

# The Effect of Digital Marketing Adoption, Customer Engagement, and Brand Awareness on SME Sales Growth

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## Abstract

The rapid development of digital technology has significantly transformed the way small and medium-sized enterprises (SMEs) conduct their marketing activities and interact with customers. In the digital era, adopting effective digital marketing strategies has become essential for SMEs to enhance competitiveness and achieve sustainable sales growth. This study aims to examine the effect of digital marketing adoption, customer engagement, and brand awareness on SME sales growth. A quantitative research approach was employed using primary data collected through structured questionnaires distributed to SME owners and managers who utilize digital platforms in their marketing activities. A total of 200 respondents participated in the study. The data were analyzed using Structural Equation Modeling with Partial Least Squares (SEM-PLS) to test the proposed hypotheses. The results reveal that digital marketing adoption has a positive and significant effect on SME sales growth, indicating that the use of digital marketing tools such as social media, online advertising, and digital platforms enhances marketing effectiveness and expands market reach. Furthermore, customer engagement is found to significantly influence sales growth, suggesting that active interaction and relationship-building with customers contribute to higher customer loyalty and increased purchasing behavior. The findings also demonstrate that brand awareness positively affects SME sales growth, as higher levels of brand recognition and familiarity among consumers increase the likelihood of product selection and purchase decisions. Overall, the results highlight the importance of integrating digital marketing strategies, customer engagement initiatives, and brand-building efforts to improve SME performance. This study contributes to the growing body of literature on digital marketing and SME performance while providing practical insights for SME owners and managers seeking to leverage digital technologies to enhance sales growth in the competitive digital marketplace.

**Keywords:** Digital Marketing Adoption, Customer Engagement, Brand Awareness, SME Sales Growth, Small and Medium-Sized Enterprises, Digital Marketing Strategy

## 1. Introduction

In the contemporary digital economy, small and medium-sized enterprises (SMEs) play a crucial role in economic development, employment creation, and innovation. SMEs contribute significantly to national economic growth, particularly in developing countries where they represent a large proportion of business entities. However, SMEs often face challenges related to limited resources, intense market competition, and restricted access to traditional marketing channels. The rapid advancement of digital technologies has transformed the way businesses operate and interact with customers, creating new opportunities for SMEs to expand their market reach and enhance business performance. In this context, the adoption



of digital marketing strategies has become an important tool for SMEs seeking to improve competitiveness and achieve sustainable growth (Tarazona-Montoya et al., 2024).

Digital marketing refers to the use of online platforms and digital technologies such as social media, search engines, mobile applications, email marketing, and online advertising to promote products and services. Compared with traditional marketing approaches, digital marketing offers several advantages, including cost efficiency, wider market reach, real-time customer interaction, and measurable marketing outcomes. For SMEs with limited marketing budgets, digital marketing provides an accessible platform to communicate with potential customers and build long-term relationships with them. Previous studies indicate that digital marketing allows SMEs to reach target audiences more effectively, collect market intelligence, and improve their competitive advantage in dynamic markets (Mustaqeem & Sarder, 2024).

The adoption of digital marketing has become increasingly important for SMEs as consumer behavior continues to shift toward online environments. With the rapid growth of internet usage and social media platforms, consumers now rely heavily on digital channels to search for information, compare products, and make purchasing decisions. Consequently, businesses that fail to adopt digital marketing strategies may struggle to maintain competitiveness in the marketplace. Empirical evidence shows that digital marketing adoption significantly influences the growth and performance of SMEs by enhancing visibility, customer acquisition, and revenue generation (Imtiaz et al., 2025).

Furthermore, digital transformation has reshaped the marketing landscape by enabling SMEs to integrate innovative technologies into their business models. Digital adoption not only enhances marketing efficiency but also supports broader organizational performance by improving communication, reducing operational costs, and facilitating data-driven decision-making. Studies examining digital adoption among small enterprises have found that firms implementing digital technologies experience better business performance and improved financial outcomes compared with those relying solely on traditional business practices (Wang & Liu, 2024).

In addition to digital marketing adoption, customer engagement has emerged as another critical factor influencing business success in the digital era. Customer engagement refers to the level of interaction, participation, and emotional connection between customers and a brand. Through digital platforms such as social media, businesses can interact with customers in real time, respond to feedback, and foster meaningful relationships that encourage loyalty and repeat purchases. High levels of customer engagement allow businesses to better understand customer needs and preferences, thereby enabling them to design products and services that align with market demands. Research suggests that digital marketing strategies significantly enhance customer engagement by facilitating direct communication and interactive experiences between businesses and consumers (Ojeka-John et al., 2025).

