

E-Commerce and Digital Marketing Practices: Their Uneven Effect on Retail Sales Performance in Surigao City

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ABSTRACT: Digital marketing is widely promoted as an equalizer for small retailers in emerging markets, yet evidence on whether its returns are evenly distributed - across firms and across marketing channels - remains limited. Drawing on the technology-organization-environment framework and the resource-based view, this study examined the adoption of five digital marketing channels (email, social media, search engine, digital display, and mobile marketing) and their relationship to four sales performance indicators (revenue, sales volume, customer acquisition, and customer retention) among 100 retail businesses in Surigao City, Philippines. Data from a validated survey were analyzed using weighted means, one-way ANOVA, and Pearson correlation. Three findings stand out. First, adoption was shallow and uneven: retailers concentrated on free, low-skill applications of social media ($M = 2.82$) while the channel most strongly associated with performance - search engine marketing ($r = .74-.92$ across indicators) - was the least practiced ($M = 1.73$), revealing a substantial adoption-effectiveness gap. Second, returns to digital marketing were channel-contingent rather than uniform: social media, search engine, and mobile marketing correlated positively with all performance indicators, email marketing showed no significant association, and digital display advertising correlated negatively with all four indicators ($r = -.33$ to $-.61$), suggesting that poorly targeted investment can be counterproductive. Third, both adoption and performance differed significantly by capitalization, technological infrastructure, organizational form, retailer type, and operational tenure - a within-market digital divide in which better-resourced firms adopt more and benefit more. The findings caution against treating digital marketing as a monolithic, capacity-neutral intervention and support resource- and channel-differentiated approaches to SME digitalization policy in emerging markets.

KEYWORDS: digital marketing, e-commerce, sales performance, SME digital divide, retailing

1. INTRODUCTION

Digital marketing is frequently framed as a great equalizer for small retailers: it lowers the cost of reaching customers, removes geographic constraints, and allows micro-enterprises to compete with far larger firms (Deku et al., 2024; Grewal et al., 2021). This framing is especially prominent in emerging markets such as the Philippines, where exceptionally high social media engagement and rapid e-commerce growth have made digital channels appear both accessible and essential (Nadeem, 2024). Yet a growing body of evidence complicates the equalizer narrative. The OECD (2021) documents a persistent and in some respects widening digital gap between smaller and larger firms, warning that the benefits of digital transformation may accrue disproportionately to early and well-resourced adopters - deepening, rather than narrowing, existing inequalities among firms. If that concern is valid, then two questions matter for any small-retail economy: whether the returns to digital marketing are evenly distributed across firms of different resource endowments, and whether they are evenly distributed across the different digital marketing channels a firm might invest in.

Two established theoretical lenses frame these questions. The technology-organization-environment (TOE) framework holds that a firm's adoption of technological innovation is shaped jointly by its technological context, organizational characteristics, and external environment (Tornatzky & Fleischer, 1990) - implying that adoption of digital marketing should vary systematically with firm-level attributes such as capitalization, organizational form, and technological infrastructure. The resource-based view (RBV) goes further, arguing that performance differences among firms stem from heterogeneously distributed resources and capabilities that are valuable, rare, and difficult to imitate (Barney, 1991) - implying that even among adopters, the performance returns to digital marketing should favor firms with the financial and technological resources to implement it well. Together,

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these perspectives predict not a level playing field but a resource-contingent one, in which both the extent of digital marketing practice and its payoff differ across firms.

A parallel gap concerns channels. Most SME-focused studies treat digital marketing as a single construct or examine one channel in isolation, leaving open the question of whether different channels - email, social media, search engine, display, and mobile marketing - yield comparable returns for small retailers (Chatterjee & Kumar, 2021; Dinh et al., 2023). Channel-level evidence from developed markets suggests they do not: search advertising effectiveness depends heavily on keyword and campaign quality (Li & Yang, 2022; Wenning, 2021), while display advertising can backfire under poor targeting (Fernando & Wahid, 2019). Whether this channel heterogeneity holds among small retailers in a peripheral emerging-market city - where technical capacity is limited and adoption is recent - has not been established.

