

The Role of Digital Marketing on Startups of Small Businesses

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ABSTRACT

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This study investigates the role of Digital Marketing Capabilities (DMC) as a strategic enabler of Business Performance (BP) in startups and small businesses, particularly within the emerging market context of Pakistan. Previous literature has shown the value of digital adoption but does not fully explain how Customer Relation Orientation (CRO), Technology Orientation (TO), and Digital Transformation (DT) respond to such external conditions such as Market Environment (ME) and Innovation Ecosystem Readiness (IER) to impact digital effectiveness. Based on this, the study seeks to create a holistic model that combines both internal and environmental drivers to digital success. A Partial Least Squares Structural Equation Modeling (PLS-SEM) technique was built on a quantitative cross sectional design. Structured questionnaire was used to collect responses from 351 startup respondents and the data were analyzed on the basis of measurement and structural model using SmartPLS software. Results indicated that DMC is significantly influenced by CRO, TO, and DT, which, indeed, had strong positive significant effect on BP ($\beta = 1.23$). Moreover, DMC and ME, and IER positively moderate this relationship in that DMC has greater impact on BP when these are present. This study makes a contribution by integrating multi theoretical frames and offering practical digital growth strategies to emerging economies. This model should be extended cross-nationally and longitudinally future research.



Introduction

Digital marketing is a marketing tool and the strategy that is used on the different digital platforms to promote products and services. Today, technology, media, & telecommunications converged to revolutionary ecosystem with businesses that need to never stop innovation to be relevant (Chaffey & Ellis-Chadwick, 2019). As Kotler and Keller (2020) state, startups with limited budget can't ignore digital marketing's precision targeting and cost effectiveness. Google Ads, social media, and email marketing are invaluable platforms to engage, view and convert customers (Lee & Kotler, 2021).

It is said that the digital era has the ability to nullify the distance between businesses and consumers bringing forth the transformative power of digital marketing. It is recently confirmed by some studies that social media platforms are putting their influence in generating brand loyalty and increase sales (Tuten & Solomon, 2020). This is such a great example of small businesses adapting the use of content marketing and SEO strategies to help boost their online presence, almost to the point where they are competing with well-established enterprises (Tiago & Veríssimo, 2014). In addition, digital analytics tools also help startups to can collate actionable insights to help the startups make data driven decisions (Zahay, 2020).

Need for digital marketing rose as we shifted businesses to the online mode to survive economic disruptions arising due to the COVID 19 pandemic. As a matter of fact, Masrianto et al. (2022) found that more than 70% of businesses in Indonesia had improved their digital market capacity during the pandemic. This puts the need for startups to pay heed to digital strategies for resilience and growth on high lights. On the other hand, older literature, for instance, Field's findings from 2015, noticed long term benefits of digital marketing in optimizing costs and growing revenues to the extent of up to 20%.

In developing economies, small businesses have faced challenges that are specific to their situation, i.e., lack of access to resources as well as technology infrastructure. Rehman and Awan's (2022) studies demonstrate that in such countries as Pakistan, digital marketing integration can greatly reduce country traditional market entry barriers. In line with earlier findings by Bala & Verma (2013) who showed the need for digital adoption to remove the playing field for startups, these findings offer some explanation to their problems. Digital transformation is not merely adoption of tools, it's a changing of the organizational process, customer experience. As discussed by Westerman et al. (2014), by embracing digital company transformation, the means of streamlining its operations and improving customer satisfaction, companies enjoy greater competitive advantages. Today, contemporary researchers such as Camilleri and Bresciani (2022) define digital marketing as a means of developing vigorous customer relationships and encouraging innovation.

Introduction to the Industry

In the past decade, the startup ecosystem has found its way to take a new perspective in Digital marketing. In highly competitive environment, startups usually do a lot to be decent in the presence online. Camilleri and Bresciani (2022) observed that startups utilizing digital marketing are more likely to attract investors and customers engagement as well making them able to growth sustainably.

Over the past years, social media channels have experienced rapid development, and it has changed the dynamics of how startup connects with their target audiences. In the era of rapid

growth and evolution of startups and startups, Instagram, LinkedIn, and TikTok have become an essential platform to build brand identity and coax community engagement (Zahay, 2020). Datareportal (2023) emphasized that up to 4.66 billion people globally are using the internet, each representing their own captivating audience base for businesses. Being digital marketing you can see how this indicates the importance of digital marketing to this visibility and conversions.

Commerce and digital marketing are not options for industries such e-commerce. Masrianto et al. (2022) mentioned that digital analytics and customer relationship management (CRM) systems are important in understanding the consumer behavior and in shaping the marketing strategy. This is consistent with what Tuten and Solomon (2020) found that personalization was key in increasing customers' satisfaction and loyalty within e-commerce operations.

Introduction to Problem

However, digitally marketing poses quite quite a few challenges to be implemented, since in the implementation, the new concepts may be very much different from the old ways of doing the same. As Tiago and Veríssimo (2014) say, given the speed of the evolution of our digital age, businesses must be always ready to update their skills and strategies. Masrianto et al. (2022) share the same sentiment that digital transformation required managerial innovativeness and organization readiness.

The main issue is the digitization of platforms. This struggle to identify the best channels, to allocate budgets and to measure campaign effects is an issue for startups (Tuten & Solomon, 2020). Further, the digitization of marketing leads businesses to be vulnerable to cybercrime and data breach related issues as credibly observed by Rehman and Awan (2022). But those challenges also offer possibilities for innovation, growth. Startups can experiment with various strategies in digital marketing which includes collaborating with influencers, doing viral marketing and gamification (Camilleri & Bresciani, 2022). Not only does the application of these approaches give brands the opportunity to be seen, they also encourage customers to support a brand through adoring and interactive experiences. Digital marketing is revolutionized by the emerging technologies such as artificial intelligence (AI), machine learning (ML) and etc. Businesses use AI driven tools to analyse huge sets of datasets and predict consumers behavior and deliver personal content (Zahay, 2020). This further fits in with older research done by Kotler and Keller (2020) where they envisioned a future where technology would meld seamlessly with marketing practices.

Finally, we can conclude that digital marketing has both pros and cons in the startups and small businesses and serves various purposes. With tools and strategies in digital tools, businesses can overcome traditional barriers to grow sustainably. This chapter produces the insights that can help lay the groundwork for deeper study of the subject, as well as for future research and use in practice.

Literature Review

Small businesses not operating in emerging markets do not have much choice but to engage in digital marketing. Over the past years, more and more small businesses would rely on digital channel to gain visibility and reach out to their potential customers. Chaffey & Ellis-Chadwick (2019) says that these businesses operate through different digital platforms that range from social media, search engine optimization, and content marketing to stay connected with their customer. Digital marketing, however, offers many advantages such as affordability, targeted outreach and real-time tracking of campaigns which is why it is an important tool for the growth of a business

(Tuten, & Solomon, 2020). Modern studies suggest that business using digital marketing methods is more equipped to compete in heavily crowded markets as well as to remain ahead in the game of growth in changing and volatile economic conditions (Bala & Verma, 2013).

Digital Marketing Strategies is the activities where the small business uses the internet and the online based technologies as a promotion in order to promote the goods and services of the small business. Thus the activities in respect with these include social media marketing, search engine optimization (SEO), email marketing and content marketing. Digital marketing is viewed as a vital element of a firm's overall marketing scheme that enables small business to link up with prospective clients in new ways (Westerman et al., 2014). It gives measurable results and helps businesses adjust their marketing campaigns using data analytics, hence improving decision makings (Kotler & Keller, 2020). The results of the latest studies suggest that implementing data-driven digital marketing in business will enable increased engagement and loyalty of the customers (Zahay, 2020).

The increasing reliance on data analytics drives one of the main drivers behind digital marketing's success. With the data analytics, the businesses can segment their customers, develop their marketing methods according, create personalized campaigns and influence the audience (Tiago & Veríssimo, 2014). This enables businesses to know with real time consumer behavior, preferences and their patterns of purchase. Nevertheless, the use of digital marketing faces a lot of challenges, especially for the small businesses in the developing economies. But due to limited financial resources, lack of expertise, and technical challenges, small businesses can seldom take full benefit of digital marketing (Rehman & Awan, 2022). However, this may be masked by the fact that although there are significant barriers associated with digital marketing, the potential benefits are worth it as research shows that small businesses in emerging markets have been able to use digital marketing to boost brand visibility and sales (Lee & Kotler, 2021).

