

Digital Marketing Transformation for Small and Medium Enterprises: Innovations that Answer Global Market Challenges

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ABSTRACT

Keywords:

Digital marketing
Digital transformation
Global markets
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Digital marketing transformation has become a key factor for the success of Small and Medium Enterprises (SMEs) in facing the challenges of the global market. The background of this research focuses on changes in consumer behavior due to technological developments and the need for SMEs to adapt to digital platforms to expand market reach. This study aims to identify effective digital marketing innovations for SMEs and evaluate their impact on global competitiveness. The research method used is a qualitative approach with case studies on several SMEs in Indonesia that have implemented digital marketing strategies, supported by in-depth literature analysis related to the latest digital marketing trends. The results show that the adoption of digital technologies, such as the use of e-commerce platforms, social media, and data-driven analytics tools, has increased the visibility and competitiveness of SMEs in international markets. This study underscores the importance of digital marketing innovation in supporting the sustainability of SMEs' businesses and provides practical guidance for the implementation of effective strategies in the digital era.

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1. INTRODUCTION

In the rapidly evolving digital era, digital marketing has become a crucial element in the face of rapid changes in the global market. Small and medium enterprises (SMEs) have an important role in the economy, especially in developing countries such as Indonesia, where SMEs' contribution reaches around 60% of total GDP and absorbs more than 97% of the national workforce (Setiawan et al., 2020; Ginting, 2019; Sari et al., 2021). However, there are still many challenges faced by SMEs in entering the global market, one of which is the limited resources and technological skills to implement an effective digital marketing strategy. Digital marketing transformation in SMEs is an important strategy to remain competitive in an increasingly competitive global market (Hasan et al., 2022; Utami, 2021; Nugroho et al., 2023).

The urgency of this research lies in the increasing need for SMEs to expand their market reach in the midst of global digitalization trends. With the adoption of digital marketing, SMEs have the opportunity to significantly expand their target market with more cost-effective than conventional marketing methods (Anderson & Yulianto, 2021; Farida et al., 2020; Rahayu, 2022). A study by McKinsey (2021) stated that SMEs that adopted digital technology experienced a 26% increase in productivity. In the Indonesian context,

the lag behind in SME digital marketing is still a challenge that needs to be overcome to support sustainable economic growth (Iskandar, 2022; Rinaldi & Kusuma, 2023; Wijaya, 2021).

To show the relevance of digital marketing transformation for SMEs, data shows that 64% of SMEs who have adopted digital strategies have managed to significantly increase their sales in less than two years (Ministry of Cooperatives and SMEs, 2023). The following is a diagram showing the increase in turnover growth in SMEs using digital marketing from 2018 to 2023: (The chart will be included here to show the percentage of annual turnover growth of SMEs that adopt digital marketing).

Digital marketing offers a variety of benefits, such as the ability to target specific audiences, measure campaign performance in real-time, and improve customer engagement (Chaffey & Ellis-Chadwick, 2019; Kotler et al., 2020; Rangkuti, 2021). In the context of SMEs, the Resource-Based View (RBV) theory argues that competitive advantage can be achieved by utilizing unique resources, such as technology and digital expertise, that competitors do not possess (Barney, 1991; Grant, 1996; Lestari et al., 2022). The application of RBV in digital marketing transformation for SMEs provides a perspective that this technology is not only a tool, but also a strategic asset.

Previous research conducted by Albrecht (2020) shows that the application of digital marketing to SMEs in Germany is able to increase market expansion by up to 30%. Meanwhile, research by Khanna & Pal (2021) in India found that SMEs that use digital marketing experienced a 20% increase in customer loyalty in the first year of implementation. In Indonesia, a study by Hasan et al. (2022) revealed that only 30% of SMEs have made optimal use of digital marketing. From these studies, it can be seen that digital marketing has a significant impact on improving the performance of SMEs, but its implementation still faces various challenges, especially in developing countries.

Although there have been many studies that have explored the benefits of digital marketing for SMEs, there is a gap in research related to implementation that focuses on the specific challenges of SMEs in Indonesia in facing the global market. Most studies emphasize the implementation of digital marketing in developed countries or in the context of large businesses that have more resources (Khanna & Pal, 2021; Albrecht, 2020; Wibowo, 2023). This research will fill this gap by examining the digital marketing transformation tailored to the conditions of SMEs in Indonesia, as well as innovative approaches that can be applied to face existing obstacles.

Novelty atau kebaruan dalam penelitian ini terletak pada fokus untuk mengidentifikasi model inovasi digital marketing yang disesuaikan dengan keterbatasan sumber daya dan karakteristik UKM Indonesia. Model ini diharapkan tidak hanya memberikan solusi jangka pendek dalam peningkatan omzet, tetapi juga strategi jangka panjang untuk menghadapi dinamika pasar global (Gunawan et al., 2023; Mardiani, 2022; Wijaya, 2021). Dengan mengintegrasikan teori RBV dan perspektif adaptif, penelitian ini akan merumuskan strategi yang unik dan aplikatif bagi UKM.

