



THE EFFECT OF USING DIGITAL MARKETING ON INCREASING BUSINESS PERFORMANCE MSMEs IN JAMBI CITY

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Abstract

This article aims to investigate the impact of digital marketing utilization on the performance enhancement of Micro, Small, and Medium Enterprises (MSMEs) in Jambi City. The study focuses on the government's programs aimed at improving the quality of MSMEs in Jambi City through training, mentoring, and coaching. To approach this issue, marketing management theory serves as a framework to enhance business performance in MSMEs in Jambi City. Data collection was conducted by distributing questionnaires to 106 respondents, namely business owners in Jambi City who have been using digital marketing for at least 1 year, and analyzed quantitatively using multiple regression analysis. The research findings reveal a simultaneous influence between digital marketing and business performance with a strong correlation level. Moreover, the hypothesis partially indicates that the benefit dimension has the highest influence, while the incentive program has the lowest influence. Collectively, the five dimensions of digital marketing contribute to influencing the business performance of MSMEs in Jambi City by 56.5%, with the remaining being influenced by other factors. This study offers a novel measurement concerning the utilization of digital marketing in MSMEs based on relevant literature review.

Keywords: *Digital Marketing, Business Performance, MSME*

1. INTRODUCTION

The use of the internet and the rapid development of technology in the digital world have certainly had an impact on marketing. Marketing trends in the world are shifting from conventional to digital. This digital marketing strategy is more prospective because it allows potential customers to obtain all kinds of information about products and make transactions via the internet (Hachimi et al., 2021). The use of digitalization is also considered as a solution to promote and increase sales in a way that is practical, economical, and can reach a wide target market. In this digital era, it seems as if people are required to use digital platforms, including MSMEs. The application of digitalization is also considered a way for promotion and sales that is easy, cheap, and has a very wide reach. Research conducted Yasri, (2020) proves that the application of digital marketing and transactions has a positive influence on the sustainability of MSMEs so that the use of digital/internet technology allows MSME players to market globally. In this way, digital marketing becomes an opportunity and challenge for competition in the business world for MSMEs in Indonesia. In 2021, the government launched the Online Single Submission - Risk Based Approach (OSS RBA) platform which can be accessed via www.oss.go.id. This website is used as a medium for registering business permits in Indonesia for business actors. Until 2022, the number of MSMEs that have registered their business on the OSS platform has reached 8.71 million units with the location distribution as in Figure 1. Jambi is one of the provinces with the lowest number of MSMEs, namely 57,597, which makes the regional government try to create an economic improvement program through MSMEs. Various activities are carried out by the Jambi provincial government to facilitate MSMEs, such as training, mentoring, coaching and special events for MSMEs. Not only is the government providing this support, even educational institutions such as Jambi University and state-owned enterprises such as Bank Jambi and Rumah BUMN are facilitating their support to improve digital marketing for MSMEs in Jambi province.



Figure 1 Number of MSMEs in Indonesia in 2022
Source: Ministry of Cooperatives and SMEs, 2023

The Jambi City Government is committed to improving the quality of MSMEs with programs that are in line with the provincial government. Quality MSMEs certainly have good business performance. Business performance is the accumulation of the results of activities carried out within the company itself. According to Hachimi et al., (2021) Many studies discussing this have tried to measure business performance using financial profit indicators (return on investment, for example) or market-related criteria such as increase in market share, the organization's overall competitive position in the market, and so on. The benefits gained from using technology in digital marketing include facilitating two-way marketing communications that can brand a product, increase buyer loyalty, and improve performance. (Kawira & Mukulu, 2019; Mehralian & Khazae, 2022). However, on the other hand, this also provides disadvantages, such as the obligation to be transparent regarding the marketing process. For some businesses, this is a risk that must be faced (Omar et al., 2020a).