This study addresses both gaps using survey data from 100 retail businesses in Surigao City, a secondary Philippine city whose retail sector is dominated by small, sole-proprietor enterprises. It asks three research questions: (RQ1) To what extent, and how unevenly, do small retailers practice the five major digital marketing channels? (RQ2) Do the extent of digital marketing practice and its perceived sales performance effects differ systematically by firm resources and characteristics - type of retailer, organizational form, capitalization, operational tenure, and technological infrastructure? (RQ3) Are the associations between digital marketing practice and sales performance uniform across channels, or channel-contingent? In answering these questions, the study contributes a channel-disaggregated, resource-contingent account of digital marketing returns in an understudied emerging-market retail setting, and offers evidence relevant to the design of SME digitalization support programs.

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Theoretical Anchors: TOE and the Resource-Based View

The TOE framework posits that a firm's adoption of technological innovation is jointly shaped by its technological context (available internal and external technologies), organizational context (size, structure, and slack resources), and environmental context (industry and market conditions) (Tornatzky & Fleischer, 1990). Applied to digital marketing, TOE predicts that adoption will vary with a retailer's technological infrastructure, capitalization, organizational form, and sector - the business-profile variables examined in this study. The RBV complements this adoption logic with a performance logic: firms differ in their bundles of valuable, rare, and imperfectly imitable resources, and these differences - not the mere availability of a technology - explain performance heterogeneity (Barney, 1991). Recent empirical work substantiates this mechanism directly in the digital marketing domain: Zhang et al. (2025) found that digital marketing improves corporate performance primarily by building firms' "information dynamic capability" - their capacity to acquire, integrate, and absorb market information - rather than through digital marketing activity alone, with information-integration capability showing no mediating effect where firms lacked it. This is precisely the capability-contingent mechanism RBV predicts, and it anticipates a central pattern in the present study's results: adoption and returns should both track firm resources, not run independently of them. Together, TOE and RBV predict not a level playing field but a resource-contingent one, in which both the extent of digital marketing practice and its payoff differ across firms. The broader scholarly trajectory of the field supports treating digital marketing as a multidimensional, capability-dependent construct rather than a single undifferentiated practice (Kannan & Li, 2017; Dwivedi et al., 2021).

2.2 Digital Marketing Channels and Their Expected Returns

E-commerce has expanded rapidly alongside internet penetration, allowing even small retailers to operate continuously and reach previously inaccessible markets (Tarso et al., 2025), though adoption barriers related to infrastructure, cost, and digital readiness persist in developing economies (Ulhaq et al., 2022). Within this environment, the five major digital marketing channels differ substantially in their capability requirements and documented returns. Email marketing is low-cost and highly measurable (Budac, 2016), with strong reported ROI when campaigns are segmented and personalized (Lee & Kim, 2022) - but its returns depend precisely on those capabilities, and unsegmented, untracked campaigns yield weak effects on direct sales metrics (Chatterjee & Kumar, 2021; Sabbagh, 2021). Social media - broadly defined as internet-based applications built on the participatory, user-generated foundations of Web 2.0 (Kaplan & Haenlein, 2010) - combines free organic reach with paid amplification; multi-platform campaigns measurably lift online sales (Wang et al., 2025), paid social advertising increases traffic and conversion (Tiago & Verissimo, 2014), and activity on these platforms has been linked to stronger customer equity even in premium retail segments (Kim & Ko, 2012), making it the most accessible entry point for resource-constrained firms (Hazée et al., 2017). Consistent with this, case-study evidence from fashion e-commerce shows social media content shaping consumer decision-making directly at the point of purchase (Pei, 2024).

