

## Implementation of Digital Marketing as a Business Recovery Strategy for Micro, Small and Medium Enterprises in Medan Area

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### ABSTRACT

The dynamics of global economic development is currently undergoing a paradigm shift where the resource-based economy becomes a knowledge and creativity-based economy or known as the creative economy. The creative economy is growing rapidly, supported by advances in information technology that produces information media such as the internet. The internet has become a means to meet the needs of the community in running their business, one of which is used for marketing or what is known as digital marketing. The right digital marketing strategy can be used to reach the targeted market segment so that it can increase profits for businesses and increase income for business actors. This study aims to analyze the influence of Digital Marketing and Business Capital on the Income of MSME actors in the Medan Area District. This type of research is quantitative research. The population in this study were all MSME actors in the District of Medan Area with an undetermined or uncertain number. By using the Hair formula, the maximum number of samples is 100 respondents. In this study, the number of samples was 96 respondents. The data used in this study is primary data obtained through the distribution of questionnaires to MSME actors in the Medan Area District. The data analysis technique applied in this study is multiple linear regression analysis using SPSS version 23 as a data processing tool

**Keywords: Digital Marketing, Business Capital, MSME**

### INTRODUCTION

The dynamics of global economic development is currently undergoing a paradigm shift where the resource-based economy becomes a knowledge and creativity-based economy or known as the creative economy. The creative economy emerged as an answer to the challenges of the business world in the era of technology 4.0 where all industrial processes are supported by the internet. The existence of the internet brings many changes in all aspects of life, especially in the business world, both from the side of business actors as producers and from the consumer side.

Technological advances from the internet have led to changes in consumer lifestyles. The change in question is that consumers begin to change the way they shop for a product or service (Liu and Tsai, 2010). Today consumers tend to be more interested in online shopping activities, especially during the Covid-19 pandemic where each individual tries to reduce direct interaction with anyone, including in the process of purchasing products or services. The existence of the internet helps the community in meeting the needs of the community without having to worry about having to interact with other people directly. Based on the results of the 2022 Indonesia Internet Profile survey conducted by the Indonesian Internet Service Providers Association (APJII), there are 210,026,769 people out of a total population of 276,682,600 Indonesians in 2021 who are connected to the internet.