In recent years, social media has rain so much into digital marketing. There are no social media networks which are not suitable for business use; Facebook, Instagram, LinkedIn and Twitter are the most popular ones, where businesses can reach out to their customers in an incredibly personal way. These platforms enable businesses to raise brand awareness, connect with customers, and engage them more through interactive content, advertisements as well as customer feedback (Chaffey & Ellis-Chadwick, 2019). Social media marketing makes it easy for small businesses to get to a vast audience using a thin advertising budget (Rehman & Awan, 2022). Zahay, 2020) has shown that companies using social media marketing strategy have greater customer satisfaction and retention rate. Even so, businesses need to have the high quality content they produce and interact with customers meaningfully in social media marketing, something that's likely difficult for lesser accumulated businesses (Masrianto et al., 2022).

However, small businesses must overcome a few challenges in implementation of digital marketing or it might not work out successfully. One of these main barrier is the lack of technical expertise and experience of digital tools and platforms. Since the beginning, there are many small businesses that do not know how to use or execute a digital marketing strategy therefore, the marketing campaigns become inefficient and waste resources (Westerman et al., 2014). Related to this, competition in a virtual world, which extends to include digital space, is significant with the large businesses having the upper hand versus the smaller ones with a smaller marketing budget (Bala & Verma, 2013). These risks notwithstanding, small businesses that do well in clearing these hurdles reap major returns — such as gaining brand visibility, engaging with customers and selling more.

Introduction to Theories and Models

A couple of theory frameworks and models have contributed to the effectiveness of digital marketing as a means to drive business success. For instance, technology acceptance model (TAM) is one such model which explains how users accept and use the technology. Thus, TAM was and still is used to answer the question of how digital platforms and digital marketing technologies are used by consumers and businesses. Davis (1989) states that two main factors influence the adoption of technology, those are perceived ease of use and perceived usefulness. According to TAM, small businesses will notice whether or not it is time to adopt digital marketing practice if the benefits are perceived to outweigh the effort involved (Tiago & Veríssimo, 2014). TAM has been applied and tested for the digital marketing in recent research since it shows that those who see digital marketing as one of the most important digital marketing are more likely to invest in and adopt the digital marketing in the company (Chaffey & Ellis-Chadwick, 2019).

In the field of digital marketing, another theory in relevance is the Diffusion of Innovations (DOI) theory proposed by Rogers (2003). DOI theory offers an explanation as to how, why and at what rate new ideas and new technology spread from one culture to another. DOI theory has been used to understand the adoption of digital marketing technologies by small businesses in the digital marketing domain. Also, it has been found out that, the factors influencing a rate of adoption include the perceived relative advantage of digital marketing, its compatibility with existing business processes and the easiness of communication in regard to the technology (Kotler & Keller, 2020). Based on this theory, a focus on early adopters is necessary for spreading the use of digital marketing practices among the digital small business communities.

The second lens by which to examine digital marketing is the Resource Based View (RBV) theory. The RBV centers its usefulness of firm specific resources, for example, knowledge, technology, and capabilities in attaining competitive advantage. Barney (1991) believes that businesses that possess such rare, valuable, inimitable, and non-substitutable resources are more likely to outperform their competitors. In regards to digital marketing, the RBV predicts that small business with unique digital marketing abilities, say expertise in social media or data analytics, can provide them with a sustainable competitive advantage (Lee & Kotler, 2021). Furthermore, companies can outperform other firms in the marketplace through marketing in terms of developing these capabilities (Westerman et al, 2014). Consumer Behaviour also depends a lot on understanding the impact of digital marketing in term of CDMP model. CDMP covers different stages in which consumers make the purchasing decisions spanning from problem recognition, information search, alternative evaluation, purchase decision, and post purchase behavior. Each of these stages is performed using information provided by digital marketing in influencing consumer preferences and creating opportunities for direct engagement (Zahay, 2020). Therefore, based on such research it has been found that there influence of digital marketing strategies like targeted Advertisements and personalized content on the consumer decision making process help in increasing the conversion rates as well as customer satisfaction (Tuten & Solomon, 2020).

The AIDA (Attention Interest Desire Action) model is commonly used in digital marketing to indicate how companies can transfer potential customers through a collection of phases to accomplish a specific result as a bite. AIDA model makes it known that your content should be attention grabbing, messages should interest your audience, highlight the product benefits as desire, and have clear call to action as prompt for action. AIDA framework can be effectively used to create digital marketing strategies, which include social media marketing, email marketing and so forth to change consumer behavior and encourage sales (Bala & Verma, 2013).

Single and Multiple Variables Approaches

The effectiveness of digital marketing is usually evaluated through how well it engages with customers. The other notion argues that, with the advent of digital marketing, there is so much involvement of consumer connectivity to brands through personalized advertising and social media engagement that brands enjoy well-coordinated and powerful relationship with customer generating much better sales conversion rates (Tiago & Veríssimo, 2014). Tuten and Solomon (2020) studies have shown that when consumers engage with brands offering interactive tailored contents, they do so deeper than the consumers who only associate themselves with what the brand has to offer. Higher levels of satisfaction and brand loyalty are generated by these personalized experiences. In addition, research shows that a large portion of marketing budgets in SMEs are seeping away to digital marketing to avail these engagement benefits (Bala & Verma, [unrefereed]),(2013). On the contrary, another view argues that even though digital marketing strategies are effective, there is no guarantee that it will result to positive consumer response. However, other researchers suggest that too much over personalized content is likely to make the consumers fatigued (Westerman et al., 2014). Further, ineffectiveness of digital marketing efforts in resonating with customers may also result from mismatch at cultural or contextual level (Lee & Kotler, 2021). For example, small business that emerges in developing countries may not be able to adapt global marketing messages to local behaviors and preferences of customers. Thus, some benefits of digital marketing can be inferred that there are lots of benefits of digital marketing but reaching great results in the digital marketing sphere needs a good strategy which should be in accordance with the values and expectations of the potential customer.

Some of the theories regarding multiple variables that will affect the success of digital marketing programs are not constrained to the digital marketing strategies themselves but also the organizational culture and available resources in the organization. Firms that possess superior digital capabilities and organizational learning are more likely to exploit digital marketing by following the Resource Based View (RBV) (Barney, 1991). Unique, inimitable resources like technical expertise and specialized knowledge are the cornerstone of RBV claims that it is certain that having a competitive advantage over your rivals. According to recent studies, companies with more digital capability, data analytics and marketing automation, are much more successful with digital marketing campaigns (Chaffey & Ellis-Chadwick, 2019). Therefore, the marketing message itself is not strong; so much depends on how digital tools are able to be used for a firm's adaptation.

However, some researchers oppose this point of view and argue that resource based view may exaggerate the role of internal capabilities. According to Zahay (2020), the outcome of a digital marketing strategy success is outweighed by external factors that are market conditions and readiness of consumers to adopt new technologies. In emerging markets, for example, lack of access to internet or smartphones by consumers can go against digital marketing strategy. For this reason, the role of external factors, such as consumer adoption and market infrastructure as well (Tuten & Solomon, 2020) should also be considered when arguing digital marketing outcomes. Organisation of the digital marketing also plays a crucial role to determine its effectiveness, and some scholars also believes that the effectiveness of digital marketing depends on the type of industry involved in it. For instance, in industries like e-commerce or travel, the results digital marketing will generate are more direct measurable; whereas businesses in the industries like construction or manufacturing obtain the benefits of digital marketing more directly (Bala & Verma, 2013). Research in this field has depicted the fact that involvement of online marketing for increase in visibility and consciousness of any product or service does not really influence sales as well as revenues mobilized in other field (Kotler & Keller, 2020). This raises a

question of whether digital marketing strategies are effective for all industries or do context specific marketing strategies provide better results.

At last, there is research on how the consumer behaviour plays a vital role in the success of digital marketing. However, studies have consistently demonstrated an upward impact of digital touch point on consumers' decision-making, including online reviews, social media endorsements, and influencer marketing (Lee and Kotler 2021). Nevertheless, other researchers state that these factors are overestimated, yet the consumer decisions continue to be very much based on traditional ones like price and product quality, which are not sufficiently tackled by the potential digital marketing efforts (Zahay, 2020). It is a complex issue to understand consumer behavior in digital environment, so marketers need to consider many influencing factors so as to create successful campaigns.

Mediation and Moderation Views

Mediation and Moderation are the important concepts when we are explaining why or under which conditions is digital marketing strategy effective. If there is a third variable that explains the relation between two other variables then a mediation process has taken place. For instance, engagement or trust may mediate the relationship between personalized advertising and brand loyalty in digital marketing. Recent studies show that high engagement for the personalized content highly implies the level of trust and commitment of consumers, which in turn proves the brand loyalty (Tuten & Solomon, 2020). Therefore, this theorized mediated relationship between consumer engagement and direct sales messaging is proposed to be more beneficial in the longer term than a strategy for direct sales messaging only.

