

Networks Mediation of Digital Marketing on Marketing Performance of Palu City SMEs in The New Normal Era

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ABSTRACT

Digital marketing and networks is a strategy that can help SMEs to survive and even rise so that marketing performance does not drop considerably. This study aims to explore the influence of digital marketing on marketing performance and networks as a mediating variable in SMEs in Palu City. Data collection techniques using questionnaires distributed to 76 SME owners in Palu City, respondents were selected by purposive sampling criteria, analyzed using SEM-PLS analysis. The results of the study show that digital marketing has a direct, positive and significant effect on the marketing performance of SMEs in Palu City and digital marketing has an indirect, positive and significant effect on the marketing performance of SMEs in Palu City through networks as a mediating variable.

Keywords: Digital marketing, networks, marketing performance and Small and Medium Enterprises (SMEs)

1. INTRODUCTION

This research is motivated by rapid technological developments and continues to change from year to year, resulting in the emergence of the latest digital marketing trends that are adapted to current conditions and situations. At the beginning of 2020, the Corona Virus Disease-19 (Covid-19) Pandemic occurred which hit the world, including Indonesia, especially Central Sulawesi, so that the use of technology also underwent massive changes.

The process of spreading the virus that occurs through human-to-human contact has prompted the government through the Ministry of Health to issue a Health Decree Number: HK.01.07/MENKES/382/2020 concerning Protocols for Public Health in Public Places and Facilities. The implementation of these regulations makes life a new normal (new normal), where all community activities are required to follow health protocols, including in business activities. New normal is a new order of life to create a productive and safe society from Covid19.

New normal is marked by the reopening of people's daily activities while maintaining themselves from the spread of Covid-19. New Normal itself consists of new orders, habits and behaviors,

through clean and healthy living behavior. Some of the new habits in the current New Normal era include washing hands with soap, always wearing a mask when leaving the house or being in a crowd, practicing physical distancing from other people. These new habits are expected to be carried out collectively and become new habits that are obeyed by all citizens.

People's productive businesses, such as SMEs, have been affected by the Covid-19 pandemic and must be prepared to face the new normal era. Changes in the activities of entrepreneurs who previously ignored health, now prioritize health protocols and pay attention to social aspects. In addition, this change in business activity also encourages the evolution of businesses that

were previously offline, now become online. This is in line with the development of digital technology which is becoming a current trend.

Data from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia as of June 2020, shows that the number of micro, small and medium enterprises (MSMEs) is recorded at around 64 million units, and is able to absorb nearly 117 million workers. using digital platforms such as marketplaces and social media to promote and sell their products.

SMEs need to adopt new strategies to maintain productivity and maintain their income in the new normal era. Digitalization is one of the efforts that can help SME businesses to survive and even rise. Digital sales penetration can be a key strategy for SMEs because this strategy can expand market reach and promote products while complying with social distancing policies that set a 50 percent limit for store capacity and reduced operating hours.

Digital marketing is one of the most reliable marketing efforts to survive the Covid-19 pandemic so that the decline in marketing performance does not reach 100%. Digital marketing as the use of technology to assist marketing activities that aim to increase consumer knowledge by adapting to their needs [1]. As the results of research Yamin [2] also findings Sidi & Yogatama [3] and Anjaningrum [4], which show that there is a very large impact on the use of digital marketing on improving marketing performance. Even during the Covid-19 pandemic, the impact of digital marketing could not be felt by SMEs because the purchasing power of the people had also decreased drastically as a result of the PSBB and other policies.

Considering the decline in marketing performance that is too large and the Covid-19 pandemic which is still not predictable with certainty when it will end, SMEs in Palu City must work hard to strengthen Networkssss, especially SME community networks that have similar products. These SME actors share information with each other through social media groups. SMEs players also strengthen Networkssss with relevant government organizations such as the Industry Office, and the Cooperatives and SMEs Office, as well as Networks with academia and the media.

According to research results Hariyati [5] Networks have a significant positive effect on marketing performance. Likewise, long before, it has been proven by Gronum [6] that Networks have a very real and complex contribution to the performance of SMEs. The practice of digital marketing and expansion of Networks has been made as much as possible by creative economy-based SMEs in Palu City. However, the contribution of the two strategies still needs to be reviewed and understood more deeply in order to know the effectiveness of their implementation.

