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Digital Marketing Transformation and Its Impact on Increasing MSME Revenue in Makassar City

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Abstract

This study examines how digital marketing transformation affects revenue growth among Micro, Small, and Medium Enterprises (MSMEs) in Makassar City, Indonesia. This study used a quantitative research approach and involved 96 MSME owners operating across various districts in Makassar City. Data were collected using a structured questionnaire based on a Likert scale. The results indicate that digital marketing transformation positively affects MSME revenue growth in Makassar City. The t-test results show a calculated t-value of 4.816, which exceeds the t-table value (critical value) of 1.710. These findings suggest that adopting and broadly implementing digital marketing practices is associated with higher revenues for MSMEs. Digital marketing transformation enables MSMEs to expand market reach, enhance customer interaction, strengthen product promotion, and increase transaction opportunities via digital platforms. These findings offer practical implications for MSME owners and policymakers regarding the strengthening of digital marketing capabilities as part of MSME development strategies in Makassar City.

Keywords digital transformation, digital marketing, MSMEs, income growth.

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) hold a strategic position in the Indonesian economy. MSMEs play a role not only in job creation but also serve as a source of income for the community and a driver of local economic activity. The development of MSMEs is increasingly important because the sector demonstrates resilience across various economic conditions and the ability to grow by leveraging locally available resources. Advancements in information technology have fundamentally altered how business operators conduct their activities.

Digitalization is no longer limited to supporting administrative tasks; it has evolved into an integral part of marketing strategies, consumer communication, transactions, customer service, and market development. These shifts require MSME operators to adapt their business strategies to changing consumer behaviors, as more consumers utilize the internet and various digital platforms to seek product information and conduct transactions. Digital transformation in marketing activities has evolved into "digital marketing transformation." This concept extends beyond the mere use of social media for promotion; it encompasses a shift in how companies create, deliver, and communicate value to consumers through the use of digital technology. For MSMEs, this transformation can be achieved by utilizing social media, online

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marketplaces, search engines, instant messaging apps, content marketing, digital advertising, digital payment systems, and various technologies that facilitate faster and broader interaction with consumers.

The advent of digital technology offers significant opportunities for MSMEs to overcome the limitations of conventional marketing. Prior to the rise of digital marketing, MSME operators typically relied on physical business locations, word-of-mouth promotion, brochures, banners, and local customer networks. Such strategies had limited reach when it came to connecting with a broader consumer base.

Through digital media, however, MSMEs can promote their products to consumers beyond their immediate operational areas at relatively flexible costs. In the context of Makassar City, digital transformation is highly relevant, given that Makassar serves as a key hub for economic activity in Eastern Indonesia. Sectors such as trade, services, the culinary industry, the creative economy, and various community-based enterprises are flourishing within an increasingly competitive business environment. Consequently, MSME operators can no longer rely solely on product quality; they must also develop marketing strategies that align with technological advancements and evolving consumer behaviors.

Competition among MSMEs has intensified as consumers gain easier access to product information via the internet. Consumers can now compare prices, quality, reviews, locations, and service standards across different businesses before making a purchase. Thus, an MSME's ability to leverage digital media has become a critical factor in retaining customers and boosting revenue. Revenue serves as a key indicator for assessing business growth. An increase in revenue signals that the business's operational and marketing activities are successfully generating higher earnings. For MSMEs, revenue growth is also linked to the ability to sustain business continuity, increase production capacity, expand market reach, and invest in further business development.

The link between digital marketing and revenue can be explained by digital marketing's capacity to expand market reach. When MSMEs effectively utilize digital platforms, they can introduce their products to a much larger audience. This expanded reach has the potential to increase the volume of interactions, demand, and transactions. Furthermore, digital communication enables business owners to respond more swiftly to consumer needs.

The transformation of digital marketing also offers MSMEs the opportunity to build closer relationships with consumers. Through social media and communication apps, business owners can gather product feedback, understand customer preferences, disseminate promotional information, and maintain customer relationships. Such interactions have the potential to drive repeat purchases, ultimately contributing to increased revenue. However, not all MSME owners are able to leverage digital technology optimally. Some business owners still face limitations regarding knowledge, digital skills, human resources, content creation capabilities, and the ability to manage digital platforms.

