

The Role of Digital Marketing and Promotion in the Business Performance of Small and Medium Enterprises (SMEs) in Developing Countries

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ABSTRACT

This study examines the role of digital marketing and promotion in the business performance of small and medium-sized enterprises (SMEs) in developing countries, particularly Indonesia. In the face of intense competition, SMEs are required to leverage digital media to sustain and grow their businesses. The objective of this study is to comprehensively investigate how digital marketing capabilities and their adoption through promotions can enhance SME productivity. Additionally, this research analyzes the impact of customer relationship orientation and technology orientation on SME business performance in developing country markets. The research method uses cross-sectional data obtained through a questionnaire distributed via Google Forms on social media to SME owners in Indonesia who have started their businesses within the past year. The findings reveal that competition intensity has a significant influence on promotion. Furthermore, customer relation orientation and technology orientation have a significant influence on digital marketing capability. Additionally, digital marketing capability and promotion have a significant influence on business performance.

INTRODUCTION

Currently, fierce competition in the SME (Small and Medium Enterprises) sector, which is one of the pillars of the Indonesian economy, requires business players to be able to utilize digital media. Competition intensity refers to the level of competition within an industry or market (Porter, 1980). Competition intensity is influenced by various factors, including the number of competitors, product differentiation levels, and exit costs from the market (Klein, 2023). Previous research by Giantari et al (2022) states that competition intensity can affect the profitability of an industry, where higher intensity leads to lower potential profits for companies. Other studies show that in highly competitive markets, companies must innovate and improve operational efficiency to maintain market share (Arliyansyah & Izzalqurny, 2023). Additionally, external factors such as regulatory changes, consumer trends, and technological advancements can also increase or decrease competition intensity in a sector (Xu et al., 2022). Meanwhile, SMEs often face various challenges, such as limited access to technology, marketing, and efficient management (Hijir, 2022).

Based on data, the growth of SMEs in Indonesia has experienced increases and decreases each year. In 2020, there was a decrease of 2.24% from the previous year to 64 million SMEs. In 2021, there was an increase of 2.28% to 65.46 million. By 2023, Indonesia is projected to have 66 million SMEs. This indicates that SMEs play a significant role in Indonesia's economic growth, accounting for 99% of all business units. SMEs contribute 61% of Indonesia's Gross Domestic Product (GDP), equivalent to Rp9,580 trillion. SMEs also employ around 117 million workers (97%) of the total workforce (KADIN, 2024). This growth trend can be sustained and further enhanced by leveraging modern marketing tools, known as digital marketing capabilities (DMT), including search engines, email, and social media

marketing to capitalize on unique business opportunities and achieve competitive advantages (Marbun & Simanjuntak, 2021).

The existing literature on the relationship between competition intensity, customer relation orientation, technology orientation, digital marketing capability, and business performance. It was found that customer relations, technology orientation, and digital marketing capability have a significant impact on improving business performance, while competition in the study did not influence the relationship between digital marketing and business performance (Deku et al., 2024). Meanwhile, previous research found that digital marketing adoption and innovation ecosystem readiness directly influence digital marketing capability, but do not indirectly influence digital marketing adoption (Masrianto et al., 2022). Another study also found that entrepreneurial marketing significantly influences digital marketing capability, which in turn influences company marketing performance (Zahara et al., 2023).

This study adds the variable of promotion as an innovation to determine its impact on the business performance of SMEs in Indonesia. Promotions conducted through the use of social media such as Instagram and Facebook to promote products will enable direct interaction with consumers and expand the marketing reach (Hasvia et al., 2023). Additionally, SMEs that utilize email marketing through Mailchimp to send promotional information to customers, as well as use WhatsApp Business for more professional and efficient communication (Salamsyah & Halimatusadiah, 2023). Therefore, this study aims to address these issues by examining the influence of promotion on SME business performance in the current digital era, where the results of this study are expected to provide a deeper understanding of the strategies that SME owners need to take to remain competitive and improve performance amid increasingly fierce competition.

