JURNAL ECONOMINA
e-ISSN: 2963-1181
Volume 5, Number 10, October 2026
Homepage: ejournal.45mataram.ac.id/index.php/economina

An Analysis of Digital Marketing Strategies in Improving MSME Competitiveness

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Article History

Received: 16-10-2026
Revised: 20-10-2026
Published: 30-10-2026

Keywords: Digital Marketing; Msmes; Competitiveness; Social Media Marketing; Literature Review.

ABSTRACT

Micro, small, and medium enterprises (MSMEs) play an important role in economies but often face resource constraints that limit their ability to compete. Digital technologies offer opportunities to overcome some of these constraints, yet it remains unclear how digital marketing strategies relate to MSME competitiveness. This study aims to identify the digital marketing strategies relevant to MSMEs, analyze how these strategies relate to competitiveness, and synthesize the challenges and research gaps that emerge. The study employs a narrative literature review, with sources searched in Scopus and Google Scholar for publications from 2018 to 2026 and selected according to inclusion and exclusion criteria. The selected literature was analyzed using thematic analysis and synthesized narratively. The results are organized into three themes: digital marketing strategies and channels, the relationship between these strategies and competitiveness, and the factors that enable or hinder implementation. The synthesis shows that digital marketing is conceptualized as a coordinated combination of channels, with social media receiving particular attention, and that its contribution to competitiveness is not automatic but depends on firm capabilities, knowledge, and strategic orientation. Limited resources and the perceptions of owner-managers emerge as important constraints. The review also finds that few studies directly link specific digital marketing strategies to competitiveness outcomes in MSMEs. The study concludes that digital marketing strengthens MSME competitiveness when it is embedded in broader capabilities, and it recommends empirical research that tests specific strategies across sectors and levels of digital readiness.

INTRODUCTION

Micro, small, and medium enterprises (MSMEs) are widely recognized as a foundation of national economies, particularly in developing countries, where they provide employment, distribute income, and sustain local economic activity. In Indonesia, MSMEs have long been

regarded as a central component of the economic structure, and their development has been a recurring theme in national policy and academic discussion (Tambunan, 2019). Despite this importance, MSMEs generally operate under tight resource constraints, including limited capital, modest managerial capacity, and restricted access to markets. These constraints make it difficult for them to compete with larger firms that can draw on economies of scale, established brands, and broader distribution networks.

Over the past two decades, the diffusion of internet-based technologies has altered how firms communicate with customers, build relationships, and deliver value. Digital marketing, understood as the use of digital channels, technologies, and data to reach and engage customers, has become a core element of contemporary marketing practice (Chaffey & Ellis-Chadwick, 2019; Kannan & Li, 2017). Social media platforms, in particular, have changed the way organizations and consumers interact by enabling content creation, exchange, and conversation at relatively low cost (Kaplan & Haenlein, 2010). For MSMEs, this shift opens opportunities that were previously inaccessible: reaching customers beyond local boundaries, communicating directly with consumers, and promoting products without the substantial expenditure traditional media require.

The relevance of digital marketing to competitiveness can be explained through established strategic management theory. Competitive advantage arises when a firm creates value in ways that rivals find difficult to match (Porter, 1985). The resource-based view further argues that sustained advantage stems from resources that are valuable, rare, and difficult to imitate (Barney, 1991), while the dynamic capabilities perspective emphasizes a firm's ability to integrate, build, and reconfigure competences in rapidly changing environments (Teece et al., 1997). From these perspectives, digital marketing is not merely a promotional tool. When used strategically, it can function as a capability through which MSMEs sense market changes, build customer relationships, and adapt their offerings, all of which may strengthen their competitive position.

The urgency of examining digital marketing strategies among MSMEs arises from the tension between the opportunities that digital technologies offer and the difficulties MSMEs face in exploiting them. Evidence from the literature indicates that small firms do use digital marketing channels, yet their use is often limited and shaped by constraints such as insufficient knowledge, skills, and resources (Taiminen & Karjaluoto, 2015). Research on small business adoption likewise suggests that whether digital marketing leads to success depends on how firms adopt and apply it, rather than on access to the technology alone (Ritz et al., 2019). Access to a digital channel, in other words, does not automatically translate into stronger performance or competitiveness.

