A > 0.70, Composite Reliability > 0.70, and AVE > 0.50 (Hair et al., 2019). These benchmarks provide a comprehensive assessment of the constructs and their associated items, ensuring that the model can accurately represent the theoretical framework. The detailed Convergent Validity & Internal Consistency Reliability can be shown on table 3.

Table 3. Convergent Validity & Internal Consistency Reability

Constructs	Item Code	Outer Loadings	Cronbach's alpha	Rho_A	Rho_C	AVE
PEU	PEU1	0.761	0.820	0.827	0.874	0.582
	PEU2	0.768				
	PEU3	0.840				
	PEU4	0.709				
	PEU5	0.730				
PEOU	PEOU1	0.707	0.814	0.886	0.852	0.537
	PEOU2	0.667				
	PEOU3	0.738				
	PEOU4	0.735				
	PEOU5	0.810				
CWB	CWB1	0.793	0.711	0.738	0.818	0.530
	CWB2	0.702				
	CWB3	0.718				
	CWB4	0.693				
DMS	DMS1	0.828	0.766	0.785	0.849	0.585
	DMS2	0.686				
	DMS3	0.784				
	DMS4	0.756				
SBP	SBP1	0.855	0.832	0.835	0.878	0.549
	SBP2	0.765				
	SBP3	0.838				
	SBP4	0.701				
	SBP5	0.691				
	SBP6	0.557				

The construct Perceived Ease of Use (PEU) exhibits exemplary validity and reliability across all metrics. Each indicator, from PEU1 to PEU5, demonstrates outer loadings above the required threshold, ranging from 0.709 to 0.840. These high outer loading values indicate strong correlations between the individual indicators and the latent variable. Additionally, the construct achieves robust reliability, with a Cronbach's Alpha of 0.82, Rho_A of 0.827, Composite Reliability of 0.874, and an AVE of 0.582. These metrics collectively validate that the construct is internally consistent and its indicators effectively capture the concept of perceived ease of use. Similarly, the construct Perceived Usefulness (PEOU) maintains its reliability and validity. All its indicators exhibit strong outer loadings between 0.707 and 0.810, while reliability metrics such as Cronbach's Alpha (0.814), Rho_A (0.886), Composite Reliability (0.852), and AVE (0.537) consistently exceed the specified benchmarks, confirming the construct's robustness. The constructs Compatibility with Business (CWB), Digital Marketing Strategy (DMS), and SMEs Business Performance (SBP) further reinforce the model's reliability and validity. For CWB, the AVE of 0.53 and Composite Reliability of 0.818 indicate a solid measure of the construct's variance explained by its indicators, with outer loadings consistently surpassing 0.50. Meanwhile, DMS achieves strong reliability with a Cronbach's Alpha of 0.766, Rho_A of 0.785, Composite Reliability of 0.849, and AVE of 0.585. These values confirm that the construct is both reliable and valid in measuring digital marketing strategies. Finally, SBP demonstrates the highest reliability among the constructs, with a Cronbach's Alpha of 0.832, Rho_A of 0.835, Composite Reliability of 0.878, and AVE of 0.549. All indicators for SBP have outer loadings exceeding the threshold, showcasing their significant contributions to the construct.

The results of the analysis unequivocally show that all constructs and their respective indicators meet the rigorous criteria for convergent validity and internal consistency reliability. The outer loadings of all

indicators exceed the required threshold of 0.50, confirming their relevance to the latent constructs. Similarly, the high values of Cronbach's Alpha, Rho_A, Composite Reliability, and AVE across all constructs demonstrate robust internal consistency and explanatory power. These findings affirm that the measurement model is both valid and reliable, providing a strong foundation for subsequent analyses such as structural model evaluation and hypothesis testing. The well-established reliability and validity metrics ensure that the constructs accurately reflect the theoretical framework, contributing to the overall credibility and rigor of the study.

