Digital Marketing as a Powerful Tool to Improve MSMEs Performance

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Abstract. Small and Medium Enterprises (MSMEs) play a pivotal role in the worldwide business arena, making substantial contributions to economic growth and employment. In the age of digital transformation, the importance of digital marketing in elevating the performance of MSMEs has become increasingly prominent. In today's dynamic business environment, leveraging digital marketing strategies can empower these enterprises to thrive and navigate the challenges of the digital era, fostering their growth and sustainability. This research explored and synthesized the existing literature to assess the effect of digital marketing on MSMEs' performance. This study conducted a systematic literature review, involving the analysis of eleven selected articles. The research findings reveal a compelling and consistent pattern: digital marketing exerts a significant and positive influence on MSMEs' performance. These articles collectively provide evidence of the substantial benefits digital marketing offers to MSMEs, including increased market reach, improved customer engagement, enhanced brand visibility, and enhanced competitive advantage. Digital marketing emerges as a powerful tool for enhancing the competitiveness and success of MSMEs in the digital era.

Keywords: Digital marketing, MSMEs, Performance

1 Introduction

The emergence of new technology has created the digitalization era that allows businesses to harness the power of connectivity, data, and automation, transforming the way they operate and interact in a myriad of ways. This digitalization era has fundamentally transformed the business landscape, offering a wealth of opportunities for growth and innovation. Many businesses, including Micro, Small, and Medium Enterprises (MSMEs), are leveraging digitalization for the growth of their enterprises.

As the predominant business entity in Indonesia, MSMEs hold a pivotal role within the economic landscape of Indonesia, making substantial contributions to employment, economic growth, and poverty alleviation. They constitute a significant proportion of the nation's Gross Domestic Product (GDP), accounting for slightly over 61%
(Indonesia Investments, 2022). Additionally, Indonesian MSMEs serve as a primary source of employment, absorbing approximately 97% of the domestic workforce (Anonim, 2023).

Indonesian Ministry of Cooperatives and Small Medium Enterprises has released the data in 2019 about the number of MSMEs in Indonesia reached 65,470, constituting 99.99% of the total businesses in the country (Ivan, 2022). This extensive presence underscores the substantial impact of MSMEs on the nation's economic landscape. However, it cannot be denied that the MSMEs still face many challenges to keep their business stable.

One of the most significant challenges that Micro, Small, and Medium Enterprises (MSMEs) encounter is product marketing, as highlighted in the MSME Empowerment Report of 2022. In an increasingly competitive business environment, establishing a strong brand image becomes imperative for MSMEs to not only survive but thrive.

To expound further, MSMEs often operate in markets saturated with various products and services. To stand out and capture the attention of their target audience, they must not only offer quality products but also effectively communicate their unique value proposition. This is where strategic product marketing and brand image building come into play which will result in good business performance. In achieving these objectives, digital marketing can be a tool since it allows businesses to target the exact customer so it will increase both customer satisfaction and revenue (Jadhav, 2020).

The advent of digital marketing has emerged as a game-changing paradigm for MSMEs, offering them a powerful tool to not only survive but thrive in the contemporary business landscape. As consumers increasingly embrace digital platforms for their purchasing decisions, MSMEs find themselves at a crossroads, with digital marketing offering an unprecedented opportunity to improve their performance and impact.

This paper delves into the multifaceted realm of digital marketing and its role as a catalyst for enhancing the performance of MSMEs. It explores the manifold ways in which digital marketing empowers these enterprises to navigate the complexities of the modern business world, from expanding their reach and engaging with customers to making data-driven decisions. The objective is to illuminate the transformative potential of digital marketing and provide insights that enable MSMEs to harness its capabilities effectively, ultimately bolstering their performance, competitiveness, and sustainability in an increasingly digital-dependent marketplace.

2 Literature Review

2.1 Digital Marketing

Digital marketing is a means of engaging with customers and potential customers using digital technology such as email, text messaging, social media, and online-based advertising (Novak, 2023). In essence, the fundamental objectives of digital marketing encompass customer acquisition, the generation of high-quality leads, and the enhancement of brand awareness, all of which collectively contribute to revenue
generation (Brenner, 2023). The significance of digital marketing in the contemporary landscape is underscored by the imperative of reaching one's audience where they predominantly reside. In the present era, this audience predominantly inhabits the digital realm, making digital marketing an indispensable avenue for success in marketing endeavors.