Search engine marketing (SEM) targets consumers actively searching for products (Key, 2017), and its effectiveness is tightly coupled to technical capability: campaign structure, ad relevance, and keyword optimization significantly determine click-

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through rates and profitability (Wenning, 2021; Li & Yang, 2022), and search advertising spend has been shown to dynamically boost product sales volumes over time (Yang et al., 2020). Digital display advertising can raise brand visibility when well targeted (Aimarketing Engineers, 2023), but is uniquely vulnerable to backfire: poorly targeted, intrusive, or fatigue-inducing placements reduce engagement and damage customer perception (Fernando & Wahid, 2019). Mobile marketing - SMS, push notifications, and mobile-optimized sites - exhibits strong engagement metrics, with SMS open rates near 98% and majority consumer preference for mobile-friendly formats (Kumar, 2023; Al-Gasawneh et al., 2023), consistent with foundational retailing research identifying the mobile channel as uniquely able to reach consumers inside, rather than merely direct them toward, the retail environment (Shankar et al., 2010). In RBV terms, these channels form a capability gradient: organic social media at the imitable, low-capability end; SEM and targeted display at the rare, high-capability end.

2.3 Sales Performance and the Emerging-Market Evidence Gap

Sales performance in retail digital marketing research is commonly operationalized through revenue, sales volume, customer acquisition, and customer retention (Grewal et al., 2021), though a large-scale review of marketing performance measurement cautions that these outcome constructs are frequently only weakly related to one another across studies and should not be treated as interchangeable (Katsikeas et al., 2016) - a caution the present study addresses by analyzing all four indicators separately rather than collapsing them into a single index. Revenue is increasingly shaped by online-offline channel integration (Yan, 2024; Zou, 2024); sales volume responds strongly to digital marketing and e-commerce adoption (Junaedi et al., 2023); acquisition is supported by targeted content and incentives (García et al., 2019; Langen & Huber, 2022) as well as by satisfaction-driven word-of-mouth referral (Wangenheim & Bayón, 2007) and user-generated content (You & Joshi, 2020); and retention responds to digital loyalty programs and sustained social media engagement (Kim et al., 2022; Santini et al., 2020; Thompson, 2024), consistent with earlier evidence that loyalty-program membership shapes how customers evaluate and remain with a firm through repeated service experiences (Bolton et al., 2000). Underlying all four outcomes is a broader shift in consumer decision-making itself: digital and social channels now shape the customer journey well before purchase, from information search through post-purchase word-of-mouth (Stephen, 2016). However, this evidence base is drawn overwhelmingly from large firms and developed or metropolitan markets. Channel-disaggregated evidence from small retailers in secondary cities of developing economies is scarce, and the moderating role of firm resources - central to both TOE and RBV - is rarely tested across multiple channels simultaneously. This study addresses that gap. Consistent with TOE, it expects adoption to differ significantly by firm profile (RQ2); consistent with RBV, it expects performance associations to be strongest for capability-intensive channels and weakest - potentially null or negative - for channels practiced without their complementary capabilities (RQ3).

3. MATERIALS AND METHODS

3.1 Research Design

The study employed a quantitative, descriptive-correlational research design. The descriptive component characterized the profile of retail business respondents and the extent to which they implement digital marketing strategies, while the correlational component tested whether a statistically significant relationship existed between the extent of digital marketing practice and sales performance. This design allowed the identification of patterns and associations in real-world business operations without manipulating any variable.

3.2 Participants

Respondents were 100 retail business owners and managers in Surigao City, Philippines, selected through purposive sampling. Eligibility was determined via a pre-screening questionnaire requiring that respondents (a) currently operate a retail business within Surigao City, (b) engage in some form of e-commerce or digital marketing practice, and (c) voluntarily agree to participate. A sample of 100 was considered adequate to detect moderate relationships in correlational analysis while remaining logistically manageable (Creswell & Creswell, 2018). Respondents represented a range of retail sectors, including food and beverage, apparel, electronics, home and furniture, and beauty and personal care.

3.3 Research Instrument

A researcher-made survey questionnaire was administered in three sections: (a) business profile (type of retailer, form of business organization, capitalization, years of operation, and technological infrastructure), (b) extent of digital marketing practice across the five strategies, rated on a 4-point frequency scale from Never to Always, and (c) perceived sales performance across the four indicators, based on self-reported assessment. The instrument was reviewed by a panel of business and marketing experts for content validity and was pilot-tested to assess internal consistency prior to full administration.

