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The influence of digital marketing on competitive advantage, as well as its implications for marketing performance in Bag Msmes in Bogor

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Abstract. The role of MSMEs currently has an impact on post-pandemic economic recovery and a number of problems faced in the last 3 years on their business performance, potential factors in their business performance include entrepreneurial orientation, knowledge management, and partnership strategies in increasing innovation and adaptability, besides that Knowledge management also plays an important role in improving MSME performance by facilitating knowledge management which is effective. Partnership strategies, especially with parties that have market access and a wide network, can expand market share and increase product exposure. Therefore, the purpose of this study is to understand the influence of each of these factors on MSME marketing performance and how these factors interact in the context of MSMEs in Bogor Regency, a survey of 176 samples of MSMEs in Bogor Regency uses a quantitative approach to prove the research hypothesis through structural equation modeling. The novelty of this research is an analysis of *Internal Resources* factors, Digital Marketing, and Partnership Strategies that have an impact on Marketing Performance. This study concludes that if the increase in *Internal Resources* has an impact on marketing performance behavior and provides competitive advantages, besides that digital marketing can also have an impact on strengthening products to be able to compete and partner relationships will have an impact on products, services, and materials produced, this conclusion confirms the importance of quality internal resource management in an effort to achieve success in the bag business. This research posits both theoretical and practical implications, and limitations of the study.

Keywords. Digital marketing, competitive advantage, marketing performance, msms

Introduction:

In the economic structure of many countries, both developed countries and newly developing countries such as Taiwan, the MSME sector has been recognized as one of the strong economic supports for the country (Azis & Rusland, 2009). Furthermore, MSMEs are also said to be one of the driving engines of the economy with non-oil and gas export products that are quite innovative. In addition, in the economic structure, MSMEs are generally the largest layer of business actors, which are often also referred to as people's economic actors. Experience in various countries and several studies conducted on MSMEs have proven that the business sector is an important part of the country's economy because they have made a major contribution in

encouraging the economy, including their contribution in opening new job opportunities, as a driver of economic growth, and as a source of innovation (Azis & Rusland, 2009).

In the era of changes in the global economic environment and free trade followed by advances in information and communication technology, MSMEs have a new role that is even more important for the economy, namely as one of the sources of driving non-oil and gas export growth, and as a supporting business unit for large businesses by providing certain materials, such as components and spare parts through the linkage of the production process, among others, with a *subcontracting* system (Azis & Rusland, 2009). Experience in newly industrialized countries, such as Taiwan, South Korea, and China, the application of innovative cooperation between small and medium enterprises with large businesses with this *subcontracting* pattern turned out to make the country's products more competitive, both in the domestic market and in the global market in the face of similar products from other countries. The success of the industrialization process in Japan, Taiwan, and South Korea occurred mainly because of the large number of small businesses that operate flexibly and can meet the supply of materials for the needs of large business production processes.

In Indonesia, MSMEs have been acting as a source of job creation and the main driver of the economy which has contributed a lot in overcoming unemployment and poverty. In addition to playing a role in economic growth and employment, MSMEs also play a role in distributing development results. MSMEs have also proven unaffected by the crisis; When the crisis hit in the period 1997 – 1998, only MSMEs were able to stand strong (LPPI & Bank Indonesia, 2015). In addition, Bank Indonesia's experience in handling MSME projects such as the Bank Relationship Development Project with Non-Community Groups (PHBKSM) and Microcredit Project (PKM), shows that MSMEs during the economic crisis in mid-1997 proved to be more resilient than large businesses (LPPI & Bank Indonesia, 2015). This happens because the nature of MSMEs is less dependent on the formal market so that these business units can move faster and more flexible to sudden turmoil.

