

## CHAPTER 1 INTRODUCTION

### 1.1 Overview of Research Object

Business entities consist of several types in the current era of economic development in Indonesia. People start businesses on a small scale in various sectors. SME provide two-thirds of private sector jobs and contribute more than half of the total value added created by existing businesses (Larisa et al., 2022). The technological era has made SME activities easier. Digitally mature SMEs exhibited higher levels of organisational resilience, specifically with respect to situational awareness, management of keystone vulnerabilities and adaptive capacity (Robertson et al., 2022). Digitalization significantly augments the relationship between the three dynamic capabilities and SME performance. However, digitalization could only significantly moderate the relationship between transforming capability and SME performance (Martins, 2022). The conventional marketing metrics framework is founded on the traditional marketing measurement paradigm (Budler et al., 2021).

Therefore, the conventional marketing analytics model may not practical for SMEs' due to its high cost; and consequently SMEs faces the difficult task of lowering marketing costs (Chatterjee & Kumar Kar, 2020). SMEs encounter the key obstacle of conventional marketing metrics throughout numerous phases and with a diverse set of stakeholders. Not only on social media, advertising in the digital world is intensively carried out by SME business actors in carrying out branding and promotions because the costs are relatively cheap. Consumers can rapidly obtain the information they require by utilizing a broad range of social media platforms that are equipped with the latest technology (Widodo & Krisma Maylina, 2022). According to a recent survey, 82% of B2B buyers claimed that social networks had an impact on their purchasing decisions (Tiwary et al., 2021). In the business marketing domain, social networking has emerged as a contemporary marketing strategy with much promise (Behera et al., 2022). SME

present differences with larger organization. Although the most obvious distinction is size, this variable is not the only discriminant used to define what a small business is (Cacciolatti & Lee, 2015).

With digital marketing, business performance will be more effective. Social media is a bridge between SMEs and potential customers and audience (Hosseini et al., 2019). Business performance will increase along with increased results from digital media advertising activities carried out. SMEs enterprises that compete with one another are more focused on generating new and innovative ideas rather than copying existing ones in order to enhance their core competencies, which in turn helps to promote their overall performance and contribute to the growth of the SME sector, which is a crucial element in the development of the national economy (Ng et al., 2020). With increasing business performance, product quality will improve. Social media marketing also has an important role in product sales in SMEs. One of them is the use of SMM. Social media marketing (SMM) is a company strategy to continue business activities with the help of social media (Shareef et al., 2019). SME products will be more easily recognized and accessible to the public because digital media advertising has a fairly wide audience reach and is easy to manage. SMM has a positive and effective impact on SME businesses (Dwivedi et al., 2019). Therefore, the use of SMM in SME business has many factors that affect the resulting impact.

## 1.2 Research Background

In Indonesia, Small and Medium Enterprises (SMEs) are defined based on different criteria depending on the sector. Manufacturing SMEs invest between IDR 25 million to IDR 10 billion, service sector SMEs invest between IDR 10 million to IDR 5 billion, and trading sector SMEs have annual revenues between IDR 50 billion and IDR 500 billion. SMEs made a very significant contribution to the economy (Permana, 2017). SMEs need to show optimism when facing future challenges with Indonesia's status as a developing country (Panjaitan et al., 2021). Between 2015 and 2020, SMEs in Asian nations played a significant role in the economy. SMEs accounted for around 98% of all businesses and employed

approximately 66% of the national workforce (Cahyono et al., 2022). SMEs prefer using Social media for marketing (SMM) because it allows them to connect with multiple potential consumers at once. It is cost-effective, easy to use, and requires minimal technical expertise. As a result, social media for marketing is gaining popularity among businesses and is considered a key factor in enhancing performance (Abideen et al., 2022).

The exponential growth of internet users in Indonesia and the rising utilization of digital intelligence present marketers with fresh avenues to promote their products and inspire consumer purchasing behavior (Sari & Widodo, 2022). Social media is claimed to have made a bridge of connection between SMEs and prospective consumers (Hosseini et al., 2019). Nevertheless, the effect of using SMM depends on how SMEs manage and execute their marketing strategy on social media. SMEs have various reasons to use social media for marketing (SMM) for gaining business advantages. In places like Saudi Arabia, SMEs are embracing e-commerce and using social media to expand their businesses (Dwivedi et al., 2019). Indonesian businesses may be more likely to adopt and use social media for marketing if they believe it will help them achieve their goals and is easy to use (Ghazanfar et al., 2018). High compatibility between social media content and brand image could lead to a stronger purchase intention among consumers (Yuanfang et al., 2015). Social media marketers should pay attention to the compatibility between the type of social media platform and the type of product or service being promoted, in order to maximize the effectiveness of their marketing efforts and increase brand loyalty (BILGIN, 2018).