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3.4 Data Collection and Analysis

Following institutional approval, data collection proceeded in four phases: pre-screening, informed consent, administration of the main questionnaire (online and face-to-face), and monitoring/retrieval, over a four-week period. Data were analyzed using frequency and percentage distribution (business profile), weighted mean (extent of digital marketing practice and sales performance), one-way ANOVA (differences by business-profile variable), and Pearson product-moment correlation (relationship between digital marketing practice and sales performance), all computed at the 0.05 level of significance. Respondent participation was voluntary and anonymous, with informed consent obtained prior to data collection and the research protocol reviewed by the appropriate institutional authorities.

4. RESULTS

4.1 Business Profile

Retail businesses in Surigao City span a mix of traditional and digitally native formats. Apparel and fashion retailers formed the largest group (23%), followed by online-only retailers (20%) and food and beverage businesses (14%), reflecting both the durability of lifestyle-driven retail and a clear post-pandemic shift toward digital-first business models. Most businesses were sole proprietorships (61%), operated with capitalization below ₱3,000,000 (48%), and had been in operation for more than five years (58%), indicating a retail sector composed largely of small, independently managed, and relatively mature enterprises. In terms of technological infrastructure, payment terminals (52%) and mobile devices (23%) were the most common digital tools, while dedicated e-commerce platforms (8%) and computers (4%) remained comparatively rare - suggesting that most retailers have adopted digital payment acceptance well ahead of fuller e-commerce integration (Table 1).

Table 1. Business Profile of Respondents (N = 100)

Profile Variable	Category	f	%
Type of Retailer	Apparel & Fashion	23	23.0
	Online Retailer	20	20.0
	Food & Beverage	14	14.0
	Electronics & Appliances	8	8.0
	General Merchandise	7	7.0
	Laundry Shop	7	7.0
	Other (Convenience, Supermarket, Dept. Store, School Supplies, Construction, Auto Parts)	21	21.0
Form of Business Organization	Sole Proprietorship	61	61.0
	Corporation	22	22.0
	Partnership	17	17.0
Capitalization	Below ₱3,000,000	48	48.0
	₱15,000,001–₱100,000,000	29	29.0
	₱3,000,001–₱15,000,000	23	23.0
Years of Operation	More than 5 years	58	58.0
	4–5 years	34	34.0
	1–3 years	6	6.0
	Less than 1 year	2	2.0
Technological Infrastructure	Payment Terminals	52	52.0
	Mobile Devices	23	23.0
	POS Software	13	13.0

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Profile Variable	Category	f	%
	E-commerce Platforms	8	8.0
	Computers	4	4.0

4.2 RQ1: Shallow and Uneven Channel Adoption

Overall, digital marketing was practiced only to a limited extent ($M = 2.26$, $SD = 0.33$). Adoption followed a clear capability gradient consistent with the RBV framing developed in Section 2: the freely available, low-skill channel - social media marketing - was the most adopted ($M = 2.82$), while the most capability-intensive channel - search engine marketing - was the least ($M = 1.73$) (Table 2). The indicator-level pattern sharpens this picture (Table 3). Within social media itself, near-universal organic promotion ($M = 3.82$) coexisted with almost no paid advertising ($M = 1.54$); within SEM, even basic keyword incorporation ($M = 1.38$) and paid search ($M = 1.29$) were essentially absent. Adoption, in other words, is not merely shallow overall - it is systematically concentrated in the imitable, zero-cost applications of each channel, while the differentiating, capability-dependent applications remain untouched. This is precisely the adoption profile that RBV predicts will yield little durable competitive advantage (Barney, 1991), and it mirrors the OECD's (2021) observation that SME digital uptake often stalls at basic connectivity and communication uses without progressing to productivity-enhancing applications.

