

The Digital Marketing's Impact on MSMEs Financial Performance in Laos

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ABSTRACT

The study examines the influence of digital marketing on the financial performance of Laos-based firms using Smart PLS4 Structural Equation Model (SEM) method. The results showed that online advertising, social media and content marketing have significant impact on financial performance of Lao MSMEs. Mobile marketing, however, does not significantly affect enterprise's financial performance. As a result, Laos firms primarily use online advertising and low-cost online media, but they should focus on offline advertising and digital marketing tools for improved financial performance. Policy recommendations include promoting digital IT access, managing digital marketing, providing IT training for entrepreneurs, educating remote enterprises, focusing on e-commerce, enhancing security, and implementing monitoring systems. Fiscal incentives and sector collaboration can encourage more investment in digital marketing. Community-based digital platforms can be an alternative for MSMEs with limited capital.

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1. Introduction

The digital marketing model has received significant attention from academics and educational institutions globally, demonstrating its widespread use and importance in current research efforts. When it came to businesses using the internet for operations in the 2000s, the United States led the way. It was anticipated that this would increase the business's efficiency and competitiveness relative to its competitors. Nevertheless, some companies are still hesitant and unable to fully utilize the internet, despite this early adoption (Hannula & Lonnqvist, 2002). The integration of information technology into marketing in developing countries poses some obstacles when transferring from an antiquated to a contemporary structure. The primary obstacles in this case are the society's restricted ability to use communication technology, the utilization of internet networks, the

absence of laws safeguarding the rights and benefits of businesses using ICT systems, and the requirement for preserving and protecting personal datasets. Developing countries find it challenging to successfully incorporate information technology into their economic systems due to these considerations (Avirutha, 2021).

The internet is driving the digital revolution, which is advancing the Industrial Revolution 4.0, transforming communication, and promoting positive interactions between humans and technology (Choudhury, 2014). The

internet's benefits have expanded digital marketing, improving customer relationships and enhancing firms' competitiveness in customer relationship management (Ahmadi & Letter, 2021; Pagani & Pardo, 2017). According to (Walters, 2008), information technology facilitates direct sales between suppliers and buyers, eliminating the need for middlemen and thereby lowering the cost of trade partnerships. Fintech and e-commerce are examples of new goods and services brought out by the digital information era, but addressing cyber security concerns is still very difficult, especially in poor nations (Loh et al., 2021; Sunkpho et al., 2018).

Since launching its telecommunications industry in 1996, Laos has witnessed a notable surge in the number of its mobile phone users, with small and medium-sized businesses placing a high priority on digital marketing. According to a Ministry of Technology and Communication Report from 2021, Laos has a sizable population of mobile phone internet users, but only 63% of the country's 100 residents are online users. In addition, just 8% of Laotians use digital platforms for e-banking financial transactions, compared to 43% in Thailand, 16% in Vietnam, and 13% in Cambodia. The sole exception is Myanmar (ASEAN Secretariat, 2021).

Despite not being a digital leader in the area, Laos is seeing a spike in the use of digital technology as a result of the Covid-19 outbreak, underscoring the need of incorporating digital technology into online business

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operations. Laos was one of four developing countries with a five-point growth in electronic commerce in 2019, according to the United Nations Conference on Trade and Development (UNCTAD, 2021). Improvements in the nation's postal system, which have increased services to enable online buying and selling, are held accountable for this expansion. Micro, small, and medium-sized companies (MSMEs) make up the majority of commercial entities in Laos. With a variety of digital marketing platforms, the availability of reasonably priced digital communication technology has helped both established and newly established businesses reach their target audience at minimal expense.