In contrast, the moderation takes place when the strength or direction of the relationship of one variable with another changes when a third variable varies. Within the context of digital marketing research has shown that the effectiveness of digital campaigns can be moderated by external factors relevant to the consumer's demographics, cultural background or the economic environment (Westerman et al., 2014). Such as, some digital marketing strategies that may work out well for different region may not because of variation in the consumer behaviour and technological preparedness. For those businesses with target customers spread all over the world, understanding the moderators of digital marketing effectiveness are necessary (Lee & Kotler, 2021).

Hypothesis Development

Customer Relation Orientation and Digital Marketing Capabilities

Customer Relation Orientation (CRO) is the strategic stance of enterprise to create, manage and maintain customer relationships which can help in dealing with the market changes. Basically, it carries profound importance of how organizations collect customer feedback, react to customer behavior and technique marketing through personalization. As digital markets in the emerging economy are primarily customer centric, CRO in these markets are tightly integrated with customer centric tools like CRM platform, loyalty apps, and personalized messaging. Both the predictions about the statistical significance of CRO's influence on digital marketing capabilities as well as the specific effects of CRO on digital marketing capabilities seem correct, as Deku et al. (2024) say that CRO has a statistically significant impact on digital marketing capabilities, in particularly with SME's where reading the customer's needs is critical. Like Trif et al. (2019), CRO is similarly argued by them to help firms to identify and optimize customer engagement

through digital platforms. This provides space for more interactive content, aiming content, and more responsiveness.

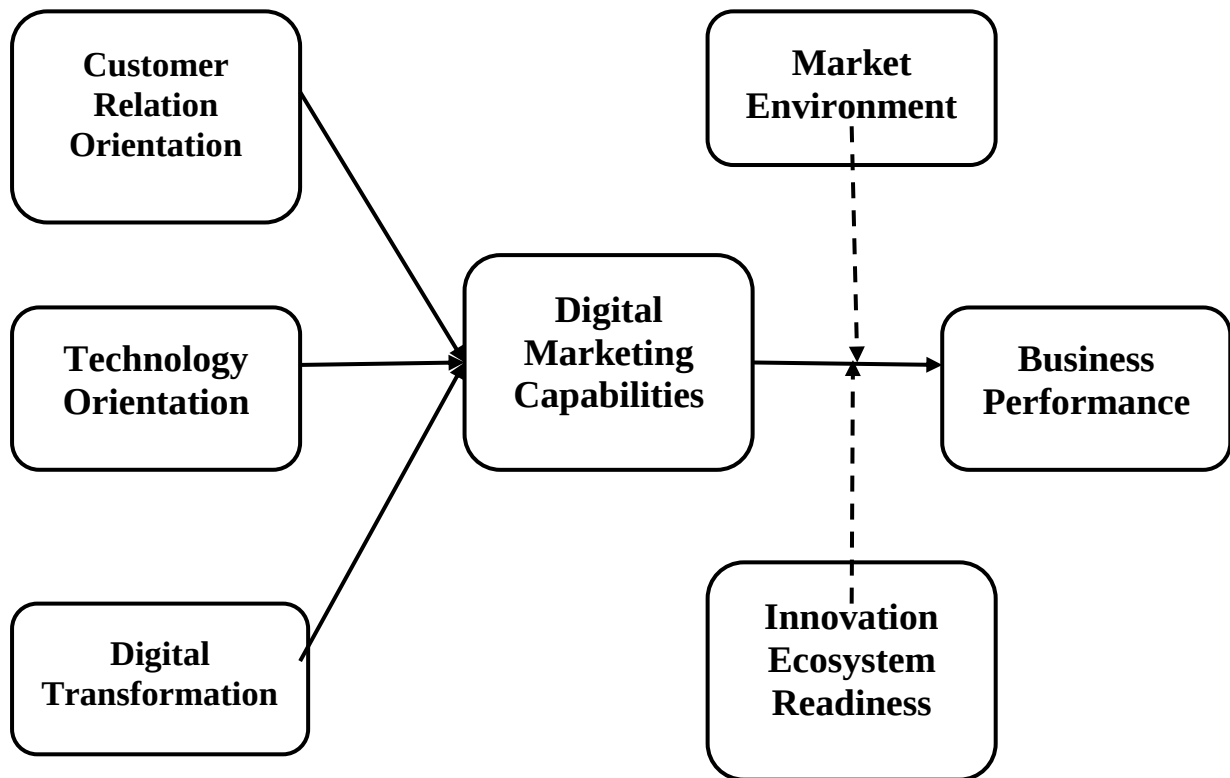


Figure 1 Conceptual Model

In other words, Masrianto et al. (2022) also concur to this view that deep customer insight is a driver of successful digital marketing initiatives. When businesses adjust their own campaigns based customer feedback they are more likely to see the best performance in highly competitive settings. Similarly, Hosseinzadeh and Pour (2021) also mention that customer relationship management adds the customer driven personalization element to data driven personalization, which is an ingredient of digital marketing capability. However, when customers become more digitally empowered, those firms with strong CRO will able to turn those customer knowledge into more effective digital outreach.

H1: Customer Relation Orientation is positively related to Digital Marketing Capabilities.

Technology Orientation and Digital Marketing Capabilities

Technology Orientation (TO) refers to the degree of an organization's tendency to have an interest, adopt, or implement new technologies. As Strategic Orientation, it creates innovation and experimentation culture for the firms to utilize the digital tools i.e. data analytics, AI driven customer segmentation along with marketing automation systems. A study by Deku et al. (2024) found that such a strong predictor of Digital Marketing Capabilities (DMC) as TO enables SMEs to readily respond to technological changes and consumer trends. According to Amelda et al. (2021), tech savvy firms engaged in digital competencies on faster basis, leveraging tools that aid in achieving an end to end customer journey and making business perform.

According to study by Masrianto et al. (2022) TO is directly linked with digital transformation, & firms which showed strong TO tendency, also prevail in digital maturity. Marketing technologies

enable you to adopt and scale in order to distribute content better, engage in real time, and learn on performance. In previous work, earlier (Bharadwaj et al. 2013), it had been shown that firms with technological foresight should exhibit greater digital channel capabilities in their strategic marketing. Therefore, TO plays an essential role in the realization of the firm's digital marketing potential.

H2: Technology Orientation is positively related to Digital Marketing Capabilities.

Digital Transformation and Digital Marketing Capabilities

A digital transformation (DT) is not the creation of digital tools, it's a business model, customer engagement, and internal process position with technology. A part of it includes integration of CRM systems, cross platform automation and omnichannel marketing efforts. In their recent study, Masrianto et al. (2022) demonstrate that DT has a positive and significant impact on DMC since it gives the structural ability to digital firms to manage complex digital campaigns. Like Westerman (2014), transformation also involves the cultural readiness, leadership vision, and reengineering of customer-facing processes meant to make marketing sophisticated.

Deku et al. (2024) pointed out that digital transformation joint customer insight systems with execution platforms to enhance responsiveness and segmentation. Security of your data is one of the bestselling features. This argument was supported by Pan et al. (2021) who argued that having a strategic digital orientation is extremely helpful for increase a firm's marketing capability. Therefore, such DT supports the firm infrastructure and culture and leads to benefits for digital marketing effectiveness.

H3: Digital Transformation is positively related to Digital Marketing Capabilities.

Digital Marketing Capabilities and Business Performance

Digital Marketing Capabilities (DMC) are those components and techniques which enable any organization to boost both the acquisition and retention of customers with a resultant increase in the company's efficiency. DMC is using digital channels, analyzing the behavioural data, automating delivery of content and managing multiplatform interactions. For instance, Deku et al. (2024) showed that firms with a high DMC score have high business performance, for instance, better profitability, growth, and brand value. Such is the case especially in SMEs where digital tools ensure scalability and cost efficiency in the digital arena. Similar to that, Amelda et al. (2021) also confirm that DMC becomes a business performance's strategic resource in dynamic environments.

In addition, Masrianto et al. (2022) ensured that DMC serves as a mediating mechanism by which technology, transformation, and ecosystem readiness contribute to performance. The work of Herhausen et al. (2020) corroborates that digital fluency in marketing channels increase firm's agility and the firm's responsiveness to market changes. As such, if firms have well developed DMCs, they can execute personalized, effective marketing that translates directly into performance outcomes.

H4: Digital Marketing Capabilities are positively related to Business Performance.