Table 1.1. Number of Micro, Small, Medium Enterprises (MSMEs) and Large Enterprises in Indonesia in 2010 – 2018

Year	MSMEs		Big Business		Total	
	Quantity (units)	%	Quantity (units)	%	Quantity (units)	%
2010	52.764.750	99,99	4.676	0,01	52.769.426	100,00
2011	54.114.821	99,99	5.150	0,01	54.119.971	100,00
2012	55.206.444	99,99	4.952	0,01	55.211.396	100,00
2013	56.534.591	99,99	4.968	0,01	56.539.559	100,00
2014	57.895.721	99,99	5.066	0,01	57.900.787	100,00
2015	59.262.772	99,99	4.987	0,01	59.267.759	100,00
2016	61.651.176	99,99	5.370	0,01	61.656.546	100,00
2017	62.922.617	99,99	5.460	0,01	62.928.077	100,00
2018	64.194.056	99,99	5.550	0,01	64.199.606	100,00
Average	58.282.994,2	99,99	5.131	0,01	58.288.125,2	100,00

Source: Ministry of Cooperatives and SMEs of the Republic of Indonesia (2015, 2017, 2018)¹

¹ <http://www.depkop.go.id/data-umkm> Accessed date 31 March 2020

Based on data from the Central Statistics Agency, the number of MSMEs after the economic crisis in 1997-1998 instead of decreasing, actually increased continuously, even able to absorb 85 million to 107 million workers until 2012 (LPPI & Bank Indonesia, 2015). In that year, the number of entrepreneurs in Indonesia was 56,539,560 units. Of these, MSMEs amounted to 56,534,592 units or 99.99%. The remaining 0.01% or 4,968 units are large businesses. In 2007, according to the Central Bureau of Statistics and the Ministry of Cooperatives and SMEs, the number of MSMEs in Indonesia was 49.8 million or 99.99% of the total number of business units in Indonesia (Azis & Rusland, 2009). The number consists of micro and small enterprises by 99.75%, and medium enterprises by 0.24%, which spread across all economic sectors with the largest distribution in the agricultural sector around 58%, and the smallest sector of MSME businesses is the electricity, gas and clean water sector around 0.02%. Furthermore, as can be seen in Table 1.1, the number of MSMEs in 2010 amounted to 52,764,750 or 99.99% of business units in Indonesia. This number increased to 64,194,056 or 99.99% of business units in Indonesia in 2018.

Table 1.2. Employment of Micro, Small, Medium Enterprises (MSMEs) and Large Enterprises in Indonesia in 2010 – 2018

Year	MSMEs		Big Business		Total	
	Number (of people)	%	Number (of people)	%	Number (of people)	%
2010	96.193.623	97,28	2.692.374	2,72	98.885.997,0	100,00
2011	98.238.913	97,27	2.753.049	2,73	100.991.962,0	100,00
2012	101.722.458	97,24	2.891.224	2,76	104.613.682,0	100,00
2013	107.657.510	97,16	3.150.645	2,84	110.808.155,0	100,00
2014	114.144.082	96,99	3.537.162	3,01	117.681.244,0	100,00
2015	123.229.387	96,71	4.194.051	3,29	127.423.438,0	100,00
2016	112.828.610	97,04	3.444.746	2,96	116.273.356,0	100,00
2017	116.431.224	96,82	3.828.953	3,18	120.260.177,0	100,00
2018	116.978.631	97,00	3.619.507	3,00	120.598.138,0	100,00
Average	109.713.826	97,06	3.345.746	2,94	113.059.572	100,00

Source: Ministry of Cooperatives and SMEs of the Republic of Indonesia (2015, 2017, 2018)²

In the period 2010 – 2018, as shown in Table 1.2, MSMEs in Indonesia absorb an average of 109,713,826 per year or 97.06% of the total workforce absorbed by MSMEs and large

² <http://www.depkop.go.id/data-umkm> retrieved March 31, 2020

businesses. While large businesses, in the same period, on average absorbed as much as 3,345,746 per year or 2.94%. In this period, the number of employment by MSMEs has a tendency to increase from 96,193,623 or 97.28% in 2010 to 116,978,631 or 97.00% in 2018. This shows that MSMEs have a very large contribution in absorbing labor in Indonesia.

