

# DIGITAL MARKETING ADOPTION AND THE INFLUENCES TOWARDS BUSINESS SUCCESES OF MSMEs CREATIVE SECTOR IN INDONESIA AND MALAYSIA

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**Abstract:** This research is to identify which factor affecting business success from digital marketing by MSMEs Creative Sector in Indonesia and Malaysia. Data processing and analysis methods in this research are Descriptive Analysis, employing SEM with PLS approach, and quantitative data were mainly investigated. The conclusion of this research are the factor which significantly affects the success of digital marketing uses is knowledge, knowing its benefits can provide more benefits for the future of their businesses. This research is expected to produce knowledge relevant to factors affecting the success of digital marketing benefit towards business success in MSMEs creative sector. The next researcher is expected to examine more respondents and wider research area, and this research is expected to give contribution and references to related institutions.

**Keywords:** digital marketing, MSMEs creative sector, digital marketing knowledge, MSMEs Indonesia, and Malaysia.



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The fact that internet users increased every day, this fact was not ignored by the businesses. Today, many companies intentionally created a website, blog, or makes an account on facebook and twitter to market or to promote their products. The business progress is considered very useful to be used as a business marketing strategy, which also done by the MSMEs. According to Hiebing (2003), in association

with the internet usage pattern of target mark, it is necessary to identify the online activities of businessman target markets, much of the information gathered relates to identifying products and services to buy. As is understood that with the development of the internet rapidly, Ramadhani, et al. (2013), said that the fact that SMEs can utilize these technologies optimally as a marketing medium then this may be the solution for developing marketing in order to improve the competitiveness of SMEs in the face of the ASEAN Economic Community (AEC). Bekraf (Creative Economic Agency) recorded a GDP growth of 4.79%, among MSMEs in Indonesia, the creative economy industry recorded a positive contribution with 5.6% growth (2010 - 2013).

The contribution of GDP reached 7.1 percent, absorbing 10.7 percent (about 12 million total workforces). The creative economy industry grew 5.76 percent above the national average of 5.74 percent, with an added value of Rp. 641.8 trillion or seven percent of national GDP. Unlike other sectors that rely heavily on the exploitation of natural resources, creative economic power relies on the advantages of human resources. Artwork, architecture, books, technological innovations, and animations, are derived from the creative ideas of human thought.

Based on the background that has been described above with the potential of MSMEs, the use of the internet that has increased significantly and the creative sector that grows above the average national economic growth, the author feel it is necessary to research adoption of digital marketing by MSMEs in a creative industry. Therefore, the purpose of this study is to analyze the factors of digital marketing that affect business success.

## LITERATURE REVIEW

### ICT Adoption by SMEs

Setiowati, et al. (2015), regardless of the benefits of ICT to a firm's performance, the ICT adoption of SMEs in Indonesia is still considered slow. The majority of SMEs still have no presence or only static internet presence. According to Demishkevich (2015), research, it is important to know the rate of digital marketing adoption among small businesses; understanding the extent and effectiveness of digital marketing tools utilization is critical. In general, there is a gap in academic research related to how small businesses utilize digital marketing channels and tools

### Digital marketing Applied by MSMEs

Digital marketing is using the internet to deliver promotional marketing messages to consumers. It includes email marketing, search engine marketing, social media marketing, many types of display advertising (including web banner advertising), and mobile advertising (Pawar, 2014). Icha (2016), state that the fastest way to get the attention of consumers and at a wide range, one of the ways in which

organizations have found to connect with their consumers through the media social.

### Digital Marketing Benefit to MSMEs Business

The use of the internet by MSMEs facilitated the exchange of information instantly stimulates efficiency and helps solve problems at an early stage (Marjolein, et al., 2014). The use of Social Media is considered to have a positive impact on a business, in particular, it can reduce substantial marketing costs and improve good relationships with customers (Mokhtar, et al., 2016).

### MSMEs Knowledgeable about Digital Marketing Benefit

Several studies have been conducted to examine the factors contributing to the slow rate of ICT adoption in SMEs, among the most widely cited barriers include a lack of knowledge and understanding of the benefits of ICT, concerns about security and privacy, lack of skilled workers, computer technology not being widely used in the business operation, cultural barriers, and lack of financial resources (Khatibi, et al., 2003).