Customer engagement is particularly important for SMEs because it helps them build strong relationships with customers despite limited marketing resources. Engaged customers are more likely to share positive experiences, recommend products to others, and develop long-term loyalty toward the brand. In the digital environment, customer engagement can be stimulated through interactive content, personalized marketing messages, and community-building activities on social media platforms. As a result, SMEs that effectively foster customer

engagement are better positioned to strengthen their market presence and enhance sales performance.

Another key factor influencing SME performance is brand awareness. Brand awareness refers to the ability of consumers to recognize or recall a particular brand when considering a product category. A strong level of brand awareness increases the likelihood that consumers will choose a particular brand over competitors. In highly competitive markets, brand awareness becomes an essential strategic asset because it influences consumer perceptions, trust, and purchasing decisions. Digital marketing plays an important role in building brand awareness by enabling businesses to consistently communicate their brand identity across multiple online platforms. According to recent studies, the use of digital marketing tools significantly increases brand visibility and strengthens brand recognition among consumers (Arista & Hermawan, 2025).

Moreover, digital platforms such as social media, e-commerce websites, and online marketplaces enable SMEs to create continuous brand exposure and engage with large audiences. Through these platforms, SMEs can disseminate marketing content, conduct promotional campaigns, and interact directly with customers, thereby strengthening brand awareness and brand equity. Research on digital marketing adoption also highlights that online marketing activities not only increase brand awareness but also improve customer loyalty and sales turnover for SMEs (Amponsah et al., 2023).

Despite the growing recognition of digital marketing as a strategic tool for SMEs, many small businesses still face challenges in fully utilizing digital technologies. Limited digital skills, financial constraints, and a lack of strategic planning often hinder SMEs from effectively adopting digital marketing practices. In many developing countries, SMEs tend to adopt digital marketing tools in an informal and unstructured manner, which reduces the potential benefits that could be achieved from digital transformation. Therefore, understanding the relationship between digital marketing adoption and business outcomes such as sales growth is essential for improving SME competitiveness (Wiweko & Anggara, 2025).

Sales growth is widely used as a key indicator of business performance because it reflects the ability of a firm to increase revenue and expand its market share. For SMEs, achieving consistent sales growth is essential for sustaining business operations, attracting investment, and ensuring long-term survival. Several factors contribute to SME sales growth, including marketing strategies, customer relationships, and brand reputation. In the digital era, these factors are increasingly interconnected through digital technologies that facilitate communication, promotion, and customer interaction. Consequently, digital marketing adoption, customer engagement, and brand awareness have become critical drivers of SME sales growth.

Although previous studies have examined the individual effects of digital marketing, customer engagement, and brand awareness on business performance, there is still limited research that simultaneously investigates the combined influence of these factors on SME sales growth. Understanding how these variables interact can provide valuable insights for SME managers, policymakers, and researchers seeking to develop effective strategies for improving SME competitiveness in the digital marketplace. Therefore, this study aims to examine the effect of digital marketing adoption, customer engagement, and brand awareness on SME sales growth. By analyzing these relationships, the study contributes to the existing literature on

digital marketing and SME performance while offering practical implications for SMEs seeking to leverage digital technologies to enhance business growth.

The objective of this study is to examine the influence of digital marketing adoption, customer engagement, and brand awareness on the sales growth of small and medium-sized enterprises (SMEs). Specifically, this research aims to analyze how the implementation of digital marketing strategies contributes to increasing customer interaction and strengthening brand recognition, which in turn may enhance sales performance. By investigating the relationships among these variables, the study seeks to provide empirical evidence regarding the role of digital marketing practices in improving SME competitiveness and business growth in the digital economy.

## 2. Literature Review and Hypothesis Development

### 2.1. Digital Marketing Adoption

Digital marketing adoption refers to the extent to which businesses utilize digital technologies and online platforms to promote products, interact with customers, and conduct marketing activities. Digital marketing includes various tools such as social media marketing, search engine optimization (SEO), email marketing, online advertising, and e-commerce platforms. In the digital economy, these tools provide businesses with opportunities to reach wider audiences, improve communication with customers, and enhance marketing effectiveness. For small and medium-sized enterprises (SMEs), digital marketing adoption is particularly important because it allows them to compete with larger firms despite limited resources and budgets.

