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RESEARCH ARTICLE

DIGITAL MARKETING, SERVICE QUALITY AND PERFORMANCE OF SMES IN MACHAKOS COUNTY, KENYA

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Abstract

The objective of this research is to analyze the interrelationships between digital marketing and service quality, digital marketing and sales performance, service quality and sales performance, as well as the mediating role of service quality in linking digital marketing to sales performance. This investigation adopted a quantitative research approach, structured around the research design, participants, data collection procedures, and analytical techniques. The study focused on 100 small and medium-sized enterprises (MSMEs) located in Machakos town, Kenya. Respondents were MSME managers selected through simple random sampling to ensure fairness and representativeness. Data was collected using an online questionnaire. The instrument was designed with a five-point Likert scale, ranging from strongly disagree (1) to strongly agree (5), allowing respondents to express levels of agreement or disagreement with the given statements. The responses were processed using the Partial Least Squares (PLS) method. The results indicate that: Digital marketing positively influences service quality, Digital marketing significantly enhances sales performance, Service quality has a positive impact on sales performance and Digital marketing indirectly strengthens sales performance through the mediating role of service quality in the digital environment.

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Introduction:-

The Fourth Industrial Revolution and rapid digital transformation have significantly altered the business environment worldwide. In Kenya, Micro, Small and Medium Enterprises (MSMEs) are a major driver of economic growth, contributing approximately 40% of Gross Domestic Product (GDP) and accounting for more than 80% of employment, particularly within the non-farm and informal sectors (KNBS, 2025). With an estimated 7.4 million MSMEs operating across sectors such as agriculture, trade, manufacturing, and services, the sector plays a critical role in job creation, innovation, and poverty reduction. However, increasing competition has compelled SMEs to adopt innovative strategies to enhance competitiveness and performance.

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One of the most significant developments in recent years has been the adoption of digital technologies. Digital marketing, including social media platforms, mobile applications, websites, and e-commerce systems, has emerged as an important tool for expanding market reach, improving customer engagement, and increasing profitability (Ndung'u&Signé, 2020; UNCTAD, 2022). This transformation has been facilitated by increasing internet penetration and mobile connectivity. According to the Communications Authority of Kenya (CAK, 2023), internet penetration exceeded 71%, supported by over 65 million mobile subscriptions. In addition, government initiatives such as the National E-Commerce Strategy have encouraged greater digital adoption among businesses.

The widespread use of platforms such as WhatsApp, Facebook, Instagram, TikTok, and YouTube has enabled SMEs to implement cost-effective marketing strategies and access broader markets. Many SMEs now utilize smartphones not only for communication but also for customer engagement, promotion, and sales transactions. Previous studies have shown that digital marketing enhances brand visibility, customer interaction, market expansion, and sales performance while reducing promotional costs (Affandi et al., 2020; Asbari et al., 2021). Consequently, digital marketing has become a strategic necessity rather than an optional business practice.

Alongside digital marketing, service quality has emerged as a critical determinant of organizational success. Service quality refers to the extent to which services meet or exceed customer expectations through dimensions such as reliability, responsiveness, assurance, empathy, and tangibility (Parasuraman et al., 1988). High-quality service contributes to customer satisfaction, loyalty, trust, and positive word-of-mouth communication, all of which are essential for sustainable business growth.

For SMEs, service quality represents an important source of competitive advantage because these firms often lack the financial and operational resources available to larger organizations. By providing reliable and customer-centered services, SMEs can strengthen customer relationships, enhance their reputation, and improve market performance. Previous studies have consistently reported positive relationships between service quality and organizational outcomes, including profitability, customer retention, market share, and operational efficiency (Al-Ababneh, 2013; Wang & Shieh, 2006; Zeithaml et al., 2018).

The Resource-Based View (RBV) further suggests that superior service quality constitutes a valuable organizational capability capable of generating sustainable competitive advantage and improved performance. Consequently, SMEs that successfully integrate digital marketing initiatives with high-quality service delivery are more likely to achieve long-term growth and competitiveness.

Although existing studies have independently linked digital marketing and service quality to business performance, limited evidence exists regarding how service quality mediates the relationship between digital marketing and SME performance within the Kenyan context. This study therefore seeks to examine the influence of digital marketing on SME performance and the mediating role of service quality among SMEs in Machakos County, Kenya.

Problem Statement:-

Despite the growing adoption of digital marketing among SMEs, empirical evidence on its impact on organizational performance remains mixed and context-dependent. Several studies have reported that digital marketing practices such as social media engagement, content marketing, and online customer interaction positively influence SME performance through improved customer reach, sales growth, and competitiveness (Wu et al., 2024; Otieno&Mutinda, 2024). However, other studies highlight weak or inconsistent effects, largely attributed to structural and capability constraints such as limited digital literacy, inadequate technological infrastructure, and financial limitations among SME operators (Khwatenge&Muchelule, 2023; Umboh&Aryanto, 2023). In response to these inconsistencies, scholars argue that the relationship between digital marketing and performance is not purely direct but is influenced by intervening mechanisms such as service quality.

Digital marketing enhances service quality by improving responsiveness, communication speed, accessibility of information, and customer engagement, which in turn strengthens customer satisfaction and organizational performance (Hadiyati, 2023). Nevertheless, empirical findings on the mediating role of service quality remain inconclusive, with studies reporting full, partial, or non-significant mediation effects depending on context and sector. In Kenya, existing research has largely focused on digital adoption, social media usage, and e-commerce as direct predictors of SME performance, with limited attention to service quality as a mediating pathway, particularly in counties such as Machakos where SMEs are increasingly adopting digital platforms but remain under-researched. This creates a contextual and conceptual gap that necessitates further investigation into both the direct effect of

digital marketing on SME performance and the mediating role of service quality in enhancing organizational outcomes.

Study Objectives:-**General Objective:-**

To examine the influence of digital marketing on SME performance and the mediating role of service quality among SMEs in Machakos County, Kenya.

Specific Objectives:-

- i. To determine the effect of digital marketing on service quality among SMEs in Machakos County.
- ii. To examine the effect of digital marketing on SME performance among SMEs in Machakos County.
- iii. To determine the effect of service quality on SME performance among SMEs in Machakos County.
- iv. To assess the mediating effect of service quality on the relationship between digital marketing and SME performance among SMEs in Machakos County.

Research Hypotheses:-

H1: Digital Marketing positively influences Service Quality.

H2: Digital Marketing positively influences SME Performance.

H3: Service Quality positively influences SME Performance.

H4: Digital Marketing positively influences SME Performance indirectly through the mediating effect of Service Quality.

Literature Review:-

This study is anchored on four complementary theories: the Resource-Based View (RBV), Dynamic Capabilities Theory (DCT), Service Quality Theory (SERVQUAL), and the Technology Acceptance Model (TAM). Together, these theories explain how digital marketing enhances service quality and subsequently improves SME performance.

Digital marketing has become a strategic capability that enables SMEs to improve customer engagement, communication efficiency, and service delivery through websites, social media, mobile applications, search engines, and email marketing. According to RBV, valuable and difficult-to-imitate capabilities generate competitive advantage (Barney, 1991). Digital marketing capabilities improve customer interaction, information accessibility, responsiveness, and convenience, thereby enhancing service quality. Similarly, DCT argues that firms achieve superior performance by continuously adapting resources and competencies to changing environments (Teece et al., 1997). Through digital marketing, SMEs can better understand customer needs, gather market intelligence, and respond rapidly to market changes.