With more than 3.80 million mobile phone users in 2020, digital marketing tactics, such as online buying and advertising, have become more and more popular in Lao society. Online retailers and businesses increasingly use social media platforms like Facebook, WhatsApp, and other websites, with a steady 8% annual growth rate in 3G/4G internet usage from 2015 to 2019 (Ministry of Technology and Communications, 2019). Data from openly accessible sources indicates that Tiktok, Facebook, WhatsApp, Facebook Messenger, Facebook, Garena Free Fire, Mobile Legends: Bang Bang, Line, YouTube, Ulike, and iMovie are the top 10 online media platforms used by Lao people in 2019 (Kang T, 2019). In Laos, WhatsApp is the primary means of social connection, while Facebook is still the most widely used platform for goods sales and advertising. There are 4,094,900 Facebook user accounts in Laos as of April 2022; users are primarily between the ages of 18 and 24 (53% male and 47% female) (NapoloenCat, 2022).

The purpose of this study is to explore how digital marketing tools impact the financial performance of micro, small, and medium-sized enterprises (MSMEs), which is a crucial measure of business performance in today's digital age. Digital marketing has become a common tool for many MSMEs in recent years, particularly for sales promotion. This marketing approach is considered cost-effective and helps MSMEs save on marketing and sales expenses. However, there are limited studies focusing on this aspect in Laos. Therefore, this study aims to use Smart PLS-SEM to assess the relationship between digital marketing and the financial performance of MSMEs. The results will provide insights into how digital marketing influences enterprises in Laos and propose recommendations for improving digital marketing in the country.

2. Literature Review

Most current study findings indicate that the use of digital marketing in business-to-business (B2B) and business-to-customer (B2C) models has a favorable impact on business relationships and operational

effectiveness (Shah, 2018; Tadesse & Pettersson, 2019). Some businesses struggle with utilizing digital marketing strategies due to limited customer familiarity, inadequate timing, confusion, and disparities in awareness, which can hinder their ability to achieve similar levels of success (Dlodlo & Dhurup, 2010). Meanwhile, there is still a lack of consensus among the company's board of directors on their awareness and comprehension of the advantages of using digital marketing (Gyamfi, 2016; Taiminen & Karjaluoto, 2015). Regarding business competition, Singh et al. (2022) argued that service-oriented companies, while utilizing websites to provide unique experiences and enhance online service quality, are not considered essential for enhancing their competitiveness.

Digital marketing positively impacts business operations through increased sales, largely due to the implementation of effective marketing strategies. This entails the successful engagement of customers and the concurrent reduction of business costs (Daud et al., 2022; M. Nuseir & Refae, 2022). Measuring operational efficiency serves as an additional means to evaluate the prevailing business circumstances within the company. According to the study conducted by Giantari et al. (2022) the influence of digital marketing on financial performance of the company can be assessed through the evaluation of sales, business transactions and profit.

Financial performance is often used as indicators for assessing a company's business performance. The utilization of digital marketing by organizations, particularly those categorized as micro, small and medium-sized enterprises, is intended to enhance business effectiveness through the application of digital technology. This approach facilitates the promotion of marketing efforts, enabling the targeting of specific client segments, fostering competitiveness, and facilitating market expansion, all while minimizing costs (Algumzi, 2022; Amoah & Jibril, 2021; Obeidat, 2021). Previous studies have demonstrated the positive and statistically significant impact of introducing digital marketing as an independent variable in the examination of the connection between digital marketing and financial performance of the enterprises (Bone, 2017; Daud et al., 2022; Giantari et al., 2022; M. T. Nuseir, 2018). The establishment of consumer trust through quality and customer satisfaction is crucial for a business's financial efficacy (Hasyim et al., 2022).

The use of digital technology in business marketing in Laos has been prevalent since 1999, with the first private internet service being established. However, there is a lack of research on the application of digital technology in business operations, particularly the impact of digital marketing on business operations. Numerous research articles examining companies and the utilization of technology in Laos have consistently demonstrated that the integration of modern technology has substantially bolstered companies' competitive advantage. However,

several challenges persist, including the absence of well-defined regulatory frameworks, limited proficiency in technology utilization, inadequate infrastructure support - such as low-speed or inadequate internet connectivity, underdeveloped electronic payment systems, and inefficiencies in postal services. These challenges collectively pose significant obstacles that necessitate future resolution (P. Kyophilavong et al., 2014; Leebouapao et al., 2020; Southiseng & Walsh, 2010).

