



## Article

# The Impact of Digital Marketing on the Performance of SMEs: An Analytical Study in Light of Modern Digital Transformations

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**Abstract:** This research intends to evaluate the effect on the performance of small and medium enterprises (SMEs) of technological developments, including digital marketing, and to determine the variables that affect the relationship. Because these businesses are essential to driving local economies, boosting local economic growth, and creating job opportunities, this is a very important question, and figuring out how to best help them succeed through digital marketing is critical. The data were generated from a sample of 190 marketing companies, and each of the managers of these companies was surveyed for the information needed. This research focuses on the impact of SMEs' performance through digital marketing strategies, including online advertising, social media marketing, search engine optimization (SEO), and customer engagement through digital channels. A further analysis was performed looking at the mediating effect of digital transformation on the relationship between digital marketing and firm performance. The theoretical lens in the current study is the Technology Acceptance Model (TAM), which argues that technology use depends on perceived use and perceived usefulness. The results revealed that digital marketing is essential for SME effectiveness, as a driver of digital transformation, leading to stronger economic results and an enlarged market presence. Engagement with customers on digital channels to understand their behavior and preferences helps organizations create better experiences and products, and sell smarter as well. This offers application insights to the practitioners and proves the empirical data telling the SMEs how to plan the adoption of digital marketing. It also offers policy recommendations to authorities on how to promote digital innovation and provide financial and technical assistance to SMEs in this vital area.



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## 1. Introduction

There is a diversity of challenges and opportunities that small- and medium-sized businesses face in the rapidly evolving digital world of today. In a world of increasing complexity, fueled by a maturing global economy, the hyper-competitiveness that defines the global marketplace makes cutting-edge technologies a requirement for escalating performance [1]. Serving as the backbone of many economies, having a significant impact on employment creation, and stimulating economic growth, such enterprises face challenges when it comes to adopting digital transformation. They have limitations regarding money, people, and skills. However, enduring the process of learning new tools could unlock opportunities to facilitate growth and shock resistance in a whirlwind era [2]. SMEs are unable to fully embrace digital marketing strategies in the current fast-changing world due to many constraints, such as limited financial and human resources [3]. However, most research in the domain of digital marketing is still centered on large firms, and, thus, there is limited knowledge about how digital marketing can influence the performance of

SMEs [4]. This research seeks to fill this gap by examining the role of digital marketing and its effect on performance, with an emphasis on the mediating role of digital transformation.

Moreover, digital marketing is indeed a key strategic resource to reach a larger target audience and the last expansion of business [5]. Due to the current fast-changing and evolving technological market environment, SMEs are challenged to embrace and utilize digital marketing [6]. Due to the constant changes in the digital marketplace, the adoption of new digital tools is not enough for SMEs; these tools have to be efficiently and properly implemented by the SMEs to increase their market standing and productivity [7]. However, the use of digital marketing is still a challenge to most SMEs because of the problems associated with resources, skills, and technology [8]. To this end, this study seeks to investigate the real-world application of digital marketing strategies and their effect on SMEs' performance in the course of digitalization. This will be performed by analyzing the literature and real-life examples, and, thus, the research will help to identify ways through which SMEs can be able to overcome. Online revenue models are useful for managing payment transactions and promoter payouts while saving time and rent and making credit-card processing easier for these; meanwhile, market extension and availability of virtual store hours can benefit digital products over physical ones, as multiple sources have suggested that digital products are affecting traditional products in the market get success using digital marketing [9]. "Businesses were operating in certain environments and following certain processes; but during a crisis, when many of these rules change or become unpredictable, the marketing and advertising breaks in shows what worked, what did not, and what gaps or holes need to be filled for success in the future", followed by the statistic. According to [10], businesses that skillfully adopt digital marketing strategies will see a greater market presence and achieve higher financial returns compared to [11]. It also allows companies to interact with customers in ways that were simply impossible before as new digital technologies continue to take over day-to-day lives, such as being able to receive more insights on the behavior and preferences of a customer and, hence, creating a better experience; and of course, building a better product and selling more effectively [12]. However, much less is known about how digital marketing affects the productivity of SMEs, despite its promise, as most of the studies in this area have focused on large firms, resulting in a knowledge vacuum [13].

Nonetheless, despite growing interest in the digital domain, the literature seems to focus more on large companies leaving SMEs poorly represented [14]. That creates an understanding gap about the effect of digital marketing on small businesses. Purpose empirical evidence is required to understand the process of adoption of digital marketing practices by SMEs and its actual influence on their efficiency [14]. In addition, previous studies often fail to recognize the mediating effect of digital transformation on the improvement of firm performance in the effect of digital marketing strategies [15].

Moreover, there are many challenges an SME has to overcome while it tries to implement a digital marketing strategy [16]. These challenges are financial and human resource constraints, low-level technical skills, and the complexities of trying to keep up with the pace of technological changes [17]. It is important to understand the real impact of digital marketing on the efficiency of these companies and how they will need to influence future initiatives and policies suitably [18]. The theoretical framework for this analysis is the Technology Acceptance Model (TAM), developed by [19]. TAM reveals that the adoption and utilization of technology depend on the following: (1) the perceived ease of use, which is effortlessness, and (2) the perceived usefulness. Based on this theory, SMEs' facets to offer digital marketing access are dependent on the advantage and simplicity perceived by the SMEs from the ICTs. This model explains the ways that potential adopters of new technologies choose to interact with them based on information that influences their attitude about the other factors in the model.

This study will focus on how digital marketing can influence the performance of SMEs in digital transformation, in which it faces a dilemma of its own. In doing so, the study will look at such aspects as Internet advertising, social media marketing, search engine

optimization (SEO), and engaging customers in digital channels. This study brings forth several novel features to the current body of knowledge on digital marketing for SMEs. Firstly, it examines the real-world use of new digital marketing technologies and tactics that have been underutilized in the SMEs' environment. Second, the study uses the Technology Acceptance Model (TAM) to explain how SMEs perceive and use digital marketing tools, presenting a new approach to the analysis of adoption. Through such new dimensions, the study helps to bridge the existing gap between the concept of digital marketing and its application in small- and medium-sized enterprises and offers guidance for practitioners and policymakers. This study is based on the following research questions:

RQ1. How does the use of digital marketing strategies affect SMEs' performance?

RQ2. What intermediary role does digital transformation play in the relationship between digital marketing and company performance?

This study aims to offer a novel understanding of SMEs using digital marketing to enhance their performance. Through field data and secondary data from the literature review, the present study aims to provide handy suggestions for practitioner SMEs and mediator guidelines for policymakers to promote digital technology use within this important sector. This study can help SMEs with upfront evidence and concrete data to enable them to make their decisions regarding the deployment of digital marketing. It can also provide policymakers with key perspectives on ways to support this critical sector by creating policies that foster digital innovation and by delivering financial and technical support to SMEs.

## 2. Literature Review

### 2.1. The Relationship between Digital Marketing and the Performance of SMEs

Small- and medium-sized enterprises play a vital role in promoting economic growth and driving economic development. In recent years, because of technological advancements, these enterprises have had major changes in their marketing strategy, with digital marketing becoming the primary means for expanding growth and enhancing performance. Digital marketing involves using digital media such as search engines, social media networks, emails, and websites to advertise goods, services, and viewpoints; interact with consumers; etc. Tactics incorporate internet advertising, social media marketing, search engine optimization (SEO), and consumer interaction via diverse digital platforms. Moreover, Digital marketing brings benefits in terms of brand spirit and an increase in turnover. As explained by [10], firms that successfully introduce digital marketing techniques can achieve a higher audience reach, more efficient conversion rates, and better ROI. It also connects companies with customers instantly to offer more personalized assistance, helping them to elevate customer satisfaction and loyalty.

However, there are several reasons for the validity of using digital marketing. It provides SMEs with an economical channel to communicate with the wider public without large investment in traditional media. Furthermore, by accumulating and analyzing data on customer behavior and preferences, digital marketing allows companies to revise their strategies and adjust products and services to specifically meet customer needs [20]. Digital marketing can improve business efficiency through process optimization and cost minimization.