### Business Success

A business is successful when increased a profit, although profit is not the only aspect of the value of the success of a business (Suarmawan, 2015). According to Purnama and Suyanto (2010), the performance of small industries can be defined as the level of success in achieving the purpose or the expected goals. It can be seen from various aspects, such as financial performance, corporate image, production efficiency, expanding production, profitability and public confidence. Hasan, et al. (2012), said that the classification criteria for success are formed from the measurement of the success of new entrepreneurs based on DIKTI (Higher Education) and the ITS (Institute Technology Surabaya). Consists of a range of markets, business networking, monthly income, asset value, product variety, old businesses survive, innovation and intellectual property rights.

**Economics Creative**

Policy Research Group (PCH) from Canadian Heritage (2013), said that developed countries around the world have now transitioned into functioning within a knowledge economy where information and knowledge are important drivers of economic growth. From an economy solely based on the production of goods to an economy significantly fuelled by ideas and innovation, the role of creativity in shaping and powering that growth can no longer be ignored.

**RESEARCH HYPOTHESIS**

H1 : Knowledge affects the benefits of digital marketing

Setiowati, et al. (2015), stated that it is necessary to educate SME owners or managers about the potential benefits they will gain by applying cost-effective internet adoption capabilities to their business. To improve the competitiveness of MSMEs, the Indonesian government facilitates the training of MSMEs, including e-business training. In his research, e-business is defined as the application of information technology, especially internet technology, to support business activities. Saptadi, et al. (2014), said that business activities include communication, coordination, and organizational management. The adoption of e-business by MSMEs found that only a fraction (less than 10%) of MSMEs continued to adopt e-commerce after training from the government. The main reason for at least adopting

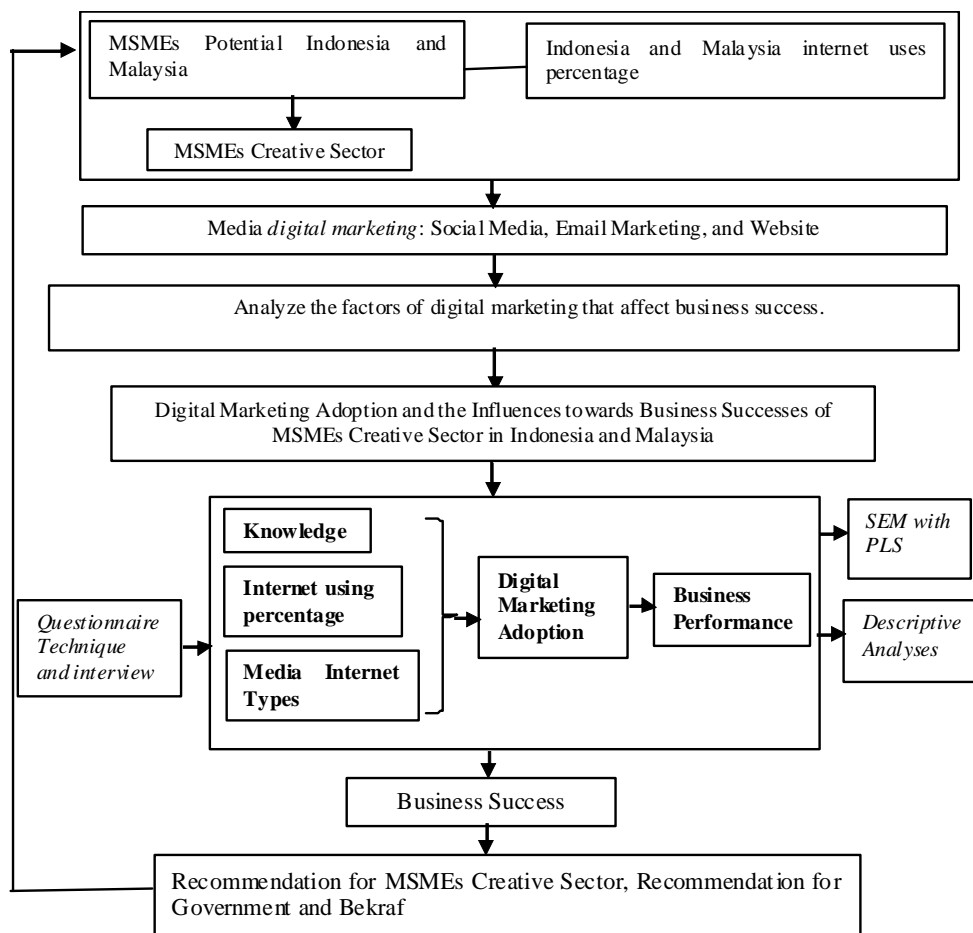


Figure 1 Conceptual Framework

further is the lack of ability of SMEs to align their business and information technology).