In this paper, the impact of digital marketing on the financial performance of MSMEs is analyzed using the digital marketing theory by Kotler and Armstrong (2017). With the recent shift towards the digitalization of society, enterprises have adapted their marketing strategies. Digital marketing tools that facilitate direct sales to target customers are increasingly vital in boosting sales for businesses. For MSMEs, employing digital marketing can be an optimal strategy, especially for those with limited financial resources for sales promotions and market expansion. Several empirical studies have found a significantly positive correlation between digital marketing and financial performance (Daud et al., 2022; Giantari et al., 2022; M. T. Nuseir, 2018). To achieve the study's objectives, an analytical model based on Giantari et al. (2022). The study uses Smart PLS-SEM to analyze the path coefficients of latent variables linked to digital marketing and the financial performance of Lao MSMEs.

In summary, the utilization of contemporary technology for the purpose of enhancing organizations' marketing efforts in Laos is an area that has not been extensively explored in terms of theoretical frameworks and scientific analytical methodologies. Hence, conducting research on the influence of digital marketing on financial performance of MSMEs in Laos presents an opportunity to explore an unexplored scholarly and academic area in the field of digital marketing that is specific to the context of Laos. The resulting research findings will provide valuable statistical evidence to comprehend and acknowledge the business landscape in Laos under the new market conditions.

Conceptual Framework

Digital marketing is marketing through the internet and digital devices such as computers and mobile phones as the medium to communicate goods and service promotions. It is also known as direct marketing and enables businesses to enhance operational effectiveness, gain a competitive edge, build relationships, and save costs (Ištvančić et al., 2017; Łysik & Łopaciński, 2019; Mishra, 2020). Those circumstances will have direct repercussion on company's financial performance (Daud et al., 2022; Giantari et al., 2022; Popa et al., 2021). This study uses a research approach based on Santos and Brito (2012) to evaluate the effect of digital marketing on financial performance of MSMEs in Laos. The conceptual framework depicted in Figure 1 illustrates the relationship between digital marketing tools (independent latent

variables) widely utilized in Laos, including online advertising, social media, content marketing, and mobile marketing, and their impact on the financial performance of MSMEs (dependent latent variables).

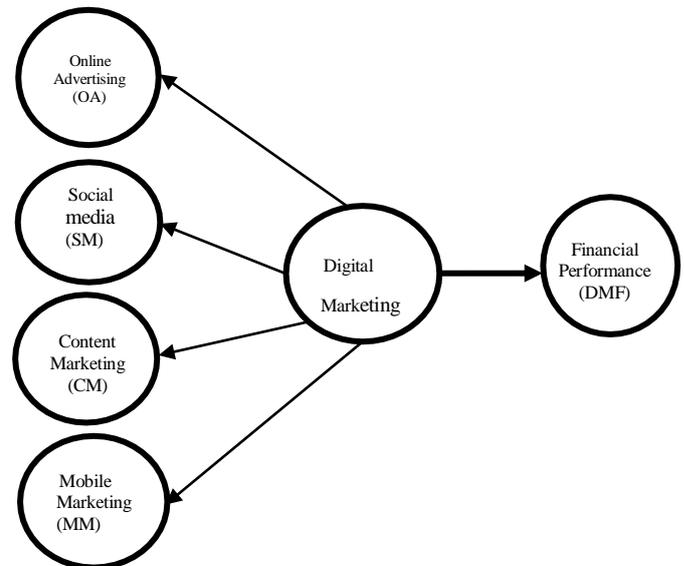


Figure 1: Conceptual framework

3. Research Methods

This study applies a quantitative-based cross-sectional study design. The data collection was conducted in three provinces, began on May 12th and ended on June 7th, 2023, with dedicated staff in each province. Luang Prabang, Vientiane, and Champasak provinces collaborated to collect data. These provinces represent a prominent economic centre of the country, accounting for 49 percent of total business registration in 2023. Luangprabang is the most popular tourist destination, where many firms choose to settle their businesses. Vientiane is the capital of the country, and thus it is a centre of politics and economy. Champasak is a leading economic development in the southern part of the country.