Table 2. Extent of Digital Marketing Practices

Digital Marketing Practice	Mean	SD	Verbal Interpretation	Qualitative Description
Email Marketing	2.13	0.28	Rarely	Less Practiced
Social Media Marketing	2.82	0.33	Often	Moderately Practiced
Search Engine Marketing	1.73	0.47	Never	Never Practiced
Digital Display Advertising	2.35	0.30	Rarely	Less Practiced
Mobile Marketing	2.27	0.29	Rarely	Less Practiced
Overall	2.26	0.33	Rarely	Less Practiced

Table 3. Highest- and Lowest-Rated Indicators, by Digital Marketing Practice

Practice	Highest-Rated Indicator	M	Lowest-Rated Indicator	M
Email Marketing	Collects customer feedback via embedded surveys	2.34	Sends newsletters / rates email effectiveness (tie)	1.97
Social Media Marketing	Uses social media to promote products/services	3.82	Runs paid social media advertisements	1.54
Search Engine Marketing	Monitors reach of social media posts	2.00	Uses paid search ads (e.g., Google Ads)	1.29
Digital Display Advertising	Perceived to have increased awareness and sales	2.84	Uses display ads (banners, pop-ups)	1.95
Mobile Marketing	Perceived to have improved engagement and sales	2.98	Places in-app mobile ads	1.64

4.3 Perceived Effect on Sales Performance

The perceived effect of digital marketing on sales performance was likewise modest across all four indicators (overall $M = 2.37$, $SD = 0.40$). Revenue showed the highest mean effect ($M = 2.47$), driven largely by perceived gains from integrating online and offline sales channels ($M = 3.14$) - consistent with Yan's (2024) finding that channel synchronization enhances convenience, loyalty, and revenue. Customer acquisition showed the lowest mean effect ($M = 2.22$): although retailers broadly credited digital marketing with expanding their customer base ($M = 3.21$), few offered first-time-buyer incentives ($M = 1.23$) or used targeted advertising ($M = 1.63$) to actively drive acquisition, suggesting that gains are occurring somewhat passively rather than through

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deliberate acquisition campaigns (Table 4 and Table 5). The gap between broad perceived benefit and thin tactical execution again points to adoption that has not yet matured into capability.

Table 4. Effect of Digital Marketing Practices on Sales Performance

Sales Performance Indicator	Mean	SD	Verbal Interpretation	Qualitative Description
Revenue	2.47	0.52	Rarely	Less Practiced
Sales Volume	2.41	0.36	Rarely	Less Practiced
Customer Acquisition	2.22	0.34	Rarely	Less Practiced
Customer Retention	2.37	0.36	Rarely	Less Practiced
Overall	2.37	0.40	Rarely	Less Practiced

Table 5. Highest- and Lowest-Rated Indicators, by Sales Performance Domain

Domain	Highest-Rated Indicator	M	Lowest-Rated Indicator	M
Revenue	Online/offline sales integration improved revenue	3.14	E-commerce platforms generate significant revenue	1.75
Sales Volume	Sales volume increased since adopting digital marketing	2.86	SEM campaigns drive higher sales volume	1.55
Customer Acquisition	Digital marketing increased number of new customers	3.21	Offers incentives to first-time buyers	1.23
Customer Retention	Digital discounts/rewards increased retention	2.98	Retargeting ads bring back previous customers	1.66

4.4 RQ2: A Within-Market Digital Divide by Firm Resources

Consistent with the TOE prediction that adoption tracks firm context, one-way ANOVA showed that the type of retailer was associated with significant differences across all five digital marketing practices (all $p < .05$), with the strongest differentiation in mobile marketing ($F = 4.76$, $p < .001$) and social media marketing ($F = 5.13$, $p < .001$). Form of business organization, capitalization, years of operation, and technological infrastructure each produced significant differences in three to four of the five practices, but consistently not in email marketing - which differed significantly only by capitalization ($F = 5.45$, $p = .010$) - underscoring that email adoption is comparatively insensitive to firm scale or maturity (Table 6). Search engine marketing likewise varied significantly only by type of retailer and organizational form, suggesting its (near-absent) adoption is shaped more by sector-specific relevance than by financial or technological capacity.