Literature Review

Competition Intensity

Competition intensity refers to the level of competition faced by a company in a particular market, which can influence business strategy and performance (Giantari et al., 2022). Previous research has stated that competition intensity can have a significant impact on a company's strategic decisions, including in the implementation of marketing and innovation (Liu et al., 2021). For example, in the context of SMEs, research by Deku et al (2024) shows that a high level of competition encourages companies to be more innovative and responsive to market needs. Additionally, research by Carter et al (2021) found that in a competitive environment, companies that can implement adaptive marketing strategies and use digital technology effectively tend to perform better. Other research also states that companies operating in industries with high levels of competition must develop stronger marketing capabilities to maintain their position in the market (O'Leary et al., 2022). Therefore, competition intensity not only influences marketing decisions, but also encourages companies to invest in innovation and capability development in order to remain competitive.

Customer Relation Orientation

Customer relation orientation is a company's approach to building and maintaining good relationships with customers (Deku et al., 2024). Previous research shows that customer relation orientation adopted by companies tends to be better at understanding customer needs and preferences, thereby improving the customer experience (Nurjanah & Napitupulu, 2023). Additionally, the importance of continuous interaction with customers helps build trust and commitment, which are essential in the context of intense competition (Rîpa, 2022). Research conducted by Gala & Kashmiri (2022) also notes that customer relationship orientation encourages companies to invest in technology and strategies that enable them to communicate effectively with customers, thereby strengthening those relationships. Thus,

customer relationship orientation is not merely a marketing strategy but also the foundation for creating long-term value for both the company and its customers.

Technology Orientation

Technology orientation refers to the extent to which a company adopts and utilizes technology in its operations and business strategies (Putro & Takahashi, 2024). Previous research has also shown that technology orientation has a significant impact on innovation and company performance (Nassani et al., 2023). Companies with a strong technology orientation tend to be more responsive to market changes and capable of developing new products that meet customer needs (Binsaeed et al., 2023). Additionally, research conducted by Wójcik-Karpacz et al (2021) found that technology orientation facilitates a company's ability to implement effective digital marketing strategies, thereby enhancing competitiveness. Findings from previous research also emphasize that companies investing in technology not only improve operational efficiency but also create added value for customers through enhanced product and service quality (Yousaf et al., 2020). Thus, it can be concluded that technology orientation is key for companies to adapt to market dynamics and achieve long-term success.

Digital Marketing Capability

Digital marketing capability refers to a company's ability to integrate digital technology into its marketing strategy (Apasrawirote et al., 2022). Digital marketing capability plays an important role in improving marketing performance and company competitiveness, which consists of various components, including the ability to use digital analytics tools, social media marketing, and customer relationship management effectively (Zahara et al., 2023). Previous research also indicates that companies with strong digital marketing capability are better at attracting and retaining customers through more targeted and personalized marketing strategies (Homburg & Wielgos, 2022). Additionally, other research has shown that good digital marketing capability can contribute to increased brand visibility and customer engagement, which ultimately has a positive impact on sales (Drummond et al., 2020). Therefore, developing digital marketing capability is crucial for companies, especially in facing the challenges of an increasingly competitive digital era.

Promotion

Promotion in the context of marketing refers to a series of activities carried out by a company to increase awareness, interest, and sales of products or services (Marlius & Jovanka, 2023). Effective promotion strategies can increase brand visibility and attract more customers. Promotion on social media has proven to be one of the most efficient methods, as it allows direct interaction between companies and consumers, as well as providing quick and accurate information (Fauzi & P Sijabat, 2023). Additionally, research by Tiara & Ismail (2023) found that the use of digital marketing techniques, such as paid advertising and engaging content, can significantly increase consumer purchasing interest. Previous research also indicates that promotional strategies supported by data analysis and effective market segmentation can result in more targeted and effective campaigns (Hidayah & Sulaiman, 2023). Therefore, in today's digital age, companies need to integrate various promotional methods to achieve optimal results and address the evolving needs of consumers.

Business Performance

Business performance refers to the extent to which a company achieves its established goals and objectives (Farida & Setiawan, 2022). There are several key factors that influence business performance, including operational efficiency, innovation, and customer satisfaction (Andonov et al., 2021). Previous research by Pejić Bach et al (2023) developed the Balanced Scorecard as a tool to measure business performance from various perspectives, such as financial, customer, internal processes, and learning. Additionally, external factors such as market conditions and competition also have a significant impact (Nuseir & Refae, 2022). Previous research also indicates that companies capable of integrating financial

and non-financial performance indicators tend to have better performance (Menne et al., 2022). Therefore, a comprehensive understanding of business performance, encompassing analysis of various dimensions and relevant measurements, will assist companies in achieving long-term success.

