THE EFFECT OF DIGITAL MARKETING ON THE COMPETITIVENESS OF BATIK'SMEs IN PEKALONGAN, CENTRAL JAVA

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ABSTRACT

This explanatory research seeks to discover how digital marketing affects the competitiveness of Micro, Small, and Medium Enterprises (MSMEs) in Pekalongan, Central Java. This research is considered as a census because all UMKM on the population participate in this research. 18 MSMEs from Pekalongan participated in this study. Prior to performing the simple regression analysis test, the classical assumption test was performed, which confirmed that the linear regression criteria were satisfied. The study's findings found that digital marketing had a 92.1 percent positive and significant effect on SMEs' competitiveness, with the remaining 7.9 percent being caused by other variables not investigated in this study.

1.INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are important pillars of Indonesia's economic growth. According to the Ministry of Cooperatives and Small Business and Medium (Kemenkop UKM, 2021), the number of MSMEs in Indonesia reaches 64.2 million with contribution to Gross Domestic Product of 61.07 percent or Rp. 8,573.89 trillion. In addition, MSMEs absorb 119.6 million people or 96.92% of the total workforce Indonesian work. With a large number, its ability to absorb labor and their contribution to Indonesia's GDP, MSMEs are the pillars of the Indonesian economy because of its important role in Indonesia's economic growth (Maharani, Ali and Astuti (2012).

As a pillar of the economy, various efforts have been made by the Indonesian government to improve the competitiveness of MSMEs, especially in the face of the Covid-19 pandemic, which is still keep going. Porter (1985) suggests that a business unit is said to have competitiveness if the business unit has the ability to show better performance superior compared to its competitors. One of the capabilities that can increase the competitiveness of SMEs is digital marketing (Wardhana, 2015). With digital marketing, business units can formulate and implement marketing strategies that can direct the activities of business units to achieve marketing performance in accordance with set targets. In MSMEs, the implementation of digital marketing can be seen from the ability MSMEs utilize social networks in promotional activities and market searches so that theymarket coverage becomes wider (Sulaksono, 2020).

The use of digital marketing is important because of the increasingly strong phenomenon of internet use by consumers in transaction. Hootsuite (2020) explains that 93% of internet users are looking for information through the internet means that using digital marketing as a promotional medium is a strategies to increase the ease with which buyers find sellers. Based on the description above, the researcher was inspired to conduct research that entitled The Effect of Digital Marketing on the Competitiveness of Micro, Small, and Medium Enterprises Medium Enterprises (MSMEs) in North Jakarta, 2020.

2. LITERATURE REVIEW

Digital Marketing

In the industrial era 4.0, adopting information technology with digital marketing is strategic steps taken by business actors to improve their competitiveness impact on the performance of Micro, Small and Medium Enterprises (MSMEs). Enforcement Restrictions on Community Activities

(PPKM) during the Covid-19 pandemic oblige MSMEs closing the place so that it is not possible to carry out business activities offline. For this reason, digital marketing is the ideal choice to facilitate MSME actors communicate with buyers.

Wardhana (2015) explains that digital marketing is a marketing activity using internet-based media. Digital marketing is a promotional activity who conduct market searches through digital media online by utilizing various means, such as social networks (Sulaksono, 2020). Mohammed, et al (2003) explains that e-marketing is the process of building and maintaining relationships with customers through online activities to facilitate the exchange of ideas, products and services that satisfy both parties. With digital marketing, it is easier for actors to provide information and interact directly with consumers, expand market, increase awareness and increase sales (Febryanto and Arisani, 2018). Heidrick and Struggles (2009) explained that

the development of digital marketing through the web, mobile phones, and game devices, offers new access to more interactive advertising. In more detail (2009) explain the meaning of digital marketing as a marketing activity that includes branding using various web-based media such as blogs, websites, e-mail, adwords, or social networks.