Nevertheless, there remain gaps in the existing literature on the precise accreditation of SME performance. The authors of [5] noted the need for additional studies focused more closely on the relationship between different strategies of digital marketing and specific key performance indicators in SMEs, such as greater sales volume, improved customer satisfaction, and larger market share. In addition, there are difficulties arising from SMEs' capacity to adopt and effectively utilize digital technologies. Technology acceptance is the way people will adopt and use new technologies; TAM, whose content was first launched in 1989 by Davis, proposes that perceived usefulness and perceived painlessness are two major factors determining whether people adopt an innovation or not [19]. The importance lies in it: Perceived usefulness is the degree to which a person believes that using any particular technology is going to enhance their work performance. Perceived ease of use means the

degree to which a person believes it will be free from effort. The application of TAM can help us to understand how SMEs view digital marketing tools and technology, and how those perceptions can affect their adoption and use. When digital marketing tools are perceived as easy to use by SMEs, and if these same tools are felt by them to be useful, then they are sure enough more likely to take the trouble necessary to integrate them (with their business operations), thus improving performance so greatly. When SMEs find digital marketing tools easy to use and useful, they are going to spread those tools within their business operations period. This will contribute to improved performance. The mediating role that digital transformation plays in this context is important. Digital transformation is a process of integrating digital technologies into all areas of a business, changing fundamentally how companies operate and deliver value to customers. In this regard, it acts as a bridge between digital marketing strategies and business performance. By adopting digital transformation, SMEs may fully utilize the benefits of digital marketing strategies. For example, digital transformation could enhance their capabilities in data analysis, facilitating better decision-making and marketing events tailored toward individuals. It would also improve their operational efficiency and lower running costs, expand customer engagement, and thus benefit performance altogether. Digital marketing is a central constituent of the performance of small and medium enterprises in the digital age. In combination with digital marketing strategies, digital transformation can bring significant improvements to SME performance. A case in point is the way that digital transformation will enable you to strengthen your analytical capabilities for better decisions, make marketing efforts more personal, streamline operations, and reduce costs, or bring about increased customer engagement, adding up to an improved performance. However, further research is needed to assess the impact of these strategies on performance—how to optimize them and how best to measure their results.

## 2.2. Digital Marketing Strategies

In today's competitive market conditions, digital marketing strategies have become essential. Future research should explore whether these strategies benefit businesses with unique products facing fierce competition [21]. The literature review reveals that SMEs often adopt digital marketing strategies from large companies [22]. According to [23], digital marketing adoption across business sectors has been studied in many peer-reviewed journals. Diffusion of Innovations theory posits that innovations, such as new technologies (e.g., digital marketing), are adopted in predictable ways based on their perceived relative advantages, compatibility, complexity, trialability, and observability [24]. Although they face some challenges, SMEs can gain a lot from utilizing digital marketing strategies [2].

However, according to [25], SMEs may struggle to resource and make the most of digital marketing practices, as demonstrated by [2]. This restricts them from getting the most out of these technologies. For one thing, technology changes quickly, and it can be tough for small businesses to keep up with the latest developments so that they can implement these new tools and innovations as soon as they are available [26]. A successful digital marketing strategy can expand share in the market and profit [27]. The research indicates that digital marketing helps SMEs meet customer requirements, determine their tastes and behavior, and localize products and services to meet those requirements. This in turn results in better customer satisfaction and productivity improvements [28].

In the same vein, the authors of [29], in a study of 500 SMEs connected digital marketing strategies with better brand recognition, higher customer engagement, and ultimately better sales and profits. The direct tie of marketing to revenue can be tracked in real-time to improve the decision-making of small businesses by allowing them to work with data. It is also a great tool in social media for consumer engagement and brand loyalty [30]. According to [31], social media marketing helps businesses forge a significant audience at little or no cost, assist in receiving customer feedback, and have a better relationship between SMEs and their customers. Moreover, search engine optimization (SEO) is important for better search visibility and an increase in organic traffic CTRs. For reference, studies such as [10],

indicate that a successful SEO method leads to better search rankings, higher user visits to the website, and greater sales. To benefit SMEs, even more leeway is needed to promote their brand and potentially get more customers without steep advertising expenses [23].

More particularly, content marketing, the art of creating and delivering valuable content to attract and retain a well-defined audience, again, is another success element! In his book *Managing Content Marketing*, ref. [32] underlines the importance of creating interesting, content-heavy articles aimed at a very particular market to grow a company's online presence and reputation as an expert in the market. Good-quality content will take SMEs to the next level by positioning them as thought leaders.

Finally, various digital marketing strategies have become essential for SMEs, given the competitiveness of the market today. However, they come with a range of benefits, such as improved brand reach, customer interactions, and sales [33]. Unfortunately, many SMEs face barriers related to having the resources and expertise to fully deploy these strategies. The research of others should look further into the effects of digital marketing on companies working with non-homogenous and highly competitive products [34].

### 2.3. Investment in Digital Technology

Small businesses that are not digitalized will surely not survive in today's business setting. For SMEs, such investments are a step toward more operational efficiency, improved customer services, and securing a competitive advantage. The present study aims to review the literature on key articles articulating the performance, barriers, and influencing determinants of digital technology investments in SMEs. Examples of digital technology include tools and systems such as cloud computing, big-data analytics, artificial intelligence (AI), and the Internet of Things (IoT). These tools are key to cost and efficiency benefits and generate revenue for business. According to [35], the strategic use of the technologies disrupts their usual practices and boosts quality and sustainability.

Increased operational efficiency is one such major advantage of digital technology. Enterprise resource management (ERM) systems, customer relationship management (Microsoft Dynamics 365 CRM) software, and automated supply-chain solutions are some examples of tools that help to improve productivity, reduce costs, and upgrade the quality of decision-making in SMEs [36]. Customer experience is also elevated through digital technology. Perfect relationship: This is possible with new technologies put out at a faster rate by providing social networks, mobile applications, and a personal sales approach that creates connectivity between companies and customers [37]. Increased digital engagement was significantly associated with increased customer satisfaction, retention, and loyalty; and these jewelry-store customers were more likely to be repeat purchasers.

Businesses can bring new products, services, and business models to market faster to adapt to market changes [38]. This agility puts firms at a competitive advantage so that they may respond more quickly to market opportunities and disruptions. SMEs need to overcome the challenges associated with the Moon Gate to invest in digital technology investments. Financial limitations are also a problem, and the biggest financial limitation is the high cost up-front. The authors of [39] explained that the ROI for digital technologies was not always "proven", and there were concerns about spending the money. SMEs might not have the in-house expertise required for digitization. The author of [40] argued that employee training and development programs should be designed to have the ability to be related digitally.

Another challenge is resistance to change in organizations. The use of digital technologies always means a large change to the way of working and, potentially, the culture of the employees [41], and since up to 50 to 75% of the workforce is openly resistant to change [42], the success might be questionable. To overcome resistance and ensure a smooth digital transformation, clear communication, stakeholder engagement, and effective leadership are key. The resolution of digital technology investments in SMEs is influenced by several factors. Moreover, the study found that organizational readiness, perceived benefits, external pressures, and strategic alignment are important. Organizational readiness: Ac-

cording to [43], organizational readiness depends on infrastructure, financial health, and management commitment. Investment decisions are also affected by the perceived benefits deliverable from IBPR, such as cost reductions, improved efficiency, and increased competitiveness delivered by the firm [19]. External drivers, such as competitive forces, customers, and regulatory environments, force SMEs to adopt digital technology as an essential tool to maintain competitiveness [17]. Proper alignment between digital technology investments and overall business strategy is fundamental for achieving desired outcomes [44]. There is clear evidence to suggest the positive return on investment (ROI) that SMEs can achieve when they invest in the digital space, as can be concluded from various case studies and empirical research findings [45]. demonstrated that investments in data analytics produced improved decision-making and performance [42]. A survey compiled by the International Trade Centre (2020) found that SMEs that used digital tools during COVID-19 were more likely to be able to weather the storm and confront challenging conditions [46].