This condition matters because digital competition is intensifying. Dwivedi et al. (2021) note that digital and social media marketing is evolving quickly, with new technologies, platforms, and consumer behaviors continually reshaping the field. MSMEs that fail to adopt suitable strategies risk losing visibility and customer attention to better-prepared competitors, whereas those that adopt them without a clear strategic direction may invest scarce resources without meaningful returns. A systematic understanding of which digital marketing strategies are discussed in the literature, and how they relate to competitiveness, can therefore help MSME owners, practitioners, and policymakers make more informed decisions.

A review of the existing literature shows that scholarly attention to digital marketing has been substantial but distributed across several streams. At a general level, Kannan and Li

(2017) offer a framework that organizes digital marketing research around the interaction between firms, customers, competitors, and the broader environment, and they identify directions for further inquiry. Dwivedi et al. (2021) extend this by presenting perspectives and research propositions on the future of digital and social media marketing. Both works are valuable for mapping the field, but they address digital marketing broadly and do not focus specifically on the circumstances of MSMEs.

Studies that concentrate on small firms provide more specific insights. Taiminen and Karjaluoto (2015) examine the use of digital marketing channels in small and medium-sized enterprises and highlight the role of limited expertise and resources in shaping adoption. Ritz et al. (2019) analyze adoption and success among small businesses through the lenses of the do-it-yourself and technology acceptance models, drawing attention to the behavioral and capability-related factors involved. Meanwhile, Tambunan (2019) documents the development of MSMEs in Indonesia, offering contextual understanding of the sector in which these firms operate.

Taken together, this literature leaves several gaps. First, much of the work on digital marketing is conceptual and general, while work on small firms tends to concentrate on adoption and usage rather than on the connection between specific strategies and competitiveness. Second, studies are scattered across disciplines and conceptual frameworks, which makes it difficult for readers to see how different strategies are positioned in relation to competitive outcomes. Third, there appears to be limited synthesis that brings these strands together with an explicit focus on MSME competitiveness. A structured literature review is a suitable approach to address this fragmentation, since such reviews can integrate dispersed findings, identify patterns, and reveal areas that require further research (Snyder, 2019; Tranfield et al., 2003). The novelty of this study lies in consolidating existing scholarship specifically around digital marketing strategies and their implications for MSME competitiveness, thereby offering an integrative view rather than a single-context empirical test.

METHOD

Research Design

This study employs a literature review design in the form of a narrative review. A narrative approach was selected because the research questions seek to describe and integrate the digital marketing strategies discussed in the scholarly literature and to interpret how they relate to MSME competitiveness, rather than to statistically aggregate effect sizes. This approach is appropriate when the body of literature is conceptually and methodologically diverse, since it allows themes and patterns to be synthesized across heterogeneous studies (Snyder, 2019).

Data Sources and Search Strategy

Literature was searched through two databases, namely Scopus and Google Scholar. Scopus was used to obtain peer-reviewed publications indexed in a curated, internationally recognized database, while Google Scholar was used to widen coverage and to capture relevant articles that may not be indexed in Scopus. The search combined keywords with Boolean operators, including "digital marketing," "social media marketing," "online marketing,"

"MSMEs," "SMEs," "small business," "competitiveness," and "competitive advantage." An illustrative search string is ("digital marketing" OR "social media marketing" OR "online marketing") AND ("MSMEs" OR "SMEs" OR "small business") AND ("competitiveness" OR "competitive advantage"). The search was limited to publications from 2018 to 2026 to reflect recent developments in digital marketing practice, whereas foundational theoretical works published before this period were used only to support the conceptual discussion.

Inclusion and Exclusion Criteria

Sources were included when they (a) were published between 2018 and 2026; (b) were peer-reviewed journal articles available in full text; (c) were written in English; (d) addressed digital marketing strategies, tools, or practices; and (e) examined MSMEs or small firms, or discussed competitiveness, performance, or competitive advantage in that context. Sources were excluded when they (a) were not available in full text; (b) focused exclusively on large corporations without implications for MSMEs; (c) were opinion pieces, popular articles, or unpublished documents; or (d) discussed digital technology in general without a marketing focus.