Recent studies emphasize that digital marketing has become a critical driver of business performance and competitiveness in modern markets. SMEs increasingly adopt digital marketing strategies to enhance market visibility, attract new customers, and strengthen relationships with existing customers. Digital platforms enable businesses to communicate with customers in real time and provide personalized marketing experiences, which can significantly improve customer satisfaction and purchasing behavior. Moreover, digital marketing offers cost-efficient promotional strategies compared with traditional marketing channels, making it an attractive option for SMEs with limited financial resources (Mustaqeem & Sarder, 2024).

Digital marketing adoption also enables SMEs to expand their market reach beyond geographical limitations. Through online platforms and social media networks, businesses can promote their products to a global audience and interact with customers from different locations. Research indicates that SMEs adopting digital marketing tools can increase brand visibility, improve customer acquisition, and enhance overall business growth. Furthermore, digital marketing technologies allow firms to collect and analyze customer data, which helps businesses understand consumer preferences and design more effective marketing strategies (Sahabuddin et al., 2024; Sunggara et al., 2024).

Another important benefit of digital marketing adoption is its ability to enhance sales performance. Digital marketing strategies such as targeted advertising, influencer marketing, and social media promotion enable businesses to communicate their value propositions more effectively to potential customers. Empirical research shows that digital marketing adoption

positively influences SME performance by increasing online visibility, generating leads, and improving conversion rates (Husriadi et al., 2024; Windarsari, W. R., 2025).

In addition, digital marketing tools enable SMEs to develop stronger relationships with customers through interactive communication. Businesses can respond to customer inquiries, collect feedback, and provide personalized services, which contribute to customer satisfaction and loyalty. These advantages demonstrate that digital marketing adoption plays a crucial role in improving business outcomes, including sales growth and long-term sustainability.

## 2.2. Digital Marketing Adoption and SME Sales Growth

Sales growth is widely used as an indicator of business performance because it reflects the ability of a firm to increase revenue and expand market share. For SMEs, achieving sustainable sales growth is essential for maintaining competitiveness and ensuring business survival. Digital marketing adoption contributes to sales growth by enabling businesses to reach new customers, improve marketing efficiency, and increase product visibility in the market.

Several empirical studies have confirmed the positive relationship between digital marketing adoption and sales performance among SMEs. For example, research on digital video marketing adoption found that SMEs implementing digital marketing strategies experienced significant improvements in brand awareness, customer engagement, and business revenue. The findings indicate that the use of digital marketing tools can substantially enhance sales performance by increasing the effectiveness of marketing campaigns and strengthening customer relationships (Riu et al., 2025; Ojeka-John et al., 2025).

Similarly, other studies highlight that digital marketing strategies such as social media advertising, search engine marketing, and content marketing allow SMEs to target specific customer segments and improve conversion rates. These strategies help businesses communicate product information more effectively, thereby encouraging purchase decisions and increasing sales growth. Based on the theoretical and empirical evidence, digital marketing adoption is expected to have a positive effect on SME sales growth.

**H1: Digital marketing adoption has a positive effect on SME sales growth.**

## 2.3. Customer Engagement

Customer engagement refers to the level of interaction, emotional connection, and participation between customers and a brand. In the digital marketing context, customer engagement is often facilitated through online platforms such as social media, websites, and mobile applications. Through these platforms, customers can interact with brands by liking, commenting, sharing content, or participating in discussions. These interactions create stronger relationships between businesses and customers, which can lead to increased loyalty and purchasing behavior.

Customer engagement has become an essential component of modern marketing strategies because it enables businesses to build meaningful relationships with customers. Engaged customers are more likely to trust a brand, share positive experiences with others, and develop long-term loyalty. Furthermore, customer engagement allows businesses to gain valuable insights into customer preferences, enabling them to design products and services that better meet customer needs (Herienda et al., 2024).

In the digital era, social media platforms have significantly enhanced the ability of businesses to engage with customers. Through interactive content such as videos, polls, and live sessions, businesses can create more engaging experiences that encourage customer participation. Research indicates that social media marketing strategies that promote interaction and engagement can significantly improve marketing performance and customer loyalty among SMEs (Stevany & Siam, 2025).

Customer engagement also plays a critical role in influencing consumer purchasing decisions. When customers actively interact with a brand, they develop stronger emotional connections that increase their likelihood of purchasing products or services. Engaged customers often act as brand advocates by recommending products to others, which further contributes to business growth. Therefore, customer engagement can be considered a key factor influencing SME sales performance.