H2 : The benefits of digital marketing affect business performance

Digital marketing is considered effective to be applied by MSMEs to the market their products. Mujiyana, et al. (2012), said that one of the competitiveness that must be owned by SMEs is the mastery of information technology. The use of Social Media is considered to have a positive impact on a business, in particular, it can reduce substantial marketing costs and improve good relationships with customers (Mokhtar, et al., 2016).

**METHOD**

The type of research in this research is research development, using Structural Equation Modelling (SEM) with Smart PLS 3.0 technique, the research data are quantitatively analyzed. Descriptive analysis is used to explain the characteristics of businessmen and explain the implementation of digital mar-

keting. The secondary data are obtained from the literature studies, the Central Bureau of Statistics from both country, the annual reports of SMEs data in Indonesia and Malaysia, and other related data. Primary data were gained through interview and survey by questionnaires technique conducted in April-July 2017. Population in this research was SMEs creative sector in South Jakarta, Indonesia and Kuala Lumpur, Malaysia. The samples in this research were total 70 samples of MSMEs creative sector in Indonesia and Malaysia. Samples were collected using purposive quota sampling method.

**RESULT**

**Characteristics of Business Practitioners of Creative Sector in Indonesia and Malaysia**

Characteristics of business practitioners on MSMEs creative industries examined in this study are gender, age, position in MSMEs, occupation, MSMEs type, firm's year operation, employee's number, and the initial reason to start the business.

**Table 1 Respondent Characteristic (n=70)**

Respondent Characteristics		Indonesia n= 35 (%)	Malaysia n= 35 (%)	Total 70(%)
Gender	Male	25.71	8.6	17.41
	Female	74.29	91.4	82.86
Age	18-25 years	9	3	5.71
	26-35 years	57	66	61.43
	36-45 years	31	31	31.43
	>45 years	3	0	1.43
Position	Owner	100	85.7	93
	Top Management	0	5.7	3
	Midle Management	0	2.9	1
	Other	0	5.7	3
Occupation	Student	5.7	5.7	0.057
	Services	5.7	11.4	8.6
	Self Employed	88.6	82.9	85.7

**Table 2 MSMEs Characteristics (respondent)**

<b>Business Characteristics</b>		<b>Indonesia n= 35 (%)</b>	<b>Malaysia n= 35 (%)</b>	<b>Total 70(%)</b>
Business Types	Micro	45.7	5.7	25.7
	Small	51.4	80	65.7
	Middle	2.9	14.3	8.6
Years of Operation	0 -2 years	48.6	31.4	40
	3 -5 years	48.6	42.9	45.71
	6-10 years	2.9	14.3	8.57
	11 -15 years	0	5.7	2.86
	>15 years	0	5.7	2.86
Number of employees	1-10 workers	62.9	71.4	67.14
	11-20 workers	34.3	20	27.14
	21-30 workers	2.9	5.7	4.29
	31 -40 workers	0	0	0
	> 80 workers	0	2.9	1.43
Business Reasons	Continue Parent's Business	0	6	3
	Owner's Idea	74	71	73
	Owner and Partner's Idea	26	23	24

**Implementation of Internet Usage by MSMEs in Indonesia and Malaysia**

Implementation of internet usage by UMKM actors in both countries, including knowledge of its usage and frequency of its use, is presented in Table 3.

**Evaluation of Outer Model Results in Indonesian and Malaysian MSMEs**

The relationship model that influences business performance on MSMEs analyses using SMART PLS version 3.0. There are five variables in the model, five variables such as knowledge, Frequency

**Table 3 Implementation of Internet Usage**

<b>Internet Implementation</b>		<b>Indonesia n= 35 (%)</b>	<b>Malaysia n= 35 (%)</b>	<b>Total 70 (%)</b>
Internet usage	Somewhat knowledgeable about	3	0	1
	Knowledgeable about	57	54	56
	Very well knowledgeable about	40	46	43
Frequency using Online	Low (1-2 hours/day)	9	3	6
	Moderate (2-3 hours/day)	31	37	34
	High (3-4 hours/day)	40	37	39
	Very High (>4 hours/day)	20	23	21

Using internet, IM type (digital marketing Type), IM Benefit (digital marketing Benefit), and Business Performance

