

UTILIZATION OF DIGITAL MARKETING CHANNELS TO OPTIMIZE BUSINESS PERFORMANCE AMONG SMES IN JAKARTA, INDONESIA

Muhammad Arief Kurniawan^{1*}, Logaiswari Indiran², Umar Haiyat Abdul Kohar³

¹ Faculty of Management, Universiti Teknologi Malaysia, Johor Bahru, Malaysia

*arief1998@graduate.utm.my

Received: 16 May 2023

Accepted: 30 May 2023

Published: 28 June 2023

Abstract

Jakarta currently has at least one million small and medium-sized enterprises (SMEs) engaged in various business fields. In Indonesia, SMEs have contributed around 62% of the gross domestic product (GDP). It, of course, makes the existence of SMEs very important for economic growth. Besides that, technological developments are a challenge for entrepreneurs today. Entrepreneurs are competing to make their products superior through various business strategy initiatives. However, without proper knowledge, it will undoubtedly reduce the strategy's effectiveness. Therefore, many social science studies on business performance have given rise to many solutions to current business problems. One of them is a digital marketing strategy which is currently referred to as marketing 4.0. Currently, many digital marketing channels are circulating on the internet, making it difficult for entrepreneurs to identify which strategy is suitable for their business. Therefore, in this study, researchers focused on using digital marketing channels among SMEs, which focused on search engine marketing, social media marketing, email marketing, and affiliate marketing. The sample comprises 87 SME owners from the Jakarta region, with a survey method chosen to achieve the study's objective. According to the study, SMEs that have been operating for one year are more likely to choose social media as a channel that has more impact on their business performance and are followed by search engine marketing, social media marketing, and affiliate marketing. Aside from that, email marketing is an insignificant influence on business performance among SMEs in Jakarta, Indonesia.

Keywords: Internet, Technology, Businesses, Digital marketing, Channels, Strategies, Small and medium-sized Businesses

Paper type: Research Paper

Introduction

Every corporation strives to survive and succeed in its respective competitive marketplaces. Organizational success may be reached in a variety of ways. Others consider their exterior standing, while others consider their

interior talents. Regardless, a company can only achieve tremendous commercial success if it can deliver items for which clients are willing to pay more than the product's cost. To do this, organizations must analyze how they give product or service value to customers. Therefore, the literature has underlined that digital transformation will affect value creation, which represents the impact of digitalization on the performance of businesses (Hess et al., 2016; Ahmad et al., 2020). In addition, throughout the history of the marketing profession, the function of marketing in elucidating corporate performance has received considerable study (Morgan, 2011).

Researchers are interested in determining how digital marketing influences the business performance of small and medium-sized enterprises (SMEs) in Jakarta, Indonesia. By studying a particular component suitably and past research not examining the factors, the researcher is driven to communicate their findings to future researchers, corporate stakeholders, and marketers. As a result, this research aims to delve further into the most effective digital marketing channels for improving business performance. Consequently, its barriers are also the basis of this research. Thus, the study focuses on digital marketing channels and its influence on the business performance of small and medium enterprises (SMEs). Specifically, the objectives of the study are;

- i. To identify the scenarios of digital marketing channels and business performance of SMEs in Jakarta.
- ii. To examine the relationship between factors of digital marketing channels and business performance of SMEs in Jakarta.

Literature Review

This chapter describes the literature review of research on digital marketing channels that impact the business performance of SMEs in Jakarta, Indonesia. Moreover, this chapter also discusses the literature review from previous studies and theories related to the topic of this research. In ensuring the validity of these theories, the researchers used journals, research papers, and books. Therefore, the purpose of this chapter is to critically examine the literature review on the transformation of traditional marketing, the concept of digital marketing, an overview of SMEs in Indonesia, and the concept of business performance. It is undeniable that technological developments have given rise to many solutions in today's business. Business practitioners have used the internet to improve the marketing of their products. According to Durmaz and Efendioglu (2018), digital channels have made people switch to online shopping. They also stated that digital marketing on search engines has helped customers decide their choices on the items they want to buy.