Lastly, for SMEs, taking on digital is non-negotiable for success in the digital age. SMEs must be quick to grasp and act on the most important determinants of successful digital technology investment and ensure that they can be integrated into their digital strategies, helping to grow and meet their strategic goals through the effective use of digital technologies.

#### 2.4. Customer Engagement

Timely and effective customer engagement, especially for small- and medium-size businesses, is however a necessary measure for survival in the digital world. This means leveraging social media, websites, mobile apps, email, etc., to engage with customers and keep them coming back. To the second point, customer engagement is what drives retention, satisfaction, and overall business performance. This paper systematically reviews the extant literature on customer engagement, with a special focus on its importance for SMEs [47].

As a technology enabler in the current digital innovations, artificial intelligence (AI) has a central part to play as a digital customer engagement tool. It offers clients direct, real-time contact and makes them remember that it is actually possible to feel happy all over. For SMEs, this capability would facilitate one-on-one initiatives to customers, which would yield good relations and, therefore, pleased customers in the long run. According to [20], customer engagement is not just a set of exchange processes; it refers to affective and cognitive processes that are vital for performance improvement of SMEs.

Engaged customers also make loyal customers, whom every business knows more likely to support your brand over the long term in terms of their lifetime value. Thus, it is not a big surprise that social media has become a juggernaut and a baby craze for Fox Forum, as it provides SMEs with the right context to engage with the online masses and bring like-minded consumers into a brand community [48]. It is equally important to mobile apps, as they provide a better user interface, user experience, and flexibility in the way the solution is being used. Companies can send targeted messages and promotional offers to customers, encouraging more engagement and customer loyalty.

Nevertheless, SMEs find it difficult to invest in digital technology. Among the obstacles that organizations may face include financial constraints, insufficient know-how, and resistance to change [23]. From this perspective, they highlight the importance of continuous learning and digital customer engagement skills being an ongoing market differentiator. To realize the full potential of digital tools, SMEs need to overcome these obstacles. Another problem is that of data privacy and security. The authors of [22] state that transparency and communication of privacy policies help in achieving customer confidence and trust.

However, high-quality content is essential to engage with customers digitally. Your content needs to be relevant, useful, and engaging to get people to pay attention. Content marketing has often been identified as a way of creating awareness for a brand, as well as building long-term customer relations [23]. You need to spend money on relevant, high-quality content that resonates with your audience and sticks to your brand image.

Another important consideration is customization. With customer experiences currently being more personalized, it can make users feel significant to become more engaged with the brand. This fortifies the relationship of the company to its customers.

In addition, engagement can be extended to be even more immersive through innovations such as augmented reality (AR) and virtual reality (VR). According to [49], AR and VR can be a novelty to conventional advertising, capturing the attention of customers and broadcasting the brand. You need customer feedback to design your engagement strategies. It helps businesses get valuable information and use it for making various decisions since they can then understand what the customers want and prefer. The author of [30] recommended proactively asking for feedback and responding to feedback to maintain customer satisfaction. When it comes to customer engagement, having the right company culture in place is a key piece of the puzzle. Leadership buy-in and employee engagement are critical [25]. MEs can also help to drive things forward by fostering a culture that sees value in engagement with customers, with employees getting involved in attempts to engage with customers.

In summary, customer engagement is of the utmost importance in the digital age to build SME success. Small businesses need to make the most of these digital assets, such as social media, mobile applications, and email marketing, to reach potential customers. There are numerous constraints, like scarce resources, privacy concerns, and, of course, regulations. To deal with these challenges, SMEs need to pay attention to creating high-quality content, personalized experiences, and interactive technology, and, of course, they need to factor in the voice of the customer chain. Moreover, businesses can cultivate a culture to make it customer-centric, and they can leverage digital tools to keep the customers hooked on their services and products for the long run to attain business growth [50].

## 2.5. Digital Transformation

In the increasingly competitive, technology-focused business landscape of today, digital transformation is vital for all companies, particularly small- and medium-sized enterprises (SMEs). This requires marrying digital technologies with every function of the business; that, in essence, revolutionizes operations and how the value is delivered to the customer. But digital transformation is more than just adopting cutting-edge technologies—it involves a cultural change within the organization [51]. For SMEs, digital transformation generally helps in enhancing operation efficiency, lesser operations costs, and increased productivity. The authors of [52] examine how digital tools such as those associated with cloud services and big-data analytics allow SMEs to base decisions on data, improve resource management, efficiently manage supply chain coordination, and strengthen customer relationships.

One of the most important components of digital transformation is customer engagement [52]. Across borders, social media, mobile apps, and web shops allow customers to engage with a brand, making them fulfilled, loyal customers capable of value return by providing inputs for product and service development.

Technology innovation–digital transformation offers SMEs new ways of thinking about technology innovations. According to [38], technologies such as the Internet of Things (IoT) and augmented reality (AR) create new opportunities for innovation, which can give companies a competitive advantage, especially for small and medium enterprises (SMEs). SMEs can leverage their competitive edge, along with new technologies, to develop new products, services, and business models to offer more value-added services and stay ahead of the competition. Though there are advantages, SMEs have some challenges to digital transformation. Financial limitations are strong, and initial costs can be prohibitive. The authors of [30] argue that this distribution leads to a situation where the return on investment (ROI) of digital projects is widely uncertain, especially in new projects, forcing small and medium enterprises to be skeptical about investing. Furthermore, the lack of technical capability in SMEs is a barrier for digital technologies to work as intended [18], emphasizing the importance of staff training and development programs to develop digital capabilities. Another hurdle is resistance from within an organization, as the implemen-

tation of new technologies often involves changes in operational processes and culture, something that may lead to employee resistance.

Furthermore, digital transformation decision-making considerations in SMEs' organizational readiness are a key focus, as are perceptions of benefits or value, external pressures (e.g., regulatory, social, economic, and political), and strategic alignment. Therefore, Technology adoption supports the UTAUT ideas that perceived usefulness and ease of use are essential [19]. The Technology Acceptance Model (TAM) locates external pressures, including competitive pressures and customer requirements, as essential motivators for digital-transformation efforts.

This positive impact on SMEs has also been validated in numerous case studies, and empirical research by [53] showed that SMEs who implemented e-commerce strategies were also able to create more sales and acquire customers. According to the research [54], investments in data analytics resulted in better decision-making and performance. According to the International Trade Centre (ITC)'s 2020 survey, SMEs using digital tools were more resistant during the COVID-19 pandemic [46].

To summarize, digital transformation is vital for the survival and sustainability of SMEs. Although the benefits are deeper operational efficiency, richer customer engagement, and increased innovation, SMEs face challenges in terms of financial restrictions, knowledge constraints, and organizational resistance. Insights help smaller businesses realize key considerations, as well as best practices, that they can leverage for utilizing digital technology in their growth and attaining strategic goals.

## 2.6. Performance

Performance in SMEs is complex, as it covers financial indicators such as profitability, as well as operational efficiency, customer satisfaction, and other business growths. Performance measurement is a way to determine how well SMEs can compete and where they can improve, and to guide strategic choices. Arguments related to these factors and others the review outlines are about what is expected to be discussed in previous research on SME performance.

Having a solid financial performance is key to most SMEs. One has to know how to spend their financial resources wisely and take proper financial planning to have profitable business growth. In the case of the financial management system, ref. [55] studied the financial management system and predicted that SMEs that are well-managed systematically have continuous growth [56]. Accounting tools to manage the finances of a business are budgeting, forecasting, and financial analysis to assist a business in remaining liquid and profitable; flexibility; and the power that the business capitalizes to make the survival and return on investment decisions of a business.

A very important measure of SME performance is operational efficiency. According to [57], operational capabilities are vital to driving performance, particularly in dynamic fact-based marketing: lean management practices and removing waste, enabled by technology solutions, as well as process improvement, ensure that SMEs have streamlined production to enhance productivity. For example, if an ERP (enterprise resource planning) system is put into place, it could certainly simplify administrative control and decision-making. Nothing is greater than customer happiness in the end [30]. When customers are pleased, they will return and share their positive experiences, promoting higher performance. The implementation of customer relationship management (CRM) through CRM systems helps SMEs gain customer insights, meet customer expectations, and build loyalty.

