

Research Horizon

ISSN: 2808-0696 (p), 2807-9531 (e)

Research Horizon

Volume: 04

Issue: 06

Year: 2024

Page: 327-334

The Importance of Digital Marketing Implementation for MSMEs in Indonesia: A Systematic Literature Review

Alvianno Difta Sunggara^{1*}, Putri Nurhaliza¹, Augusty Tae Ferdinand¹, I Made Bayu Dirgantara¹

¹ Universitas Diponegoro, Semarang, Indonesia

* Corresponding author: Alvianno Difta Sunggara (diftaalvianno@gmail.com)

Abstract

Micro, Small, and Medium Enterprises (MSMEs) in Indonesia play a crucial role in supporting the national economy, contributing significantly to employment and the gross domestic product. However, many MSMEs have yet to fully leverage digital marketing due to limited digital literacy, restricted access to technology, and uneven infrastructure, particularly in remote areas. With the increasing use of the internet and social media in Indonesia, digital marketing strategies present a promising opportunity for MSMEs to expand their market reach, enhance customer engagement, and strengthen competitiveness. Through a systematic literature review, this study evaluates the implementation of digital marketing by MSMEs, including the use of social media and e-commerce platforms to increase brand visibility and foster more personal interactions with consumers. The analysis reveals that digital marketing enables MSMEs to enhance customer loyalty and reach wider markets at relatively low costs. Nevertheless, limitations in technological capability and low digital literacy remain significant barriers. This study highlights the importance of government support in the form of digital literacy training and equitable technology access to enable MSMEs to optimize their digital marketing strategies. Such support is essential to accelerate MSME digital transformation and improve their business sustainability in the competitive digital marketplace.

Keywords

MSMEs, Digital Marketing, Social Media, Digital Literacy, Digital Transformation

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) hold a highly strategic role in the structure of Indonesia's economy. In 2023, it was recorded that there were approximately 66 million MSMEs in Indonesia, with a significant contribution to the Gross Domestic Product (GDP) of 61.1%, employment absorption of 97.1%, and around 14.4% of total national exports. This demonstrates that MSMEs are not only economic pillars but also major drivers in job creation and enhancing the competitiveness of local products in the global market. With the rising internet penetration in Indonesia, especially among smartphone users, there is now an open opportunity for MSMEs to expand their customer base through digital marketing. Data from the Indonesian Internet Service Providers Association shows that internet users in Indonesia have reached over 200 million, and many of these users access the internet via mobile devices. This situation creates a highly conducive environment for MSMEs to utilize digital platforms for marketing and customer engagement, particularly through digital marketing strategies.

Digital marketing offers substantial advantages for MSMEs in overcoming geographical and temporal limitations. According to Kartika et al. (2020) and Davlyatbekovna (2024), by using digital marketing strategies, MSMEs can access broader markets, allowing communication and transactions to occur at any time or in real-time, with a global reach. Digital marketing also enables MSMEs to enhance customer engagement through various platforms on social media, e-commerce, and websites. These platforms facilitate more personal interactions between businesses and customers, increasing opportunities to build strong loyalty (Wahid & Sarfiah, 2021; Segarwati et al., 2022). Social media use, for instance, allows two-way communication between MSMEs and consumers, functioning not only as a promotional tool but also as a channel for direct feedback from customers. Through this feedback, MSMEs can better understand customer needs and preferences, allowing them to develop products or services more relevant to the market (Gao et al., 2023; Alkhasoneh et al., 2024).

Despite these significant opportunities, many MSMEs in Indonesia still face various challenges in utilizing digital technology (Ji et al., 2022; Kulikovskaja et al., 2023). The adoption of this technology is hindered by several obstacles, such as limited knowledge, low digital skills, and restricted access to technology, particularly in rural areas. These issues impact customer engagement generated through digital platforms, which tends to be low. This poses a unique challenge, as customer engagement is crucial for sustaining business and driving the long-term growth of MSMEs in the digital era.