Meanwhile, one of the most widely used methods for assessing discriminant validity is the Heterotrait-Monotrait (HTMT) ratio, as proposed by (Gold, Malhotra, & Segars, 2001). The HTMT criterion suggests that the ratio should be below 0.90 to confirm that discriminant validity is established. Values exceeding 0.90 indicate a lack of discriminant validity, implying that the constructs may not be sufficiently distinct. For a model to be valid and reliable, it is critical that all HTMT values across constructs fall below this threshold, demonstrating the uniqueness of each variable. The detailed Heterotrait Monotrait Ratio Statiscics (HTMT) analysis can be shown on table 4.

Table 4. Discriminant Validity: Heterotrait Monotrait Ratio Statiscics (HTMT)

Constructs	CWB	DMS	PEOU	PEU	SBP
CWB					
DMS	0.779				
PEOU	0.728	0.721			
PEU	0.697	0.560	0.417		
SBP	0.503	0.743	0.574	0.362	

Based on the analysis of Table 4, all constructs in the measurement model exhibit HTMT values below the threshold of 0.90. This indicates that the constructs are distinct and do not exhibit significant overlap in their measurement. For example, the HTMT values between constructs such as Perceived Ease of Use (PEU), Perceived Usefulness (PEOU), Compatibility with Business (CWB), Digital Marketing Strategy (DMS), and SMEs Business Performance (SBP) are all well within the acceptable range. These results confirm high discriminant validity, suggesting that the variables are conceptually unique and can independently contribute to the structural model. Consequently, the model is well-suited for hypothesis testing and structural path analysis, as the constructs reliably measure their intended dimensions without redundancy or cross-loading.

Another method to measure discriminant validity is by using Fornell and Larcker Criterion. This method evaluates whether a construct is distinct and sufficiently unique compared to other constructs in the model. According to this criterion, the square root of the Average Variance Extracted (AVE) of a construct, represented by bold diagonal values, must be greater than the correlation coefficients (off-diagonal values) with other constructs. If this condition is met, it can be concluded that the construct shares more variance with its own indicators than with other constructs, indicating high discriminant validity. This evaluation ensures that each construct uniquely represents its respective theoretical concept without significant overlap. The detailed Fornell and Larcker Criterion analysis can be shown on table 5.

Table 5. Discriminant Validity: Fornell and larcker Criterion

Constructs	CWB	DMS	PEOU	PEU	SBP
CWB	**0.728**				
DMS	0.606	**0.765**			
PEOU	0.717	0.631	**0.733**		
PEU	0.545	0.446	0.413	**0.763**	
SBP	0.416	0.624	0.508	0.313	**0.741**

Based on Table 5, the discriminant validity of all constructs in the model has been successfully established. The diagonal values, representing the square root of the AVE, are consistently larger than the off-diagonal correlation coefficients across all constructs. For example, constructs such as Perceived Ease of Use (PEU), Perceived Usefulness (PEOU), Compatibility with Business (CWB), Digital Marketing Strategy (DMS), and SMEs Business Performance (SBP) all exhibit this property, confirming their uniqueness and lack of significant overlap. These results demonstrate that each construct predominantly explains the variance in its own indicators rather than being influenced by other constructs. Consequently, the Fornell and Larcker analysis confirms that the measurement model achieves high discriminant validity, making it suitable for subsequent structural modeling and hypothesis testing.

The Cross-Loading criterion also one of obvious method for assessing discriminant validity in structural equation modeling. This method ensures that each item's loading on its designated latent variable is higher than its loadings on any other latent variables. When an item demonstrates this property, it confirms that the construct it belongs to uniquely explains the variance in that indicator, thereby establishing discriminant validity (Hair et al., 2019). This criterion is critical for ensuring that the constructs in the model are not overlapping and that each represents a distinct theoretical concept. Evaluating cross-loadings is a rigorous process that provides confidence in the distinctiveness and validity of the measurement model. The complete cross loading analysis result can be exhibit on table 6.