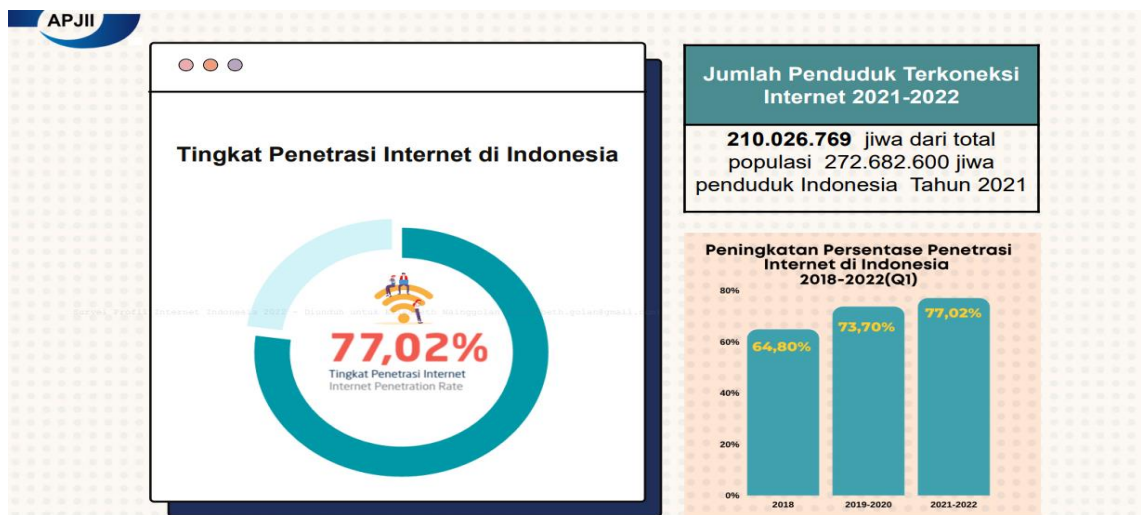


Figure 1: Internet Penetration Rate in Indonesia  
 Source: APJII

Responding to consumer changes, every business actor including Micro, Small and Medium Enterprises (MSME) must be able to adapt and innovate and switch to the digital economy. Business actors can use the internet as a means of running a business and a strategy to survive in business competition through the field of marketing or what is known as digital marketing. The urgency of technology literacy through digital marketing in MSMEs cannot be avoided because nowadays conventional transactions have turned into digital transactions. The following is an overview of digital transaction activities (online shopping) carried out by the Indonesian people.



Figure 2. E-Commerce Activities in Indonesia 2019  
 Source: wearesocial.com (2021)

The picture above shows that the potential for online shopping is growing quite significantly in Indonesia and of course it must be balanced with digital marketing by MSME actors. The existence of Micro, Small and Medium Enterprises (MSMEs) plays an important role in national economic development, both in absorbing labor and contributing to aggregate economic growth and contributing to regional income (taxes). The contribution of SMEs to Indonesia's GDP is 61.07% (Kemkop UKM, March 2021). MSMEs have advantages and have the potential to be developed in Indonesia considering that MSMEs have strong enough resilience to economic crises such as what

happened during the Covid-19 pandemic which caused a global economic and health crisis, many MSMEs were able to survive this crisis phase and vice versa. Large businesses that went bankrupt.

From the data obtained on the Medan City Government website, it is known that there are several problems being faced by MSME actors in Medan City. The problem faced is the low utilization of technology by MSME in both the production process and product marketing. MSME actors have a relatively low level of awareness of the importance of implementing digitalization in product marketing, this situation can be seen from the small number of MSME actors in Medan City and specifically in the Medan Area area that uses technology in marketing their products. The level of awareness that is still relatively low is thought to be due to the quality of human resources owned by MSME actors who are less qualified in utilizing technology and limited capital owned by MSME actors.

Based on the background explanation above, researchers are interested in studying how MSME actors use digital marketing as a recovery strategy after the pandemic by looking at the influence of digital marketing and business capital on the income of MSME actors. So the researchers determined the research title: "Implementation of Digital Marketing as a Business Recovery Strategy for MSME Actors in the Medan Area District".

## LITERATURE REVIEW

### Digital Marketing Theory

Digital marketing is the use of the internet and the use of other interactive technologies to create and connect information between companies and consumers in the form of web sites, search engine marketing, web banners, social networking, viral marketing, e-mail marketing and affiliate marketing (Malik, 2017). The dimensions of digital marketing in terms of promotion as part of the marketing mix (4P) according to Muljono (2018):

1. Website  
Connecting with the digital world as a whole and perhaps the most important part in the overall digital marketing strategy, where online activities will be directed directly to potential consumers
2. Search Engine Optimization (SEO)  
One of the important parts of the website is SEO (Search Engine Optimization), or the process of setting the content of the website so that it is easily found by internet users who are looking for content that is relevant to what is on the website, and also presents content so that it can be easily found by other engines. search engine
3. Paid search click-based advertising (PPC Advertising)  
PPC (Pay Per Click) advertising allows marketers to purchase internet search results pages based on selected keywords and sentences
4. Affiliate marketing and strategic partnership  
The activity of partnering with other organizations or companies and websites to achieve mutual benefits from a collaboration to promote products or services
5. Online public relations (Online PR)  
Using online communication channels such as press releases, article syndication (RSS), and blogs to create a positive perception of the brand and/or to position the organization or company as an authority in a particular field
6. Social Networks  
A marketing opportunity, but currently no one has been able to offer a highly focused advertising system to a very small group of people (niche) on the basis of profile information obtained from social networking sites
7. E-mail marketing (E-mail marketing)  
Electronic mail or email has become an important tool for digital marketing activities,

which are sent with the aim of maintaining relationships between existing consumers and prospective customers who are willing to receive information via email