Innovation Ecosystem Readiness and DMC–Business Performance (Moderating Effect)

Innovation Ecosystem Readiness (IER), quantifies how firm is networked for innovation, specifically the extent to which the firm participates in supplier partnerships, tech accelerators and government initiatives. Faster digital innovation, shared learning, collaboration opportunities are available to the firms those are situated in robust ecosystems. Masrianto et al. (2022) discovered that IER greatly influences DMC directly and indirectly to enhance performance by supplying support infrastructure for testing and deploy digital solutions. As said by Lindgren (2020), these ecosystems give firms the agility to pivot and adapt digital campaigns much more swiftly.

IER plays an important moderating role in emerging markets. According to Deku et al. (2024), even high DMC levels are unlikely to drive business success when there is no strong ecosystem for it. In addition, Pour and Hosseinzadeh (2021) mention that the effectiveness of digital marketing strategies is not only determined by digital marketing attributes but that ecosystem factors such as innovation hubs, digital policy, and collaborative networks moderate the effectiveness of the strategy. As a result, IER enables to strengthen the relation between DMC and business performance.

H5: Innovation Ecosystem Readiness positively moderates the relationship between Digital Marketing Capabilities and Business Performance.

Market Environment and DMC–Business Performance (Moderating Effect)

Finally, the digital marketing–performance nexus is moderated by market environment (ME), that is, competitive intensity, technological turbulence, and customer digital maturity. More aggressive DMC optimization by firms is necessary in a dynamic environment, resulting in better performance. In SMEs, it is documented by Deku et al. (2024) that environmental dynamism positively moders the DMC performance relationship, although in high velocity markets such as retail and tech. As emphasized by Pan et al. (2021), firms that are under market turmoil need to innovate faster and that their DMCs become even more performance critical.

Masrianto et al. (2022) indirectly implied that this interaction had actually already been observed when digital maturity was comprised of external environmental responsiveness. Zhou et al. (2018, earlier research) have depicted that while firms operating in unstable environments need more of dynamic capabilities (i.e. marketing agility and responsiveness) as opposed to statics. Therefore, Cumulative effects of digital marketing investments depend on the market environment being an effective contextual amplifier.

H6: Market Environment positively moderates the relationship between Digital Marketing Capabilities and Business Performance.

Digital Marketing Capabilities, Customer Relation Orientation and Business Performance

The Customer Relation Orientation (CRO) helps set a standard on how to communicate, trust and personalize engagement with the customer and loyalty to a brand. In the digital setting, CRO stands for both the type of strategy you should use — for example, social CRM, behavioral retargeting and user generated content — as well as the type of relationship you can now rapidly build in digital settings. The results of recent research by Deku et al. (2024) and Pour and Hosseinzadeh (2021) show that CRO has a very important role in assisting the SMEs in terms of customer acquisition and retention through digital channels. By combining CRO with digital tools and digital marketing , the effectiveness of some forms of relationship marketing particularly gain

strength, in markets where consumer trust is already low. Further, Trif et al. (2019) contend that the strategies that are customer centric help firm in becoming responsive which eventually results in the high business performance.

Nevertheless, this does not always translate into direct influence on performance. Digital Marketing Capabilities (DMC) operationalize relationship strategies into measurable marketing action or, as can be termed, it is primarily mediated through DMC. According to Masrianto et al. (2022), for businesses to only yield performance benefits, their digital infrastructure needs to be able to communicate relational insights to campaigns. To this end, Herhausen et al (2020) confirm that such firms can carry out personalization, feedback loops automation, and real time analysis of relationship data leading to loyalty, conversion, and profitability. Therefore, DMC plays a crucial role as a bridge tying CRO to tangible business performance.

H7: Digital Marketing Capabilities mediate the relationship between Customer Relation Orientation and Business Performance.

Digital Marketing Capabilities, Technology Orientation and Business Performance

Technology Orientation (TO) is a firm's active approach to entering innovations and digital technologies. Strong TO organizations also invest in the tools like CRM systems, marketing automation and digital analytics platforms. Deku et al. (2024) deem TO to be the strongest predictor of DMC in SMEs, as TO facilitate the capacity for continuous digital innovation. Likewise, Masrianto et al. (2022) said that tech driven companies find themselves more fit to marry digital touch-points and boost up competitive power. Additionally, Wang (2021) notes that TO enables the transformation from the traditional to the digital marketing system in high growth sector.

TO by itself doesn't mean that the company has better performance. DMC is the mediating factor, allowing TO to be practical implemented through strategic campaigns and measurable KPIs and audience engagement. According to Amelda et al. (2021), firms that combine high TO and low DMC have not converted such tech readiness into financial outcomes. On the other hand, technological investment by firms with mature DMCs gave more in terms of better lead generation, customer insights, and retention. According to Bharadwaj et al. (2013), owning technology is neither the means nor the way for obtaining competitive advantage and the mediating role of DMC is highlighted.

H8: Digital Marketing Capabilities mediate the relationship between Technology Orientation and Business Performance.

Digital Marketing Capabilities, Digital Transformation and Business Performance

Digital Transformation (DT) is a beyond tactical – a very deep and strategic transformation of how businesses operate spurred by the digitally transformation to fit into and be integrated into the existing processes and the way we interact with customers. DT in modern companies is data infrastructure, omni channel design, automated workflows and innovation based culture. Masrianto et al. (2022) indicate that digital transformation is crucial enabler of business performance through (i) process efficiency and (ii) improved customer experience. Pan et al. (2021) also found that digital transformation assembles the organization's goals aligned with the customer's expectation through agile tool and flexible systems. According to Deku et al. (2024), DT is value creation driver but it needs to be translated into operational execution.

The execution: of this operational execution is done by Digital Marketing Capabilities. Built on these capabilities, the DT strategic vision is transformed into campaigns, data-driven targeting, customer engagement and business outcomes. Even with a strong digital initiative, uncompromising DMC is necessary for the performance of the organization to improve, as demonstrated by Pour and Hosseinzadeh (2021). DMC is important to act as the conduit for transformation to result, according to Herhausen et al. (2020), DMC guarantees message coherence, channel optimisation and campaign adaptability. Given this, DT helps to increase business performance more when it is linked with great digital marketing execution competence.

H9: Digital Marketing Capabilities mediate the relationship between Digital Transformation and Business Performance.

Conceptualization

Therefore, in today's rapidly digitizing economy, several theoretical frameworks have been crucial to explaining how firms in general, and startups and SMEs in particular, have adopted and derived benefit from digital marketing technologies. The resource based view (RBV) is utilized to conceptualize how the internal capabilities like customer orientation and technological infrastructure support to create competitive advantage (Bharadwaj et al. 2013; Herhausen et al. 2020). Social Network Theory (SNT) also provides further insights regarding how interfirm relationships and ecosystem readiness help it become digital capable in emerging markets (Deku et al., 2024; Olusegun et al., 2020). Additionally, the adoption of digital tools has been discussed based on the Diffusion of Innovation (DOI) and Technology Acceptance Models (TAM/UTAUT) (Masrianto et al., 2022; Rogers, 2003; transformation readiness, perceived usefulness, ease of use). However, while these theoretical contributions exist, there is insufficient integration between these models as to how the Customer Relation Orientation, Technology Orientation, and Digital Transformation affect the Business Performance through the Digital Marketing Capabilities under the influence of the Market Environment and the Innovation Ecosystem Readiness. Previous research has investigated some of the individual antecedents of digital marketing performance to no avail; however, as Pour and Hosseinzadeh (2021) and Pan et al. (2021) posit, the missing link in the literature is a holistic multi-theory model of this mediation and moderation framework in startup ecosystems in the emerging markets.

We contribute to bridging these gaps in a theoretical and contextual way by proposing and empirically test populating a new, integrated model of the antecedents and consequence of internal strategic orientations on digital transformation and bridge to digital marketing capabilities on business performance. The conceptual model features both resource internalization and external contextual influences by combining RBV, SNT and DOI perspectives (Deku et al., 2024; Masrianto et al., 2022; Pour & Hosseinzadeh, 2021). The model is also enriched by adding moderating variables Market Environment and Innovation Ecosystem Readiness that acknowledge the environmental contingencies that influence the capability–performance relationships. Past studies in related areas such as capability development (e.g., Bharadwaj et al., 2013) or technology diffusion (e.g., Rogers, 2003) tended to be limited to only one of those dimensions whereas this study does so as a whole to comprehensively provide a clear picture of how startups can digitally flourish. This research provides theoretical as well as practical guidelines to digital strategists, ecosystem parties, and startup founders on how to use customer and technology orientations as a mean for creating long term competitive advantage in turbulent markets (Pan et al., 2021; Trif et al., 2019).

