The impact of digital marketing and brand articulating capability for enhancing marketing capability

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ABSTRACT

Small and Medium Enterprises (SMEs) have a central role in the Indonesian economy. SMEs are a driver of the Indonesian economy and non-oil exports and have a significant role in absorbing labor. The SME sector in Indonesia generally has several obstacles, one of which is marketing constraints. The ability to build and communicate brands to customers tends to be low, so it has not been able to bind customers and affect the marketing performance of SMEs. This ability during the pandemic has worsened, as can be seen from the deteriorating marketing performance of SMEs. This study attempts to fill the research gap between digital marketing and marketing performance. This study offers the concept of Brand Articulating Capability to bridge the gap between Digital Marketing in increasing Marketing Performance. Three hypotheses were developed and tested in a sample frame of 230 SMEs in South Sulawesi, Indonesia. The analysis was carried out using Structural Equation Modelling to test the research. The study's findings support the model using the following variables: Digital Marketing has a significant effect on Marketing Performance, Digital Marketing has a significant impact on Brand Articulating Capability, and the Brand Articulating Capability variable has a mediating and strategic role in improving marketing performance.

Keywords: Digital Marketing, Brand Articulating Capability, Marketing Performance, SMEs

1. Introduction

Small and Medium Enterprises (SMEs) have a central role in the Indonesian economy. In addition to having a significant role in employment, SMEs are a driver of the Indonesian economy and a driver of non-oil exports. The SME sector in Indonesia generally has several obstacles, one of which is marketing constraints. The ability to build and communicate brands to customers tends to be low, so it has not been able to bind customers and affect the marketing performance of SMEs. This ability during the pandemic has worsened, as can be seen from the deteriorating marketing performance of SMEs.

Currently, the development of small and medium industries is emerging, but it is not easy to develop. The MSME sector in Indonesia generally has several obstacles, one of which is marketing constraints. The limitations of MSMEs in accessing information and market coverage, labor networks, and access to strategic locations for businesses (Sutanto, Sudantoko, & Maktub, 2012) keep SMEs' marketing performance still low. The COVID-19 outbreak that hit the world resulted in several industrial sectors, including Micro, Small, and Medium Enterprises (MSMEs) in the province of South Sulawesi, also experiencing the impact of a decline in sales levels so that profits were only around 2-3% within seven months. It certainly affects their Marketing Performance.

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Digital marketing is one of the media that SMEs often use. With digital marketing, communication and transactions can be done at any time / real-time and can be accessed all over the world, and one can also view various goods via the internet; most of the information about various products is already available on the internet, ease of ordering and the ability of consumers to compare one another product with other product (Munir, Maming, Kadir, & Sobarsyah, 2021). Digital marketing strategies are more common and effective than ever. People tend to prefer utilizing digital gadgets rather than visiting physical stores since digital platforms are more interwoven into marketing strategies and daily lives. Switching communication channels from conventional communication to digitalization has become the primary task for businesses in a competitive market, especially in marketing communication channels. How does it provide a variety of top and superior items while maintaining a sufficient communication flow? Additionally, it enhances cost effectiveness. (Dwivedi et al., 2020).