#### **2.4. Customer Engagement and SME Sales Growth**

Purchase Customer engagement has been widely recognized as a determinant of business performance. High levels of engagement indicate that customers are actively involved with a brand and are more likely to purchase its products or services. Engaged customers also tend to share their experiences with others through word-of-mouth communication, which can attract new customers and increase sales.

Empirical research suggests that effective customer engagement strategies can significantly improve business outcomes such as customer loyalty, brand trust, and purchase intention. In the context of SMEs, customer engagement can help businesses build strong relationships with customers and differentiate themselves from competitors. Studies on social media marketing demonstrate that higher levels of engagement lead to increased marketing effectiveness and improved business performance (Rafika & Bangsawan, 2023).

Furthermore, customer engagement encourages repeat purchases and long-term customer relationships, both of which contribute to sustained sales growth. Businesses that successfully engage customers through digital platforms can create stronger brand communities and maintain continuous interactions with their customers. Therefore, customer engagement is expected to positively influence SME sales growth.

#### **H2: Customer engagement has a positive effect on SME sales growth.**

#### **2.5. Brand Awareness**

Brand awareness refers to the extent to which consumers are able to recognize or recall a particular brand when considering a product category. It represents the first stage of the consumer decision-making process because consumers must be aware of a brand before they can evaluate and purchase its products. A high level of brand awareness increases the likelihood that consumers will choose a particular brand over competitors.

In the digital era, building brand awareness has become easier due to the widespread use of digital marketing channels. Social media platforms, websites, and online advertisements enable businesses to communicate their brand identity to large audiences quickly and effectively. Consistent digital marketing strategies help strengthen brand recognition and create positive brand perceptions among consumers (Sugiat, 2025; Windarsari, W. R., 2025).

Brand awareness is particularly important for SMEs because it helps them compete with established brands in the market. By increasing brand awareness, SMEs can improve consumer

trust and credibility, which ultimately influences purchasing decisions. Research indicates that digital marketing strategies such as influencer marketing and social media promotion significantly contribute to increasing brand awareness and attracting potential customers (Agustian et al., 2023; Wijayanthi et al., 2026).

Moreover, brand awareness plays a crucial role in shaping consumer perceptions and attitudes toward a brand. When consumers are familiar with a brand, they are more likely to consider it during the purchase process. Strong brand awareness can also enhance brand equity, customer loyalty, and long-term business performance.

## 2.6. Brand Awareness and SME Sales Growth

Brand awareness can significantly influence sales performance because it affects consumer purchase decisions. Consumers tend to choose brands that they recognize and trust. When a brand becomes widely known among consumers, it increases the likelihood of product selection and purchase.

Several studies have demonstrated that strong brand awareness contributes to improved marketing performance and sales growth among SMEs. Increased brand awareness enhances consumer confidence and reduces perceived risk in purchasing decisions. As a result, consumers are more willing to purchase products from brands that they recognize and trust. Furthermore, digital marketing strategies that effectively build brand awareness can significantly increase market reach and customer acquisition.

Research also shows that brand awareness and customer engagement on digital platforms play an important role in increasing consumer loyalty and purchasing behavior. When consumers are aware of a brand and frequently interact with it through digital platforms, they are more likely to develop positive attitudes and purchase intentions (Nurwijayanto et al., 2025).

Based on the theoretical and empirical evidence discussed above, brand awareness is expected to positively influence SME sales growth.

**H3: Brand awareness has a positive effect on SME sales growth.**

## 2.7. Conceptual Framework

Based on the literature review above, this study proposes a conceptual framework in which digital marketing adoption, customer engagement, and brand awareness are independent variables that influence SME sales growth as the dependent variable. Digital marketing adoption enhances marketing reach and communication efficiency, customer engagement strengthens relationships with customers, and brand awareness increases brand recognition and purchase likelihood. Together, these factors are expected to contribute significantly to improving the sales growth of SMEs in the digital marketplace.

### 3. Method

#### 3.1. Research Design

This study employs a quantitative research approach to examine the effect of digital marketing adoption, customer engagement, and brand awareness on SME sales growth. Quantitative research is appropriate for this study because it allows the researcher to analyze relationships between variables using statistical techniques and empirical data. The research design used in this study is explanatory research, which aims to explain the causal relationships between independent variables and the dependent variable. Explanatory research is commonly used in business and marketing studies to test hypotheses and determine the influence of specific factors on organizational outcomes (Creswell & Creswell, 2021).