The Technology Acceptance Model further explains that technologies perceived as useful and easy to use are more likely to be adopted (Davis, 1989). Digital platforms facilitate convenient transactions, prompt communication, and easy access to information, thereby improving customer perceptions of service quality. Recent studies confirm that digital marketing significantly enhances customer interaction, responsiveness, accessibility, and overall customer experience (Dwivedi et al., 2023; Yadav & Rahman, 2024).

SERVQUAL theory identifies reliability, responsiveness, assurance, empathy, and tangibility as key determinants of service quality (Parasuraman et al., 1988). High service quality enhances customer satisfaction by meeting or exceeding customer expectations. Empirical evidence indicates that service quality remains one of the strongest predictors of customer satisfaction in both traditional and digital business environments (Ali N, 2023; Nuseir&Aljumah, 2024). In digital contexts, customers increasingly evaluate firms based on communication speed, accessibility of information, convenience, and effectiveness in resolving problems.

Customer satisfaction is closely linked to customer loyalty and retention. Relationship Marketing Theory suggests that satisfied customers are more likely to trust firms, make repeat purchases, and engage in positive word-of-mouth communication. Studies consistently demonstrate that customer satisfaction positively influences retention, repurchase intentions, and long-term customer relationships (Rather et al., 2023; Hwang &Choe, 2024). Retained customers generate stable revenue streams, reduce marketing costs, and contribute to profitability and business growth. From an RBV perspective, a loyal customer base represents a valuable intangible resource that supports sustainable competitive advantage (Khan et al., 2023; Gupta & Sharma, 2024).

Theoretical and empirical evidence suggests that the influence of digital marketing on SME performance often occurs through service quality improvements. Digital marketing enhances customer interaction, accessibility, responsiveness, and convenience, which improve perceived service quality. Improved service quality subsequently strengthens customer satisfaction, retention, and organizational performance. This perspective is supported by RBV, DCT, SERVQUAL, and TAM, as well as recent studies identifying service quality as an important mediator between digital transformation initiatives and organizational performance (Verhoef et al., 2023; Chatterjee et al., 2024).

Although numerous studies report positive effects of digital marketing on organizational performance, findings remain inconsistent. Research from Indonesia, Malaysia, Vietnam, and developed economies shows that digital marketing enhances customer engagement, brand visibility, customer acquisition, competitiveness, and overall business performance (Prasetyo et al., 2023; Ainin et al., 2015; Tran & Nguyen, 2022; Verhoef et al., 2021; Dwivedi et al., 2023). However, other studies suggest that digital technology adoption alone does not guarantee improved performance, particularly where firms face technological, financial, or capability constraints (Kraus et al., 2022; Chatterjee et al., 2022).

Similarly, while many studies report that digital marketing improves service quality through enhanced responsiveness and customer interaction (Ali N., 2023; Nuseir & Aljumah, 2024), some scholars argue that excessive reliance on digital channels may negatively affect customer experiences where personal interaction is preferred or where technical failures occur (Cronin & Taylor, 1992). Contradictory findings also exist regarding the effect of service quality on organizational performance, with some studies reporting strong positive effects while others suggest that factors such as price, convenience, and product features may weaken this relationship.

Evidence regarding the mediating role of service quality is equally mixed. Some studies report full mediation, suggesting that digital marketing improves performance primarily through service quality and customer experience improvements (Chatterjee et al., 2024). Others report partial mediation, indicating that digital marketing affects performance both directly and indirectly through service quality (Verhoef et al., 2021). Additional studies report insignificant mediation effects and propose alternative mechanisms such as innovation capability, organizational learning, or customer relationship management (Tajvidi et al., 2020).

Recent evidence from emerging economies generally supports positive relationships among digital marketing, service quality, and organizational performance. Studies from Ghana, Nigeria, Tanzania, Indonesia, and Malaysia demonstrate that digital marketing improves customer engagement, market intelligence, service quality, customer satisfaction, and SME performance (Amegbe et al., 2023; Deku et al., 2024; Awotunde et al., 2024; Djakasaputra et al., 2021; Sultoni et al., 2022; Mardatillah et al., 2025). However, the magnitude of these relationships varies across contexts due to differences in digital literacy, technological readiness, organizational capabilities, and market conditions.

Within Kenya, existing studies have primarily focused on technology adoption, social media use, and e-commerce as determinants of SME performance. Limited attention has been given to examining how digital marketing enhances service quality and how service quality subsequently influences performance. Furthermore, empirical evidence from Machakos County remains scarce. This study therefore addresses an important research gap by examining the direct effects of digital marketing on service quality and SME performance, as well as the mediating role of service quality in the relationship between digital marketing and SME performance among SMEs in Machakos County, Kenya.

Research Gap:-

Although extensive studies have examined digital marketing adoption and organizational performance in developed and emerging economies, empirical findings remain inconsistent. Some studies report strong positive effects of digital marketing on business performance, while others indicate weak or insignificant relationships. These inconsistencies suggest that the relationship may be influenced by intervening variables such as service quality, customer satisfaction, customer trust, and customer engagement.

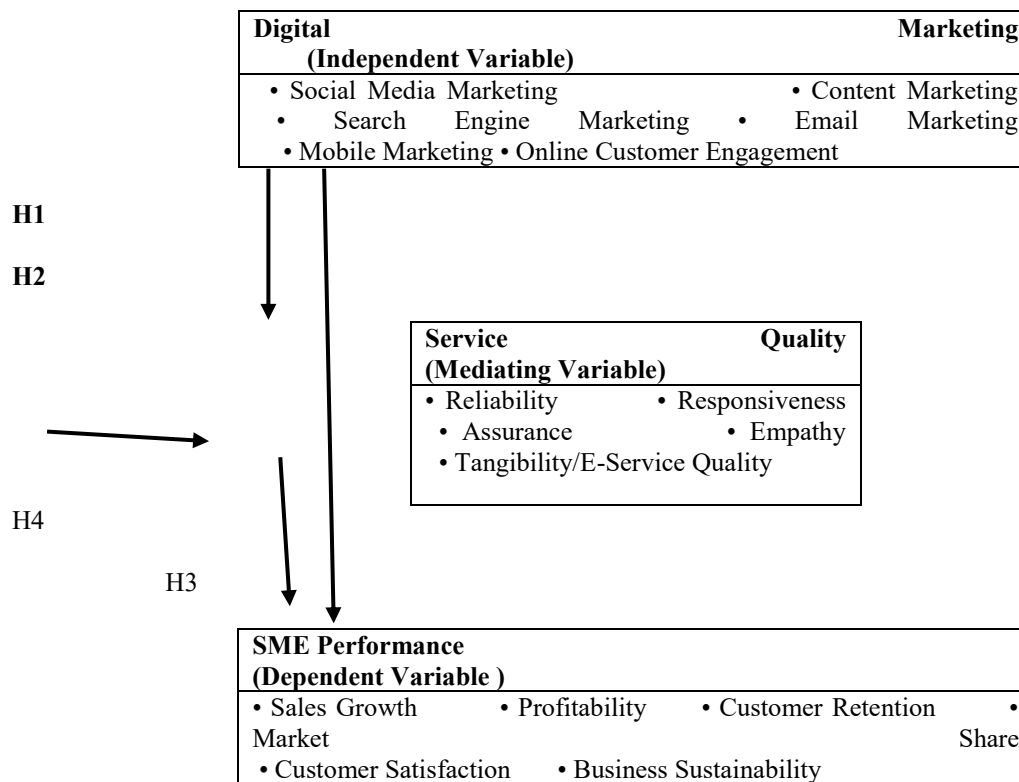
Furthermore, previous studies have focused primarily on direct relationships, with limited investigation of service quality as a mediating mechanism. Within Kenya, existing studies largely emphasize social media adoption, e-commerce utilization, and technology acceptance without adequately examining how digital marketing enhances service quality and subsequently improves organizational performance. Empirical evidence from Machakos County

is particularly limited. Therefore, this study addresses these gaps by examining both the direct and indirect effects of digital marketing on SME performance through service quality.

