

# The Role of Digital Technology in Improving the Competitiveness of MSMEs in Indonesia: A Review of Online Marketing

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## ABSTRACT

### Introduction:

This study explores the role of digital technology in enhancing the competitiveness of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, particularly through the adoption of online marketing strategies. In the digital era, MSMEs face both opportunities and challenges in transforming their marketing practices to reach wider markets and improve performance.

### Objectives:

The primary objective of this research is to analyze the influence of digital marketing strategies on MSME competitiveness. Specifically, it investigates the key success factors, barriers, and enabling conditions for the adoption of online platforms such as social media and e-commerce by MSMEs.

### Methods:

Using a qualitative approach, this study employs literature review, analysis of previous research, and selected case studies of Indonesian MSMEs. Data were interpreted thematically to understand the interplay between digital marketing implementation and MSME performance outcomes.

### Results:

Findings reveal that digital marketing significantly contributes to increased sales, customer engagement, and market expansion for MSMEs. Social media and online platforms serve as effective tools for building customer relationships. However, limited digital skills, lack of access to training, and heightened online competition remain critical challenges. The ability of MSME owners to interact directly and responsively with customers is a key advantage in maintaining loyalty and satisfaction.

### Conclusions:

Digital marketing strategies not only foster MSME growth but also shift their market orientation from local to national and even global scales. To maximize these benefits, targeted interventions—especially in digital capacity-building—are needed. The study suggests that digital transformation initiatives must be inclusive and tailored to the unique constraints faced by MSMEs.

**Keywords:** Digital Technology, Competitiveness, Online Marketing Strategy, MSMEs, Indonesia

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## 1. INTRODUCTION

Digital marketing has become the center of attention in the business world, especially in the context of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. With the rapid development of information technology, digital marketing offers great potential for MSMEs to increase their competitiveness in an increasingly complex market. The

significant increase in the utilization of digital technology, especially through digital marketing strategies, has been a major catalyst in changing the global business landscape. Micro, Small, and Medium Enterprises (MSMEs) in various regions in Indonesia cannot ignore the impact of this change. MSMEs are productive businesses owned by individuals and business entities that have met the criteria as micro businesses. As stipulated in Legislation No. 20 of 2008, according to the definition of MSMEs, the criteria for MSMEs are differentiated respectively, including micro enterprises, small businesses, and medium enterprises. Click or tap here to enter text.

The role of MSMEs in the Indonesian economy is very important, both in terms of contribution to gross domestic product (GDP) and in job creation. However, MSMEs often face challenges when it comes to marketing and distributing products, especially when competing with large companies that have larger resources. Digital marketing is emerging as a promising solution to help MSMEs increase their visibility, reach a wider market, and compete more effectively. Several studies show that MSMEs that adopt digital marketing tend to perform better and are better able to survive in a competitive market. MSMEs that utilize marketplace platforms have a great opportunity to attract the attention of consumers with a wider reach, so that they can increase their competitiveness in the market. Research also shows that MSME actors who implement digital marketing get higher sales. So that MSME actors prefer to market their products online. The strategy used in implementing digital marketing to market products is to use social media such as Facebook, Instagram, Whatsapp status, and live streaming on Facebook.

The era of globalization provides wider opportunities for MSMEs in Indonesia to strengthen their position in the domestic market. With the adoption of digital technology, MSMEs can reach a more diverse range of consumers across the country, without being limited by geographical constraints. Digital marketing allows MSMEs to leverage various platforms such as social media, e-commerce, and websites to promote their products more effectively and efficiently. In addition, digital technology provides analytical tools that help MSMEs understand consumer behavior, market trends, and customer preferences in more depth. With the right digital marketing strategy, MSMEs can increase visibility, attract more customers, and build brand loyalty in the local market. Therefore, globalization and the advancement of information technology are significant opportunities for MSMEs in Indonesia to develop and compete better in the national market.

Changing patterns of consumer behavior, especially in today's digital era, demands the adoption of more modern and adaptive marketing strategies. With the increasing penetration of the internet and the use of mobile devices in Indonesia, customers have greater access than ever to product and service information. Therefore, MSMEs need to adopt relevant digital marketing strategies to stay competitive and expand their market share.