Table 6. Significant Differences in Digital Marketing Practices, by Business Profile Variable

Profile Variable	Email Mktg.	Social Media	Search Engine	Display Adv.	Mobile Mktg.
Type of Retailer	Sig.	Sig.	Sig.	Sig.	Sig.
Form of Business Org.	n.s.	Sig.	Sig.	n.s.	Sig.
Capitalization	Sig.	Sig.	n.s.	Sig.	Sig.
Years of Operation	n.s.	Sig.	n.s.	Sig.	Sig.
Technological Infrastructure	n.s.	Sig.	n.s.	Sig.	Sig.

Sales performance showed an even more consistent pattern, squarely supporting the RBV prediction: all four indicators differed significantly across all five business-profile variables (all $p < .05$; Table 7). Capitalization and technological infrastructure produced the strongest effects overall, most notably on revenue ($F = 17.30$, $p < .001$ and $F = 17.39$, $p < .001$, respectively), indicating that financial and technological resources are the two most powerful moderators of how much a retailer benefits

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from digital marketing. Taken together, Tables 6 and 7 describe a within-market digital divide: better-resourced retailers not only adopt digital marketing more extensively (the TOE adoption effect) but also convert that adoption into significantly greater sales performance (the RBV returns effect). This dual gap aligns with Fernando and Wahid's (2019) finding that financial resources moderate digital marketing effectiveness, and it operationalizes, at the level of a single secondary-city retail sector, the widening SME digital divide that the OECD (2021) documents at the macro level.

Table 7. Significant Differences in Sales Performance, by Business Profile Variable

Profile Variable	Revenue	Sales Volume	Cust. Acquisition	Cust. Retention
Type of Retailer	Sig. (F = 7.36)	Sig. (F = 2.87)	Sig. (F = 3.26)	Sig. (F = 3.64)
Form of Business Org.	Sig. (F = 10.66)	Sig. (F = 6.64)	Sig. (F = 3.64)	Sig. (F = 6.69)
Capitalization	Sig. (F = 17.30)	Sig. (F = 6.83)	Sig. (F = 5.30)	Sig. (F = 10.99)
Years of Operation	Sig. (F = 8.79)	Sig. (F = 3.16)	Sig. (F = 6.23)	Sig. (F = 7.85)
Technological Infrastructure	Sig. (F = 17.39)	Sig. (F = 5.76)	Sig. (F = 6.66)	Sig. (F = 6.04)

4.5 RQ3: Channel-Contingent, Not Uniform, Returns

Pearson correlation revealed that returns to digital marketing were sharply channel-contingent rather than uniform (Table 8), directly answering RQ3. Three distinct patterns emerged. First, and most striking, search engine marketing showed the strongest associations with sales performance of any channel - a very strong correlation with sales volume ($r = .92$, $p < .001$) and a strong correlation with revenue ($r = .89$, $p < .001$) - despite being the least-practiced channel of all. This adoption-effectiveness inversion is the study's central paradox: the channel with the highest apparent payoff is the one retailers use least, consistent with Zhang and Lichtenstein's (2020) finding that SEM directly enhances conversion in competitive retail environments, and with the RBV logic that rare, capability-intensive resources generate the largest returns (Barney, 1991). Second, mobile marketing ($r = .41$ to $.73$) and social media marketing ($r = .44$ to $.66$) showed significant, moderate-to-strong positive associations across all four indicators, aligning with Dinh et al.'s (2023) evidence on social media as a cost-effective driver of acquisition and retention among Southeast Asian SMEs.

Third, and contrary to the equalizer narrative, two channels departed from the positive pattern. Email marketing showed no significant relationship with any sales performance indicator ($r = -.05$ to $.16$, all $p > .05$), consistent with Chatterjee and Kumar's (2021) observation that email's impact on direct sales is weak unless paired with personalization and automation - features that, per Table 3, were largely absent here. Most notably, digital display advertising showed a significant negative relationship with all four indicators ($r = -.33$ to $-.61$, all $p < .01$). Rather than dismissing this as anomalous, we read it through Fernando and Wahid's (2019) finding that poorly targeted, fatigue-prone display placements actively depress engagement and customer perception: for capability-constrained small retailers, display advertising implemented without targeting or creative discipline appears not merely ineffective but counterproductive. This negative association is the clearest single piece of evidence against treating digital marketing as a monolithic good - some channels, practiced without their complementary capabilities, destroy rather than create value.

