

DEVELOPMENT STRATEGY OF MSMEs THROUGH DIGITAL MARKETING ON SUMBA ISLAND, EAST NUSA TENGGARA

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Abstract

Despite their crucial role in the Indonesian economy, Sumba Island's MSMEs must catch up in digital marketing, relying heavily on traditional methods like physical storefronts. This qualitative research study reveals limited adoption of digital tools due to lack of awareness, perceived technical difficulty, and poor internet access. To bridge this digital divide and enhance their resilience, the government should prioritize ongoing digital marketing education and training programs through the Office of Cooperatives and MSMEs, empowering Sumba's MSMEs to navigate the digital landscape and unlock their growth potential.

Keywords: Digital Marketing, MSMEs, Sumba Island, Traditional Marketing, Qualitative.

1. INTRODUCTION

According to the Republic of Indonesia Law Number 20 of 2008, Micro, Small and Medium Enterprises (MSMEs) describe that MSMEs are small businesses owned individually and in groups with certain wealth. Furthermore, the Law states that the purpose of Micro, Small, and Medium Enterprises (MSMEs) is to grow and develop their businesses to build a national economy based on equitable economic democracy. This legislation shows that the existence of MSMEs has received attention from the government because MSMEs have an important and strategic role in supporting the government's economy. Among them, MSMEs can provide employment where MSMEs are able to absorb 97 percent of the total workforce (katadata,2018). Furthermore, MSMEs also contribute to GDP by 61 percent and are able to support large businesses, such as providing raw materials, spare parts, and other supporting materials (Awali, 2020). In addition, MSMEs are also able to survive in times of crisis, for example, during a pandemic, because the products produced by MSMEs are unique and special so they do not compete with products from large businesses (Sarfiah, Atmaja, Verawati, 2019).

However, during the pandemic, many MSMEs have suffered blows. LIPI (2021) reported that during the Covid-19 pandemic, as many as 94.69% of the total MSMEs experienced a decline in sales, of which ultra-micro businesses experienced a decrease of 49.01%, 43.3% of micro-enterprises, 40% small businesses, and 45.83% medium enterprises. MSMEs have yet to switch to using digital technology in running their business. It was recorded that during the Pandemic, only 18 percent of MSMEs in Indonesia adapted to digital sales or marketing platforms (MarkPlus insight, 2021). Besides being very helpful during the pandemic, digital technology greatly benefits MSMEs, especially in marketing, commonly known as digital marketing. This is because digital sales penetration can expand market reach and promote products in accordance with changing consumer shopping trends.

Digital marketing is defined as achieving marketing goals using digital technology (Chaffey and Ellis-Chadwick, 2012). Digital marketing focuses on how a company and its brand use the website in conjunction with other digital platforms, such as social media and email marketing, to interact with consumers to add value to their products and meet their marketing goals (Syafi'i et al., 2023). The main benefits of digital marketing are a wider market reach, lower marketing costs, and two-sided interaction, and can be accessed from anywhere and anytime. Given the importance of digital technology, the Indonesian government also continues to help existing MSMEs to maximize the use of digital technology in developing their businesses.

Based on data from the Cooperatives, Manpower and Transmigration Office of NTT province, the number of MSMEs in NTT as of 2021 is 98,270 spread across 21 regencies/cities in NTT, and for Sumba Island itself, the number of MSMEs is around 16 thousand. According to Ady Mandala, Head of the Cooperative and MSME Empowerment Division of the Cooperatives, Manpower and Transmigration Office of NTT province, One of the problems MSMEs face in NTT is marketing. Where the majority of business marketing is still limited to marketing one city. Even with digital technology, MSME players can expand their market and reach more consumers. For this reason, the NTT government also continues to provide training in marketing, especially digital marketing.

2. LITERATURE REVIEW

Development Strategy of Micro, Small and Medium Enterprises (MSMEs)

The development of a business is the responsibility of every entrepreneur or entrepreneur who requires foresight, motivation and creativity (Pandji, 2007). The development of Micro, Small and Medium Enterprises (MSMEs) is a responsibility and effort that the community must make, business actors, and the government to develop and empower Micro, Small and Medium Enterprises through the provision of facilities, guidance, training, mentoring, strengthening assistance to grow and improve the ability and competitiveness of MSMEs.

According to Supardi (2018), there are several indicators of MSME development:

1. Production and Processing

The development in the field of production and processing aims to improve production and processing techniques and management capabilities for micro-enterprises, provide convenience in the procurement of facilities and infrastructure, production and processing, raw materials, auxiliary materials, and packaging for micro business products, and encourage the application of standardization in the production and processing process.

2. Marketing

Development in the field of marketing can be done by carrying out marketing research and studies, disseminating market information, improving management capabilities and marketing techniques, and providing facilities and infrastructure, which include organizing market trials, marketing institutions, providing trading houses, and micro business promotion, providing promotional support, marketing networks, distribution, and providing professional consultants in the field of marketing.

3. Human Resources

Development in the field of human resources can be done by socializing and cultivating entrepreneurship, improving technical and managerial skills, forming and developing educational and training institutions, counseling, business motivation and creativity, and creating new entrepreneurs.

