Improving the Business Performance of SMEs through Digital Marketing Training

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The development of micro, small and developing businesses in Indonesia has begun to develop as seen from the growth of SMEs which are currently increasing from year to year. The development of this business is inseparable from the times. A few years ago SMEs in the promotion strategy and sales strategy were still offline and their marketing strategy still used advertisements and brochures while in the sales process, they still used the business location or shop as a place for meetings between traders and sellers. Current use patterns need to change to incorporate digitization and a digital marketing strategy is needed which utilizes websites, blogs or social media as a means of promotion and consequently sales strategy must utilize websites, social media, chat applications or e-commerce. However, there are still many SME business people who do not use digital marketing as their business strategy. This is due to their ignorance of how to use digital marketing in the sales process. Therefore the aim of this research is to create a digital marketing training model for SMEs which will be used in business development. Based on the results and discussion, the impact of the training is that MSME entrepreneurs will be able to carry out digital marketing in their business, such as promotions using websites, chat applications or by using social media and in context of the sales process, can use a website, chat application, social media or e-commerce. To facilitate digital marketing training, it is necessary to determine SME awareness and access to information about digital marketing. Therefore Digital Marketing Readiness Level (DMRL) was created that will function to determine the extent of mastery of digital marketing by SMEs.

Key words*: SMEs, Digital Marketing, Training, DMRL.*

Introduction

Indonesia is currently a developing country and this can be seen from a variety of business fields that have begun to emerge. All communities are competing to establish businesses, be they businesses that are small, medium, or medium to large scale. SMEs or Small and Medium Enterprises have an important role in development as demonstrated be seen when the crisis hit Indonesia in 1997-1998 and many large companies went bankrupt as SMEs themselves are able to stand up with a crow in the face of the current crisis (see Table 1 below).

Table 1: Total Development of Small & Medium Enterprises and Large Enterprise in 2012 – 2017

Business Scale	2012-2017	
	Number	%
Micro Enterprises	7,546,931	13.83
Small Enterprises	154,895	25.72
Medium Enterprises	14,347	32.40
Large Enterprises	508	10.26

Source: (The Ministry of Cooperative and Small and Medium Enterprises, 2018)

Digital marketing which is suitable for the actors of Small & Medium Enterprises is the use of social media, website, and e-commerce as the means of selling the product. Based on the result of the survey conducted by APJII (Association of Indonesian Internet Service Providers) is 54.68%. This can be seen from the following Table 2.

Table 2: Penetration of Internet Users in Indonesia (million)

	Number of Population	Internet Penetration
2016	261	132.7
2017	262	143.26

Source: (Association of Indonesian Internet Service Providers & Communication and Informatics, 2017)

Thus, as internet use increases, the dependence of the community on the internet also increases as demonstrated in Table 3 below.

Table 3: E-Commerce Activities in Indonesia (2017)

Activities	2017
Internet users search for product online	48%
Users visit online shop	46%
Product purchase is online	41%
Online transaction uses computer or laptop	34%
Online transaction uses mobile phone	33%

Source: Social (2017)

Literature Review

Marketing Mix

Marketing is one of the important components of business strategy. The purposes of marketing are: (1) the consumer knows the detail of product or service offered; (2) the company gives information to the consumer regarding the product offered, in which the information is in the forms of product promotion, product advertisement or communication, (3) the understanding the product is suitable and correct (Rachmawati, 2011). One of the tools needed to improve business performance is the marketing mix. Marketing mix can be used by a SME as a part of its business strategy. A marketing mix is a marketing tool used by a company consisting of several aspects, including product, price, promotion, and place (Kottler & Keller, 2007).

A. Digital Marketing for Small & Medium Enterprises

Business competition becomes tighter where the change of marketing strategy from offline to online becomes the benchmark of business success. With the existence of online commerce, where the marketing target develops, a business can improve. The marketing process can endure nonstop, without any break and become wider than offline marketing (Chang, Song, Li, & Song, 2009). Utilizing the internet can become one of the factors of success due to introduction to the wider global market. Thus, adopting digital marketing is a primary factor in developing the market or increasing company performance (Sulistyorini, Royanti, & Yunianto, 2014). The use of digital marketing has several advantages for SMEs such as improved company performance (Fatmarini, 2011). Digital marketing is a medium used by business actors affected by the digital technology trend to utilize social media, changing marketing method from offline to online (Febriyantoro & Arisandi, 2018). Through digital marketing, all transactions can be effected at any time and accessed globally as, by utilizing the internet, all information shared by the business actors can be viewed and compared by the general public (Kotter & Keller, 2008). According to the American Marketing Association (AMA), digital marketing includes all marketing activities based on digital technology in

terms of creating and processing through to communicating the values that exist to the consumer or relevant parties (Kannan & Li, 2017).