Numerous media are impacted by digital channels, including marketing carried out through mobile communication channels and other advertising media in presenting brands and benefits. Goldfarb and Tucker (2019) said that The Internet and information technology might be used to optimize marketing methods, allowing for significant business growth. In their study, Ilyas, Munir, Tamsah, Mustafa, and Yusriadi (2021) revealed that businesses might employ technology to raise their quality of services. Digital marketing outlines the use of technologies in marketing efforts and business practices with the marketing of goods, services, information, and ideas via the internet, mobile phones, display advertising, and other e-media. Data-driven marketing uncovers various tactics to approach, attract, aware, delight, and lead customers to online marketing. Digital marketing has been cited by many acknowledged writers and is unlikely to state their views on the same. Strauss, Frost, and Sinha (2014) define it as: “The use of electronic data and applications for planning and executing the conception, distribution, and pricing of ideas, goods, and services to create exchanges that satisfy individual and organizational goals.” Smith and Chaffey (2005) define it as: “Achieving marketing objectives through applying digital technologies.” Digital marketing advances business development and brand value, ensuring growth and visibility. However, in reality, several previous studies have shown varied and inconsistent results regarding the influence of Digital Marketing on marketing performance. Aswani, Kar, Illavarasan, and Dwivedi (2018) emphasize that if marketing is not created and handled properly, digital marketing might have negative effects. The lack of benefits, destruction of value, rise in transaction costs, increase in coordination costs, loss of non-contractional value, and detrimental effect on long-term benefits result in poor marketing performance. (Pono, Munir, Maming, & Kadir, 2019). Leeflang, Verhoef, Dahlström, and Freundt (2014), Royle and Laing (2014), Järvinen and Karjaluoto (2015) stated that Digital Marketing had no significant effect on marketing performance. While research by Pomirleanu, Schibrowsky, Peltier, and Nill (2013), Merrilees, Rundle-Thiele, and Lye (2011), Prasad, Ramamurthy, and Naidu (2001), Keraditak (2022) and Hurley and Hult (1998) stated that Digital Marketing has a significant effect on marketing performance. Several previous studies reveal that Digital Marketing influences several business variables. Prasad et al. (2001) make it clear that the integration of internet technology makes a significant contribution to marketing performance. Merrilees et al. (2011) researched 367 small and medium enterprises in Australia and found that internet innovation and technology are essential factors in building marketing performance. There is a research gap on the incapacity of digital marketing to improve marketing performance due to the inconsistent results of many studies on the impact of digital marketing on marketing performance. We present the idea of Brand Articulating Capability as a strategic bridge for Digital Marketing to enhance marketing performance in order to close this research gap and create our conceptual model.

Hence, from the background, phenomena, and research gap, the study's problems are: (1) Do Digital Marketing and Brand Articulating Capability affect SMEs' marketing performance? And (2) Does Brand Articulating Capability bridge the effect of Digital Marketing on SME's Marketing Performance?

This study's objectives are to identify: (1) The influence of Digital Marketing and Brand Articulating Capability on SME's marketing performance, (2) The role of Brand Articulating Capability as mediating variable in relation to Digital Marketing and SMEs Marketing Performance. The benefits of this research are to develop conceptual knowledge of the strategy to improve the SME's marketing performance through a new concept, Brand Articulating Capability.

2. Literature Review and Hypothesis Development

2.1 Digital Marketing

According to Pomirleanu et al. (2013), Digital Marketing is a marketing activity including branding that uses various web-based media such as blogs, websites, e-mail, AdWords, or social networks. According to Coviello, Milley, and Marcolin (2001), Digital Marketing is the use of the internet and other interactive technologies to create and connect dialogues between companies and identified consumers. The role of digital marketing strategy can be crucial in keeping up with digital technology developments and developing plans to attract consumers and direct them to a mix of electronic communication and traditional communication. (Chaffey & Ellis-Chadwick, 2019). Digital marketing is marketing using the application of digital technology. The paradigm of digital marketing has resulted in drastic changes and shifts in the worldwide markets and increased the prevalence of customer’s purchase intentions and power, and this resulted in several implementations of advanced business technologies that have been created to respond to the business changes (Kannan & Li, 2017; Poturak & Softic, 2019). In this study, we use the following Digital Marketing indicators; Social Media Marketing Capability, E-commerce Adoption, and Instant Messaging Marketing Orientation.
2.2. **Brand Articulating Capability**

Given the problem of inconsistency in the research gap of the effect of customer orientation on marketing performance, this study aims to describe a possible process for converting customer orientation into marketing performance. We adopted the Resource Advantage Theory of Competition (RAToC) (Hughes & Morgan, 2007; Shelby D. Hunt, 1997; Shelby D Hunt, 2012; Robert & Shelby, 2002) to solve the research gap between Digital Marketing and marketing performance. For this reason, we introduce a new concept called Brand Articulating Capability as a mediating variable between Digital Marketing and Marketing Performance. One of the resources owned by the company is the brand. The brand is one of the essential factors in achieving and maintaining the company's success. Creating a positive brand image in the market enables the company to gain more customers and retain and satisfy customers (Siahtiri, O'Cass, & Ngo, 2014). It is also reported in the literature of local companies that a brand that contributes to a company's competitiveness can compete locally by using the right marketing strategy (Gupta & Malhotra, 2013). Observations from various researchers suggest that the origin of brands in foreign markets becomes very important for them in a market that exhibits intense competition (Anderson & Weitz, 1992).