Conceptual Framework:-

Based on the reviewed literature and empirical evidence from both international and Kenyan studies, a hypothetical model was constructed as follows:

Figure 1. Conceptual Framework



Drawing from the identified research gaps and prior empirical studies, the following hypotheses were formulated:

- H1:** Digital Marketing (DM) positively influences Quality of Service (QS).
- H2:** Digital Marketing (DM) positively influences SMES Performance (SMEP).
- H3:** Quality of Service (QS) positively influences SMES Performance (SMEP).
- H4:** Digital Marketing (DM) positively influences SMES Performance (SMEP) indirectly through the mediating effect of Quality of Service (QS).

Digital marketing refers to the use of digital technologies and online platforms to create, communicate, and deliver value to customers. Indicators of digital marketing include the following, Social media marketing, Content marketing, Search engine marketing, Email marketing, Mobile marketing, Online customer engagement. Recent evidence indicates that digital marketing positively influences service quality and SME performance.

Service quality refers to customers' evaluation of service excellence and superiority. Indicators include the following, Reliability, Responsiveness, Assurance, Empathy, Tangibility/E-service quality. Research shows that service quality significantly improves customer satisfaction, loyalty, and business performance. It also acts as a mechanism through which digital marketing creates value for SMEs.

SME performance refers to the extent to which SMEs achieve their business objectives. Indicators include the following, Sales growth, Profitability, Market share, Customer retention, Customer satisfaction, Sustainability. Recent studies demonstrate that digital marketing and service quality jointly explain substantial variation in SME performance.

The framework proposes that digital marketing enhances communication efficiency, customer engagement, and information accessibility. These capabilities improve service quality by increasing responsiveness, reliability, and customer support. Enhanced service quality subsequently leads to higher customer satisfaction, loyalty, sales growth, and profitability. Therefore, service quality serves as a critical mediating mechanism through which digital marketing contributes to SME performance. This proposition is supported by recent empirical studies showing significant direct and indirect effects of digital marketing on SME performance through service quality and related customer-oriented capabilities.

The digital marketing construct in this study is measured through four key variables. Transaction refers to the use of efficient promotional techniques that minimize both transaction costs and processing time, thereby enhancing overall marketing efficiency. Incentive Programs represent promotional activities designed to attract and retain customers by offering added value, which in turn strengthens the firm's competitive advantage. Site Design captures the aesthetic and functional appeal of digital platforms, where a well-structured and visually engaging interface enhances the perceived value of the business. Finally, Interactivity reflects the two-way communication between the enterprise and its customers, enabling clear, timely, and effective information exchange that fosters stronger customer relationships.

Methodology:-

The study adopted a quantitative research design to examine the relationships among digital marketing, service quality, and SME performance. The quantitative approach was considered appropriate because it facilitates objective measurement of variables and enables the testing of hypothesized relationships using statistical techniques. The study employed a cross-sectional survey design whereby data were collected from respondents at a single point in time. The target population comprised SMEs operating within Machakos Town, Machakos County, Kenya. The study focused on SME owners and managers because they possess adequate knowledge regarding digital marketing practices, service delivery processes, and organizational performance outcomes within their enterprises.

A sample of 100 SMEs was selected from the target population. Respondents were selected using simple random sampling to ensure that each SME had an equal chance of inclusion in the study. The sampling approach enhanced representativeness and minimized selection bias. Primary data were collected through an online structured questionnaire administered to SME owners and managers. The questionnaire consisted of items measuring digital marketing, service quality, and SME performance. All items were measured using a five-point Likert scale ranging from Strongly Disagree (1) to Strongly Agree (5). The online administration approach facilitated efficient data collection and enhanced respondent convenience.

The mediation analysis was conducted to determine whether service quality serves as a mechanism through which digital marketing influences SME performance. The results revealed a statistically significant indirect effect of digital marketing on SME performance through service quality ($t = 3.634$, $p < 0.001$). These findings indicate that service quality significantly mediates the relationship between digital marketing and SME performance. The findings suggest that SMEs that invest in digital marketing initiatives are likely to achieve superior performance outcomes when such investments enhance customer service experiences. Digital marketing improves communication efficiency, customer responsiveness, accessibility of information, and customer engagement, which subsequently strengthen service quality. Enhanced service quality then contributes to improved customer satisfaction, customer retention, sales growth, and overall business performance.

Data for this study were collected using a structured questionnaire designed to measure Digital Marketing (DM), Service Quality (SQ), and Sales Performance (SP) among SMEs. To enhance measurement accuracy and ensure content validity, all questionnaire items were adapted from previously validated scales reported in the literature. The adaptation process involved modifying the wording of items to reflect the context of SMEs while retaining the original theoretical meaning of the constructs. Digital Marketing was measured using items adapted from established digital marketing and social media marketing studies (Trainor et al., 2014; Ainin et al., 2015; Tajvidi et al., 2020). The items captured key dimensions of digital marketing including social media utilization, online customer engagement, digital communication effectiveness, information dissemination, and online promotional activities. Service Quality was measured using items adapted from the SERVQUAL framework developed by Parasuraman et al. (1988) and subsequently refined by Cronin and Taylor (1992). The measurement scale assessed dimensions such as reliability, responsiveness, assurance, empathy, and convenience in service delivery. These dimensions are widely recognized as indicators of customer perceptions of service quality across both traditional and digital business environments.

Sales Performance was measured using indicators adapted from SME performance literature (Venkatraman&Ramanujam, 1986; Morgan et al., 2009). The items assessed organizational outcomes including sales growth, market share growth, customer acquisition, profitability improvement, and achievement of sales targets. Subjective performance measures were utilized because they have been shown to correlate strongly with objective financial indicators and are appropriate when financial data are not publicly available. All questionnaire items were measured using a five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree. The Likert scale was selected because of its widespread application in management and marketing research and its ability to capture respondents' perceptions effectively.

To establish content validity, the initial questionnaire was subjected to expert evaluation. The instrument was reviewed by academic specialists with expertise in digital marketing, service quality, entrepreneurship, and research methodology. The experts evaluated the relevance, clarity, comprehensiveness, and appropriateness of the measurement items relative to the study objectives and theoretical constructs. Based on the experts' recommendations, ambiguous statements were revised, redundant items were eliminated, and wording modifications were made to improve clarity and contextual relevance. The expert review process ensured that the questionnaire adequately represented the conceptual domains of Digital Marketing, Service Quality, and Sales Performance. Following expert validation, a pilot study was conducted among SME managers who possessed characteristics similar to those of the target population. The pilot test aimed to assess questionnaire clarity, item comprehensibility, completion time, and overall instrument reliability.

