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THE INFLUENCE OF DIGITAL MARKETING STRATEGY TOWARDS ONLINE BUSINESS: A CONCEPTUAL PAPER

Mira Irsalina Salleh Hudin [1*]
Wei-Loon Koe [2]
Nur Hafidzah Idris [3]

[1] Faculty of Business Management, Universiti Teknologi MARA, Cawangan Melaka, 75300 Melaka, Malaysia (2024867922@student.uitm.edu.my)
[2] Faculty of Business Management, Universiti Teknologi MARA, Cawangan Melaka, 75300 Melaka, Malaysia (koewei516@uitm.edu.my)
[3] Faculty of Business Management, Universiti Teknologi MARA, Cawangan Melaka, 75300 Melaka, Malaysia (fidza769@uitm.edu.my)
*Corresponding author: 2024867922@student.uitm.edu.my

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Abstract: *The growth of small and medium-sized enterprises (SMEs) in Malaysia faces significant challenges, particularly in adapting to the digital landscape due to limited resources and expertise. SMEs face various challenges in effectively leveraging digital marketing strategy, and they must examine ways to overcome these barriers to achieve online success. This paper investigates the impact of digital marketing strategy – such as social media marketing, content marketing and online affiliate marketing on the performance of online business. The paper explores how these strategies contribute to drive the online business performance. By addressing both the financial and non-financial effects of digital marketing strategy, this paper fills an important gap in the existing literature. The paper offers insights for business owners, policymakers and academics to navigate the digital business environment, allowing them to enhance their understanding of the influence of digital marketing strategy in improving online business performance.*

Keywords: *Online business, Small and Medium Enterprise (SMEs), Digital marketing, Online business performance*

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Introduction

Online business refers to enterprises that operate through digital platforms such as websites and social media. These platforms provide customers with the convenience of shopping anytime and anywhere (Khin et al., 2019). Unlike traditional retail stores, online businesses enjoy lower overhead costs, making it easier for small and medium-sized enterprises (SMEs) to enter the market and reach a global audience (Turban et al., 2018). According to Laudon & Traver (2020), digital marketplace such as Shopee, Lazada, TikTok Shop, and social media platforms; Instagram, Facebook, Threads, TikTok contribute in the growth of e-commerce. This expansion agreed by the MCMC (2021), which shown the increase of internet penetration and the use of mobile devices for transactions.

The growth of digital market gained supports from the Malaysian government through various initiatives such as the National Broadband Initiative (NBI) and the introduction of 5G technology to enhance internet accessibility among Malaysian (Malaysia Digital Economy Corp, 2020). Other than that, the government provided programs such as SME Digitalization Grant Scheme particularly to provide financial assistance to small and medium sized enterprises (SMEs). This program enables them to gained support in adoption of digital technologies and participation in the digital economy, at the same time contributing to consumer convenience by launching mobile ppayment systems that facilitate chless transactions (Financial Technology Report, 2020).

Complicated landscape of digital market present significant challenges for SMEs, especially those with limited resources (Taminen, & Karjaluoto, 2015). The same researchers highlight that most of SMEs currently at the risk of losing their competitiveness in the market due to lack of solid understanding on the influence of digital marketing towards online business performance. Therefore, this study aims to explore the influence of digital marketing strategies towards online business performance. This study also will contribute in developing SMEs' digital marketing strategies, in effort in sustaining growth and improving business performance in current competitive digital market (Krishen et al., 2021).

Competition in the digital marketplace has intensified significantly due to the explosive growth of online enterprises in Malaysia, particularly among SMEs. In 2021, Malaysia's online business revenue surged by 23.3% to RM801.2 billion, reflecting a notable increase in the sector's expansion (DOSM, 2022). With the rise of digital marketing, SMEs can now compete with larger companies by reaching a broader customer base. However, these smaller enterprises face challenges in growing their businesses and competing against well- established firms. To thrive in the digital landscape, SMEs must continuously adapt to market changes and technological advancements, even as e-commerce provides them with opportunities to access a wider audience (Andeka & Indrawan, 2022). Additionally, the complexity of managing multiple digital platforms, each with distinct features, costs, and engagement strategies, presents further challenges for businesses striving to optimize their marketing efforts (Setkute & Dibb, 2022).