Previous research has measured the use of digital marketing through various measurements such as (Huda & Munandar, 2021) stated that incentive programs, site design, costs and interactive are the dimensions that form digital marketing. Apart from that, research (Omar et al., 2020a) suggests measuring digital marketing in MSME research, namely benefit, reputation and purpose of usage, but only the benefit dimension has more significant implications than the other two dimensions. There is still limited research regarding the influence of the use of digital marketing on business performance in MSMEs involved in government empowerment programs such as training, mentoring and coaching. Therefore, this research intends to fill the gap in previous research with the aim of knowing the picture of digital marketing and business performance in MSMEs in Jambi City and testing the influence of these two variables. This research tries to combine digital marketing measurements from previous research, namely incentive programs, site design, interactive costs and benefits (Huda & Munandar, 2021). These considerations are made



based on a literature review and research results as well as adjusting to the context of the research being studied.

2. RESEARCH METHODS

In this research, the method applied is a quantitative method with a descriptive and verification approach (Sugiyono, 2018). The selection of research samples used a purposive sampling approach, namely by applying certain criteria such as MSMEs in Jambi City who have participated in coaching, mentoring and training programs by the Jambi City government and have been running digital marketing for more than 1 year in business. Questionnaires were distributed to 106 respondents who were business owners (MSMEs) in Jambi City. To help this research gain a better understanding, observations and literature studies provide additional data collection so that the research results can provide more understanding. Descriptive data analysis was carried out with the help of a continuum line to describe the research results related to the digital marketing picture and MSME business performance in Jambi City. Verification data analysis in this research uses multiple linear regression analysis techniques in which researchers try to measure the influence of the use of digital marketing on business performance in MSMEs in Jambi City. The hypothesis tested in this research is the influence of digital marketing on MSME business performance in Jambi City simultaneously and partially.

3. RESULTS AND DISCUSSION

3.1 An overview of the use of Digital Marketing in MSMEs in Jambi City

Digital marketing is a marketing process that uses digital media, such as the internet, social media and mobile, to create, communicate and convey value to consumers and other interested parties. Purwana et al. (2017) stated that digital marketing is the use of digital technology that is used to create a channel to achieve company goals through meeting consumer needs more effectively. The following are the results of descriptive analysis related to digital marketing which are summarized in Table 1

Table 1 Results of Respondents' Responses Regarding Digital Marketing

No.	Dimensions	Total Score	Amount Question	Average Score	%
1	<i>Incentive programs</i>	1676	4	419	19
2	<i>Site design</i>	1708	4	427	19.87
3	<i>Cost</i>	1701	4	425.25	19.79
4	<i>Interactive</i>	1721	4	430.25	20.02
5	<i>Benefits</i>	1789	4	447.25	20.81
Total		8595	20	2148.75	100%

Source: Data Processing Results

It is known that the sub-variable of digital marketing which has the highest score is benefit with a score of 1789 from 4 question items, has an average score of 447.25, and a percentage value of 20.81%. The sub-variable that ranked second was interactive with a score of 1721 from 4 question items, an average score of 430.25, and a percentage value of 20.02%. The sub-variable that ranked third was site design with a score of 1708 from 4 question items, an average score of 427, and a percentage value of 19.87%. The sub-variable which is ranked fourth is cost with a score