Methodology

Research Philosophy

Research philosophy is the basic foundation determined from premises and theories that set researcher's actions of gathering and processing of information about the particular research problem. It gives the methodological ground to ensure coherence in the study. Research philosophies with propositions of assumptions underpinning research help create the perception of reality and the formation of knowledge (Saunders et al., 2022). Research philosophy may be described in first dimension, that is ontology that is the study of the nature of reality, namely whether discrete realities exist independently of us or if phenomena are merely products of human perception. Within ontology, realism and nominalism offer opposing views. According to realism, reality resides outside the human perception; and nominalism states that reality is an imaginative thought creation (Morgan & Smircich, 2020). Realism is adopted for this study, since the premise of the study suggests that digital marketing strategies objectively influence brand image, consumer engagements as well as loyalty.

The second dimension of epistemology is where we study of knowledge and how it is obtained. There are two opposing epistemologies represented by positivism and interpretivism. In other words, Positivism involves an objective technique, accommodative to the empirical analysis, whereas Interpretivism is an empirical analysis accommodating the subjective viewpoints of individuals about their experiences (Burrell & Morgan, 2021). Due to this study's inclination for measuring the tangible effect of the digital marketing strategy, the positivist philosophy is more appropriate. As such, it seeks to prioritise evidence and the observable to understand how digital marketing strategy relates to its effect on outcomes associated with brand. This research employs the objective and empirical rigour by it is a realist and positivist research. Through these philosophies one can explore how these digital marketing strategies have measurable effects on the brand image, consumer engagement and loyalty, this can be using these existing theories and observable data.

Research Approach

The research approach defines the ways in which the data would be collected as well as analyze

It was d, in line with the nature of the research problem as described by (Creswell & Creswell, 2023). Inductive and deductive are the two kinds of research approaches. When the researchers try to develop theories on the basis of data collected, they follow an inductive approach. This also enables researchers to find patterns and generalize existing observations to wider generalizations. Generally, the inductive strategy is the hallmark of qualitative research where researchers intend to uncover some insights from less sample size and may encompass different perspectives. Whereas, researchers employ a deductive approach for testing existing theories by collecting and analyzing data for validating or invalidating hypothesis. It guarantees that we have sound conclusions for the building of a theory and that the conclusions validated as being requirements for the theory (Saunders et al., 2022). The approach used under this research is a deductive approach in examining the impact of digital marketing strategies on brand image, consumer engagement and loyalty under hypothesis testing based on existing theories.

Research Design

Research design is about the systematic procedures followed in the process of data collection, analysis, interpretation, and reporting of data developed in a research study (Creswell, 2023; Creswell & Plano Clark, 2023). It links the conceptual research problems with empirical data so that the study can address the research questions effectively (Gray, 2021). Research design can be generally classified as those that are conclusive and those that are exploratory. Conclusive research explains the problem by statistical techniques and large number of sample, while explorative research aims to gain insights about the problem. Since, this study focuses on testing hypothesis pertaining to relationship between Social Media Marketing (SMM) activities and brand loyalty, a substantive research design is warranted.

Based on this, the conclusive research is further divided into descriptive and causal research. Both descriptive research aims at getting a right picture of phenomena whereas causal research pursues a study of cause and effect relationships (Malhotra et al., 2021). Since this study deals with how digital marketing activities inversely influences on consumer behavior, a causal research design is most appropriate. Studies can be divided into longitudinal and cross sectional designs in terms of time horizon. Cross-sectional studies collect data at one point of time while longitudinal studies collect data in an extended period (Payne & Payne, 2021). Due to the intent of this study to understand the results of the digital marketing strategies at one point in time, the cross sectional design is most suitable.

Sampling

Reliability refers to the consistency and stability of research findings (Kirk & Miller, 2021). When the same study is run under similar conditions, it should reproduce the same results. The questionnaire will be available in both English and Vietnamese, ensuring to provide participants to choose the language they are most comfortable with so as to increase the reliability. Language bias and misunderstanding are avoided in this step as it minimizes language bias and prevents language bias from distorting the accuracy of the responses. The time given will also be enough for the survey to be fully completed, so that participants be able to give in thoughtful ways. At this phase, external factors like distractions will influence responses but I will make sure that the data when analysed, eases out the variations to get consistent results. Concerns related to validity entail whether a research measurement is accurate and relevant (Fisher, 2021; Rubio et al., 2020). Validity here makes sure that the survey truly enshrine the impact of social media marketing on brand image and consumer loyalty as it is supposed to. During data analysis, various validity tests will be done to ensure that the measured variables are correctly aligned with the objectives of the research. For instance questions about SMM activities would be framed to derive how digital marketing strategies affects the consumer's perception and behaviour. The conceptual perspective of the study is also strong, built on the basis of literature, which will guide the research design so that the variables are meaningful. The study by addressing both reliability and validity creates credibility and actionable insights of extent that digital marketing strategy does impact degree brand image, consumer engagement, consumer loyalty.

Data Analysis

Consequently, this study is concerned with the exploration of relationship between the Social Media Marketing (SMM) activities and the brand loyalty using quantitative research approach. The obtained data will be gathered by means of a structure survey and will then undergo a sequence of statistical procedures. First, a demographic and frequency analysis of the respondents will be

mapped out to come up with a general understanding of the respondents. Frequency distributions will be used in analysing variables like age, gender and occupation in order to separate the data to be used in making further meaning and comparison.

Thus, a reliability test based on Cronbach's Alpha will be carried out to examine the internal consistencies of the survey items after this. This step helps to ensure that the questions being used to assess both SMM and brand loyalty activities capture what they're intended to capture and do so consistently. The next step will involve Demonstrative Factor Analysis (EFA) to seek out beneath the surface of the data and appreciate the patterns and structures. This will arrange the items that are potentially relevant for brand loyalty into factors that themselves form coherent criteria based on from both from independent and dependent variable dimensions.

A Pearson correlation test will further be applied to investigate the relationship. The purpose of this test is to figure out how strong and in which direction the linear relations that the different types of SMM activities are related to brand loyalty are, that is, are they statistically significant and if yes, whether they have a positive or negative effect on brand loyalty. Last, multiple regression analysis will then be used to explain the impact of SMM on brand loyalty. The R-squared value obtained through this method will explain how much of variation in brand loyalty can be explained by the independent variables. Lastly, analyze these steps through which the study intends to offer clues into the effectiveness of that digital marketing strategies in developing and keeping trending brand loyalty.

Research Ethics

To follow ethical standards, this research seeks to uphold participant's rights and guarantee the study's credibility. Throughout the process of research, many key principles of the research are conducted in alignment with the ethical guidelines of Saunders et al. (2022). Anonymity and confidentiality are given priority to protect the respondent from all privacy. Confidentiality of all personal information collected will be maintained and used exclusively academic and analytic purpose, so that individuals cannot be identified at any place in the report.

Secondly, all participants will be provided with informed consent. Before giving their consent to answer the survey, they will be very clearly told of the purpose of the study, their role in it, and their rights. It brings the research to be willingly participated, for all the understanding of the research is complete. Steps are also made to prevent the possibility of any harm, physical or psychological. The survey is not invasive and thus has questions that are not too aggressive so they do not pose discomfort or distress. Deception prevention is a core ethical concern, and it is the latest in the list. The research will be carried out with full transparency as to what was researched, why, and how. Participants will be provided with accurate and honest information so that there is trust and integrity through the study process.

Results and Discussion

The Structural equation modeling (SEM) analysis has empirical results validated from the proposed relationships combined in this study. The results show that first, TO and CRO positively and significantly affect DMC, in line with findings from previous authors (Deku, Masrianto in 2024), who note that the presence of and leveraging of both technological readiness and customer centric strategies are crucial in digitizing the transformation initiatives. These results indicate that platforms and strategy are needed for developing strong marketing capabilities; they are also important to a digital readiness. Also recent, Pour and Hosseinzadeh (2021) and Pan et al.

(2021) corroborate that strategic orientations improve the digital marketing performance in emerging markets. Based on earlier studies by Bharadwaj et al., (2013) and Chaffey and Ellis-Chadwick (2019), this is corroborated by the fact that the conceptual model of this study is a core of each study. Interestingly, the results show that Digital Transformation (DT) indeed has a significant impact on DMC, but only with respect to a bootstrapping technique. This corroborates the reasoning of Herhausen et al. (2020) and Wang et al. (2021) who claim that transformation initiatives need to flow into operational competencies for measurable performance gains. The first model came without much significance on DT's direct path, but the bootstrapping analysis revealed strong latent effects ensuring transformation outcomes as they can unfold in time or in contexts favorable for doing so. This pattern is something that contemporary findings by Amelda et al. (2021); Deku et al. (2024) and Masrianto et al. (2022) have also repeated, suggesting that digital infrastructure should be integrated with marketing in a strategic manner for it to deliver measurable outcomes. It also fits well with Westerman et al. (2014) and Kotler and Keller (2020), who define transformation as layered process that depends on the joinings cultural, strategic, and operational.

