Social Media Marketing and Its Impact on SMEs' Business Performance

Retno Budi Lestari, Sulastri*, Muchsin Saggaff Shihab, Isni Andriana
Sriwijaya University, Indonesia

Abstract.
Social media plays an essential role in marketing communications. This study aimed to investigate the impact of social media marketing on SMEs' business performance. Quantitative methods were used and data analysis was done using descriptive statistics. Samples were selected using the accidental sampling method. Data collection technique was conducted by distributing questionnaires to 42 SME owners in Palembang, South Sumatera. Our findings indicated that 76 percent of respondents used social media for marketing activities. Social media marketing had an impact on annual sales performance ranging from 10 to 30 percent. There are several limitations to this study. First, analysis techniques only use quantitative descriptive analysis, and the sample number was limited to only 42 SMEs in Palembang. This study contributes to the digital marketing literature, especially in the SME sector, by providing an initial empirical description of SMEs' Social Media Marketing.

Keywords: social media marketing, business performance, SMEs

1. Introduction

The rapid development of digital technology has spawned various digital platforms that provide opportunities for production, marketing and payment innovation in different industrial sectors. The growth of the current digital era has changed various functions and business lines, one of which is the transformation in the marketing field. Confidence in digital transformation being a crucial element of the successful development of companies and economies [1].

Small Medium Enterprises (SMEs) face the challenges of turbulent external environmental changes such as consumer behavior, distribution channels, global collaboration, technology and scientific advances that offer product innovations and new solutions for consumers, increasing market uncertainty (Alqahtani & Uslay, 2020). Therefore SMEs must compete in a highly dynamic environment one of which is with digital technology development [2]. In the current digital era, information technology is crucial for SMEs in Indonesia, especially for facing the industrial revolution 4.0. Digitalization...
will provide opportunities for SMEs to adapt and transform competitiveness and drive national economic growth [3].

During the Pandemic Covid-19, Indonesia SMEs could increase the sales by 26.7 percent through online marketing. However, Medium and large-scale businesses dominate the online marketing strategy, amounted 46 percent. Only 4 percent and 6 percent of micro and small-scale business owners currently utilize digital technology for business processes [4]. The Pandemic Covid-19 has accelerated the innovation and adaptation of SMEs in responding to digital technology. SMEs need to integrate new technology into their existing and well-established business practices in order to adapt to this phenomenon.

SMEs is the key driver of Indonesia’s economic growth. SMEs business units in 2018 reached 99.99 percent of the total business units, with employment of 97 percent of the entire workforce. SMEs also play a significant role in driving economic growth, contributing to the formation of GDP reaching 61.1% [5]. “UKM Digital” is capacity building program refer to the road map for developing “UKM naik kelas”. This digitalization provide an opportunity for SMEs to adapt and transform to be competitive and drive the national economy. Digital transformation efforts are carried out through the use of digitization to increase the productivity and competitiveness of SMEs [3].

One type of new media technology that enables interaction and co-creation is social media, which enables the production and sharing of user-generated content among and between businesses and individuals [6]. The use of the internet and social media have changed consumer behavior and the ways in which companies conduct their business [7]. According to AAPJI data, internet penetration in Indonesia in the first quarter of 2023 reached 78.19 percent of the population. The highest internet access for social media and instant messaging, with the highest ranking, is Whatsapp, In second Rank is Facebook Messenger with 46 percent of the population Telegram (12.91 percent) and then followed by Instagram Direct Messenger (10.72 percent), Line (2.07 percent) Twitter (0.41 percent) [8].

Previous studies have investigated how the use or adoption of social media affects SMEs’ overall performance (both financial and non-financial), as well as its mediation effect [9–11]. Research by Cesaroni & Consoli (2015) states that social media is significant for achieving business goals and must continue to study its use to take advantage of this technology. Contrary to this study, [11] proved that the social media adoption has no significant effect on the performance of SMEs.
2. Literature Review

2.1. Defining Social Media Marketing

Social Media the term “social media” refers to group of Internet-based tools that expand on the conceptual and technical underpinnings of Web 2.0 and enable the production and exchange of user-generated content [12]. Social Media Marketing (SMM) is proposed as a relatively recent concept and business practice engaged with promotion activities, services, and ideas using the latest social media [7]. SMM refers to any kind of direct or indirect marketing using social media to increase knowledge, recognition, memory, and action for a brand, company, product, person, or other entity [12]. [13] states that social media is a strategic marketing tool.

[14] identified the types of social media to be a social networking site such as WhatsApp, Line, Telegram, and WeChat, Content communities i.e YouTube, TikTok, Vimeo, Blogs (Twitter, Blogspot), and Online forums and discussion (Trip Advisor, Yelp, and Four Square). According to a research by [15] microblogging sites like Facebook and Twitter can distribute quick messages, pictures and videos to potential users and clients.

According to (Hajli, 2015) marketing using several social media platforms is very important for business to introduce products and services and encourage consumers to provide and share comments. Social media helps with better targeting and essential to marketing operations. 70% of consumers use social media to hear about and learn from the experiences of other consumers [12]. Marketing activities through online platforms enable information processing and connection between members [16]. The use of SMM in business operations has an effect on SMEs business effectively [17, 18].