Based on Chaffey and Chandwick (2016, p. 11) explains that using the internet and various digital media and technologies to assist contemporary marketing has resulted in various academic and professional terms and jargon. Yasmin et al. (2015) added that promotional activities for a product that involves digital platforms could be interpreted as digital marketing. According to Omar et al. (2020), digital marketing primarily promotes a company's brand or product through various types of digital advertising as a more interactive and informed alternative. On the other hand, Chaffey and Chadwick (2016) use the word internet marketing, the internet, and other digital technologies combined with conventional means of communication to achieve marketing goals. In addition, Girchenko and Ovsianikova (2016) define digital marketing as a multidimensional approach to promoting products, services, and brands throughout the company, utilizing many digital media or incorporating traditional channels into a virtual marketing environment.

Hypothesis Development

When it comes to expanding their customer base internationally, search engines have become crucial. The study conducted by Tomasi and Li (2015) gave the result that SEOs have substantial positive impacts on the number of user visits to SME websites as well as overall sales revenue. Furthermore, Terrance et al., (2017) investigated the importance of SEO marketing in digital marketing found that SEO utilization consequently increases the sales revenue. Thus, this study proposes the following hypothesis:

H1: Search engine optimization utilization significantly positive impact on SMEs performance

Affiliate marketing provides a bigger relative advantage to businesses by allowing them to access a large number of clients, making it more probable for SMEs to be e-marketing focused (Zolkepli and Kamarulzaman, 2015).

According to Patrick and Hee (2021), SMEs may profit from affiliate marketing in terms of cost savings, time efficiency, minimal effort, and high return. However, SMEs face a number of extra hurdles while employing affiliate networks. The uncertainty that comes with being unable to budget advertising revenue in advance and being unable to meet additional resource requirements, such as hiring more workers (Papatla and Bhatnager, 2002, as cited in Quinton and Khan, 2009).

H2: Affiliate marketing utilization significantly positive impact on SMEs performance

Nyawira and Winnie (2014) investigated that email marketing has had a significant impact on increasing the prospective customers subscribing to their organization’s products via email. Furthermore, the usage of email marketing for company have effectiveness for their promotion contest and database of customer (Brock et al., 2016). According to Rautanen (2012) summarize that email marketing did’t have their full pontential to increase business relationship. Moreover, study conducted from Ngochi & Kihara (2019) concluded that the email marketing can help SMEs to increase their product reachability.

H3: Email marketing utilization significantly positive on SMEs business performance

Rodriguez et al. (2014) established that social media platforms such as Facebook have a favorable effect on customer-oriented procedures, which in turn has a beneficial effect on an organization's sales performance. Moreover, the usage of social media technology has a favorable effect on an organization's social capital and hence on its performance (Ferrer et al., 2013). Additionally, Wong (2012) discovered that Facebook usage benefits SME businesses This is backed by the findings of Kwok and Yu (2013), who discovered that Facebook usage can improve sales as well.

H4: Social media marketing utilization significantly positive impact on SMEs performance

Figure 1 shows the present research framework model.

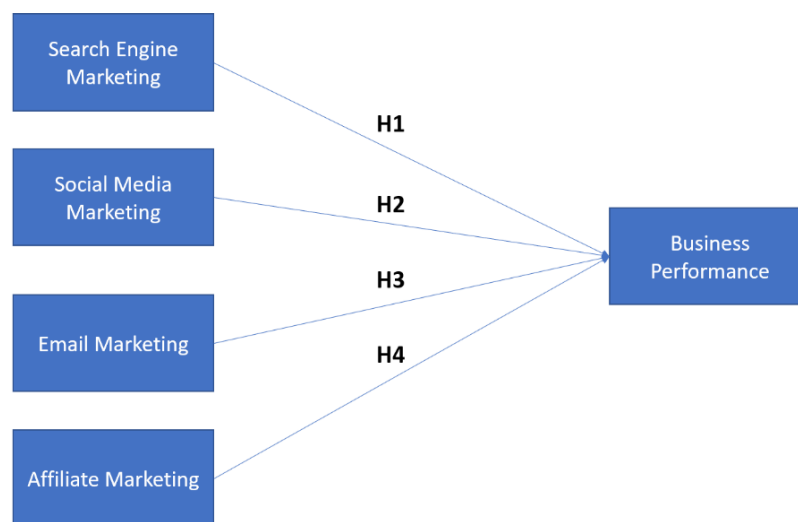


Figure 1. Research Framework

Methods and Materials

A. Measurement

In this study, researcher used a survey questionnaire as the research instrument to gather data on digital marketing channels towards business performance among SMEs. The questionnaire was designed to measure various channels of digital marketing, including search engine marketing, social media marketing, email marketing, and affiliate marketing. The questionnaire consisted of six sections: A) Demographic information, B) Search Engine Marketing, C) Social Media Marketing, D) Email Marketing, E) Affiliate Marketing, and F) Business Performance as the dependent variable.