Articulation is a technique of producing good sound and speaking it loudly and melodiously. According to the Cambridge Dictionary, articulation is the pronunciation or pronunciation of words, the changes in cavities and spaces that occur in the vocal tract to produce language sounds (Slack, 2006). Articulating is the process of explaining ideas logically and thoroughly; in our study, we consider efforts to communicate brands to be done articulately. The theory of Resource Advantage recognizes the creation of a capability as a competitive tool as a marketing function and identifies the role of brands in creating a firm's ability to demonstrate its superior capabilities (Shelby D Hunt & Morgan, 1995, 1996; Srivastava, Fahey, & Christensen, 2001). Brand Articulating capability is the ability of the company/organization to convey the message of its brand to customers clearly. An organizational capability to be a valuable resource requires company owners to serve their customers more efficiently and effectively than competitors (Shelby D Hunt & Morgan, 1995, 1996). According to the Resource Advantage Theory, companies with such a comparative advantage can take a superior market position and ultimately achieve outstanding financial performance (Shelby D Hunt & Morgan, 1996; Ivens & Pardo, 2007). In this study, we call this kind of marketing capability, Brand Articulating Capability, a lever for marketing performance. How can a product with the brand it offers be articulated? In marketing activities, Brand Articulating Capability conceptualizes that brands are articulated through capabilities; (1) the brand is apparent in the eyes of customers, (2) the brand communicates clearly with customers, and (3) the brand builds a clear reputation with customers.

2.3. **Marketing Performance**

A concept or component known as marketing performance is frequently used to assess the effectiveness of a corporate plan (Munir, Ilyas, Maming, & Kadir, 2019). Different corporate cultures and leadership philosophies have an impact on the company's perception of the effectiveness of ongoing marketing initiatives, which highlights the need of assessing marketing performance. Based on the research undertaken by Baker and Sinkula (2009), Sales value, profit fluctuations, and changes in the proportion of earnings are used to assess marketing performance in terms of profitability. Additionally, Avlonitis and Gounaris (1997) measure Marketing performance measured by revenue, gross margin, return on investment, and market share. A study conducted by Gao, Zhou, and Yim (2007) examining the magnitude of profitability, sales growth, and product performance, measures a company's success. Voss and Voss (2000) define Market performance refers to the process of evaluating a company's sales, customers, revenue, and profit growth in order to assess its degree of quality. Sales growth, market share, and sales to current customers are a few examples of metrics that may be used to measure marketing performance. (Chang, Park, & Chaiy, 2010), market share and growth of sales (Garcia-Villaverde, Ruiz-Ortega, & Ignacio Canales, 2013), acquiring new customers and increasing sales to existing customers (Krush, Agnihotri, Trainor, & Nowlin, 2013), more robust growth in sales revenue, better able to acquire new customers, more significant market share and sales increase to existing customers (Merrilees et al., 2011), market share of the brand, sales growth of brand (O'Cass & Weerawardena, 2010) and market share (Wu, 2013). According to the findings of the current study, the main goal of a company's performance is to create value that can help with profit level, profit percentage, sales growth, and customer growth. The model of our empirical research in this study may be characterized as follows based on a survey of the literature and earlier research:
Based on the literature review and picture above, there are four hypotheses formulated in this study as follows:

**H**\textsubscript{1}: Digital Marketing influences \textit{Brand Articulating Capability}.

**H**\textsubscript{2}: Digital Marketing influences \textit{Marketing Performance}.

**H**\textsubscript{3}: Digital Marketing influences \textit{Marketing Performance through Brand Articulating Capability}.

3. Research Method

In this work, quantitative research was used in conjunction with the survey approach. The questionnaire was utilized using a 7-point Likert scale to test respondents' perspective since it is easier to gain respondents' agreement with a 7-point Likert scale than with a 5-point Likert scale. (Wang, Law, Guillet, Hung, & Fong, 2015). The population of this study included all small and medium firms registered with the Office of Cooperatives and SMEs in South Sulawesi Province and the districts/cities in the research area. Purposive sampling was employed. The participants in this study were entrepreneurs or business owners.

Based on a convenience sample frame, 230 SMEs were invited to and willingly participated in this research. This study employs statistical analysis using Structural Equation Modelling (SEM) analysis. The purpose of this study is to investigate what factors influence SMEs' marketing performance. For this purpose, an instrument in the form of a questionnaire containing indicators will be developed and adapted from the previous study (Sugiyarti, Ferdinand, & Nurchayati, 2018; Yadav & Rahman, 2017) to reduce the risk of external validity. The indicators are then carried out and form the factors for the relationship between the study variables.