From the explanation above, researchers are interested in analyzing digital marketing strategies and Networks on the marketing performance of SMEs in the current New Normal era. Researchers chose the research location in Palu City because it is the capital of Central Sulawesi Province.

Therefore, the purpose of this study is to determine the effect of digital marketing and

Networks on the marketing performance of SMEs in Palu City. It is hoped that the results of this study can be used as a reference material for SMEs, academics, the government and other stakeholders to determine strategic steps in pentahelix collaboration to raise the performance of SMEs in the new normal era.

From the previous description, the formulation of the problem in this study, among others: Does digital marketing have a direct, positive and significant effect on the marketing performance of SMEs in Palu City and whether digital marketing has an indirect, positive and significant effect on the marketing performance of SMEs in Palu City Networks as a mediating variable.

2. LITERATURE

2.1 Digital Marketing

Digital marketing can be defined as marketing activities including branding using various web-based media. The digital marketing strategy should be aligned with the organization's strategy. In such a development of digital technology, organizations are sometimes tempted not to listen or see what the market wants. Often with the advancement of existing technology, business organizations are tempted to show the sophistication of their technology without hearing what the market has to say.

The term digital-based marketing (digital marketing) has evolved from the beginning of marketing activities for goods and services using digital channels to a broader understanding, namely the process of acquiring consumers, building consumer preferences, promoting brands, nurturing consumers, and increasing sales.

The concept of digital marketing comes from the internet and search engines on websites. When internet usage exploded in 2001, the market was dominated by Google and Yahoo as search engine optimization (SEO). The use of searching through the internet grew in 2006 and in 2007 the use of mobile devices increased dramatically which also increased the use of the internet and people from all over the world began to connect with each other through social media [7].

The definition of digital marketing according to the American Marketing Association (AMA) is the activities, institutions, and processes facilitated by digital technology in creating, communicating, and delivering value to consumers and other interested parties [7].

Sawicky defines digital marketing as the exploitation of digital technology used to create a

channel to reach potential recipients to achieve company goals through meeting consumer needs more effectively[8].

2.2 Networks

Networks is a process of building mutually beneficial relationships [5]. Network by determining the number of network ties involved with different actors, as well as the frequency of interaction between the focus company and these actors. Social capital can be viewed as all the resources embedded in the network relationships of individuals, communities, networks, or societies.

Gronum also adds that the network at the corporate level is concerned with disclosing the benefits derived from the network which are mostly measured as company performance [6]. Networks and social capital are embedded in a positive relationship with the performance of SMEs. By building a network, SMEs benefit greatly. Networking gives SMEs more access to complementary resources, skills, abilities and knowledge that are not available internally.

2.3 Marketing Performance

Gronum explains that company performance is a multidimensional construct that uses perceptual or self- reported company performance measures [6]. Meanwhile, marketing performance, according to Ferdinand in Sidi & Yogatama is defined as an achievement generated by the impact of various roles that function in a company [3].

Performance measurement is useful for users to provide feedback that helps managers identify problems and help solve them. However, the issue of performance measurement is still a classic debate, because as a construct, marketing performance is multidimensional in that it contains various types and objectives of the company.

The marketing performance according to Gao is a multidimensional process that includes three dimensions of effectiveness, efficiency and adaptability [9]. The effectiveness and efficiency of the company's marketing activities are related to market-related objectives, such as revenue, growth, and market share.

3. METHODOLOGY

The population in this study is all small and medium enterprises (SMEs) in Palu City whose number is unknown. The research sample as many as 75 respondents was selected through a purposive-sampling technique, namely SME actors who happened to be met by the researcher and met the requirements that the respondent was domiciled in Palu City, had a business, and was willing to provide all the information needed by the researcher.

Quantitative primary data was collected through a 5-point Likert scale questionnaire survey.

Data were analyzed using Partial Least Square (PLS) with the calculation process assisted by SmartPLS 3.0 software. The sample and distribution of residuals, usually indicators in PLS, can be reflective or formative.

4. RESULT AND DISCUSSION

4.1 Result

4.1.1 Pengujian Outer Model (Model Pengukuran)

1. Convergent Validity (Validitas Konvergen)

Convergent validity evaluation can be done by looking at the loading factor value. Loading factor is a quantity that shows the relationship between the construct and its indicators. The value of convergent validity is declared valid if the outer loading value is above 0.70.