The questionnaire consisted of 37 and for independent variable and was rated on a 5-point Likert scale, ranging from strongly disagree to strongly agree.

B. Sample and data collection

This study generally opted for the organization stakeholders as the unit of analysis, which enabled an investigation of the relationship between digital marketing and business performance. The survey questionnaire was administered to a sample of 87 business owner and founder from a variety of organizations. Participants were asked to complete the questionnaire online and were given a period time.

C. Respondents' profile

Table 1 shows, most responders were female (63.3%), while the remainder were male (36.4%). Most entrepreneurs (36.4%) were between the ages of 30 and 35, while just a tiny percentage (19.1%) were older than 35. 78.2% of respondents have been in business for more than one year, while 21.8% have been in business for one year.

Furthermore, the result demonstrates that a majority of 49 percent of respondents are upper class economic status in Jakarta, Indonesia. Moreover, the middle economic status lies on percentage (28%) and then lower economic status (13%). Other than that, the survey shows that respondents' job status, majority is 93.6 percent of them are the owner of the business, followed by 6.4 percent of respondents are the founder.

Table 1. Demographic profile of the respondents

	Frequency	Percent(%)
Gender		
Male	40	36.4
Female	70	63.6
Age		
18-23	26	23.6
24-29	23	20.9
30-35	40	36.4
>35	21	19.1
Economic status		
Upper	59	53.6
Middle	35	31.8
Lower	15	13.6
Job Status		
Owner	103	93.6
Founder	7	6.4
Business Establishment		
1 Year	19	21.8
>1 Year	68	78.2

D. Data analysis

In this study, researchers used the Statistical Package for Social Sciences (SPSS) Version 28 to conduct data screening. It was also used to analyze respondents using descriptive analysis and measurement purposes.

Results

A. Reliability of variables items

Table 2 shows the internal consistency reliability results of the instruments. Cronbach's coefficient was used to assess the reliability of the study instrument. In order to have a complete picture of the dependent variable, we pick all 6 questions at random from the questionnaire. To add to that, there are a total of 7 elements serving as independent variables in the SEM. The next set of independent variables all have the same items = 5.

Table 2. Summary of reliability analysis

Variables	N of items	Cronbach 's Alpha
DV: Business Performance	6	0.93
IV: SEM	7	0.86
IV: SMM	5	0.79
IV: EM	5	0.88
IV: AF	5	0.94

For all dimensions, Cronbach's alpha is more than the threshold of 0.70, indicating that the construct measure is categorized as a good value. All selected variables have an Alpha value of more than 0.70, indicating a dependency above the average. With a value of 0.94 in affiliate marketing it can be said to be very good performer.

B. Measurement of items

Using a descriptive analysis approach to see which questionnaire represents the independent and dependent variables. Table 3 displays the mean and standard deviation for the constructs as rated on a 5-point Likert scale.

Table 3: Likert scale of items

	N	Min	Max	Mean	SD
Utilizing search engine marketing					
Using Google Ads in marketing products or services really helps business performance.	87	1	5	4.14	.942
The use of images in advertisements has a good impact on digital marketing.	87	1	5	4.44	.773
Paid advertising optimizes our business search in google search.	87	2	5	3.95	.888
Having a website improves our business performance digitally.	87	2	5	3.90	.890
Marketing with SEO improves our company's ability to compete in digital marketing.	87	2	5	3.90	.903
The use of keywords on the website makes company pages reach the top 4 searches (Google) to increase product visibility.	87	2	5	4.21	.865
We apply SEO because we believe this strategy is very important for companies.	87	2	5	3.97	.921
Utilizing social media marketing					
Social media helps our business in marketing products or services.	87	3	5	4.55	.660
Posting on multiple social media pages increases customer outreach.	87	2	5	4.38	.766
By paying for ads, our social media pages get lots of visitors.	87	2	5	4.13	.833