Digital marketing has certain advantages in reaching a wider target market and increasing customer engagement. Through online platforms such as social media, websites, and emails, MSMEs can effectively promote their products and services to relevant audiences. Additionally, digital marketing also allows MSMEs to measure the performance of their campaigns more accurately and make the necessary adjustments to improve their results.

Although digital marketing offers a lot of potential for MSMEs, challenges remain. Among them are a lack of knowledge and skills about digital technologies, limited access to the necessary infrastructure, and increasingly fierce competition in the online market. These obstacles include unstable internet connections, delivery delays, as well as fraudulent transactions and manipulation of admin numbers. So that in the implementation of digital marketing, it is influential in increasing the marketing of MSMEs, and its implementation provides benefits and obstacles that accompany it. Therefore, this research will provide valuable insights into how MSMEs can overcome these challenges and make optimal use of digital marketing to increase their competitiveness. The difference between this study and the relevant previous research is a very specific focus on MSMEs in Indonesia, with a search for unique dynamics in the Indonesian MSME environment, an in-depth analysis of the online marketing strategies used, and the integration of practitioner perspectives and marketing management theories to provide a more holistic understanding of digital marketing for MSMEs in Indonesia.

The role of digital technology in global business has brought about fundamental changes in the way MSMEs operate and compete. The rapid growth of digital technology is the main driver of this change. Digital marketing strategy, as one of the key aspects of this transformation, plays a crucial role in transforming the traditional paradigm of business into a more adaptive and efficient model. First of all, the rapid growth of digital technology has provided significant

opportunities for MSMEs to increase their visibility in the global market. In the past, MSMEs may have been limited by geographical limitations, but with the presence of the internet and digital platforms, the world has become a bigger stage. MSMEs can now reach a much wider audience than they might have been able to reach before. With the right digital marketing strategy, MSMEs can penetrate international markets, create new business opportunities, and increase brand awareness on a global level.

Digital technology allows MSMEs to access a wider market. Through e-commerce platforms, for example, MSMEs sell their products online, which can reach consumers in various regions, both domestically and abroad. This not only increases sales but also provides an opportunity to diversify products and create strong differentiation in a competitive global market. This phenomenon is not limited to the Indonesian context, but on a global scale. MSMEs from various countries are undergoing a similar transformation, where digital marketing is the main driver in achieving business growth and sustainability. This condition reflects a shift in the business paradigm in general, where digital technology is the foundation for innovation, efficiency, and global connectivity.

The implementation of digital marketing strategies is not just an opportunity, but also a necessity. Competing globally is no longer a prerogative just for large companies. MSMEs that leverage digital technology can compete more effectively and efficiently, proving that size is not an absolute obstacle to achieving success in an increasingly connected global market. Therefore, a digital marketing strategy is not only about increasing visibility, but also about harnessing the power of digital technology to create sustainable business growth.

Government Regulation No. 20 of 2008 clearly regulates the definition and criteria that must be met by Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. These criteria serve as a guide for identifying and categorizing MSMEs, thus providing a strong foundation for research that focuses on developing and improving the competitiveness of MSMEs in the digital era. Micro Enterprises (UM) have a maximum number of employees of 9 people with an annual business turnover or a maximum asset value of IDR 300 million and various types of businesses, including the industrial, trade, and service sectors. Small Businesses (UK) have a total of 10 to 49 employees with an annual business turnover or asset value of IDR 300 million to IDR 2.5 billion, covering the industrial, trade, and service sectors. Medium Enterprises (UM) have a total of 50 to 199 employees with an annual business turnover or asset value of IDR 2.5 billion to IDR 50 billion, and types of businesses that include the industrial, trade, and service sectors.

## **2. LITERATURE REVIEW**

In the era of globalization and the industrial revolution 4.0, digital technology has become a key element in increasing the competitiveness of various sectors, including Micro, Small, and Medium Enterprises (MSMEs). In Indonesia, MSMEs play a vital role in the national economy, contributing significantly to gross domestic product (GDP) and job creation. However, increasingly fierce competition and rapid market changes require MSMEs to continue to innovate and improve operational efficiency. The adoption of digital technology and online marketing strategies has proven to be an effective tool in helping MSMEs overcome these challenges. Through the use of digital technology, MSMEs can improve product quality, expand market reach, and increase efficiency and productivity. This research will examine the role of digital technology in increasing the competitiveness of MSMEs in Indonesia, with a focus on the implementation of online marketing strategies as one of the main tools in achieving competitive advantage.