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of 1701 from 4 question items, has an average score of 425.25, and a percentage value of 19.79%. The final sub-variable which is ranked fifth is the incentive program with a score of 1676 from 4 question items, has an average score of 419, and a percentage value of 19%. The results of research related to digital marketing in MSMEs in Jambi City have been described descriptively by understanding respondents' responses to digital marketing consisting of incentive programs, site design, costs, interactive and benefits in the high category with a score of 8595. The highest assessment in the benefit dimension was obtained highest rating compared to other dimensions. Benefit refers to the value or advantage received by consumers or customers as a result of interacting or using digital products or services. Benefits can be in the form of ease of use, product or service quality, increased efficiency, or other added value felt by consumers. Consumers are motivated to get benefits, which encourages them to continue to follow the latest developments regarding the benefits they will get (Huda & Munandar, 2021). Jambi City MSMEs through digital have succeeded in attracting the attention of consumers through the benefits provided. This is certainly an interesting finding that can be deepened in further research. The dimension that has the lowest value is the incentive program so this needs to be paid attention to by Jambi City MSMEs. In this incentive structure, companies usually invite existing customers to refer other customers and offer rewards to customers. These rewards can take the form of incentives for existing users for engaging in word of mouth, thereby increasing product adoption among their friends(Jung et al., 2021). The incentive program for MSMEs is a strategic step in supporting local economic growth. Through tax exemptions, financial subsidies, and training and mentoring assistance, MSMEs can improve their performance and competitiveness. Additionally, access to new markets, promotions, and assistance in product standardization also help them expand their reach and increase visibility in the market. Thus, this program not only provides a financial boost, but also strengthens the business infrastructure necessary for sustainable growth, creates a conducive environment for MSMEs to thrive and contributes to inclusive economic development.

3.2 An overview of the use of Business Performance in MSMEs in Jambi City

Business performance refers to the organizational effectiveness of a business in creating and delivering value to internal and external customers and is usually reflected in the amount of revenue, profit or wealth it generates for its shareholders/owners within a certain period of time.(Mehralian & Khazae, 2022). According toNuseir & Aljumah, (2020)Business performance is a general term used in part or all of the actions of an activity in an organization in a period with reference to standard amounts such as past costs projected on the basis of efficiency, as well as management accountability and so on. Based on respondents' responses, the following are the results of processed data related to business performance of MSMEs in Jambi City.

Table 2 Results of Respondents' Responses Regarding Business Performance

No.	Dimensions	Total Score	Amount Question	Average Score	%
1	Increased sales	446	1	446	33.81%
2	Increased profits	451	1	451	34.19%
3	Satisfactory growth	422	1	422	31.99%
Total		1319	3	1319	100%

Source: Data Processing Results

It is known that the sub-variable of business performance that has the highest score is increasing profits with a score of 451 from 1 question item, has an average score of 451, and a percentage value of 34.19%. The sub-variable which is ranked second is increasing sales with a score of 446 from 1 question item, has an average score of 446, and a percentage value of 33.81%. The last sub-variable which has the third rank is satisfactory growth with a score of 422 from 1 question item, has an average score of 422, and a percentage value of 31.99%. Based on this, it can be seen that the performance of MSME businesses in



Jambi City is generally considered positive by respondents, with the main focus on increasing profits and sales. This shows that respondents consider increasing profits and sales as the main indicator of the success of their business. However, the growth aspect is also considered important even though it gets a slightly lower score compared to increasing profits and sales. This conclusion underlines the importance of profitability and growth in evaluating MSME business performance in Jambi City from the respondent's perspective. The research results have shown that business performance in MSMEs in Jambi City is in the high category with a score of 1319. The research findings show that the indicator of increasing profits received the highest score, which means increasing profits is considered the most important factor and has a significant impact in assessing the business performance of MSMEs in Jambi City. This condition illustrates that MSMEs in Jambi City are able to achieve their financial goals well, perhaps through increasing sales, efficient cost management, or implementing successful marketing strategies. Meanwhile, the business performance indicator that received the lowest score was satisfactory growth, which is a finding that can be explored more deeply in further research. This research is limited in describing business performance, especially on indicators studied through survey methods. Further research can identify and explore business performance factors, especially satisfactory growth in MSMEs in Jambi City.