**Evaluation of Outer Model in Indonesian MSMEs**

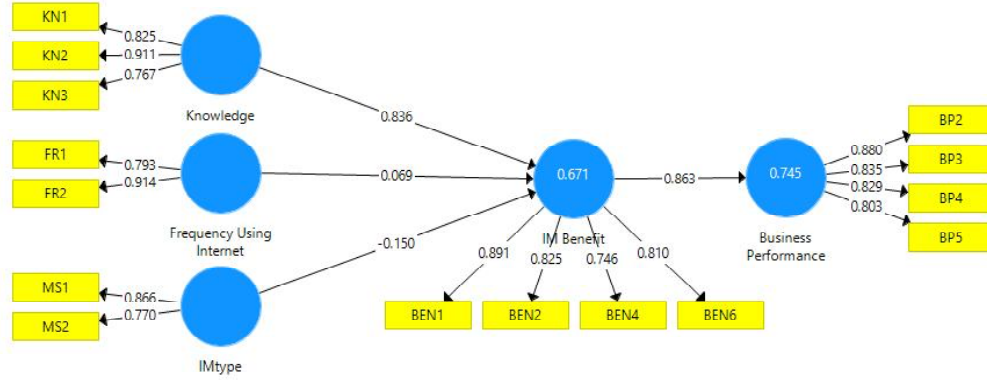


Figure 2 The Final Outer Model of Indonesian MSMEs

**Evaluation of Outer Model in Malaysian MSMEs**

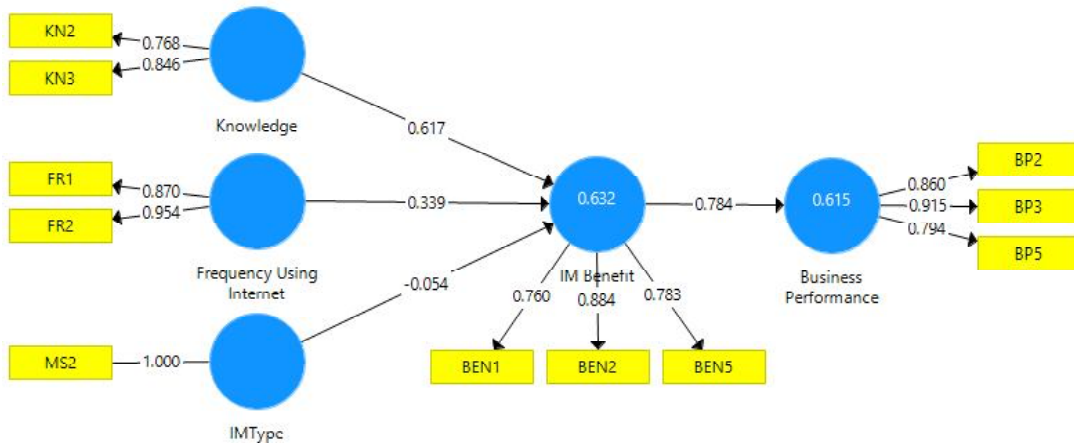


Figure 3 The Final Outer Model of Malaysian MSMEs

**Evaluation of Outer Model Results in Indonesian and Malaysian MSMEs**

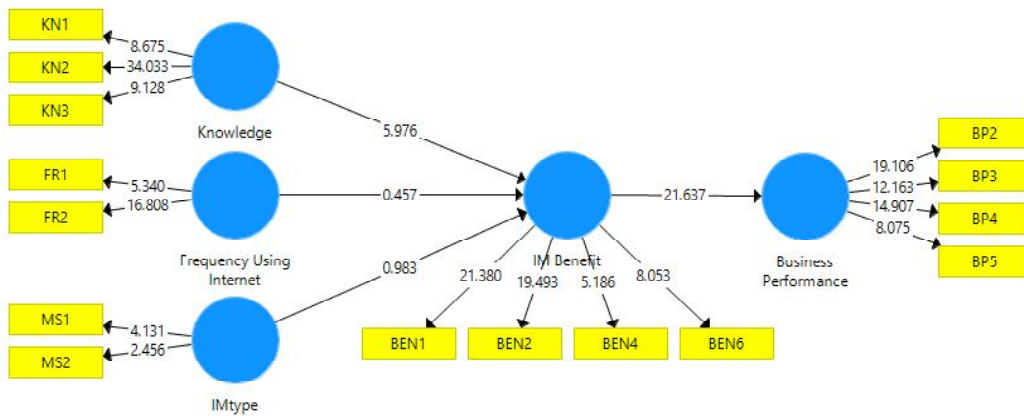
The bootstrapping method on Smart PLS used to obtain path coefficients and T-Statistic values.