According to Artaya & Baktiono (2016), there are several advantages of marketing through online systems or digital marketing which include:
(1) No time limitation, it can last for 24 hours in 7 days so that the process of promotion can occur all the time,
(2) No limitation by place with no need to directly meet since the marketing process occurs outside the offline business range,
(3) It is easy to market the product by using digital applications, for example using a website, WhatsApp, Facebook, and e-commerce,
(4) It makes the market research easier by using the existing website, for example, google analytical,
(5) Can advantage business since the operational cost is less than for the offline business and the marketing method wider, so that it can reach more customer candidates, and
(6) Customers need is not too many.
There are several applications used by the actors of SMEs as the marketing strategy by utilizing digital marketing, including free and at a cost such as: (1). Website, (2). Social Media, (3). Chat application, (4). Blog, (5). Email Marketing, (6).

B. Training for Small & Medium Enterprises

There are many business actors especially the actors of individual run SMEs. The owner of an SME business only depends on the ability to make a product that is learned or autodidactic. Thus the business actors often have difficulty in improving their business performance, whether it is in terms of marketing, technology or finance. This certainly affects business continuity. Thus, in order to improve business continuity, both the owner ability and the employee ability need to be improved.

Training is an effort to increase the knowledge and ability of the employees in doing their job so that it will be more efficient and effective (Sofyandi & Herman, 2008). Thus, the business actors need to pay attention to their employees and improving their capability. In order to face the market pressure which causes high competition levels, small and medium enterprises need to pay attention to and maintain and motivate their employees as their most important resources (Beaver & Hutchings, 2005). Training in SMEs can be illustrated as an informal job that must be done through systematic development in order to analyze suitable large training needs (Kotey & Slade, 2005). Traditionally, the organization can invest human resources into training, where the training can add to employee soft skills personally (Bucher, 2000). Training is most often conducted to improve employee performance and through

feedback, information can be obtained as to whether the training target is achieved or not (Broad, 1997).

There are several advantages to training that can be achieved by the SME actors including; (1) improve the productivity of the company, (2) prepare employees to fulfil determined job standard and (3) decrease the risk of the presence of employees lack capability. Thus all human resources, need training as preparation to work.

C. *Business Competitiveness*

Competition cannot be avoided when running a business. Furthermore, there is a technology element affecting the business process, starting from the process of production, promotion, selling, through to product delivery to the consumers, all dependent on digital technology. According to Asmara & Rahayu, (2013), to improve the competitiveness of small and medium industry, four strategies can be used: (1) improving the individual's abilities in the technical field, (2) modelling and strategy of the business used, (3) instruction re how to use technology and innovate, and (4) how to market the product. Thus, the application of e-commerce as one part of digital marketing is a suitable solution to improve the competitiveness of SMEs (Hengki & Program, 2012).

Methodology of Research

The number of SMEs which have utilized digital marketing is very few. In Indonesia, there are only 9% from 60 million SMEs which have utilized digital marketing to improve the business performance (Deloitte, 2015)

According to Deloitte, (2015), there are four categories for the use of digital technology for small and medium enterprises and data regarding this is presented in Graph 1 below:

1. Offline business: there is no broadband access, no computer or smartphone and no network site.
2. Basic online business: there is broadband access and a digital device such as computer or smartphone and static online service.
3. Intermediate online business: there is direct involvement in a social network, through a combination of network sites integrated with social media, live chat or customers within the network site.
4. Advanced online business: there is sophisticated connectivity, integrated social network, and e-commerce business ability.