Respondents participating in the pilot study were requested to provide feedback regarding item wording, ease of understanding, and questionnaire structure. Minor modifications were subsequently implemented to improve readability and eliminate potential sources of respondent confusion. The pilot testing process confirmed that the questionnaire was suitable for large-scale data collection.

Results and Discussion:-

Demographic Characteristics of Respondents:-

The study collected demographic information from respondents to establish their background characteristics and determine whether the sample adequately represented SMEs operating in Machakos County. The demographic variables examined included gender, age, level of education, business sector, business ownership status, years of business operation, number of employees, and annual business turnover.

Gender of Respondents:-

Gender distribution is important in understanding the participation of men and women in SME operations and digital marketing activities.

Table:1. Gender of Respondents

Gender	Frequency	Percentage (%)
Male	80	80%
Female	20	20%
Total	100	100

The findings indicate that male respondents constituted the majority at 80%, while female respondents accounted for 20%. This suggests that both genders actively participate in SME activities within Machakos County, although male ownership and management may be relatively dominant.

Age Distribution of Respondents:-

Age provides insights into the entrepreneurial maturity and technology adoption tendencies of SME operators.

Table: 2. Age Distribution of Respondents

Age Category	Frequency	Percentage (%)
Below 25 years	10	10%
25–34 years	20	20%
35–44 years	35	35%

45–54 years	30	30%
55 years and above	5	5%
Total	100	100%

Most respondents were aged between 25 and 54 years, indicating that SMEs in Machakos County are largely operated by economically active individuals who are likely to embrace digital marketing technologies and customer-oriented service practices.

Educational Level:-

Education influences managerial competence, innovation, and the ability to utilize digital technologies.

Table 3. Educational Level

Education Level	Frequency	Percentage (%)
Primary	10	10
Secondary	10	10
Certificate	10	10
Diploma	25	25
Bachelor's Degree	35	35
Postgraduate Degree	10	10
Total	100	100

The majority of respondents possessed diploma and bachelor's degree qualifications, suggesting that SME operators in Machakos County have adequate educational backgrounds to understand and implement digital marketing strategies and service quality management practices.

Business Sector:-

This variable identifies the industries represented in the study.

Table: 4. Business Sector

Sector	Frequency	Percentage (%)
Retail Trade	50	50
Wholesale Trade	20	20
Hospitality	10	10
Manufacturing	1	1
Agribusiness	5	5
Transport & Logistics	10	10
Professional Services	2	2
Others	2	2
Total	100	100

Retail and service-oriented enterprises formed the largest proportion of respondents, reflecting the dominant nature of SMEs operating within Machakos County.

Ownership Structure:-

Ownership structure may influence decision-making and investment in digital technologies.

Table: 5. Ownership Structure

Ownership Type	Frequency	Percentage (%)
Sole Proprietorship	80	80
Partnership	10	10
Limited Company	6	6
Cooperative	4	4
Total	100	100

The majority of SMEs were sole proprietorships, consistent with the structure of many small enterprises in Kenya.

Years of Business Operation:-

Business age reflects organizational experience and sustainability.

Table:6. Years of Business Operation

Years in Operation	Frequency	Percentage (%)
Less than 2 years	3	3
2–5 years	7	7
6–10 years	25	25
Above 10 years	65	65
Total	100	100

Most businesses had operated for more than five years, indicating substantial experience in market competition and customer service delivery.

Number of Employees:-

This variable helps classify SMEs according to size.

Table. 7. Number of Employees

Number of Employees	Frequency	Percentage (%)
1–10	70	70
11–50	20	20
51–100	6	6
Above 100	4	4
Total	100	100

The majority of firms employed between 1 and 10 employees, confirming their classification as small enterprises according to Kenyan SME definitions.

Annual Business Turnover:-

Turnover provides an indication of business performance and scale.

Table. 8. Annual Business Turnover

Annual Turnover (KES)	Frequency	Percentage (%)
Below 500,000	30	30
500,001–1,000,000	40	40
1,000,001–5,000,000	26	26
Above 5,000,000	4	4
Total	100	100

As stated by Hair et al. (2012), discriminant validity is established when the square root of the Average Variance Extracted (AVE) for each construct is greater than its correlation with other latent constructs. The results of the discriminant validity test presented in Table 1 indicate that all constructs in this study achieved AVE square root values that exceeded their correlations with other constructs. Similarly, the cross-loading analysis shows that each indicator loads more highly on its respective construct than on other constructs. These findings confirm that the model satisfies the requirements of discriminant validity.

Comparable approaches have been employed in Kenyan studies. For example, Mutuku and Njeru (2020) applied AVE-based discriminant validity testing when examining innovation and competitiveness among SMEs in Nairobi, while Kithinji (2019) used a similar procedure in assessing financing constraints of SMEs in Machakos County. Likewise, Wambugu (2021) confirmed discriminant validity through cross-loading and Fornell-Larcker criteria when studying digital adoption among Kenyan SMEs. These local studies reinforce the robustness of the current findings, showing that the adopted measurement model is both statistically sound and contextually relevant to the SME sector in Kenya.