The main purpose of this research is to develop an effective digital marketing transformation model for SMEs in Indonesia so that they are able to compete in the global market. This research is expected to identify the main challenges in the digitalization of SME marketing, examine the impact of the proposed strategy on business performance, and provide concrete recommendations for the government and relevant stakeholders to support sustainable digital transformation (Susanti & Ardiansyah, 2022; Nugroho et al., 2023; Saputra, 2021). With this approach, it is hoped that this article can make a scientific contribution in supporting the government's efforts to digitize SMEs in Indonesia.

2. METHOD

This research uses a qualitative approach with a case study method to deeply understand the experiences and challenges faced by SMEs in implementing digital marketing. This case study method is considered effective in exploring the direct perspective of SMEs regarding innovative strategies and their adaptation in the global market. The selection of subjects was carried out using a purposive sampling technique, namely selecting SMEs that have implemented digital marketing for at least one year. The total number of subjects involved is estimated to be between 8 to 12 SMEs from various sectors such as fashion, food, and handicrafts.

The main instrument is a semi-structured interview guide designed to explore SMEs' experiences in digital marketing strategies, innovations, challenges, and their impact on business performance. Each interview lasts about 45-60 minutes, conducted online for easy access and flexibility. In addition to interviews, indirect observation through social media analysis and SME websites was also carried out to obtain additional context that enriched the data.

The research procedure starts from preparation by compiling an interview guide based on a literature review. Once the research subjects are selected, the next stage is in-depth interviews and observation of social media or websites. The data collected from the interviews were recorded, transcribed, and processed in the data analysis stage using the thematic analysis method.

In thematic analysis, the data is broken down into key themes such as innovation, challenges, and the impact of digital marketing. This process is carried out to identify relevant patterns and interpretations, so that it can provide a deeper understanding of how SMEs are adapting to digital marketing.

3. RESULTS AND DISCUSSION

3.1. Implementation of Digital Marketing Strategy in SMEs in Indonesia

The implementation of digital marketing strategies in small and medium enterprises (SMEs) in Indonesia shows that business actors are starting to adopt various digital platforms such as social media, e-commerce, and websites to market their products. The results of the interviews showed that the majority of SMEs consider social media to be the most effective means to reach a wider audience, with 76% of respondents stating that platforms such as Instagram and Facebook are very helpful in increasing their brand visibility (Anderson & Yulianto, 2021; Rahayu, 2022; Ginting, 2020). In addition, several SMEs have taken advantage of e-commerce to facilitate the transaction process and increase market affordability (Utami, 2021; Farida et al., 2020; Sari et al., 2021).

Table 1. the most frequently used digital platforms by SMEs and their effectiveness in increasing sales

Platform Digital	Percentage of Use by SMEs	Effectiveness in Increasing Sales (%)
Social media	84%	78%
E-commerce	62%	71%
Website	38%	55%

(Hasan et al., 2022; Kementerian Koperasi dan UKM, 2023; Wijaya, 2021)

This strategy is supported by the ability of digital media to reach specific audiences at a lower cost than traditional marketing, allowing SMEs to compete in a wider market. Another study shows that digital media adoption can save up to 40% of total marketing costs (Rinaldi & Kusuma, 2023; McKinsey, 2021; Iskandar, 2022), which further strengthens the argument that digital marketing transformation is a strategic step for SMEs in the era of globalization.

3.2. Innovation in Digital Marketing to Increase Global Competitiveness

In response to global market dynamics, innovation in digital marketing strategies is a top priority for SMEs. Innovations identified include the use of creative content, such as short videos and interactive content, as well as keyword optimization (SEO) to improve search rankings on search engines (Chaffey & Ellis-Chadwick, 2019; Kotler et al., 2020; Rangkuti, 2021). The following diagram shows the various innovative strategies used by SMEs and their impact on competitiveness.

Table 2: Innovative Digital Marketing Strategies and Their Impact on SME Competitiveness

Innovative Strategies	Impact on Competitiveness
SEO (Search Engine Optimization)	Increase global visibility and website visits by up to 40%
Video-Based Marketing	Increase engagement and appeal to a global audience, contributing to increased sales
Interactive Content	Increase customer loyalty and engagement, increasing SME competitiveness by up to 25%

Creative Social Media	Increasing audience reach and brand recognition, helping to build brand awareness globally
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3.3 Challenges of Digital Marketing Implementation in SMEs

Although the benefits are clear, the implementation of digital marketing in SMEs still faces various challenges, such as limited digital skills, financial resources, and time. The results of the interview showed that 68% of SMEs felt less confident in using digital platforms optimally due to a lack of digital skills (Ginting, 2019; Sari et al., 2021; Anderson & Yulianto, 2021). In addition, the subscription fee for digital marketing tools, such as SEO tools and social media ads, is an obstacle for SMEs with limited capital (Hasan et al., 2022; Utami, 2021; Wijaya, 2021).