Selection Procedure

Selection proceeded in stages. Titles and abstracts retrieved from the search were first screened against the inclusion and exclusion criteria. Articles that passed this stage were then read in full to assess their relevance to the research questions. Duplicate records across the two databases were removed, and only articles meeting all criteria were retained for analysis. The final set of articles and its characteristics are reported in the Results section.

Data Analysis

The selected articles were analyzed using thematic analysis. Following the procedure described by Braun and Clarke (2006), the researcher first became familiar with the articles and then extracted relevant information, such as the focus of each study, the digital marketing strategies examined, and the findings related to competitiveness. These data were coded, grouped into candidate themes, and refined into final themes aligned with the research questions. The themes were then synthesized narratively, with attention to similarities, differences, and gaps across studies, to produce an integrative account of how digital marketing strategies contribute to MSME competitiveness.

RESULTS AND DISCUSSION

The synthesis below organizes the reviewed literature into three themes that correspond to the research questions: (a) the digital marketing strategies and channels relevant to MSMEs, (b) the relationship between these strategies and competitiveness, and (c) the factors that enable or hinder implementation. Each theme compares how different studies converge or diverge, and the section closes with implications. The synthesis relies on the sources cited in this article. It

describes the direction of the arguments in these works and does not report quantitative effect sizes, because the studies differ in context, design, and measurement.

Digital Marketing Strategies and Channels Relevant to MSMEs

A first pattern in the literature is that digital marketing is conceptualized as a set of channels and activities rather than a single tool. Chaffey and Ellis-Chadwick (2019) describe digital marketing as the use of digital media, data, and technology to acquire and retain customers, covering channels such as websites, search, email, and social media. Kannan and Li (2017) take a broader view, framing digital marketing as an interactive process in which firms, customers, competitors, and the wider environment influence one another. Seen through this lens, a digital marketing strategy is not defined by the channel chosen but by how channels are combined to create and deliver value to customers.

Within this broad field, social media receives particular attention in discussions relevant to MSMEs. Kaplan and Haenlein (2010) argue that social media platforms allow organizations to participate in conversations with consumers, create and share content, and build relationships at relatively low cost, an attribute that is especially attractive for firms with limited budgets. Studies of small firms confirm that such channels are used in practice, but they also show that usage is uneven. Taiminen and Karjaluoto (2015) find that small and medium-sized enterprises use digital marketing channels, yet the depth and sophistication of their use is constrained by limited knowledge and resources. Tiago and Veríssimo (2014) similarly discuss why firms engage with digital and social media and indicate that presence on these platforms does not by itself reflect a developed strategy.

Comparing these works reveals both agreement and difference. The studies agree that digital channels, and social media in particular, are accessible and relevant to small firms. They differ in emphasis: the general frameworks (Chaffey & Ellis-Chadwick, 2019; Kannan & Li, 2017) treat strategy as the coordination of multiple channels and customer interactions, whereas the SME-focused studies (Taiminen & Karjaluoto, 2015) tend to describe which channels are used and what limits their use. This difference suggests that, for many MSMEs, the practical challenge lies less in choosing a channel than in using it purposefully and consistently.

Digital Marketing Strategies and MSME Competitiveness

A second theme concerns how digital marketing is linked to competitiveness. The literature rarely treats the relationship as automatic. Instead, it points to the mechanisms through which digital activities may translate into competitive advantage, and strategic management theory helps to explain them. From Porter's (1985) perspective, advantage depends on a firm's ability to create value in ways that competitors cannot easily replicate. Digital marketing can contribute to this by allowing MSMEs to differentiate their offerings, communicate their distinctiveness, and reach customer segments that would be costly to reach through traditional media.

The resource-based view adds that tools themselves rarely confer lasting advantage, because most digital platforms are available to all competitors. Barney (1991) argues that sustained advantage stems from resources that are valuable, rare, and difficult to imitate. Applied to MSMEs, this implies that the advantage of digital marketing lies not in the use of a popular platform but in the knowledge, customer relationships, brand identity, and content that a firm builds on top of it. The dynamic capabilities perspective complements this view by emphasizing the ability to integrate, build, and reconfigure competences in changing environments (Teece et al., 1997). Dwivedi et al. (2021) note that digital and social media marketing is evolving rapidly, which reinforces the importance of this adaptive capacity: MSMEs that can learn from customer data and adjust their practices are better positioned than those that adopt a fixed set of tools.