4. Design and Technology

Development in the field of design and technology aims to improve the ability of micro-enterprises in the field of design and technology as well as quality control, increase cooperation and technology transfer, provide incentives to micro-enterprises that develop technology and preserve the environment, and encourage micro-enterprises to obtain intellectual feasibility certificates.

Micro, Small and Medium Enterprises (MSMEs)

According to Sumitro (2004), MSMEs are businesses organized by a company with a workforce of at most 50 people. Micro-scale businesses are primarily forms of micro-enterprises and small businesses such as street vendors, handicrafts, souvenir businesses, and the like. Small businesses in Indonesia have great potential to be developed because the vast market, easily available raw materials, and large human resources are variables supporting the development of these small businesses but need to be observed several things along with the development of small home-based businesses such as business development must be followed by good management, good planning will minimize failure, Mastery of knowledge will support the sustainability of the business, manage efficient and effective production systems, and make breakthroughs and innovations that make differentiators from competitors are steps towards success in managing the business (Tambunan, 2012).

Digital Marketing

The definition of Digital Marketing, according to the American Marketing Association (AMA) is the activities, institutions, and processes facilitated by digital technology in creating, communicating, and conveying values to consumers and other interested parties (Kannan & Hongshuang, 2016). Chaffey (2013) defines digital marketing as using technology to help marketing activities that aim to increase consumer knowledge by adjusting to their needs. Digital marketing is also defined as marketing activities, including branding or brand recognition, using various web-based media such as Blogs, Websites, emails, and ads or social networks. Digital marketing or digital marketing has a meaning that is similar to electronic marketing (e-Marketing). Both describe the management and execution of marketing using electronic media. Digital technology has changed the way humans speak, communicate, act, and make decisions. Every day, we are in contact with various kinds of technology, from the internet to mobile phones. This proves that the digital world has become our world. The concept that needs special attention from business actors in marketing, branding, and selling activities in the digital world today is to pay attention to the content presented by marketers to form irrational thinking that aims to influence consumers. According to Kotler & Keller, E-marketing is a company's effort to inform, communicate, promote, and sell its products and services through Internet media.

The benefits of digital marketing, according to (Hermawan, 2012) are:

1. The cost is relatively cheap. Digital marketing is much cheaper and easier to reach potential customers so widely than conventional advertising. The nature of digital marketing allows consumers to examine and compare products with each other in a more pleasant manner.
2. Digital marketing provides more information than conventional media such as print, radio, and television. Digital marketing is also able to store accurate data needed by the company.

3. RESEARCH METHOD

This study used a qualitative research method, using interviews and observation as data collection methods. The informants who participated in this research were government agencies (Cooperative and SMEs office) and the actors of MSMEs who reside in Sumba island. Data Collection was conducted in Juni – August 2023 in Sumba Island. The data then analyzed with descriptive qualitative using Milles and Huberman (1992) model that consists of three steps: data reduction, data presentation, and conclusion.

4. RESULT AND DISCUSSION

4.1 The Overview of MSMEs in Sumba Island

Sumba Island is one of the islands in East Nusa Tenggara Province, with an area of 10,710 km². Sumba Island consists of four districts: Southwest Sumba, West Sumba, Central Sumba, and East Sumba. Of the four regencies on Sumba Island, East Sumba Regency is the largest regency with its capital city, Waingapu. The distribution of MSMEs on the island of Sumba is uneven between one district and another. Based on data from the Central Bureau of Statistics of NTT Province, Southwest Sumba Regency as many as 15,265 businesses (11.22%), West Sumba Regency as many as 1,174 (0.85%) businesses, East Sumba Regency as many as 19,934 businesses (15.12%).

Meanwhile, Central Sumba Regency is the area with the least number of MSMEs, which is 767 businesses (0.56 percent). The Central Sumba region is an area on the island of Sumba with meager growth in trade and business activities. Observations during the research did not find small and medium-scale businesses, especially those that have used digital marketing as a marketing tool. Based on interviews with several communities and micro business actors, it is known that this is due to the low awareness of the community to accept and open up to the outside world.

Observations and interviews conducted during the research process show that MSME actors on Sumba Island use various forms of marketing. There are still many MSME players who do traditional marketing by selling their products and services directly to the market. However, there are also those who follow the latest marketing trends, namely by marketing through digital media or digital marketing. Based on interviews with the governments of four districts on Sumba Island, it was found that there is still a lack of data collection carried out by the Cooperative and SME Office regarding the number of MSME actors, both those who still use traditional marketing methods and those who have used digital marketing as a marketing tool so that exact data from the number of digital-based MSMEs cannot be displayed completely. Direct interviews

with actors research MSMEs that have used digital marketing and searches through social media, especially Instagram and Facebook as the most widely chosen social media by MSMEs as digital marketing media for their products and services. The results showed that using digital marketing and social media to market and promote MSME products and services on Sumba Island could have been more optimal. Based on interviews with the government and MSME actors in four districts on the island of Sumba, it is known that not all MSMEs use digital media to market their products and services. They revealed that there is a tremendous willingness and interest to use digital marketing as a means of marketing the products and services they sell. However, it couldn't be done optimally due to several obstacles. The obstacles are:

1. Inadequate internet network.
2. There is still a lack of socialization and training provided to business actors due to limited Human Resources (HR) who master internet technology well.
3. MSME players have yet to be able to take advantage of digital marketing trends effectively due to limited knowledge and ability to use digital media.
4. Limited budget to conduct Digital Marketing training.

