
EXPLORATION OF RELATIONAL MARKETING STRATEGIES IN SMALL AND MEDIUM BUSINESSES IN THE DIGITAL ERA

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ABSTRACT

The development of digital technology has transformed the marketing paradigm, particularly in the context of the relationship between businesses and their customers. Small and medium-sized enterprises (SMBs), which are the backbone of Indonesia's economy, must adapt to a more relevant relational marketing approach in the digital era. This study aims to explore the relational marketing strategies employed by BKM actors in fostering customer loyalty through digital media. This research uses a qualitative approach with a case study design, involving 12 business actors from the culinary, fashion, creative services, and handicraft sectors in the Yogyakarta, Bandung, and Depok areas. Data collection techniques are carried out through in-depth interviews, observations, and documentation. The results show that media such as Instagram, WhatsApp Business, and TikTok are used strategically to build personal communication, convey brand stories, and create emotional connections with customers. However, there are still limitations in the use of an integrated customer relationship management (CRM) system. This research emphasizes the importance of inclusive and strategic digitalization in strengthening MSME customer relationships in Indonesia.

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1. INTRODUCTION

In the last decade, the global business landscape has undergone a significant transformation, primarily driven by the acceleration of digitalization. Information and communication technology (ICT) has played a pivotal role in transforming the way businesses interact with their customers. A report by McKinsey Global Institute (2021) highlighted that over 80% of companies worldwide now utilize digital channels to build

and maintain relationships with their customers. This shift is not only affecting large enterprises but also opening up new opportunities and challenges for Small and Medium Enterprises (SMEs), which are the backbone of the global economy (Amri, 2020). However, many SMEs face difficulties in adapting to the rapid flow of digitalization, especially in building long-term customer relationships, due to limited digital resources and knowledge.

In Indonesia, SMEs account for over 60% of the Gross Domestic Product (GDP) and employ nearly 97% of the national workforce. (Ministry of Cooperatives and SMEs of the Republic of Indonesia, 2022). Despite their economic importance, most SMEs continue to rely on traditional marketing methods and have not fully embraced digital relational marketing strategies. Many small businesses fail to recognize the significance of establishing customer loyalty through personalized relationships, trust, and consistent online communication. As a result, customer retention is often low, and businesses struggle to stand out in an increasingly competitive market. (Permana, 2023). The rise of digital platforms such as social media and e-commerce marketplaces, however, offers SMEs an opportunity to strengthen relationships with consumers effectively and efficiently. (Purwana, 2018).

Previous studies have explored the role of relational marketing in SMEs. Sin, (2005) Emphasized that key elements of relational marketing, including trust, commitment, and communication, are crucial in fostering customer loyalty, especially in the retail sector. In the Indonesian context, Susanti, (2020) Found that consistent use of social media significantly helps businesses build emotional connections with their customers. However, most studies focus on large corporations or only examine specific aspects of relational marketing, neglecting its holistic application in the digital practices of SMEs. Furthermore, the relationship between digitalization and relational marketing strategies in Indonesian SMEs remains underexplored.

This research is vital given the urgent need for SMEs to adapt and thrive amidst changing consumer behaviors that now favor digital and experience-based consumption. In the digital age, customers no longer seek just quality products; they desire meaningful relationships with brands. Therefore, marketing strategies focused on mere transactions need to shift towards personalized, communicative, and value-driven relational approaches. (Kotler, 2016). This study aims to delve into how SMEs in Indonesia implement relational marketing strategies in the digital era and how digital technologies support their success.

The novelty of this research lies in two main areas. First, the exploratory approach used in this study provides a detailed account of real-world practices and strategies employed by SMEs in the digital age, which sets it apart from previous research that was more quantitative or conceptual. (Bobsaid, 2022). Second, this study comprehensively integrates the perspective of customer relationships with the dimension of digitalization, offering a holistic approach that has not been explored in the Indonesian literature. (Ascharisa, 2023). Additionally, this research will propose an initial conceptual model for digital-based relational marketing strategies for SMEs.

This research aims to identify relational marketing strategies implemented by micro, small, and medium enterprises (MSMEs) in the digital era and to explain the impact of digitalization on interactions between business actors and consumers. Academically, this research contributes to enriching the scientific literature on relational marketing and digital marketing, particularly in the context of small businesses. Practically, the results of this research can be used by BKM actors as a reference in designing relational strategies that are adaptive to technological developments and consumer needs.

2. METHOD

This research employs a qualitative approach with an exploratory case study method, aiming to gain a deep understanding of the relational marketing strategies used by small and medium-sized business actors (BKM) in the context of digitalization. The exploratory design was chosen because this topic is still relatively new in Indonesia and requires the extraction of rich data from the real experience of business actors. This study aims to describe the practices, challenges, and innovations that emerge during the implementation of relational marketing strategies in the digital era, without intervention or manipulation by researchers.