Table 1 shows that all indicators have a loading factor value above 0.7. An indicator that has a loading factor value above 0.7 is declared to have high validity so that it meets the convergent validity requirements.

Tabel 1. Nilai Loading Factor

Indikator	Digital Marketing	Networking	Marketing Performance
DG1	0,784		
DG2	0,787		
DG3	0,746		
DG4	0,862		
DG5	0,718		
DG6	0,710		
DG7	0,830		
DG8	0,812		
NET1		0,882	
NET2		0,877	
NET3		0,897	
NET4		0,931	
NET5		0,737	
NET6		0,900	
KP1			0,869
KP2			0,788
KP3			0,869
KP4			0,869
KP5			0,773

2. Discriminant Validity (Validitas Diskriminan)

Analysis of variance (R²) or determination test was carried out to determine the magnitude of the correlation between the independent variable and the dependent variable. The value of the coefficient of determination based on the results of the analysis using Smart PLS 3.0 can be observed in the table below.

Table 2. Nilai *R-square*

Variabel	R	R Square Adjusted
Marketing Performance	0,669	0,660
Networks	0,421	0,413

From the results of the analysis as shown in the table above, it can be seen that marketing performance is able to explain the variability of the digital marketing construct by 66.9%, the remaining 33.1% is explained by other constructs not examined in this study.

4.1.2 Hypothesis test

Hypothesis testing is carried out based on the results of testing the inner model (structural model), including the R-square output, parameter coefficients, and t-statistics. To find out whether the hypothesis is accepted or not, it is necessary to pay attention to the significance value between constructs, t-statistics, and p-value. These values can be obtained through bootstrapping results, by comparing the value of t-statistics with t-tables. The rule of thumb used in this study is $t\text{-statistic} > 1.96$ with a significance level of p-value 0.05 (5%) and a positive beta coefficient. If the value of $t\text{-statistic} > t\text{-table}$ (1.96) then the hypothesis is accepted. Meanwhile, if the value of $t\text{-statistic} < t\text{-table}$ (1.96) then the hypothesis is rejected. The structural model of this research is depicted in the Figure below.

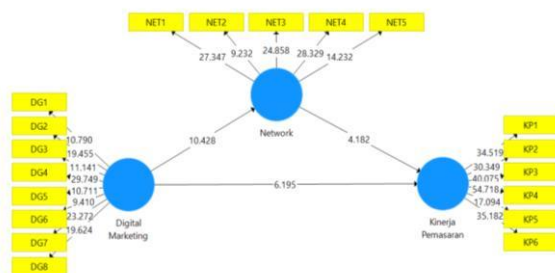


Figure 1 Model Bootstrapping Output

Furthermore, the results of the path coefficients in this study are described in Table 3 below.

Table 3. Path Coefficients Result

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values

Digital Marketing → Marketing Performance	0,516	0,521	0,083	6,195	0,000
Digital Marketing → Networks → Marketing Performance	0,248	0,249	0,067	3,733	0,000

The first hypothesis tests whether digital marketing has a direct, positive and significant effect on marketing performance. The test results show that the digital marketing beta coefficient is 0.516 and the t-statistic is 6.195. From these results, it is stated that the t-statistic is significant. Because > 1.96 with p value < 0.05 so the first hypothesis is accepted. This proves that digital marketing has a positive influence on marketing performance.

The second hypothesis examines whether digital marketing has an indirect, positive and network effect as an intervening or mediating variable. The test results show that the digital marketing beta coefficient is 0.248 and the t-statistic is 3.733. From these results it is stated and significant to the marketing performance t-statistic is significant. Because > 1.96 with p value < 0.05 so the second hypothesis is accepted. This proves that digital marketing has a positive and significant influence on marketing performance and networks are able to mediate.

4.1.3 Discussion

Digital Marketing on Marketing Performance

The results of this study indicate that digital marketing has a direct, positive and significant effect on marketing performance. The higher the digital marketing, the higher the marketing performance. The slightest increase in digital marketing will result in a relatively large increase in marketing performance. The results of this study are in line with the results of Pradiani's research which explains that digital marketing can increase the sales volume of the food industry in Malang City[10].