For digital marketing to be truly effective, MSMEs need to overcome challenges in technology adoption, including increasing digital literacy and access to adequate technology. The government and related agencies should provide support through training programs, mentoring, and infrastructure provision to ensure equitable digital access across regions. With sufficient support, MSMEs are expected to optimally utilize digital marketing to increase customer engagement and expand their market share, ultimately strengthening MSMEs' position as the backbone of the national economy (Anggraeni, 2020; Fridayani & Chiang, 2022; Ramadhan et al., 2024). Based on this background, the study aims to explore the impact of digital marketing on customer engagement in the context of MSMEs in Indonesia. By understanding the challenges and benefits offered by digital marketing, MSMEs can utilize digital technology as a tool that not only supports their business growth but also strengthens their contribution to the national economy.

2. Literature Review

The advancement of digital technology has transformed how companies, including MSMEs, interact with consumers and develop marketing strategies. Digital marketing, as a technology-based marketing approach, enables companies to communicate with consumers across various digital platforms, creating two-way interactions that traditional marketing lacks (Drummond et al., 2020; Asif, 2021). According to Chaffey & Chadwick (2022) and Pudjianto et al. (2023), digital marketing allows companies to obtain real-time data from consumer interactions, enabling quicker and more targeted responses to consumer needs. This transformation signals a major shift in the business world towards a more personalized approach, which is especially relevant for MSMEs with limited resources. Digital marketing has the advantage of being able to target audiences more specifically through data collected from various platforms. It not only utilizes technology but also employs consumer data analytics to deeply identify market needs and preferences (Dunayev et al., 2022; Ao et al., 2023). With a more comprehensive understanding of consumer behavior, companies can tailor their marketing strategies to achieve higher efficiency and effectiveness in attracting consumer interest. This data-driven approach allows MSMEs to adjust their marketing strategies to improve efficiency in capturing consumer interest. With more relevant interactions, MSMEs have a greater chance of strengthening customer loyalty and enhancing their competitiveness in the market.

As the backbone of the national economy, MSMEs in Indonesia play a vital role in economic contribution. In 2023, it was recorded that MSME operators in Indonesia reached approximately 66 million, with a significant contribution to Gross Domestic Product (GDP) of 61.1%, an employment absorption rate of 97.1%, and around 14.4% of total national exports. However, obstacles such as limited access to capital, technology, and markets often serve as major barriers for MSMEs to develop and compete at a broader level (Setiawan et al., 2024; Ariyati et al., 2024). Digital marketing has become a potential solution for MSMEs, enabling them to expand their consumer reach at a more efficient cost compared to conventional marketing (Hollebeek et al., 2023; Mwaanga & Hapompwe, 2024).

Social media, as a vital component of digital marketing, serves as a primary tool for MSMEs to effectively introduce their products and establish direct interactions with consumers (Mustafa et al., 2024; Hanggiani et al., 2024). In Indonesia, the growing use of social media has made it an effective platform for MSMEs to build closer relationships with consumers. Personal interactions via social media can increase consumer trust, as MSMEs can provide quick responses and listen directly to consumer feedback. Social media interactions not only enhance brand visibility but also strengthen consumer loyalty through a personalized and responsive approach. This gives MSMEs broader access to enhance consumer trust and sales opportunities.

3. Methods

In this study, the researcher adopts the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) method. PRISMA is a commonly used guideline for conducting systematic reviews of journals related to the topic under investigation. Systematic literature review is a widely employed method for obtaining precise answers to well-defined research questions. Consequently, this approach makes existing knowledge or evidence more accessible (for analysis) to decision-makers (Shah, 2022; Mishra & Mishra, 2023). Research employing the PRISMA method generally involves three main stages: identification, screening, and selection. In this study, the researcher utilized the Watase Uake site from the Scopus database. The first stage involved conducting a data search using keywords such as

“role of digital marketing,” “digital marketing in MSMEs,” “MSMEs Indonesia,” “digital marketing strategy,” and “customer engagement on social media.” This initial search identified 359 articles. Subsequently, the researcher filtered the articles based on specific criteria, that is inclusion and exclusion criteria.