Social media increases visits to our offline stores.	87	2	5	4.14	.809
We are very active in serving our customers through social media.	87	2	5	4.29	.820
Utilizing email marketing					
Using a company email domain (sayaarief@juraganbakso.com) helps us get potential customers.	87	1	5	3.84	1.010
We send emails containing information about our products directly/to the point.	87	1	5	3.84	.951
Our customers are very enthusiastic about the latest information about products or services. we.	87	2	5	3.90	.836
Sending emails automatically increases the effectiveness of product/service marketing.	87	2	5	3.75	1.014
We have had no trouble getting our subscribers' email lists.	87	1	5	3.48	1.021
Utilizing affiliate marketing					
Affiliate marketing helps companies in reducing their direct and indirect business expenses.	87	2	5	3.76	.927
Affiliate marketing helps process business activities.	87	2	5	3.83	.892
Our company uses affiliates to expand market reach.	87	1	5	3.72	1.107
Our company uses affiliates to improve marketing performance.	87	1	5	3.67	1.168
Overall, our company uses affiliate marketing to help sell its products and services.	87	1	5	3.71	1.170
Business performance					
The level of satisfaction with increased sales after using digital marketing strategies.	87	1	5	3.98	.915
Increase in the number of customers per year after using a digital marketing strategy.	87	2	5	4.10	.850
Monthly profits have increased as a result of implementing digital marketing strategies.	87	2	5	4.01	.814
Using the internet to promote products or services will allow our business to grow faster.	87	2	5	4.17	.810
Using the internet to promote products and services will improve business performance.	87	2	5	4.26	.814
I believe the internet is very useful for our business in promoting products and services.	87	2	5	4.30	.809
Valid N (listwise)	87				

The mean has been applied as a measure of central tendency; the mean values for all constructs are above the midpoint level of 3. Constructs that obtain mean values above the midpoint level of 3 are indicative of the above average consensus regarding the respondent's perception towards the constructs themselves. Meanwhile, the average highest mean rating has been achieved by social media marketing (SMM) with a mean value above 4, whereas affiliate marketing (AF) has displayed the lowest mean average rating, with a mean value below of 3.

Then, standard deviation was applied as a dispersion index indicating the degree to which individuals within each variable differ from the variable mean. Among the variables in this study, the individual value of email marketing (EM) and affiliate marketing (AF) has deviated average the most from its mean ($SD = 1.138$), suggesting a reasonably high variability regarding respondents' perception towards it. In other words, the survey participants have given the most varying answers for this variable compared to others.

C. Pearson Correlation Analysis

Pearson's correlation coefficient between the dependent and independent variables was used to conduct two-tailed significance tests, shown in Table 4. Pearson's Correlation Coefficient was used to examine the association between the explanatory and responsive variables. Sig=0.001 indicates a statistically significant ($p, 0.01$) relationship between any two independent variables. However, there is a link between these four factors, as shown by the fact that the levels of Sig (2-tailed showed a value of 0.000).

Table 4: Pearson Correlation Analysis

Measure	1	2	3	4	5
1. Business Performance	1	.736**	.712**	.674**	.726**
2. Search Engine Marketing	.736**	1	.706**	.714**	.616**
3. Social Media Marketing	.712**	.706**	1	.687**	.822**
4. Email Marketing	.674**	.714**	.687**	1	.822**
5. Affiliate Marketing	.726**	.616**	.822**	.822**	1

** Correlation is significant at the 0.000 level (2-tailed)

Based on table 4, search engine marketing (0.736) is more relevant and has a more substantial relationship, followed by affiliate marketing (0.726) and social media marketing (0.712). These three variables indicated high-level value. Despite this, email marketing lies at 0.674, meaning a moderate weight.

D. Multiple Regression Analysis

Table 5 shows the adjusted R^2 for this model is 0.670, which indicates that 67 percent of the variation in the Business Performance is explained by all independent variables. The variables are the label SEM, Social Media Marketing, Email Marketing, and Affiliate Marketing based on the flow of analysis since the beginning of the extraction method via SPSS.