Innovation is a major factor in the growth of SMEs because other digital technologies like the Internet of Things (IoT) and augmented reality (AR) empower SMEs to differentiate themselves [28]. Innovation is not only technological breakthroughs but also improvements in processes and creative resolutions to problems. Small enterprises with good innovation ability will adapt to the changes in the market, quickly catch up to the market opportunities, and thus maintain competitiveness. SMEs must be market-oriented to survive. Drawing upon a similar theme, ref. [30] found that market-oriented SMEs improve their performance

levels by syncing them with market needs. SMEs can take advantage of market research to provide services to their customers and keep pace with industry changes, while also following competitor moves, to make sound business opportunities for themselves.

The performance of SMEs depends highly on leadership and management capabilities. The success of the program can also be attributed to the positive organizational culture that promotes cooperation, creativity, and continuous innovation [32]. The adoption of technology is one of the key drivers of SMEs' performance. The flexibility, efficiency, and power of innovation that cloud computing, big-data analytics, and artificial intelligence (AI) bring to the table make these digital technologies impossible to ignore. The authors of [58] argue that technology adoption needs to be tackled systematically, with funding and nurturing of human capital. SMEs need to make sure they have the right digital skills within their ranks, as well as a clear technology plan.

However, the confidence and frugal discipline stoicism that small-business managers embody make them surprisingly well placed to battle through challenging times and at least be a hell of a lot better at it than the people they employ minutely; use is a definitive key in SME success. The authors of [27] argued that resilient organizations can not only survive but also thrive in the face of crisis. Resilience is best built by planning for potential crises, developing diversification of income streams, and fostering a flexible organizational culture.

SME performance is associated with a range of measures reflecting an entrepreneurial attitude to business, including risk-taking and innovation. According to [59], an entrepreneurial orientation supports SMEs in seeking, perceiving, and capitalizing on new opportunities, while being open to change and striving for growth. Business performance is dependent on supporting intrapreneurship and a culture of creativity and experimentation.

To sum it all up, SME performance is a combined outcome of internal and external factors that the SME has. A variety of factors, including financial management, operational efficiency, customer satisfaction, innovation, market orientation, leadership, technology adoption, resilience, HRM practices, and entrepreneurial attitude, are important. The comprehension of these determinants and adoption of best practices can ultimately make SMEs competitive, lead to their sustainable growth, and, in the end, ensure their survival from competition.

## 2.7. Conceptual Model

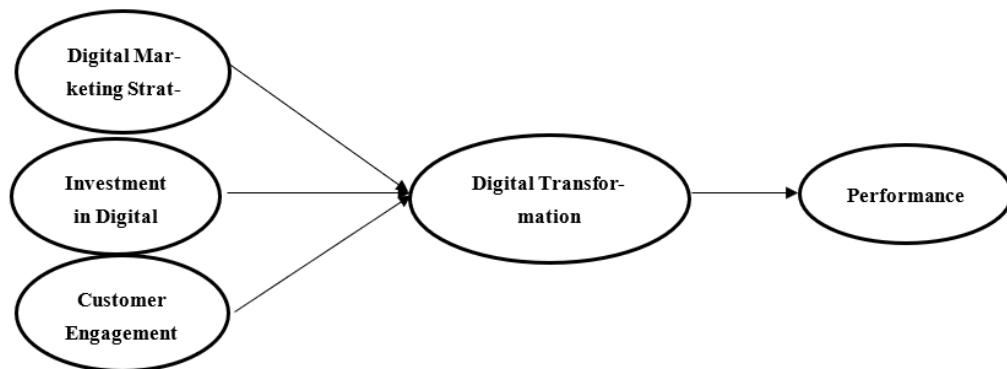
### Technology Acceptance Model (TAM) Theory

This model outlines the association of connectivity of digital marketing strategies, investment in digital technology, customer reflection, and performance of SMEs, well organized through digital transformation to serve as a moderating factor. The study model suggests that digital marketing strategy, investment in digital technology, and customer engagement are positively correlated with the performance of SMEs. This, in addition, implies that digital transformation reinforced the positive effects of these exogenous variables on SMEs' performance, making them even more effective at contributing to business outcomes [60].

Figure 1 shows the theoretical framework of digital marketing strategies, in which investment in digital technology and customer engagement are independent variables. Digital transformation is the moderating variable, and the dependent variable is SME performance. Digital marketing strategies include search engine optimization (SEO), social media marketing, and digital advertising. They allow companies to improve their online presence, engage their customers more effectively, and analyze the data of the market. Digital transformation empowers these strategies, enabling a best-in-class digital infrastructure and the use of advanced analytics to be significantly more effective [61].

Digital technology such as cloud computing, big-data analytics, artificial intelligence (AI), and the Internet of Things (IoT) pay off by providing increased operational efficiency and innovation within SMEs [62]. Digital transformation is critical in realizing the benefits of these investments by incorporating these technologies into day-to-day operations and improving analytical and decision-making capabilities. According to [19], in the Tech-

nology Acceptance Model (TAM), technology acceptance and use are determined by the technology's perceived usefulness and ease of use. The adoption and proper utilization of these technologies will receive a big boost when small-scale businesses invest in suitable digital technology that is, in a way, linked to their line of activities.



**Figure 1.** Study model.

Proper customer engagement via research results and social media, real-time customer support, and data analysis all culminate in improving customer experience and loyalty. By equipping senior commercial executives with digital tools that streamline the ability to interact in real-time and analyze data more effectively, digital transformation underpins these efforts to make your customers more responsive [63]. Digitally transforming SMEs can involve using big data and AI technology to satisfy the tastes of their audience.

Digital transformation is advantageous, as it increases operational effectiveness, cuts down costs, elevates the consumer experience, and encourages innovation capabilities. SMEs may benefit from new sources of revenue, improved profitability, and a more competitive position due to these improvements. What is certain is that digital transformation, which focuses on leveraging technology and IT to the core business of SMEs, can enable them to achieve their strategic objectives and enhance efficiency, so it emerges as an inherent process change that provides a competitive edge in the market [64]. The best digital marketing strategy for SMEs is what helps them to reach millions of consumers and new clients and profit plenty for small companies on their marketing investment. The implementation of digital transformation turbocharges the effectiveness of these strategies through the escalation of digital capabilities and operational efficiencies. To get more out of their efforts, SMEs need to focus on digital marketing strategies that are in line with digital transformation [65].

Digitalization savings from productivity and cost effects transform into profits, boosting competitiveness. Digital transformation drives this effect by embedding these powerful technologies into the business processes to boost innovation capabilities. Through the adoption and integration of digital technologies, SMEs will be able to increase their performance and enhance their competitive position [56]. They are also working to better engage customers to enhance customer experience and loyalty, resulting in higher sales and overall business performance. Digital transformation amplifies the effect by enabling the technologies that are needed to capture interaction and data in real-time. With the SMEs' capability of offering robust, personalized, and customer-friendly experiences, SMEs can take advantage of stronger customer relationships and higher revenues.

### 3. Hypothesis Development

#### 3.1. Digital Marketing Strategies

Digital marketing strategies to improve small and medium enterprises' performance in sales growth, customer acquisition, and brand loyalty have been shown to increase through the metrics of these strategies (online advertising, social media promotion, SEO, and content marketing) [10]. These tactics help businesses to scale and reach more audiences,

engage customers more interactively, and provide their clients with tangible results that the businesses can then use to hone their future advertising efforts.

For instance, online advertising makes wide use of pay-per-click (PPC) ads and display advertising [66]. It allows SMEs to focus on certain demographic areas and monitor campaign efficacy in real-time. Such targeted advertising may well lead to better conversion rates and a deeper level of return on investment [67]. Similarly, social media marketing makes it possible for businesses to use the platforms that customers spend a great deal of time on as venues for interaction. Deeper connections with customers will encourage their loyalty to the brand. Research indicates that businesses actively communicating with their audience via social networks can experience significant increases in customer retention and brand endorsement [2].