To conclude, SMEs encounter several challenges in order to sustain in the digital business environment. As most SMEs start with low resources, they often find it difficult to remain competitive due to intense competition, especially from larger companies with greater resources. Not only that, with various options of digital marketing and e-commerce platforms,

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adding the complexity in managing them as each has its audience, algorithms and pricing structure. Thus, online businesses, particularly those which solely depend on social media and e-commerce without their own websites or systems struggle to sustain in the industry. Additionally, limited financial resources and lack of experience affect their ability to effectively implement advanced digital marketing strategy. Therefore, the primary objective of this study is to develop a conceptual framework that address these challenges and to explore the influence of digital marketing strategy on the online business performance of SMEs.

Literature Review

Consumers and organizations alike rely heavily on technology for a wide range of online activities, with the internet playing a crucial role in information exchange, business communication, and product delivery. Since its inception, online business—defined as any economic activity conducted over the Internet—has experienced rapid growth, enabling companies to connect with a diverse consumer base while reducing costs. In Malaysia, online shopping has surged due to advancements in information and communication technology, benefiting both large and small enterprises. The government has facilitated this growth through initiatives such as the National eCommerce Strategic Roadmap and various programs aimed at enhancing digital presence, particularly for small and medium-sized enterprises (SMEs). Despite the rapid growth and government supports, many SMEs continue to face challenges in sustaining their online business performance due to limited digital capabilities, intense competition and changing consumer behaviour.

A crucial metric for evaluating how effectively a company meets its objectives is its online performance. This encompasses financial indicators such as revenue growth and profitability, alongside non-financial measures like customer satisfaction and operational efficiency. For an online business to thrive, it is vital to manage both financial and non-financial performance. This entails refining business operations, enhancing customer experiences, and optimizing digital marketing strategies. Research indicates that organizations that effectively manage and assess their performance can achieve improvements in customer satisfaction, product quality, and overall strategy. For SMEs, maintaining strong performance is important to maximize efficiency and increase customer engagement through digital marketing, although with limited financial and operational resources.

One of the main factors influencing online business performance is digital marketing, which utilizing internet platforms such as social media, search engines, and e-commerce websites, has and transformed the way SMEs engage with customers. It enables businesses to connect with clients through customized content, reach a broader audience, and track measurable outcomes. Data analytics, personalization, and real-time feedback, helps SMEs by providing cost effective opportunities to optimize their digital marketing resources and maintain a competitive advantage as digital marketing techniques evolve. However, many SMEs face challenges in implementing digital marketing effectively due to limited resources. Previous studies have reported finding regarding its effectiveness as a unidimensional construct in relation to SME performance. However, this study will focus on perspective of digital marketing as multidimensional construct. Nevertheless, despite its importance, implementing digital marketing has raised several challenges for SMEs.

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There are drawbacks to digital marketing despite its many benefits, which include lower costs, increased reach, and client involvement. Consumer mistrust can result from poor digital marketing tactics, particularly when there are notable pricing differences or unsuccessful advertising campaigns. Additionally, SMEs can find it difficult to choose the most suitable digital marketing strategies and tactics that align with their organizational capabilities, target market needs, and their goals, resulting in resource waste and inconsistent business outcomes. Therefore, SME success depends on comprehending the effects of digital marketing and adjusting plans to suit company requirements.