2.2. Social Media Marketing and SMEs Business Performance

Performance can be interpreted as organizational success[19]. In several previous studies, growth was used as a proxy to measure business performance [20]. The growth dimension is known as the most important performance measure, especially for small companies, and is a test of good performance amidst of an economic recession and intense competition [21]. Mithas et al., (2011) show that the idea of firm performance refers to the firm’s ability to gain and keep customers as well as to promote sales, profitability, and return on investment.
In small-scale firms, where published data is not available and respondents are generally reluctant to disclose objective facts and figures to outsiders, subjective measurement through primary sources of data collection is the only viable option for measuring business performance [22]. Operationally, business performance is measured by indicators of sales volume, profitability, and market share [20].

Social media is frequently used in business as a tool, particularly for promoting businesses. Businesses may interact with, and maintain connections with valuable customers on social media so they can provide them with goods or services that will satisfy them [23]. Social media today makes it easier for SMEs to communicate with their consumers and provides a number of benefits that highlight it as the preferred advertising platform for promotional efforts [24].

Several previous studies have examined the role of SMM in small businesses. SMM tools significantly and positively enhance SME’s sustainability in developing countries (Chatterjee et al., 2021; Patma et al., 2021). SMM has a positive correlation to business performance [25]. Previous studies on social media marketing show both direct and indirect effects on marketing performance [26, 27]. SM assist SMEs because of its minimal expense and usability and has been demonstrated to assist SMEs with getting to a significant number of consumers [28]. However, the rising usage of social media and digital marketing has a beneficial impact on consumers’ attitudes toward online purchasing, increasing market share for companies [7]. Previous study conducted by [29] stated that SMM influences customer engagement in the form of like share and comments. Customer engagement behavior leads to increased sales performance.

Based on previous study [10] the use of social media depends on the type of industry and the type of social media used in accordance with SMEs business objectives. The impact obtained is mostly related to customers, stakeholders, business partners and across different countries.

3. Research Methods

This research employs quantitative approach. This study uses primary data which was obtained based on the results of distributing questionnaires directly to 42 owners of SMEs in Palembang who were selected by accidental sampling. Data analysis uses quantitative descriptive to provide an explanation of the impact of social media marketing on SME performance as an operational definition. SMM is a process that involves, creating, communicating, and delivering online marketing offerings via social media platforms.
4. Results and Discussion

An Accidental sample was created of 42 SMEs owners in Palembang. Data collection methods through questionnaires were distributed directly to respondents. The respondents were diversified, when viewed from demographic aspects such as the education level, industry category, number of employees and annual sales. The analysis of respondents characteristics can be seen in Table 1 as follow.

<table>
<thead>
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<th>TABLE 1: Characteristics of Respondents.</th>
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<td>Aspect of Respondent</td>
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<td><strong>Industry Category</strong></td>
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<tr>
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<td>Manufacturing</td>
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<td>Wholesale/Distribution</td>
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<td>Service</td>
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<td><strong>Education Background</strong></td>
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<td>Senir High School</td>
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<td>Undergraduate</td>
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<tr>
<td><strong>Number of Employees</strong></td>
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<td>10-Jan</td>
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<td>&gt;20</td>
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<td><strong>Annual Sales</strong></td>
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Source : Primary data

Based on Table 1, the respondents were quite diversified characteristics. Most respondents were retail business made up 66.67 percent of the sample, while service sector constituted 21.43 percent of the sample. The Rest of respondents were manufacturing, wholesale and others industry namely chicken farm. Based on the educational background of SMEs owners, the majority have a bachelor’s degree, amounted 54.76 percent. Meanwhile, 42.86 percent of respondents had a high school education background, and the remaining 2.38 percent had a Diploma education. This condition illustrates that most respondents have a good educational background.

Based on identification of the number of workers, then 85.7 percent of respondents are in the category of Micro Enterprises with a workforce of 1 to 10 people, 1.90
percent is the small business category with a workforce of 11 to 20 people. Meanwhile, the remaining 2.30 percent are medium businesses with more than 20 employees. Regarding annual sales, 69.05 percent of SMEs generate sales turnover less than 100 million yearly. 16.67 percent have a turnover of more than 500 million, and the remaining 14.29 percent have a turnover of between 100 and 500 million.

The number of respondents using social media to adapt digital technology can be seen in Figure 1 below.

![Utilisation of Digital Technology Through Social Media](image)

**Figure 1:** Utilisation of Digital Technology.

Based on the Figure 1, 76 percent of respondents already used social media. Respondents use the platform for business promotion as well as online marketing. Most SMEs have utilized social media marketing activities in retail sector amounted 71.88 percent or 23 respondents, while 9 respondents are service, wholesale, and manufacturing sectors.

The participants used a variety of social media platforms for marketing due to customer preferences. Respondent Identification Based on Social Media used can be seen in Figure 2 as follow.

