

Enhancing Digital Marketing Capabilities for Small and Medium-Sized Enterprises: A Resource-Based and Entrepreneurial Marketing Approach

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The study explores the phenomenon of digital marketing in Indonesian SMEs, addressing challenges in digital transformation. It aims to understand how digital marketing innovations can aid SMEs in the modern business environment, utilizing Resource-Based Theory and Digital Marketing Capabilities (DMC) as foundational theories. The research identifies gaps in understanding DMC's contribution to firm performance and its operationalization. Factors such as company size, age, type, structural flux, and industry are examined for their impact on performance, measured by ROA, with moderating variables like customer orientation, competitor orientation, and inter-functional coordination. The study employs Confirmatory Factor Analysis (CFA) and Structural Equation Modeling (SEM) with Partial Least Square (PLS) techniques. It also investigates the role of demographic factors on latent variables through Slope analysis.

The findings reveal that customer orientation, competitor orientation, and inter-functional coordination moderate the relationship between digital marketing capabilities and marketing performance, with dynamic market environments also playing a moderating role. The research underscores the importance of digital marketing capabilities, entrepreneurial marketing, and market orientation in enhancing firm performance and competitive advantage. It highlights the significance of customer analytics, social media, and mobile marketing in today's business landscape.

The study proposes a model incorporating digital transformation, entrepreneurial marketing, market orientation, and environmental dynamism to improve firm performance. It emphasizes the potential of digital marketing to help SMEs overcome marketing challenges and contribute to broader economic goals. The theoretical foundation is based on the Resource-Based View (RBV) and dynamic capabilities theory, suggesting that unique resources and capabilities can provide competitive advantages. The research also discusses the importance of innovation ecosystem readiness and digital transformation in enhancing digital marketing capabilities and marketing performance.

Entrepreneurial Marketing (EM) is highlighted as an effective adaptation of marketing theory for small businesses, involving innovative, proactive, and risk-taking activities to create and deliver customer value. EM leverages resources, networks, and acceptable risks to exploit opportunities, with external environments playing a crucial role in market and entrepreneurial orientation. The study concludes that digital marketing capabilities, digital market innovation, and leadership are key to profit growth in underserved markets, with EM providing a competitive edge. The transition between EM and conventional marketing depends on market conditions and company culture, requiring strategic decisions for successful marketing tactics.

Keywords: Digital Marketing Capabilities (DMC), Indonesian SMEs, Entrepreneurial Marketing (EM), Market Orientation, Innovation Ecosystem Readiness.