SEO is another key element of digital marketing strategies: it aims to make a website more visible to search engines. Higher search-engine rankings can bring higher levels of organic traffic. This is often better than paid traffic because it demonstrates greater user intention. Effective SEO practices involve keyword optimization, high-quality content production, and backlink building [10]. All of these items help to enhance search-engine rankings and make the site see more traffic. This being so, a small enterprise can always attract more prospective customers and turn those customers into purchases.

Content marketing is distributing valuable, relevant, and consistent content to attract and retain a clearly defined audience. High-quality content can make a company an industry leader, build trust among potential customers, and let the business get more traffic. Blogs, videos, infographics, etc., can make for far more customer interaction and lead generation.

Based on the above discussion, the following assumptions are proposed:

**H1:** *Digital marketing strategies positively influence digital transformation.*

**H2:** *Digital marketing strategies positively influence performance.*

These hypotheses will be tested by examining the relationship between digital marketing efforts and the corporate KPIs of SMEs.

### 3.2. Investment in Digital Technology

Large-scale marketing strategies can work wonders, especially for SMEs, since digital marketing is one of the integral ways to improve SMEs' performance. Using different digital tools and techniques, these strategies target high-level performance metrics, such as sales growth and customer acquisition. SMEs can use online advertising, such as pay-per-click (PPC) and display ads, to reach specific demographics and assess how well ad campaigns are doing in real-time. Consequently, more accurate targeting results in better conversion rates and a higher ROI [68].

This allows businesses to engage with customers on the platform they use most often and build relationships that then generate returning customers. SEO helps websites to reach the top of search engines and get more traffic organically. Some best SEO practices are optimizing your keywords, creating good-quality content, and creating a backlink. Blog posts, videos, infographics, and other forms of content can help businesses reach their desired audience, engage with them, and drive them to their web pages [18].

Investing in digital technology to drive performance in SMEs: Cloud computing, big-data analytics, ecumenical AI, and the Internet of Things (IoT) are some of the popular prelude technologies developed over the past decade that provide manifold advantages. When it comes to capital expenditures, cloud services provide a means of lowering the need for your IT infrastructure, as well as giving you a way to scale up your resources and increase your operational flexibility [69]. SMEs, too, are analyzing customer behavior, market trends, and operational data to identify the gaps and improve strategies. AI automates repetitive tasks and augments decision-making, and IoT allows the tracking,

monitoring, and control of physical assets in real-time [70]. This study proposes that digital technology investments by SMEs positively influence their performance in terms of operational efficiency, innovation, and customer engagement. The new ideas of the impact of technology investments on SMEs depend on the examination of quantitative, as well as naturalistic (Verstehende), information to exhibit specific regions where digital technology can prompt a better performance [63].

For SMEs to be successful and grow, they must invest in digital marketing strategies and technology. By adopting these strategies and technologies, SMEs can boost their operational efficiency, engage clients more successfully, and likewise innovate. It is critical to take a proactive approach to invest in your employees' training, along with aligning technology with a corporate-wide business strategy to maximize these benefits; this all-rounded approach helps SMEs to grow sustainably and remain competitive in the market.

Based on these considerations, the following hypotheses can be formulated:

**H3:** *Investment in digital technology positively influences digital transformation.*

**H4:** *Investment in digital technology positively influences performance.*

These hypotheses will be tested by studying how the investment in technology affects SMEs' performance; by comparing performance indicators across dimensions, using numbers to quantify the impact on performance; and by identifying areas where digital technology can be exploited for business improvement.

### 3.3. Customer Engagement

Engagement in customer interaction is one of the most critical factors in determining the overall performance of small and medium-sized enterprises (SMEs). This is why it is extremely important to have a customer-interaction strategy, which includes a plethora of digital and traditional channels to foster rich connections with customers through powerful social media platforms and pave the way for long-lasting relationships [23]. This study hints at personalized approaches, like one-on-one communication based on individual customer profiles, being present on social media, maintaining responsive customer service, and making a targeted data analysis to have a grip over the changing customer preferences [22].

There are many ways to implement these strategies. By proactively recognizing past customer touchpoints with the brand, companies can better target email-marketing programs and generate more related messages with higher ROI [48]. Companies can also benefit from an advantage in customer loyalty to other products and services while positioning their brand against competitors. According to recent research, personalized emails, personalized advertisements, and customized product recommendations can improve customer engagement drastically by using psychology to understand the preferences of customers. According to [25], firms adopting a one-to-one marketing approach as a valued firm to individual customers helps encourage customer engagement, since customers appreciate being recognized and understood.

A better way is to use customer data to personalize messaging and offers based on specific behaviors and preferences. These can be generalized and applied to a wide variety of situations where multicasting needs to be performed by SMEs for even more customer engagement levels. The next most important step is being active on social media. Facebook, Instagram, Twitter, and similar social media platforms provide the opportunity to reach out to customers and push leads with instant feedback on strategies with rapid refinements. Firstly, firms build up a more loyal customer base when they make a firm and rapid move into social media [51]. Social media creates a community that creates trust and grants loyalty among followers and customers.

Nevertheless, SMEs are struggling to devise plans for customer engagement, as these plans are time-consuming and costly. Being constantly adaptable to the fast-changing digital landscape becomes hard for small businesses. However, customer engagement and

competitive position also demand adaptation to both the trends and technologies that are changing the way companies are expected to keep up with the evolving times.

Given the importance of customer engagement in driving business, the following hypotheses can be formed:

**H5:** *Customer engagement positively influences digital transformation.*

**H6:** *Customer engagement positively influences performance.*

These hypotheses will be verified by examining the relationship between customer engagement efforts and SME performance indicators, using both quantitative and qualitative data to provide a comprehensive view of how such initiatives affect business outcomes.

### 3.4. Digital Transformation

Digital transformation involves integrating digital technologies into all areas of a business, fundamentally changing how companies operate and deliver value to customers. For SMEs, this step is powerful in making them more productive and innovative and causing them to perform better. Figure 1 illustrates the proposed model and hypothesized relationships between digital transformation and the independent variables (i.e., digital marketing strategy and investment in digital technology and customer engagement) and their effects on performance, with digital transformation as a moderating variable [56].

These tools are useful for businesses, add more engagement of customers to the businesses through online information, and help to analyze the data of the market more efficiently. It is through digital transformation that the strategies derive adequate digital infrastructure to ensure powerful results and the incorporation of analytics technology to make the strategies even more effective in deployment [55]. They will benefit from their operational functions, improving the speed with which they can humanize their digital marketing strategies.

Through the adoption of digital technologies such as cloud computing, big-data analytics, artificial intelligence (AI), and the Internet of Things (IoT), SMEs can improve operational efficiency and foster innovation [51]. According to [19], the Technology Acceptance Model (TAM), perceived usefulness, and perceived ease of use are fundamental determinants of technology acceptance and use. As long as the SMEs continue to invest in digital technology, and fully integrate them into their functions, this will contribute to the successful adoption and utilization of such technologies, leading to digital transformation.

Social media, real-time customer support, and data analysis to enable customer engagement (Social CRM) result in improved customer experience and loyalty. These measures include utilizing digital means that allow you to interact in real-time and analyze data effectively, and digital transformation supports this, leading to improved customer responsiveness. This makes those SMEs that have embraced digital transformation much more likely to be able to tap into big data and AI solutions to deliver tailored experiences that anticipate consumer demand [45].

Small businesses that use digital marketing well can expand their ability to engage customers and achieve a better return on investment on their marketing dollar. Digital transformation elevates the power of those strategies by upgrading digital capabilities and operational efficiencies. SMEs that successfully deploy digital marketing strategies and compare them with digital transformation will yield better results and will increase individual or organizational performance [71]. Investment in digital technology increases operational efficiency and decreases costs, subsequently improving profitability and increasing competitiveness. This effect is additionally reinforced by digital transformation, which serves to integrate these technologies into day-to-day operations and further drive innovation capabilities. This will allow the integration of digital technologies to improve their performance and enhance the competitive status of the SMEs [59].