**Graph 1.** Distribution of Business based on the Digital technology Use Level
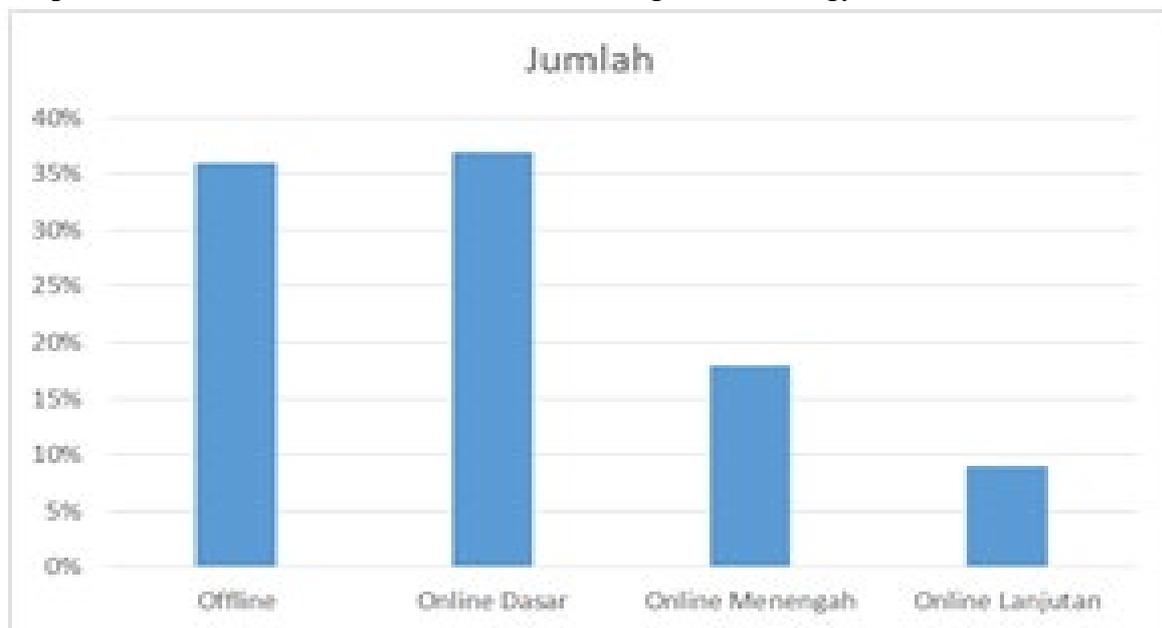
Source: (Deloitte, 2015)

Therefore, there are more than 36% of SMEs which have not yet understood the use of digital marketing in running a business. Thus, the business actors need to be given additional skills, so that they can utilize digital technology in order to improve their business performance. It is anticipated that through training, SMEs can utilize digital technology, whether in marketing or selling the product and widen consumer range of choice in comparison to the available products offline.

Research Diagram

In Figure 1 below, the stages that must be taken by the business owner when facilitating digital marketing training are detailed. Of course, these stages are carried out in accordance with capabilities and after going through these stages, it is necessary to evaluate progress. This evaluation is not only done at the end of the training but can be done at the end of the training phase before attending high-level training.

Figure 1. Process of Digital Marketing Training for Small & Medium Enterprises
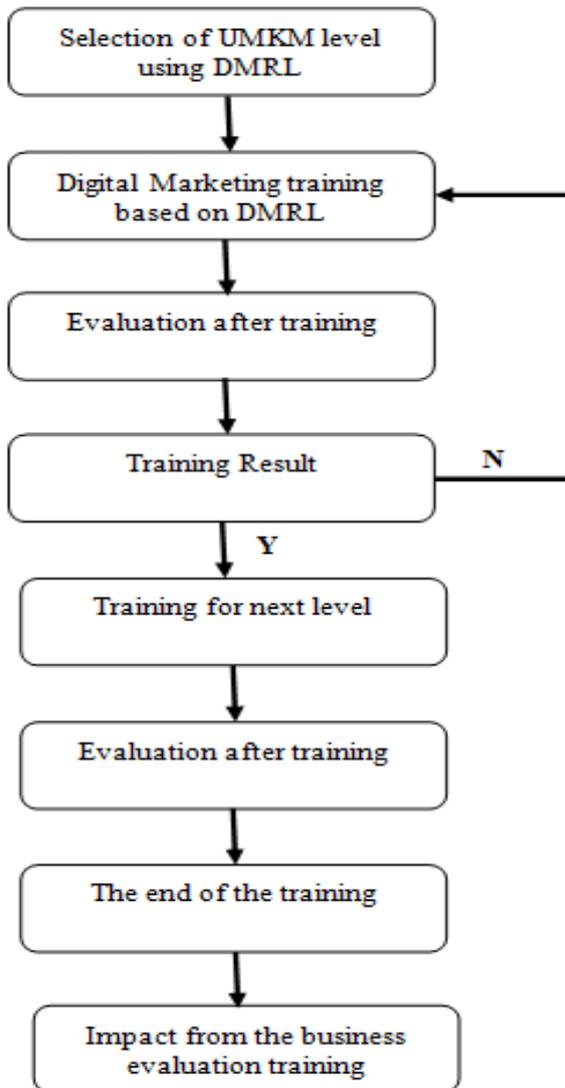
There are several procedures that can completed before the SME training including:

1. Selection of Small & Medium Enterprises actors, whether they are in the position of offline, basic online, intermediate online, or advanced online.

