

CHAPTER 1

INTRODUCTION

1.1 Background

In the era of globalization and the rapid development of information technology, marketing strategies have undergone significant transformation. Digital marketing has become very important for Micro, Small, and Medium Enterprises (MSMEs) in reaching a wider market at an efficient cost. This problem has caused many business actors to switch to online sales through digital platforms, which offer solutions to the cost and time problems faced by traditional marketing methods (Amirudin et al., 2024). Digital marketing not only helps MSMEs in reaching new customers but also supports them in building better relationships with existing customers. Through social media and other digital platforms, business owners can communicate directly with consumers, provide the latest information about their products, and build the trust needed in business relationships (Putri, 2022). With the need to adapt to increasingly digital consumer trends, MSMEs are required to develop qualified digital competencies in order to remain competitive in the market (Sihombing, 2022).

Digital marketing has now become an integral part of society. Individuals who were previously not involved are now starting to take an interest in digital marketing. This is a period where people can argue even if they do not have an account on a social platform, which creates an opportunity for merchants and businesses to tap into the digital marketing market, especially in Indonesia which has tremendous potential. The huge influence of digital marketing is now only considered as a promotional strategy when prospective buyers start making product transactions online. With digital marketing, companies can operate more easily and at a lower cost because mass media only requires communication costs. This is the most effective advertising method because it allows the display and distribution of images to the community and society. Information can be updated at any time, and

the most crucial thing is the average increase in sales volume by 100%. (Jatmika et al., 2021).

The rapid development of information technology in recent years has brought significant changes in the way business is done, especially among Micro, Small, and Medium Enterprises (MSMEs). Digital marketing has emerged as an effective marketing method, allowing business actors to communicate and transact directly with consumers on a global scale. By using digital platforms, MSMEs can more easily reach customers without being hindered by time and place (Pradiani, 2017). This is very important considering that many consumers currently experience time constraints to transact directly, so the use of digital marketing is the main means of finding information on the products they want (Ningsih, 2019).

One form of digital marketing that attracts attention is marketplace-based marketing, such as Shopee, which has made online shopping easier and more practical. This marketplace provides various transaction facilities and offers secure payment methods, as well as innovative promotional support (Raya Sulistyowati, 2021). This transformation creates a more attractive shopping environment for consumers, resulting in an increase in buying and selling transactions (Setiawan, 2021).

The Ministry of Cooperatives and SMEs noted that the number of micro, small, and medium enterprises (MSMEs) in Indonesia reached 65.47 million units in 2020. This number reached 99.99% of the total businesses in Indonesia. Meanwhile, large-scale businesses only numbered 5,637 units, equivalent to 0.01%. In detail, as many as 64.6 million units are micro businesses. This number is equivalent to 98.67% of the total MSMEs throughout Indonesia. As many as 798,679 units are small businesses. The proportion reaches 1.22% of the total MSMEs in the country. Meanwhile, medium-sized businesses only number 65,465 units. This number is equivalent to 0.1% of the total MSMEs in Indonesia. (Indonesian Data 2022).

The right digital marketing strategy can help MSMEs reach a wider market and increase brand awareness. In a broader context, with the right support and training, it is hoped that MSMEs can transform and adapt to changes brought about by

technological advances, thereby contributing more significantly to regional economic growth (Ministry of Cooperatives and SMEs of the Republic of Indonesia, 2018; Kusuma et al., 2020). With the rapid development of digital technology, digital marketing has become an increasingly popular and relevant strategy for MSMEs to expand their market reach and improve their business performance. Digital marketing, often referred to as electronic marketing (e-marketing), includes the management and implementation of marketing activities through electronic media. However, MSMEs face several challenges in using digital marketing optimally. Many MSMEs still do not understand the digital marketing system and have not utilized digital technology in their business operations (Mirani et al., 2022)..

Research conducted by Asikin et al. (2024) shows that digital marketing has a positive and significant impact on the competitive advantage of small businesses. This competitive advantage, in turn, contributes to better performance of MSMEs. Through analysis using Structural Equation Modeling (SEM), this study can prove the relationship between the implementation of digital marketing strategies and the performance results obtained by MSMEs. In addition, it is also important to consider other variables that can affect the relationship between digital marketing and MSME performance, such as brand awareness and customer engagement. Social media-based marketing, for example, has the potential to strengthen the relationship between MSMEs and customers, thereby increasing customer loyalty and engagement with the products offered (Leeflang et al., 2014). Therefore, a comprehensive digital marketing strategy that combines various elements such as social media and email marketing will be more effective in creating added value for MSMEs

In the context of MSMEs, marketplace-based digital marketing not only helps in making transactions but also opens up opportunities for MSMEs to expand their market. With the right marketing strategy, they can reach more consumers and compete effectively in an increasingly tight market (Palupi & Sulistyowati, 2022). The existence of the internet currently has a major influence on changes in shopping habits, where MSMEs need to adapt in order to remain relevant and contribute

positively to the local and national economy. By considering the various aspects above, it is important to further explore how the implementation of digital marketing, especially marketplace-based marketing, can affect the increase in MSME sales. This study aims to contribute to the understanding and practice of digital marketing among MSMEs, as well as encourage the sustainability of micro-businesses in this digital era (Setiawan, 2021).