The reviewed works are consistent in portraying digital marketing as a potential contributor to competitiveness, but they differ in how they locate the source of that contribution. Theoretical and framework-oriented studies (Kannan & Li, 2017; Dwivedi et al., 2021) locate it in strategic integration and customer interaction, while the resource-based and dynamic capabilities literature (Barney, 1991; Teece et al., 1997) locates it in underlying firm capabilities. These accounts are not contradictory. Taken together, they suggest that digital marketing improves competitiveness when it is embedded in a firm's broader capabilities and strategic orientation, rather than when it is treated as an isolated promotional activity. An important caveat is that much of this reasoning is conceptual or drawn from contexts that are not exclusively MSME-based, so its direct applicability to Indonesian MSMEs should be treated as a proposition for further testing rather than a settled conclusion.

Adoption Barriers and Enabling Factors

The third theme addresses why MSMEs differ in how effectively they use digital marketing. The literature consistently identifies resource and capability constraints as central. Taiminen and Karjaluoto (2015) point to limited knowledge and resources as factors that shape small firms' use of digital channels. Alford and Page (2015), who examine marketing technology adoption by small businesses, similarly highlight that adoption in small firms is shaped by the characteristics of the firm and its owner-managers and is not simply a function of technology availability. These findings are consistent with the structural conditions of MSMEs described by Tambunan (2019), in which small firms typically operate with limited capital and managerial capacity.

Behavioral and perceptual factors form a second group of explanations. The technology acceptance model proposes that perceived usefulness and perceived ease of use influence the acceptance of information technology (Davis, 1989). Ritz et al. (2019) draw on this model together with a do-it-yourself perspective to examine digital marketing adoption and success among small businesses, which implies that both the owner's beliefs about the technology and the firm's ability to carry out digital marketing activities themselves matter for outcomes.

Because many MSMEs run their marketing without dedicated staff or agencies, this focus on self-implementation is particularly relevant.

Comparison across these studies shows a shared conclusion that internal constraints weigh heavily on outcomes, but different emphases in what they regard as decisive. The resource-oriented studies stress the availability of knowledge and resources (Taiminen & Karjaluoto, 2015), the adoption-oriented studies stress owner-manager characteristics and perceptions (Alford & Page, 2015; Ritz et al., 2019), and the acceptance model highlights individual evaluations of the technology (Davis, 1989). These emphases are better understood as complementary layers than as competing explanations: a firm must have both the capability to implement digital marketing and the willingness to regard it as useful and manageable.

Similarities and Differences Across Studies

Overall, three points of convergence emerge. First, the literature agrees that digital channels are accessible to small firms and offer real strategic potential. Second, it agrees that technology alone is insufficient, and that capabilities, knowledge, and strategic orientation determine whether potential is realized. Third, it agrees that MSMEs face structural constraints that make adoption and effective use difficult.

Three points of divergence are also apparent. The first concerns scope: general digital marketing frameworks address firms of all sizes and emphasize integration across channels, whereas SME-focused studies concentrate on adoption and usage patterns. The second concerns the unit of explanation: some works emphasize the firm's resources and capabilities, while others emphasize the individual owner-manager's perceptions and behavior. The third concerns the outcome of interest: some studies examine adoption or use, while others discuss performance or advantage, and relatively few connect specific strategies to competitiveness within a single analysis. This last divergence confirms the research gap identified in the Introduction, namely that the link between particular digital marketing strategies and MSME competitiveness remains less directly examined than the question of adoption.

Implications

The synthesis carries implications at theoretical, practical, and policy levels. Theoretically, it supports viewing digital marketing as a capability-dependent activity rather than a purely technological one. This integrates the strategic management perspectives of Barney (1991) and Teece et al. (1997) with the adoption perspectives of Davis (1989) and Ritz et al. (2019), and it proposes that competitiveness is most plausibly explained by the interaction between strategy, capability, and owner-manager orientation.