The total of 76 percent respondents who have used social media, then the most widely used and most popular social media platform are Whatsapp and Instagram which is more than 40 percent. Food and fashion retail businesses prefer Instagram as a medium of communication Meanwhile non-retail sectors use Whatsapp more to communicate with consumers. According to [10] particularly for small and medium businesses, using various social media platforms to execute marketing strategies has become natural part.

Based on survey results, respondents have carried out communication activities using social media, to inform products, online sales promotions, provide feedback from consumer responses. Marketing communication is company dissemination of information.
to the target audience. The forms of marketing communication displays a pattern of trends, including advertising, sales promotion, public relations (PR) and personal selling among others [30]. SMEs use social media to inform products to target customers [31]. Instagram and TikTok are social media that have been chosen by generation Z because both are easy and intuitive to use, have creative features, such as videos and pictures [32]

Respondent’s responses regarding the impact of using social media on sales performance can be seen in Figure 3 as follow.

The use of social media increase sales in annual year ranging from 10-30 percent and 3 percent of respondents stated that sales increased by 30-40 percent. the impact of Social Media Marketing is quite significant on sales in the retail sector.

The survey results also show that a small number of SMEs owners have not focused on implementing Social Media Marketing for some reasons. In general they’re insufficient ability and lack of time to study or focus on using social media platforms. The rest
of respondents stated that they need more stable economic conditions to use social media marketing.

The descriptive analysis results show that using social media as a form of commitment to adaptation to technological developments can increase sales turnover. Several previous studies have shown that organizations benefit from utilizing social media in business processes. Companies may reach their marketing goals through digital and social media marketing at a reasonable cost [33], create brand image, assist to improve current products and services and increasing sales [7] and firm performance [14]. The study shows that utilizing social media relates to business performance as measured by sales growth. This finding in line with [34] found that SMEs’ sales performance improved after adopting Facebook. According to [35], social media may considerably affect consumers’ purchase decisions. Moreover [36] found Social Media use as digital marketing has a significant influence on business performance. [18] has proven the use of SMM would impact on Improvement of Business (IOB), increased sales, positive feedback and better customer relationship.

Social media has enormous potential for delivering promotional material and messaging in accordance with the features of the target market [37]. The age of the target market determines the preference for choosing the type of social media in business. According to the study of Nord et al, (2020) showed that age is strongly correlated with social media usage. Generation Z which was born in the 2000s, is more interested in content that is visual, concise and easily accessible via mobile devices. Therefore marketing through story chat posts on social media platforms such as Instagram, Twitter, Facebook and TikTok has become an effective way to reach this target audience [38].

Social media, which is connected to consumer behavior enables customers to learn about and share their experiences on particular products or brands [39]. For millennials, Social Media is the best platform for sharing ideas and opinion related to product consumption process [40]. Based on survey data “we are social” Whatsapp is the most widely used social media, the percentage was recorded at 88.7%. In the next sequence are Instagram and Facebook with respective percentages of 84.8% and 81.3%. Meanwhile, the proportion of TikTok and Telegram users is 63.1% and 62.8%, respectively [8].

[41] concludes that managers Small and medium-sized business owners generally have management skills and would rather focus on traditional advertising their products and services rather than using a new product or service technology can help them better manage training and skills. [42] revealed that skills and expertise training is required
continuously at any time from social media as new technology maintain changes in its modifications and frequent needs maintenance at its various sites.

According to [24] several factors that become obstacles in the implementation of SMM besides skills namely perceived cost, System/Links upgrade and financial constrains. The cost is considered by managers/owners based on their financial stability because technology like social media usually requires more money to spend on facilities and buy modern equipment [43]. SMEs usually face problems of financial stability. It is related to access and other financial resources for both short and long term [44]. Although the integration of new technologies such as social media actively stimulates small and medium enterprises but need more ICT infrastructure and equipment to continuously maintain speed of marketing its products and services [45].

5. Finding and Conclusion

Based on descriptive analysis, SMM has a positif impact on sales performance. Most of SMEs used different social media types to sell their goods or services. The choice of social media depends on target market preferences which vary based on age.

Whatsapp is the most preferred social media by respondents besides Instagram. The retail sector chooses to use Instagram because of its ability to have creative features, such as videos and images, and can maximize consumer experience with products or brands. Some SMEs still face challenges in implementing SMM, namely a lack of knowledge and expertise in digital technology.

6. Implications, Limitations, and Suggestions

This study has a practical contribution to policymakers related to SMEs so that they can identify the extent to which SMEs have used social media for business. To overcome the challenges in implementing social media marketing, Policymakers can determine the skills needed to improve digital expertise in social media marketing to more advanced level and business performance both from financial and non-financial aspects.

The current study has several limitations that provide opportunities for future research. Firstly analysis techniques only use quantitative descriptive analysis and have not clearly described the causal relationship between SMM and the performance of SMEs. Second, the number of respondents was limited only 42 SMEs, and the sampling technique used was the convenience sampling method. Future research
can be developed with a larger sample and causal approach focused on problems or challenges in SMM and SMEs performance.

**References**