Table 1. Criteria Articles

Criteria Inclusion	Criteria Exclusion
Research Articles published 2020 - 2024	Published research before 2020
Scopus Q1 and Q2 indexed articles	Articles that are not indexed by Scopus Q1 and Q2
Research articles that focus on discussing the usefulness of digital marketing implementation	Research articles that do not discuss the usefulness of digital marketing implementation

The screening process resulted in 20 scientific articles that met the criteria for further analysis. The process of screening and determining scientific articles is illustrated through the following chart:

Prisma Reporting: New Research I With Slr Prisma

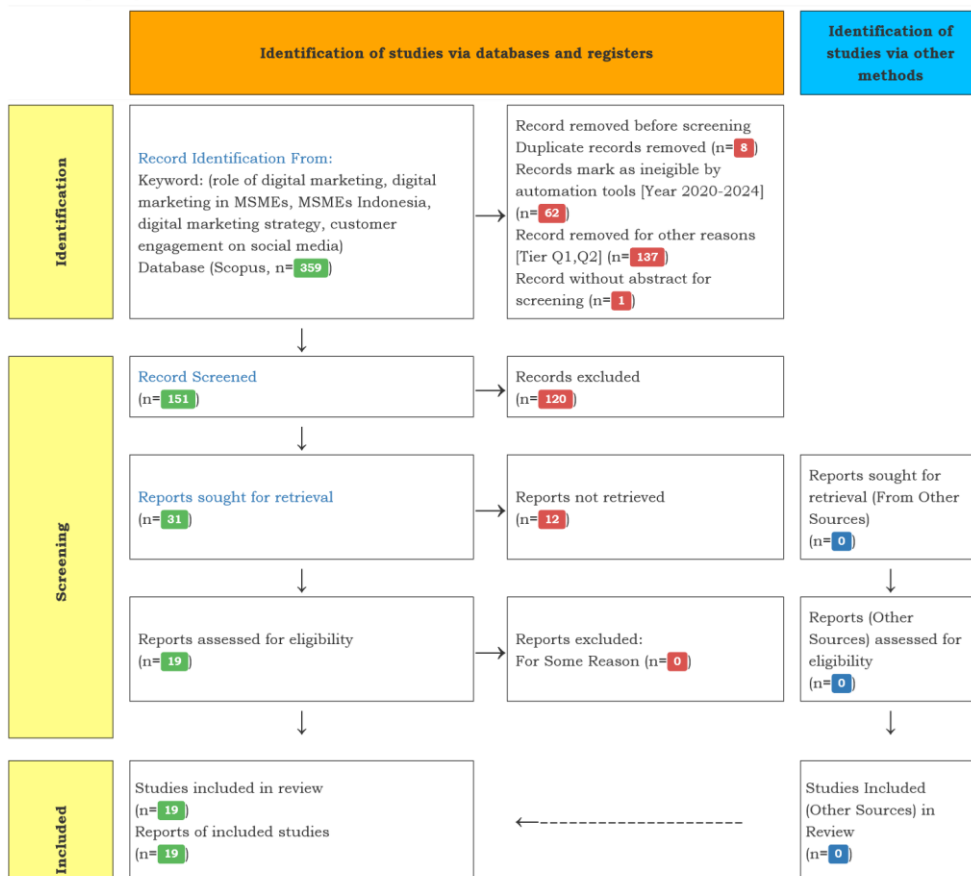


Figure 1. Systematic Literature Review PRISMA

4. Results

The aim of this systematic literature review is to offer insights and understanding of how digital marketing contributes to business growth, particularly within Indonesia’s Micro, Small, and Medium Enterprises (MSMEs). This section

thoroughly examines and describes the selected articles to address the research questions raised. Based on the literature review that has been conducted, some important information is obtained, which shows that digital marketing has an important role in developing a business. Digital marketing, when applied in the right way or technique will not only increase customer engagement but also help expand market reach and brand awareness to business sustainability (Purba et al., 2021).

