

DIGITAL MARKETING CHALLENGES AND OPPORTUNITIES IN IMPROVING MSME PERFORMANCE

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ABSTRACT

The purpose of this study is to find out and explain the challenges and opportunities of digital marketing in improving the performance of MSMEs. The data of this study is MSMEs of Sukabumi Regency which specialized in handcraft (MSME Handcraft) with as many as 4,488 business actors obtained from the West Java open-data web, so sampling was carried out using web.raosoft.com sample size, with an error rate of 10% so that a sample of 100 respondents was obtained. This study's methodology is descriptive and quantitative. Respondents were given questionnaires in the form of questions as part of the data collection approach used in this study. This study's analysis technique was simple linear regression analysis. The results of the study explained that digital marketing challenges and opportunities have a positive and significant effect in improving the performance of MSMEs, and the influence is 57.8% while 42.2% is influenced by other variables.

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1. Introduction

Marketing has undergone drastic changes in the growing digital era, especially for Micro, Small and Medium Enterprises (MSMEs). Digital marketing has become a challenge that requires rapid understanding and adaptation (De Simone et al., 2022; Retnawati, 2022). However, behind these challenges, many opportunities can be utilized by MSMEs to improve their business performance. Digital Marketing challenges for MSMEs include limited resources, both in terms of budget and teams trained in digital marketing. This can be an obstacle in developing and executing an effective digital marketing strategy.

In the digital world, competition between MSMEs can be very tight. They have to fight for consumer attention amid a sea of online content and advertising. Digital platforms such as social media are constantly changing their algorithms (Bughin et al., 2019; Kilay et al., 2022). MSMEs must adapt quickly to stay relevant and take advantage of these changes, which can be a challenge. In

addition to challenges, there are opportunities for MSMEs such as Through digital marketing, MSMEs can reach a much wider market than if they only rely on traditional marketing methods. (Chaffey, D., & Ellis-Chadwick, F. 2019). The internet allows MSMEs to reach potential consumers in various locations, not only at the local or regional level. Digital marketing is often more affordable than traditional advertising such as print or television advertising. MSMEs can take advantage of digital platforms with smaller budgets but can still reach relevant audiences.

One of the advantages of digital marketing is its ability to track, measure, and analyze data more accurately. MSMEs can leverage this data to understand consumer behavior, optimize marketing campaigns, and make smarter decisions. In the overall view, although digital marketing brings challenges for MSMEs, the opportunities are much greater (Udeanu, I., Stupu, L. D., & Boboc, A. L. 2017). With the right strategy and a good understanding of digital media, MSMEs can use digital marketing as a powerful tool to improve their business performance and compete effectively in an increasingly digital market (Forker, L. B., et al., 1996; Kumar et al., 2024).

The problems that are often faced by MSMEs in facing digital marketing challenges and opportunities to improve their business performance are limited knowledge and skills, limited budgets, fierce competition, changes and technological developments, and time management (Ragoobur et al., 2023; Stefanovska, L., & Soluncevski, M. 2015). With a good understanding of the challenges faced and the right efforts, MSMEs can overcome obstacles and take advantage of digital marketing opportunities to improve their business performance. This study aims to identify, analyze, and explain the challenges and opportunities MSMEs face in implementing digital marketing to improve business performance.

2. Literature Review

Digital Marketing

Challenges in digital marketing are problems or difficulties faced by marketers in carrying out online marketing strategies (Schwarzl, S., & Grabowska, M. 2015). In the rapidly growing digital era, several challenges can affect the effectiveness of digital marketing campaigns. In digital marketing, competition between online companies is very high. Many businesses are competing to get the attention of potential customers (Rusdana, N. R., et al., 2022). It requires extra effort to differentiate yourself and stand out in the crowd. The existence of digital marketing can change consumer behavior based on technological developments. Consumer behavior continues to change along with technological developments. Marketers must understand new consumer trends and preferences, as well as adjust their marketing strategies to remain relevant and effective. Digital marketing involves various platforms and channels such as social media, search engines, email, and websites. Navigating and managing this cross-platform presence effectively is a challenge in itself (Ghazie, D. A., & Dolah, J. 2018).