It is crucial for SMEs to develop a comprehensive digital marketing strategies, in order to connect and engage with their target audience through digital platforms. Through a well-structured business plan, SMEs enable to improve customer interactions, deliver their value proposition and drive growth. The business plan must be align with digital marketing strategy which incorporate strategies such as email marketing, content marketing, social media marketing, online affiliate marketing, and search engine optimization (SEO). Among these strategies, social media marketing, content marketing and online affiliate marketing show its importance in online business performance. Therefore, SMEs must continually adapt and improve their strategies in response to the on-going trend in digital market to remain competitive and achieve sustainable success.

Nevertheless, digital marketing is very important in increasing online business performance. In order to face various challenges in implementing and adapting to digital marketing strategies, SMEs must understand its relationship with online business performance; which will lead the business to achieve sustainable growth and remain competitive in the digital market. Accordingly, to further explore in this study, the literature review will focus on two points; the Resource-Based View (RBV) theory, as the underpinning theory of the study and the relationship between digital marketing strategies and online business performance among SMEs and how it impacts one another.

The Resources-Based View (RBV)

Birger Wernerfelt first introduced the Resources-Based View (RBV) in his seminal paper, "A Resource-Based View of the Firm," published in 1984 and the framework further developed and popularized in 1991 through article, “Firm Resources and Sustained Competitive Advantage”. A central tenet of the resources-based theory is that a firm's competitive advantage hinges on its unique resources and capabilities (Wernerfelt, 1984; Conner, 1991; Peteraf, 1993). Similarly, Barney (1991) stated that the RBV framework emphasizes the significance of internal resources in providing a competitive advantage, instead of fully depending on external factors, branding and market positions. Furthermore, Barney underscores the value of a well-structured resource management strategy in achieving sustainable competitive advantages over rivals. In order to gain long-term competitive advantage, Barney developed the VRIO framework, focusing on four essential characteristics that have to be found in resources; (1) they must be valuable, enabling the firm to capitalize on opportunities or mitigate threats; (2) they should be rare, distinguishing them from those of competitors; (3) they must be inimitable, meaning they are challenging or costly for rivals to replicate; and (4) the organization must be structured effectively to leverage these resources efficiently.

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In point of view as SMEs, the RBV is highly relevant and suitable to be implemented in business operations as they often operate with limited resources, capital, and technology. Thus, all resources are crucial for them to improve performance. Therefore, SMEs have to strategically plan each resource and fully utilize it's capabilities to remain competitive and survive in the digital market. For SMEs, digital marketing strategy, such as social media marketing, online affiliate marketing and content marketing considered an intangible resource that enable the business to gain competitive advantage and contribute to SMEs performance. From the RBV perspective, SMEs that effectively utilize these digital marketing capabilities are more likely to improve customer engagement, increase brand visibility and enhance online business performance.

Taken together, the Resource-Based View (RBV) theory suggests that both tangible and intangible resource stand equal in business operation in sustaining competitive advantage and improve online business performance. For SMEs, particularly ones that operate both in-store and online, digital marketing strategies are vital intangible asset in business properties. These strategies are evaluated using the VRIO framework, which looks at their value, rarity, inimitability, and organizational support. Effective digital marketing strategies enable SME to improve overall online business performance. Therefore, digital marketing is seen as a unique and essential resource that enhances business performance, boosts customer engagement, and enable business to achieve sustainable competitive advantage in the digital marketplace.

The Relationship Between Digital Marketing Strategy and Online Business Performance

Online business performance is the measurement and assessment of how well an online firm satisfies its strategic goals in relation to its operational, financial, and target clientele (Hossain, 2023). In contrast, "performance" is a multifaceted notion that evaluates an organization's behavior as well as its results, encompassing elements like effectiveness, efficiency, and goal achievement (Bates & Holton, 1995). The effectiveness and efficiency of an online business's operations can be used to gauge its performance. It can reveal how well a company accomplishes its goals and adapts to the needs of the market (Kumar & Reinartz, 2016). Simultaneously, internet business measurement allows companies to evaluate if they are effectively managing their resources and achieving their strategic goals. Organizations are able to make data-driven decisions through performance measurement. Simultaneously, internet business measurement allows companies to evaluate if they are effectively managing their resources and achieving their strategic goals. Performance evaluation enables businesses to make data-driven choices that promote expansion and flexibility in a changing marketplace. This assessment is particularly important for online businesses since it helps manage customer experiences, optimize digital marketing activities, and guarantee competitive advantage (Trainor et al., 2014).