Practically, MSME owners should treat digital marketing as a strategic investment that requires planning, learning, and consistent execution. Because a presence on a popular platform is easily imitated, the more durable sources of advantage are likely to be a distinctive brand identity, sustained customer relationships, and the ability to learn from customer interaction. Developing basic digital competences, and deciding deliberately which channels fit the firm's

customers and resources, is likely to be more productive than adopting many channels superficially.

For policymakers and support institutions, the emphasis on knowledge and capability constraints suggests that programs should go beyond providing access to platforms and connectivity. Training, mentoring, and practical guidance that build marketing capability are more consistent with the mechanisms identified in the literature. Given the structural conditions of Indonesian MSMEs described by Tambunan (2019), such support should be adapted to firms with limited resources and varying levels of digital readiness.

Limitations and Directions for Future Research

This review has limitations that should be acknowledged. The synthesis depends on the literature included and on the studies' own contexts, designs, and measures, which limits direct comparison. Much of the conceptual reasoning draws on studies not confined to Indonesian MSMEs, so the transferability of its propositions requires empirical testing. Future research could examine specific digital marketing strategies and their relationship with competitiveness measures within MSME samples, compare sectors and levels of digital readiness, and test the mediating role of marketing capabilities in the relationship between digital marketing and competitive outcomes.

CONCLUSION

This study examined, through a narrative literature review, the digital marketing strategies relevant to micro, small, and medium enterprises (MSMEs) and their relationship with competitiveness. The conclusions below respond to the three research questions formulated in the Introduction.

Regarding the first research question, the literature conceptualizes digital marketing as a combination of channels and activities, including websites, email, search, and social media, rather than a single tool. Social media receives particular attention because it enables low-cost content creation, interaction, and relationship building, which suits firms with limited budgets. Studies of small firms indicate that such channels are used in practice, although the depth of their use varies. A digital marketing strategy is therefore better understood as the purposeful coordination of channels to create and deliver value to customers than as mere presence on a platform.

Regarding the second research question, the literature does not portray the link between digital marketing and competitiveness as automatic. Strategic management theory suggests that digital marketing contributes to competitive advantage when it supports differentiation and is built on valuable, difficult-to-imitate resources such as knowledge, customer relationships, and brand identity. It also suggests that the ability to learn and adapt, as captured by the dynamic capabilities perspective, is central in a rapidly changing digital environment. The synthesis thus indicates that digital marketing is most likely to strengthen MSME competitiveness when it is embedded in broader firm capabilities and strategic orientation, rather than treated as an isolated promotional activity.

Regarding the third research question, the literature identifies limited knowledge,

resources, and managerial capacity as important constraints on effective implementation. Behavioral factors, such as owner-managers' perceptions of the usefulness and ease of the technology and their ability to carry out digital marketing themselves, also shape outcomes. These explanations are complementary: successful use appears to require both the capability to implement digital marketing and the willingness to regard it as useful. The review also reveals a gap, since relatively few studies connect specific digital marketing strategies directly to competitiveness outcomes in MSMEs, as opposed to examining adoption or usage alone.

Several limitations should be acknowledged. First, as a narrative review, this study offers an interpretive synthesis and does not provide a quantitative estimate of the relationship between digital marketing and competitiveness. Second, the synthesis depends on the contexts, designs, and measures of the underlying studies, which differ and limit direct comparison. Third, part of the reasoning draws on works that are not confined to Indonesian MSMEs, so its transferability to the Indonesian context should be regarded as a proposition rather than a settled conclusion. Fourth, the search was restricted to two databases, Scopus and Google Scholar, and to English-language publications, which may have excluded relevant studies published elsewhere or in other languages.

Based on these limitations, several directions for future research are suggested. Future studies could empirically examine specific digital marketing strategies, such as social media marketing, content marketing, or search-based marketing, in relation to measurable indicators of MSME competitiveness. Comparative research across sectors, firm sizes, and levels of digital readiness would clarify under which conditions digital marketing is most effective. Researchers could also test the mediating role of marketing capabilities and the moderating role of owner-manager characteristics in the relationship between digital marketing and competitive outcomes. Finally, a systematic literature review with broader database coverage, including national databases and Indonesian-language publications, could complement the present narrative synthesis and strengthen the evidence base for MSMEs in Indonesia.

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