The study focuses on small and medium-sized enterprises (SMEs) that have adopted digital platforms in their marketing activities. The independent variables in this research are digital marketing adoption, customer engagement, and brand awareness, while the dependent variable is SME sales growth. The relationships between these variables are tested empirically to determine whether digital marketing strategies and customer-related factors significantly influence business performance in SMEs.

#### 3.2. Population and Sample

The population of this study consists of small and medium-sized enterprises (SMEs) operating in various sectors that utilize digital platforms for marketing activities. SMEs play an important role in economic development and employment generation, particularly in developing countries where they represent a large proportion of business activities.

Due to the large number of SMEs and the difficulty of reaching the entire population, this study uses a sampling technique to select respondents. The sampling method applied is purposive sampling, a non-probability sampling technique in which respondents are selected based on specific criteria relevant to the research objectives. The criteria for selecting respondents in this study include:

1. The business is classified as a small or medium-sized enterprise.
2. The business has adopted digital marketing platforms such as social media, online marketplaces, or websites.
3. The respondent is the owner, manager, or individual responsible for marketing activities within the SME.

Based on recommendations for multivariate statistical analysis, the sample size should be adequate to ensure reliable results. According to Hair et al. (2022), studies using structural analysis methods generally require a minimum sample size of 100–200 respondents. Therefore, this study targets approximately 200 SME respondents to ensure sufficient statistical power and reliable analysis results.

#### 3.3. Data Collection Method

The data used in this study are **primary data** collected directly from respondents through a structured questionnaire. The questionnaire is designed to measure respondents' perceptions regarding digital marketing adoption, customer engagement, brand awareness, and SME sales growth. The questionnaire is distributed online using digital survey platforms to facilitate easier access for SME owners and managers.

Each item in the questionnaire is measured using a Likert scale ranging from 1 to 5, where:

- 1 = Strongly Disagree
- 2 = Disagree
- 3 = Neutral
- 4 = Agree
- 5 = Strongly Agree

The Likert scale is widely used in marketing and management research because it enables researchers to measure attitudes, perceptions, and opinions quantitatively (Sekaran & Bougie, 2020).

Before distributing the questionnaire to respondents, a pilot test is conducted with a small group of participants to ensure the clarity and reliability of the measurement items. Feedback from the pilot test is used to revise and improve the questionnaire to enhance its validity and reliability.

### **3.4. Measurement of Variables**

The variables used in this study are measured using indicators adapted from previous studies to ensure measurement validity.

#### **Digital Marketing Adoption**

Digital marketing adoption refers to the extent to which SMEs utilize digital platforms and technologies in their marketing activities. This variable is measured using several indicators, such as:

- Use of social media platforms for marketing
- Use of online advertising and promotional tools
- Use of digital platforms to interact with customers
- Integration of digital technologies in marketing strategies

These indicators are adapted from previous research on digital marketing and SME performance (Tarazona-Montoya et al., 2024; Mustaqeem & Sarder, 2024).

#### **Customer Engagement**

Customer engagement refers to the level of interaction and emotional connection between customers and a brand. This variable is measured through the following indicators:

- Frequency of interaction with customers on digital platforms
- Customer participation in online activities or discussions
- Customer feedback and reviews
- Customer involvement with brand content on social media

These indicators are based on previous studies on digital marketing and customer engagement (Verhoef et al., 2021; Ojeka-John et al., 2025).

#### **Brand Awareness**

Brand awareness refers to the ability of consumers to recognize and recall a brand when considering a product category. The indicators used to measure this variable include:

- Consumer recognition of the brand

- Consumer recall of the brand name
- Familiarity with the brand's products
- Visibility of the brand in digital platforms

These indicators are adapted from studies examining brand awareness and marketing performance (Setyawati et al., 2023).

### **SME Sales Growth**

SME sales growth represents the increase in sales performance experienced by SMEs over a specific period. The indicators used to measure sales growth include:

- Increase in sales volume
- Increase in revenue or income
- Expansion of customer base
- Growth in market demand for products

These indicators are commonly used in studies examining SME performance and business growth (Amponsah et al., 2023).

### **3.5. Data Analysis Technique**

The data collected from the questionnaires are analyzed using statistical analysis techniques. First, descriptive statistics are used to summarize the characteristics of respondents and provide an overview of the data. Descriptive analysis includes the calculation of means, standard deviations, and frequency distributions.

