

The Impact of Digital Marketing Dimension on the Growth of SMEs in North Sumatra

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ABSTRACT: Digital marketing has become a key strategy in the development of micro, small, and medium enterprises (MSMEs) in the era of digital transformation. This study aims to analyze the extent to which digital marketing influences the growth of MSMEs in North Sumatra. The method used is a quantitative approach with data collection through questionnaires from MSME actors. The results show that the use of social media, e-commerce, and digital-based marketing strategies significantly increase sales volume, market expansion, and operational efficiency of MSMEs. Therefore, marketing digitalization has proven to play a significant role in driving the growth of MSMEs in this region. The novelty of this study is that it does not only focus on one aspect of digital marketing, but combines three main pillars: social media marketing, e-commerce utilization, and digital content strategy.

1. INTRODUCTION

Small and Medium Enterprises (SMEs) are the backbone of the national economy, including in North Sumatra. However, many SMEs face challenges in marketing, market access, and technological adaptation. Advances in information technology have opened up new opportunities through digital marketing, such as the use of social media, e-commerce platforms, and content-based marketing. However, not all SMEs have optimally utilized these opportunities (Matejun, 2018). Furthermore, successful entrepreneurs possess many positive characteristics, such as creativity and innovation, a willingness to take risks, resilience in the face of challenges, and honesty with themselves and others. Amidst increasing economic pressures and shrinking job opportunities, entrepreneurship is considered the most effective path to revitalizing the community's economy (Elhusseiny & Crispim, 2022). Therefore, Indonesia needs to seriously prepare for the emergence of a new generation of entrepreneurs, as these entrepreneurs will be the driving force behind Indonesia's economic development.

Today's technological developments require all people to be prepared to face the challenges of the times, as numerous changes will occur in various sectors. One area that will be impacted by these developments is the business world. As consumer spending accelerates, they require technology to meet their daily needs. This is evident in the increasing use of information technology facilities, one of which is the use of the internet (Afolayan et al, 2015). The internet is developing rapidly and has become a readily accessible source of information, resulting in changes in consumer lifestyles. The changing times have shifted people's shopping habits from conventional ones to online sales sites, influenced by these changing lifestyles (Hasanah et al, 2021). These changes in people's shopping habits have resulted in the emergence of numerous online sales sites, allowing people to obtain more information and transact easily without having to go to the place where the goods or services are sold.

With the advancement of information and communication technology, digital marketing has become a strategic tool that can help SMEs reach a wider audience, lower marketing costs, and increase competitiveness. Through platforms such as social media (Instagram, Facebook, TikTok), marketplaces (Tokopedia, Shopee, Bukalapak), and e-commerce websites, SMEs can now promote their products without geographical boundaries (Choong et al, 2023). However, not all SMEs in North Sumatra are able to optimally capitalize on this opportunity. Although internet penetration in North Sumatra continues to increase, data from the Provincial Cooperatives and SMEs Office shows that many SMEs remain incompletely digitalized. Many SMEs lack social media accounts, are not registered in marketplaces, or lack a solid understanding of content marketing strategies. Lack of digital literacy, limited resources, and a lack of mentoring are key issues slowing the digital transformation of SMEs in this region. Furthermore, amidst global competition and shifts in consumer behavior toward digital, local SMEs will be left further behind if they don't adapt quickly.

Therefore, it's crucial to understand the extent to which digital marketing implementation truly impacts their business growth, both in terms of increased sales, new customers, and market expansion.

Previous research on digital marketing for SMEs has largely focused on large urban areas on Java Island, or has been descriptive in nature without directly measuring its impact on business growth. This study offers a new contribution by focusing on SMEs in North Sumatra, which has distinct local characteristics and digitalization. Furthermore, this study uses more quantitatively measurable business growth indicators, such as increased sales and market reach, and explores three key elements of digital marketing: social media, e-commerce, and content marketing. Empirical research highlighting the direct relationship between digital marketing implementation and SMEs growth indicators (sales, number of customers, market expansion) in regions like North Sumatra remains limited.