Table 6. Discriminant Validity: Cross-Loading

	CWB	DMS	PEOU	PEU	SBP
CWB1	**0.793**	0.507	0.810	0.412	0.391
CWB2	**0.702**	0.383	0.307	0.394	0.211
CWB3	**0.718**	0.414	0.404	0.537	0.282
CWB4	**0.693**	0.440	0.423	0.237	0.287
DMS1	0.535	**0.828**	0.636	0.353	0.519
DMS2	0.263	**0.686**	0.389	0.257	0.433
DMS3	0.554	**0.784**	0.514	0.336	0.543
DMS4	0.440	**0.756**	0.345	0.416	0.394
PEOU1	0.334	0.327	**0.707**	0.182	0.366
PEOU2	0.248	0.358	**0.667**	0.103	0.319
PEOU3	0.330	0.418	**0.738**	0.136	0.338
PEOU4	0.548	0.600	**0.735**	0.438	0.429
PEOU5	0.793	0.507	**0.810**	0.412	0.391
PEU1	0.379	0.336	0.259	**0.761**	0.128
PEU2	0.333	0.327	0.202	**0.768**	0.220
PEU3	0.481	0.367	0.378	**0.840**	0.278
PEU4	0.404	0.343	0.275	**0.709**	0.242
PEU5	0.450	0.323	0.415	**0.730**	0.302
SBP1	0.312	0.493	0.413	0.242	**0.855**
SBP2	0.217	0.451	0.303	0.094	**0.765**
SBP3	0.372	0.498	0.364	0.207	**0.838**
SBP4	0.296	0.448	0.297	0.264	**0.701**
SBP5	0.215	0.252	0.290	0.151	**0.691**
SBP6	0.371	0.513	0.518	0.373	**0.557**

From the data in Table 6, all items demonstrate higher loadings on their respective latent variables compared to loadings on other constructs. For instance, items under Perceived Ease of Use (PEU), such as PEU1, PEU2, and PEU3, exhibit significantly higher loadings on PEU than on other constructs like Perceived Usefulness (PEOU) or Compatibility with Business (CWB). Similarly, items under PEOU show dominant loadings on

their assigned construct, ensuring minimal overlap with other constructs. This pattern is consistent across all constructs, including Digital Marketing Strategy (DMS) and SMEs Business Performance (SBP), where items demonstrate their strongest associations with their respective latent variables. These results confirm that the measurement items distinctly represent their intended constructs, affirming the discriminant validity of the model. This robust validation provides confidence that the constructs are well-defined and suitable for further structural analysis

C. Structural Model

After measurement model already conducted, the next analysis is structural analysis to testing hypothesis. Hypotheses testing plays a pivotal role in structural equation modeling (SEM) to determine whether the proposed relationships between constructs are statistically significant. In this analysis, hypotheses are evaluated using t-values and p-values, with t-values greater than 1.96 (at a 95% confidence level) and p-values below 0.05 indicating significant relationships. Additionally, the variance inflation factor (VIF) is used to assess multicollinearity, with values below 10 confirming the absence of multicollinearity issues. Furthermore, adjusted R-squared values measure the explanatory power of independent variables, while f-squared values assess the effect size of each construct (Hair, Hult, Ringle, & Sarstedt, 2022). Together, these metrics provide a comprehensive evaluation of the structural model's validity and reliability. The hypotheses testing analysis can be describe as seen on table 7

Table 7. Summary of Hypotheses Testing

Hyphotheses	Path	Std.Beta	Std. Error	t-value	p-value	VIF	Adjusted R Squared	f-squared	Decision
H1	PEOU -> CWB	0.593	0.045	13.305	0.000	1.206	0.582	0.708	**Supported**
H2	PEU -> CWB	0.300	0.061	4.944	0.000	1.206		0.182	**Supported**
H3	CWB -> DMS	0.606	0.054	11.267	0.000	1.000	0.363	0.581	**Supported**
H4	DMS -> SBP	0.624	0.053	11.851	0.000	1.000	0.385	0.639	**Supported**

The evaluation of H1 (Perceived Ease of Use -> Compatibility with Business) demonstrates a strong positive relationship with a t-value of 13.305 and a p-value of 0.000, far surpassing the thresholds for significance. This implies that the perceived ease of using digital tools significantly enhances their compatibility with business operations. For H2 (Perceived Usefulness -> Compatibility with Business), the t-value is 4.944, and the p-value is also 0.000, confirming that perceived usefulness strongly contributes to business compatibility. H3 (Compatibility with Business -> Digital Marketing Strategy) highlights the importance of aligning digital tools with business operations, as reflected by a t-value of 11.267 and a p-value of 0.000. Finally, H4 (Digital Marketing Strategy -> SMEs Business Performance) exhibits a significant relationship, with a t-value of 11.851 and a p-value of 0.000, indicating that effective digital marketing strategies positively impact SME performance. These results collectively validate the theoretical pathways proposed in the model.

