

Research Article

Effect of Social Media Marketing on Purchase Intention of SME's Local Food Products: Case Study in Indonesia and Malaysia

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Abstract.

This research aims to analyze the impact of social media usage as a form of digital marketing on increasing revenue and profits. It employed an exploratory descriptive analysis approach. Respondents included Small and Medium Enterprises (SMEs) from Indonesia (36 respondents) and Malaysia (46 respondents). Two regions with demographic and cultural characteristics. The findings indicate that SMEs in both countries actively implement digital marketing strategies, particularly through social media platforms such as Facebook, Instagram, and WhatsApp. Additionally, the results of other studies confirm that leveraging social media for marketing contributes positively to increased revenue and profitability for SMEs.

Keywords: SMEs, social media, digital marketing, culture

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1. Introduction

The SMEs (Small and Medium Enterprises) sector is one of the important sectors, both in Indonesia and Malaysia. In 2023, SMEs in Indonesia reached around 66 million, while the contribution of SMEs reached 61% of Indonesia's Gross Domestic Product (GDP), equivalent to Rp.9,580 trillion by absorbing around 117 million workers (97%) of the total workforce. This condition is no different in Malaysia, the potential owned by SMEs in both countries is statistically recorded as very large for countries with GDP levels. Data released by the ASEAN Investment Report [1] stated that Indonesia and Malaysia were two countries in Southeast Asia with a high number of SMEs. Even SMEs in Indonesia can contribute to 60% of Indonesia's total GDP in that year. SMEs provide jobs for more

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than 60% of new graduates in Malaysia. This illustrates that SMEs provide more jobs and create more opportunities, contributing to 37.1% of Malaysia's total GDP.

In the digital era, the use of digital technology as a medium to assist activities has an impact on human activities. In the financial sector, digital technology can help to assist work by utilizing the existence of technological features, for example, social media as a means to market products or services provided (digital marketing). Social media and mobile applications that have been integrated with online communication are the easiest choices for indirect product marketing by users.

Digital Marketing is the application of digital media, data, and technology integrated [with traditional communications to achieve marketing targets [2]. One of the main problems faced by SMEs today is the difficulty in using Information Technology. Another difficulty faced is in promoting products that still use conventional methods which of course require more funds and effort to make. Some of the solutions that have been made such as defining social media as the main show to develop innovation networks, besides that social media functions as a context-dependent intermediary and the systemic dynamics of social capital are highlighted in the development of joint innovation strategies. The study found that increased use of mobile apps significantly improved the long-term efficiency of SMEs [3]. Other researchers also statement that social media has a strong role in SMEs opportunities to attract customers. The social media content used is closely related to the language used and interesting content will attract customers to buy the product.

2. Methods

2.1. Research approach

This research specifically identifies the use of social media for local food marketing in Indonesia and in Malaysia (Labuan Island). Research activities carried out in Indonesia (Boyolali Regency) involved the Food Security Service while in Malaysia involved SMEs that were assisted by the University Malaysia Sabah (UMS). The total number of respondents was 82 respondents consisting of 36 SMEs in Indonesia and 46 SMEs in Malaysia. The procedures carried out to obtain data were:

2.1. Obtaining data from SMEs in Indonesia was carried out using a focus group discussion (FGD) approach with 36 SMEs that were assisted by the Boyolali District Food Security Office. In this activity, interviews and questionnaires were also conducted.

2.2. Obtaining data on SMEs in Malaysia was done by conducting FGDs between the research team and SMEs that are assisted by the University Malaysia Sabah (UMS). In this activity, interviews were also conducted.

2.2. Research focus

The main focus of this research was to analyze how SMEs in Indonesia and SMEs in Malaysia can utilize and optimize social media as a means to market the products. To analyze more deeply, this research also uses indicators about the use of social media as a medium to market the products. The indicators used were social media platforms, duration, reasoning, area Coverage, and Impact.

3. Results and Discussion

This study was conducted to compare the role of social media used by SMEs in encouraging increased sales. In addition, this study compares the role of social media for SMEs in Indonesia and Malaysia. As the area used for research in Indonesia is in Boyolali Regency, Central Java Province, while in Malaysia the area used is in Labuan Island which is located 10 kilometers from Sabah Beach. These two areas have similarities in terms of culture including the types of food they consume daily, besides both areas have the same characteristics in terms of livelihoods, namely trading, farming, and gardening.

3.1. Comparison of Respondent Characteristics

3.1.1. Characteristics of Length of Business

Figure 1 below illustrates the characteristics based on the length of business run by both SMEs (Indonesia and Malaysia). Length of business can lead to business experience which in turn can affect the level of observation of a person in behavior.