The results of research conducted by Kurdi et al. (2022) explain that there are several digital marketing channels that have a significant influence in shaping consumer purchasing decisions in this digital era. These channels include online advertising, social media, email marketing, and search engine optimization. Other studies also underline the important role of using digital marketing through social media. Social media and user content allow companies to collect relevant information to build a more measurable and sustainable marketing strategy (Saura et al., 2020). Another study conducted by Chaker et al. (2022) and Xu et al. (2023) also highlights the strategic importance of using social media elements to strengthen engagement, loyalty, and corporate brand image. Marketing content that is infotainment, remunerative and rational encourages customer engagement on social media. Consumer engagement increases, enabling two-way communication between brands and consumers, so that consumers feel more connected and have an emotional bond to the brand, which in turn has implications for determining their attitude towards the product (Kulikovskaja et al., 2023). Abbasi et al. (2024) also stated that perceived Social Media Marketing activities have a positive impact on customer engagement, which in turn will predict consumer behaviour co-production value, customer referrals, purchase intentions, purchase decisions and customer satisfaction.

Matosas-López (2024) conducted a study to determine whether customer engagement on social media can affect the operating income of SMEs. The researcher conducted a study on one hundred SMEs in Spain over an eight-year period (between October 2015 and October 2023). The results explained that customer engagement on social media should not be underestimated, it should be managed by professional resources. When social media management is operated by qualified resources and combined with other digital marketing techniques such as Search Engine Optimization, Search Engine Marketing, email delivery, ecommerce, etc. Customer Engagement on social media can be used to predict business operating income. This research also underscores the role of Customer Engagement on social media as a driver of increased operating income.

In Indonesia, MSMEs hold a crucial role in the national economy, contributing to poverty alleviation by increasing small business income and creating employment opportunities (Nursini, 2020). Research by Tatic & Setiawan (2024) demonstrates that Social Media Marketing positively impacts MSMEs in Indonesia. However, its use remains suboptimal for identifying customer demands and information needs, primarily serving as a promotional tool. Additionally, support infrastructure for maximizing Social Media Marketing remains inadequate, with limited internet access in rural areas, for example. The cost of social media advertising is also relatively high, with certain platforms raising fees as their user base expands (Tatic & Setiawan, 2024). Research conducted by Yasa et al. (2024) on 195 Traditional Woven Fabric MSME players in Bali explained that digital marketing has had a positive impact on business performance for businesses that implement it even though the effect is not significant. Research conducted with this quantitative method reveals that digital marketing will have a positive and significant impact on business performance if there is support or good relations from the government and the implementation of a sustainability-oriented business strategy. Support from the government such as through providing training on business digitalization or the government developing information and communication based on information technology.

5. Conclusion

This research was conducted to find out how important the application of digital marketing is for Micro, Small and Medium Enterprises in Indonesia. Based on the systematic literature review conducted, it can be concluded that the proper application of digital marketing can provide benefits to business sustainability. Techniques that bridge businesses to increase product sales and expand market share. In Indonesia, Micro, Small and Medium Enterprises contribute to the growth of the national economy. For this reason, in order for the application of digital marketing in MSMEs to be more optimal, support from the government or related agencies is also needed. The results of this study have theoretical implications, add insight into the importance of implementing digital marketing in MSMEs in Indonesia and can be a reference for future researchers who raise similar topics. Practically, it can be useful for MSME players in seeing the benefits of implementing digital marketing on business continuity (business performance, increased sales, etc.). This research certainly has limitations, namely the use of data sourced only from the Scopus database, excluding other sources. For future research, if using the systematic literature review method, other keywords can be developed. It can also use a quantitative approach to produce more measurable and specific results on certain MSMEs as well as qualitative such as in-depth interviews with MSME actors to produce more comprehensive results.