To ensure the reliability of the structural paths, multicollinearity was assessed using the Variance Inflation Factor (VIF). All VIF values in the model fall below the critical threshold of 10, with the highest value being 1.206 for H1 and H2. These low VIF values confirm that multicollinearity is not a concern, meaning that the independent variables contribute distinct and non-overlapping information to the dependent variables. This ensures the stability and reliability of the structural model, making it robust for further interpretation and application.

The adjusted R-squared values provide insights into the explanatory power of the independent variables for their respective dependent variables. For Compatibility with Business, the adjusted R-squared value is 0.582, indicating that 58.2% of its variance is explained by Perceived Ease of Use and Perceived Usefulness. For Digital Marketing Strategy, the adjusted R-squared value is 0.363, and for SMEs Business Performance, it is 0.385, reflecting moderate explanatory power. The f-squared values further highlight the effect sizes of the

relationships, with H1 showing a large effect size (f-squared = 0.708), H2 a small effect size (f-squared = 0.182), H3 a medium-to-large effect size (f-squared = 0.581), and H4 a large effect size (f-squared = 0.639). These results demonstrate varying contributions of constructs to the overall model.

The structural model analysis confirms the validity and robustness of all proposed hypotheses, as evidenced by significant t-values and p-values for H1, H2, H3, and H4. The absence of multicollinearity, supported by low VIF values, ensures the distinctiveness of the independent variables. The adjusted R-squared and f-squared analyses further validate the explanatory power and relative importance of the constructs, emphasizing the central role of Compatibility with Business and Digital Marketing Strategy in influencing SMEs Business Performance. These findings underline the importance of aligning digital tools with business operations and highlight how well-implemented digital marketing strategies can significantly enhance SME performance, providing actionable insights for researchers and practitioners alike.

The structural model depicted in the figure 3 provides a comprehensive visual representation of the relationships between constructs, incorporating path coefficients and p-values to substantiate the significance of each hypothesized relationship.