Therefore, it is important to determine whether digital marketing transformation truly

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influences revenue growth for MSMEs, particularly within the context of Makassar City. This study aims to analyze the impact of digital marketing transformation on revenue growth among MSME owners in Makassar City. A quantitative approach was employed, involving 96 respondents. Analysis was conducted using SPSS version 26 to obtain empirical evidence regarding the relationship between digital marketing transformation and revenue growth.

Based on this background, the research problem is formulated as follows: Does digital marketing transformation have a positive and significant effect on increasing the revenue of MSMEs in Makassar City?

2. Literature Review

Resource-Based View The Resource-Based View (RBV) posits that organizational advantage can be built through the utilization of resources that are valuable, rare, difficult to imitate, and not easily substitutable. In the context of MSMEs, the ability to use digital technology can be viewed as a resource and capability that supports marketing activities. MSME operators with superior digital capabilities can leverage technology to expand markets, enhance consumer communication, and create greater value. Thus, digital marketing transformation can serve as a strategic capability that supports improved economic performance for MSMEs.

Dynamic Capability. Theory Dynamic capability theory emphasizes an organization's ability to sense environmental changes, seize opportunities, and transform resources to respond to change. The MSME marketing environment is evolving as consumers become increasingly accustomed to using digital media. Consequently, MSMEs need the ability to: • recognize changes in consumer behavior; • adopt digital technology; • develop digital marketing strategies; • tailor content to consumer needs; and • adjust marketing strategies based on evaluation results. Digital marketing transformation can be viewed as a form of dynamic capability enabling MSMEs to adapt to changes in the business environment.

Digital Transformation. Digital transformation is an organizational change process that leverages digital technology to enhance business processes, value creation, customer interactions, and organizational competitiveness. It goes beyond merely replacing manual tasks with technology; it encompasses a fundamental shift in how an organization conducts its activities and creates value. In the context of MSMEs, digital transformation can be realized through the use of technology in marketing, sales, payments, customer communication, information management, and other business activities. Digital transformation also enables organizations to become more adaptable to changes in the business environment. For MSMEs, this adaptability is crucial, given that they generally possess limited resources compared to large enterprises. Digital transformation is an organizational change process that leverages digital technology to enhance business processes, value creation, customer interactions, and organizational competitiveness. It goes beyond merely replacing manual activities with technology; it encompasses a shift in how the organization conducts its operations and creates value.

Digital Marketing. Digital marketing refers to marketing activities that utilize digital

technology and internet-based media to communicate products or services to consumers. Digital marketing possesses characteristics that distinguish it from conventional marketing. It enables two-way communication, more precise measurement of marketing activities, consumer segmentation, and a broader market reach. Several forms of digital marketing relevant to MSMEs include: 1. Social media marketing 2. Content marketing 3. Marketplace marketing 4. Search engine marketing 5. Mobile marketing 6. Digital advertising 7. WhatsApp/business messaging 8. Digital customer relationship management Utilizing these various channels allows MSMEs to reach consumers in a more flexible manner.

Transformation in MSMEs Digital Marketing. Transformation in MSMEs Digital marketing transformation within MSMEs can be understood as the process of shifting marketing strategies from a reliance on conventional methods toward the integrated use of digital technology. This transformation implies more than just business owners having social media accounts; it occurs when digital technology becomes an integral part of marketing processes and consumer relationship management. Indicators that can be used in the research include: • social media usage; • use of online marketplaces; • quality of digital content; • intensity of digital promotion; • interaction with consumers; • utilization of customer data; • use of digital payment methods; and • ability to integrate various digital channels. MSME Revenue Business revenue refers to the income generated by business owners from the sale of products or services within a specific period. In MSME research, revenue growth can be observed through several indicators, including: 1. increase in turnover; 2. increase in sales volume; 3. increase in the number of transactions; 4. increase in the number of customers; 5. increase in repeat purchases; 6. expansion of marketing reach; and 7. enhanced profitability. Revenue serves as a key indicator because it reflects the economic outcomes derived from business activities.

3. Research Method

Research Approach. This study employs a quantitative approach. A quantitative approach is used because the research aims to examine the impact of digital marketing transformation on revenue growth among MSMEs, based on numerical data obtained from respondents.

Research Location. The research was conducted among MSME operators active in various districts of Makassar City, South Sulawesi Province, Indonesia. The selection of Makassar City was based on its characteristics as a hub for economic and trade activities in Eastern Indonesia, as well as the growing adoption of digital technology in business operations.