Table 1.3.PDB Micro, Small, Medium Enterprises (MSMEs) and Large Enterprises in Indonesia in 2010 - 2018 Based on Prevailing Prices

Year	MSMEs		Big Business		Total	
	Qml (Rp Billion)	%	Qml (Rp Billion)	%	Qml (Rp Billion)	%
2010	2.969.346,2	56,18	2.315.944,2	43,82	5.285.290,4	100,00
2011	3.411.574,6	56,22	2.657.188,1	43,78	6.068.762,7	100,00
2012	4.321.830,0	58,05	3.123.514,6	41,95	7.445.344,6	100,00
2013	4.869.568,1	59,08	3.372.296,1	40,92	8.241.864,2	100,00
2014	5.440.007,9	60,34	3.574.943,3	39,66	9.014.951,2	100,00
2015	6.228.285,0	61,41	3.913.055,0	38,59	10.141.340,0	100,00
2016	7.009.282,9	59,84	4.703.167,6	40,16	11.712.450,5	100,00
2017	7.820.282,6	60,90	5.020.576,4	39,10	12.840.859,0	100,00
2018	8.573.895,4	61,07	5.464.703,2	38,93	14.038.598,6	100,00
Average	5.627.119,2	59,23	3.793.932,1	40,77	9.421.051,2	100,00

Source: Ministry of Cooperatives and SMEs of the Republic of Indonesia (2015, 2017, 2018)³

In 2007, the contribution of MSMEs in Indonesia to the formation of Gross Domestic Product or GDP (on the basis of prevailing prices), amounted to 53.6% of Indonesia's total GDP. The largest contribution comes from the agricultural sector. This GDP contribution structure shows that the role of MSMEs in Indonesia is still greater in the agricultural sector or primary sector, in contrast to conditions in countries such as Japan, South Korea, and Taiwan, with dominance in the industrial or secondary sectors. Furthermore, in the period 2010 – 2018, as can be seen in Table ⁴1.3, MSMEs on average contribute IDR 5,627.12 trillion or 59.23% of total GDP. The contribution of MSMEs to GDP in that period grew from Rp 2,969.35 trillion or 56.18% in 2010 to Rp 8,573.89 trillion or 61.07% in 2018.

Table 1.4. Total Non-oil and Gas Exports of Micro, Small, Medium Enterprises (MSMEs) and Large Enterprises in Indonesia in 2010 – 2018

Year	MSMEs		Big Business		Total	
	Qml (Rp Billion)	%	Qml (Rp Billion)	%	Qml (Rp Billion)	%
2010	162.254,6	17,02	790.835,3	82,98	953.089,9	100,00
2011	175.894,9	15,81	936.825,0	84,19	1.112.719,9	100,00
2012	187.441,8	16,44	953.009,3	83,56	1.140.451,1	100,00
2013	166.626,4	14,06	1.018.764,5	85,94	1.185.390,9	100,00

³ <http://www.depkop.go.id/data-umkm> retrieved March 31, 2020

⁴ BPS and the Ministry of Cooperatives and SMEs deep Azis and Rusland, 2009

2014	182.112,7	15,68	979.214,8	84,32	1.161.327,5	100,00
2015	185.975,0	15,73	996.668,0	84,27	1.182.643,0	100,00
2016	255.126,1	14,38	1.519.500,8	85,62	1.774.626,9	100,00
2017	301.629,9	14,54	1.772.195,1	85,46	2.073.825,0	100,00
2018	293.840,9	14,37	1.750.649,9	85,63	2.044.490,8	100,00
Average	212.322,5	15,34	1.190.851,4	84,66	1.403.173,9	100,00

Source: Ministry of Cooperatives and SMEs of the Republic of Indonesia (2015, 2017, 2018)⁵

The contribution of MSMEs to exports for the period 2010-2018 is still relatively low. In the period 2010 – 2018, as can be seen in Table 1.4, the average value of MSME exports is IDR 212.32 trillion per year or 15.34% of total non-oil and gas exports. In this period, the trend of MSME export value has increased but the percentage has decreased, from Rp 162.25 trillion or 17.02% in 2010 to Rp 293.84 trillion or 14.37% in 2018. Meanwhile, large businesses still dominate non-oil and gas exports, which averages Rp 1,403.17 trillion per year or 84.66%. The export value of large businesses also tends to increase, from Rp 790.84 trillion or 92.98% in 2010 to Rp 1,750.65 trillion or 85.63% in 2018.