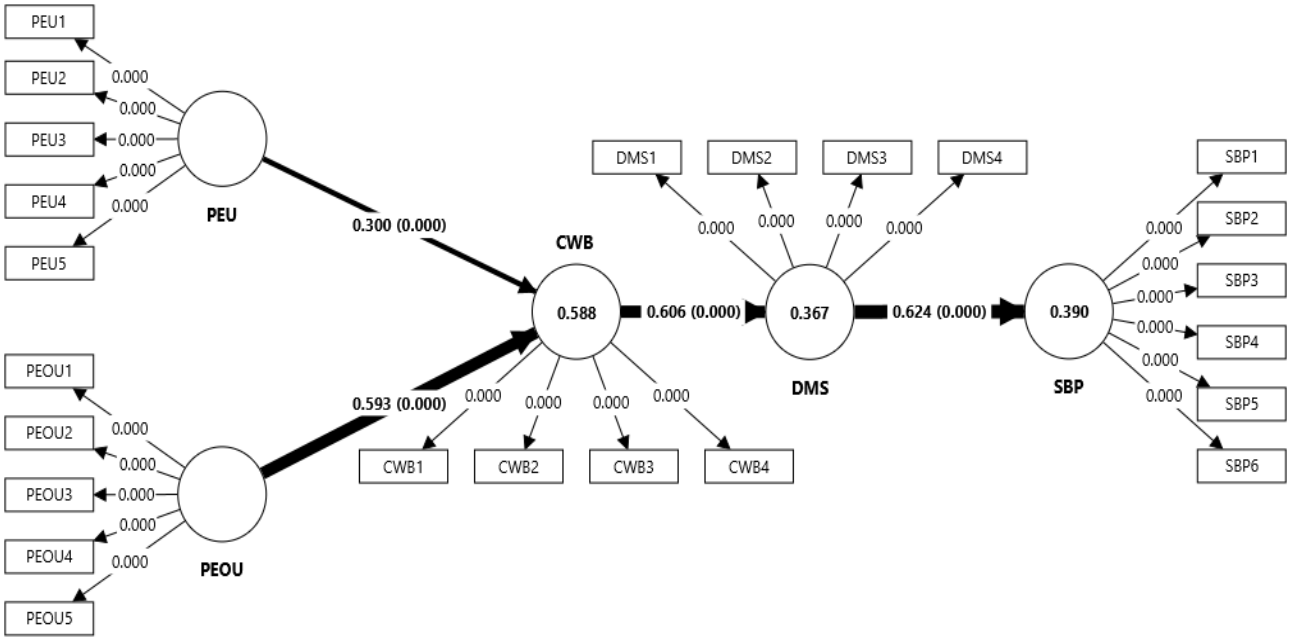

Figure 3. hypothesized PLS Structured Model

The path from Perceived Ease of Use (PEU) to Compatibility with Business (CWB) exhibits a significant coefficient of 0.300 (p = 0.000), while the stronger relationship between Perceived Usefulness (PEOU) and CWB is supported by a coefficient of 0.593 (p = 0.000). Both pathways highlight the critical role of these factors in influencing business compatibility. Moreover, the transition from CWB to Digital Marketing Strategy (DMS) is supported by a robust coefficient of 0.606 (p = 0.000), underscoring the importance of aligning digital tools with operational compatibility to foster effective strategies. Lastly, the path from DMS to SMEs Business Performance (SBP), with a coefficient of 0.624 (p = 0.000), affirms that well-implemented digital marketing strategies significantly enhance SME performance outcomes. The model's results emphasize the interdependence of these constructs and the cascading impact of initial factors like PEU and PEOU on overall business success, reinforcing the validity and practical relevance of the proposed framework.

D. Discussion

The structural model offers profound insights into the mechanisms driving the adoption and success of digital marketing strategies among SMEs, emphasizing the interconnectedness of key factors and their ultimate impact on business performance. Beginning with Perceived Ease of Use (PEU) and Perceived

Usefulness (PEOU), the model underlines the importance of intuitive and practical digital tools in fostering adoption. SMEs, often constrained by limited technical expertise and time, are more inclined to adopt digital technologies that are user-friendly and provide clear, tangible benefits. These perceptions play a pivotal role in enhancing Compatibility with Business (CWB) by ensuring that the technologies align seamlessly with the organization's operational processes and objectives. For SMEs, this alignment reduces the perceived risks of digital transformation, fosters confidence among decision-makers, and facilitates the integration of these tools into everyday business practices, thereby enabling a smoother transition to a digital-first approach (Wu, Botella-Carrubi, & Blanco-González-Tejero, 2024).

The model further highlights the critical role of Compatibility with Business in enabling the successful development and implementation of Digital Marketing Strategies (DMS). For SMEs, this signifies that digital strategies must be tailored to address their specific operational realities and market conditions. Unlike larger corporations with extensive resources, SMEs often operate under financial and human resource constraints, making strategic alignment essential (Rike Selviasari & Sudarmiatin, 2024). The model underscores that when digital tools are compatible with existing workflows and business objectives, they enable SMEs to allocate their resources more effectively. This leads to the creation of targeted, efficient marketing strategies that not only resonate with the intended audience but also provide measurable outcomes. Whether through social media campaigns, search engine optimization, or e-commerce enhancements, these strategies ensure that SMEs can maximize their return on investment while staying competitive in a fast-paced digital environment (Boom-Cárcamo, Molina-Romero, Galindo-Angulo, & del Mar Restrepo, 2024).