Model of variables that have a significant positive influence is indicated by the value of T count > T table = 1.96 and p-value > 0.05. Table 4 presents the value of the bootstrap result using Smart PLS.

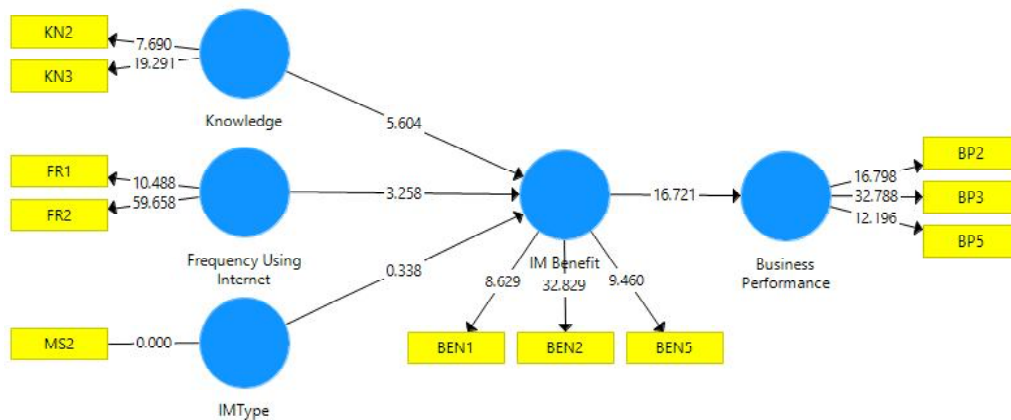
Table 4 Bootstrap Results (Indonesian and Malaysian)

	Knowledge -> digital marketing Benefit		digital marketing Benefit -> Business Performance	
	Indonesia	Malaysia	Indonesia	Malaysia
T Statistic	5.376	6.281	16.122	20.742
P Value	0.000	0.000	0.000	0.000
Hypothesis	H1: Accepted	H1: Accepted	H2: Accepted	H2: Accepted

The bootstrap results in inner models in Indonesia and Malaysia are shown in Figures 4 and 5.



**Figure 4 Bootstrap Result of Inner Model Indonesian MSMEs**



**Figure 5 Bootstrap Result of Inner Model Malaysian MSMEs**

**DISCUSSION**

**Characteristics of Business Practitioners of Creative Sector in Indonesia and Malaysia**

Characteristics of business practitioners on MSMEs creative industries examined in this study are gender, age, position in MSMEs, occupation, MSMEs type, firm’s year operation, employee’s number, and the initial reason to start the business. There is no characteristic difference between MSMEs in Malaysia and Indonesia. The majority of respondents are women (82.86%) with a majority age range between 26-35 years (61.43%). The majority of respondents are MSMEs own business

owners (93%) with current employment is the majority as self-employed (85.7%). The majority business type of respondents from both countries is a small business (65.7%), with average operating duration of 3-5 years 45.71%). The number of workers majority of 1 to 10 workers (67.14%) on the grounds of business from the majority of business owners is an idea from themselves (73%).

**Implementation of Internet Usage by MSMEs in Indonesia and Malaysia**

Implementation of internet usage by MSMEs perpetrators in both countries included knowledge

of its use and frequency of its use. Knowledgeable of internet usage for the perpetrators of MSMEs in both countries are considered to have understood the use and the benefits that can be obtained by markets their products through the internet. Based on the results of research from both countries, the perpetrators of MSMEs are still vaguely aware of the total use of only 1% of the two countries. The perpetrators of MSMEs who have known how to use the internet, from both of them by 56% and who really understand the use are 43%. Knowledgeable of internet usage has an influence on the level of its use by the perpetrators of MSMEs in Indonesia and Malaysia has a high enough frequency. The average of MSMEs players in both countries has a high usage frequency that is 3 to 4 hours per day (Indonesia 40% and Malaysia 37%). Only a few usage frequent low 1 to 2 hours per day, 6% (Indonesia 9% and Malaysia 3%).

#### **Evaluation of Outer Model in Indonesian MSMEs**

The reliability indicator criterion considered to represent consistency is a composite reliability value of  $\rho_c > 0.7$ . In the outer model of the knowledge and IM Type variables, there is one indicator that must be omitted because the value does not meet the standard, then the variable IM Benefit there are three indicators that must be eliminated, and there are two indicators on the Business Performance variable that must be omitted because the value is below standard. After the process of discharging indicators that did not meet the requirements periodically, obtained the best outer model that meets the standard ( $> 0.7$ ). Then re-processed using a model with several indicators that meet the standards. Knowledge and Frequency are reflected with two indicators, IM Type with one indicator, and IM Benefit and Business Performance, each of which is reflected by three indicators. The results of the final outer model of Indonesian SMEs with indicators of each of the variables that have met the standard ( $> 0.7$ ) are presented in Figure 1.