These work-around experiences are amplified by digital transformation, which empowers real-time engagement and analysis. Strongly personalized and efficient customer experiences mean that SMEs can build stronger relationships with customers, and when they can deliver, they can increase revenues.

**H7:** *Digital transformation positively influences performance.*

#### 4. Materials and Methods

##### 4.1. Study Design

This study consists of quantitative, descriptive, and causal research. It uses a convenient cross-sectional sampling approach to collect data through a survey. This study was applied to a population of information-technology- and digital-marketing-specializing companies in Jordan. The survey included 190 companies from the study purposive sample to collect information from the perspective of managers of these companies with relevance to digital transformation, digital marketing strategies, investment in digital technology, and customer engagement. A survey instrument was developed and distributed through Google Forms to collect the data efficiently. To ensure validity and reliability, the questionnaire items were derived from established measures in previous studies. In the context of digital marketing strategies, the items were modified from [12]; questions concerning investment in digital technology were drawn from [18]; and the items under customer engagement were adapted from [23], while those under performance were from [40]. The survey was supported with a selection of detailed questions aiming at solidifying the analysis between the study variables (Table 1) based on the digital-transformation context in SMEs in Jordan.

**Table 1.** Demographic information of respondents.

Characteristic	Frequency	Percentage
<b>Gender</b>		
Male	123	65%
Female	67	35%
<b>Age</b>		
Under 27	14	7%
27–34	52	27%
35–44	83	44%
45 and above	41	22%
<b>Education</b>		
Diploma	50	26%
Bachelor's degree	110	58%
Master's/doctorate degree	30	16%
<b>Experience</b>		
Less than 10 years	81	42%
10–14 years	72	38%
15–19 years	23	12%
20–24 years	9	5%
25+ years	5	3%
<b>Specialization</b>		
Business management	50	26%
Marketing	100	53%
Social sciences	30	16%
Other fields	10	5%

Source: Researchers' analysis.

The target population was therefore defined as managers in large and small digital marketing firms since they are the ones who design and monitor digital marketing and digital transformation for SMEs. The participants were selected using a purposive sampling technique depending on their experience in digital marketing. Thus, 190 companies were

selected in the survey, divided into large and small corporations according to the number of employees and the annual turnover. The questionnaire was designed to capture information on digital transformation plans, digital marketing plans, digital investments, and customer interaction plans. This instrument was administered via Google Forms to facilitate the collection of data. To enhance the credibility and dependability of the data collected from the questionnaires, the items in the questionnaires were derived from previous research, and the questions were revised to fit within the specific context of the digital marketing strategy, investment in digital technologies, customer engagement, and performance. The collected data were analyzed using several statistical methods: the descriptive analysis presented the frequencies and cross tabs of demographic variables and classified companies by size; the Exploratory Data Analysis (EDA) examined the patterns and the relationships of the variables; the factor analysis was used to determine and confirm the factors that influenced digital marketing strategies and performance; the regression analysis was employed to estimate the effects of the independent variables on the performance of SMEs, with a separate analysis for large and small companies; and hypothesis testing, through t-tests and ANOVA, was used to compare the means between groups and to test the effects of digital marketing strategies on the performance. The details of the demographic information of the respondents, such as gender, age, education, experience, and specialization, are given in Table 1.

#### 4.2. Demographic Characteristics

Table 1 shows the characteristics of respondents in terms of their demographics (gender, age, education, experience, and specialization). Men account for 65 percent of the sample, while the other 35 percent is female. The largest percentage regarding the age distribution is the age group 35–44 (44% of answers), followed by the age group 27–34 (27%). When it comes to their education, a majority of respondents have a bachelor's degree (actually 58% of the sample), while 26% of respondents carry a diploma, and only 16% have a master's/doctorate. Regarding experience, most of the respondents are in the 0–10 years of experience band (42%); this is very close to the number that has 10–14 years of experience (38%). About 44% of engineers have rocked a marketing specialization, followed by 26% specializing in business management. This analysis shows the proportion of characteristics in the samples.

### 5. Data Analysis and Results

The collected data were coded against SPSS Version 29 and Structural Equation Modeling (SEM), and then the following tests were carried out.

#### 5.1. Validity Check

The confirmatory factor analysis is shown in Table 2 for variables involving digital marketing strategies, digital technology, customer engagement, digital transformation, and performance. Factor loadings, Cronbach's Alpha, composite reliability (C.R.), and average variance extracted (AVE) assessed the measurement of each of these constructs.

The concordance and reliability of the instruments applied concerning each of these variables aim to provide an extensive panorama of the concordance and reliability of the instruments used to measure them, contributing to the verification and convergent validity of the model employed by the research. The factor loadings for the items are between 0.741 and 0.877, demonstrating a strong correlation between the items and the construct they are meant to measure. High internal consistency is established, as indicated by Cronbach's Alpha values from 0.862 to 0.927, as well as strong convergent validity, as indicated by the C.R. and AVE values.

This analysis increases the trust in the data that were drawn and serves as validation for the methods used to measure the variables for digital transformation and company performance in the research.

Table 2 presents the factor loadings, Cronbach's Alpha, composite reliability (C.R.), and average variance extracted (AVE) for five constructs related to digital strategies and performance. Digital marketing strategies: This is clustered with high factor loadings (0.814 to 0.975) and good internal consistency (Cronbach's Alpha = 0.803, C.R. = 0.817, and AVE = 0.629). Investment in digital technology demonstrates a broad range of factor loadings (0.207–0.825) but still appears as measurement invariant (Cronbach's Alpha, 0.841; C.R., 0.845; AVE = 0.677). Customer engagement has factor loadings from 0.735 to 0.848 and high reliability (Cronbach's Alpha = 0.712, C.R. = 0.727, and AVE = 0.539). Its internal consistency is also strong (Cronbach's Alpha = 0.862, C.R. = 0.869, and AVE = 0.645), with factor loadings between 0.637 and 0.824 for digital transformation. Finally, the performance showed strong factor loadings (0.724–0.825) and high reliability (Cronbach's Alpha = 0.798, C.R. = 0.808, and AVE = 0.622).

**Table 2.** Validity and reliability test.

Constructs	Items	Factor Loadings	Cronbach's Alpha	C.R.	(AVE)
<b>Digital marketing strategies</b>	DMS-1	0.814	0.803	0.817	0.629
	DMS-2	0.843			
	DMS-3	0.837			
	DMS-4	0.975			
<b>Investment in digital technology</b>	IDT-1	0.207	0.841	0.845	0.677
	IDT-2	0.708			
	IDT-3	0.792			
	IDT-4	0.825			
	IDT-5	0.719			
<b>Customer engagement</b>	CE-1	0.735	0.712	0.727	0.539
	CE-2	0.789			
	CE-3	0.796			
	CE-4	0.848			
<b>Digital transformation</b>	DT-1	0.711	0.862	0.869	0.645
	DT-2	0.824			
	DT-3	0.750			
	DT-4	0.637			
	DT-5	0.805			
<b>Performance</b>	P-1	0.784	0.798	0.808	0.622
	P-2	0.825			
	P-3	0.818			
	P-4	0.724			

Source: Researchers' analysis.

### 5.1.1. Structural Model

There are two most widely used approaches to assess the validity of a complex structure discriminant and cross-validation [72]. The first condition enforces the requirement that HTMT must have discriminant validity found, a typical situation for composite constructs. So, the HTMT value should be less than Cf, as can be seen in Table 2; but none is particularly worse than the others are. By this point, researchers could confidently claim to have a decent model for the measurement of constructs (like perceived utility) [73].