Population and Sample. The research population consists of MSME operators in Makassar City. The research sample comprises 96 respondents from various districts in Makassar City.

Data Analysis. Data analysis was conducted using SPSS version 26. The analysis stages include: (1) Validity Test : The validity test was conducted to determine the instrument's ability to measure the research variables. An instrument is considered valid if the correlation value between an item and the total score meets the criteria established for the study. (2) Reliability Test: The reliability test was used to assess the consistency of the research instrument. Testing can be performed using Cronbach's Alpha. An instrument is generally considered reliable if the

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Cronbach's Alpha value is ≥ 0.70. (3) Heteroscedasticity Test: The heteroscedasticity test was used to determine whether there is inequality of residual variances within the regression model. Testing can be conducted using the Glejser method or by examining a scatterplot. (4) Regression Analysis: Since the study employs only one independent variable, the methodologically appropriate model is simple linear regression: $Y = \alpha + \beta X + e$

the variables are defined as follows:

• Y = Increase in MSME revenue

• X = Digital marketing transformation

• α = Constant

• β = Regression coefficient

• e = Error

T-test. The t-test is used to determine whether digital marketing transformation has a partial effect on the increase in MSME revenue.

Testing criteria:

• If t-calculated > t-table, then H1 is accepted.

• If t-calculated < t-table, then H1 is rejected.

• If the significance value < 0.05, then the effect is considered significant.

4. Finding and Discussion

Research findings indicate that the digital marketing transformation has a positive impact on revenue growth for MSMEs in Makassar City. This is evidenced by a calculated t-value of 4.816, which exceeds the t-table value of 1.710. These results demonstrate that utilizing digital technology in marketing activities contributes to the ability of MSMEs to increase their revenue. When business owners effectively utilize digital media, they can introduce their products to a wider consumer base compared to relying solely on conventional marketing methods.

The use of social media represents a form of digital marketing transformation that is relatively easy for MSMEs to implement. Through social media, business owners can showcase product photos or videos, provide information on pricing and promotions, engage with customers, and receive consumer feedback. Such activities can enhance product visibility and increase the likelihood of transactions. In addition to social media, online marketplaces can also assist MSMEs in expanding their market reach. Business owners are no longer entirely dependent on consumers located near their physical premises; products can be offered to consumers in other regions, provided there is adequate logistical and payment system support.

From the perspective of the Resource-Based View, the ability of MSMEs to utilize digital technology can be viewed as a resource and capability that provides strategic value. MSMEs capable of integrating technology into their marketing activities have a greater opportunity to

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gain market access, build customer relationships, and establish a competitive advantage compared to businesses that still rely on traditional marketing.

Research findings can also be explained through the lens of dynamic capabilities. Shifts in consumer behavior create a need for MSMEs to continuously adapt their marketing strategies. The use of digital marketing demonstrates the ability of MSME operators to respond to changes in the business environment and capitalize on opportunities arising from technology.

Revenue growth can also occur because digital marketing enables marketing activities to be conducted in a more measurable way. MSME operators can observe consumer responses to content, promotions, and products, and use this information to refine their marketing strategies. Thus, the digital marketing transformation serves not merely as a medium for promotional communication but as a strategic instrument for expanding market reach and enhancing the economic performance of MSMEs.

5. Conclusion

This study contributes to the development of research on marketing management and entrepreneurship by demonstrating that the digital marketing transformation is positively associated with increased revenue for MSMEs. These findings reinforce the perspective that digital technology can serve as a strategic resource when successfully integrated into business and marketing processes.

Based on research regarding the impact of digital marketing transformation on revenue growth for MSMEs in Makassar City, it can be concluded that digital marketing transformation has a positive and significant influence on increasing the revenue of MSME operators. The t-test results show a calculated t-value of 4.816, while the t-table value is 1.710. Since the calculated t-value exceeds the t-table value, the research hypothesis is accepted.

These findings indicate that the more effectively digital marketing transformation is implemented, the greater the opportunity for MSMEs to increase their revenue. The utilization of social media, online marketplaces, digital content, customer interaction, digital promotions, and digital payment systems can help MSMEs expand their market reach and increase transaction opportunities. Thus, digital marketing transformation serves as a crucial strategy for MSMEs in Makassar City to navigate shifting consumer behaviors and an increasingly technology-driven business landscape.

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