Next, validity and reliability tests are conducted to ensure that the measurement instruments are accurate and consistent. Validity is evaluated using factor loadings, while reliability is assessed using Cronbach's alpha and composite reliability values. According to Hair et al. (2022), a Cronbach's alpha value above 0.70 indicates acceptable reliability.

To test the research hypotheses, this study employs Structural Equation Modeling (SEM) using Partial Least Squares (PLS) analysis. SEM-PLS is widely used in marketing and management research because it allows researchers to analyze complex relationships between multiple variables simultaneously and is suitable for exploratory and predictive research models (Hair et al., 2022).

The analysis process includes two main stages:

- 1) **Measurement Model Evaluation (Outer Model)**
  - Convergent validity
  - Discriminant validity
  - Reliability testing
- 2) **Structural Model Evaluation (Inner Model)**
  - Path coefficient analysis
  - Hypothesis testing
  - Coefficient of determination ( $R^2$ )
  - Predictive relevance

Hypothesis testing is conducted by examining the path coefficient and significance level (p-value). A hypothesis is considered supported if the p-value is less than 0.05 and the path coefficient shows a positive relationship.

### 3.6. Ethical Considerations

This study ensures that ethical principles are followed throughout the research process. Participation in the survey is voluntary, and respondents are informed about the purpose of the study before completing the questionnaire. Respondents' identities and personal information are kept confidential, and the data collected are used solely for academic research purposes.

## 4. Results and Discussion

This section presents the results of the statistical analysis conducted to examine the influence of digital marketing adoption, customer engagement, and brand awareness on SME sales growth. The analysis includes descriptive statistics, validity and reliability testing, and hypothesis testing using Structural Equation Modeling with Partial Least Squares (SEM-PLS).

### 4.1. Respondent Characteristics

The demographic characteristics of respondents are summarized in Table 1.

**Table 1. Respondent Profile**

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	112	56
	Female	88	44
Business Age	< 2 Years	42	21
	2–5 Years	96	48
	> 5 Years	62	31
Business Sector	Retail	70	35
	Food & Beverage	58	29
	Services	46	23
	Others	26	13
Digital Platform Used	Social Media	118	59
	Marketplace	54	27
	Website	28	14

Table 1 shows that the majority of respondents were male entrepreneurs (56%), while female entrepreneurs represented 44% of the sample. Most SMEs had been operating for 2–5 years (48%), indicating that the sample largely consisted of relatively established businesses. In terms of the business sector, retail businesses accounted for the largest proportion (35%), followed by food and beverage (29%). The data also show that social media platforms are the most widely used digital marketing channel among SMEs (59%), highlighting the importance of social media as a marketing tool for small businesses.

### 4.2. Descriptive Statistics

The descriptive statistics for each research variable are presented in Table 2.

**Table 2. Descriptive Statistics**

Variable	Mean	Standard Deviation
Digital Marketing Adoption	4.12	0.63
Customer Engagement	4.05	0.67
Brand Awareness	4.08	0.65
SME Sales Growth	4.10	0.60

Table 2 shows that all variables have mean values above 4.00, indicating that respondents generally agreed with the statements related to digital marketing adoption, customer engagement, brand awareness, and SME sales growth. Digital marketing adoption recorded the highest mean score (4.12), suggesting that SMEs in the sample have actively implemented digital marketing strategies in their business operations. The relatively low standard deviation values indicate that respondents' answers were fairly consistent.

### 4.3. Validity Test (Outer Loadings)

The results of the convergent validity test are presented in Table 3.

**Table 3. Convergent Validity (Outer Loadings)**

Variable	Indicator	Loading
Digital Marketing Adoption	DMA1	0.82
	DMA2	0.85
	DMA3	0.81
	DMA4	0.84
Customer Engagement	CE1	0.83
	CE2	0.86
	CE3	0.80
	CE4	0.82
Brand Awareness	BA1	0.84
	BA2	0.87
	BA3	0.82
	BA4	0.85
SME Sales Growth	SG1	0.86
	SG2	0.83
	SG3	0.84
	SG4	0.82

Table 3 shows that all indicator loadings exceed the recommended threshold of 0.70, indicating that each indicator has a strong correlation with its respective construct. Therefore, all measurement items are considered valid and suitable for further analysis.

**4.4. Reliability Test**

Reliability testing was conducted using Cronbach’s Alpha and Composite Reliability, as shown in Table 4.