In Table 3, the results of the structural model analysis show that the constructs (digital marketing strategies (DMS), investment in digital technology (IDT), customer engagement (CE), digital transformation (DT), and performance (P)) are reliable and valid. Evidence of convergent validity and reliability is provided in that the DMS has high factor loadings between (0.814 and 0.975) and good internal consistency (Cronbach's Alpha = 0.803, C.R. = 0.817, and AVE = 0.629). IDT displayed a large range of factor loadings (0.207–0.825), but all had strong reliability (Cronbach's Alpha = 0.841, C.R. = 0.845, and AVE = 0.677). CE has reasonable factor loadings (0.735–0.848) and good consistency (Cronbach's Alpha = 0.712, C.R. = 0.727, and AVE = 0.539). The above-mentioned constructs, DT and P, loaded strongly with the highest consistency and acceptable AVE values. According to Table 2, HTMT values are less than 0.85, which leads us to conclude that discriminant validity is established. Therefore, the constructs of interest may be effectively measured using this measurement model.

**Table 3.** HTMT.

	Customer Engagement	Digital Marketing Strategies	Digital Transformation	Investment in Digital Technology	Performance
Customer engagement					
Digital marketing strategies	0.695				
Digital transformation	0.742	0.761			
Investment in digital technology	0.612	0.672	0.723		
Performance	0.775	0.599	0.653	0.795	

Source: Researchers' analysis.

In Table 4, the results of the Fornell–Larcker criterion are presented, providing evidence for the discriminant validity (Table 3). The square root of AVE (diagonal values) of each variable is greater than its respective inter-construct correlations (off-diagonal values): discriminant validity. Higher diagonal values are observed for customer engagement (0.893), followed by digital marketing strategies (0.822), then digital transformation (0.734), investment in digital technology (0.688), and lastly performance (0.686), as it shows the highest correlation values, respectively, compared to the others construct scales. This shows that each construct explains more variance in their measures compared to how much they explain the known items of other constructs, indicating significant distinctiveness and supporting convergent validity.

**Table 4.** Fornell–Larcker.

	Customer Engagement	Digital Marketing Strategies	Digital Transformation	Investment in Digital Technology	Performance
Customer engagement	0.893				
Digital marketing strategies	0.774	0.822			
Digital transformation	0.717	0.791	0.734		
Investment in digital technology	0.709	0.681	0.698	0.688	
Performance	0.633	0.496	0.811	0.633	0.686

Source: Researchers' analysis.

### 5.1.2. Hypotheses Testing

Table 5 shows the R-squared ( $R^2$ ) and R-squared adjusted ( $R^2$  Adjusted) values for two variables. The  $R^2$  and  $R^2$  Adjusted values of digital transformation and performance are provided in Table 4: how much variance is explained by the independent variables. Digital transformation:  $R^2 = 0.598$ ; adj- $R^2 = 0.589$ . Performance:  $R^2 = 0.658$ ; adj- $R^2 = 0.655$ .

**Table 5.** Explanation power,  $R^2$ .

Variable	$R^2$	$R^2$ Adjusted
Digital transformation	0.598	0.589
Performance	0.658	0.655

Source: Researchers' analysis.

In this study, hypothesis testing analyzed the influence of digital marketing strategies, investment in digital technology, and customer engagement on performance and the mediating role of digital transformation. The results are consistent with the hypotheses. All hypothesized relationships are significant. However, the promotion of DM strategies, input in digital technology, and CX more positively affect digital transformation concerning performance. This further validates the mediating nature of digital transformation, showing that it is essential in working digital efforts into more effective performative outcomes (Figure 2).

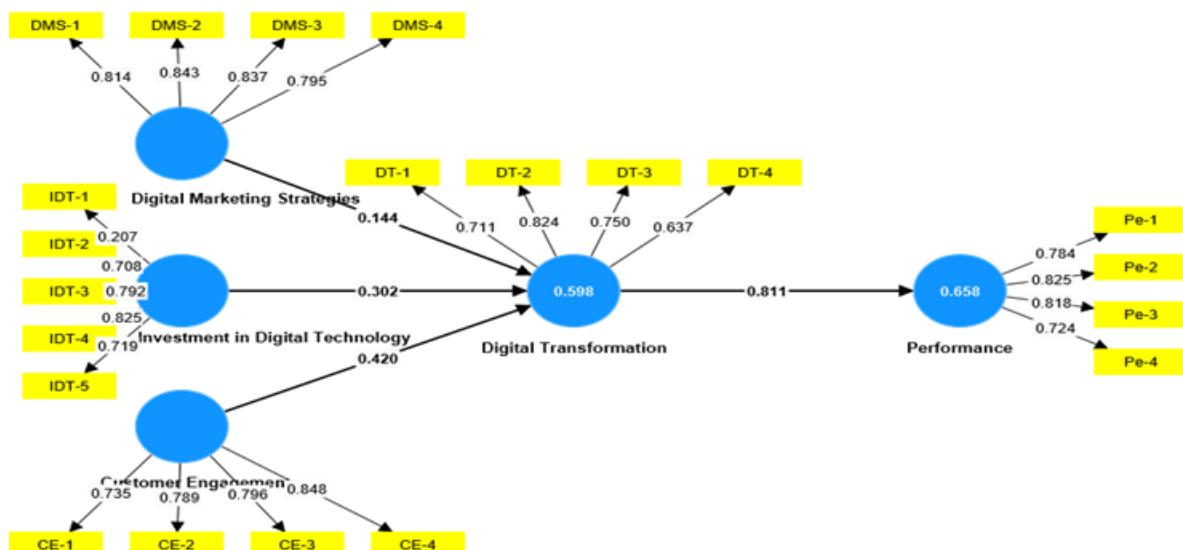
**Figure 2.** Measurement model. Source: Researchers' analysis based on SMART PLs, 2024.

Table 6 shows the results of the hypothesis testing with standardized beta coefficients, standard errors, T-statistics, and  $p$ -values; all hypotheses are supported. Critically, customer engagement significantly influences performance ( $H_1: \beta = 0.420, T = 5.800, p = 0.000$ ;  $H_2: \beta = 0.340, T = 5.398, p = 0.000$ ). Digital marketing strategies drive digital transformation ( $H_3: \beta = 0.144, T = 2.002, p < 0.05$ ) and performance ( $H_4: \beta = 0.117, T = 2.008, p < 0.045$ ). This indicated the presence of a strong effect of digital transformation on performance ( $H_5: \beta = 0.811, T = 2.596$ , and  $p = 0.000$ ;  $H_6: \beta = 0.302, T = 3.115$ , and  $p = 0.002$  (digital transformation);  $H_7: \beta = 0.245, T = 3.020$ , and  $p = 0.003$  (performance)).

**Table 6.** Hypothesis testing estimates.

Hypothesis	Relationships	Standardized Beta	Standard Error	T-Statistic	$p$ -Values	Decision
H1	Customer engagement positively → performance	0.420	0.072	5.800	0.000	Supported
H2	Customer engagement → performance	0.340	0.063	5.398	0.000	Supported

**Table 6.** Cont.

Hypothesis	Relationships	Standardized Beta	Standard Error	T-Statistic	p-Values	Decision
H3	Digital marketing strategies → digital transformation	0.144	0.072	2.002	0.045	Supported
H4	Digital marketing strategies → performance	0.117	0.058	2.008	0.045	supported
H5	Digital transformation → performance	0.811	0.036	2.596	0.000	Supported
H6	Investment in digital technology → digital transformation	0.302	0.097	3.115	0.002	Supported
H7	Investment in digital technology → performance	0.245	0.081	3.020	0.003	Supported

Source: Researchers' analysis.

## 6. Correlation Analysis

In our study, we examined the relationships between various constructs: These are digital marketing strategies, investment in digital technology, customer engagement, digital transformation, and performance. The analysis therefore showed that these relationships were not always strong, though they existed to a reasonable extent.

**Highest correlations:** The highest coefficient of determination was between digital transformation and performance, with  $\beta = 0.811$ ,  $T = 2.596$ , and  $p = 0.000$ . This means that digital transformation has a very high effect on performance, indicating that any organization that embraces digital transformation strategies will most likely reap good results.

**Lowest correlations:** The least significant correlation was between digital marketing strategies and performance, with a coefficient of ( $\beta = 0.117$ ,  $T = 2.008$ , and  $p = 0.045$ ). Although this relationship is statistically significant, the lower beta value indicates that it has a lesser effect compared to other constructs.