Table 8. Correlation Between Digital Marketing Practices and Sales Performance (Pearson r)

Practice	Revenue	Sales Volume	Cust. Acquisition	Cust. Retention
Email Marketing	0.16	0.16	0.00	-0.05
Social Media Marketing	0.47**	0.44**	0.50**	0.66**
Search Engine Marketing	0.89**	0.92**	0.74**	0.81**
Digital Display Advertising	-0.61**	-0.33**	-0.38**	-0.34**
Mobile Marketing	0.73**	0.60**	0.41**	0.41**

Note. ** $p < .01$. Email marketing correlations were not statistically significant (all $p > .05$).

5. DISCUSSION

The three findings converge on a single argument: in Surigao City's retail sector, digital marketing is neither a monolithic intervention nor a capacity-neutral equalizer, but a set of resource-contingent, channel-specific practices whose benefits are unevenly distributed. This reframing carries both theoretical and practical implications, and - as a single-city case study - offers a concrete empirical instance of the broader emerging-market SME digital divide that future multi-site research can test for generalizability.

5.1 Theoretical Implications

The results jointly validate the TOE and RBV lenses while specifying how they operate in a small-retail context. Supporting TOE, adoption of every capability-intensive channel varied significantly with firm context - retailer type, organizational form, capitalization, and technological infrastructure - while only email marketing, the least capability-intensive channel, was largely context-invariant (Table 6). Supporting RBV, performance returns were not conferred by the mere use of freely available tools but concentrated in channels requiring rarer complementary capabilities: SEM, the scarcest capability in the sample, showed the strongest performance association, whereas organic social media - ubiquitous and easily imitated - showed weaker (though still positive) associations. The negative display-advertising association extends RBV in a way rarely made explicit in the SME digital marketing literature: a resource deployed without its complementary capabilities can generate negative returns, not merely zero ones. Value destruction, not just value absence, is a possible outcome of undercapitalized digital marketing - a proposition that warrants direct testing in future confirmatory work.

The study also contributes an emerging-market boundary condition to the "digital marketing as equalizer" thesis. The equalizer narrative assumes that low access cost translates into broadly shared benefit. Our within-market evidence instead shows the OECD's (2021) macro-level SME digital divide reproduced at the level of a single secondary city: better-resourced firms adopt more and benefit more, so equal access to platforms coexists with unequal returns. Access is necessary but not sufficient; capability is the binding constraint.

5.2 The Adoption-Effectiveness Gap

The most actionable finding is the inversion between adoption and effectiveness for search engine marketing: the channel with the strongest performance association ($r = .74-.92$) was the least practiced ($M = 1.73$). Under a simple returns-seeking model, retailers should invest most where payoffs are highest; the observed inversion therefore signals a market failure rooted in capability and awareness rather than in the technology's value. Because SEM requires technical skills - keyword research, campaign structuring, bid management - that are scarce among sole-proprietor retailers, the channel remains unused despite its apparent payoff. This gap is where targeted intervention (training, shared agency services, platform-provided automation) could yield the largest marginal return, and it reframes the policy question from "how do we increase digital adoption?" to "how do we close the capability gap on the highest-return channels specifically?"

5.3 Practical and Policy Implications

For retailers, the results argue against undifferentiated "go digital" advice and in favor of channel prioritization matched to capability: consolidate the low-cost channels already yielding returns (organic social media, mobile/SMS), approach display advertising with caution or avoid it until targeting capability exists, and treat SEM as the highest-value capability to acquire. For business-support organizations and local government, the within-market divide implies that generic digitalization campaigns may inadvertently widen inequality by benefiting already-capable firms; support should be resource-tiered, channeling capability-building (not just access) toward the smallest and least-capitalized retailers. For platform providers, the SEM adoption-effectiveness gap represents both an unmet need and a market opportunity for simplified, automated search-advertising tools designed for micro-enterprises.