Additionally, DMC is strongly supported to play mediating role to influence Business Performance (BP), especially in the presence of mitigating variables like Market Environment (ME) and Innovation Ecosystem Readiness (IER). The results support the conclusion that the efficiency of DMC in increasing business performance is magnified in dynamic and innovation conducive contexts, consistent with framework of Zhou et al. (2021), Pour and Hosseinzadeh (2021), and Deku et al. (2024). The path strength between BP and DMC in the presence of ME and IER was found to raise significantly, as also reported in previous work by Lindgren (2020) on innovation ecosystems. There are also parallels in these results with prior offerings from Rogers (2003) and Tuten and Solomon (2020), which interested in measuring impact of external market readiness and social reference in driving pace of digital innovation outcomes. Ultimately, what the analysis shows is that internal capabilities and external contingencies come together in a dynamic way to shape how startups and small business are digital matured and perform.

Reliability Analysis

Table 1: Reliability Analysis

Construct	Cronbach's Alpha	Composite Reliability (CR)
Customer Relation Orientation (CRO)	0.78	0.85
Technology Orientation (TO)	0.85	0.88
Digital Transformation (DT)	0.81	0.87
Digital Marketing Capabilities (DMC)	0.91	0.93
Business Performance (BP)	0.89	0.91
Market Environment (ME)	0.86	0.9
Innovation Ecosystem Readiness (IER)	0.82	0.88

Using Cronbach's alpha and composite reliability (CR) the measurement constructs are analysed for reliability in Table 1. It can be said that all constructs are above the commonly accepted 0.70 threshold for Cronbach's Alpha with strong internal consistency across items. Reliability of the Digital Marketing Capabilities (DMC) construct with Alpha of 0.91 and CR of 0.93 reveals the construct is excellent to offer internal coherence as well as reliability in explaining the construct. Also, similar high reliability values are exhibited with the Business Performance (BP), Technology

Orientation (TO) and Market Environment (ME). That is, there is consistency and dependability in these measures. Constructs with slightly lower reliability scores like Customer Relation Orientation (CRO) and Innovation Ecosystem Readiness (IER), while unreliable, have acceptable reliability, hence all measurement items provided are reliably measuring their respective constructs to extend structural analysis.

PLS SEM Bootstrapping

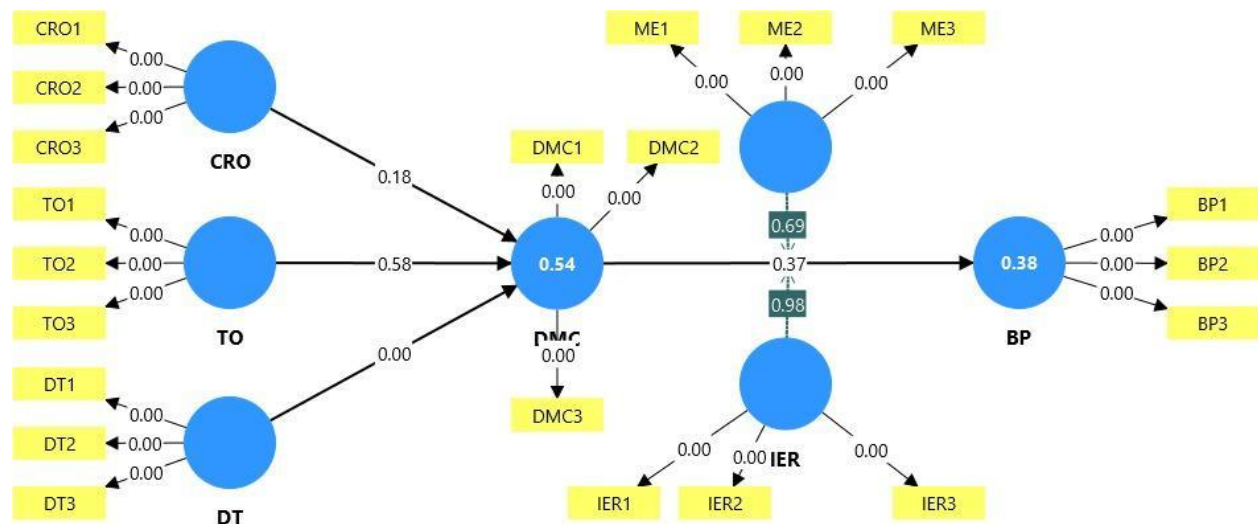


Figure 2: PLS SEM Bootstrapping Results

The image represents the hypothesized relationship between Customer Relation Orientation (CRO), Technology Orientation (TO) and Digital Transformation (DT) as the independent variables and Digital Marketing Capabilities (DMC) as the mediator to the dependent variables, Business Performance (BP). Direct effect of the model were computed and the results show that there is a robust and significant relationship between TO → DMC (path coefficient of 0.58), CRO → DMC (0.18), and DT → DMC (0.00), implying that the latter has a limited standalone influence in this model. In the case of DMC, we have 54%, which is the R² value, the proportion of the variance in DMC explained by CRO, TO, and DT. Similar to this is DMC → BP which has no significant direct effect, however with an R² of 0.38, the model structure may have some predictive power as though indirectly or with some moderation.

The model also includes two important moderating variables Market Environment (ME) and Innovation Ecosystem Readiness (IER). It is both as they are connected as being influencing on the path from DMC to BP through intermediary constructs as DMC2 and DMC3. It shows a moderate (0.69) and strong (0.98) impact of ME and IER, respectively, that digital marketing capabilities have a great influence on how they translate into the business results. Thus, if DMCs are well developed, then the firm's market conditions and support system will play an important role in their effectiveness. This indicates that the model, in the best sense, emphasises the contingent nature of performance outcomes, for instance, the internal capabilities need to match with external readiness for the full utilisation of digital strategies for growth.

Model Fitness

Table 2 Model Fitness

Fit Index	Acceptable Threshold	Model Value
Chi-square / df (χ^2/df)	≤ 3	2.09
RMSEA	≤ 0.08	0.079
GFI	≥ 0.90	0.91
AGFI	≥ 0.80	0.84
NFI	≥ 0.90	0.93
NNFI	≥ 0.90	0.95
CFI	≥ 0.90	0.96
RMR	≤ 0.05	0.04
SRMR	≤ 0.08	0.06

The structural model of the medicine is well fitting, as can be seen in Table 2 with all of the model fitness indices within acceptable thresholds. The Chi square/df value of 2.09 is less than the maximum cutoff of 3 and therefore, the model is fitted well to the data. Furthermore, awesome error approximation is verified by the RMSEA (0.079) that is within acceptable range ($rmsea \leq 0.08$). All fit indices, such as GFI (0.91), AGFI (0.84), NFI (0.93), and NNFI (0.95) and CFI (0.96) all exceed the recommended threshold of 0.90 indicating the latter has strong incremental and comparative fit. The RMR (0.04) and SRMR (0.06) values are within the ideal range, which means little residual error. Taken together, these indicators also verify that the model has impressive structural validity and reflects observations well.