Social Media Marketing

Businesses frequently utilize social media sites like Facebook, Instagram, Twitter, and TikTok to advertise their goods, build brand awareness, and create a forum for direct connection with customers. Likes, comments, shares, and direct messages are examples of interactive features that encourage active consumer interaction and build loyalty and trust (Trainor et al., 2014). Furthermore, because influencers can increase a brand's reputation because they have already gained the confidence of their followers, influencer marketing increases consumer engagement.

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Increased customer engagement with branded content as a result of these collaborations boosts the brand's standing in the marketplace.

Online Affiliate Marketing

Affiliate marketing is a powerful strategy that leverages connections with third parties to promote a company's products and services and enhance consumer engagement (Syrdal et al., 2023). Affiliates, such as bloggers and influencers, target specific demographics and draw attention to businesses. Because customers are generally more inclined to trust recommendations over traditional advertisements, content created through affiliate marketing often leads to higher trust levels, satisfaction and loyalty, which these factors will contribute to increment in online business performance. Through affiliate marketing, online businesses get to convert new customers into loyal followers, directly influencing the sales and customer lifetime value (Krishen et al., 2021).

Content Marketing

Content marketing plays a crucial role in driving online business performance as it refers to the creation and distribution of valuable, relevant, and engaging material aimed at attracting and retaining customers. By addressing consumer needs, answering their questions, and providing meaningful insights, businesses can cultivate trust and emotional connections with their audience (Baydas, Ata & Coskuner, 2023). Tailored content that aligns with user preferences encourages higher levels of engagement, including likes, shares, and comments. As noted by Petrescu & Kirhen (2021), content that resonates with consumers fosters deeper interactions and emotional bonds. Furthermore, content marketing allows companies to effectively communicate their narratives and values by appealing to shared ideas and emotions, which further strengthens consumer engagement and enhance overall business performance (Li et al., 2021).

Conceptualization Framework

Figure 1 depicts the conceptualization framework developed for this study. The framework comprises the digital marketing strategy. In this study, digital marketing strategy is considered multidimensional, with three elements: social media marketing, online affiliate marketing, and content marketing. The model shows the effect of digital marketing strategy towards online business performance.

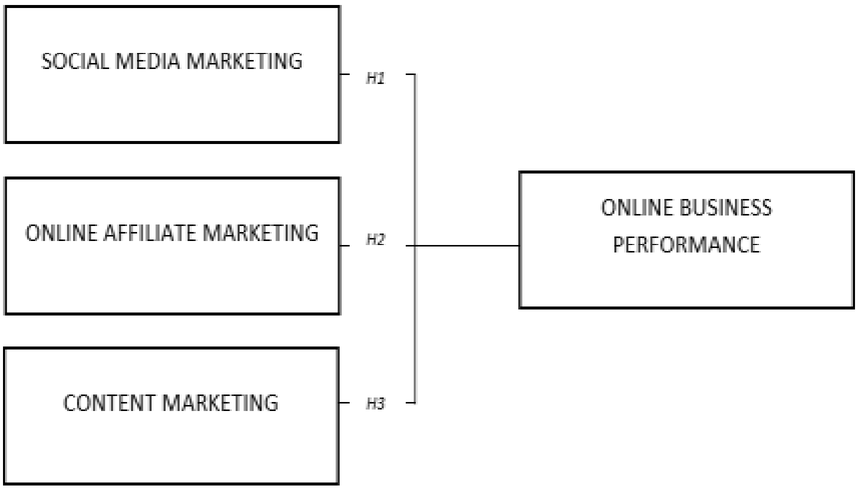

Figure 1: Conceptualization Framework

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Hypotheses of The Study
The research aims to identify the relationship between digital marketing strategy and online business performance.