#### **Evaluation of Outer Model in Malaysian MSMEs**

Early outer models on the knowledge, Frequency of Using the internet, and IM Type variables do not have indicators to eliminate. Variable IM Benefit two indicators must be eliminated, and there is one indicator on the Business Performance variable that must be omitted because it is below standard. After eliminated indicators that did not meet the standard value, the best outer model ( $> 0.7$ ) is outperformed, then re-processed using a model with several indicators that meet the standards. Knowledge is reflected with three indicators, Frequency and IM Type are reflected with two indicators. IM Benefit and Business Performance, each of which is reflected by four indicators. The result of the final outer model of Malaysian SMEs with indicators of each variable that has met the standard ( $> 0.7$ ) is presented in Figure 2.

#### **HYPOTHESIS TEST RESULTS**

H1 : Knowledge affects the benefits of digital marketing

Result of hypothesis test stated H1 accepted ( $p\text{-value} < 0.05$  and  $t\text{-statistic value} > 1.96$ ), with  $t\text{-statistic value} 5.376$  and  $p\text{-value} 0.000$ . These results show that Indonesian and Malaysian SMEs understand the internet can be used to market their business, new market opportunities and learn the behavior and lifestyle nowadays so that it can be a reference for a business entrepreneur to adjust the consumer's current needs in their business.

Hypothesis test results from both countries are in line with research conducted by Lorraine (2014) and Dahnil, et al. (2014), it concluded from both the study, if knowledgeable of the internet, understand its use, and know the benefits to marketing, it can be said knowledge has an influence on the business actor's understanding of the benefits of use digital marketing strategies that can help business practitioners to market their products or services, open new market opportunities, and be used for business actors in determining target customers.



H2 : The benefits of digital marketing affect business performance

The perpetrators of MSMEs in both countries considered the marketing strategy through internet media to have a positive influence on the performance of their business. The use of a digital marketing strategy is considered quite helpful for their business in marketing their products, especially for businesses that are still pioneering and do not have their own store. Hypothesis test result from IM Benefit in both countries is accepted ( $p$ -value  $< 0.05$  and  $t$ -statistics  $> 1.96$ ).

These findings are in line with research conducted by Icha (2015), Ivanauskiene (2015), Bolling, et al. (2014), and Mokhtar (2015), it concluded, digital marketing can be an effective alternative to improve business performance, because one of the factors of business success is if the performance of its business gives a positive influence on a business

### **MANAGERIAL IMPLICATIONS**

Knowledge is the main concern in the implementation of digital marketing for business success, such as knowledgeable of the understanding the use of the internet as a product communication, knowledgeable of the target consumers to be achieved by business practitioners and to utilize digital marketing as one tool to perform market needs. This knowledge is obtained not only from mouth to mouth, but it takes the initiative and willingness of the MSMEs entrepreneur to follow the world issue could increasingly widespread in various circles of society. Knowledge of the current market situation, market demand, as well as things that become the current trend, need to be sought out by business practitioners. As technology grows, more and more information can easily be obtained simply by used the internet media. The MSMEs entrepreneur should be aware that with the AEC, in addition to many opportunities to develop the business but the higher also the level of competition. Therefore it is very important for a businessman to continue to search, learn, and implementation in their business strategy. It is also important to have the support from the

government and related institutions to assist MSMEs practitioners in understanding the adoption of ICT for the sustainability of their business.

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **CONCLUSION**

The level of digital marketing usage in Indonesia and Malaysia is considered quite high. Most of the actors of MSMEs in Indonesia and Malaysia know and aware of the benefits gained through internet media for the success of their business. The most important factor that significantly influenced the benefits of digital marketing towards business successes (business performance) is with the knowledge that related to the use of the internet and the media contained in it.

#### **RECOMMENDATION**

Based on the conclusions obtained, from the results of the study, there are still some of the respondents who did not knowledgeable of the internet uses and internet's media marketing. It is suggested to the MSMEs communities educated by a government or an individual business to apply the benefits and facilities of digital marketing media when markets their products through. The next researcher is expected to examine more respondents and wider research area. This research is expected to give contribution and references to related institutions.

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