

The Effect of Digital Marketing on Increasing MSME Profits (Case Study: Ulubelu District)

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Abstract

This study aims to examine the effect of digital marketing on increasing MSME profits. The method used in this study using a questionnaire. The sample used in this study amounted to 35 respondents. The statistical test was carried out using PLS-based structural equalization modeling. the validity test uses a loading factor, while the reliability test uses Cronbach's alpha value, composite reliability and average variance extracted (AVE). All proposed hypotheses are supported and significant. The conclusion of this study is the effect of digital marketing on increasing MSME profits.

Keywords: digital marketing, MSME profit.

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I. Introduction

Business transactions via the internet is a new business phenomenon. One of the benefits of the internet as a means of introducing and marketing products or services. From a financial perspective, digital marketing is very promising for increasing operating profits. However, this has not been done by MSME actors in Indonesia, a small example is MSMEs in the Ulubelu District, Tanggamus Regency. Empowerment and development of Micro, Small and Medium Enterprises (MSMEs) is an effort taken by the Indonesian government to overcome the problems of unemployment and poverty.

Reality in the field shows that, most MSMEs in Indonesia, have some of the same problems, one of which is the lack of knowledge about marketing, caused by the limited information that can be reached by MSMEs about the market.

While the success of development is identical with the creation of a high rate of economic growth and absorption of labor, one of the real sectors that can reduce the unemployment rate is Micro, Small and Medium Enterprises (MSMEs), where the tools used as the driving force are people who work. in urban and rural areas within the scope of small and medium enterprises.

MSMEs have a strategic role in national economic development, as evidenced by when the Indonesian nation experienced a crisis that occurred some time ago, Micro, Small and Medium Enterprises (MSMEs) were more resilient in facing this reality, while large-scale businesses stagnated and even stopped their activities.

The Micro, Small and Medium Enterprises (MSME) sector is a formidable business in the midst of the economic crisis. Currently, around 99% of the majority of economic actors are MSMEs, which continue to grow significantly and become a business sector capable of supporting the stability of the national economy. MSMEs are becoming more resilient and remain optimistic in the midst of a crisis. When there is a global crisis, MSME actors keep moving. The government has provided empowerment efforts in the form of policies, programs and activities to further strengthen the MSME sector. But Technological Knowledge is Still Low. So it will be very difficult for MSME actors to develop if they are still using manual marketing while now everything is completely digital.

II. Literature Review

According to data from We are Social, which is a digital marketing agency in America, stated that the most frequently used social media platforms in Indonesia as of January 2017 were Youtube (49%) and Facebook (48%). The next position is occupied by Instagram (39%), Twitter (38%), Whatsapp (38%), and Google (36%). The rest are occupied sequentially by FB Messenger, Line, Linkedin, BBM, Pinterest, and Wechat (Kemp, 2017). The development of information technology is growing rapidly. Most of the activities of Micro, Small and Medium Enterprises (MSMEs) utilize information technology to run their business. The increasing number of competitors is a consideration for business actors to innovate in winning the competition. The right marketing communication strategy is used to be able to reach the target market share so that it can increase sales (Pradiani, 2017).

Digital marketing is one of the media that is often used by business actors Due to consumers' new ability to keep up with digitalization, some companies are gradually leaving the conventional marketing model/and switching to modern marketing. With digital marketing, communication and transactions can be done any time / real time and

can be accessed all over the world, one can also view various goods via the internet, most of the information about various products is already available on the internet, ease of ordering and the ability of consumers to compare one product. with other products (Kotler & Keller, 2008).

Hypothesis I: Digital marketing has a positive effect on increasing MSME profits.

III. Methodology

This research is a survey with the help of a questionnaire instrument. In this study, the individual is someone who has male and female Micro, Small and Medium Enterprises (MSMEs). This study amounted to 35 respondents. Test the validity of the research instrument using convergent validity by looking at the value of each factor loading indicator on the questionnaire item. Testing reliability by choosing Cronbach's alpha of at least 0.6 (Ghozali, 2005). Hypothesis testing was carried out with the help of Structural Equation Modeling (SEM) statistical tools based on Partial Least Square (PLS).

IV. Results and Discussion

Based on the results of the tests carried out, the results include, all questionnaire items meet the standard factor loading limits so that it can be said that all questionnaire items are valid. Furthermore, retesting the validity is carried out so that all indicator item values are above the standard factor loading above > 0.6 so that it can be said to be valid. The statement is said to be valid if the significance value is less than 0.05 and 0.01 (Ghozali, 2005), the following are the results of the validity test:

Table 1. Validity Test Result

ITEM	PD	PL
PD1	0.878	
PD2	0.870	
PD3	0.865	
PD4	0.894	
PD5	0.931	
PL1		0.829
PL2		0.885
PL3		0.831
PL4		0.809
PL5		0.621

Table 2. Reliability Test Result

VAR	Cronbach's Alpha	Rh_P	Reabilitas Komposit	AVE
PD	0.933	0.937	0.949	0.788
PL	0.859	0.890	0.898	0.640

Based on the research that has been done, it is found that digital marketing has a positive and significant effect on increasing MSME profits with p-value ($0.884 < 0.05$), so the hypothesis is proven. This is in line with research conducted by (Ira Setiawati and Penta Widyartati) that digital marketing has a positive and significant effect on increasing MSME profits.

V. Conclusion

The results of this study answer the hypothesis statement. Which shows that digital marketing has a positive and significant effect on increasing the profits of Micro, Small and Medium Enterprises (MSMEs) in Tanggamus Regency.

Further research is suggested to be able to expand the analysis and improve the limitations that exist in this study, as well as increase the number of samples and data collection methods so as to obtain comprehensive results.

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