3.3 The Influence of Using Digital Marketing on Business Performance in MSMEs in Jambi City

The results of the coefficient of determination test, the correlation value (R) of the relationship between digital marketing and business performance is 0.752, so it can be interpreted that the two variables have a strong relationship in accordance with the research results presented (Tungka et al., 2020). These findings show similar correlation results between digital marketing and business performance in different industries. The coefficient of determination value shows that each digital marketing sub-variable consisting of incentive program, site design, cost, interactive and benefit has a contribution of 56.15% to the business performance variable, while the remaining 43.5% is a contribution from other factors that are not examined in this research such as market orientation (Purnama & Pralina, 2016), product innovation (Abbas et al., 2024). Business performance is influenced by various factors, including competition from similar companies, quality of human resources, and quality of products and services.

Hypothesis testing of the influence of digital marketing on business performance has been carried out simultaneously. The results of the simultaneous test (F Test) provide an illustration that the F-calculated value is greater than the F-table value, this can be interpreted as digital marketing having a significant influence. simultaneous impact on business performance. Partial hypothesis testing shows that digital marketing consisting of incentive programs, site design, costs, interactive and benefits separately has a positive and significant influence on business performance in MSMEs in Jambi City. To explain the research results regarding the influence of digital marketing on business performance, the results of the calculation of the multiple regression equation model which can be seen in Figure 2 show that benefit is the dimension with the highest value that influences business performance with a value of 0.362, while the incentive program is the dimension with the lowest value, namely 0.032. These findings provide theoretical implications through this research where the findings are relevant to previous research that tested digital marketing hypotheses on business performance as in research (IE Hachimi et al., 2021; Mehralian & Khazae, 2022; Omar et al., 2020b; Yasri, 2020). This research has added insight regarding the relationship between digital marketing and business performance in MSMEs so that further research is expected to be able to examine other factors that influence business performance in MSMEs.

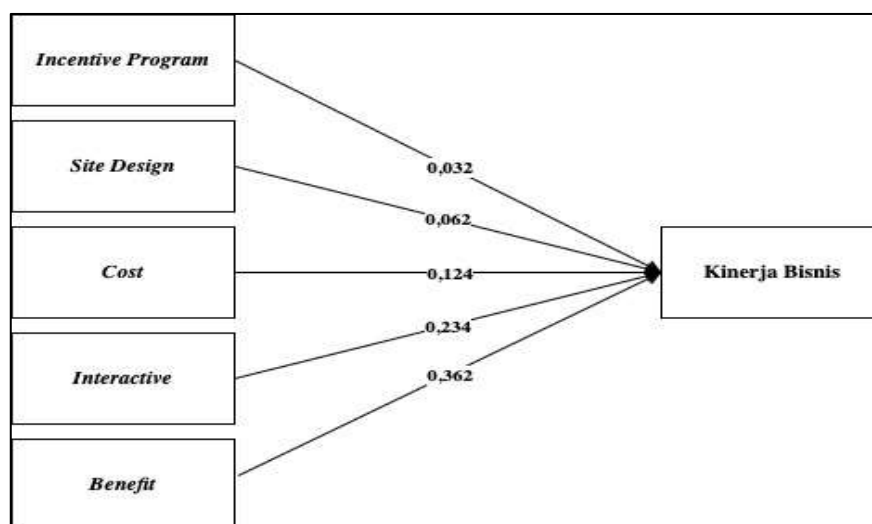


Figure 2 Multiple Regression Equation Model

Source: Data Processing Results

4. CONCLUSION

The research results found that the use of digital marketing and business performance in MSMEs in Jambi City is in the high category based on a continuum line. There is a simultaneous influence between digital marketing and business performance with a strong level of correlation. Apart from that, the partial hypothesis shows that the benefit dimension has the highest influence and the incentive program has the lowest influence. The five digital dimensions together contribute to influencing the business performance of MSMEs in Jambi City by 56.5% and the rest is influenced by other factors. This research has several limitations such as the sample or analysis technique used, further research can use a larger sample and also a multivariate analysis technique using more than two variables such as SEM PLS or SEM AMOS. Apart from that, based on the research results, there are several factors that can be researched further that influence business performance, such as market orientation and product innovation.

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