Currently, there are six key forms of digital marketing. Firstly, websites play a pivotal role in conveying a company's professionalism, facilitating consumer awareness, preserving promotional content, and serving as a convenient business platform. Second, Search Engine Marketing is aimed at optimizing a company's website visibility in search engine systems, comprising Search Engine Optimization (SEO) and Search Engine Marketing (SEM). SEO, a cost-effective approach, entails self-directed efforts over a longer period, while SEM involves paid strategies that yield quicker results. Third, Social Media Marketing leverages platforms like Facebook, Twitter, and Instagram, often in a cost-effective or even cost-free manner, to enhance a company's image. Lastly, Online Advertising employs internet-based promotional channels for a fee (Giantari et al., 2022).

2.2 Business Performance of MSMEs

The concept of business performance has consistently captivated the attention of economic scholars and researchers, representing a paramount gauge of success in business endeavors. The performance of business denotes the efficacy of an organization in generating and delivering value to internal and external stakeholders (Umrani et al., 2018). This effectiveness is commonly manifested through indicators such as profit, revenue, or wealth accumulation for shareholders in a specified time frame. The term "business performance" is frequently used interchangeably with related terms like organizational performance and firm performance (Barrett et al., 2012). There are two factors affecting the performance of MSMEs which are internal and external factors. The internal factors are human resources, finance, production, and marketing (Subroto et al., 2016). While the external factors according to Warren (2011) include institutional and licensing.

2.3 The Relationship between MSMEs Performance and Digital Marketing

Digital marketing skills have emerged as a significant driver of small and medium enterprises' performance in this era (Purwanti et al., 2022). Digital marketing is not only used to foster innovation but also imparts a unique product positioning that confers a competitive advantage, consequently influencing overall company performance (Utomo et al., 2020). The emergence of digital technology has ushered in a transformation in marketing paradigms, rendering many traditional marketing strategies outdated (M. T. Nuseir & Aljumah, 2020). The emergence of the internet has not only empowered customers to connect with their preferred brands but has also
created opportunities for novel stakeholder relationships (Charlesworth, 2014). The shift in technology has given consumers the ability to access and share information regardless of their location or the time of day. This emphasizes the significance of adaptive skills, including digital marketing capabilities, in broadening the reach of the market (Mora Cortez & Hidalgo, 2022).

3 Research Method

This study adopts a systematic literature review methodology to compile data through an analysis of articles and journals sourced from national and international indices, primarily utilizing Google Scholar. The focus is on publications from the most recent five years. The systematic review process encompasses several key stages: the formulation of research questions, literature search, article selection, and the analysis of quantitative data. Initially, inclusion criteria are applied, which stipulate that articles or journals must pertain to the subject of digital marketing and its impact on business performance. Subsequently, exclusion criteria are implemented, involving a publication time frame between 2019 and 2023. In the final step, a rigorous filtering process is carried out to eliminate incomplete papers, ultimately resulting in the selection of exclusively quantitative studies. As a result of this methodological approach, eleven articles meeting the eligibility criteria were identified for inclusion in this study.

4 Result and Discussion

Digital marketing is one of the tools that will be beneficial in improving the performance of SMEs (Small and Medium-sized Enterprises). Here are some research findings that serve as references in this study.

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<td>Sokosari, Indonesia, Multiple Linear Regression</td>
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<td>(Kawira et al., 2019)</td>
<td>Effect of Digital Marketing on the Performance of MSMEs in Kenya</td>
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<td><strong>6</strong></td>
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<td>(Mehralian &amp; Khazaee, 2022)</td>
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<td>9</td>
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<td>10</td>
<td>Hakim, 2021</td>
<td>Improving the Performance of Small Micro Enterprises Through the Implementation of Digital Marketing</td>
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The findings of a systematic literature review, encompassing eleven articles, indicate that Irawati et al.'s research in 2023 underscores the influence of various elements of digital marketing, such as interactivity, incentive programs, website design, and cost/transaction metrics, on enhancing the competitive advantage of MSMEs. This observation is consistent with the study conducted by Kussujaniat et al. in 2022, highlighting the significance of digital marketing and its role in improving the competitive advantage of MSMEs in marketing their products.

The study conducted by Kano et al. in 2022 provides further confirmation of the influence of digital marketing on the competitive advantage of MSMEs, which demonstrates that social media and digital marketing collectively exert a substantial 78% influence on competitive advantage. Furthermore, a more specific insight into this matter is provided by Omar et al.'s research in 2020, which is unveils a noteworthy impact of digital marketing on the performance of MSMEs. This was established through an empirical study involving 300 MSME entrepreneurs in Indonesia.

In 2019, another study by Kawira and colleagues supports the current research on this topic. It strengthens the idea that digital marketing has a positive and significant impact on how well small businesses perform. Additionally, a study conducted by
Susanti et al. in 2023 revealed that the performance of MSMEs owned by women is impacted by innovation. Among the innovations present in today's environment is the use of social media as a platform to market their products.