H1: Social media marketing significantly influences online business performance
H2: Online affiliate marketing significantly influences online business performance
H3: Content marketing significantly influences online business performance

Implications of The Study
This study provides significant theoretical contributions by offering a comprehensive foundation for future research on both financial and non-financial business performance. By examining the impact of digital marketing tactics on customer satisfaction, brand loyalty, and operational efficiency, this research addresses a gap identified in existing literature (Jung & Shegai, 2023). Traditionally, much of the research has focused on the financial aspects of business performance, but this study expands the scope to include non-financial metrics, providing a more holistic understanding of how digital marketing strategies influence overall business success. This sets the stage for future studies to explore similar dimensions of business performance and investigate how digital marketing can have multifaceted effects on businesses beyond just revenue generation.

Furthermore, this research highlights the importance of treating digital marketing as a multi-dimensional phenomenon. Instead of isolating digital marketing strategies to specific outcomes, the study recognizes that these strategies can have interconnected effects across various aspects of business performance. This study opens a new path for future researchers to explore more about digital marketing strategies in diverse way and how each of them can contribute to various types of business with different goals. By looking digital marketing as a concept that vary depends on its purpose, this study encourages a broader view of how business especially SMEs can utilize digital tools and tactics for business growth.

Aside from that, this study implements a key factor to encourage for future research on emerging technologies like Artificial Intelligence (AI) and Virtual Reality (VR) with digital marketing to study on the impact this relationship towards business performance. It is known that these technologies can increase customer engagement and how it can show its potential to transform customer engagement to business outcomes in more sustainable business practices. This also agreed by Laudon & Traver (2020), future research could further explore on digital marketing can be shaped through these and upcoming technologies, and how it influences the way business get to interact and engage with customers.

From practical perspective, this study presents valuable insights for business owners, especially small and medium-sized enterprises (SMEs), by providing effective and suitable digital marketing strategies, at the same time, focusing on the importance of its; social media marketing, online affiliate marketing and content market, to boost brand visibility. This is very essential for business as they need to have goals and aims to enhance online presence and interact more with audience, in order to improve their business performance.

Focusing on SMEs, allow this study to help them that often compete in the digital market with limited resources, these insights offer a framework that enable to prioritize effective digital

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marketing strategies that can impact their business outcomes and implement it in business operations. With limited resources, SMEs can gain benefits by focusing only one optimizing resource allocation on effective and efficient strategies to achieve long-term success, ensuring the marketing efforts are aligned with available resources. This is particularly important for SMEs operating in competitive markets, where optimizing marketing spend is crucial for maintaining profitability and growth (Hollebeek & Macky, 2019; Harrigan et al., 2020).

Other than that, this study also emphasizes on how digital marketing can improve business outcome through the enhancement of brand visibility and customer engagement. By implementing digital marketing strategies in business operations and process, it can result to improvement in customer interactions and optimize internal business workflows to its max. These insights enable the practitioners and business owners to see digital marketing not only as investment in promoting products or services, instead it also aims to improve business operations and outcomes as a whole. It also essential for business especially SMEs that seeking to boost their business efficiency and aiming to achieve sustainable growth in a competitive digital marketplace, at the same time maintain cost-effective operational costs.

Conclusion

Ultimately, this study provides definitive evidence on the significant of digital marketing in playing its role to enhance online business performance, particularly for small and medium-sized enterprises (SMEs) in Malaysia. This study demonstrates the important role of each strategy; content marketing, social media marketing, and online affiliate marketing in increasing brand awareness, fostering customer engagement, and ensuring long-term business success. This study enables SMEs to utilize digital marketing strategies and implement its in their business operation to achieve success, despite facing various challenges in the intense competitive digital marketplace.

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