8. Customer Relationship Management

Keeping existing customers and building mutually beneficial partnerships with consumers

**Business Capital Theory**

Business capital is money used as principal (parent) for trading, releasing money, and so on; property (money, goods, and so on) that can be used to produce something that increases wealth (Nugraha, 2019). Capital in this sense can be interpreted as a sum of money used in carrying out business activities. Business Capital Indicators:

1. Capital structure: own capital and loan capital
2. Utilization of additional capital
3. Barriers to accessing external capital
4. The state of the business after adding capital

**Income Theory**

The income of traders is determined by the factor of selling the goods produced and the price per unit of each factor of production. These prices are determined by the forces of supply and demand between sellers and buyers in the market. The income of traders in this study is also called Total Revenue (TR) which is the amount of income received by traders as a result of total sales. Revenue is formulated as the product of the number of units sold and the price per unit (Gregory, 2011)

Income indicators according to Danang (2017) are:

1. Income or sales turnover, income earned from business actors within a certain period of time
2. Operating profit, profit or profit obtained from the sale of production.

The following is the research hypothesis testing:

- H1. There is an influence of Digital Marketing on the income of MSME actors
- H2. There is an influence of Business Capital on the Income of MSME actors
- H3. There is an influence of Digital Marketing and Business Capital on the Income of MSME actors

The theoretical framework in this study will explain the relationship between each variable which can be seen in Figure 2 below:

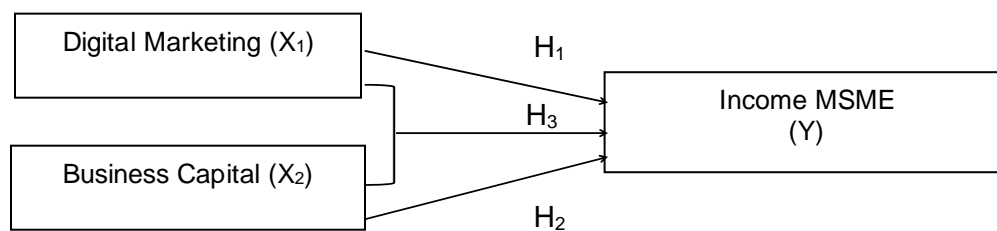


Figure 3. Theoretical Framework

**RESEARCH METHOD**

This type of research is quantitative research, with a survey method that uses a questionnaire as a research instrument to collect primary data. This study examines the effect of the independent variable partially and simultaneously on the dependent variable, namely Digital Marketing (X1), and Business Capital (X2) on Income (Y).

According to (Sugiyono, 2013) quantitative research methods can be interpreted as research methods based on the philosophy of positivism, used to examine certain populations or samples, data collection using research instruments, quantitative/statistical data analysis, with the aim of testing predetermined hypotheses. The sample criteria in this study were MSME actors in the Medan Area District. The measurement scale used is ordinal with a Likert scale. The instrument validity test uses the Product Moment correlation technique, while the reliability test uses Cronbach's Alpha. The data analysis method used is descriptive analysis and multiple linear regression analysis.

## RESULTS

### Respondent Analysis

The population in this study were all customers who shopped at the Diah grocery store whose number was uncertain or unknowable. So (Hair et al, 2017) recommends that the minimum number of samples is 5 times and the maximum is 10 times the number of indicators. In this study there are 10 indicators used, and the maximum sample = number of indicators x 10 = 10 x 10 = 100 respondents.

Table 1. Characteristics of Respondents

<b>MSME Actor Age</b>	<b>Frequency</b>	<b>Percentage</b>
<30 Years	23	23,95
30-40 Years	36	37,5
40-50 Years	16	16,67
>50 Years	21	21,88
Total	96	100
<b>Business time</b>	<b>Frequency</b>	<b>Percentage</b>
< 2 Years	47	48,96
2-5 Years	31	32,29
>5 Years	18	18,75
Total	96	100
<b>Started business</b>	<b>Frequency</b>	<b>Percentage</b>
Before Pandemic	32	33,33
During Pandemic	46	47,92
After Pandemic	18	18,75
Total	96	100