### **2.1. Digital Technology**

Digital technology includes a variety of devices, systems, and applications that utilize digitalization and information technology to store, manage, and transmit data. In the era of industry 4.0, digital technologies such as *the Internet of Things* (IoT), artificial intelligence (AI), big data, and *blockchain* are increasingly important in supporting various industrial sectors. The use of digital technology allows for increased operational efficiency, reduced costs, and improved product and service quality. Additionally, digital technology also allows companies to collect and analyze data in real-time, allowing them to make faster and more accurate decisions.

The use of digital technology allows for increased operational efficiency by automating time-consuming manual processes and reducing the risk of human error. In addition, digital technology can reduce costs through the reduction of the need for manual labor and the optimization of resource use. Improving the quality of products and services

can also be achieved through the use of digital technology that allows companies to monitor and control quality in real-time. The technology also allows companies to collect and analyze data in real-time, so they can make faster and more accurate decisions. For example, data analytics can be used to predict product demand, optimize supply chains, and develop more effective marketing strategies.

In the field of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, the adoption of digital technology can be a key driver to overcome the various limitations they face, such as access to a wider market and limited resources. By utilizing e-commerce platforms, MSMEs can reach consumers throughout Indonesia and even in international markets without the need to have a physical store. Social media and digital marketing allow MSMEs to promote their products to a wider audience at a relatively low cost compared to traditional marketing methods. In addition, digital payment applications facilitate the transaction process, improve payment speed and security, and reduce cash-related risks.

The development of digital technology also triggers digital transformation in various sectors, including the MSME sector. This transformation not only changes the way businesses operate but also changes the business model itself. MSMEs that successfully adopt digital technology can increase their competitiveness in the global market by providing products and services that are more innovative and responsive to customer needs. However, the main challenge in the adoption of digital technology is the need for significant investment and the development of human resources capable of operating and maintaining the technology. In Indonesia, government support and various digital training programs for MSMEs have helped accelerate the process of adopting digital technology.

In Indonesia, government support and various digital training programs for MSMEs have helped accelerate the process of adopting digital technology. These programs include training on the use of digital technologies, access to e-commerce platforms, and assistance in developing digital marketing strategies. The government has also provided various incentives and financial assistance to support MSMEs in carrying out digital transformation.

With collaborative efforts between the government, the private sector, and MSME actors, the adoption of digital technology is expected to continue to increase, bringing significant benefits to the growth and sustainability of MSMEs in Indonesia. Digital transformation not only allows MSMEs to survive in an increasingly competitive business environment but also opens up new opportunities for innovation and market expansion, both at the national and international levels.

## **2.2. Competitiveness**

Competitiveness refers to the ability of an entity, be it an individual, company, or country, to compete effectively in the market and maintain their position over the long term. In the context of Micro, Small, and Medium Enterprises (MSMEs), competitiveness is influenced by various factors such as operational efficiency, product quality, innovation, and the ability to respond to market changes. The theory of competitiveness put forward by Michael Porter through the Five Forces model identifies five forces that determine the competitiveness of an industry: the threat of new entrants, the bargaining power of suppliers, the bargaining power of buyers, the threat of substitute products, and competition between existing companies. This model emphasizes the importance of understanding market dynamics and external factors that can affect a company's competitive position.

MSMEs in Indonesia, increasing competitiveness means being able to compete not only in the local market but also in the international market. In this case, MSMEs need to overcome a variety of unique challenges, including limited resources, limited access to markets and technology, and limitations in management and expertise. However, with the right strategy, MSMEs can turn these challenges into opportunities. For example, improving operational efficiency through the adoption of digital technology can help MSMEs reduce costs and increase productivity. In addition, innovations in products and services can provide a competitive advantage that differentiates MSMEs from their competitors. The ability to adapt quickly to market changes is also an important factor in maintaining competitiveness.

Improving competitiveness often requires a holistic and sustainable strategy, including investment in research and development (R&D), upskilling the workforce, and adapting to new technologies. In the era of globalization and digitalization, competitiveness is also increasingly determined by the ability of MSMEs to integrate digital technology

in their operations and to build a global network. Digital technologies, such as e-commerce, social media, and digital payment applications, allow MSMEs to reach a wider market, increase product visibility, and interact directly with customers. This not only helps in increasing sales but also in building strong and loyal customer relationships.