The results of the analysis show that SMEs in Indonesia and Malaysia predominantly use social media because the cost is cheap compared to using other media such as electronic media or print media. Based on the results of the analysis in Figure 5 which shows Social Media Platforms, as many as 36 respondents in Indonesia use social media to market their products (100%) compared to other marketing methods such as advertising in electronic media or print media. The same condition in respondents in

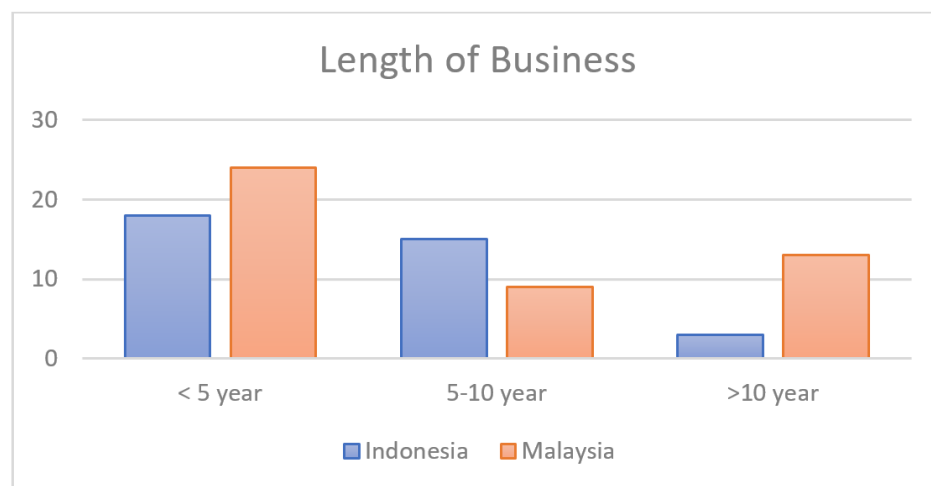


Figure 1: Length of Business.

Malaysia shows that as many as 35 respondents (76%) use social media to market their products, while 11 respondents (24%) use advertising media (electronic media and print media) to promote their products. The results of the analysis from the two countries can be concluded that both countries optimize social media as a means of marketing their products compared to other media with the consideration that the use of social media for product promotion is more effective and the cost of promotion is much more efficient.

3.1.2. Education Level Characteristics

The level of education is one of the factors that can have an impact on the performance of SMEs. According to [4];[5] the level of education possessed by SMEs, especially the level of education possessed by the owner, has an impact on the performance of SMEs, the higher the level of education possessed by SME owners, the impact on better performance. Figure 2 below provides information on the level of education of SME owners. Based on Figure 2 shows that the dominance of SME owners is a high school education, while the level of education at the undergraduate level, SMEs in Indonesia is more dominating in number than in Malaysia.

3.1.3. Employee Characteristics

One of SMEs role was high labor absorption so that it can overcome unemployment. In Indonesia, SMEs are able to absorb more than 97% of the workforce, while in Malaysia

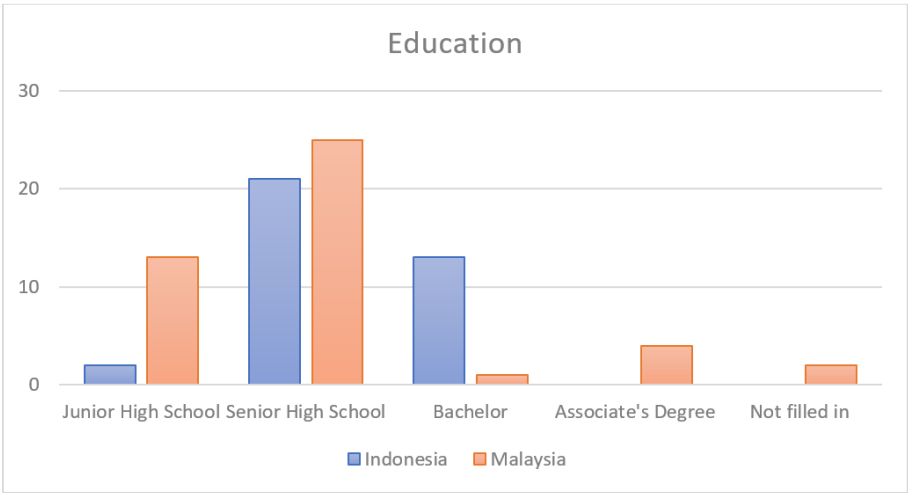


Figure 2: Level of education of the MSME owner.

the absorption of labor with the existence of SMEs is 67%. Based on various research results, it is found that SMEs have a role and influence on labor absorption [6];[7]. Figure 3 showed the number of employees in the SMEs. Figure 3 explains that the dominance of SMEs used as respondents in this study, the absorption in Malaysia is higher than in Indonesia. This result is different from the national condition where employment in SMEs reaches more than 90% [8] higher than the employment of new graduates in Malaysia which reaches 60% [9].