Table 1

<table>
<thead>
<tr>
<th>Variables</th>
<th>Definition</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Marketing</td>
<td>a marketing activity including branding that uses various web-based media such as blogs, websites, e-mail, AdWords, or social networks</td>
<td>1. Social Media Marketing Capability, 2. E-commerce Adoption, 3. Instant Messaging Marketing Orientation.</td>
</tr>
<tr>
<td>Brand Articulating Capability</td>
<td>the ability of the company/organization to convey the message contained in its brand to customers clearly</td>
<td>1. the brand is clear in the eyes of customers, 2. the brand communicates clearly with customers, 3. the brand builds a clear reputation with customers.</td>
</tr>
</tbody>
</table>

4. Result and Discussion

Normality assessment for data collection was conducted before further analysis. A skewness-kurtosis method was used to assess each variable with the criteria in the range of +1 and -1 (Hair, Black, Babin, & Anderson, 2018). Based on AMOS software, the statistical results showed the skewness and kurtosis were in the range of +1 and -1 (Table 2); hence the data were considered normal.

Table 2

<table>
<thead>
<tr>
<th>Assessment of Normality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constructs</td>
</tr>
<tr>
<td>Digital Marketing</td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
</tr>
<tr>
<td>Brand Articulating Capability</td>
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<td></td>
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<tr>
<td></td>
</tr>
<tr>
<td>Marketing Performance</td>
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</tbody>
</table>

All constructs were tested for their reliability and construct validity (Table 3). Confirmatory factor analysis was used to measure the validity of indicators to produce the loading factor values for all latent variables' indicators. Loading factor values greater than 0.70 are used to limit the indicator's validity (Hair et al., 2018). Table 3 below shows that all the indicator factor loading values are estimated to be above 0.70; that all indicators declared valid are confirmed.

For the reliability test, it was tested through composite reliability (CR). It was found that all the constructs (Digital marketing = 0.824, Brand Articulating Capability = 0.753, and Marketing Performance = 0.874) have CR above the cut-off value of 0.7, as suggested by Hair et al. (2018).
Table 3
Validity and Reliability

<table>
<thead>
<tr>
<th>Variables</th>
<th>Indicators</th>
<th>Standardized Loading Factors</th>
<th>Standard Errors</th>
<th>Reliability</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Marketing</td>
<td>DM1</td>
<td>0.765</td>
<td>0.105</td>
<td></td>
<td>0.824</td>
<td>0.583</td>
</tr>
<tr>
<td></td>
<td>DM2</td>
<td>0.814</td>
<td>0.114</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>DM3</td>
<td>0.706</td>
<td>0.101</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand Articulating Capability</td>
<td>BAC1</td>
<td>0.716</td>
<td>0.068</td>
<td></td>
<td>0.753</td>
<td>0.542</td>
</tr>
<tr>
<td></td>
<td>BAC2</td>
<td>0.832</td>
<td>0.073</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BAC3</td>
<td>0.896</td>
<td>0.084</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing Performance</td>
<td>MP1</td>
<td>0.764</td>
<td>0.092</td>
<td></td>
<td>0.874</td>
<td>0.662</td>
</tr>
<tr>
<td></td>
<td>MP2</td>
<td>0.821</td>
<td>0.098</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MP3</td>
<td>0.758</td>
<td>0.090</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Convergent validity was also tested through the average variance extracted (AVE) to ensure the measured items are truly measuring the construct being measured. The findings show that all constructs (Digital marketing = 0.583, brand articulating capability = 0.542, and Marketing Performance = 0.662) have AVE above 0.5, as Hair et al. (2018) suggested. For structural model fit (Fig. 2), the results show sufficient good fit ($\chi^2 = 41.96$, $P = 0.018$; CMIN/DF = 1.854; GFI = 0.962; AGFI = 0.929; TLI = 0.968; CFI = 0.979; RMSEA = 0.057). Hence, the data are eligible for hypothesis testing because the model in this research fits with the expected population (Hair et al., 2018).

Fig. 2. Structural Model

The hypothesis testing found all relationships proposed in this study to be significant (Table 4). In more detail, Digital Marketing is the driver of marketing performance. Brand articulating capability has been demonstrated to be influenced by Digital Marketing ($\gamma = 0.237$, $p < 0.005$). Brand articulating capability has also significantly influenced Marketing Performance ($\gamma = 0.399$, $p < 0.005$). Digital Marketing finds an influence on marketing performance through Brand Articulating Capability ($\gamma = 0.184$, $p < 0.005$). It confirms that Brand articulating Capability is a mediating variable between Digital Marketing and Marketing Performance.