2. In order to determine the position of Small & Medium Enterprises, DMRL position checking can be conducted for the SME. After the position is known, suitable training can be conducted in order to achieve the desired capabilities

3. After the training is conducted, observation needs to be conducted to measurement the relative improvement of the business owners and whether there is improvement or stagnation. Observation by the trainer is necessary.

4. After observation of the business activity is completed and there is improvement noted, then the training level can be increased.

5. Training based on the level is conducted.

6. When the training has been completed to the advanced online position, then the digital marketing training process is complete. Observation of the research result is then performed to know whether there is an improvement of decrease. If there is a decrease, the reason needs to be found.

Results and Discussion

In recent business development, Small & Medium Enterprises have worked to understand marketing techniques using technology information or the internet. However, among all Small & Medium Enterprises, there are many who still do not know how to use this technology information. It is estimated that there is only 9% of 60 million SMEs which use the internet as part of their marketing. This means that 91% of them still do not utilize the internet as their marketing strategy maximally. In order to decrease that effect, training is needed, especially training about digital marketing, so that existing Small & Medium Enterprises can utilize digital marketing. Furthermore, the modern consumer searches for various types of product digitally.

Currently, almost all consumers depend on the internet to find a product and there several stages engaged in by consumers to obtain or decide to buy a product using the internet as detailed in Figure 2 below.

Figure 2. Product Process by Consumer

Source: (Digital, 2019)

Think	:	The potential consumer thinks regarding the problem or need
Search	:	The potential consumer starts to look for information about the things needed
Find	:	All the information needed is found
Click	:	After the information is found, the next stage is execution on the website to see the product clearly
Engage	:	The desired product is selected
Buy	:	The decision is made to buy the product.

According to the process above, when the consumer is in the position of "Search", their capability to use digital marketing must be maximised. Several strategies that can be used to ensure this include: (1) giving information about the detail of the product offered, (2) providing photos which support the product, (3) showing various videos about the product, whether it is in terms of the use of product or the advantage of the product itself, (4) providing direct online communication mechanisms between the potential consumer and

business owner, (5) providing payment tool options, (6) giving assistance options to the consumer, (7) providing review or testimonial options from the other consumers, (8) providing information through short messages or blogs, (9) simplifying sourcing the product (having search engine), (10) creating consumer awareness of the brand, (11) having interesting ability in attracting the consumer as well as identifying the potential consumer, (12) having strong image for the consumers on the product offered (Domikus Juju & Sulianta, 2013; Sanjaya & Tarigan, 2009; Sonia Taneja & Toombs, 2014).

The changes in business marketing concept from conventional to digital are require heightened training for SMEs owners so that they can effectively run their business using digital marketing. Meanwhile, Small & Medium Enterprises are the ones that can support and encourage the Indonesian economy and this is why the use of such marketing concepts must be learnt by SMEs in order to develop their business. To improve capability, continuous training for Small & Medium Enterprises in the adaption of digital marketing is essential. There are many digital marketing concepts, dependent on the level of SMEs that can be implemented, from the use of digital marketing in the marketing process, to measuring the extent to which applications such as WhatsApp or more advanced technology such as websites and e-commerce are used. Thus, the training process for SMEs is individual to each enterprise, in accordance with their level and situation, offline, basic online or advanced online. After conducting observation, as presented in Table 4 below it was found that there are four types of digital marketing users known, and this is consistent with Deloitte, (2015).

Table 4: Digital Marketing Users from Small & Medium Enterprises

Offline	Basic Online	Intermediate Online	Advanced Online
- Those who do not use digital marketing in running their business - They do offline business by using the place as the business centre	- Those who have knowledge about digital marketing - Have mobile phone facilities with internet network - Using a chatting application to communicate with the consumers	- Those who have a chatting application as the primary part of offering product - Have social media to communicate their product to the consumers	- Abilities owned about digital marketing is advanced - Have a website to run their business - Involved in e-commerce as a means to sell their product

To see which level SMEs are at, they can use the Digital Marketing Readiness Level (DMRL). This DMRL will indicate to what extent the level of SMEs readiness is in its digital marketing program, whether it does/does not use digital marketing and or offline systems, and determine whether is is at basic level digital marketing, mid-level digital marketing or

advanced level digital marketing. Scores to determine the level of digital marketing can be seen in Figure 3 below.