Hypothesis Development

With the research results above, the conceptual framework is as follows:

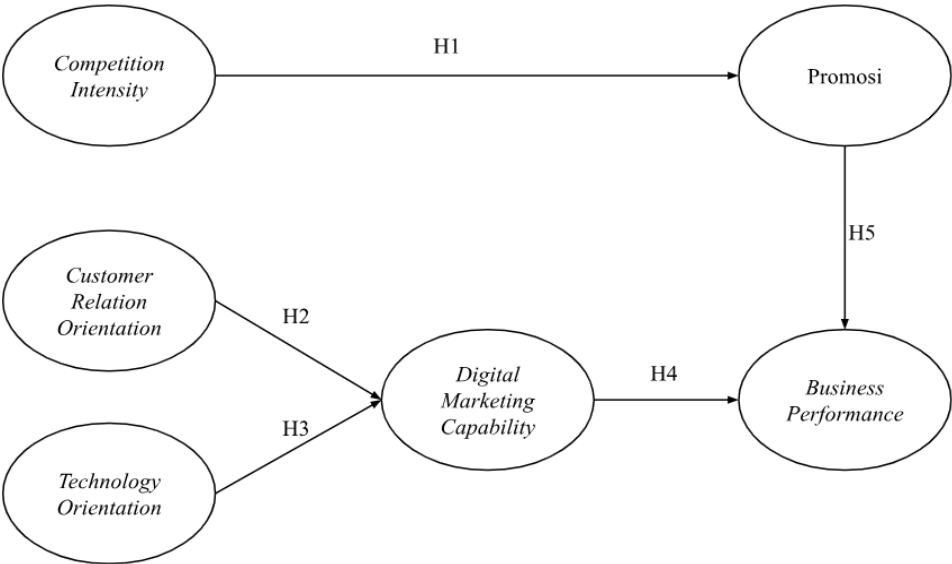


Figure 1. Conceptual Framework
Source: Data Processed, 2024

From this framework, a hypothesis can be formulated:

The Influence of Competition Intensity on Promotion

In the context of small and medium-sized enterprises (SMEs), the intensity of competition can be influenced by the number of competitors, product variety, and brand strength in the market (Khoirussodiqin, 2024). The higher the intensity of competition, the more difficult it is for SMEs to attract customers and maintain market share. The impact of competition intensity on SME promotion is significant, as when competition increases, SMEs need to develop more creative and innovative promotional strategies to differentiate themselves from competitors (Saefullah & Arnun, 2022). This may include the use of digital marketing channels, such as social media and online advertising, to reach a wider audience and increase brand visibility (Marlius & Jovanka, 2023). SMEs may also need to adjust their promotional messages to emphasize the uniqueness of the products or services offered, as well as the benefits that customers can obtain (Hasan et al., 2023). Additionally, in highly competitive situations, SMEs often need to engage in more aggressive promotions, such as discounts or special offers, to attract new customers and retain existing ones (Rachmansyah & Palapah, 2023). By understanding the dynamics of competition intensity, SMEs can design more effective promotional campaigns that not only increase sales but also build long-term relationships with customers. Based on the discussion above, the following hypothesis is proposed:

H₁: Competition Intensity has a positive influence on Promotion

The Influence of Customer Relation Orientation on Digital Marketing Capability

In the context of Small and Medium Enterprises (SMEs), this orientation focuses on understanding customer needs and preferences, as well as creating positive experiences that can increase customer loyalty and satisfaction (Deku et al., 2024). The influence of customer relation orientation on SME digital marketing capability is significant, as when a business has a strong orientation toward customer relationships, it will be more effective in developing its digital marketing strategy (Rupeika-Apoga et al., 2022). For example, a deep understanding of customer preferences allows SMEs to tailor marketing content, choose the right communication channels, and create relevant and engaging campaigns. Additionally, SMEs that prioritize customer relationships tend to be more responsive to customer feedback and interactions on digital platforms (Al Asheq et al., 2021). This can enhance interactions through social media, email marketing, and other online platforms, thereby strengthening customer engagement (Deku et al., 2024). Overall, a strong customer relationship orientation not only enhances SMEs' digital marketing capabilities but also helps in building better relationships with customers, thereby increasing satisfaction and loyalty, which positively impacts business performance. Based on the discussion above, the following hypothesis is proposed:

H₂: Customer Relation Orientation has a positive influence on Digital Marketing Capability

The Influence of Technology Orientation on Digital Marketing Capability

Previous research has shown that technological orientation has a significant influence on a company's digital marketing capabilities (Sultoni et al., 2022). Other research has also found that SMEs with a strong technology orientation are more likely to adopt innovative digital tools and platforms (Deku et al., 2024). This enables them to enhance the effectiveness of marketing campaigns, leverage analytical data to understand customer behavior, and optimize marketing strategies through more precise segmentation (Ranjan, 2023). Additionally, other research has shown that a technology orientation can enhance SMEs' ability to adapt to rapidly changing market trends (Setyawati et al., 2023). SMEs that are open to new technologies can quickly implement digital marketing tools, such as social media and email marketing, which are crucial for reaching a wider audience and increasing customer engagement (Deku et al., 2024). Through the use of technology, SMEs can develop more effective and responsive marketing strategies, which ultimately have a positive impact on business growth. Based on the discussion above, the following hypothesis is proposed:

H₃: Technology Orientation has a positive influence on Digital Marketing Capability

The Influence of Digital Marketing Capability on Business Performance

Previous research shows that this capability has a significant impact on business performance, especially for small and medium-sized enterprises (SMEs) (Deku et al., 2024). Furthermore, research conducted by Zahara et al (2023) found that companies that develop strong digital marketing capabilities can increase visibility and customer engagement, which has a positive impact on sales and loyalty. Other research also indicates that the implementation of effective digital marketing strategies, such as content marketing, can increase brand awareness and create stronger relationships with customers (Malesev & Cherry, 2021). Additionally, previous research emphasizes that proficiency in data analysis and the utilization of digital technology enables companies to make smarter and more strategic decisions, improve operational efficiency, and tailor product or service offerings to market needs (Munir et al., 2023). Therefore, digital marketing capability plays a crucial role in driving the performance of SMEs, helping them adapt to market changes and enhance their competitiveness in the digital era. Based on the discussion above, the following hypothesis is proposed:

H₄: Digital Marketing Capability has a positive influence on Business Performance

The Influence of Promotion on Business Performance

Promotion is one of the key elements in a marketing strategy aimed at increasing brand awareness, attracting customers, and driving sales (Sulistiyawati & Widayani, 2020). Previous research has found that promotion has a significant impact on business performance, especially for Small and Medium Enterprises (SMEs) (Mustafa, 2023). Another study by Syukri & Sunrawali (2022) emphasizes that the right promotional strategy can increase short-term sales and create long-term customer loyalty. By offering special deals, discounts, or attractive marketing campaigns, SMEs can attract new customers and retain existing ones (Mauludin et al., 2023). Additionally, research by Sholeh et al (2020) shows that well-designed promotions can increase product visibility in the market, thereby influencing customer purchasing decisions. The ability to adapt to market trends and use analytical data to evaluate the effectiveness of promotions also contributes to improved business performance (Teguh Setiadi et al., 2023). Overall, strategic and well-planned promotions not only increase sales but also build stronger relationships with customers, leading to better business performance in the long term. Based on the discussion above, the following hypothesis is proposed:

H₅: Promotion has a positive influence on Business Performance

RESEARCH METHOD

This research design is quantitative, using census sampling methods. In addition, Structural Equation Modelling (SEM) data analysis techniques were used with AMOS software. The data used in this study is primary data obtained from SME owners in Central Jakarta, Indonesia, who have been operating for approximately the last year. The data collection technique used in this study was to distribute questionnaires online via Google Forms. The sample obtained from the online questionnaire distribution was 210 respondents. The data will be processed to test the validity and reliability of the constructs, as well as to test the hypotheses proposed by the researcher.