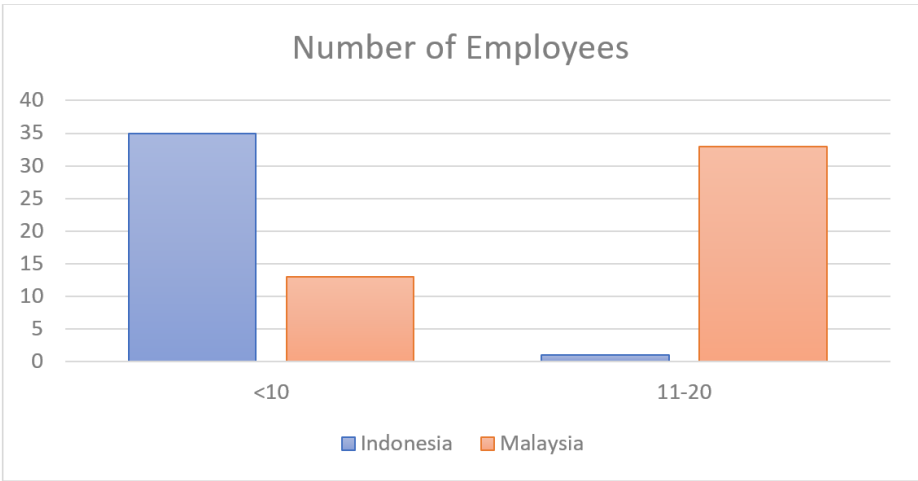


Figure 3: Number of Employees.

3.1.4. Asset Characteristics of SMEs

Assets are one of the important factors owned by SMEs, because the bigger the assets the bigger the money earned by the SMEs. Some research results explain that the assets have an impact on increasing MSME income [10];[4].

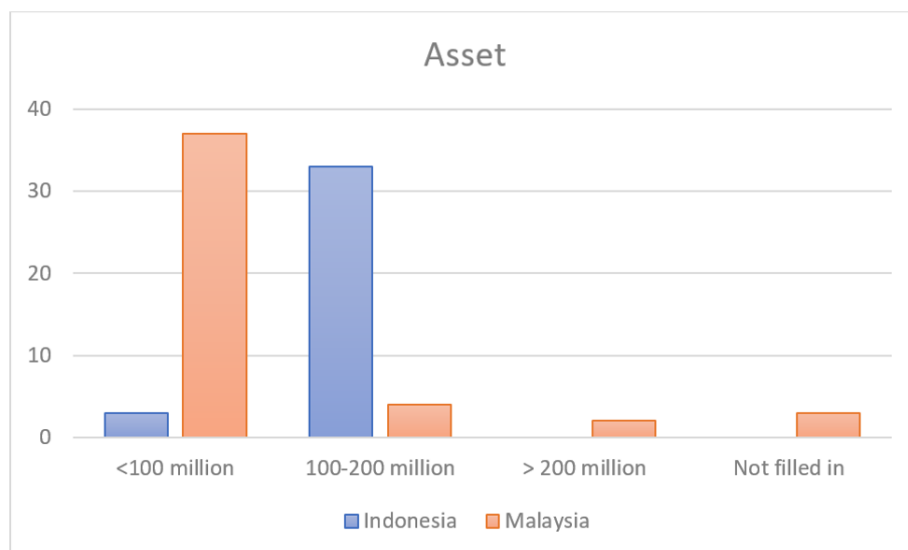


Figure 4: Asset SMEs.

According to the comparison showing the difference in asset values between SMEs in Indonesia and Malaysia, SMEs in Malaysia has a higher asset value for SMEs under 100 million, while SMEs in Indonesia has a higher asset value for SMEs with a value greater than 100 million.

3.2. Analysis of Social Media Utilization

In the following section, an analysis will be conducted regarding the utilization of social media on marketing. Each analysis will compare the utilization of social media and its impact on SMEs in Indonesia and Malaysian SMEs.