MSMEs that can utilize digital technology to optimize business processes, improve product quality, and reach a wider market will have a stronger position in facing competition. For example, the use of data analytics can provide deeper insights into consumer behavior and market trends, allowing MSMEs to make more informed and timely decisions. In addition, the integration of technology in the supply chain can improve efficiency and transparency, reduce risks, and improve coordination with suppliers and distributors.

Thus, the competitiveness of MSMEs depends not only on internal factors such as product quality and operational efficiency but also on the ability to take advantage of opportunities and face challenges in the global market. This includes the ability to innovate, adapt to technological and market changes, and build and maintain a broad and strong business network. Support from the government, such as policies that support digitalization and access to financing, also plays an important role in improving the competitiveness of MSMEs. With the right strategy and adequate support, MSMEs can become a key driving force in the economy, both at the local and global levels.

### **2.3. Marketing Strategy**

A marketing strategy is a comprehensive, integrated plan designed to achieve a specific marketing goal. This involves market analysis, segmentation, targeting, positioning (STP), as well as the development of a marketing mix (*4P*: *Product, Price, Place, Promotion*). In the digital era, marketing strategies have undergone a significant evolution with the presence of digital marketing. The use of social media, email marketing, SEO (Search Engine Optimization), and online advertising allows MSMEs to reach a wider audience at a lower cost and a more scalable method. For MSMEs in Indonesia, digital marketing provides an opportunity to compete with larger companies in a more efficient and effective way.

Digital marketing also offers the advantage of rich analytics data, allowing MSMEs to track and measure the effectiveness of their campaigns in real-time. This allows for quick and more accurate strategy adjustments based on consumer behavior and preferences. Additionally, personalizing marketing messages has become easier with digital technology, allowing MSMEs to create a more relevant and engaging customer experience. Therefore, an effective marketing strategy in the digital age requires a deep understanding of digital technologies and trends and the ability to integrate them with traditional marketing strategies. With the adoption of online marketing strategies, MSMEs in Indonesia can increase their visibility, attract more customers, and ultimately increase their competitiveness in the global market.

## **3. METHODS**

The research method used is a scientific study with a qualitative approach. The qualitative method is a research approach that aims to understand phenomena in depth through qualitative data interpretation, description, and analysis. The qualitative method was chosen because it allows researchers to gain an in-depth understanding of the experiences, perceptions, and strategies used by MSMEs in adopting digital technology and online marketing. This research relies on secondary data obtained from various relevant literature sources, including academic journals, books, industry reports, and official documents from government agencies related to MSMEs and digital technology. This secondary data is used to support the findings and provide a broader context regarding the development of digital technology and the competitiveness of MSMEs in Indonesia. Secondary data collection procedures involve searching the literature in academic databases, official websites, and industry reports. The collected data was analyzed using thematic analysis techniques, which included coding, categorization, and interpretation of findings in the context of relevant theories and research objectives. With this approach, the research is expected to provide comprehensive insights into how digital technology and online marketing strategies can be used to improve the competitiveness of MSMEs in Indonesia. An in-depth analysis was carried out on the methodology, findings, and conclusions of relevant studies to understand the contribution and implications of digital marketing to MSMEs. The qualitative approach is suitable for research that aims to explore individual experiences, perceptions, and



interpretations, such as in this study which explores the role of digital technology in improving the competitiveness of MSMEs in Indonesia.

#### **4. RESULTS**

This study aims to investigate the role of digital technology in improving the competitiveness of MSMEs in Indonesia, with a focus on digital marketing strategies. Based on a qualitative approach through in-depth analysis of related studies, some findings and discussions can be identified as follows.