From the opinion of Wardhana (2015), Sulaksono (2020), Febryanto and Arisani (2018), Heidrick and Struggles (2009) and Sanjaya and Tarigan (2009) this research formulates understanding digital marketing that is useful for explaining digital marketing for SMEs, namely as marketing products or services online using various platforms digital. To explain digital marketing, various digital marketing indicators have been developed by several researchers who are useful in explaining digital marketing. Sanjaya and Tarigan (2016) describe digital digital marketing as the use of various media web-based services such as blogs, websites, e-mail, adwords, or social networks. Ryan (2009) developing the digital marketing dimension by focusing on the benefits of digital marketing as a means of promotion, namely websites, search engine optimization (search engine optimization), paid search click-based advertising (PPC Advertising), afiliate marketing and strategic partnership (affiliate marketing and

strategic partnership), online PR, social networking (social network), E-mail marketing (e-mail marketing), customer relationship management (Customer Relationship Management).

Specifically, Wardhana (2015) developed MSME digital marketing indicators to measure the digital marketing of MSMEs that are already online-based, namely (1) the availability of

product information or articles that support and provide product guidance for consumers, (2) the availability of the required supporting images such as photographs or product illustration (3) availability of video display capable of visualizing the product or supporting presentations, (4) availability of document attachments containing information in pdf, doc, xls, ppt, or other formats, (4) availability of online communication with entrepreneurs, (6) availability of transaction tools and variations of payment media, (7) availability of service assistance to consumers, (8) availability of online opinion support, (9) availability of testimonial display, (10) availability of visitor records, (11) availability special offers, (12) availability of the latest information via sms-blog, (13) ease of product search, (14) ability to create visibility and (15) awareness brand.

By considering the similarity of the object of Wardhana's research (2015) with this study, the indicators used to measure the marketing capabilities of SMEs Batik is an indicator developed by Wardhana (2015) for measuring the marketing capabilities of SMEs that have gone line.

Competitiveness

One of the important factors that make a company excel in the market is ability to create competitiveness against its competitors. Porter (1985) argued that a business unit is said to be competitive if it have the ability to show superior performance compared to its competitors. Anantan and Lena Ellitan (2007) explain the competitiveness of companies as the ability of a business unit to add value to its products compared to its competitors and this value does bring benefits to customer. Porter (2000) defines competitiveness as an ability or advantage used to compete in a particular market. Competitiveness is created through development sustainable development across all lines of the organization, especially in the production sector. Based on the opinion of Porter (1985), Anantan and Lena Eliitan

(20070 and Porter (2020), this study formulates the notion of competitiveness as the ability of a business unit provide superior performance compared to its competitors sourced from its ability to create added value that is beneficial to customers.

Pratama and Ony (2020) stated that the competitiveness of MSMEs can come from access to capital, service quality, innovation, marketing strategy, and human resource management key to increasing competitiveness. In this study, competitiveness is the focus research is the competitiveness of MSMEs that are sourced from digital marketing whose benefits can be felt by business actors and consumers. According to Mohammed, et al (2003) digital is useful in building and maintaining relationships with customers and facilitate the exchange of ideas, products, and services that provide satisfaction to both parties. Febryanto and Arisani (2018) explained that with digital, it is easier for business actors to provide information and interact directly with consumers, expand market, increase awareness and increase sales.

Referring to the two opinions above, the competitiveness indicators used to measuring the competitiveness of MSMEs is (1) the establishment of good communication between sellers and buyers, (2) consumers can provide input through a communication platform that provided by the seller, (3) consumers can interact directly with consumers, (4) wider market coverage, (5) increase brand awareness (6) increase sales.

The Effect of Digital Marketing on Competitiveness

Several research results on MSMEs explain that there is an influence of capability marketing on the competitiveness of SMEs. Wardhana's research (2015) explains that digital marketing strategy has implications for the competitive advantage of SMEs in marketing products by 78% and the remaining 22% due to other factors that are not researched in this study such as capital capability, resource supply, and managerial professionalism. Similarly, the results of the study show that Fawaid (2017) shows that the digital marketing system has a very high influence on the sale of Etawa goat's milk, compared to using the conventional system. One of them, in the marketing process,

convenience and convenience for consumers to obtain product information, to transaction processing. Referring to the research of Wardhana (2015) and Fawaid (2017) research formulates the following hypothesis:

H1: There is an Effect of Marketing Capability on Competitiveness

3. METHODOLOGY

The design of this research is descriptive design and verification design. Research population are all Batik' SMEs in the city of Pekalongan Central Java, Indonesia. This study is a census study because all members of the population, amounting to 18 SMEs become the object of research. The unit of research analysis is MSME, while the unit observation is 36 where each MSME is represented by 2 people who are involved in the MSME operations. The data collection technique was carried out using a questionnaire compiled with those distributed to respondents via google form after MSMEs expressed their willingness to participate in this study. The scale used is Likert scale where each question is for the digital marketing variable and the variable competitiveness provides 5 answer options, ranging from strongly disagree, disagree, undecided, agree and strongly agree. Besides primary data, this study also uses data collection techniques documentation to obtain the required secondary data. Collected data

then analyzed using a simple linear regression analysis technique after the classical assumption test is carried out, namely the normality test, linearity test and heteroscedasticity test

IV Analysis And Discussion

Table 1: Respondent Profile

Respondent Profile	Category	%
Age	>20 year	20%
	>20 – 30 year	20%
	>30 – 40 year	50%
	>50 – 60 year	10%
	>60 year	0%
Gender	Female	80%
	Male	20%

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Length of Business (Time)	< 5 year	60%
	>5 – 10 year	20%
	>10 year	20%
Sales	<10 mill. per year	10%
	> 10 – 20 mill.per year	50%
	>20 – 30 mill.per year	30%
	>50 mill. per year	10%
Number of year using	< 1 year	40%
digital marketing	1 year	50%
	>1 – 2 year	10%
	>2 – 3 year	0%
	>3 year	0%

The results of the study explain that the majority of respondents are 30-40 years old, women with business duration less than 5 years. The majority of respondents have total sales of respondents as MSME actors of 10 - 20 million per year and have implemented digital marketing in the last 1 year, meaning after the Covid-19 pandemic occurred.

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Classic Assumption Test

Before testing the simple linear regression analysis with the SPSS application, first the normality test, linearity test and heteroscedasticity test were carried out. Autocorrelation test does not need to be done because the data in this study does not include data series. Based on the results of the classic assumption test, the following are obtained:

Normality Test

Normality test is carried out using the Kolmogorov – Smirnov test to find out whether the residual value is normally distributed or not

One-Sample Kolmogorov-Smirnov Test

Table 2: Normality Test

			Unstandardiz ed Residual	e
N			36	
Normal Parameters[a,b]		Mean	.0000000	
		Std.	1.84709948	
		Deviation		
Most	Extreme	Absolute	.127	
Differences		Positive	.127	
		Negative	-.086	
Test Statistic			.127	
Asymp. Sig. (2-tailed)			.154[c]	

a. Test distribution is Normal.			
b. Calculated from data.			
c. Lilliefors Significance Correction.			

In the Kolmogorov - Smirnov test, the residual value is said to be normally distributed if the significance value obtained is > 0.05 (Sugiyono, 2017).

The test results show that the significance value of 0.154 > 0.05 means that the residual value is normally distributed so that there is a problem with the normality of the data in this study.

Linearity Test

Heteroscedasticity Test

linearity is done to determine the form of the **101** relationship between the independent variable and the dependent variable. If the value of Sig deviation from linearity > 0.05, it means that there is a linear relationship between the independent variable and the dependent variable. On the other hand, if Sign Deviation from Linearity < 0.05, it means that there is a linear relationship between the independent variable and the dependent variable (Sugiyono, 2017).

Table 4. Uji Heteroscedasticity						
		Coefficients				
				Standardized		
Model		Unstandardized Coefficients		Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.108	.603		2.207	.063
	Digital Marketing	.006	.018	.087	.553	.754

The results of the heteroscedasticity test using Glejser showed that the absolute value of the residual was 0.654 > 0.05, meaning that there was no heteroscedasticity problem. Based on the results of the classical assumption test that has been carried out, it can be concluded that the requirements for the simple linear regression test have been met so that the simple linear regression test can be performed.

Simple Linear Regression Equation

In this study, the research hypothesis to be tested is formulated as follows:

Ho: digital marketing variables have no effect on the competitiveness of SMEs

Ha: digital marketing variables affect the competitiveness of SMEs

The hypothesis is accepted when a significance value of 0.000 < 0.05 is obtained.