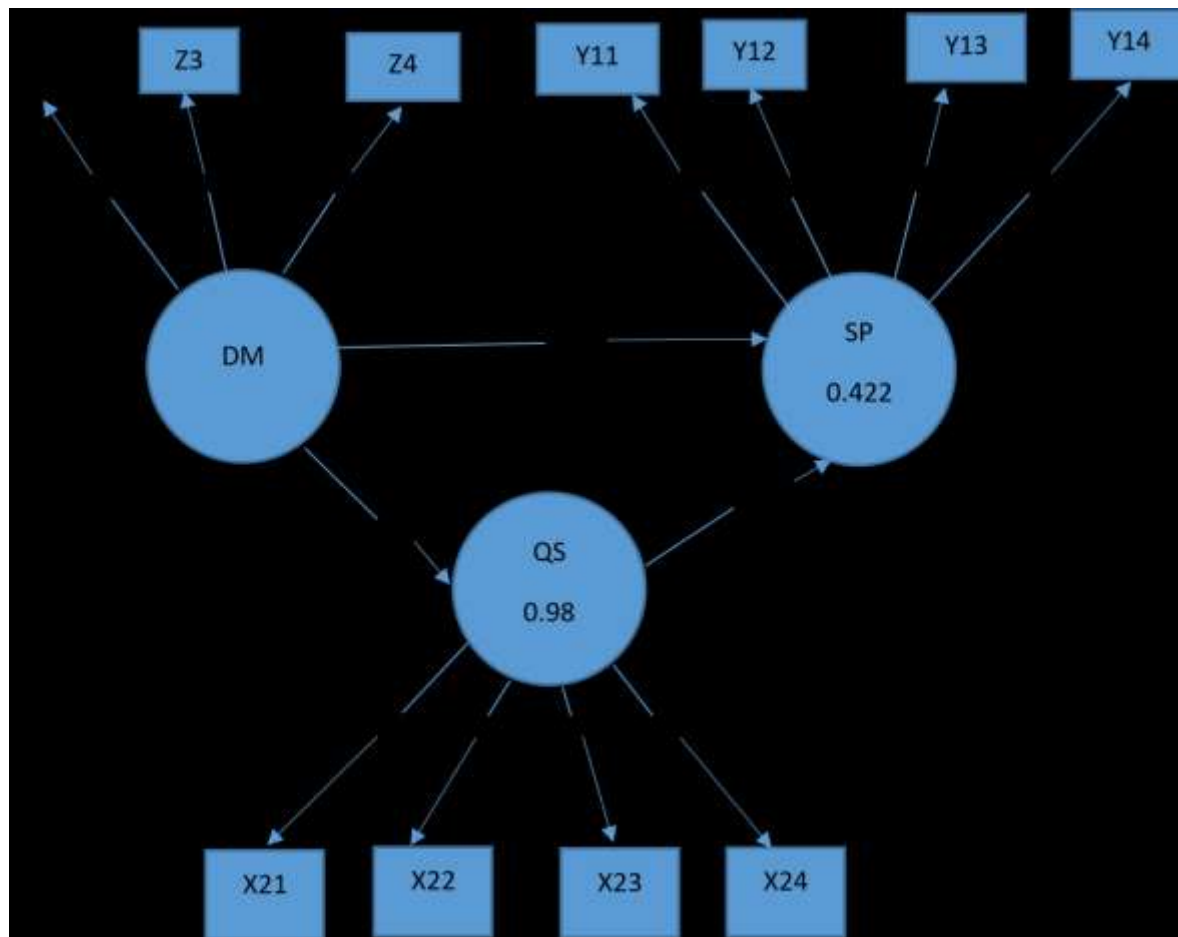


FIG -2 – Convergent Validity Testing

Based on the estimation results of the PLS model presented above, all indicators achieved loading factor values greater than 0.5, thereby meeting the threshold for convergent validity. Beyond the loading factors, convergent validity was also assessed using the Average Variance Extracted (AVE) values for each construct. In line with the criteria suggested by Hair et al. (2018), the AVE values obtained in this study were all above 0.5, confirming that the model satisfies the requirements of convergent validity. The detailed results for factor loadings, Cronbach's alpha, composite reliability, and AVE for each construct are summarized in Table 9 and Figure 2.

This validation process is consistent with prior African studies employing PLS-SEM. For example, Odoom and Mensah (2019) confirmed convergent validity in their study on digital marketing adoption among SMEs in Ghana, while Abubakar and Bala (2018) applied similar tests in their analysis of ICT integration and SME performance in Nigeria. Within the Kenyan context, Kithinji (2019) established convergent validity when examining financing constraints among SMEs in Machakos County, while Mutuku and Njeru (2020) reported comparable results in their investigation of innovation and competitiveness among Nairobi-based SMEs. More recently, Wambugu (2021) validated AVE and composite reliability thresholds in his study of digital adoption among SMEs in Kiambu. Collectively, these African and local studies demonstrate that convergent validity testing using factor loadings and AVE remains a reliable approach for assessing measurement models in SME research.

Table .9 Cronbach's Alpha, Composite Reliability, and Average Variance Extracted (AVE)

	Cronbach's Alpha		Composite Reliability	(AVE)
DM	0.980		0.980	0.961
QS	0.982		0.986	0.985
SP	0.90		0.928	0.784

Construct reliability was assessed using Cronbach's alpha and composite reliability values for all constructs. According to Hair et al. (2018), a threshold of 0.7 or higher is recommended for both measures, indicating acceptable internal consistency. The results presented in Table 1 show that all constructs achieved Cronbach's alpha and composite reliability values above 0.7, thereby meeting the minimum reliability requirement.

Similar approaches have been applied in African and Kenyan studies. For instance, Odoom and Mensah (2019) reported Cronbach's alpha values above 0.7 in their study on digital marketing adoption among SMEs in Ghana, while Abubakar and Bala (2018) applied the same threshold when examining ICT integration and SME performance in Nigeria. In Kenya, Kithinji (2019) confirmed the reliability of constructs using Cronbach's alpha and composite reliability above 0.7 in his study on SME financing in Machakos County. Likewise, Mutuku and Njeru (2020) found consistent results when investigating innovation and competitiveness among Nairobi-based SMEs, and Wambugu (2021) applied similar reliability thresholds in research on digital adoption among SMEs in Kiambu. These studies collectively reinforce the validity of the current findings, demonstrating that the constructs used in this study are both reliable and contextually relevant within the African SME landscape.

Construct Reliability Analysis:-

According to Hair et al. (2018), construct reliability can be measured using Cronbach's alpha and composite reliability values for each construct. A threshold of 0.7 or higher is recommended for both measures to indicate acceptable internal consistency (Asbari, 2020). The reliability test results presented in Table 9 show that all constructs in this study achieved Cronbach's alpha and composite reliability values above 0.7, confirming that the constructs are reliable.

Discriminant validity was further examined to ensure that each latent variable is conceptually distinct from the others. As noted by Hair et al. (2012), discriminant validity is established when the square root of the Average Variance Extracted (AVE) for each construct (diagonal values) is greater than its correlations with other constructs (off-diagonal values). The results of the discriminant validity test revealed that all constructs had AVE square root values exceeding their correlations with other latent variables, as confirmed through the Fornell-Larcker criterion. This demonstrates that the model meets the standard for discriminant validity.

These procedures are consistent with prior African and Kenyan studies. For example, Odoom and Mensah (2019) applied Cronbach's alpha and AVE thresholds in their study on digital marketing adoption among Ghanaian SMEs, while Abubakar and Bala (2018) used similar measures when examining ICT adoption and SME performance in Nigeria. In Kenya, Kithinji (2019) applied Cronbach's alpha and composite reliability tests above 0.7 when studying SME financing challenges in Machakos County. Similarly, Mutuku and Njeru (2020) confirmed discriminant validity using the Fornell-Larcker criterion in their research on SME innovation and competitiveness in Nairobi, and Wambugu (2021) applied reliability and validity testing in his study on digital adoption among SMEs in Kiambu.

These studies reinforce the robustness of the current findings and demonstrate the applicability of PLS-SEM techniques within the African SME research context. Finally, the effect tests were conducted using the t-statistic within the Partial Least Squares (PLS) analysis framework, implemented in SmartPLS 3.0. Using the bootstrapping technique, the R^2 values and significance levels were obtained, as presented in the table below.

Table : 10. R Square Results

	R Square Endogenous	R Square Adjusted
QS	0.098	0.095
SP	0.422	0.416

Based on the results presented in Table 2, the R^2 value for Quality of Service is 0.098, indicating that 9.8% of the variance in the quality service construct is explained by digital marketing. It should be acknowledged that service quality is influenced by many additional factors not included in the model, including, Employee competence, Customer relationship management, Service culture, Leadership, Organizational resources, staff Training, Operational efficiency. Therefore, while digital marketing contributes significantly to service quality, it represents only one of several determinants. Future studies should incorporate these additional factors to improve explanatory power. Similarly, the R^2 value for Sales Performance is 0.422, suggesting that 42.2% of the variance in sales

performance is jointly explained by digital marketing and quality service. According to Hair et al. (2022), an R^2 value of 0.422 represents moderate explanatory power.

Hypotheses Testing:-

According to Hair et al. (2012), hypothesis testing in PLS-SEM is carried out through the inner model assessment. This involves testing the significance of both direct and indirect effects, as well as estimating the magnitude of influence exerted by exogenous variables on endogenous variables. For instance, when examining the effect of transformational leadership on employee performance through a readiness-to-change mentality as a mediating variable, both direct and indirect effect tests are required. Hair et al. (2018) recommend that such effect tests be conducted using the t-statistic within the Partial Least Squares (PLS) analytical framework, implemented through SmartPLS 3.0 software. Using the bootstrapping technique, the R^2 values and significance levels are generated, as summarized in Tables 9 and 10.