References

- Abbasi, A. Z., Qummar, H., Bashir, S., Aziz, S., & Ting, D. H. (2024). Customer engagement in Saudi food delivery apps through social media marketing: Examining the antecedents and consequences using PLS-SEM and NCA. *Journal of Retailing and Consumer Services*, 81, 104001.
- Alkhasoneh, O. M., Jamaludin, H., Bin Zahar, A. R. I., & Al-Sharafi, M. A. (2024). Drivers of social media use among SMEs and its impact on brand awareness and customer engagement. *Asia-Pacific Journal of Business Administration*.
- Anggraeni, A. I. (2020). Executive role in the use of information technology in public organisations. *Arthatama*, 4(1), 17-32.
- Ao, L., Bansal, R., Pruthi, N., & Khaskheli, M. B. (2023). Impact of Social Media Influencers on Customer Engagement and Purchase Intention: A Meta-Analysis. *Sustainability (Switzerland)*, 15(3), 1-15.
- Ariyati, I. M., Ismawati, A. F., Rizqillah, A. I., Wulandari, S. S., & Susanti, S. (2024). MSMEs Marketing Strategies Through the Use of Social Media: A Systematic Literature Review. *Iqtishaduna: Jurnal Ilmiah Ekonomi Kita*, 13(1), 65-84.
- Asif, M. (2021). Evaluation of factors affecting carbon accounting information disclosure: A case of ASEAN countries. *Arthatama*, 5(2), 39-50.
- Chaffey, D., & Chadwick, F. E.-. (2022). *Digital Marketing: Strategy, Implementation and Practice* (8th ed.). London: Pearson.
- Chaker, N. N., Nowlin, E. L., Pivonka, M. T., Itani, O. S., & Agnihotri, R. (2022). Inside sales social media use and its strategic implications for salesperson-customer digital engagement and performance. *Industrial Marketing Management*, 100, 127-144.
- Davlyatbekovna, N. N. (2024). Adapting to Indonesian Culture: Success Stories and Implications for Sustainable Expat Relocation. *Research Horizon*, 4(4), 155-160.
- Drummond, C., O'Toole, T., & McGrath, H. (2020). Digital engagement strategies and tactics in social media marketing. *European Journal of Marketing*, 54(6), 1247-1280.
- Dunayev, I., Hromov, S., Tymchenko, Y., & Proskurina, M. (2022). Explication of the Role of Digital Technologies in Marketing Management of a Modern Company. *Eastern-European Journal of Enterprise Technologies*, 5(13-119), 89-99.
- Fridayani, H. D., & Chiang, L. C. (2022). Strengthening the Capacity of Government Apparatus Resources in Supporting Micro Enterprises to "Go Digital" in the Special Region of Yogyakarta. *European Journal of Humanities and Social Sciences*, 2(2), 25-35.