Respondent Information

Based on the data listed in Table 1, from 210 respondents who are SME owners, the following information was obtained: The gender of respondents was dominated by males, with 106 respondents or 50.5%, the age group of respondents is dominated by those aged 32-42 years, the highest level of education among respondents is dominated by bachelor's degree (S1) holders with 92 respondents or 43.8%, and the type of SME owned by respondents is dominated by food and beverage SMEs with 97 respondents or 46.2%. Additionally, the length of time the SMEs have been in operation is dominated by SMEs that have been in operation for more than 3 years, with 95 respondents or 45.2%. In terms of income, the majority of SMEs have an income ranging from Rp.10,000,001 to Rp.50,000,000, with 84 respondents or 40% of the total respondents.

Table 1. Demografis Profile of Respondents

Category	Description	Frequency	Presentase (%)
Gender	Male	106	50.5%
	Female	104	49.5%
Ages	21 - 31 Years	21	10%
	32 - 42 Years	101	48.1%
	43 - 53 Years	62	29.5%
	54 - 64 Years	23	11%
	> 65 Years	1	1.4%
Education	SMA/SMK	42	20%
	D1/D3	47	22.4%

Category	Description	Frequency	Presentase (%)
SMEs	Bachelor	92	43.8%
	Magister	29	13.8%
	Culinary SMEs	97	46.2%
	Beauty and Fashion SMEs	34	16.2%
	Creative Product SMEs	15	7.1%
	Goods Procurement SMEs	3	1.4%
	Agribusiness SMEs	36	17.1%
	Education SMEs	17	8.1%
How long has SMEs been established	Others	8	3.8%
	< 1 Years	34	16.2%
	1 – 3 Years	81	38.6%
	> 3 Years	95	45.2%
Income	< Rp.10.000.000	46	29.8%
	Rp.10.000.001 - 50.000.000	84	16%
	Rp. 50.000.001 - 100.000.000	39	6.6%
	Rp. 100.000.001 - 150.000.000	25	6.9%
	> Rp.150.000.00	16	40.8%

Source: Data Processed, 2024

RESULTS AND DISCUSSION

Validity Test

Validity testing can be defined as whether the indicators measuring a variable measure what they are intended to measure, or in other words, whether the indicators measuring the variable are valid (Hair et al., 2019). Furthermore, decision-making in validity testing requires factor loading values. The value of factor loadings is determined based on the size of the sample used in a study. The following are the results of the validity test in this study.

Table 2. Validity Test Results

Variables	Items	Factor Loading
<i>Competition Intensity</i>	CI1	0.706
	CI2	0.662
	CI3	0.623
	CI4	0.753
Variables	Items	Factor Loading
<i>Customer Relation Orientation</i>	CRO1	0.735
	CRO2	0.888
	CRO3	0.802
	CRO4	0.457
Variables	Items	Factor Loading
<i>Technology Orientation</i>	TO1	0.677
	TO2	0.630
	TO3	0.690
	TO4	0.728
	TO5	0.735
	TO6	0.785
	TO7	0.742
	TO8	0.727
	TO9	0.768
	TO10	0.695

Variables	Items	Factor Loading
<i>Digital Marketing Capability</i>	DMC1	0.799
	DMC2	0.758
	DMC3	0.771
	DMC4	0.769
	DMC5	0.766
	DMC6	0.756
	DMC7	0.795
	DMC8	0.763
	DMC9	0.748
	DMC10	0.722
	DMC11	0.720
Variables	Items	Factor Loading
<i>Promotion</i>	P1	0.702
	P2	0.668
	P3	0.759
	P4	0.686
	P5	0.741
	P6	0.760
	P7	0.671
	P8	0.706
Variables	Items	Factor Loading
<i>Business Performance</i>	BP1	0.609
	BP2	0.708
	BP3	0.765

Source: Data Processed, 2024

Based on the table above, the value of each factor loading was obtained for all indicators of each variable, where all factor loading values were > 0.4 , meaning that validity in this study was fulfilled and interpreted as valid.

Reliability Test

This study uses a reliability test analysis can be used to measure the consistency of the measurement results of the questionnaire in repeated use. In conducting reliability testing, the desired Cronbach's alpha value must be more than 0.6 and the composite reliability value must be more than 0.7 (Hair et al., 2019). The composite reliability value shows how well a variable is reliable, while the Cronbach's alpha value is the lowest reliability measure of the variable.