By using the SPSS 24 application, a simple linear regression test was carried out and a simple regression result was obtained as shown in table 5. below:

		Table 5: Ordinary Least Square Test				
		Coefficients[a]				
		Unstandardized		Standardized		
		Coefficients		Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.515	1.017		2.562	.009
	Digital	.413	.031	.860	18.851	.000
	Marketing					

Table 5. above explains that based on the results of a simple linear regression test, the value of Sig 0.000 <0.05 means that Ha is accepted, there is an influence of digital marketing on the competitiveness of SMEs. Table 5. above also explains that the simple linear regression equation obtained is:

Y = 2.71 + 0.422 X means that if the value of the digital marketing variable is assumed to be zero, then the competitiveness variable = 2.715

With a coefficient of X = 0.413, it means that for every 1 point addition to the digital marketing variable, the power variable will increase by 0.413. Coefficient of Determination

To explain what percentage of the effect of digital marketing on the competitiveness of Batik' SMEs in the city of Pekalongan in Central Java, Indonesia, a determination test was carried out with the following results:

Tabel 6: Determination Test

		Model Summary[b]				
			Adjusted	R Std. Error	of R	Square
Model	R	R Square	Square	the Estimate	Change	
1	.950[a]	.921	.917	1.77407	.821	

Table 6. above explains that R Square = 0.921 = 92.1%, meaning that the contribution of digital marketing to the competitiveness of SMEs is 92.1%, the remaining 7.9% is influenced by other variables not examined in this study. The magnitude of the influence of digital marketing on competitiveness explains that digital marketing has an important role in increasing the competitiveness of MSMEs in Pekalongan, Central Java, Indonesia.

The results of this study are in line with Wardhana's research (2015) which examined 21 MSMEs that had gone line and found that digital marketing strategies have an influence on the competitiveness of MSMEs. Similarly, this research is in line with Fawaid's research (2017 which found that the digital marketing system has a very high influence on sales of Etawa goat's milk, compared to using the conventional system.

Referring to this research, MSMEs need to be given training to maximize MSMEs adopting digital marketing which has an impact on MSME competitiveness. By implementing digital marketing, MSMEs can expand the market area, improve communication with consumers, place consumers as partners who provide input to MSMEs which have an impact on MSME competitiveness. With high competitiveness, MSMEs can continue to be a pillar of Indonesia's economic growth.

5. CONCLUSION

The results of the study explain that there is an effect of digital marketing on the competitiveness of MSMEs in the city of Pekalongan in Central Java, Indonesia. The effect of digital marketing on the competitiveness of MSMEs reaches 92.1% while the remaining 7.9% is caused by other variables not examined. This study explains that to increase the competitiveness of SMEs, the most important thing to do is to increase the ability of SMEs to

adopt digital marketing so that market coverage is wider and promotional costs are cheaper.

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Appendix A:

Impact of Covid-19 on MSMEs

During the Covid-19pandemic, it had a huge impact on batik SMEs, especially in Pekalongan Batik Village. Many batik craftsmen have closed and left their businesses, due to limited capital and markets. Covid-19has greatly impacted the economy of craftsmen in the Kauman batik village. The impact of Covid-19 affects the income and business of craftsmen in the Kauman batik village, Pekalongan.Among other things, the impact on production is that they find it difficult to distribute the supply of product materials originating from outside Java. This is due to social curb andrestrictions so that it is difficult for raw materials to enter Pekalomgan. As well as the increase in the price of raw materials up to 2times.Supply chain and market disturbances, such as: difficulty for batik craftsmen to send orders to large consumers in Jakarta. So that a lot of stock is piling up in the warehouse and the process is allegedly going to stop. Then the decline in market

demand for large consumers such as consumers in Jakarta.