6. CONCLUSION

This study set out to test whether the returns to digital marketing are evenly distributed across firms and across channels in Surigao City's retail sector. They are not. Adoption among Surigao City retailers was shallow and concentrated in freely available, low-skill applications, while the channels and capabilities most strongly associated with performance remained largely untapped. Both adoption and returns tracked firm resources - capitalization and technological infrastructure above all - reproducing a within-market digital divide in which better-resourced firms adopt more and benefit more. And returns were sharply channel-contingent: strongly positive for search engine, mobile, and social media marketing; null for email; and significantly negative for digital display advertising. Interpreted through the technology-organization-environment framework and the resource-based view, these findings reframe digital marketing not as a capacity-neutral equalizer but as a resource-

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contingent capability whose benefits must be actively built rather than assumed. While generalization beyond this single city awaits replication, the practical corollary for comparable secondary-city markets is that SME digitalization support should be channel-differentiated and resource-tiered, concentrating capability-building on the highest-return channels and the least-resourced firms - the combination most likely to convert digital access into digital advantage.

7. RECOMMENDATIONS

Building on the channel-differentiated, resource-tiered logic developed in Section 5.3, the following operational recommendations are organized by form of business organization to match guidance to typical resource levels:

For sole proprietors:

- Adopt free or low-cost digital tools such as Facebook Marketplace, TikTok, and Messenger for regular product promotion, capitalizing on the near-universal existing use of basic social media promotion (Table 3).
- Integrate cashless payment options (e.g., GCash, Maya) to complement the already widespread use of payment terminals and improve transaction convenience.
- Use direct, personalized channels such as community group chats to notify customers of new stock and promotions, building the customer-engagement habits that this study found underdeveloped in email and acquisition-focused practices.

For partnerships:

- Pool resources for professional-grade digital advertisements or boosted posts, addressing the low uptake of paid social advertising identified as the weakest social media indicator ($M = 1.54$).
- Assign a partner to monitor digital inquiries and sales data specifically to close the ROI-tracking gap identified across email, revenue, and sales-volume indicators.

For corporations:

- Invest in dedicated e-commerce platforms and professional digital marketing staff to move beyond payment-terminal-level digital adoption toward the fuller e-commerce integration this study found still rare (8% of respondents).
- Implement CRM and analytics tools to enable the systematic ROI tracking, keyword optimization, and audience targeting that this study found were the most consistently underutilized capabilities across all five digital marketing practices.
- Given the negative correlation found for digital display advertising, prioritize creative quality and audience targeting audits before scaling any display-ad investment, rather than assuming increased spend will improve outcomes.

8. LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

Several limitations bound these conclusions and define a forward research agenda. First, both digital marketing practice and sales performance were self-reported and cross-sectional, so the associations reported here - including the striking SEM and display-advertising findings - are correlational and cannot establish causal direction; a longitudinal or quasi-experimental design linking channel adoption to objective, time-stamped sales data (point-of-sale records, platform analytics) is the natural next step. Second, the negative display-advertising association, while theoretically interpretable as value destruction under poor targeting, is based on perceptual measures and a modest sample; it should be treated as a hypothesis for confirmatory testing rather than a settled result. Third, purposive sampling of 100 retailers in a single secondary city limits statistical generalizability; replication across other emerging-market cities would test whether the within-market digital divide and channel-contingent returns observed here hold more broadly. Finally, the study did not measure the specific capabilities (analytics skill, campaign-management expertise) that the RBV interpretation implicates; directly measuring these mediators would allow future work to test the capability mechanism rather than infer it. Despite these limits, the convergence of the adoption pattern, the resource-graded differences, and the channel-contingent correlations provides a coherent, theory-consistent account that meaningfully advances understanding of SME digital marketing in emerging markets.

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