Figure 3. Digital Marketing Readiness level

Critaria	Component	Score				Total Score
		2	5	8	12	
Infrastructure	Network	Does not have communication network	only have celular communication network	have cellular network and internet connection	have cellular network, internet data package and Wi-Fi	
	Computer	Does not have computer	have computer without internet connection	have computer which is connected to network		
	Mobile Phone	Does not have mobile phone	have mobile phone withour internet connection	have smartphone which is connected to internet		
		2	5	8	12	
Basic	Social Media	does not have social media	have one social media	have facebook and Instagram application		
	Chatting Application	does not have chatting application	have sms application	have one chatting application (whats app)	have two chatting application (whatsapp and telegram)	
	Marketing Email	does not have email	have email to open the phone application	using email to send message	using email as a part of marketing	
		2	5	8	12	
Advance	Blog	does not have blog	have blog	have active blog		
	Website	does not have website	have free website	have professional website		
	E-commerce	does not involve in e-commerce	have one account of e-commerce	have two accounts of e-commerce	have three accounts of e-commerce	

1-25: offline
26-50: Basic Online Business
51-75: Intermediate Online Business
76-100: Advance Online Business

Training for Small & Medium Enterprises according to their digital marketing knowledge level are availabe as detailed in Table 5 below.

Table 5: Training for Small & Medium Enterprises Based on Their Knowledge Level

Offline	Basic Online	Intermediate Online	Advanced Online
- Introduction of using a smartphone - Introduction of digital marketing - Making of basic digital marketing, such as google my business - Introduction of chatting application such as WhatsApp	- Deepening of the use of digital marketing for business - Deepening of the use of chatting application - Introduction of the use of social media, such as Facebook and Instagram - Deepening of the use of Google My Business - Making of a simple site (free) - Blog making	- Deepening of the use of social media to utilize business - Using email as marketing means - Deepening of the use of a blog as one of the marketing strategies - Deepening of the use of the website (starting from the content, photo, to the product template)	- Financial technology

Conclusion

Based on the observation and interview results regarding digital marketing training for Small & Medium Enterprises, there were still many Micro, Small & Medium Enterprises (more than 36% of Micro, Small & Medium Enterprises have not utilized digital marketing) who do not use digital marketing in their marketing strategy despite the current global focus on digital marketing strategies. A component part of the marketing mix is promotion and promotion needs to be conducted according to current market conditions. Based on the data, 48% of internet users look for a product online. In addition, based on the interview findings, people initially search for a product on the internet. Thus, it can be concluded that there is a current movement from offline to online purchase and accordingly, Micro, Small & Medium Enterprises must take the opportunity of marketing their product online or via digital marketing.

This training will incorporate a range of content for Micro, Small & Medium Enterprises, from the basic to the advanced, including offline marketing training to suit the current global context. For the offline level SMEs the introduction and understanding of the smartphone as

well as digital marketing and business google search methods d as well as basic chat applications such as WhatsApp as communication tools to promote product are essential. Level (2), basic online level SMEs need to understand and deepen the use of digital marketing for business including chat application and the introduction of social media, as well as starting to make simple websites. For Level (3) intermediate online level. A deepening of the use of social media for business and starting to use email as a promotion tool, making a blog and enhanced website development through maximal use of photo, content and product template is necessary. At Level (4) advanced online level, Micro, Small & Medium Enterprises must learn about financial technology and e-commerce and have a professional website, google ads and Facebook ads as well as SEO and SEM.

Prior to learning about digital marketing, Micro, Small & Medium Enterprises need to be tested using DMRL to determine what the extent of their knowledge and utilization of digital marketing is and then training, according to their level, can be conducted. After training is conducted, evaluation is performed before continuing to the next level. The function of this evaluation is to establish the capability of Micro, Small & Medium Enterprises in using digital marketing in business, the inherent difficulties and the consequent effect after participating in the training. It is anticipated that through this training, there will be a positive effect on the development of Micro, Small & Medium Enterprises in Indonesia.

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