The findings of this study are also in line with the results of Leisander & Dharmayanti's research which revealed that digital marketing has a direct effect on the performance of five-star hotels in East Java[11]. Currently the increasing popularity of a product is the impact of the industry integrating technology into marketing strategies [12].

The research findings support the results of Nuseir's research which reveals that digital marketing has a positive impact on marketing performance[13]. In addition, the results of this study are also in line with the research results of Mokhtaran & Gilani which show that e-marketing has an effect on the marketing performance of MSMEs in Tehran, where e-marketing

is also part of digital marketing [14]. As revealed by Mokhtar that adopting internet marketing helps small businesses to have a wider market coverage, reduce marketing costs, and improve customer relationships [14]. Nuseir also proves that technological developments have significantly changed the way a business works. In this digital era, new businesses will be easily recognized by the public through social media which is part of digital marketing [13].

Widodo states that there is a need for strategic creativity in improving marketing performance. Digital marketing is currently the answer to these problems [15]. The right distribution channel is important in improving marketing performance. Digital marketing is not only capable of being a medium to establish connectivity between customers and between customers and producers or sellers, but also able to be an effective distribution channel.

Exploration of digital technology carried out by SME owners in Palu City can provide many benefits. First, in terms of cost, the costs required for marketing through digital technology are relatively cheap, so that it can reduce marketing costs. Traditional marketing costs have so far been relatively large, even difficult to do efficiency. Second, through digital technology, creative industry players can be fully creative in creating promotional programs that attract customers and provide added value to the industry. Third, in terms of site design, if the site design used is very attractive to consumers, it can provide positive value for the company. Finally, fourth, between producers and distributors with consumers can communicate interactively, so that all information can be received better and clearer. This is important to maintain customer relationships, both during acquisition and retention. Unfortunately, there are still many SMEs that are still not optimal in marketing their products through digital media. As the results of research Purwana et al. which also shows that only a few SMEs are actively using social media as a promotional tool and SMEs do not separate online shop accounts from business owners' personal accounts [8]. Most industries that do not take advantage of digital marketing are because they do not understand technology and do not have the skills to do digital marketing. Whereas Sidi and Yogatama revealed that social media marketing which is part of digital marketing is a consideration for today's customers to make purchasing decisions [3]. The same thing was also expressed by Anjaningrum which stated that internet marketing has an important role in consumer considerations to decide whether to buy a product or not [4]. very firmly states that e- marketing, which is part of digital marketing, has a huge impact on marketing performance at this time, so it is important not to ignore it. Social media as part of digital marketing really has an impact on the marketing

performance of an industry. Digital Marketing on Marketing Performance and Networks as Mediation.

The results of this study indicate that digital marketing has an indirect effect on marketing performance through networks as a mediating variable. The higher the digital marketing, the higher the network, and the higher the network, the higher the marketing performance. Networks is a process of building mutually beneficial relationships [5]. These findings fully support the research of Gronum which proves that networks are needed by SMEs in an effort to significantly improve company performance [6].

Every SME certainly needs networks to the five stake holders consisting of academia, business, government, community, and media. As an institution that has the authority to develop the creative economy, the government certainly has global programs for the community and often involves the media. In this case, of course, an important role is needed from the academics to help revive the marketing performance of SMEs, especially in the new-normal period after the Covid-19 pandemic. Reviewing the weaknesses in the digital marketing process, SMEs can collaborate with community partnership programs funded by the government. So there is collaboration between the government and academia in advancing SMEs based on the creative economy [11]. Even academics can also assist SMEs through student internships or street vendors where students will directly practice in the field to optimize the digital marketing that is being carried out, especially in the process of developing site design and establishing incentive programs.

5. CONCLUSIONS AND SUGGESTIONS

Based on the analysis of the research data, the following conclusions can be drawn: Digital marketing has a direct effect on the marketing performance of SMEs in Palu City and Digital marketing also has an indirect effect on marketing performance through networks as a mediating variable.

It is recommended that SMEs are important to increase intensive programs in every promotion carried out so that they have advantages and are able to attract customers. Networks can be enhanced through synergistic collaboration with the government, academia and the media. Through government grant programs, especially Research and Technology, SMEs can become partners for academics in community partnership programs which are part of the tridharma of higher education, namely community service. incentive program which is the weakness of SMEs.

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