3.2.1. Social Media Platform

The following Figure 5 explains the condition of SMEs that use social media for selling their products. Thirty six of SMEs in Indonesia (100%) use social media to sell their product while SMEs in Malaysia that utilize social media platforms are 35 SMEs (76%), the rest (24%) do not use social media to market their products.

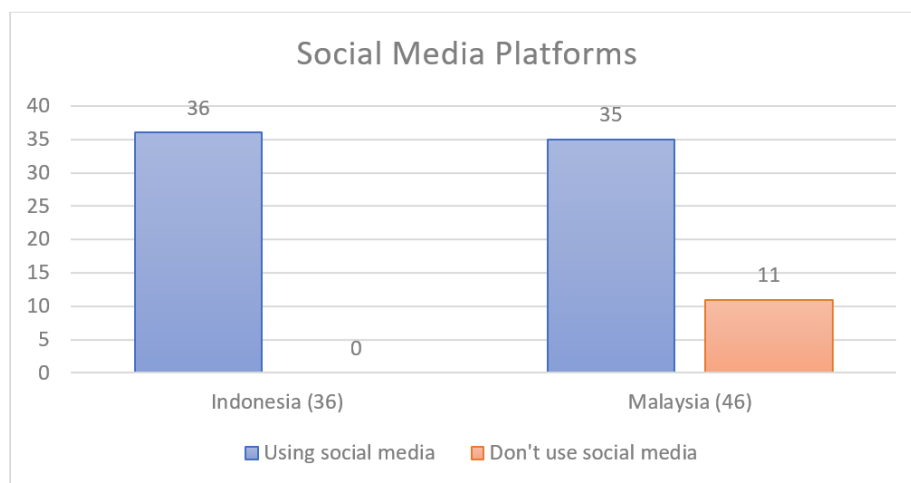


Figure 5: Social Media Platforms.

3.2.2. Duration in Using Social Media

Figure 6 explained the duration SMEs utilize social media to market their products. The old dominance of SMEs social media utilization both in Indonesia and Malaysia still tends to be the same. Based on interviews conducted with SMEs in both countries, optimal utilization of social media occurred in covid 19 conditions in 2020-2022.

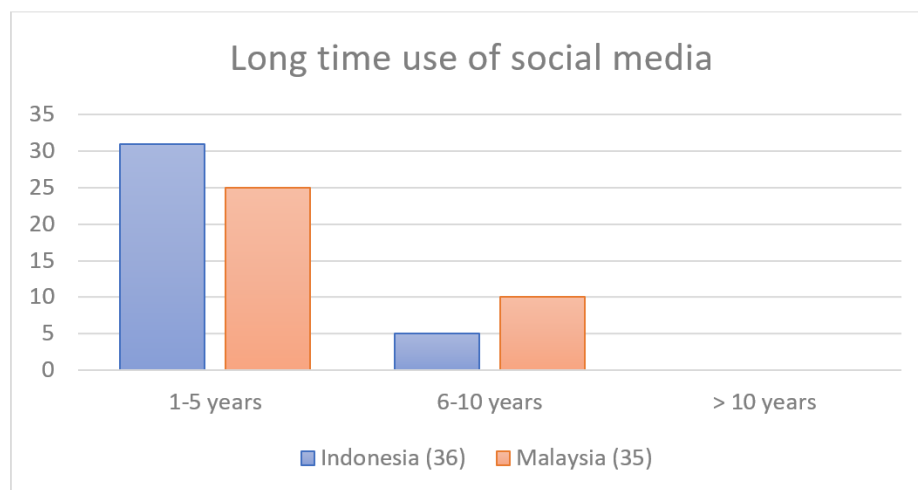


Figure 6: Duration in Using social media.

3.2.3. Reasons for Utilizing Social Media

Social media marketing or also commonly referred to as social media marketing is a form of digital marketing that uses one of the social media platforms to promote an

organization’s products or services through paid or unpaid means (11);(12);(13);(14). Apart from being unpaid, this platform also has a wide coverage. Therefore, this social media platform is widely used to market products. Figure 7 explains the reasons for each SMEs using social media. The results of the analysis show that SMEs in both Indonesia and Malaysia predominantly use social media because of the low cost compared to using other media.