Research conducted by shows that the use of social media provides a promising opportunity to increase sales of Micro, Small, and Medium Enterprises (MSMEs) products. Digital marketing, through online commerce platforms, facilitates the process of ordering and purchasing products more easily. Direct interaction between buyers and MSME owners in transactions is one of the main advantages. One aspect that has a significant impact on MSME actors is the ease of promoting and marketing their products. Without sustainable efforts in marketing their products, MSMEs risk losing their competitiveness in an increasingly competitive business environment. Other benefits of digital marketing include the ability to build a brand, communicate more efficiently with customers, and provide better service. However, there are several obstacles in utilizing digital marketing, such as high competition in the online business world, lack of trust between buyers and sellers, and limited knowledge and understanding of MSME actors about digital marketing. Some MSME players tend to be satisfied with their existing customer base without realizing the potential of the wider market. The impact of using digital marketing on MSMEs has both positive and negative sides. The positive impact can be seen in increasing revenue, increasing product popularity, and ease in reaching new customers, including outside the local and international regions. In addition, digital marketing can also reduce promotional costs because many platforms can be used for free. However, the negative impacts include increased levels of competition in the online business world, susceptibility to fraud, and the potential for copycat of similar ideas and products. Overall, the use of digital marketing by MSMEs can increase competitiveness and change the paradigm of MSME actors from focusing on local sales to penetrating the national and international markets. [35]

Based on the series of research presented, it can be concluded that the use of digital technology and digital marketing strategies has an important role in increasing the competitiveness of Micro, Small, and Medium Enterprises (MSMEs). The results of the study show that digital marketing, including through social media and online commerce platforms, provides great opportunities for MSMEs to expand their reach, increase sales, and build close relationships with customers. Strategies such as promotion through social media, the creation of engaging digital content, and the use of online trading platforms have proven effective in increasing the visibility of MSME products, expanding market share, and increasing revenue. Nonetheless, challenges such as a lack of knowledge and skills in digital marketing, as well as a high level of competition in the online market, must be overcome. The benefits of direct interaction between buyers and MSME owners help strengthen customer relationships and increase customer satisfaction. Additionally, digital marketing allows MSMEs to build and strengthen their brand identity, create a strong brand image, and differentiate themselves from competitors. The cost-effective benefits in promotion, easier access to global markets, and the ability to promote the identity and uniqueness of local products in the global market are all accessible through digital marketing. Education and training related to digital marketing are needed to overcome obstacles such as lack of knowledge about digital marketing strategies.

##### **4.1. Development of MSMEs in Indonesia**

Micro, Small, and Medium Enterprises (MSMEs) play a very important role in the Indonesian economy. MSMEs are the backbone of the national economy that makes a significant contribution to Gross Domestic Product (GDP) and labor absorption.

MSMEs in Indonesia have a large contribution to GDP. Based on data released by the Ministry of Cooperatives and SMEs, MSMEs account for around 60% of Indonesia's total GDP. Not only that, the MSME sector is also the main provider of employment, by absorbing more than 97% of the national workforce. The economic contribution they provide is not only limited to job creation, but also in driving the wheels of the economy in various industrial sectors. MSMEs play a role in triggering economic activities at the local and regional levels, as well as being the drivers of inclusive and sustainable economic growth. Thus, the role of MSMEs in driving the national economy cannot be ignored and is one of the main pillars in achieving balanced and sustainable economic growth in Indonesia. [37]

The development of MSMEs in Indonesia has shown significant growth in recent years. Data on the growth of MSMEs in Indonesia from 2015 to 2019 shows a consistent increase every year. In 2022, the number of MSMEs in Indonesia reached 8.71 million units. The growth in the number of MSMEs reflects the high entrepreneurial spirit among the Indonesian people. This indicates that many individuals and community groups are choosing to open their own businesses in an effort to create economic opportunities and improve welfare. Thus, MSMEs are not only the driving force of the local economy, but also an important contributor to the national economy. The diversity of MSME business sectors also shows the broad economic potential and ability of MSMEs to support various aspects of economic activities in Indonesia. The data on the growth of MSMEs in Indonesia is shown as follows.