Similar methodological approaches have been applied in African studies. Odoom and Mensah (2019) employed PLS-SEM with bootstrapping to test mediation effects in their research on digital marketing adoption and performance outcomes among SMEs in Ghana. Abubakar and Bala (2018) also used direct and indirect effect testing in a Nigerian study examining ICT adoption and SME growth. In the Kenyan context, Kithinji (2019) applied PLS-SEM to test the mediating role of financing access on SME performance in Machakos County, while Mutuku and Njeru (2020) utilized the bootstrapping approach to assess the influence of innovation on competitiveness among SMEs in Nairobi. More recently, Wambugu (2021) employed similar inner model testing procedures when investigating digital adoption and firm performance among SMEs in Kiambu. These African and local studies reinforce the appropriateness of PLS-SEM in testing both direct and indirect effects, while also demonstrating the robustness of bootstrapping in generating reliable significance levels in SME research.

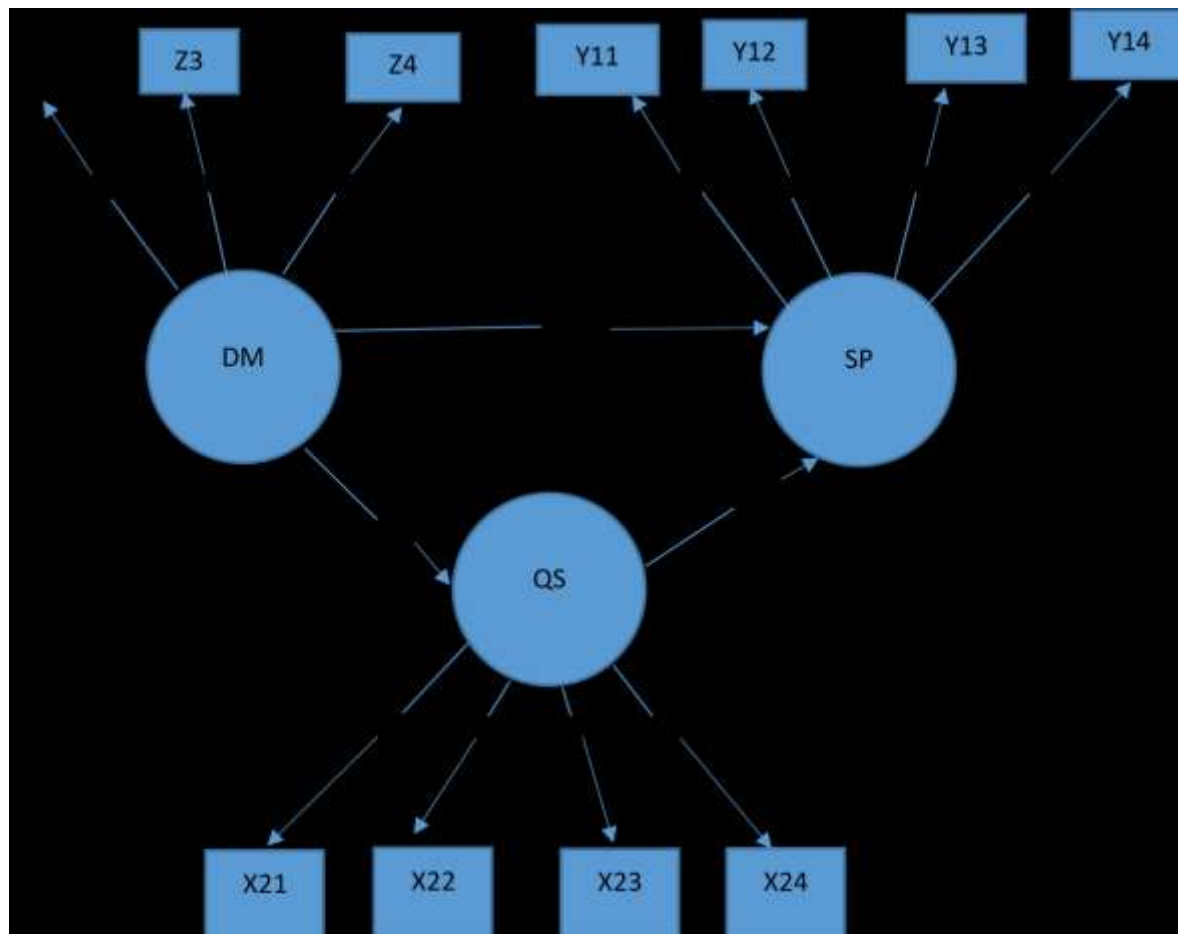


Fig -3- Hypotheses testing

The results of hypothesis testing for all variables that have a direct effect are shown in Table 11 as follows,

Table 11 Hypothesis Result of the Structural Model

Hypothesis	Standardized Path Coefficient (β)	t-value	P Value	Test Result
H1: DM $\rightarrow$ QS	0.412	4.305**	0.000	Supported
H2: DM $\rightarrow$ SP	0.031	11.592**	0.000	Supported
H3: QS $\rightarrow$ SP	0.0685	9.40**	0.000	Supported
H4: DM $\rightarrow$ QS $\rightarrow$ SP		3.634**	0.000	Supported

Note: **, p-value < 0.05. Significant at the 0.05 level.

H1: Digital Marketing (DM) positively influences Quality of Service (QS).

Data analysis by SmartPLS shows the result of the p value is significant p value is $0.000 < 0.050$, and T value is $4.335 > 1.96$ which means Digital marketing (DM) has significant effect on Quality service (QS). This means that an increase in Digital marketing (DM) will encourage Quality service (QS). and a decrease in Digital marketing (DM) will encourage a decrease in Quality service (QS).

The results of this study are aligned with Pramono et al. (2021); Prameswari et al. (2020) and Praditya (2020) states that Digital marketing (DM) has significant effect on Quality service (QS).

H2: Digital Marketing (DM) positively influences Sales Performance (SP).

Data analysis by SmartPLS shows the result of the p value is significant p value is $0.000 < 0.050$, and T value is $11.593 > 1.96$ which means Digital marketing (DM) has significant effect on Sales performance (SP) This means that an increase in Digital marketing (DM) will encourage Sales performance (SP) and a decrease in Digital marketing (DM) will encourage a decrease in Sales performance (SP). The results of this study are aligned with Priadana et al. (2021); Purwanto et al. (2021) and Pham et al. (2021) states that Digital marketing (DM) has a significant effect on Sales performance (SP).

H3: Quality of Service (QS) positively influences Sales Performance (SP).

Data analysis by SmartPLS shows the result of the p value is significant p value is $0.000 < 0.050$, and T value is $9.400 > 1.96$ which means Quality service (QS) has a significant effect on Sales performance (SP). This means that an increase in Digital marketing (DM) will encourage Sales performance (SP) and a decrease in Quality service (QS) will encourage a decrease in Sales performance (SP). The results of this study are aligned with Quddus et al. (2020); Rahaman et al. (2021) and Singhdong et al. (2021) states that Quality service (QS) has significant effect on Sales performance (SP).

H4: Digital Marketing (DM) positively influences Sales Performance (SP) indirectly through the mediating effect of Quality of Service (QS). Data analysis by SmartPLS shows the result of the p value is significant p value is $0.000 < 0.050$, and T value is $3.633 > 1.96$ which means Digital marketing (DM) has a significant effect on Sales performance (SP) through Quality service (QS). This means that an increase in Digital marketing (DM) will encourage Sales performance (SP) through Quality service (QS) and a decrease in Digital marketing (DM) will encourage a decrease in Sales performance (SP) through Quality service (QS). The results of this study are aligned with Suheny et al. (2020); Syafri et al. (2021) and Tan et al. (2021) state that Digital marketing (DM) has significant effect on Sales performance (SP) through Quality service (QS).