**Table 4. Reliability Test**

Variable	Cronbach's Alpha	Composite Reliability
Digital Marketing Adoption	0.88	0.91
Customer Engagement	0.87	0.90
Brand Awareness	0.89	0.92
SME Sales Growth	0.86	0.90

Table 4 indicates that all variables have Cronbach’s Alpha and Composite Reliability values above 0.70, which confirms that the measurement instruments are reliable. This means the indicators consistently measure the constructs used in this study.

**4.5. Structural Model (R<sup>2</sup> Test)**

**Table 5. Coefficient of Determination**

Variable	R <sup>2</sup>
SME Sales Growth	0.64

Table 5 shows that the R<sup>2</sup> value for SME sales growth is 0.64. This indicates that digital is in SME sales growth. The remaining 36% is explained by other variables not included in this research model.

**4.6. Hypothesis Testing**

Hypothesis testing was conducted by examining the path coefficients and significance levels.

**Table 6. Hypothesis Testing Results**

Hypothesis	Relationship	Path Coefficient	T-Statistic	P-Value	Result
H1	Digital Marketing Adoption → SME Sales Growth	0.35	4.28	0.000	Supported
H2	Customer Engagement → SME Sales Growth	0.29	3.96	0.000	Supported
H3	Brand Awareness → SME Sales Growth	0.31	4.11	0.000	Supported

Table 6 presents the results of hypothesis testing. The results indicate that all three hypotheses are supported. Digital marketing adoption has a positive and significant effect on

SME sales growth ( $\beta = 0.35, p < 0.05$ ). This finding suggests that SMEs that actively utilize digital marketing tools are more likely to experience higher sales growth. Customer engagement also shows a positive and significant relationship with SME sales growth ( $\beta = 0.29, p < 0.05$ ), indicating that stronger interactions and relationships with customers can enhance business performance. Additionally, brand awareness has a positive and significant effect on SME sales growth ( $\beta = 0.31, p < 0.05$ ), demonstrating that higher brand recognition among consumers contributes to increased sales performance.

Overall, these findings confirm that digital marketing adoption, customer engagement, and brand awareness are important factors influencing SME sales growth.

#### 4.7. Discussion

This study aims to examine the influence of digital marketing adoption, customer engagement, and brand awareness on SME sales growth. The findings of the empirical analysis indicate that all three independent variables have a positive and significant effect on SME sales growth. These results suggest that digital marketing practices and customer-oriented strategies play an important role in enhancing the business performance of small and medium-sized enterprises (SMEs). The discussion below explains each finding in relation to theoretical perspectives and previous empirical studies.

First, the results show that digital marketing adoption has a positive and significant effect on SME sales growth. This finding indicates that SMEs that actively adopt digital marketing strategies tend to experience higher levels of sales growth compared to those that rely primarily on traditional marketing methods. Digital marketing provides SMEs with opportunities to reach wider markets, communicate with customers more effectively, and promote their products through various online platforms. In the digital economy, online marketing channels such as social media, search engines, and online marketplaces have become essential tools for businesses seeking to improve competitiveness and expand their market reach.

The positive relationship between digital marketing adoption and SME sales growth can be explained by the advantages offered by digital technologies in marketing activities. Digital marketing allows businesses to promote products more efficiently and at a lower cost compared with traditional marketing channels such as television, print media, or physical advertisements. For SMEs with limited financial resources, digital platforms provide cost-effective marketing opportunities that enable them to compete with larger companies. Moreover, digital marketing tools allow businesses to monitor marketing performance in real time, analyze consumer behavior, and adjust marketing strategies accordingly.

The findings of this study are consistent with previous research that highlights the importance of digital marketing adoption in improving business performance. For instance, recent studies have shown that SMEs utilizing digital marketing tools experience higher sales growth due to increased product visibility, improved customer reach, and more effective promotional strategies. Digital marketing also enables SMEs to expand their customer base beyond geographical boundaries by reaching customers through online platforms. As a result, businesses that integrate digital marketing into their marketing strategies are more likely to experience increased sales and sustainable business growth.

Second, the results indicate that customer engagement has a positive and significant effect on SME sales growth. This finding suggests that SMEs that maintain strong interactions

and relationships with customers tend to achieve better sales performance. Customer engagement refers to the level of interaction, participation, and emotional connection between customers and a brand. In the digital era, customer engagement is commonly facilitated through digital platforms such as social media, websites, and mobile applications, where customers can interact directly with businesses.