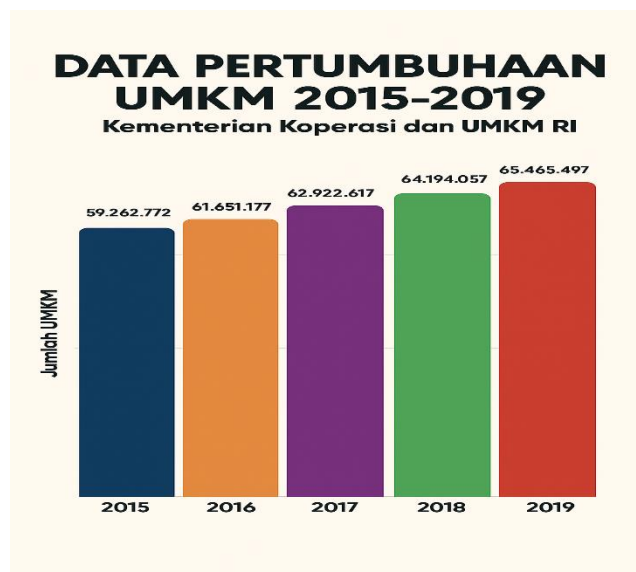


Figure 1. MSME Growth Data in Indonesia 2015-2019

Meanwhile, the latest data in 2022 shows that the number of MSMEs reached 8.71 million, which is described in the following figure.



Figure 2. Number of MSMEs in Indonesia in 2022

It can be seen that West Java ranks first in the number of MSMEs with a total of 1.49 million business units. Meanwhile, Central Java followed in second place with almost the same number, reaching 1.45 million units. In third place, East Java was recorded with 1.15 million business units. However, East Kalimantan Province is ranked 22nd out of a total of 35 provinces in Indonesia. From this data, it is important for the government to pay special attention to the protection of MSMEs, especially in the new National Capital, so that MSME actors are not eliminated by large business actors dominated by a number of large investors.

#### 4.2. Use of Technology to Improve Competitiveness

MSMEs that use digital technology have experienced a significant increase in competitiveness. The use of digital technology, such as e-commerce, social media, and digital payment applications, has helped MSMEs improve operational efficiency, expand market reach, and increase sales. Through e-commerce, MSMEs can sell their products to customers in various geographical locations without having to have a physical store, thereby reducing operational costs and increasing profits. Social media, such as Instagram, Facebook, and TikTok, allows MSMEs to market their products at a lower cost than traditional advertising, while reaching a wider and more targeted audience. [38]

In addition, digital payment applications simplify the transaction process, improve customer convenience, and reduce the risk of errors or fraud that often occur in cash transactions. Based on data from the Ministry of Cooperatives and SMEs, in 2022, around 21 million or around 32% of the total 64 million MSMEs in Indonesia will utilize digital technology to market their products. This figure shows a significant increase compared to previous years, reflecting the increasingly strong adaptation to digital marketing among MSME players in Indonesia. In addition, the prediction of an increase in the use of digital marketing is also estimated until 2029 as stated in the following chart.

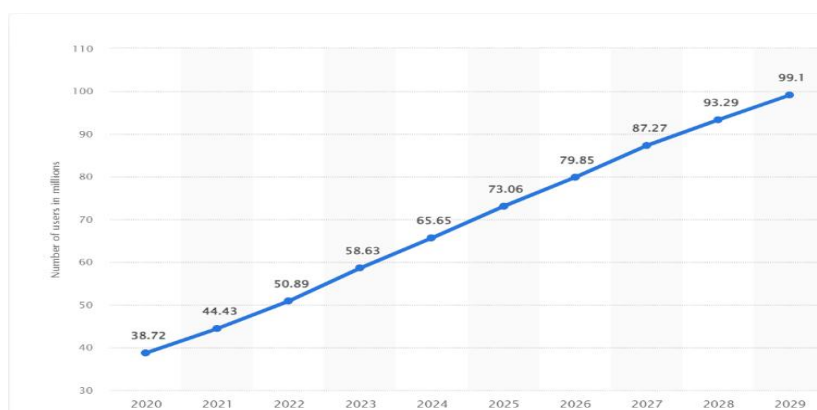


Figure 3. Prediction of Increased Use of Digital Marketing

This increase is also driven by various government programs and private initiatives that aim to support the digitalization of MSMEs. Training and mentoring programs, access to e-commerce platforms, and the provision of adequate digital infrastructure have played an important role in accelerating the adoption of digital technology by MSMEs. However, even though many MSMEs have successfully adopted digital technology, there are still challenges that must be overcome, such as limited access to the internet in some regions, lack of digital knowledge and skills among MSME actors, and high levels of competition in the digital market.