The research conducted by Nuseir and their team in 2020 corroborates the assertion that digital marketing constitutes a potent tool for enhancing the performance of small businesses. Their research clarifies that digital marketing has a significant positive impact on the overall performance of businesses. This observation is mirrored by Mehrtalian and their colleagues' research in 2022, underscoring the invaluable role of digital marketing, particularly during challenging periods like the COVID-19 pandemic.

Moreover, the enduring significance and longevity of businesses can be credited to the incorporation of digital marketing approaches, as demonstrated by Purba and colleagues in 2021. Aligning with these results, Hakim and his team in 2021 also support the effectiveness of digital marketing in enhancing the performance of small businesses. A similar conclusion is drawn by Lim, D (2023), who asserts that the incorporation of social media into marketing significantly and positively influences the improvement of performance in MSMEs.

The findings from a comprehensive systematic literature review encompassing 11 scholarly articles strongly indicate that digital marketing is a powerful tool to improve the MSME's performance. This conclusion is grounded in several compelling reasons that underline the transformative role of digital marketing in the context of these small and medium-sized businesses.

1. Consumers are on Digital Media Today
   Currently, consumers prefer digital media. Consumers now lean towards browsing websites or Instagram due to their practicality. Before making a purchasing decision, consumers often check products on websites first before deciding to buy, whether it's by visiting the store in person or shopping online. Shop owners who are not present online may lose out to those who provide online catalogs on their websites. Having a product catalog displayed on a website greatly assists consumers in exploring products without the need to physically visit the store. If they find something of interest, they may choose to visit the store over the weekend or when they have free time to make a purchase.

2. Easiness to Provide Information
   Providing easily accessible information to consumers is crucial. For example, when I was looking for the nearest camera shop in my area and verifying if they had the camera I was interested in, I turned to the Internet. I searched for the closest address, checked their website for product availability, and noted their operating hours. This allowed me to plan a visit, inspect the product, and make a purchase. This demonstrates the value of a digital presence as a source of information.

3. Flexibility
   Offering flexibility to consumers is essential. Many consumers lack the free time to visit physical outlets, shops, or boutiques. However, with digital media such as
websites, marketplaces, and social media platforms, consumers can easily browse and find the products they desire. Leveraging various digital media options allows consumers to explore products at their convenience, without being constrained by time or location, before making a final purchase decision (Redjeki & Affandi, 2021).

5 Conclusion

In conclusion, the extensive and rigorous examination of eleven scholarly articles in our systematic literature review underscores the pivotal role of digital marketing in enhancing the competitive advantage and performance of Micro, Small, and Medium Enterprises (MSMEs). Multiple research studies, conducted across different years and contexts, cohesively affirm the transformative power of digital marketing in the realm of small and medium-sized businesses.

The comprehensive analysis of these articles reveals a consensus among researchers that digital marketing profoundly impacts various facets of MSMEs' operations. Elements such as interactivity, incentive programs, website design, and cost/transaction metrics are identified as influential factors that enhance the competitive advantage of these businesses. The combined evidence strongly suggests that digital marketing is a powerful tool capable of enabling MSMEs to thrive in the ever-changing business landscape of today.

Furthermore, the impact of digital marketing goes beyond mere competitiveness and extends to the core performance and longevity of these enterprises. Consistent research findings highlight that incorporating digital marketing strategies significantly contributes to the overall performance and resilience of MSMEs, even in challenging periods such as the COVID-19 pandemic.

Notably, the preference for digital media among consumers further underscores the relevance and necessity of MSMEs embracing digital marketing. Consumers' inclination toward online platforms, coupled with the ease of providing information and the flexibility offered by digital media, highlights the importance of a digital presence for MSMEs in connecting with their target audience and sustaining their operations.

In essence, the synthesis of these scholarly works resoundingly emphasizes that digital marketing is more than a mere tool; it is an essential catalyst for the growth and success of MSMEs in a world where digital media has become the preferred landscape for consumers and businesses alike. The insights gleaned from this review call upon MSMEs to harness the power of digital marketing to elevate their performance, engage their customer base, and secure their place in an increasingly digitized and competitive market.

Certainly, based on the findings presented in the paper regarding the powerful impact of digital marketing on MSMEs' performance, here are some specific and actionable suggestions for Micro, Small, and Medium Enterprises (MSMEs):

1. Digital Strategy Development

   Develop an all-encompassing digital marketing strategy that harmonizes with the business objectives and resonates effectively with the target audience.
2. Content Marketing
   Generate top-notch, pertinent content tailored to your target audience, encompassing blog posts, videos, infographics, and other materials designed to educate, inform, or entertain your audience.

3. Social Media Engagement
   Maintain active and engaging social media profiles. Consistently post updates, interact with the audience, and respond to comments and messages promptly. Use social media to build and strengthen customer relationships.

References


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