Digital Marketing Opportunities

Opportunities in digital marketing refer to the potential and opportunities that exist in online marketing. In the rapidly evolving digital era, there are many opportunities that marketers can take advantage of to achieve their marketing goals (Mishra, C. K. 2020). One of the main advantages of digital marketing is its ability to reach a very wide audience around the world. By using online platforms such as websites, social media, and search engines, marketers can reach potential consumers in different countries and regions. This opens up new opportunities for business expansion and market growth (Kano, K., et al., 2022). Digital marketing allows marketers to identify

and target very specific audiences. Using demographic data, interests, online behavior, and consumer preferences, marketers can deliver relevant and personalized messages to the right segments of their audience. Social media and other digital platforms enable direct interaction between brands and consumers (Peter, M. K., & Dalla Vecchia, M. 2021). Marketers can communicate with audiences through comments, direct messages, or shareable content. This creates opportunities to build closer relationships with consumers, get feedback directly, and increase brand engagement. Digital marketing is often more affordable compared to traditional marketing methods such as print or television advertising. There are many options for online marketing campaigns that can be tailored to the available budget.

MSME Performance

Micro, Small and Medium Enterprises (MSMEs) are very important business sectors in a country's economy (Nursini, N. (2020). MSME performance refers to the performance and results achieved by the business in achieving financial, growth, and sustainability goals (Purwanto, A. H. D., et al., 2022). Financial performance is one of the main indicators of MSME performance (Adiandari, A. M. 2022). Good revenue and profitability indicate that the MSME business generates sufficient income and can generate adequate profits. This can be achieved through increased sales, cost control, and operational efficiency. Growth is an important factor in evaluating the performance of MSMEs. Growth can be seen from an increase in sales, expansion into new markets, diversification of products or services, or an increase in the number of employees (Johan, et al., 2020). Sustainable growth shows that MSME businesses can overcome challenges and take advantage of existing opportunities. The performance of MSMEs can be measured through increasing market share (Ghosh, A. 2004). A larger market share indicates that MSME businesses can compete with competitors and take a significant share in the markets they operate. Effective marketing strategies, strong branding, and competitive advantage can help increase MSME market share. Successful MSMEs are often able to innovate and adapt to market changes. The ability to create new products or services, utilize new technologies, or adapt marketing strategies to the latest trends can help improve MSME performance (Ikramuddin, I., et al., 2021). Innovation can also help MSMEs differentiate themselves from competitors and attract consumers. Operational efficiency is an important factor in the performance of MSMEs (Suryanto, D. 2021). By managing costs well, increasing productivity, and optimizing business processes, MSMEs can achieve operational excellence. This can help increase profitability and business competitiveness (Lestari, D. M., & Kusumawati, N. 2024). The performance of MSMEs is also influenced by the ability to manage human resources. Having a skilled, trained, and motivated team can help increase business productivity and effectiveness (Solfa, F. D. G., et al., 2023). Good employee selection, development, and retention are important keys to achieving good performance. The performance of MSMEs can also be measured through customer satisfaction. Being able to provide quality products or services, provide good customer service, and build long-term relationships with customers can help improve the reputation and performance of MSMEs.

3. Method, Data, and Analysis

Types and Objects of Research

This study uses a quantitative approach with a type of causality associative relationship, which is research that aims to reveal problems that are causal relationships between two or more variables (Sugiyono, 2019). Research to decipher or explain something as it is is called descriptive

research. The purpose of this study is to describe something or a situation (Arikunto, 2013). The object of this research is the challenges and opportunities of digital marketing (X) and the performance of MSMEs (Y), with the location of the research being on MSMEs in Sukabumi Regency.

Data Types and Sources

Primary data or information gathered via the dissemination of questions or surveys about the prospects and problems of digital marketing as well as the performance of MSME's, is used in this study. MSMEs in the Sukabumi City Area were the respondents to whom the study's primary data was submitted.

Population and Sample

The population of this study is MSMEs in Sukabumi Regency which specialized in handcraft (MSME Handcraft) with as many as 4,488 business actors obtained from the West Java open-data web. While the sample MSMEs were taken using a web raosoft.com sample size calculator with a data accuracy rate of 90% and a margin of error of 10%. So that respondents will be sampled as many as 100 people.

Data Analysis

Statistical data analysis is carried out in stages, namely first carried out data feasibility tests (validity and reliability tests). Even though basic linear regression is the data analysis method employed, it can be expressed as follows:

$$Y = \alpha + bX + e$$

4. Result and Discussion

Characteristics Respondent

The respondents in this study amounted to 100 MSME actors in Sukabumi Regency. The characteristics of these respondents are based on gender and education, where business actors with the female gender dominate. Education level, and characteristics of MSMEs based on product.

Table 1. Characteristics of Respondents

No	Information	Frequency	Percentage
1.	Gender		
	Man	45	45%
	Woman	55	55%
2.	Education Level		
	Junior high school	30	30%
	Senior high school	35	35%
	Diploma III	15	15%
	S1	20	20%
Sum		100	100%

Validity and Reliability Test Results

Tests of all the variable instruments are used to perform the validity test, digital marketing challenges and opportunities, and MSME performance. The statement of whether or not an instrument is valid is by comparing r calculate with r critical. Where if r is calculated above r critical (0.3) then it is declared valid, and if r count is below r critical then it is declared invalid (Sugiyono, 2019).