Table 3. Reliability Test Results

Variabel	Cronbach's Alpha	Keterangan
<i>Competition Intensity</i>	0.778	Reliabel
<i>Customer Relation Orientation</i>	0.853	Reliabel
<i>Technology Orientation</i>	0.914	Reliabel
<i>Digital Marketing Capability</i>	0.949	Reliabel
<i>Promotion</i>	0.892	Reliabel
<i>Business Performance</i>	0.794	Reliabel

Source: Data Processed, 2024

Based on the table above, the Cronbach's alpha value for each latent variable are obtained where all values are greater than 0.7, meaning that the reliability test in this study is fulfilled.

Descriptive Statistics

Descriptive Statistical Test can provide an overview of the data seen from the minimum, maximum, average (mean) and standard deviation values generated from this study. The variables used in

this study include transformational leadership, training and development, and job satisfaction as independent variables, and job performance as the dependent variable. These variables will be tested descriptively as shown in the table below.

Table 4. Descriptive Statistics

<i>Competition Intensity</i>	<i>Mean</i>	<i>Min</i>	<i>Max</i>	<i>Std.Deviation</i>
CI1	4.10	1	5	0.855
CI2	4.02	2	5	0.880
CI3	4.00	2	5	0.872
CI4	3.89	1	5	0.895
Total rata-rata	4.002			
<i>Customer Relation Orientation</i>	<i>Mean</i>	<i>Min</i>	<i>Max</i>	<i>Std.Deviation</i>
CRO1	4.10	1	5	0.829
CRO2	4.20	1	5	0.913
CRO3	4.13	1	5	0.890
CRO4	4.16	1	5	0.854
Total rata-rata	4.150			
<i>Technology Orientation</i>	<i>Mean</i>	<i>Min</i>	<i>Max</i>	<i>Std.Deviation</i>
TO1	4.11	2	5	0.900
TO2	4.07	2	5	0.907
TO3	3.96	1	5	0.948
TO4	3.90	1	5	0.959
TO5	3.92	2	5	0.874
TO6	3.85	1	5	0.941
TO7	3.92	1	5	0.917
TO8	3.95	1	5	0.932
TO9	3.97	1	5	0.866
TO10	3.83	1	5	0.956
Total rata-rata	3.949			
<i>Digital Marketing Capability</i>	<i>Mean</i>	<i>Min</i>	<i>Max</i>	<i>Std.Deviation</i>
DMC1	3.90	1	5	0.941
DMC2	3.89	1	5	0.919
DMC3	3.95	1	5	0.914
DMC4	3.91	1	5	0.921
DMC5	3.91	1	5	0.965
DMC6	4.00	1	5	0.993
DMC7	3.93	1	5	0.956
DMC8	3.95	1	5	0.949
DMC9	4.04	1	5	0.871
DMC10	3.88	1	5	0.948
DMC11	4.02	1	5	0.920
Total rata-rata	3.944			
<i>Promosition</i>	<i>Mean</i>	<i>Min</i>	<i>Max</i>	<i>Std.Deviation</i>
P1	3.95	1	5	0.939
P2	3.88	1	5	1.021
P3	4.02	1	5	0.963
P4	3.97	1	5	0.880
P5	3.88	1	5	1.007
P6	4.05	1	5	0.879
P7	4.00	1	5	0.878

P8	4.05	1	5	0.911
Total rata-rata	3.975			
<i>Business Performance</i>	Mean	Min	Max	<i>Std.Deviation</i>
BP1	3.93	1	5	0.886
BP2	4.07	1	5	0.875
BP3	4.12	2	5	0.858
Total rata-rata	4.039			

Source: Data Processed, 2024

Based on the results in the table above, the Competition Intensity among SMEs in Central Jakarta is in the average category of 4.002 (agree). These results show that the lowest average is 3.89 and the highest is 4.10, assuming that they agree. Additionally, for the Customer Relation Orientation variable in SMEs, the value falls into the average category of 4.150 (agree). This result shows that the lowest average is 4.10 and the highest is 4.20, assuming they agree. Furthermore, Technology Orientation in SMEs falls into the average category of 3.949 (agree). This result shows that the lowest average is 3.83 and the highest is 4.11, assuming they agree. Digital Marketing Capability in SMEs falls into the average category of 3.944 (agree). This result shows that the lowest average is 3.91 and the highest is 4.02, assuming they agree. Additionally, Promotion in SMEs falls into the average category of 3.975 (agree). This result shows that the lowest average is 3.88 and the highest is 4.05, assuming they agree. Finally, Business Performance in SMEs falls into the average category of 4.039. This result shows that the lowest average is 3.93 and the highest is 4.12, assuming they agree.