This shows that MSME access to export markets is still low. In addition to its relatively small contribution to national exports, the types of export products produced by small and medium enterprises in general are still mostly in the category of simple consumer goods, such as apparel, socks, wooden goods, rattan, and bamboo (Azis & Rusland, 2009). This condition is very different from the composition of export products of small and medium enterprises from newly industrialized countries in the Asian region such as Taiwan, China, South Korea, Hong Kong, and Singapore, which are dominated by electronic consumer goods, and products for industrial use. This fact shows that currently in general the market for small and medium enterprises products in Indonesia is still oriented towards the domestic market. Digital marketing is the application of digital technology that forms online networks to markets such as, websites, blogs, email, podcasts, and social networks. The goal is to hold marketing activities and build and develop relationships with customers so that they continue to be established (Yacub & Mustajab, 2020). Digital development in Indonesia continues to increase. Based on data released by We Are Social (2022), it shows that of the 277.7 million people in Indonesia who actively use social media, there are 191.4 million. The number of social media users in Indonesia increased from 2021 by 12.6% (an increase of 21 million). According to (Rahman, 2022), social media is an online media tool that provides a place for users to be able to interact by exchanging opinions and information.

Research Methods

Based on its nature, this study is a type of causal research because it aims to examine the influence of one variable on another variable (Sekaran, 2010). The variables tested in this study are variables that affect the creation of competitive advantage, namely entrepreneurial orientation, dynamic capabilities, and market orientation as well as their impact on improving MSME business performance. Based on its use, this research is basic research or *pure research*. This is because this research aims to increase scientific knowledge or to find new fields of

⁵ <http://www.depkop.go.id/data-umkm> retrieved March 31, 2020

research, meaning that the usefulness of research results is not immediately used but in the long term will be used.

Results and Discussion

There are 11 indicators in digital marketing, in descriptive statistics this is carried out one by one indicators to see the level of in-depth analysis in the following table:

Table 4. 11 Digital Marketing Variables (X2)1

Indicators	Min	Max	Standard Deviation	Median	Mean	Information
X2.1	1.000	5.000	1.227	4.000	3.830	Tall
X2.2	1.000	5.000	1.287	4.000	3.659	Tall
X2.3	1.000	5.000	1.224	4.000	3.716	Tall
X2.4	1.000	5.000	1.056	5.000	4.352	Tall
X2.5	1.000	5.000	1.036	5.000	4.364	Tall
X2.6	1.000	5.000	1.254	4.000	3.830	Tall
X2.7	1.000	5.000	1.173	4.000	3.852	Tall
X2.8	1.000	5.000	1.203	4.000	3.591	Enough
X2.9	1.000	5.000	1.278	4.000	3.557	Enough
X2.10	1.000	5.000	1.276	4.000	3.591	Enough
X2.11	1.000	5.000	1.137	5.000	4.193	Tall

Source : data processed by SMART PLS 2023

In the table above it can be seen that the indicator that dominates higher is X2.5 of 4,364 with the high category, and the lowest indicator is X2.9 of 3,557 with the sufficient category, Thus, statistical analysis of the data shows significant variations in the value of the observed variable, with varying standard deviations. The median and mean values give an idea of the middle and average positions of the data. The information provided provides an assessment of the variable based on the range of observed values.