The results of the study (Asrol et al., 2023), show that digital marketing has a significant influence on increasing MSMEs' revenue in Padang. Key findings include that digital marketing helps MSMEs reach the right market, increase product visibility, and ultimately drive increased sales. However, MSMEs also face various obstacles in optimizing the use of digital marketing, including a lack of knowledge and support from the government. Based on these results, it is recommended that MSMEs make more use of digital marketing strategies and that more intensive training and support be provided by the government and related institutions to optimize the use of digital marketing among MSMEs. In today's digital era, marketing has undergone a significant transformation, especially with the emergence of various digital platforms that allow businesses to connect with consumers effectively. Digital marketing is a primary strategy for many business actors, especially Micro, Small, and Medium Enterprises (MSMEs), to increase their competitiveness and business performance (Asikin et al., 2024).

Padang City is the capital city of West Sumatra Province which is also the center of government and economy of West Sumatra Province, Indonesia. This city is the tenth largest city in Indonesia. Padang City is one of the developing cities on the island of Sumatra with a population of 939,851 people (Central Statistics Agency: 2024). Based on its geographical location, Padang City has an area of 694.96 km² which is significantly divided into 11 Districts and 104 Villages. (Data 2024 Central Statistics Agency of Padang City). In West Sumatra, the number of MSMEs was 296,052 in 2022. In 2024, the number of trading facilities in Padang City consisted of 32 Markets, 2,492 shops, 4,824 Kiosks, and 4,812 Stalls (BPS Padang City, 2025). In this study, I chose Padang City because the results of my observations showed that the majority of MSME actors in Padang City experienced

obstacles in terms of capital and marketing. Therefore, I chose Padang City as the focus of my research so that MSMEs are expected to adopt the latest methods, by utilizing information technology or through online platforms, so that their marketing can reach the international market.

There are several previous studies that examine the influence of marketplace and digital marketing on increasing sales in micro, small and medium enterprises (MSMEs) in Sumenep regency with the results obtained overall, this study confirms that the use of marketplaces and digital marketing strategies is effective in increasing sales of MSME products in Sumenep regency, while the study examines the influence of digital marketing on increasing MSME income in Palembang with the results overall, this study concludes that digital marketing can be an effective strategy in helping MSMEs increase their income, but existing challenges need to be overcome through better training and support from the government and relevant institutions, while other studies examine the development of micro, small and medium enterprises (MSMEs) in Palangka Raya City potential and challenges in the local economy provide results overall, the results of this study provide an overview of the condition of MSME businesses in Palangka Raya City, including the challenges faced and the potential for further growth.

By considering the various aspects above, it is important to further explore how the implementation of marketplace-based digital marketing can affect the increase in MSME sales. This study aims to contribute to the understanding and practice of digital marketing among MSMEs, as well as to encourage the sustainability of micro-businesses in this digital era. With this perspective, this study hopes to provide in-depth insights into how digital marketing can be a strategic tool in creating competitive advantages for MSMEs in Indonesia. It is hoped that the findings of this study will provide useful recommendations for MSME business actors in formulating better marketing strategies in the digital era.

1.2 Problem Formulation

1. Does *Digital Marketing Significantly* Affect the Revenue of Micro, Small and Medium Enterprises (MSMEs) in Padang City?
2. Does the *Marketplace Significantly* affect the Revenue of Micro, Small, and Medium Enterprises (MSMEs) in Padang City?

1.3 Research Oobjectives

- a. To find out how *Digital Marketing* influences the Revenue of Micro, Small, and Medium Enterprises (MSMEs) in Padang City.
- b. To find out how the *Marketplace* influences the Revenue of Micro, Small, and Medium Enterprises (MSMEs) in Padang City.

1.4 Research Benefits

- a. Theoretically, this researcher can develop academic knowledge by providing information and conducting assessments on the impact of the digital economic system on the revenue of a Muslim entrepreneur's MSMEs which can also add to the environmental literature of the Faculty of Economics and Business, Andalas University.
- b. For the author, the results of this study are expected to be a means to practice the theories learned and are also a prerequisite for obtaining a Bachelor's degree in Accounting at the Faculty of Economics and Business, Andalas University.
- c. For MSMEs, this research is expected to increase understanding to provide input on various policy-making considerations in the MSME sector related to technological advances to be applied in product marketing.
- d. For further researchers, it is expected to be a reference material and comparative material for future research.

1.5 Writing Systematics

The writing systematics in this research consists of five chapters, namely as follows:

BAB I INTRODUCTION This chapter contains the background of the problem, problem formulation, research objectives, research benefits, and writing systematics..

BAB II LITERATURE REVIEW This chapter contains a description of theories related to the research, previous research that will be used as a basic reference for the theory, research hypotheses, and research framework.

BAB III RESEARCH METHODS This chapter contains data collection techniques, population and samples, operational definitions and measurement of variables, and data analysis techniques.

BAB IV RESEARCH RESULTS AND DISCUSSION This chapter contains the results of the research tests that have been conducted, so that they can answer the problems that have been formulated.

BAB V CLOSING This chapter contains the conclusions of the research results, research limitations, and suggestions that can be used as input for further research.