Effect Size Analysis (f^2):-

Statistical significance alone does not indicate practical importance. Accordingly, effect sizes were assessed using Cohen's (1988) guidelines: 0.02 = Small effect, 0.15 = Medium effect, • 0.35 = Large effect

Table : 12. Effect Sizes

Relationship	f^2	Interpretation
Digital Marketing $\rightarrow$ Service Quality	0.188	Medium
Digital Marketing $\rightarrow$ SME	0.421	Large

Performance		
Service Quality → SME Performance	0.364	Large

The results indicate that digital marketing exerts a moderate practical influence on service quality and a substantial influence on SME performance. Similarly, service quality has a strong practical effect on SME performance.

Table .13: Mediation Results

Relationship	Indirect Effect	t-value	p-value	Result
DM → SQ → SME Performance	Significant	3.634	0.000	Supported

The results indicate that service quality significantly mediates the relationship between digital marketing and SME performance. This finding suggests that digital marketing contributes to performance improvements partly through enhancing service quality. Consequently, SMEs that invest in digital marketing initiatives are likely to achieve better organizational outcomes when such investments simultaneously improve customer service experiences.

Discussion of Findings:-

The study found that digital marketing significantly and positively influences service quality. This finding supports the Resource-Based View (RBV), which argues that organizational capabilities such as digital marketing can generate strategic advantages and improve service delivery. The finding is consistent with studies conducted in Indonesia (Prasetyo et al., 2023), Vietnam (Tran & Nguyen, 2022), Malaysia (Ainin et al., 2015), and South Africa (Boateng et al., 2023), which found that digital technologies enhance responsiveness, communication quality, and customer experience.

However, the relatively low R^2 value indicates that digital marketing alone cannot fully explain service quality. This observation aligns with Kraus et al. (2022), who argue that employee competencies and organizational processes remain critical determinants of service excellence. Within the Kenyan context, the finding extends previous studies by demonstrating that digital marketing contributes to service quality among SMEs operating in Machakos County.

The study established a significant positive relationship between digital marketing and SME performance. This result supports Dynamic Capabilities Theory, which suggests that firms leveraging digital technologies can respond more effectively to environmental changes and customer needs. The findings concur with Nuseir et al. (2022), Dwivedi et al. (2023), and Verhoef et al. (2021), who found that digital marketing enhances sales growth, customer acquisition, market reach, and organizational competitiveness. The findings also support Kenyan studies by Mugo and Njuguna (2021) and Ndiege et al. (2020), which reported positive relationships between digital technology adoption and business performance.

Unlike many previous Kenyan studies that focused exclusively on social media marketing, this study provides a broader perspective by conceptualizing digital marketing as a multidimensional construct incorporating interactivity, transaction efficiency, incentive programs, and digital platform design. The results indicate that service quality significantly improves SME performance. This finding is consistent with SERVQUAL theory, which proposes that superior service quality strengthens customer satisfaction, loyalty, and organizational success. The findings support those of Slack et al. (2021), Dam and Dam (2021), and Amoako et al. (2023), who reported that firms delivering superior service quality achieve stronger performance outcomes.

The study extends these findings to the Kenyan SME sector, where empirical evidence remains relatively limited. One of the major contributions of this study is the identification of service quality as a significant mediating mechanism linking digital marketing and SME performance. The findings suggest that digital marketing creates value not merely through technological adoption but through its ability to improve customer experiences and service delivery. This result helps explain contradictory findings reported in previous studies. Organizations may fail to realize performance gains from digital marketing if technology adoption does not translate into improved service quality. Consequently, SME managers should view digital marketing not simply as a promotional tool but as a strategic capability capable of enhancing customer experiences and organizational competitiveness.

Theoretical Contribution:-

The study contributes to literature in four important ways. First, it integrates Resource-Based View, Dynamic Capabilities Theory, Technology Acceptance Model, and SERVQUAL theory into a unified framework. Second, it provides empirical evidence from a developing African economy where research remains limited. Third, it demonstrates the mediating role of service quality. Fourth, it expands understanding of how digital capabilities influence organizational performance in resource-constrained SME environments.

Practical Implications:-

The findings have several practical implications. SME owners should: Increase investments in digital marketing technologies. Strengthen online customer engagement, Improve digital customer service systems, Utilize social media analytics to understand customer needs, Integrate mobile payment platforms such as M-Pesa with digital marketing activities, Government agencies and SME support organizations should, Provide digital marketing training programs, Improve digital infrastructure, Facilitate affordable access to digital technologies, and Support SME digital transformation initiatives. These interventions can contribute to enhanced service quality, competitiveness, and sustainable SME growth.

Yunarsih et al. (2020) and Wanasida et al. (2021) note that the most widely used social media platforms among MSMEs are Facebook, Twitter, and Instagram. For many enterprises, social media provides benefits such as facilitating direct communication with consumers, supporting marketing and advertising activities, recording customer needs, responding to consumer inquiries, aiding decision-making, and serving as an interactive forum. These functions enable businesses to showcase products and services in ways that positively impact performance. Similarly, Alzaam et al. (2021) and Amri et al. (2021) argue that internet marketing improves customer relationships, enhances promotional reach, and allows for efficient tracking of sales.

African and Kenyan research echoes these findings. Odoom and Mensah (2019) highlight that Ghanaian SMEs leverage Facebook and WhatsApp to improve customer engagement and reduce marketing costs. In Nigeria, Abubakar and Bala (2018) found that SMEs using social media platforms recorded significant improvements in communication efficiency and market reach. Locally, Kithinji (2019) established that SMEs in Machakos County benefited from adopting digital platforms, especially WhatsApp and Facebook, which reduced transaction costs and enhanced visibility. Mutuku and Njeru (2020) reported that Nairobi SMEs applying digital marketing achieved higher competitiveness through faster customer feedback and more effective promotions, while Wambugu (2021) observed that SMEs in Kiambu improved sales performance through interactive online engagement.

The efficiency dimension of digital marketing, often referred to as the transaction benefit (Affandi et al., 2020; Budi et al., 2020), shows how SMEs reduce conventional promotion expenses by relying on social media platforms. Kenyan SMEs illustrate this through low-cost WhatsApp group marketing, Facebook marketplace posts, and the integration of M-Pesa as a digital payment option. These platforms not only lower promotion costs but also increase time efficiency for both businesses and customers. As noted by Nugroho et al. (2020) and Nguyen et al. (2021), digital marketing enhances transaction efficiency, especially when integrated with mobile payment systems and online ordering applications.

Digital platforms also improve information clarity and communication. Priadana et al. (2021), Setiawati et al. (2021), and Dharmayuni et al. (2021) argue that social media enables SMEs to present clear product and service details, allowing employees and entrepreneurs to optimize time spent on other operational tasks. Kenyan evidence supports this; Wambugu (2021) showed that SMEs using Facebook fan pages and Instagram shops communicated product features more effectively, which strengthened customer trust and streamlined sales processes.