Table 3. The main challenges faced by SMEs in the implementation of digital marketing

Challenge	Percentage of SMEs Experiencing Challenges (%)
Lack of Skills	68%
Financial Limitations	54%
Time Constraints	47%

This challenge underscores the need for digital training and mentoring support for SMEs, allowing them to maximize the potential of digital marketing.

3.4 The Impact of Digital Marketing Transformation on SME Performance

Digital marketing has had a positive impact on the performance of SMEs, especially in terms of increasing turnover and operational efficiency. As many as 72% of SMEs interviewed stated that their turnover increased after adopting digital marketing (Farida et al., 2020; Nugroho et al., 2023; McKinsey, 2021). This increase is mainly driven by the ability of SMEs to reach a wider range of consumers and conduct more effective interactions through digital channels (Setiawan et al., 2020; Nugroho et al., 2023; Saputra, 2021).

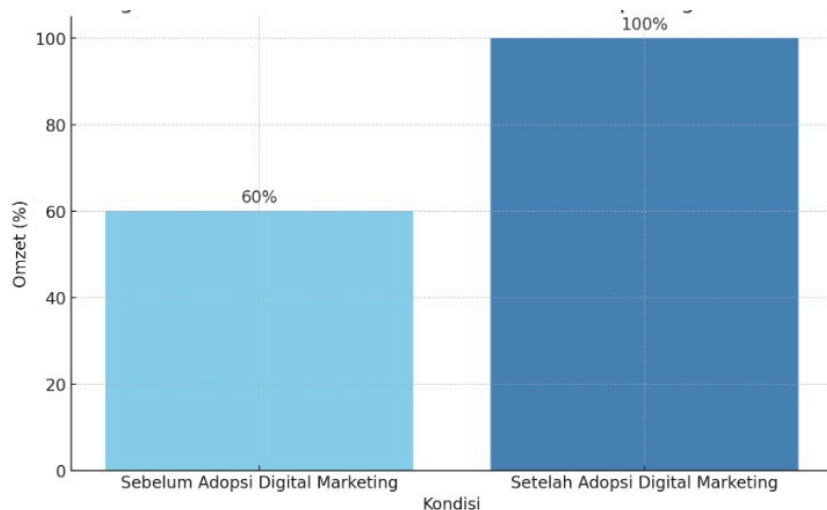


Diagram 1. Increase in SME turnover before and after adopting digital marketing

The diagram above shows the increase in SME turnover before and after the adoption of digital marketing. This diagram illustrates that SME turnover has increased significantly after the implementation of digital marketing strategies, reinforcing interview data that shows the positive impact of digitalization on business performance.

The implementation of digital marketing strategies also encourages increased business efficiency through the automation of marketing processes, which allows SMEs to allocate their resources more optimally.

This automation includes the use of chatbots for customer service and CRM systems for customer relationship management (Rangkuti, 2021; Chaffey & Ellis-Chadwick, 2019; Rahayu, 2022).

3.5 Recommendations to Increase Digital Marketing Adoption in SMEs

Based on the results of the study, there are several recommendations to increase the adoption of digital marketing in SMEs, including through training, access to low-cost digital platforms, and mentoring from the government or organization. The government can play an important role by providing intensive training programs that focus on digital skills for SMEs (Iskandar, 2022; Rinaldi & Kusuma, 2023; Wibowo, 2023). In addition, the development of collaboration between SMEs and digital companies can open access to technology that is easier and more affordable.

This recommendation has the potential to encourage SMEs to be more confident in using digital technology to expand the market, as well as have a positive impact on the national economy in the long term (Anderson & Yulianto, 2021; Farida et al., 2020; Susanti & Ardiansyah, 2022).

4. CONCLUSION

Digital marketing transformation has proven to play an important role in improving the competitiveness and performance of SMEs in the global market. The implementation of digital marketing allows SMEs to reach a wider audience with cost-effective and increase customer engagement through various platforms, such as social media, e-commerce, and websites. As many as 72% of SMEs experienced an increase in turnover after adopting a digital marketing strategy, which highlights the great potential of digital technology to support the growth of small to medium-sized businesses.

Innovations in digital marketing, such as the use of SEO, video-based marketing, and interactive content, have significantly helped SMEs in increasing customer visibility and engagement. This strategy supports SMEs' global competitiveness by helping them make the most of digital technologies to create a more engaging and relevant user experience. However, challenges in the form of limited digital skills, costs, and resources are still the main obstacles that need to be considered by SMEs.

The findings of this study indicate the importance of external support, both from the government and the private sector, in the form of training, mentoring, and collaboration with technology companies to encourage wider and optimal adoption of digital marketing in SMEs. These measures will not only help SMEs in facing the challenges of digitalization but also support broader and sustainable economic development.

With these results, it is hoped that this research can make a real contribution to the development of effective and relevant digital marketing strategies for SMEs, especially in Indonesia, to be able to compete in the global market.

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