Table 2. Research Validity and Reliability Test Result

Variables	Indicators	r	r Critical	Critical Point	Cronbach's Alpha	Result
Digital Marketing Challenges and Opportunities	X _{1.1}	0,960	0,3	0,600	0,961	Valid & Reliable
	X _{1.2}	0,899	0,3			
	X _{1.3}	0,850	0,3			
	X _{1.4}	0,754	0,3			
	X _{1.5}	0,782	0,3			
	X _{1.6}	0,782	0,3			
	X _{1.7}	0,960	0,3			
	X _{1.8}	0,899	0,3			
	X _{1.9}	0,853	0,3			
	X _{1.10}	0,899	0,3			
MSME Performance	Y1	0,517	0,3	0,600	0,891	Valid & Reliable
	Y2	0,541	0,3			
	Y3	0,755	0,3			
	Y4	0,820	0,3			
	Y5	0,782	0,3			
	Y6	0,755	0,3			
	Y7	0,820	0,3			
	Y8	0,825	0,3			
	Y9	0,637	0,3			

Results of Simple Linear Regression Analysis

The following is the notation for the outcomes of a basic regression test created for this study:

$$Y = 6.766 + 0.682 X + e$$

Explanation:

Y: MSME Performance

X: Digital marketing challenges and opportunities

e: epsilon/error

From the results of multiple linear regression, it can be explained that:

A constant value of 6.766 means that if the challenges and opportunities of digital marketing (X) and the performance of MSMEs (Y) are 0, then the performance of MSMEs is 6.766. The regression coefficient value of digital marketing challenges and opportunities is 0.682 and is marked positively, which means that digital marketing challenges and opportunities and MSME performance are directly proportional, whereas if digital marketing challenges and opportunities increase, it will increase digital marketing challenges and opportunities by 0.682.

Determination Test

To perform a determination test, a coefficient of determination (R-squared) is usually used which ranges from 0 to 1. The percentage of the dependent variable's fluctuation that the independent variable in the regression model can account for is measured by R-squared. The higher the R-squared value, the better the regression model is at explaining variations in the data. The following table displays the determination test results:

Table 3. Determination Test

Model Summary				
Model	R	R Square	Adjusted Square	Std. Error of the Estimate
1	.760 ^a	.578	.573	3.96125

a. Predictors: (Constant), Challenges_Opportunities_Digital_Marketing

Based on the table above, it can be explained that the value of the R square coefficient of 0.578 means that digital marketing challenges and opportunities can affect the performance of MSMEs by 57.8%. While 42.2% was influenced by other variables that were not studied such as brand, promotional strategy, and others.

Discussion

Challenges and opportunities of digital marketing in improving MSME performance

Using the outcomes of the aforementioned statistical test, it was found that the p-value of the collaboration strategy was $0.000 < 0.05$, this explains that digital marketing challenges and opportunities possess a substantial impact on MSMEs' performance. The value of the coefficient of determination of 57.8% means that the influence of the strength of the collaboration strategy on the performance of MSMEs is 42.2%, while the rest is influenced by other variables. Digital marketing challenges and opportunities are a way to improve the performance of MSMEs. The better the digital marketing challenges and opportunities carried out, the performance of MSMEs will increase.

The Cronbach alpha formula approach is used to conduct reliability tests, and a test is deemed reliable if its Cronbach alpha value is more than 0.600. According to the study's reliability test results, every variable was deemed reliable (>0.600). It is shown in the following table:

5. Conclusion and Suggestion

The findings of the statistical test analysis demonstrate that there is a positive and significant correlation between the performance of MSME's and the opportunities and difficulties presented by digital marketing. Whereas 42.2% is influenced by factors not included in the study, 57.8% of the performance of MSMEs is impacted by digital marketing possibilities and difficulties. The academic community and corporate actors who serve as study sites and can aid in the addition and expansion of information for researchers are anticipated to benefit from the research's findings. It is anticipated that the findings of this study will influence policy makers and the Sukabumi Regency's Office of Cooperatives, Micro Enterprises, Industry, and Trade with recommendations for bettering MSMEs' performance. It is intended that this study will serve as a resource for future academics studying the potential and difficulties of digital marketing and MSME performance. Additionally, recommendations for future research include adding respondents, using additional techniques to reinforce quantitative data from questionnaire distribution, and involving a large number of business actors not only in Sukabumi Regency but also in Regencies and Cities in West Java.T

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