Prior to conducting the field survey, 30 firms in Vientiane were selected for pre-test in April 2023. Then, the researcher directly instructed the enumerators in each province to complete the questionnaire form.

By applying the Taro Yamane method, 134 firms were selected as the study sample in each province, with an additional 10 percent collected to account for potential errors or omissions. Sampling is done by proportional random sampling (Israel, 1992). The sample includes 98% micro, small, and large enterprises, with services accounting for 65.3%, followed by trading at 27.7%, and manufacturing at 7%. The total sample size is expected to be 441. The assessment of digital marketing, financial performance is conducted by executive directors, marketing managers, and IT managers using a Likert scale with five levels, ranging from "strongly disagree" to "strongly agree".

The analysis in the study aims to estimate relationships among measures of theoretical concepts with many variables. Then, Structural Equation Modeling (SEM) is used over other empirical models, such as the multiple regression model, because it can enable researchers to simultaneously model and estimate complex relationships among multiple dependent and independent variables. At the same time, the latter involves one layer of dependent and independent variables (Hair Jr et al., 2021). The SEM method for quantitative analysis utilizes a technique based on mathematics, psychology, and economics, to integrate diversity within a sociological framework that incorporates economics and psychology principles (Bielby & Hauser, 1977). The Pearson Correlation and Cronbach's Alpha Coefficient were used to test the instrument's validity and reliability. The study starts with data screening for statistical accuracy and a descriptive overview of the sample group. It then conducts a structural equation model analysis using theory, hypothesis, and data, assessing the measurement model's fit and testing the hypothesis using Smart PLS4.

Research Hypothesis

Based on a research objective, financial performance is an explanatory variable of the study. Using financial variables will show awareness of changes in income, company growth, and business transactions after using digital marketing tools (Giantari et al., 2022; Santos & Brito, 2012; Tarutè & Gatautis, 2014).

Previous research studies on the analysis of digital marketing variables show that digital marketing variables have many latent variables that surround them (Bala & Verma, 2018; Desai, 2019; Jacuński, 2018; Ponde & Jain, 2019). However, according to the current use of digital technology in Lao society and businesses, this study will set of hypotheses for this study encompasses the key variables (latent external variables) of digital marketing,

namely online advertising, social media, content marketing, and mobile marketing, which have been established based on the review of the aforementioned related research and the unique aspects of the use of digital technology in conducting business in Laos. These are listed below.

- H1: Online advertising has a positive and significant effect on the firm's financial performance.*
- H2: Social media has a positive and significant effect on financial performance.*
- H3: Content marketing has a positive and significant effect on financial performance.*
- H4: Mobile marketing has a positive and significant effect on financial performance.*

4. Results and Discussion

4.1 Descriptive analysis

The survey of 441 MSMEs to measure the impact of digital marketing on the financial performance of enterprises can be demonstrated in Table 1.

According to the evaluation provided by the respondents in Table 1, the online marketing factor is considered a crucial element in enhancing the financial performance of businesses. The measuring questions have received high scores, ranging from 3.95 to 4.22 on average. The most significant impact of online advertising variables is that it increases customer awareness of products.

Table 2 evaluates the impact of social media on an enterprise's financial performance. It highlights the strong influence of this digital marketing tool, with measuring questions scoring high (ranging from 4.18 to 4.27)