The quietness of the Pekalongan batik market as a center for selling batik in Pekalongan.Financial impact on craftsmen. Because the average craftsmen still use their own capital and financial bookkeeping is still simple, it is difficult for craftsmen to get an injection of funds from third parties, so that the production process and business marketing are hampered or even stopped.Judging from the difficulties above, there are still some Batik MSMEs in Pekalongan Batik Village which during the pandemic were able to survive, they survived by having new business lines. This is the readiness of business owners who are willing and able to think creatively and take business profit niches in narrow conditions like today. Things that batik craftsmen or entrepreneurs do includeproducing home clothes, such as negligee and pajamas, producing masks, looking for suppliers of batik cloth and medicine from suppliers in Java, developing digital skills, they are getting to know Instragam, business facebook and other online media platforms to introduce their products, rearrangingthe stock of goodsand keeping business financial books neatly for the benefit of lending funds to third parties (banks).Based on the results of interviews with batik craftsmen in Pekalongan Batik Village, some of the craftsmen who previously had loan funds from the bank received several loan waivers. This is in accordance with government policies, namely regulations that prepare social assistance for the informal sector and economic stimulus for Micro, Small and Medium Enterprises. Loan restructuring for batik craftsmen in Kampung Batik Pekalongan is that craftsmen who receive loans below 10 millionIDRwill receive a loan restructuring program to postpone interest installments, postpone interest installments, are also given not only to small creditrecipients or loan recipients through government agencieswhich are distributed through PNM with the program Mekar ULaMM, and Umi, Pegadaian, and also LPDB. Then there are also facilities in the form of eliminating taxes for MSMEs for six months.

The effect of Business Financial Management on the business growth of Pekalongan Batik MSMEs, proves that Business Financial Management has an effect on the business growth of Pekalongan Batik MSMEs, with a significance level of 1%. This proves that Business Financial Management has an important function in the growth of Micro, Small and Medium Enterprises (MSMEs) in the batik village of Kauman Pekalongan, Central Java. Business Finance Management has an influence of 12% on the business growth of MSME Batik Pekalongan. This shows a very small thing. Possibly because most of the batik entrepreneurs in Pekalongan Batik Village have their own business capital, and business financial records are not yet efficient or still simple.The influence of production management on business growth of Pekalongan Batik SMEs, proves that production management has an effect on business growth of Pekalongan Batik SMEs, with a significance level of 1%. This proves that production management has an important function in the growth of Micro, Small and Medium Enterprises (MSMEs) in the Kauman batik village, Pekalongan, Central Java. Production management has an impact of 12% on the business growth of Pekalongan Batik SMEs. If judging from the numbers, the effect is still weak or medium. This is because at the time of collecting research data, many batik entrepreneurs felt the impactof the pandemic, namely the decline in business production (75%) and some business production cessation.

Many craftsmen whose business income has decreased and even have difficulty getting basic materials, such as mori cloth and chemical dyes.The influence of entrepreneurial characteristics on business growth of Pekalongan Batik SMEs, proves that entrepreneurial characteristics on business growth of Pekalongan Batik SMEs, with a significance level of 1%. That production management has an important function in the growth of Micro, Small and Medium Enterprises (MSMEs) in the Kauman batik village, Pekalongan, Central Java. Production management has an influence of 5% on the business growth of MSME Batik Pekalongan. At the time of data collection, many batik craftsmen in the Kauman batik village experienced the significant impact of the pandemic. So this makes them more likely to be resigned and confused. Due to lack of materials, capital and lack of business marketing and lack of capital support. The main problem is the difficulty of selling and distributing the product.

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The effect of the use of technology on the business growth of Pekalongan Batik SMEs, proves that the use of technology affects the business growth of Pekalongan Batik SMEs, with a significance level of 1%. This proves that production management has an important function in the growth of Micro, Small and Medium Enterprises (MSMEs) in the Kauman batik village, Pekalongan, Central Java. Production management has an influence of 11% on the business growth of MSME Batik Pekalongan. Most of the craftsmen in the Pekalongan batik village are entrepreneurs who are still not modern. Although there are some entrepreneurs who are starting to be technology literate. However,it seems that their concern for the importance of technology in marketing and business finance isexperiencing obstacles, namely the difficulty of understanding and keeping up with the very fast development of digital technology.