Hypothesis Test

From the table of hypothesis test results below, it is obtained that each t-statistic value and p-value is 0.000 for each hypothesis, which means that all hypotheses in this study are accepted or supported. more details can be seen in the following table.

Table 5. Hypothesis Test Results

Hypothesis	Estimate	P Values
<i>Competition Intensity has a significant positive effect on Promotion SMEs</i>	0.939	0.000
<i>Customer Relation Orientation has a significant positive impact on Digital Marketing Capability</i>	0.329	0.000
<i>Technology Orientation has a significant positive effect on Digital Marketing Capability</i>	0.943	0.000
<i>Digital Marketing Capability has a significant positive effect on Business Performance</i>	0.224	0.000
<i>Promotion has a significant positive impact on Business Performance</i>	0.815	0.000

Source: Data Processed, 2024

H₁: Competition Intensity has a positive influence on Promotion

The results of data analysis for hypothesis 1 obtained a p-value of $0.000 < 0.05$ and an estimated value of 0.939, which means that the high level of influence of competition intensity will increase the promotion carried out by SMEs and vice versa. Thus, it can be concluded that H_0 is rejected and H_a is accepted, which means that the hypothesis stating that competition intensity has a positive effect on promotion is supported. In line with the findings of this study, previous research also states that the influence of competition intensity on SME promotion is very significant, where when competition increases, SMEs need to develop more creative and innovative promotional strategies to differentiate themselves from competitors (Saefullah & Arnu, 2022). This may include the use of digital marketing channels, such as social media and online advertising, to reach a wider audience and increase brand visibility (Marlius & Jovanka, 2023). SMEs may also need to adjust their promotional messages to emphasize the uniqueness of the products or services offered, as well as the benefits that customers can

obtain (Hasan et al., 2023). Additionally, in highly competitive situations, SMEs often have to engage in more aggressive promotions, such as discounts or special offers, to attract new customers and retain existing ones (Rachmansyah & Palapah, 2023).

H₂: Customer Relation Orientation has a positive influence on Digital Marketing Capability

The results of data analysis for hypothesis 2 obtained a p-value of $0.000 < 0.05$ and an estimated value of 0.329, which means that the high level of influence of customer relation orientation will increase the digital marketing capability of SMEs and vice versa. Thus, it can be concluded that H_0 is rejected and H_a is accepted, which means that the hypothesis stating that customer relation orientation has a positive effect on digital marketing capability is supported. This research is also supported by previous studies that found that the influence of customer relation orientation on the digital marketing capability of SMEs is very significant, where a business with a strong orientation toward customer relationships will be more effective in developing its digital marketing strategy (Rupeika-Apoga et al., 2022). Additionally, SMEs that prioritize customer relationships tend to be more responsive to customer feedback and interactions on digital platforms (Al Asheq et al., 2021). This can enhance interactions through social media, email marketing, and other online platforms, thereby strengthening customer engagement (Deku et al., 2024). Overall, a strong customer relationship orientation not only enhances SMEs' digital marketing capabilities but also helps in building better relationships with customers, thereby increasing satisfaction and loyalty, which positively impacts business performance.

H₃: Technology Orientation has a positive influence on Digital Marketing Capability

The results of data analysis for hypothesis 3 obtained a p-value of $0.000 < 0.05$ and an estimated value of 0.943, which means that a high level of technology orientation will increase the digital marketing capability of SMEs and vice versa. Thus, it can be concluded that H_0 is rejected and H_a is accepted, which means that the hypothesis stating that technology orientation has a positive effect on digital marketing capability is supported. In line with these findings, previous research has also found that technology has a significant influence on a company's digital marketing capabilities (Sultoni et al., 2022). Other studies have also found that SMEs with a strong technology orientation are more likely to adopt innovative digital tools and platforms (Deku et al., 2024). This enables them to increase the effectiveness of marketing campaigns, utilize analytical data to understand customer behavior, and optimize marketing strategies through more precise segmentation (Ranjan, 2023). Additionally, research by Vrontis et al (2022) shows that technology orientation can improve SMEs' ability to adapt to rapidly changing market trends.