Furthermore, social media serves broader functions beyond marketing. Leu and Masri (2021) and Muafi et al. (2021) point out that it provides platforms for customer discussions, consumer surveys, distributor communication, and product showcasing. Purwanto et al. (2021) and Pham et al. (2021) emphasize that social media fosters innovation, expands market networks, and drives higher sales volumes. In Kenya, Njuguna and Moronge (2019) demonstrated that SMEs in Nairobi's retail sector experienced sales growth after adopting Instagram and WhatsApp as primary marketing tools, while Njoroge (2020) highlighted that agribusiness SMEs in Kiambu leveraged social media to connect directly with customers and distributors.

Finally, the internet has transformed marketing by making company websites and online platforms accessible not only to large corporations but also to small enterprises (Ismaya et al., 2020; Quddus et al., 2020; Rahaman et al.,

2021). Kenyan SMEs increasingly create affordable websites or rely on platforms such as Jumia and Kilimall to reach broader markets (Kithinji, 2019). Viral marketing, often referred to as internet word-of-mouth (Kotler, 2017), has also gained ground, with SMEs using Facebook and WhatsApp sharing to generate rapid product awareness at minimal cost.

Overall, both international and African evidence demonstrates that digital marketing and social media adoption provide SMEs with cost efficiency, market expansion, improved customer engagement, and stronger sales performance. These findings are strongly aligned with the experiences of Kenyan SMEs, particularly in Machakos, Nairobi, and Kiambu counties.

Conclusion:-

The findings revealed that digital marketing positively and significantly influences service quality. This suggests that SMEs utilizing digital platforms such as social media, websites, mobile applications, and online customer engagement tools are better positioned to improve customer responsiveness, communication effectiveness, and overall service delivery. The results further demonstrated that digital marketing significantly enhances SME performance. Digital marketing capabilities enable SMEs to expand market reach, improve customer acquisition, strengthen customer relationships, and enhance organizational competitiveness.

Additionally, service quality was found to significantly influence SME performance. SMEs that provide reliable, responsive, and customer-centered services are more likely to achieve improved sales growth, customer retention, profitability, and market share. Most importantly, the study established that service quality significantly mediates the relationship between digital marketing and SME performance. This finding suggests that digital marketing creates organizational value not only directly but also indirectly through improvements in service quality. Consequently, SMEs seeking to maximize returns from digital marketing investments should simultaneously focus on improving customer service delivery and customer experience.

Based on the SmartPLS analysis, the findings indicate that digital marketing has a significant effect on service quality, sales performance, and also indirectly on sales performance through service quality. This suggests that service quality plays a mediating role between digital marketing and performance outcomes. Similar to findings by Ndiege et al. (2020) in Kenya and Abor & Quartey (2010) in Ghana, social media and digital platforms have increasingly become core enablers for SME competitiveness and market growth in Africa. In practice, SMEs in Kenya, Nigeria, and South Africa use social media platforms such as Facebook (FB), WhatsApp (WA), and Instagram (IG) as essential tools for business operations (Mugo & Njuguna, 2021). These platforms enable direct, real-time communication with customers and suppliers, often at very low cost, thereby enhancing relational marketing and responsiveness. WhatsApp, in particular, is widely used by micro and small businesses for instant communication and order processing because of its accessibility and affordability (Kabanda & Brown, 2017).

The benefits reported by SMEs include cost-effective transactions, efficient promotion through image and video sharing, and constant information updates, all of which resonate with earlier studies on African digital entrepreneurship (Boateng, 2016). Importantly, many SMEs experience an increase in sales volume after embracing social media, consistent with studies on Tanzanian and Ugandan SMEs which found digital platforms to significantly expand market reach and customer engagement (Kiveu, Namusonge & Muathe, 2019). Therefore, SMEs are encouraged to optimize available technological developments by leveraging local innovations and social media platforms to enhance marketing effectiveness. For instance, integrating mobile money services such as M-Pesa in Kenya or MTN Mobile Money in Uganda into social media sales strategies ensures seamless transactions, thereby improving trust and efficiency. By creatively using these platforms to promote home-based industry products, SMEs can continuously improve their market presence, sales volume, and long-term sustainability.

Overall, the study demonstrates that digital marketing and service quality constitute complementary strategic capabilities that can significantly enhance SME performance in emerging economies.

Managerial Implications:-

The findings provide important insights for SME owners and managers.

First, SMEs should view digital marketing as a strategic organizational capability rather than merely a promotional tool. Investments in social media marketing, search engine optimization, content marketing, email marketing, and mobile marketing should be integrated into broader business strategies. Second, managers should prioritize customer engagement and responsiveness through digital platforms. Prompt responses to customer inquiries, effective complaint handling, and personalized communication can significantly improve service quality and customer

satisfaction. Third, SMEs should continuously monitor digital performance metrics such as customer engagement rates, website traffic, conversion rates, and customer retention indicators to improve decision-making. Fourth, SMEs should invest in employee digital skills development to ensure effective utilization of digital marketing technologies.

Policy Implications:-

The findings also have implications for policymakers and SME support institutions.

Government agencies, county governments, and SME development organizations should strengthen programs aimed at enhancing digital literacy among SMEs.

Policy interventions should focus on:

- a) Expanding digital infrastructure.
 - b) Improving internet accessibility and affordability.
 - c) Supporting digital entrepreneurship.
 - d) Providing digital marketing training.
 - e) Facilitating access to affordable digital technologies.
 - f) Strengthening innovation ecosystems that support SME digital transformation.
- Such initiatives can accelerate SME competitiveness and contribute to national economic development.

Theoretical Implications:-

This study contributes to existing literature in several ways.

First, it integrates Resource-Based View (RBV), Dynamic Capabilities Theory (DCT), Technology Acceptance Model (TAM), and SERVQUAL Theory into a comprehensive framework for explaining SME performance.

Second, the study extends digital marketing literature by demonstrating the mediating role of service quality.

Third, it contributes empirical evidence from a developing African economy, thereby addressing the underrepresentation of African contexts in digital transformation research.

Fourth, the findings help explain previously inconsistent results concerning the relationship between digital marketing and organizational performance.

Limitations Of The Study:-**Despite its contributions, this study has several limitations.**

First, the study utilized a cross-sectional research design, which limits the ability to establish definitive causal relationships among variables. Future studies should employ longitudinal designs to examine changes over time.

Second, the study relied on self-reported questionnaire data collected from SME managers. Although several procedural and statistical remedies were employed to minimize common method bias, the possibility of respondent bias cannot be completely eliminated. Third, the study focused exclusively on SMEs operating within Machakos County, Kenya. Consequently, caution should be exercised when generalizing the findings to SMEs operating in other counties, countries, or economic contexts.

Fourth, the R^2 value for service quality was relatively low (9.8%), suggesting that additional factors not included in the model may influence service quality. Future research should incorporate variables such as employee competence, organizational culture, leadership, innovation capability, customer relationship management, and service innovation. Finally, the study examined only one mediating variable. Future research may explore additional mediators and moderators such as customer satisfaction, customer trust, digital capability, organizational learning, and innovation capability.

Future Research Directions:-**Future studies should:**

- Conduct longitudinal studies to establish causality.
- Examine SMEs in multiple counties and countries for comparative analysis.
- Investigate additional determinants of service quality.
- Explore moderating effects of firm size, industry type, and organizational age.
- Examine customer satisfaction and customer loyalty as additional mediating variables.
- Assess the influence of emerging technologies such as Artificial Intelligence, Big Data Analytics, and Chatbots on SME performance.

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