Appendix B:

Information Technology for Small and Medium Enterprises (SME)

Information Technology (IT) provides new opportunities that can overcome some of the obstacles faced by Small and Medium Enterprises (SME). More than 50% of SMEs productivity is achieved through investment in IT in Europe. Although IT provides substantial opportunities for SMEs, but most of research shows that IT adoption by SMEs is still low compared with IT adoption by large companies. Only 20% of SMEs have adopted IT in supporting their business. Based on this phenomenon, this research aims to identify the factors that may affect the IT adoption in SMEs "Batik" in order to construct a model of IT adoption in SMEs Solo and Pekalongan (Central Java Region, Indonesia). Research carried out by using Structural Equation Modeling (SEM). The results of this research showed that, for SMEs Batik Solo, readiness and preparedness of organizations have a positive influence on the successful adoption of IT; whereas for SMEs Batik Pekalongan, organizational readiness, national preparedness, and environmental influences have a positive influence on the successful adoption of IT.

According to Ministry of Cooperatives and Small and Medium Enterprises, a Small Business is a business entity that has a net worth of Rp 200,000,000, excluding land and building, and has annual sales of at most Rp 1,000,000,000. Meanwhile, Medium Enterprises are a business entity owned by Indonesian citizens who have a net worth greater than Rp 200,000,000 to Rp 10,000,000,000, excluding land and buildings important economic sector in many countries because they are significant sources of wealth and employment. Although the individual contribution of an SME to the national economy may appear relatively insignificant when compared to a large corporation, the aggregate contribution of all SMEs can be sizeable. Based on data from Ministry of Cooperative and Small and Medium Enterprises, about 99.98 % (48.9 million units) out of the total business unit in Indonesia are categorized to be SMEs. From this amount, 48.8 million units are included in small-sized while 106.8 thousand units are medium-sized enterprises. This condition has positive implication for employment where SMEs become the biggest contributor in workforce replenishment attaining 96% from the total number of workforce in Indonesia. For small industry in agriculture sector, in 2005 it had the greatest contribution in workforce replenishment, reach for 38,039,281 people or 48.15 percent of the total number of workforce. Economic sector in the media industry has the biggest workforce replenishment in the manufacturing sector, reach for 1,727,038 people or 40.74 percent in 2005, and 1,827,073 people or 40.75 percent in2006 [1].

SMEs batik belongs to the craft sector. SMEs batik belongs to the craft sector. The word Batik is derived from the Javanese word Amba (meaning 'to write'). Batik is a piece of cloth - a piece of cloth made in the traditional manner and used especially in the traditional context – carrying various ornaments of a specific nature (batik ornaments) applied by means of a dye-resist technique using "batik-wax" as the resisting medium. Thus, a piece of cloth may be called batik when it has involved these two basic elements: resist-dyeing with wax and diverse designs specific to batik. Craft sector is able to absorb the labor force in the amount of 2.5 million people and has potential to generate foreign exchange.

by Export of handicraft products tend to increase from year to year. From 2004-2005, increased of handicraft exports amounted to 4.06% [1]. To maintain its potential, SMEs (including SMEs Batik)

are required to make changes to improve competitiveness in order to continue running and growing and facing the global economy and multilateral free trade, like the World Trade (WTO), ASEAN Free Trade Area (AFTA), Asia-Pacific Economic Cooperation (APEC), and the ASEAN Economic Community (AEC). One thing that canbe done by SMEs to enhance their competitiveness is the useof information technology (IT). Information technology (IT) is growing very rapidly and give SMEs new opportunities that can overcome some problems that faced by SMEs. Referring to Ark, et al and OECD, case studies in Europe show that more than 50% productivity in SMEs is achieved through investment in IT [2]. Sugiharto et.al [3] revealed that the use of IT can improve business transformation and company performance through innovation, marketing,efficiency gains, better quality and customer responsiveness. Despite the opportunities that brought by IT adoption is high, but many studies have shown that the adoption of IT SMEs is still low compared to large companies. Only 20% of SMEs have adopted IT in supporting their business . Regarding to phenomenon of IT adoption by SMEs and the importance of IT in business performance, this study attempts to identify some factors that may affect the IT adoption in SMEs, especially in Batik SMEs.