4.2 The Development Strategy of Micro, Small and Medium Enterprises (MSMEs) in Sumba Island

The natural beauty and culture of Sumba Island, which continues to be known both in the territory of Indonesia and abroad, encourages the development and empowerment of micro, small, and medium enterprises (MSMEs) carried out by the people of Sumba Island. Various efforts and strategies continue to be carried out by business actors and local governments to increase the income and development of MSMEs on the island of Sumba, one of which is through the use of technology and digital media to support the progress and sustainability of MSME business.

The majority of social media use is focused on product marketing or promotion and disseminating product information so that it is easily and quickly recognized by the public and as a means of maintaining relationships with customers. Each MSME on the island of Sumba has different levels and durations of using social media in marketing their business or business. However, at least every MSME owns and uses one or more social media such as Facebook, WhatsApp, Instagram and TikTok. From the results of interviews and searches, it can be seen that the most widely used social media are Facebook and Instagram. On Sumba Island, Facebook is an online promotional media that is still widely used compared to other social media. MSMEs choose Facebook because many of their consumers have this network. Facebook users are not only limited to young people, but also to the next generation. Facebook is the most famous social media and most widely used by most people. Many business owners choose Facebook because they think it has proven to be very effective in reaching new consumers and potential customers. While Instagram is the most widely used type of media after Facebook. Monitoring researchers East Sumba and West Sumba districts are the districts on Sumba Island with the most MSMEs using Instagram as a marketing medium because many people and consumers have had social media instgram. However, the search results found that there are still few sales through Instagram, so Instagram is only limited to product introduction or promotion, even though many features from Instagram that if utilized optimally, can increase the sales volume of MSMEs on the island of Sumba. WhatsApp is

inseparable from the relationship between MSME actors in communicating or interacting with the payment process or in negotiations to continue purchasing a product with consumers. While Tik Tok is a social media that is still very rarely used by business people to market their products and services because in their opinion consumers prefer to make purchases through social media applications that are familiar to them.

MSME business people on the island of Sumba realize that the use of digital marketing applications can increase access to new customers, in addition to providing opportunities to provide product information or promotions cheaply. However, due to the various obstacles they experienced, the use of social media could have been more optimal. Some MSME players combine their personal social media applications for business purposes. These MSME businesspeople argue that their business is not too big so there is no need to create social media specifically for their business, they believe that by using their personal social media, consumers and potential customers will have more confidence in the business they run because they have known the owner before. However, several MSME business people have professionally created social media accounts specifically for their businesses and actively promote by creating interesting content every day. Therefore, the government and MSME actors on Sumba Island must develop various digital marketing strategies to improve and develop businesses and increase the income of MSME businesses on Sumba Island. Some strategies that can be done include:

1. Improve product quality and uniqueness of the products and services offered and continue to differentiate products to win competition with competitors in the market.
2. MSME players on Sumba Island must focus more on business strategies that take advantage of marketing opportunities using digital marketing so that products and services offered to the market can be more quickly recognized and sold in the market.
3. Utilizing existing digital marketing trends creatively through social media platforms such as Facebook, Tiktok, Instagram, WhatsApp, Youtube, Twitter. Sell through Marketplace, Google Ads, Blogs, Business Websites, Online Forums, Paid Ads and LinkedIn.
4. Create attractive product packaging designs to get consumers' attention and interest.
5. The government and MSME actors are expected to continue improving their knowledge and ability to optimize the use of digital marketing media to run a business better and develop through socialization and digital marketing trainings.
6. Collaboration and synergy from all stakeholders are needed to formulate policies or regulations related to digital marketing to be able to support the growth and development of MSMEs on the island of Sumba.

5. CONCLUSION

Despite playing a vital role in Sumba Island's economy, MSMEs need more internet access, training, and budget constraints to leverage digital marketing fully. However, significant growth potential exists through strategic digital marketing efforts, coupled with improvements in other crucial areas like product quality and packaging. Uneven distribution of MSMEs across districts reveals limited use of digital marketing, primarily

for product promotion and information sharing on Facebook and Instagram. Advanced digital marketing trends and sales through social media still need to be explored. To overcome these obstacles and unlock their full potential, various stakeholders, including the government and business actors, are actively promoting digital marketing adoption. This includes socialization, training programs, and raising awareness about the effectiveness of digital marketing in boosting business growth and development. By addressing these challenges and actively pursuing strategic digital marketing initiatives, MSME players must also focus on enhancing product quality and uniqueness to stand out in the competitive landscape. This can be achieved through differentiation, catering to specific market needs, and improving overall product quality. Investing in visually appealing and informative packaging will also grab attention, inform consumers, and enhance product value perception, leading to increased sales.

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