Table 5: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.828 ^a	0.686	0.670	0.41286
a. Predictors: (Constant), SEM, Affiliate Marketing, Email Marketing, Social Media Marketing				
b. Dependent Variable: Business Performance				

The mode as a whole was significant in predicting business performance: $F(4,82) = 44.702$, $p < .000$, as shown in Table 6 and Table 7. On table 6 the R^2 for the overall model was 68.6%, with an adjusted R^2 of 67%, a medium size effect is reported by the model, of variations in business performance is accounted by the linear combination of the predictor variables (SEM, Affiliate Marketing, Email Marketing, and Social Media Marketing).

Table 6: ANOVA Result

ANOVA						
Model		Sum of Square	df	Mean Square	F	Sig.
1	Regression	30.479	4	7.620	44.702	0.000
	Residual	13.977	82	0.170		

Total	44.456	86
-------	--------	----

Table 7: Coefficients

Coefficients		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.216	0.347		0.623	0.535
	SEM	0.336	0.105	0.307	3.185	0.002
	Social Media Marketing	0.418	0.113	0.337	3.691	0.000
	Email Marketing	-0.155	0.116	-0.172	-1.333	0.186
	Affiliate Marketing	0.359	0.082	0.475	4.356	0.000

a. Dependent Variable: Business Performance

$$Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3\dots$$

In the final model, there are three variables were statistically significant, with SEM ($t= 3.185$, $p < .002$, $\beta= 0.307$), social media marketing ($t= 3.691$, $p < 0.000$, $\beta= 0.337$), affiliate marketing ($t= 4.356$, $p < 0.000$, $\beta= 0.475$), in business performance. However, only one independent variable is not insignificant, which is email marketing ($t= -1.333$, $p < 0.186$, $\beta= -0.172$).

Business performance = 0.216 + 0.336 (SEM) + 0.418 (social media marketing) - 0.115 (email marketing) + 0.359 (affiliate marketing)

Table 8 depicts the hypotheses test results. The results show that H1, H2 and H4 are all supported whereas, H3 is not supported.

Table 8: Hypothesis results

Hypothesis	Statement	Results
H1	Search engine marketing utilization significantly positive impact on SMEs performance.	Accepted
H2	Social media marketing utilization significantly positive impact on SMEs performance.	Accepted
H3	Email marketing utilization significantly positive impact on SMEs business performance	Not accepted
H4	Affiliate marketing utilization significantly positive impact on SMEs performance.	Accepted

Overall, social media marketing had the most significant impact on small and medium-sized enterprises (SMEs) business performance in Jakarta, Indonesia, followed by affiliate marketing and search engine marketing. In contrast, email marketing had the most negligible impact. Since their p-values were less than 0.05, three of the variables were deemed significant. When the p-value was more than 0.05, email marketing was not significant.

Discussion and Conclusion

The majority of business owners who have been in business for a year or more have grown up in a digital environment and fully utilise new digital technologies and digital marketing tools. Furthermore, in today's market competitiveness, the employment of digital marketing methods is rather difficult. The convenience and low cost of employing digital marketing tightens competition between firms, which is a major worry. SMEs enterprises in Jakarta must examine the effectiveness of the channels they utilise as well as the appropriateness of the target market they wish to reach.

The social media platform has a lot of promise from the start. Because social media platforms are unique, marketers are interested in exploiting them as a marketing tactic. The study discovered a substantial association between social media and SMEs business performance in Jakarta, Indonesia, where social media has a considerable effect on business performance among SMEs in Jakarta. This demonstrates that the presence of this channel has not ceased until today. Simply said, marketers must determine which channels are most beneficial for their products. However, despite the importance relationship, affiliate marketing may be a beneficial digital marketing approach for SMEs in Jakarta owing to its cost-effectiveness, greater reach, and performance-based nature. SMEs may reach a larger audience and advertise their products and services by working with affiliates without incurring hefty upfront fees. As a result, affiliate marketing may be a beneficial tool for Jakarta-based SMEs aiming to build their company and boost their online visibility.

Of course, in Jakarta, the capital city of Indonesia, it is linked with the variety of accessible enterprises. Of course, fierce competition is unavoidable. Customers in Jakarta, based on their demographic profile, are not distant from technology and the internet. As a result, SMEs must be able to alter their marketing plan

In the present digital era, it is clear that several digital marketing channels have emerged as the key battleground between small and medium-sized enterprise (SMEs) and their bigger competitors. Because of the low barrier to entry and vast variety of available marketing channels, SMEs who embrace and master these marketing methods have a higher chance of improving their market share and corporate performance.