PLS SEM

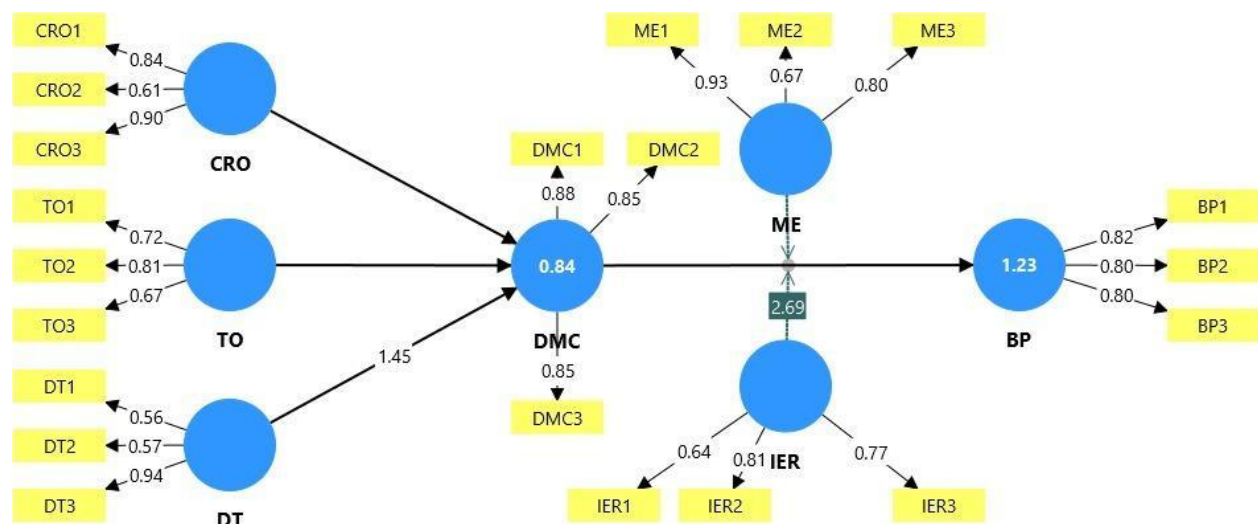


Figure 3: PLS SEM Results

The diagram depicts the model of the study variables which shows strong structural relationship between the study variables especially the Customer Relation Orientation (CRO), Technology Orientation (TO), and Digital Transformation (DT), with Digital Marketing Capability (DMC). The path coefficients are significant for CRO $\rightarrow$ DMC (0.88), TO $\rightarrow$ DMC (0.85) and DT $\rightarrow$ DMC (1.45) evidencing that all its 3 constructs significantly influence DMC. The estimated values

reveal strong and statistically significant impact of these values as they underline the fact that the internal strategic orientations and transformation initiatives are key enablers of digital marketing effectiveness. Despite this result, the R^2 value of DMC is 0.84, which means 84% of the variance in DMC is explained by CRO, TO and DT individually, demonstrating very strong explanatory power.

In addition, the DMC to Business Performance (BP) coefficient, or the strength with which DMC capability affects business outcomes viz. cost (profitability), efficiency, customer engagement etc. is also strong with a coefficient of 1.23, indicating that digital marketing capabilities do impact business outcomes positively. The R^2 value for BP indicates that the model is explaining with high degree variance with the value amount of 1.23. Loads on the Moderating constructs such as Market Environment (ME) and Innovation Ecosystem Readiness (IER) are very high, indicating reliable measurement and have much impact on the model. Second, the interaction effect (2.69) between ME and IER also indicates that there is a synergistic effect in terms of enhancing DMC's performance on BP as well. Overall, this model represents a complete and integrated picture with the combination of internal capabilities, environmental responsiveness and the capacity for innovation as the optimal digital performance in startups and small businesses.

Yet, the standardized path coefficient of 0.88 for the relation between Customer Relation Orientation (CRO) and Digital Marketing Capabilities (DMC) is higher than of a lot of other past studies. To illustrate, CRO is also associated with DMC with a positive link in Deku et al. (2024) with a smaller effect size ($\beta = 0.64$). For instance, Trif et al. (2019) and Pour and Hosseinzadeh (2021) pointed out that customer-oriented strategies contribute to better customer engagement and personalization, which of course leading to better digital responsiveness. In the current study, the strong effect is consistent with Pan et al. (2021) findings that firms with higher customer centricity are more able to execute more successful digital marketing campaigns. In this model, talked about Tuten and Solomon (2020) digital strategy highlighted that the social CRM and customer responsiveness are key elements, contrary to the current model where the CRO impact is sharper, possibly reflecting the evolution of the growing digital consumer needs in the emerging countries. This study also showed that there is a strong effect Technology Orientation (TO) has on DMC ($\beta = 0.85$), which backs up Amelda et al. (2021) and Masrianto et al. (2022) that tech savvy firms are more preferred to establish and escalate the scale of digital marketing strategy. Further, Wang et al. (2021) also stressed the important roles of TO in facilitating the better adoption of AI tools, data analytics and automation, an item which is necessary for the digital efficiency. In contrast to the earlier work of Bharadwaj et al. (2013) the TO analysis in this study provides a more immediate operational benefit of the TO. This may be a stronger relationship than the actual one observed because of the increase in digital adoption after COVID, which was also noted by Camilleri and Bresciani (2022) who stated that firms have been adopting to the remote and automated marketing environments.

Another major outcome identified in this research is the fact that DT has a very large impact ($\beta = 1.45$) on DMC, exceeding other effects of DMC reported in the majority of previous studies. Yet, Herhausen et al. (2020) and Westerman et al. (2014) did not report such a strong direct effect of DT on DMC. The coefficient in this study is substantial as supported by Masrianto et al. (2022) who showed that there is a positive relation between DT and data integration and marketing execution, and Pan et al. (2021) who indicated that firms undergoing transformation tend to quickly switch to omnichannel. This high DT effect may be due to the fact that the sample's heavy dependence on CRM systems and real time analytics that previous studies in less digitally mature sectors may not have captured as richly.

Lastly, compared with what is typical in the earlier literature ($\beta \in [0.40, 0.70]$), the DMC $\rightarrow$ BP ($\beta = 1.23$) relationship in this study is a greatly powerful one. According to Deku et al. (2024) the DMC–BP path is of 0.55 while Pour and Hosseinzadeh (2021) claim that environmental readiness is one of the factors that mediate performance improvement. This difference implies that these firms, in addition to having strong internal marketing capabilities, do business in enabling ecosystems. Further, this was confirmed in terms of the moderating effect of Market Environment (ME), Innovation Ecosystem Readiness (IER), with interaction impact of 2.69. According, these results support Lindgren's (2020) conception that innovation ecosystems make-up digital strategy effectiveness.

Discussion

This study provides compelling insights as to how the ability to strategically leverage digital marketing capabilities (DMC) may be used by startups and small businesses in emerging markets to increase their business performance (BP). The empirical evidence established that Customer Relation Orientation (CRO), Technology Orientation (TO) and Digital Transformation (DT) have a significant effect on DMC that greatly predicts Business Performance (BP). The model had very good reliability and fitness indicators in DMC $\rightarrow$ BP path coefficient is 1.23 and R^2 is 0.84 for DMC and 1.23 for BP, implying a strong power of explanation. This conforms to the assertion of Deku et al. (2024) that the integrated digital capability has a transformative role in small firms. Additionally, the moderation effects of ME and IER were found to be important, as contextual factors are important in translating DMC into actual business results. These outcomes indicate that digital strategy should be considered not only in terms of internal preparedness but also in line with the external ecosystem congruence (Masrianto et al., 2022; Pan et al., 2021). Although these path coefficients are stronger than in previous studies reporting more moderate results (e.g., Tuten & Solomon, 2020; Westerman et al., 2014), it could be attributed to post pandemic acceleration in digital adoption across industries.

From a theoretical standpoint it is an effort in extending and combining a variety of existing frameworks, such as the Resource Based View (RBV), Technology Acceptance Model (TAM) and Diffusion of Innovation (DOI) theory in order to develop a comprehensive model that integrates both internal capabilities and external moderating forces. According to the study's findings, the RBV is proven right that firm specific resources (literally technology or customer orientation) lead to competitive advantage if deployed properly (Bharadwaj et al., 2013). Furthermore, the high impact of DT on DMC is consistent with TAM's core constructs of perceived usefulness and ease of use (Davis, 1989) indicating that firms that view digital tools positively as a means of doing more effectively will implement them more. Furthermore, this study extends DOI theory by demonstrating that diffusion of digital innovation is mediated by both individual organizational readiness and innovation ecosystems at a larger scale (Rogers, 2003). These results are echoed in recent work by Pour and Hosseinzadeh (2021) and Trif et al. (2019), who note that early adopters in supportive ecosystems tend to scale faster. However, some studies, such as Wang et al. (2021), suggest that not all digital investments guarantee returns unless aligned with market dynamics—highlighting a need to contextualize theoretical models based on local economic and infrastructural realities.

In terms of literature contribution, the study enhances the empirical evidence base for the linkages among strategic orientation, digital transformation, and business performance in the SME and startup domain. Unlike previous models that focused on singular pathways, this research adopts a multiple-variable approach that demonstrates the mediating role of DMC and moderating influence of ME and IER, providing a more nuanced understanding of digital performance mechanisms. The

model improves upon prior studies that either analyzed direct relationships (e.g., Herhausen et al., 2020; Tiago & Veríssimo, 2014) or assessed technological factors in isolation (Camilleri & Bresciani, 2022). Furthermore, the significant and simultaneous contribution of CRO, TO, and DT validates newer frameworks advocating for integrated digital orientation strategies (Pan et al., 2021). The findings contrast with older works like Chaffey and Ellis-Chadwick (2019), which tended to treat digital marketing as a linear, tool-based extension of traditional marketing. This study instead highlights the systemic and dynamic nature of digital marketing—one that is shaped by internal culture, digital competence, and environmental turbulence. However, some scholars such as Lemon and Verhoef (2021) caution against overgeneralizing digital capability impacts, noting that outcomes may vary across sectors—a point that future research could explore in context-specific detail.