Table 4
Hypothesis Testing

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Standardize Estimate</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Marketing $\rightarrow$</td>
<td>Brand Articulating Capability</td>
<td>0.237</td>
</tr>
<tr>
<td>Digital Marketing $\rightarrow$</td>
<td>Marketing Performance</td>
<td>0.166</td>
</tr>
<tr>
<td>Brand Articulating Capability $\rightarrow$</td>
<td>Marketing Performance</td>
<td>0.399</td>
</tr>
<tr>
<td>Digital Marketing</td>
<td>Brand Articulating Capability $\rightarrow$</td>
<td>Marketing Performance</td>
</tr>
</tbody>
</table>

The effects of digital marketing and brand articulating capability on the SMEs marketing performance

The finding confirms that Digital Marketing has a positive and substantial impact on SMEs Marketing Performance. The probability value from statistical calculations obtained that the Digital Marketing variable is 0.000, far below 0.050. The results of these tests show Digital Marketing substantially impacts SMEs Marketing Performance. Thus, every change in Digital Marketing activities will contribute to an increase in SMEs Marketing performance. That results in line with the finding that Digital Marketing can significantly influence Marketing Performance (Hurley & Hult, 1998; Kerdpitak, 2022; Merrilees et al., 2011; Pomirleanu et al., 2013; Prasad et al., 2001). In line with other studies, there is a positive and significant influence between marketing strategy and marketing performance (Frösén, Tikkanen, Jaakkola, & Vassinen, 2013; Hooper, Huff, & Thirkell, 2010; Zahay & Griffin, 2010).
The effect of Brand Articulating Capability on the SMEs Marketing Performance is positive and significant. The results showed that Brand Articulating Capability positively and significantly influences SMEs Marketing Performance. It can be seen that the Probability value is equal to 0.000, less than 0.05, which means that the Brand Articulating Capability has a significant effect on the SMEs Marketing Performance. Thus, every change in the Brand Articulating Capability variable will contribute to increasing SMEs Marketing Performance. It is in line with the findings of a study by Munir, Ilyas, Manning, and Kadir (2020), which found that marketing capability significantly affects marketing performance. Also, in line with studies by Morgan et al. (2009), Song et al. (2005), and Bayighomog Likoum, Shamout, Harazneh, and Abubakar (2020) which state that capabilities in marketing, especially brand management, enable companies to gain a sustainable competitive advantage and achieve business success.

The effect of digital marketing on SMEs marketing performance through brand articulating capability

Table 4 shows that Digital Marketing affects Marketing Performance through Brand Articulating Capability and is positive and significant. The indirect effect of Digital Marketing on Marketing Performance through Brand Articulating Capability has a probability of 0.003, far below 0.050. Thus, the more Digital Marketing activities, the more Brand Articulating Capability and the more Marketing Performance at the end of the day. It supports our hypothesis that Brand Articulating Capability serves as a moderating variable in improving the marketing performance of SMEs.

5. Conclusions

The purpose of this research is to develop a conceptual model for managing digital marketing that has the potential to improve marketing performance by synthesizing the brand Articulating capability. The findings indicate that all hypotheses are accepted, and the relationships in the model indicate several approaches for enhancing marketing success. The study model demonstrates how the link between Digital Marketing, Brand Articulating Capability, and Marketing Performance is established and empirically verified via structural equation modeling. Three main findings are described as follows; (1) SMEs who excel in digital marketing will improve their marketing performance. (2) SMEs with higher Digital Marketing Capability are trusted to improve Brand Articulating Capability as a lever to improve marketing performance. (3) Furthermore, in the relationship between Digital Marketing and Marketing Performance, Brand Articulating Capability serves as a mediating variable. The findings of this study help to the development of brand Articulating capacity concepts, particularly in the sectors of entrepreneurship and marketing, which aid in the growth of SMEs. The findings of the direct and indirect tests suggest that Brand Articulating Capability is an important mediator in bridging the gap between Digital Marketing and Marketing Performance. The study emphasizes the relevance of the Brand Articulating Capability variable as a bridge between Digital Marketing and Marketing Performance, particularly for SMEs. As a result, SMEs should leverage their digital marketing into brand articulating capabilities since it has the potential to improve marketing performance. It is recommended that SMEs employ brand management in order to turn their brand's affiliation, resilience, and distinction into a built-in competency in their businesses. It would make it possible for SMEs to increase their marketing performance.

References


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