Table 1: Response on questions regarding assessment of variable online advertising

| No. | Questions related to online marketing | Response | | | | | Total score | Average | Information |
|-----|--|----------|----|----|-----|-----|-------------|---------|-------------|
| | | 1 | 2 | 3 | 4 | 5 | | | |
| 1 | Make customers aware of products better | 27 | 3 | 28 | 173 | 210 | 1,859 | 4.22 | Very high |
| 2 | Have an effect on the customer's buying decision | 25 | 7 | 53 | 157 | 199 | 1,821 | 4.13 | High |
| 3 | Make customers more royal to the products | 26 | 6 | 60 | 159 | 190 | 1,804 | 4.09 | High |
| 4 | Encouraged customers to buy products | 24 | 10 | 69 | 147 | 191 | 1,794 | 4.07 | High |
| 5 | Reduce the cost of selling goods | 28 | 21 | 63 | 164 | 165 | 1,740 | 3.95 | High |
| 6 | Increase working efficiency | 26 | 4 | 69 | 172 | 170 | 1,779 | 4.03 | High |

Source: Author's calculation

Table 2: Response on questions regarding assessment of variable social media

| No. | Questions Related to social media | Response | | | | | Total score | Average | Information |
|-----|--|----------|----|----|-----|-----|-------------|---------|-------------|
| | | 1 | 2 | 3 | 4 | 5 | | | |
| 1 | Helped customers about the value of products | 6 | 6 | 44 | 191 | 194 | 1,884 | 4.27 | Very high |
| 2 | Make customers satisfied and decide to buy | 5 | 8 | 58 | 186 | 184 | 1,859 | 4.22 | Very high |
| 3 | Make customers trust in products | 6 | 7 | 65 | 182 | 181 | 1,848 | 4.19 | High |
| 4 | Make customers have a good experience | 6 | 12 | 58 | 177 | 188 | 1,852 | 4.20 | Very high |
| 5 | Make the enterprise sell more products | 6 | 13 | 55 | 180 | 187 | 1,852 | 4.20 | Very high |
| 6 | Increase working efficiency | 6 | 11 | 51 | 202 | 171 | 1,844 | 4.18 | High |

Source: Author's calculation

In general, content marketing has a significant impact on the financial performance of enterprises, as can be seen in Table 3. The assessment questions related to the content marketing variable have an average score ranging from 3.72 to 3.90. The aspect of content marketing that influences customers to purchase products has the highest average score in terms of its impact on the financial performance of enterprises

The impact assessment of mobile marketing variables on enterprises' financial performance, revealed in Table 4, shows a high average score of each measuring question from 4.05 to 4.20. Among the significant measurements, making customer interaction more accessible and effective communication is rated as a high score for mobile marketing variables.

Table 3: Response on questions regarding assessment of variable content marketing

| No. | Questions related to content marketing | Response | | | | | Total score | Average | Information |
|-----|---|----------|---|----|-----|-----|-------------|---------|-----------------|
| | | 1 | 2 | 3 | 4 | 5 | | | |
| 1 | Make customers want to buy | 66 | 4 | 27 | 155 | 189 | 1,720 | 3.90 | High |
| 2 | Makes customer see the benefits of the products | 65 | 2 | 48 | 143 | 183 | 1,700 | 3.85 | Relatively High |
| 3 | Influence customers to buy products | 65 | 8 | 55 | 165 | 148 | 1,646 | 3.73 | Relatively High |
| 4 | Makes customers trust in the products | 65 | 4 | 60 | 172 | 140 | 1,641 | 3.72 | Relatively High |
| 5 | Makes customers love the products | 64 | 4 | 57 | 157 | 159 | 1,666 | 3.78 | Relatively High |
| 6 | Increase working efficiency | 64 | 3 | 45 | 156 | 173 | 1,694 | 3.84 | Relatively High |

Source: Author's calculation

Table 4: Response on questions regarding assessment of variable mobile marketing

| No. | Questions related to mobile marketing | Response | | | | | Total score | Average | Information |
|-----|---|----------|---|----|-----|-----|-------------|---------|-------------|
| | | 1 | 2 | 3 | 4 | 5 | | | |
| 1 | Has made it easier to interact with customers | 31 | 3 | 26 | 169 | 212 | 1,851 | 4.20 | Very high |
| 2 | Make communication efficiency | 31 | 3 | 29 | 160 | 218 | 1,854 | 4.20 | Very high |
| 3 | Easy to provide information about products | 32 | 2 | 30 | 183 | 194 | 1,828 | 4.15 | High |
| 4 | Help increase the relationship with other organizations | 33 | 5 | 49 | 171 | 183 | 1,789 | 4.06 | High |
| 5 | Enable integration to online social groups | 33 | 6 | 51 | 166 | 185 | 1,787 | 4.05 | High |
| 6 | Increase working efficiency | 32 | 6 | 49 | 164 | 190 | 1,797 | 4.07 | High |