H₄: Digital Marketing Capability has a positive influence on Business Performance

The results of data analysis for hypothesis 4 obtained a p-value of $0.000 < 0.05$ and an estimated value of 0.224, which means that a high level of digital marketing capability will improve the business performance of an SME and vice versa. Thus, it can be concluded that H_0 is rejected and H_a is accepted, which means that the hypothesis stating that digital marketing capability has a positive effect on business performance is supported. Similar findings are also supported by previous research, which states that companies that develop strong digital marketing capabilities can increase customer visibility and engagement, which has a positive impact on sales and loyalty. Other studies also show that the implementation of effective digital marketing strategies, such as marketing content, can increase brand awareness and create closer relationships with customers (Malesev & Cherry, 2021). In addition, previous research also emphasizes that capabilities in data analysis and the utilization of digital technology enable companies to make smarter and more strategic decisions, improve operational efficiency, and tailor product or service offerings to market needs (Munir et al., 2023).

H₅: Promotion has a positive influence on Business Performance

The results of data analysis for hypothesis 5 obtained a p-value of $0.000 < 0.05$ and an estimated value of 0.815, which means that the high level of influence of promotion will improve the business performance of an SME and vice versa. Thus, it can be concluded that H_0 is rejected and H_a is accepted, which means that the hypothesis stating that promotion has a positive effect on business performance is supported. This research is also supported by previous studies indicating that promotions have a significant impact on business performance, particularly for Small and Medium Enterprises (SMEs) (Mustafa, 2023). Another study by Syukri & Sunrawali (2022) emphasizes that the right promotional strategy can increase short-term sales and create long-term customer loyalty. By offering special deals, discounts, or attractive marketing campaigns, SMEs can attract new customers and retain existing ones (Mauludin et al., 2023). Additionally, research by Sholeh et al (2020) shows that well-designed promotions can increase product visibility in the market, thereby influencing customer purchasing decisions. The ability to adapt to market trends and use analytical data to evaluate the effectiveness of promotions also contributes to improved business performance (Teguh Setiadi et al., 2023).

CONCLUSION

Based on the results of research conducted to analyze the effect of competition intensity on promotion and customer relation orientation as well as technology orientation on digital marketing capability implemented by SMEs. Furthermore, digital marketing capability will have a direct impact on business performance. The following are the findings of the study: competition intensity has a significant influence on promotion. Customer relation orientation and technology orientation also have a significant influence on digital marketing capability. Furthermore, digital marketing capability and promotion have a significant influence on business performance. Furthermore, based on the findings of this study, there are several managerial implications that can be considered by SME business actors in Indonesia in improving business performance, including: First, to increase competition intensity, SME management needs to take several strategic steps, such as conducting in-depth competitor analysis to understand the strengths and weaknesses of strategies, including in terms of products, prices, distribution, and promotion. Second, managerial implications for SMEs related to customer relation orientation are very important for building customer loyalty and satisfaction. SMEs need to develop a more structured system for collecting customer feedback, such as regular surveys and in-depth interviews.

Third, the managerial implications of SMEs' technology orientation are very important in supporting the ambition to develop products that are superior to those of competitors. Among other things, SMEs need to make significant investments in the latest technology, from product design software to advanced production tools, in order to improve product efficiency and quality. Fourth, the managerial implications related to digital marketing capabilities are crucial for maximizing the potential for collaboration between the marketing and information technology departments. Fifth, managerial implications for SMEs related to promotion are important for enhancing the effectiveness of existing marketing channels, such as email and telemarketing. Sixth, managerial implications for business performance are crucial to ensuring sustainable growth and strengthening market position. Although SMEs show stable sales growth compared to competitors, there are several aspects that need to be improved to maximize this potential.

Further research could add another variable, namely Social Media Marketing (Moedeen et al., 2024). This is because currently all businesses and companies are conducting their marketing activities through social media in order to reach a wider audience and attract promising potential customers. By incorporating this social media marketing variable, future research can provide a comprehensive overview and approach considering the influence of various factors in improving business performance, as well as

how a small and medium-sized enterprise (SME) can leverage social media marketing to create a better user experience.

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