**A high correlation between digital transformation and performance:** The reason why digital transformation is highly linked with performance is that most of the successful DT initiatives result in improved operational performance, better customer satisfaction, and overall organizational performance. With the adoption of digital technologies and tactics, organizations are likely to enjoy enhanced efficiency and better results.

**Weaker correlation between digital marketing strategies and performance:** The apparent lower correlation between digital marketing strategies and performance may be attributed to the following factors. For example, as digital marketing strategies are important in performance, other factors may include the market, industry conditions, or the quality of the implementation of the strategy. Second, the gains realized from the digital marketing strategies may not be felt immediately, and, thus, the relationship may not be strong.

## 7. Discussion

From the analysis of the study's findings, it is possible to gain important insights into the impact of digital marketing techniques, investment in digital infrastructure, and customer interaction on the SMEs' performance. The following key observations are drawn from the data:

The present research also reveals that the use of digital marketing tools like online advertising, social media, and SEO has a positive impact on brand visibility and customer interaction. These strategies not only increase the level of customer interactions but also increase business performance. This is in agreement with the works of [74], who noted that

effective digital marketing strategies can touch many people and create a lot of engagement. The consistency between digital marketing strategies and SME performance highlights the need to adopt these strategies to gain a competitive advantage.

It is, therefore, imperative that SMEs invest in digital technologies such as cloud computing, big-data analytics, and artificial intelligence/Internet of Things to boost the performance of their operations. The findings lend support to the proposition that digital technology has a positive effect on digital transformation (H3) and SME performance. This is in agreement with [55], which states that the use of digital technologies brings about enhancement of efficiency and reduced expenses. The coefficients' dispersion in the factor loadings of investment in digital technology demonstrates the inconsistency in the application, which may be associated with the level of technology uptake and resources in SMEs.

The results indicate that customer engagement through digital channels is significantly related to digital transformation (H5) and SME performance (H6). By interacting with the customers, sending them personalized messages, and using social media, the relationship between the brands and their customers is strengthened. This supports the hypothesis that customer engagement is a direct driver of organizational performance. This shows that SMEs that have strong customer engagement strategies stand in a good place to use digital transformation to improve performance.

This study acknowledges the role of digital marketing strategies toward small and medium enterprises' performance with the help of digital transformation as a mediator. It is also clear that digital transformation enhances the strategies of digital marketing and therefore increases the chances of achieving better results. This aligns with Davis's [20] TAM model that posits that the perceived ease of use and usefulness of technology are the key drivers of technology uptake. The significance of digital transformation on performance (H7) has been confirmed, underlining its importance for achieving the desired business outcomes of digital marketing [75].

However, this study reveals some challenges that SMEs encounter, including financial constraints, lack of skills, and resistance to change. These factors can pose a challenge to the successful execution of digital marketing and other technology-related investments. These challenges should be further investigated in future research, as well as how such challenges may be overcome. Hence, longitudinal studies may help to reveal how digital transformation affects the performance of SMEs in the long run, which will enhance our understanding of this phenomenon.

This study has implications for practitioners, particularly in the area of digital marketing and technology, whereby the use of the two enhances SME performance. Policymakers can recommend supportive policies and give financial and technical help to promote the digital innovation of SMEs. This approach will support the SMEs to implement digital strategies in the right manner and increase their performance. Thus, the research findings of this study have implications for both the theoretical and practical aspects of digital marketing for SMEs. This study contributes to the literature by proposing new knowledge about how SMEs can use digital marketing strategies to improve their performance. Furthermore, the use of the Technology Acceptance Model (TAM) in this study offers a new insight into the understanding of the adoption of technology in small and medium enterprises. Thus, these contributions enrich the theoretical development and offer specific recommendations for SMEs and policymakers to enhance and capitalize on digital transformation.

In light of these areas, this research offers a useful contribution to both theoretical scholars and practical managers to enhance the comprehension of the relationships between digital marketing, technology expenditure, and SME performance.

## 8. Conclusions

This study validates the importance of digital marketing in the growth of small- and medium-sized enterprises (SMEs). Different forms of digital marketing, including but not limited to online advertising, social media marketing, and search engine optimization, en-

hance the market presence and customer reach and thus the business performance of SMEs. This study reveals that digital transformation plays an important role as a moderating variable between digital marketing strategies and favorable organizational results.

This study provides a comprehensive understanding of the purpose and role of digital marketing in small and medium enterprises (SMEs) and its impact on them in this era of digital transformation. This suggests that the various digital marketing strategies, such as online advertising, social media marketing, search engine optimization (SEO), and using digital media for customer engagement, are essential to increase the efficiency and market presence of SMEs.

This research shows that the digital transformation condition has a mediating effect on the digital marketing–process–performance relationship. Digital marketing helps SMEs gain financial returns, market visibility, and customer satisfaction. The digital channels with which customers communicate with the business help SMEs gain important insights into customer behaviors and preferences, leading to improved product developments and sales strategies.

The conclusion of this study presents important implications for SMEs and policy-makers. For SMEs, digital marketing and adopting the digital culture generate enhanced financial outcomes, increased market presence, and improved customer satisfaction. According to the Technology Acceptance Model (TAM), SMEs should therefore focus on implementing digital marketing strategies that are easy to use and which are expected to be helpful.

The government and other policymakers are critical in facilitating the SMEs' digital transformation. They should therefore concentrate on the development of policies that foster the development of digital innovations and make sure that SMEs get the necessary funding and technical assistance. This support can enhance the uptake of digital marketing and assist SMEs in achieving a competitive edge in the digital environment and, in turn, prompt further economic development.

Small businesses have many obstacles, from not enough money and lack of employees to technological developments, which change at a speed that the businesses simply cannot keep up with; however, the potential of digital marketing is evident. Using digital marketing can certainly help, include conversion reach and resilience, and allow your business to scale in a competitive marketplace. The Technology Acceptance Model (TAM) is also applied in this study, in which the adoption of digital marketing by SMEs is predicted by perceived ease of use and perceived usefulness. The SMEs that believe that digital marketing is useful and comes to them easily are a breed apart when it comes to successfully adopting these strategies.

This study provides some practical implications that can help SMEs in adopting digital marketing. It also presents suggestions for policymakers to develop enabling policies to facilitate digital innovation and offers financial and technical support to SMEs. Policymakers can thus facilitate the adoption of digital marketing among SMEs by allowing them to enhance their performance and help spur economic growth.

Digital marketing is a strong weapon for small businesses to combat challenges, trigger the digital transformation, and ensure ongoing business success, thus supporting SMEs in the digital age. This research demonstrates the importance of further supporting and investing in digital initiatives to ensure that SMEs are not left behind in the digital era.

Big data can act as a mediator or enhancer in digital marketing strategies for small and medium enterprises (SMEs) [76]. By leveraging big data analytics, SMEs can gain deeper insights into customer behavior, preferences, and trends. This data-driven approach allows for more precise targeting, personalized marketing efforts, and enhanced decision-making processes, leading to improved marketing outcomes and business performance [77].

There are, however, some limitations in this study that should be acknowledged, although this study offers useful information. First, this research is mainly seated in one context, which may reduce the transferability of the study's findings to other contexts.

It is also possible to conduct further research on the effects of digital marketing in other industries, as well as across different countries.

Also, the research is based on quantitative data, which does not always give a clear picture of the factors that lead to the success of digital marketing of SMEs. Subsequent research could also include quantitative data-collection methods, including questionnaires, to gain a better understanding of the difficulties and benefits that SMEs encounter in the digital age.

Therefore, digital marketing can be considered one of the most effective strategies that SMEs can use to solve problems, implement digital transformation, and reach success. This means that, through the use of big data analytics, SMEs will be in a position to understand more about their customers and their needs and therefore come up with better strategies that will help in marketing their products. SMEs should not be left behind in the digital era; therefore, there is a need to have continued support and investment in digital initiatives. Future work should build on the current research to determine how the digital resources of SMEs can be further developed and improved in the face of increasing competition in the market environment.

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