References

- Ahmad, A., Madi, Y., Abuhashesh, M., & Nusairat, N. M. (2020). The knowledge, attitude, and practice of the adoption of green fashion innovation. *Journal of Open Innovation: Technology, Market, and Complexity*, 6(4), 107.
- Brock, B., Carlson, S. C., Moilanen, M., & Schillo, B. A. (2016). Reaching consumers: How the tobacco industry uses email marketing. *Preventive Medicine Reports*, 4, 103-106.
- Chaffey, D., & Ellis-Chadwick, F. (2016). *Digital marketing: strategy, implementation and practice*, 6th edition.
- Durmaz, Y., & Efendioglu, I. H. (2016). Travel from traditional marketing to digital marketing. *Global Journal of Management and Business Research*, 16(E2), 35-40.
- Ferrer, E., Bousoño, C., Jorge, J., Lora, L., Miranda, E., & Natalizio, N. (2013). Enriching social capital and improving organizational performance in the age of social networking. *Business and Management*, 5(2), 94-281.
- Gálvez-Rodriguez, M. D. M., Caba-Pérez, C., & López-Godoy, M. (2014). Facebook: A new communication strategy for non-profit organisations in Colombia. *Public Relations Review*, 40(5), 868-870.
- Girchenko, T., & Ovsiannikova, Y. (2016). Digital marketing and its role in modern business processes. *European Cooperation*, 11(18), 24-33.
- Kwok, L., & Yu, B. (2013). Spreading social media messages on Facebook: An analysis of restaurant business-to-consumer communications. *Cornell Hospitality Quarterly*, 54(1), 84-94.
- Lu, Y. (2017). Industry 4.0: A survey on technologies, applications, and open research issues. *Journal of Industrial Information Integration*, 6, 1-10.
- Morgan, N. A. (2011). Marketing and business performance. *Journal of the Academy of Marketing Science*, 40(1), 102-119. <https://doi.org/10.1007/s11747-011-0279-9>.
- Ngochi, B. N., & Kihara, A. (2019). Effect of Digital Marketing Strategies on the Growth of Small and Medium Enterprises in Liquefied Petroleum Gas distribution in Nairobi City County, Kenya. *Journal of Business and Strategic Management*, 4(1), 88-109.
- Njau, J. N., & Karugu, W. (2014). Influence of e-marketing on the performance of small and medium enterprises in Kenya: Survey of small and medium enterprises in the manufacturing industry in Kenya. *International Journal of Business & Law Research*, 2(1), 62-70.

- Omar, F. I., Zan, U. M. S. M., Hassan, N. A., & Ibrahim, I. (2020). Digital Marketing: An Influence towards Business Performance among Entrepreneurs of Small and Medium Enterprises. *International Journal of Academic Research in Business and Social Sciences*, 10(9). <https://doi.org/10.6007/ijarbss/v10-i9/7709>.
- Patrick, Z., & Hee, O. C. (2021). Affiliate Marketing in SMEs: The Moderating Effect of Developmental Culture. *Pertanika Journal of Social Sciences & Humanities*, 29(2).
- Quinton, S., & Khan, M. A. (2009). Generating website traffic: A new model for SMEs. *Direct Marketing: An International Journal*.
- Rautanen, M. (2012). Email marketing in business-to-business relationships.
- Terrance, A. R., Shrivastava, S., & Mishra, A. (2018). Importance of Search Engine Marketing in the Digital World. *Proceedings of the First International Conference on Information Technology and Knowledge Management*. <https://doi.org/10.15439/2017km24>.
- Tomasi, S., & Li, X. (2015). Influences of search engine optimization on the performance of SMEs: A qualitative perspective. *Journal of Electronic Commerce in Organizations (JECO)*, 13(1), 27-49.
- Wong, C. B. (2012). Facebook usage by small and medium-sized enterprises: The role of domain-specific innovativeness. *Global Journal of Computer Science and Technology*.
- Yasmin, A., Tasneem, S., & Fatema, K. (2015). Effectiveness of digital marketing in the challenging age: An empirical study. *International Journal of Management Science and Business Administration*, 1(5), 69-80.
- Zolkepli, I. A., & Kamarulzaman, Y. (2015). Social media adoption: The role of media needs and innovation characteristics. *Computers in Human Behavior*, 43, 189-209.