Finally, the model establishes a robust link between DMS and SMEs Business Performance (SBP), demonstrating the transformative potential of effective digital marketing strategies. The relationship between these constructs highlights how well-implemented digital marketing initiatives directly contribute to tangible outcomes such as increased sales, improved customer loyalty, enhanced brand visibility, and market competitiveness. For SMEs, this is a critical insight, as it demonstrates that investing in strategic digital initiatives is not merely an operational adjustment but a pathway to sustained growth and scalability. By overcoming traditional barriers such as geographic limitations or limited access to larger markets, SMEs equipped with strong digital marketing strategies can tap into new customer segments, improve engagement through personalized experiences, and build a strong digital presence that sets them apart from competitors (Amiri, Kushwaha, & Mishra, 2024).

Beyond these direct relationships, the model provides a broader framework for actionable insights that SMEs can leverage to enhance their digital transformation journey. Policymakers and practitioners can use these insights to design supportive ecosystems, including subsidies for digital tools, training programs for SME owners, and industry partnerships that enable knowledge sharing. The focus on fostering Compatibility with Business also points to the need for customized solutions that reflect the unique realities of SMEs across industries. Moreover, by addressing perceived barriers related to the complexity or usefulness of digital tools, technology providers can develop solutions that are better suited to SME needs (Wang & Xia, 2024). These combined efforts can ensure that SMEs not only adopt but also optimize digital marketing strategies, enabling them to thrive in increasingly competitive and digitalized markets.

Furthermore, SMEs can optimize their digital marketing strategies by adopting a structured approach that aligns technology with their unique business needs while leveraging opportunities effectively. This begins with defining clear, measurable objectives tailored to their target audience by analyzing customer preferences, behaviors, and demographics to create impactful and relevant strategies. Selecting user-friendly and scalable tools is critical, as intuitive platforms, such as Google Ads, social media management tools, or CRM systems, enhance adoption and efficiency by streamlining processes. Ensuring compatibility with business needs is equally important, as aligning digital strategies with specific operational and market conditions ensures seamless integration; for instance, retail SMEs might focus on e-commerce and social media ads, while B2B-focused SMEs could prioritize email marketing and LinkedIn campaigns. SMEs must also leverage data analytics to monitor campaign performance, track key metrics like ROI and conversion rates, and refine their strategies for continuous improvement. Upskilling their teams through training or consulting with digital marketing experts can bridge knowledge gaps, enabling effective tool management. A multi-channel approach, combining SEO, social media, content marketing, and paid advertising, ensures comprehensive reach and balanced efforts across platforms (Kalender & Žilka, 2024). Lastly, remaining agile

to market trends and customer feedback allows SMEs to experiment with emerging tools, such as TikTok or video marketing, and fine-tune their campaigns. By systematically implementing these strategies, SMEs can address common challenges, fully capitalize on digital tools, and achieve sustainable growth in an increasingly competitive digital landscape (Wu et al., 2024).

To complement these efforts, SMEs must develop digital dynamic capabilities—the ability to sense, seize, and transform in response to rapid technological and market changes. Digital dynamic capabilities enable SMEs to anticipate emerging trends, adapt their strategies swiftly, and reconfigure their resources to maintain competitive advantages (Momeni, Raddats, & Martinsuo, 2023). For instance, sensing involves scanning the digital environment for new opportunities, such as trends in social media engagement or advancements in e-commerce platforms. Seizing these opportunities requires swift decision-making and investment in technologies or campaigns that align with market needs, such as launching tailored ad campaigns on platforms like Instagram or optimizing mobile-first customer experiences. Transformation, the final dimension, involves restructuring internal processes, such as integrating customer feedback systems, adopting AI-driven analytics, or automating marketing workflows, to sustain agility and innovation. By cultivating these dynamic capabilities, SMEs not only enhance their capacity to respond to disruptions but also position themselves as proactive players capable of shaping market dynamics (Marcon et al., 2022). This adaptability ensures that their digital marketing strategies remain effective and resilient amidst evolving consumer behaviors and technological advancements, ultimately securing their long-term success in a competitive digital economy.