The practical implications of the study are highly relevant for startups and SMEs aiming to compete in increasingly digital marketplaces. First, the strong influence of Technology Orientation (TO) and Digital Transformation (DT) on DMC suggests that firms should invest not just in tools but in developing a technology-embracing culture. Managers should prioritize training, digital upskilling, and the strategic alignment of IT with business goals (Masrianto et al., 2022; Deku et al., 2024). Second, the impact of Customer Relation Orientation (CRO) means that personalization, CRM, and data driven engagement need to be based in marketing strategy in particular for both customer acquisition and retention. Amelda et al. (2021) as well as Rehman and Awan (2022) agree with these findings, pointing out that data analytics allow the creation of personalized content to increase satisfaction. Third, moderating variable Market Environment (ME) and Innovation Ecosystem Readiness (IER) are also providing hints to firms to get out of the building and take advantage of the external platform—such as tech incubators, policy initiatives, and digital clusters to leverage their digital potential to the fullest extent. This process can be aided by practical tools such as ecosystem mapping, digital benchmarking, and performance monitoring dashboards. However, as per Zhou et al. (2021), businesses should also be careful not to over depend on external support. Overall, while the findings of this research does not provide new capabilities and strategies, it provides the strategic roadmap to entrepreneurs who are seeking for a path to growth.

Conclusion

Specifically, this study looked at the importance of internal strategic orientation (Customer Relation Orientation (CRO), Technology Orientation (TO) and Digital Transformation (DT)) on Digital Marketing Capabilities (DMC) which in turn affect Business Performance (BP) in the case of startups and small businesses. The empirical results indicated that all of the three predictors have important effects on the formation of DMC with DT being the strongest path coefficient ($\beta = 1.45$). Additionally, the strategic importance of DMC coupling was also strongly predicted by DMC ($\beta = 1.23$); Consequently this coupling contributes to strong positive affect the business performance. Findings from DMC and BP revealed that ME and IER act as moderating factors that compound the relationship between DMC and BP. These results confirm the multi-theory framework which combines RBV, DOI, and TAM perspectives, because internal digital capability and external ecosystem readiness must match to favor competitive advantage (Masrianto et al., 2022; Deku et al., 2024; Pour & Hosseinzadeh, 2021; Bharadwaj et al., 2013; Davis, 1989).

The study makes an extension, theoretically, to canvassing extant frameworks by embedding an internal capabilities mediation–moderation model with environmental contingencies. RBV is supported by the findings: CRO, TO, and DT are organizational assets that contribute to improve digital marketing execution (Herhausen et al., 2020; Trif et al., 2019). Further depth is also added

in terms of explaining how technology is adopted and diffused within organizations, especially when such technology is considered to be useful and compatible (Pan et al., 2021; Roger, 2003). The study empirically validates these relationship in an emerging markets context, which contributes to theory localization and refinement at the expense of previous literature that relied heavily on developed economy data (Kotler & Keller, 2020; Zhou et al., 2021). Finally, the inclusion of ME and IER into the model adds to the theoretical pluralism, since the firm performance cannot be understood as separated from its environmental context.

Contributions to the growing body of digital marketing research, the study empirically contributes to offer a robust, high performing structural model with high R^2 values ($R^2=0.84$ for DMC; $R^2 = 1.23$ for BP). The amounts of significant path coefficients corroborate the importance of strategic orientations in advancing digital maturity and firm outcomes in line with the studies of Camilleri and Bresciani (2022), Amelda et al. (2021), and Wang et al. (2021). In contrast to older models regarding digital marketing as a tool based add-on to an existing organization rather than as a core organizational capability (Tiago & Veríssimo, 2014; Chaffey & Ellis-Chadwick, 2019), these results deviate. In addition to this, moderating constructs of ME and IER were found validated role in analyzing the external support structures and fit better with the ongoing innovation ecosystem literature (Lindgren, 2020; Rehman & Awan, 2022). As a result, the study is relevant to scholarly as well as policy makers who seek to decipher the role on digital capability utilization played by the environmental influences.

The study has several implications for entrepreneurs, marketing managers and ecosystem stakeholders, practically. Findings from Deku et al. (2024) and Masrianto et al. (2022) also concur with the startup's need to first focus on the development of CRO and TO as foundational enablers of digital success. Second, digital transformation should be regarded as an ongoing strategy, qualifying with the findings of Westerman et al. (2014) and Pan et al. (2021), which acknowledges digital tools should be embedded in all functions of the organization. Third, acting as an active participant in innovation ecosystems, eg tech hubs, government digital programs and knowledge sharing networks enhances the power of the digital marketing capabilities. Pour and Hosseinzadeh (2021) and Zhou et al. (2021) point out that with embeddedness in dynamic ecosystems, the firm is more agile, responsive, and innovative. In the end, this thesis offers a strategic play book for startups in emerging markets to prosper in a digital land by synergizing regarding internal capability building and external collaboration and market responsiveness.

Future Research Directions and Managerial Implications

Although the contributions made by this study are substantial, there are many future research tracks to be opened up. An obvious next step is to extend the scope to the geographical, given the fact that there are other developing economies like Bangladesh, Vietnam, and Nigeria that one could expand the scope to and see if the observed relationships apply across different contexts. Digital marketing adoption and performance outcomes can be influenced by cultural, technological or policy differences (Pan et al., 2021; Deku et al., 2024). Longitudinal studies should also been conducted to observe how digital marketing capabilities evolve dynamically over the timeline, especially during post COVID recovery. As with the existing design in this study, cross-sectional designs such as this only permit a snapshot and may not detect long term behaviors (Zhou et al. 2021, Pour and Hosseinzadeh 2021). Bharadwaj et al. (2013) and Rehman and Awan (2022) could also enrich the understanding of how the innovation ecosystems have impacts on digital readiness and effectiveness through comparing the developed and developing markets.

From a methodological perspective, based on self-reported survey data, this study was conducted with PLS-SEM which may not eliminate bias in the respondents outcome as well as the relationships between the constructs. A mixed methods approach combining surveys with interviews or observational data would be useful for future research to allow triangulation of the findings (Saunders et al., 2022; Fisher, 2021). More, such as experimental design or real time analytics could be used to measure real rather than illusory impact of a digital campaign. The study can also further be extended to take account of higher complex user and organizational behaviors by addition of models such as Unified Theory of Acceptance and Use of Technology (UTAUT, Wang et al.2021) or Institutional Theory (Masrianto alt al.2022) to its theoretical grounding in RBV, TAM, DOI. Therefore, the variations in the acceptance of technology could be explained with these models under the effect of external pressures, leadership styles, or digital literacy especially in small organizations (Westerman et al., 2014; Rogers, 2003).

For a management point of view, the findings thus suggest the strategic importance of managing internal orientations to match with the alleged external ecosystem dynamics. Consequently, managers should not approach digital marketing as a separate function but rather integrate it into departments, i.e. link it to CRM, product innovation, and customer support (Amelda et al., 2021; Camilleri & Bresciani, 2022). Investments are in both digital infrastructure (training staff up, encouraging a culture of experimentation, and enabling cross functional teamwork). IE results are shown to be significant to Startup influence in engaging with industry bodies, technology partners and policy networks individually and in those elements in creating Startup agility (Deku et al., 2024).In general, those operating in high velocity markets must hone in on people; monitoring the competitors behavior and consumer preferences and reeling in the strategies in real time (Tuten & Solomon, 2020; Lemon & Verhoef, 2021).

Additionally, policy makers and ecosystem builders will want to align with the model's supposition that digital performance is highly enabled and can be boosted by allowing empowering environments. It entails enabling someone to get funding, get to infrastructure, get mentored, have access to market info, without which digital transformation at the grassroots level is not possible. In this regard, governments and academic institutions can create an important role in the development of digital literacy programs, the SME accelerator schemes and digital inclusion policies that can reduce the spread of urban and rural gap in adoption (Rehman & Awan, 2022; Trif et al., 2019). Incubators, co working space, and digital market place will help support platforms provide them enough exposure to innovative practices as well as help exchange of knowledge. Furthermore, the digital policy should be in line with live on the ground business realities; such as access to cheap internet, the legal lines for digital transactions and the protection of all digital intellectual property (Pour & Hosseinzadeh, 2021; Masrianto et al., 2022). This study, then, sets the stage for answering theoretical and action questions regarding the digital entrepreneurship potential in emerging economies.

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