Source: Author's calculation

4.2 SEM Results Measurement Model

. Analysis of the measurement model is to test the relationship between different structures within the model by first testing the consistency of the model (Measurement Model Fit) by analyzing the statistical value of CFA (Confirmatory Factor Analysis). The estimation of the CFA value is conducted by the examination of the Outer loadings using the Smart PLS4.

The result of this analysis is presented in Table 5. In statistical terminology, a CFA value equal to or more than 0.70 is considered appropriate (Hair Jr et al., 2021). Thus, all variables exhibit a statistically significant relationship, as determined by the standard value of ≥ 0.07

Table 5: Statistical value of Outer Loading

| Variables | Outer loadings | Variables | Outer loadings |
|-----------|----------------|-------------|----------------|
| OA1 <- OA | 0.886 | CM3 <- CM | 0.945 |
| OA2 <- OA | 0.921 | CM4 <- CM | 0.950 |
| OA3 <- OA | 0.920 | CM5 <- CM | 0.948 |
| OA4 <- OA | 0.907 | CM6 <- CM | 0.954 |
| OA5 <- OA | 0.883 | MM1 <- MM | 0.934 |
| OA6 <- OA | 0.861 | MM2 <- MM | 0.932 |
| SM1 <- SM | 0.846 | MM3 <- MM | 0.941 |
| SM2 <- SM | 0.848 | MM4 <- MM | 0.921 |
| SM3 <- SM | 0.817 | MM5 <- MM | 0.930 |
| SM4 <- SM | 0.852 | MM6 <- MM | 0.924 |
| SM5 <- SM | 0.836 | DMF1 <- DMF | 0.853 |
| SM6 <- SM | 0.816 | DMF2 <- DMF | 0.885 |
| CM1 <- CM | 0.958 | DMF3 <- DMF | 0.898 |
| CM2 <- CM | 0.949 | DMF4 <- DMF | 0.878 |

Source: Author's calculation

Testing of Goodness of Fit Model

The analysis of goodness of fit was conducted by specifically focusing on two consistency metrics, namely SRMR and NFI (Standardized Root Mean Squared Residual and Normed Fit Index). The results, presented in Table 6, indicate that the SRMR and NFI are at an acceptable level. The measurement value for SRMR is 0.04 (Goffin, 2007; Hox & Bechger, 1999), which is below the criterion value of 0.08. Similarly, the measurement value for NFI is 0.90, which meets the criterion value of ≥ 0.90 (Diamantopoulos, 1994; Kaplan, 2008).

Table 6: Model fit

| | Threshold index | Estimated index | Information |
|------|-----------------|-----------------|-------------|
| SRMR | < 0.08 | 0.033 | Good fit |
| NFI | ≥ 0.90 | 0.934 | Good fit |

Source: Author's calculation

Reliability and Validity Testing

The assessment of reliability and validity in the equation model adheres to the measurement principles outlined by Smid and Rosseel (2020). Hair Jr et al. (2021) asserted that for the model to be considered reliable and valid, the Cronbach's alpha value should be 0.70 or higher, and the AVE (Average Variance Explained) value should be 0.05 or higher (Tarhini, 2013).

Upon examination of Table 7, it is evident that the statistical values pertaining to reliability and validity have been summarized. It is noticed that each factor possesses a level of reliability and validity that aligns with the standard values, hence indicating a high level of acceptance.