By continuing to increase the adoption of digital technology and overcome these challenges, MSMEs in Indonesia have great potential to be more competitive in the domestic and international markets. Digital technology not only helps MSMEs in increasing efficiency and sales, but also allows them to innovate, offer better products and services, and improve customer experience. Therefore, digitalization is an important key in the strategy to increase the competitiveness of MSMEs in this digital era.

#### 4.3. Online Marketing Strategy for Indonesian MSMEs

The digital marketing strategy implemented by MSMEs in Indonesia includes various methods, such as online advertising, content creators, and the use of social media. This strategy allows MSMEs to reach a wider audience at



a lower cost and with higher effectiveness than traditional marketing methods. Online advertising, for example, gives MSMEs the ability to use platforms like Google Ads and Facebook Ads to target specific audiences based on demographics, interests, and behaviors. This ensures that the ads displayed are more relevant to potential customers, which in turn increases the chances of conversion and sales.

Collaboration with content creators or influencers on social media is also an important component of MSME marketing strategies. Content creators, with loyal and influential followers, can help increase consumer visibility and trust in MSME products. Through product reviews, unboxing, and other promotions, content creators can capture the attention of a wider audience and build trust through personalized recommendations that are often perceived as more authentic than traditional advertising.

In addition, social media such as Instagram, Facebook, and TikTok are used by MSMEs to build communities, interact directly with customers, and promote products organically and through paid advertising. With features such as stories, live streaming, and sponsored posts, MSMEs can continue to communicate with customers in real-time and get immediate feedback that can be used to improve their products and services.

The phenomenon that occurs in marketing strategies in Indonesia shows that digital marketing has become an integral part of MSME business strategies. The use of social media is not only for marketing, but also to build brand awareness and interact with customers directly. Many MSMEs have successfully leveraged these platforms to create engaging and relevant content, which not only increases sales but also strengthens relationships with customers.

This trend is also supported by various government and private initiatives that provide training and resources to help MSMEs develop their digital marketing skills. For example, digital marketing training programs organized by the Ministry of Cooperatives and SMEs, as well as collaborations with large technology platforms to provide access and support to MSME actors. As a result, MSMEs that are able to adopt and optimize digital marketing strategies can be more competitive and adaptive in facing increasingly dynamic market challenges.

In the face of challenges such as high levels of competition in the online market, lack of digital knowledge and skills, and limited resources, MSMEs need to continue to innovate and learn. An effective digital marketing strategy can be a powerful tool to achieve long-term success, increase competitiveness, and open up new opportunities in both domestic and international markets. Thus, the implementation of digital marketing strategies not only supports the business growth of MSMEs but also changes their paradigm from focusing on local sales to penetrating the national and international markets.

## **5. DISCUSSION**

### **5.1. Use of Digital Technology**

Play a crucial role in increasing the competitiveness of MSMEs in Indonesia. Digitalization through e-commerce, social media, and payment apps has been shown to improve operational efficiency, expand market reach, and increase sales. Data from the Ministry of Cooperatives and SMEs shows a significant increase in the adoption of digital technology by MSMEs, with 32% of 64 million MSMEs having utilized digital platforms in 2022. This reflects the increasingly strong adaptation to digital marketing among MSME actors, which is driven by various training and mentoring programs. Micro, Small, and Medium Enterprises (MSMEs) have a high priority for many governments due to their important economic contribution and the number of people they employ. The rapid development of Information and Communication Technology (ICT) in the digital era has an impact on various aspects of life, including changes in the business environment and consumer behavior. Therefore, the need to know about research trends and themes in digital marketing in MSMEs is important.

### **5.2. Digital marketing,**

E-commerce, and the performance of Small and Medium Enterprises (SMEs) is carried out by . The theoretical framework is based on a hypothesis from a resource perspective, which is built on the core assumption that digital marketing and e-commerce have a close relationship with the performance of SMEs. This study aims to describe the relationship between digital marketing and e-commerce in improving SMEs in Iraq. In this study, a total of 228 respondents from the service sector and SME industry in Baghdad, Iraq, were investigated. The use of Smart PLS