## DISCUSSION

Based on Table 1, it can be seen that the age of MSME actors is dominated by around 30-40 years as many as 36 people (37.5%), and followed by age under 30 years as many as 23 people (23.95%), age over 50 years as many as 21 people (21.88%), and ages between 40-50 years as many as 16 people (16.67%). Table 1 also shows how long the MSME actors have been running their business. There are 47 people (48.96) MSME actors who have run their business under the age of 2 years, and are followed between 2-5 years as many as 31 people (32.29%), and over 5 years there are 18 people (18.75%). It can be seen from Table 1 data that MSME actors started their business during the pandemic as many as 46 people (47.92%), and before the pandemic as many as 32 people (33.33%), and after the pandemic as many as 18 people (18.75%).

### Validity and Reliability Test

According to Priyatno (2018:21), "The item validity test is used to find out how accurate an item is in measuring what it wants to measure". According to Herlina (2019:57), "The validity test shows the level of validity of the measurement results of a questionnaire".

According to Priyatno (2018:25), "Reliability tests are used to determine the reliability or consistency of measuring instruments that usually use questionnaires". The results of testing the validity and reliability in the study can be seen in table 2.

Table 2. Validity and Reliability Test Results

Variable	Indicator	Validity Points	Conclusion	Cronbach's Alpha	Conclusion
Digital Marketing	Website	0.569	Valid	0.744	Reliable
		0.709	Valid		
	Social networking	0.548	Valid		
		0.617	Valid		
	Marketing e-mail	0.415	Valid		
		0.561	Valid		
Customer relationship management	0.673	Valid			
	0.664	Valid			
Business Capital	Capital structure	0.612	Valid	0.760	Reliable
		0.552	Valid		
	Utilization of additional capital	0.758	Valid		
		0.402	Valid		
	Barriers to accessing external capital	0.695	Valid		
		0.854	Valid		
The state of the business after adding capital	0.681	Valid			
	0.712	Valid			
MSME income	Income or sales turnover	0.849	Valid	0.812	Reliable
		0.761	Valid		
	Operating profit	0.837	Valid		
		0.726	Valid		

The results of the validity and reliability tests are in Table 2. It shows that the correlation value of each indicator for each latent variable,  $r > 0.361$  and the Alpha-Cronbach value  $> 0.60$ . This shows that all variables are declared valid and reliable.

### Multiple Linear Regression Test

In this study the classical assumption test has been fulfilled. Multiple linear regression analysis which was processed using the SPSS version 22 application, resulted in a regression equation (1) while the details are presented in Table 3.

$$\text{MSMEs' Income} = -1.898 + 0.147 \text{ Digital Marketing} + 0.399 \text{ Business Capital} + e \dots (1)$$

The constant ( $\alpha$ ) of -1.898 means statistically that if Digital Marketing and Business Capital have no value or equal to 0, then the MSME actors do not earn income. The regression coefficient for the Digital Marketing variable ( $X_1$ ) of 0.147 indicates that if the Digital Marketing variable is increased by 1 unit, the income of MSME actors will increase by 0.147 units. Because the regression coefficient is positive, the influence of Digital Marketing on revenue is positive or increases in the same direction. This means that increasing the use of Digital Marketing can affect the income of MSME actors. The regression coefficient of the Business Capital variable ( $X_2$ ) is 0.399. The coefficient shows that if the Business Capital variable is increased by 1 unit, the income of MSME actors will increase by 0.399 units. The regression coefficient of the Business Capital variable is positive indicating that changes in Business Capital will affect income in the

same direction. Efforts to increase additional business capital will increase the income of MSME actors, or vice versa

Table 3. Results of Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients		
1	(Constant)	-1.898	2.401		-.791	.431
	Digital Marketing	.147	.053	.230	2.756	.007
	Business Capital	.399	.063	.528	6.321	.000

a. Dependent Variable: Income

Source. Processed Data, 2022

## Hypothesis testing

### T test (Partial Test)

**H1: The influence of Digital Marketing on the income of MSME actors in the Medan Area District.**

Table 3 shows that the Digital Marketing variable has a regression coefficient of 0.147 which indicates the direction of the positive regression coefficient. This means that Digital Marketing has a positive influence on the income of MSME actors in the Medan Area District. The value of  $t_{count}$  (2.756) > from  $t_{table}$  (1.985). The significance value of the Digital Marketing variable is 0.007 < from 0.05. It can be said that Digital Marketing partially and significantly affects the income of MSME actors in the Medan Area District. It can be concluded that hypothesis one (H1) is supported.