Conclusion

The findings of this study reveal that the integration of Perceived Ease of Use (PEU) and Perceived Usefulness (PEOU) significantly enhances Compatibility with Business (CWB), which in turn positively influences the effectiveness of Digital Marketing Strategies (DMS) and ultimately improves SMEs Business Performance (SBP). The results underscore the critical role of aligning digital tools with business operations, demonstrating that SMEs are more likely to adopt and optimize digital marketing when these tools are user-friendly, practical, and compatible with their existing processes. Moreover, the study highlights the transformative potential of digital marketing in driving tangible outcomes, such as increased sales, improved customer engagement, and enhanced market competitiveness. These insights contribute to bridging the gap in SME adoption of digital strategies, offering a comprehensive framework grounded in the Technology Acceptance Model and Resource-Based Theory. The implications of these findings are twofold: for practitioners, they emphasize the need for SMEs to invest in user-friendly and strategically aligned digital tools and for policymakers, the necessity to support SMEs through training programs, subsidies, and initiatives that address adoption barriers. Additionally, technology providers can benefit from these insights by designing solutions that cater to the specific needs of SMEs. Future research could extend these findings by exploring the long-term impact of digital marketing strategies on SME scalability and innovation, as well as the role of industry-specific factors in shaping digital adoption. Studies could also incorporate cross-country comparisons to understand how contextual variables influence the effectiveness of digital marketing in SMEs globally.

Acknowledgments

The researchers would like to express their deepest gratitude to the Directorate of Research, Technology, and Community Service (DRTPM) of the Ministry of Education, Culture, Research, and Technology (Kemendikbudristek) for their generous support and funding of this fundamental research. This invaluable support has enabled the researchers to explore and analyze critical aspects of digital marketing implementation in SMEs, addressing challenges and uncovering insights that contribute to both academic literature and practical applications

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APPENDIX A. Item Scale of Questionnaire

Constructs	Item Code	Indicators	Scale
SMES Business Performance (SBP)	SBP1	Sales Performance	Sales of our company's products/services are stable and tend to increase from time to time.
	SBP2	Profitability Performance	Our company is currently experiencing a consistent increase in profits from time to time
	SBP3	Market Share Performance	Our company is able to maintain and even increase a significant market share compared to competitors
	SBP4	New Customer Performance	Our company has experienced a significant increase in the number of new customers in recent times.
	SBP5	Investment Performance	Our company feels that the funds invested in business activities are able to provide optimal profits.
	SBP6	Customer Satisfaction Performance	Our company feels that the company's customer satisfaction level is at a high level.
Digital Marketing Strategy (DMS)	DMS1	Customer relationship strategy	My company always uses digital marketing (both in the form of social media, mobile apps and websites) to manage good customer relationships
	DMS2	Strategic Customer Insights	My company is able to predict customer tastes and preferences by using digital marketing.
	DMS3	Strategic Partnership Management	My company is able to manage relationships with suppliers and business partners strategically by using digital marketing.
	DMS4	Consumer Attraction Strategy	My company is aggressively using digital marketing to attract consumers.
Perceived Ease of use (PEOU)	PEOU1	Ease of Learning	Overall, it is easy to learn digital marketing
	PEOU2	Ease of Customer Identification	It is easy to identify new customers using digital marketing
	PEOU3	Ease of Understanding Customer Demand	It is easy to identify customer demand using digital marketing
	PEOU4	Ease of Information Retrieval	Information retrieval about a customer is easy using digital marketing
	PEOU5	Ease of Advertising	Advertising products and services on digital marketing platforms are easy
Perceived Usefulness (PU)	PEU1	Business Utility	Digital Marketing is useful for business
	PEU2	Marketing Value	Digital Marketing is a valuable tool for marketing

	PEU3	Productivity Enhancement	Digital Marketing enhances the productivity of the business
	PEU4	Query Management	Digital Marketing helps better query management
	PEU5	Customer Satisfaction	Digital marketing helps more customer satisfaction
Compability with Business (CWB)	CWB1	Versatility of Use	Our enterprise is compatible for using Digital Marketing for different purposes
	CWB2	Regular Usage	I use Digital Marketing regularly for business purposes
	CWB3	Training Support	My organization provides me support for getting training on Digital Marketing
	CWB4	Marketing Alignment	Our business is compatible using Digital Marketing for marketing purpose