Social media plays a crucial role for SMEs, serving as both a means for business growth (Dahnil et al., 2014) and a platform for consumers to discover new products and services (Dženopoljac et al., 2016). It allows people to engage in online activities, conduct market research, and make informed decisions by comparing options (Chatterjee & Kumar Kar, 2020). Additionally, social media acts as a bridge connecting SMEs with potential customers, creating a sense of community (Abd Rahman et al., 2017). In essence, leveraging social media effectively can boost productivity and increase business revenue (Tripopsakul, 2018). SMEs can benefit

from utilizing technology and leveraging social media platforms. Consumers can rapidly obtain the information they require by utilizing a broad range of social media platforms that are equipped with the latest technology (Widodo & Krisma Maylina, 2022).

By embracing technology, SMEs can streamline their operations, improve efficiency, and enhance their overall business processes (Dwivedi et al., 2021). However, adopting new technology in business presents the challenge of allocating additional funds for the necessary investments. In order to engage in marketing and effectively utilize different social media platforms, SMEs need to understand how each platform operates (Chatterjee & Kumar Kar, 2020). Consequently, adopting new marketing strategies and technology models incurs additional costs for SMEs to incorporate into their business operations (Patma et al., 2021). The cost of implementing and maintaining a social media for marketing campaign may impact adoption, particularly for small businesses with limited resources. A positive attitude towards social media for marketing and successful implementation may have a positive impact on business performance in Indonesia, just as in other countries.

This research was previously successfully conducted in India with the title “Why do small and medium enterprises use social media for marketing and what is the impact: Empirical insights from India” and it is very likely that it would be different if this research was conducted in Indonesia. Previous studies have examined the impact of facilitating conditions on the utilization of SMM. The findings indicate that facilitating conditions do not provide sufficient support, and the primary issue lies in the cost factor. This is interesting to study because compatibility is also a significant factor in adoption when creating appealing marketing strategies (Chatterjee & Kumar Kar, 2020). The research was conducted in Bandung because Bandung is an area that has a large number of SMEs in Indonesia.

The number of SMEs in Bandung is recorded at 343,938 until 2021 (Dinas Koperasi dan Usaha Kecil, 2021). However, there are still very many SMEs in Bandung who are still unable to maximize online marketing (Iman, 2021). Factors

that cause the use of digital marketing to be less than optimal, including social media for marketing, are interesting things to study. The influence of social media adoption on the business performance of SMEs in Bandung might vary depending on how well SMEs carry out their social media for marketing strategies. The factors that could influencing SME owners' decision to use SMM are exciting things to study because they might be influence the decisions of other SME owners to strengthen aspects that still need to be improved. The study will assess the impact of social media for marketing on key performance indicators to provide insights into the challenges and benefits of using social media for marketing by SMEs in Bandung and can inform strategies for SMEs looking to enhance their marketing efforts through social media.

### 1.3 Problem Statement

1. How big is the influence of the perceived usefulness factor on the use of SMM?
2. How big is the influence of the perceived ease of use factor on the use of SMM?
3. How big is the influence of the compatibility factor on the use of SMM?
4. How big is the influence of the cost factor on the use of SMM?
5. How big is the impact of SMM on business performance?

### 1.4 Research Purposes

1. To measure the influence of the perceived usefulness factor on the use of SMM.
2. To measure the influence of the perceived ease of use factor on the use of SMM.
3. To measure the influence of the compatibility factor on the use of SMM.
4. To measure the influence of the cost factor on the use of SMM.
5. To measure the impact of SMM on business performance.

### 1.5 Research Benefit

#### 1.5.1 Theoretical Benefit

This study describes how to use SMM and find out the right channel and audience selection in doing digital advertising. Able to analyze how SMM works

in improving the quality of business performance and optimizing the number of sales at SMEs.

#### 1.5.2 Practical Benefit

This research provides benefits and adds insight into knowledge regarding the effect of SMM in optimizing business performance so that researchers can apply the use of digital media advertisements effectively in the research business. For SMEs, as a reference in making decisions after understanding the effect of SMM in optimizing business performance so that they can determine strategies and designs for using digital media advertisements in an appropriate and efficient manner. Government can use it as material for measuring the effectiveness of the use of SMM can provide support according to the needs of SME business actors. The results of this study are expected to be used as directions for further researchers with topics related and relevant to the results of this study.

#### 1.6 Research Scope

The location of the object of this study was carried out in Bandung. SMEs are an important part of Bandung's economy. Many factors make many small and medium companies grow and develop in this city. Bandung has a conducive business ecosystem, with many business associations and an active business community. The object of this research is SMEs from various industries who have used social media marketing strategies in their marketing activities. The period in this study conducted between April-May 2023.

#### 1.7 Systemmatical Writing

##### CHAPTER I: INTRODUCTION

This chapter explains in full the research object overview, research background, problem statements, research questions, research objectives, and research writing systematically.

##### CHAPTER II: LITERATURE REVIEW

This chapter explains the theory, previous research, framework, hypothesis, and scope of the research.

### CHAPTER III: RESEARCH METHODOLOGY

This chapter describes research types, operational variables, research steps, population and samples, data collection, validity and reliability tests, and data analysis methods.

### CHAPTER IV: RESULTS AND DISCUSSION

This chapter consists of chronological and systematic results of the research based on the problem statement and objective of the research.

### CHAPTER V: CLOSING

This last chapter of the research contains a conclusion, limitations of the research, and suggestions for the research.