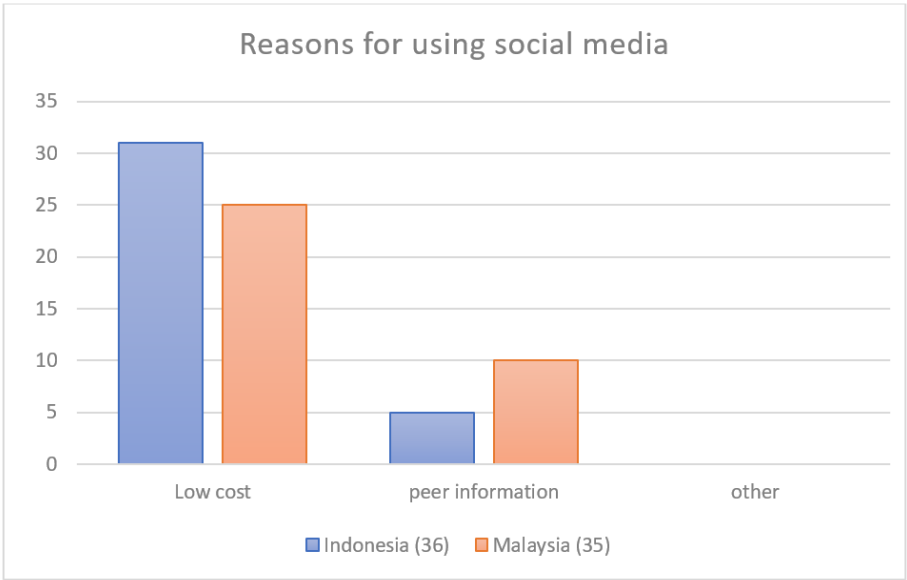


Figure 7: Reasons for using social media.

3.3. Impact of Social Media on Revenue and Profit

3.3.1. Impact of Social Media on Revenue

Table 1. explains the purpose of analyzing the influence of social media utilization on the income obtained by SMEs in Indonesia and Malaysia. The test results show that the use of social media affects the income obtained by SMEs in Indonesia and Malaysia (with a significance level <0.01).

Table 1 also explains that the influence of social media on increasing income is quite strong, this can be seen in the Adj.R2 for Indonesia of 49.8% while in Malaysia the Adj.R2 value is 67.8%. One of the goals of marketing products through social media is to increase the amount of revenue [15][16][17]. Increased revenue due to increased demand for the products offered

TABLE 1: The Influence of Social Media Utilization on Income.

Variables	Case in Indonesia		Case in Malaysia	
	Coefficient	t-Value	Coefficient	t-Value
Constant	0.234	5.299***	0.459	7.930***
Social Media	0.716	5.974***	0.828	9.788***
R ²	0.512		0.685	
Adj.R ²	0.498		0.678	
F-stat	35.698		95.894	
Prob.	0.000***		0.000***	

***, **, * = indicate significance at 1%, 5%, 10% levels

One of the goals of marketing products through social media is to increase the amount of revenue [15]; [16]; [17]. Increased revenue due to increased demand for the products offered.

3.3.2. Impact of Social Media on Profit

Table 2 explains the purpose of the analysis of the influence of social media utilization on the profits obtained by SMEs in Indonesia and Malaysia. The test results show that the use of social media affects the profits obtained by SMEs in Indonesia and Malaysia (with a significance level of <0.01). Table 1 also explains that the influence of social media on increasing profits obtained, although the influence is still small, this can be seen in Adj.R² for Indonesia of 10.5% while in Malaysia the Adj.R² value is 12.6%. Increased profits are derived from the amount of revenue due to increased product demand. So it can be concluded that the use of social media has an effect on increasing profits.

TABLE 2: The Impact of Social Media Utilization on Profit.

Variables	Case in Indonesia		Case in Malaysia	
	Coefficient	t-Value	Coefficient	t-Value
Constant	0.117	4.266***	0.124	6.336***
Social Media	0.362	2.263 **	0.381	2.731***
R ²	0.131		0.145	
Adj.R ²	0.105		0.126	
F-stat	5.121		7.4595	
Prob.	0.030**		0.009***	

***, **, * = indicate significance at 1%, 5%, 10% levels

4. Conclusion

This research was conducted in two countries, namely Indonesia and Malaysia. In Indonesia, the respondent area is Boyolali Regency, while in Malaysia the area used is Labuan Island. Both regions have similar characteristics, especially the condition of SMEs that produce local food products. In addition, in both regions the use of social media to market their products is also a top priority. The purpose of this study is to analyze the impact of the use of social media on the sustainability of SMEs, namely an increase in revenue and an increase in profits earned.

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The results of the analysis show that SMEs in both Indonesia and Malaysia utilize social media as a means to market their products. The main reason for using social media to market SMEs products is because the cost of marketing through social media is more efficient. The results of further analysis also show that by implementing digital marketing with social media platforms, it has an impact on increasing the revenue and profits they earn.

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