- Gao, J., Siddik, A. B., Khawar Abbas, S., Hamayun, M., Masukujjaman, M., & Alam, S. S. (2023). Impact of E-Commerce and Digital Marketing Adoption on the Financial and Sustainability Performance of MSMEs during the COVID-19 Pandemic: An Empirical Study. *Sustainability (Switzerland)*, 15(2).
- Hanggiani, A., Lashyati, A., Perdhana, M. S., & Kusumawardhani, A. (2024). Implementation of a Business Model in a Broiler Chicken Partnership Company: A Case Study of PT Mustika Jaya Lestari. *Research Horizon*, 4(4), 261-266.
- Hollebeek, L. D., Kulikovskaja, V., Hubert, M., & Grunert, K. G. (2023). Exploring a customer engagement spillover effect on social media: the moderating role of customer conscientiousness. *Internet Research*, 33(4), 1573-1596.
- Ji, C., Mieiro, S., & Huang, G. (2022). How social media advertising features influence consumption and sharing intentions: the mediation of customer engagement. *Journal of Research in Interactive Marketing*, 16(1), 137-153.
- Kartika, H., Kholil, M., & Bakti, C. S. (2020). Service quality and customer satisfaction in furniture sector installation services. *Jiemar Journal*, 1(2), 101-112.
- Kilay, A. L., Simamora, B. H., & Putra, D. P. (2022). The Influence of E-Payment and E-Commerce Services on Supply Chain Performance: Implications of Open Innovation and Solutions for the Digitalization of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. *Journal of Open Innovation: Technology, Market, and Complexity*, 8(3), 119.
- Kulikovskaja, V., Hubert, M., Grunert, K. G., & Zhao, H. (2023). Driving marketing outcomes through social media-based customer engagement. *Journal of Retailing and Consumer Services*, 74, 103445.
- Kurdi, B. Al, Alshurideh, M., Akour, I., Alzoubi, H. M., Obeidat, B., & Alhamad, A. (2022). The role of digital marketing channels on consumer buying decisions through eWOM in the Jordanian markets. *International Journal of Data and Network Science*, 6(4), 1175-1185.
- Matosas-López, L. (2024). Can customer engagement in social media be used as a predictor of operating revenue in SMEs? *Journal of Open Innovation: Technology, Market, and Complexity*, 10(4).
- Mishra, V., & Mishra, M. P. (2023). Prisma for Review of Management Literature – Method, Merits, and Limitations – an Academic Review. *Review of Management Literature*, 2, 125-136.
- Mustafa, S. M. B., Altaany, F., Ebbini, M. M., Al-Hamad, A. A. S. A., Alkaraky, S. N., Ahmad, A. Y. A. B., & Alaa, A. A. (2024). The mediating role of social media marketing effectiveness in the relationship between customer engagement and brand loyalty: A study of Amazon as a retail brand store. *Uncertain Supply Chain Management*, 12(4), 2137-2152.
- Mwaanga, L. C., & Hapompwe, C. C. (2024). An Investigation into Social Media Utilisation in Small and Medium-Sized Enterprises and its Effect on Business Performance: A Case Study of Kabwata Township, Lusaka. *Journal of Economics, Finance and Management Studies*, 07(08), 4821-4828.
- Nursini, N. (2020). Micro, small, and medium enterprises (MSMEs) and poverty reduction: empirical evidence from Indonesia. *Development Studies Research*, 7(1), 153-166.
- Pudjianto, S. Y., Rasidar, R., Chainar, C., Purnama, D., & Marini, M. (2023). The effectiveness of village financial management in the implementation of accounting systems and procedures in Paloh District, Sambas Regency. *Research Horizon*, 3(6), 611-627.
- Purba, M. I., Simanjutak, D. C. Y., Malau, Y. N., Sholihat, W., & Ahmadi, E. A. (2021). The effect of digital marketing and e-commerce on financial performance and business sustainability of MSMEs during COVID-19 pandemic in Indonesia. *International Journal of Data and Network Science*, 5(3), 275-282.
- Ramadhan, M. L., Nugraha, F., Prastowo, D. A., Kusumawardhani, A., & Raharjo, S. T. (2024). Development of Environmentally Friendly Technology for Key Industries in Achieving Golden Indonesia. *Research Horizon*, 4(4), 205-220.
- Saura, J. R., Palos-Sanchez, P., & Herráez, B. R. (2020). Digital marketing for sustainable growth: Business models and online campaigns using sustainable strategies. *Sustainability (Switzerland)*, 12(3), 3-7.
- Segarwati, Y., Nurhayati, N., Nurkania, T., Yuniarti, Y., & Jamaludin, M. (2022). Implementation of supply chain management using the ERP system at XYZ Company Indonesia. *Research Horizon*, 2(6), 561-567.

- Shah, M. H. (2022). Impact of green marketing strategy on business performance-mediating role of corporate image in construction industry of Kenya. *Arthatama*, 6(1), 1-11.
- Tatik, T., & Setiawan, D. (2024). Does social media marketing important for MSMEs performance in Indonesia?. *Asia Pacific Journal of Marketing and Logistics*.
- Wahid, R. M., & Sarfiah, S. N. (2021). Analysis of Factors Affecting the Poverty Gap Index in Aceh Province 2017-2019. *Research Horizon*, 1(6), 217-228.
- Xu, Y., Chen, W., & Ow, T. T. (2023). The effects of social media posts' characteristics on customer engagement: Evidence from WeChat. *Information and Management*, 60(7),
- Yasa, N. N. K., Ekawati, N. W., Rahmayanti, P. L. D., & Tirtayani, I. G. A. (2024). The role of Tri Hita Karana-based business strategy and digital marketing to improve sustainable business performance. *International Journal of Data and Network Science*, 8(1), 629-640.



Copyright: © 2024 by the authors. Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution-ShareAlike 4.0 International License (<https://creativecommons.org/licenses/by-sa/4.0/>).