The positive effect of customer engagement on sales growth can be explained by the role of engagement in building customer loyalty and trust. When customers frequently interact with a brand through digital platforms, they develop stronger emotional connections with the business. These interactions may include commenting on social media posts, sharing content, providing feedback, or participating in online discussions. Such engagement creates a sense of community and belonging among customers, which can increase their willingness to purchase products and recommend the brand to others.

Furthermore, customer engagement allows businesses to better understand customer needs and preferences. Through online interactions, SMEs can collect valuable feedback from customers regarding product quality, service satisfaction, and market trends. This information enables businesses to improve their products and services, thereby enhancing customer satisfaction and increasing the likelihood of repeat purchases. In addition, engaged customers often act as brand advocates who promote products through word-of-mouth communication, which can attract new customers and contribute to higher sales growth.

The findings of this study are in line with previous research that emphasizes the importance of customer engagement in marketing performance. Studies in digital marketing have shown that customer engagement significantly influences customer loyalty, purchase intention, and brand advocacy. Businesses that actively engage with customers through interactive marketing strategies are more likely to build long-term relationships with their customers, which ultimately leads to improved financial performance and business sustainability.

Third, the results reveal that brand awareness has a positive and significant effect on SME sales growth. This finding suggests that the level of consumer familiarity and recognition of a brand plays an important role in influencing purchasing decisions and sales performance. Brand awareness refers to the ability of consumers to recognize or recall a particular brand when considering a product category. A higher level of brand awareness increases the probability that consumers will select a particular brand over competing alternatives.

In highly competitive markets, brand awareness is a critical factor that influences consumer behavior. Consumers tend to choose products from brands that they recognize and trust. When a brand becomes widely known among consumers, it reduces uncertainty in purchasing decisions and increases consumer confidence in the product. As a result, businesses with strong brand awareness are more likely to attract new customers and generate higher sales.

Digital marketing platforms play a significant role in building brand awareness for SMEs. Through social media marketing, online advertising, and content marketing, SMEs can continuously expose their brand to potential customers. Frequent exposure to brand messages increases the likelihood that consumers will remember the brand when making purchasing decisions. Moreover, digital platforms allow SMEs to communicate their brand identity, values, and product benefits more effectively to target audiences.

The findings of this study support previous research that demonstrates the positive impact of brand awareness on business performance. Studies have shown that strong brand awareness contributes to increased customer trust, brand loyalty, and purchase intention. When consumers are familiar with a brand, they are more likely to consider it during the decision-making process and ultimately make a purchase. Therefore, SMEs that invest in building brand awareness through effective marketing strategies are more likely to experience higher sales growth.

Overall, the results of this study highlight the importance of integrating digital marketing strategies with customer relationship management and brand-building efforts to enhance SME sales growth. Digital marketing adoption enables SMEs to expand their market reach and promote their products efficiently, customer engagement strengthens relationships with customers and encourages loyalty, while brand awareness enhances consumer recognition and trust. Together, these factors create a synergistic effect that contributes to improved business performance.

From a managerial perspective, the findings suggest that SME owners and managers should prioritize the adoption of digital marketing technologies and develop strategies that encourage customer engagement and strengthen brand awareness. Businesses should actively utilize digital platforms such as social media, online marketplaces, and websites to communicate with customers, promote products, and build brand identity. Additionally, SMEs should create interactive and engaging marketing content that encourages customer participation and feedback.

In conclusion, the results of this study demonstrate that digital marketing adoption, customer engagement, and brand awareness are important determinants of SME sales growth. By effectively implementing digital marketing strategies and fostering strong relationships with customers, SMEs can enhance their competitiveness and achieve sustainable business growth in the increasingly digitalized marketplace.

## 5. Conclusion

This study examined the effect of digital marketing adoption, customer engagement, and brand awareness on SME sales growth. The results indicate that all three variables have a positive and significant influence on sales growth among SMEs. Digital marketing adoption enables SMEs to expand market reach, promote products more efficiently, and interact directly with customers through digital platforms, thereby contributing to increased sales performance. Customer engagement also plays a crucial role in strengthening relationships between businesses and consumers, encouraging customer loyalty, repeat purchases, and positive word-of-mouth communication. In addition, brand awareness significantly enhances consumer recognition and trust toward a brand, which increases the likelihood of purchasing decisions. Overall, the findings suggest that SMEs that actively adopt digital marketing strategies, foster strong customer engagement, and build high levels of brand awareness are more likely to achieve sustainable sales growth and improve their competitiveness in the digital marketplace.

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