Table 7: Reliability and Validity

| Factor | Cronbach's alpha | Average variance extracted (AVE) | Information |
|--------|------------------|----------------------------------|-------------|
| OA | 0.951 | 0.804 | Good fit |
| SM | 0.914 | 0.699 | Good fit |
| CM | 0.979 | 0.904 | Good fit |
| MM | 0.969 | 0.866 | Good fit |
| DMF | 0.902 | 0.772 | Good fit |

Source: Author's calculation

Discriminant Validity

In measuring the statistical value of discriminant validity, comparing the average value of the correlation of unrelated latent variables and the average value of the correlation of related latent variables, the current practice is to use the value of Heterotrait-Monotrait Ratio of Correlations (HTMT) that should not exceed 0.90 (<0.09) as a standard value to measure (Gold et al., 2001; Ringle et al., 2023). The analysis findings using the Smart PLS4 program displayed in Table 8 reveal that the correlation of the variables has statistical significance under the

HTMT standard value, indicating that the equation model of this study is consistent.

Table 8: Correlation Between Latent Variables

| | CM | DMF | MM | OA | SM |
|-----|------|------|------|------|------|
| CM | 1.00 | | | | |
| DMF | 0.52 | 1.00 | | | |
| MM | 0.35 | 0.36 | 1.00 | | |
| OA | 0.51 | 0.65 | 0.36 | 1.00 | |
| SM | 0.56 | 0.68 | 0.46 | 0.60 | 1.00 |

Source: Author's calculation

Convergent Validity

The measurement is considered convergent if the loading factor value is more than 0.7 (Hair et al., 2010). Figure 2 demonstrates that all loading factors have a value greater than 0.7, implying that all indicators have passed the convergent validity criteria. Indicators for all variables have not been removed from the model.

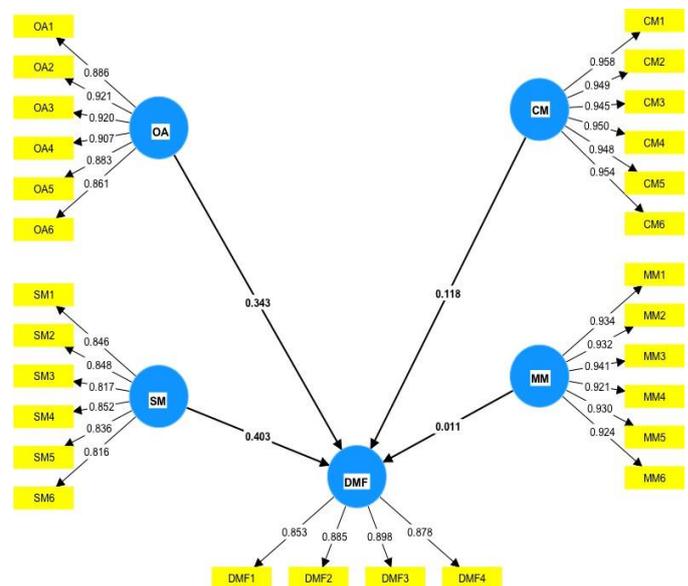


Figure 2: Convergent Validity

Source: Data processed 2024 by Smart PLS4

Hypothesis Testing

The hypothesis testing is evaluated by comparing P-values at 5 percent statistical significance. Table 9 depicts the statistical relationship between variables, path coefficient, and p-value, which were utilized to present the findings of the latent variable's direct hypothesis test.

Table 9: Director Effect Testing

| Correlation between variables | Path coefficients | T-stat | P-values | Information |
|-------------------------------|-------------------|--------|----------|-------------|
| OA -> DMF | 0.343 | 7.097 | 0.000 | Accepted |
| SM -> DMF | 0.403 | 6.685 | 0.000 | Accepted |
| CM -> DMF | 0.118 | 2.257 | 0.024 | Accepted |
| MM -> DMF | 0.011 | 0.240 | 0.811 | Rejected |

The research revealed that the usage of social media can have a positive and statistically significant influence on the company's financial performance, with $\beta = 0.403$ and $\alpha = 0.000$. This analysis supports the conclusions of [Thomkaew et al. \(2019\)](#) and [Saleh \(2020\)](#) demonstrating that digital marketing is an effective marketing strategy for today's business world. It can reduce costs, increase sales, and drive revenue growth for businesses.