3.2.9 is used to analyze the results. The results of this study found various assumptions and conclusions, including the increasing interest in the application of digital marketing and e-commerce and its impact on improving the competitiveness of SME performance. The findings also indicate a positive influence on SME performance in digital marketing and e-commerce variables, reflecting the sector's potential to deliver outstanding performance as a strong indicator. Examining the impact of digital marketing adoption on the sustainable growth of Small and Medium Enterprises (SMEs) in Ghana, the study involved 533 SME owners/managers in the management of questionnaires using structured questionnaires and SmartPLS version 3.3 for data analysis. The findings of this study suggest that, although attitudes towards digital marketing have no effect on the intention to use digital marketing, perceived behavioral control and subjective norms do affect individuals' intentions to adopt digital marketing. In addition, the results of this study prove that there is a direct positive relationship between subjective norms and actual digital marketing usage behavior. Finally, the relationship between the use of digital marketing and the sustainable growth of SMEs has also proven positive, confirming that digital marketing significantly improves the sustainable growth of SMEs in developing countries.

The literature with the title Technology-Based MSME Development Techniques explains that digital marketing plays a crucial role in increasing the competitiveness of Micro, Small, and Medium Enterprises (MSMEs). With its ability to reduce promotional costs, expand reach, increase sales, maintain customer relationships, and create a traceable digital footprint, digital marketing has become a strategic tool for MSME actors. The increase in MSME sales during the pandemic shows the effectiveness of digital marketing, and in this digital era, the non-adoption of this strategy can make MSMEs lag behind their competitors who have used it optimally. Therefore, the implementation of digital marketing is the key to success in increasing competitiveness and successfully marketing MSME products.

Revealed that the use of digital marketing is now the key to success for MSMEs. Through online product marketing, especially through social media such as Instagram and Facebook, MSMEs can reach consumers who cannot be accessed through conventional marketing. Although some MSMEs are known, there are still challenges, especially in creating content marketing. To overcome this problem, socialization and training activities are carried out in the village. This method is considered appropriate to provide education and training to MSME actors. The stages of the activity involve preparation, implementation, and evaluation. The results showed an increase in participants' understanding of content marketing, digital marketing, and the use of the Canva application. Furthermore, assistance in making packaging designs that are attractive and meet specified standards is considered necessary as the next step. Thus, the implementation of socialization and training activities succeeded in increasing participants' understanding and knowledge related to digital marketing strategies, supporting the competitiveness of MSMEs in Indonesia.

### **5.1. Digital marketing strategy**

Such as online advertising, collaboration with content creators, and the use of social media have become important components in increasing consumer visibility and trust in MSME products. Online advertising through platforms like Google Ads and Facebook Ads allows for more specific and relevant audience targeting, while working with content creators helps build more authentic relationships with customers. Social media, with its interactive features, allows MSMEs to communicate directly with customers and get valuable feedback.

However, despite the many advantages, challenges such as lack of digital knowledge and skills and high levels of competition in the online market still need to be addressed. Many MSMEs still do not utilize digital technology optimally, which shows the need for further efforts in education and training. Excellence in direct interaction between buyers and MSME owners, as well as the ability to adapt to market changes, are important factors in increasing customer satisfaction and loyalty.

Overall, digitalization and digital marketing strategies have brought significant changes in the way MSMEs operate and interact with the market. Digital technology not only helps MSMEs in optimizing their operations but also opens up new opportunities for market growth and expansion. By continuing to adopt and develop digital capabilities, MSMEs in Indonesia can significantly increase their competitiveness, both in domestic and international markets. An effective digital marketing strategy, coupled with continuous efforts to overcome existing challenges, will be the main key in driving the success and sustainability of MSME businesses in this digital era.

## 6. CONCLUSION

Based on the research conducted, it can be concluded that digital technology and online marketing strategies have a significant role in increasing the competitiveness of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. The implementation of digitalization helps MSMEs improve operational efficiency, expand market reach, compete with large companies, and improve financial stability and business sustainability. Studies have shown that digital marketing, through social media and online commerce platforms, provides great opportunities for MSMEs to increase sales and build strong relationships with customers. However, there are still challenges such as a lack of knowledge and skills in digital marketing, as well as a high level of competition in the online market that needs to be overcome. Excellence in direct interaction between buyers and MSME owners helps build strong customer relationships and increase customer satisfaction. In addition, digital marketing allows MSMEs to build and strengthen their brand identity, create a strong brand image, and differentiate themselves from competitors. Thus, the implementation of digital marketing strategies not only supports the growth of MSME businesses but also changes their paradigm from local sales to national and international market penetration.

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