The results of this first test are in line with the results of previous research tests which also support a positive and significant relationship between Capital and Income, namely the research conducted by Novita et.al. (2022) who also examined the Digital Marketing variable on Income and the result is that the use of Digital Marketing can increase the income of Micro, Small and Medium Enterprises (MSMEs).

**H2: There is an influence of Business Capital on the income of MSME actors in the Medan Area District.**

Table 3 shows that the Business Capital variable has a regression coefficient of 0.399 which indicates the direction of the positive regression coefficient. This means that Business Capital has a positive influence on the income of MSME actors in the Medan Area District. The value of  $t_{count}$  (6,321) > from  $t_{table}$  (1,985). The significance value of the Business Capital variable is 0.000 < from 0.05. It can be said that Business Capital partially and significantly influences the income of MSME actors in the Medan Area District. It can be concluded that hypothesis one (H2) is supported.

The results of this first test are In line with the results of previous research tests which also support a positive and significant relationship between capital and income, namely the research conducted by Habrianto et.al. (2021) which also examines the variable Capital to Income which gives the result that by increasing Capital can increase Income

### F Test (Simultaneous Effect)

In this study with a sample of 96 and  $\alpha = 0.05$  obtained  $F_{table} = F(0.05; 93.2)$  of 3.09.

The results of the  $F_{count}$  test can be seen in table 4.

Table 4. F test results (Simultaneous)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	254.827	2	127.413	30.925	.000 <sup>b</sup>
	Residual	383.163	93	4.120		
	Total	637.990	95			

a. Dependent Variable: Income

b. Predictors: (Constant), Business Capital, Digital Marketing

Source : Processed Data, 2022

### H3 : The influence of Digital Marketing and Business Capital on the Income of MSME actors in the Medan Area District

In Table 4, it can be seen that the Fcount value is 30,925. For the 95% confidence level, df (the numerator) = 2, and df (the denominator) = 93, the F table value is 3.09. The significance value of 0.000 is less than 0.05. Based on the test results, it can be concluded that Digital Marketing and Business Capital simultaneously have a significant effect on the income of MSME actors in the Medan Area District. It can be concluded that hypothesis three (H3) is supported.

The results of this third test are in line with the results of previous research tests which also support a positive and significant relationship between Capital and Experience on Income, namely the research conducted by Khasan S. & Ana L.F. (2018) which also examines the variables of Capital and Experience on Income which gives the result that increasing Capital and Experience can increase Income.

### Coefficient of Determination Test

In Table 5, it can be seen that the results of the coefficient of determination ( $R^2$ ) test show a number of 0.399 or 39.9%. These results indicate that the Digital Marketing and Business Capital variables are able to explain the variation in the income variable by 39.9%, while the remaining 60.1% is explained by other variables that are not used in this research model. Other variables that affect the income of MSME actors include Service Quality, Entrepreneurial Knowledge, etc.

Table 5. Coefficient of Determination Test Results (R2)

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.632 <sup>a</sup>	.399	.387	2.030

a. Predictors: (Constant), Business Capital, Digital Marketing

Source : Processed Data, 2022

### CONCLUSION,

Based on the results of this study indicate that the two variables Digital Marketing and Business Capital affect the income of MSMEs in the Medan Area District where the Business Capital Variable provides the largest contribution compared to Digital Marketing. Taken together, the Digital Marketing and Business Capital variables show an influence on the income of MSMEs in the Medan Area District. Therefore, the digital marketing strategy for MSME actors is one of the right solutions for MSME actors, however, the role of venture capital also determines the success of this strategy because technology utilization costs money.



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