The effect of content marketing on the firm's financial performance

Based on the findings of the analysis, it was determined that content marketing has no statistical importance to the firm's financial performance, with $\beta = 0.118$ and $\alpha = 0.024$. As a result, content marketing has a favorable effect

on the financial situation, although there is no statistical significance. This study's findings contradict the previous studies by [Pulizzi \(2009\)](#) and [Baltes \(2015\)](#), who discovered that marketing through content is vital in attracting customers through digital marketing tools. Marketing through content may be a new type of digital marketing for companies in Laos, and it can be expensive because creating content or information that draws people in young generations to the company's products requires the hiring of experts in this field. As a result, digital marketing in this context is not as appealing to firms in Laos as it should be.

| Correlation between variables | Path coefficients | T-stat | P-values | Information |
|-------------------------------|-------------------|--------|----------|-------------|
| OA -> DMF | 0.343 | 7.097 | 0.000 | Accepted |
| SM -> DMF | 0.403 | 6.685 | 0.000 | Accepted |
| CM -> DMF | 0.118 | 2.257 | 0.024 | Accepted |
| MM -> DMF | 0.011 | 0.240 | 0.811 | Rejected |

Source: Author's calculation

4.3. Discussion

The effect of online advertising on the firm's financial performance

Based on the analysis of the effect of online advertising on the financial performance of the company, the coefficient value (β) is 0.343 and the statistical significance value (α) is $0.000 < 0.05$. This statistical result indicates that online advertising has a clear positive effect on the company's financial situation. Therefore, online advertising to promote the company's sales has

enabled the firm to sell more products or services to customers. The analysis results are consistent with previous studies such as [Giantari et al. \(2022\)](#) and [Daud et al. \(2022\)](#) which show that businesses using digital marketing to promote sales have experienced improved financial performance.

The effect of using social media on the firm's financial performance

Through the analysis, the test results show that marketing through mobile phones is not statistically significant with respect to the company's financial performance. Here, $\beta = 0.011$ and $\alpha = 0.811$. The study contradicts [Islam et al. \(2018\)](#)'s study, which observed that mobile marketing negatively impacts a firm's financial performance, despite its potential to enhance customer, social, and business relations. Mobile

marketing in Laos is underutilized, affecting sales promotion, especially in inefficient, family-run micro-sized businesses ([Phouphet Kyophilavong et al., 2014](#)). Using digital marketing tools simultaneously in advertising can be challenging for managers, but it is crucial for the success of mobile marketing advertising, as it requires multiple strategies ([Maduku et al., 2016](#)).

5. Conclusion

This study investigates the impact of digital marketing on the financial and operational performance of firms in Laos. Using Smart PLS4 Structural Equation Model (SEM) Modelling, the research analyzed the relationship between exogenous variables (online advertising, social media marketing, content marketing, and mobile marketing) and endogenous variables (financial performance). The results showed that online advertising, social media and content marketing significantly impact on financial performance. However, the study found that mobile marketing has no significant influence on financial performance of the enterprises.

By those circumstances, it can be concluded that low-cost online media like Facebook and YouTube and online advertising are the main sources of revenue for MSMEs in Laos. For better financial results, however, they ought to concentrate on digital marketing and offline advertising. The government should also focus on expanding e-commerce, boosting digital security, installing monitoring systems for policy optimization, educating remote businesses in digital marketing, and creating a nationwide network for high-speed internet access and digital infrastructure. Additionally, encouraging financial incentives and cooperation between the public, private, and corporate sectors might motivate businesses to invest in digital marketing tools. Finally, offering MSMEs with limited funding commercially digital advertising and the development of community-based digital platforms will also help enterprises.

This study analyzes the impact of digital marketing on MSMEs' financial performance in Laos using structural equation modeling. However, it has limitations since it does not capture all kinds of firms equally; hence, future research should focus on specific businesses to better understand enterprises' business performance by type with digital marketing utilization.

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