Partner Strategy

There are 6 indicators in the partner strategy, in this descriptive statistics are carried out one by one indicators to see the level of in-depth analysis in the following table:

Table 4. 12 Partner Strategy Variables (X3)2

Indicators	Min	Max	Standard Deviation	Median	Mean	Information
X3.1	1.000	5.000	1.186	5.000	4.159	Tall

X3.2	1.000	5.000	1.090	5.000	4.250	Tall
X3.3	1.000	5.000	1.301	5.000	3.966	Tall
X3.4	1.000	5.000	1.157	5.000	4.159	Tall
X3.5	1.000	5.000	1.208	4.000	3.795	Tall
X3.6	1.000	5.000	1.220	4.000	3.784	Tall

Source : data processed by SMART PLS 2023

The table above shows that the descriptive statistical indicator of the dominating partner strategy variable is X3.2 of 4,250 with the high category, and the lowest indicator is X3.5 of 3,795 with the high category, it can be concluded that the partner strategy variable is declared good.

1. Competitive Advantage

There are 13 indicators on the variable of competitive advantage, in descriptive statistics this is carried out one by one indicators to see the level of in-depth analysis in the following table:

Table 4. 13 Competitive Advantage Variables (Y1)3

Indicators	Min	Max	Standard Deviation	Median	Mean	Information
Y.1.1	1.000	5.000	1.296	4.000	3.534	Enough
Y.1.2	1.000	5.000	1.252	4.000	3.761	Tall
Y.1.3	1.000	5.000	1.266	4.000	3.739	Tall
Y.1.4	1.000	5.000	1.189	4.000	3.830	Tall
Y.1.5	1.000	5.000	1.183	4.000	3.852	Tall
Y.1.6	1.000	5.000	1.203	4.000	3.580	Enough
Y.1.7	1.000	5.000	1.288	4.000	3.523	Enough
Y.1.8	1.000	5.000	1.225	4.000	3.761	Tall
Y.1.9	1.000	5.000	1.292	4.000	3.739	Tall
Y.1.10	1.000	5.000	1.202	4.000	3.818	Tall
Y.1.11	1.000	5.000	1.224	4.000	3.841	Tall
Y.1.12	1.000	5.000	1.214	4.000	3.557	Enough
Y.1.13	1.000	5.000	1.250	4.000	3.580	Enough

Source : data processed by SMART PLS 2023

The table above shows that the descriptive statistics of the dominating indicator on the competitive advantage variable are dominated by the Y.1.5 variable of 3,852 with the high category, and the lowest is the Y.1.7 indicator of 3,523 with the sufficient category, it can be concluded that all indicators are categorized as good.

2. Marketing Performance

There are 7 indicators on marketing performance variables, in descriptive statistics this is carried out one by one indicators to see the level of in-depth analysis in the following table:

Table 4. 14 Marketing Performance Variables (Y2)4

Indicators	Min	Max	Standard Deviation	Median	Mean	Information
Y.2.1	1.000	5.000	1.222	4.000	3.580	Enough
Y.2.2	1.000	5.000	1.306	4.000	3.511	Enough
Y.2.3	1.000	5.000	1.211	4.000	3.879	Tall
Y.2.4	1.000	5.000	1.205	4.000	3.827	Tall
Y.2.5	1.000	5.000	1.214	4.000	3.807	Tall
Y.2.6	1.000	5.000	1.214	4.000	3.937	Tall
Y.2.7	1.000	5.000	1.234	4.000	3.523	Enough

Source : data processed by SMART PLS 2023

The table above shows that the descriptive statistics of the dominating indicators in the marketing performance variable are dominated by the Y.2.3 variable of 3,879 with the high category, and the lowest is the Y.2.2 indicator of 3,511 with the sufficient category, it can be concluded that all indicators are categorized as good.

Conclusion:

Digital marketing has a significant positive influence on the Competitive Advantage of Micro, Small and Medium Enterprises (MSMEs) in Bogor Regency is related to internal factors such as interactive people, incentive programs, site design, operational costs, improvements to dimensional factors of financing, flexibility, delivery, and quality. Partner strategy has no influence on the Competitive Advantage of Micro, Small and Medium Enterprises (MSMEs) in Bogor Regency has no relation to internal factors such as other affected people, personal facilities, creativity, and leadership on the dimensional factors of financing, flexibility, delivery, and quality.

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