The research locations were chosen purposively, specifically in major cities and urban buffer areas such as Yogyakarta, Bandung, and Depok, which have a relatively high BKM population and a significant level of digital penetration. This location was chosen to represent the dynamics of digital marketing in the context of urban MSMEs.

The research subjects are BKM owners and/or operational managers who have implemented digital customer relationship-based marketing strategies, such as utilizing social media, business chat applications, and e-commerce platforms. The number of informants was determined by snowball sampling, with the following criteria:

1. Have been running a business for at least 2 years;
2. Actively using digital channels in interacting with customers;
3. Willing to be interviewed in depth.

The initial target number of informants was 8-12 business actors from various sectors, including culinary, fashion, creative services, and crafts.

Data Collection Techniques

Data collection is carried out using three main techniques as follows:

1. In-depth Interview

Interviews are conducted in person or online, using flexible semi-structured interview guidelines. This approach allows for in-depth data mining related to customer relationship strategies, challenges in digitalization, and best practices from each business actor.

2. Participatory and Non-Participatory Observation

The researcher observed digital marketing activities carried out by BKM through social media (Instagram, TikTok, and WhatsApp Business), e-commerce platforms (Shopee and Tokopedia), and direct customer interactions. Observations focus on the frequency of communication, delivery style, narrative used, and form of customer engagement.

3. Documentation Studies

Supporting documents such as digital promotional content, customer interaction data, sales reports, and customer feedback are collected as triangulation materials. This is important to ensure the validity and enrich the data obtained from interviews and observations.

3. RESULTS AND DISCUSSION

This study involved 12 respondents from small and medium enterprises (BKM) from various sectors: culinary (3 respondents), fashion (4 respondents), creative services (2 respondents), and handicrafts (3 respondents). The respondents were spread across the Yogyakarta, Bandung, and Depok areas, with a business age range of 2 to 7 years. The majority of business actors have actively utilized digital media to interact with customers and conduct marketing activities.

Key Findings from the Interview with Management

1. The in-depth interview revealed that the most dominant relational marketing strategies applied by business actors are:
2. Personal engagement through WhatsApp Business, used to build two-way communication with loyal customers;
 “We don’t just sell products, but the story behind them. People now want to buy because they feel connected, not just because of the price.”
3. Storytelling content on Instagram, as a way to create emotional closeness with customers;
 “Instagram allows us to showcase our products and our business story, which makes it easier for customers to feel a personal connection.”
4. Providing loyalty rewards and customer testimonials to increase trust and retention.
5. Most respondents acknowledged that communication consistency and response speed are important factors in maintaining long-term relationships with consumers. One of the speakers said:
 "We don't only sell goods, but the story behind the product. People now want to buy because they feel connected, not just because of the price."

Findings from the Licensed Employee Questionnaire

Table 1. Frequency of Platform Use for Digital Marketing

Platform	Frequency of Use (%)
Instagram	90%
WhatsApp Business	85%
TikTok	70%
Tokopedia/Shopee	50%

To reinforce the data, questionnaires were administered to employees directly involved in digital marketing activities. The findings show that:

1. 90% of respondents rely on Instagram to build a brand and reach new customers;
2. 85% use WhatsApp Business as a means of personal communication and customer service;
3. 70% have tried TikTok as a dynamic means of promotion, although not all have found it effective;
4. Marketplaces such as Tokopedia and Shopee are still used by more than 50% of respondents, but they function more as sales channels than customer relations.

Observation Results

1. Observations were made on social media accounts and marketplaces owned by business actors. Several patterns were found:
2. Humanistic content visuals (product photos accompanied by owner/employee faces) have higher interaction than regular catalog content;
3. Narrative captions that tell the production process, business challenges, or customer stories can build emotional connections;
4. Quick replies (under 2 hours) to customer messages increase the chances of repeat orders by up to 30% (based on customer testimonial data compiled by respondents);
5. Not all business actors have a digital customer relationship management (CRM) system; some still record manually or rely on memory.

4. CONCLUSION

This research demonstrates that relational marketing strategies play a crucial role in fostering customer loyalty among small and medium-sized businesses (SMBs), particularly in the digital era. BKM actors actively utilize digital media, such as Instagram, WhatsApp Business, and TikTok, to foster two-way communication, create a personalized brand narrative, and strengthen emotional connections with customers. Findings from interviews and observations also reveal that a humanistic approach, storytelling, and high responsiveness are key factors in maintaining customer relationships sustainably. In addition, the study found that although most businesses have integrated digital media in their marketing activities, there are still limitations in the use of structured customer relationship management (CRM) systems. This indicates the need for digital training support and strengthening technology capacity in the BKM sector so that relational strategies can be further optimized.

Thus, a relational marketing strategy that is adaptive to the development of digital technology is a strategic path for BKM not only to survive, but also grow in an increasingly competitive business ecosystem. This research is expected to serve as a reference for business actors and policymakers in encouraging the development of strong and sustainable customer relationship-based MSMEs.

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