2. LITERATUR RIVIEW

2.1. Digital Marketing Theory

Digital marketing is the application of digital technologies to create channels of communication, distribution, and exchange that deliver value to consumers and businesses. Digital marketing involves the use of the internet and web-based digital technologies such as social media, websites, email, and e-commerce to promote and sell products or services. Digital marketing offers several advantages over conventional marketing, including (Rachmad, 2024):

- a) Interactivity
Consumers can interact directly with products and brands.
- b) Wide Reach
Products can be marketed across regions and even countries.
- c) Cost Efficiency
Promotion costs are lower than traditional advertising.
- d) Accurate Segmentation
Digital data allows for more precise consumer targeting.

Digital marketing is the marketing of products or services using digital technologies, primarily on the Internet, but also including mobile, display advertising, and other digital media (Forghani et al, 2022). In conclusion, digital marketing is defined as using a variety of digital tactics and channels to connect with customers where they spend most of their time: online. From websites to a business's online branding assets—digital advertising, email marketing, online brochures, and beyond—there is a spectrum of tactics that fall under the umbrella of "digital marketing."

2.2. SMEs Growth

SMEs growth refers to the measurable and sustainable increase in business capacity over time. According to Scuotto et al (2021), business growth occurs when available resources are utilized more productively through effective strategies. Mou et al (2022) further explains that the growth of small and medium enterprises is influenced by three main factors: (1) The characteristics of the entrepreneur; (2) The characteristics of the enterprise; (3) Business strategies and the external environment.

2.3. Conceptual Framework and Hypothesis Development

This study is based on the assumption that digital marketing plays a significant role in driving the growth of small and medium-sized enterprises (SMEs), particularly in regions like North Sumatra where digital adoption is still developing. Digital marketing is conceptualized as the independent variable, encompassing three primary components: social media marketing, e-commerce utilization, and content marketing. Social media marketing refers to the strategic use of platforms such as Facebook, Instagram, and TikTok to promote products, engage with customers, and build brand awareness. These platforms offer low-cost and high-reach tools that are especially beneficial for SMEs with limited marketing budgets (Bruce et al, 2023). E-commerce utilization involves SMEs' participation in online marketplaces like Tokopedia, Shopee, and Bukalapak, which allow businesses to reach a broader customer base without relying on physical stores. These platforms also provide digital payment systems, logistics support, and customer reviews that contribute to increased trust and convenience. Content marketing includes the creation and optimization of promotional materials such as product descriptions, photos, videos, blogs, and search engine optimized (SEO) content (Jadhav et al, 2023). Effective content can influence consumer decisions, improve visibility, and enhance the perceived value of products.

These three components collectively form the digital marketing variable, which is hypothesized to have a positive and significant influence on SMEs growth the dependent variable of this study.

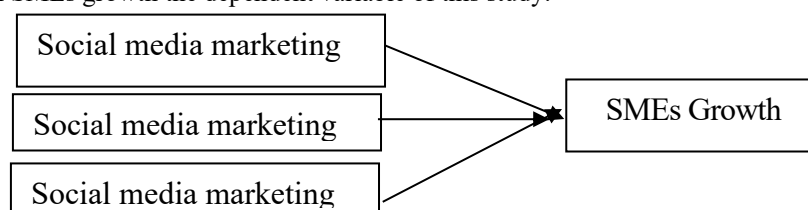


Figure 1. Conceptual Framework

The conceptual framework assumes a linear causal relationship in which the more effectively SMEs adopt and apply digital marketing strategies, the greater their potential for business growth. By leveraging digital tools, SMEs can overcome traditional barriers such as limited market access, high marketing costs, and low brand visibility. This framework is expected to guide the analysis in determining how each component of digital marketing contributes to specific growth dimensions in SMEs operating in North Sumatra. The hypothesis proposed is :

- H1 : Social media marketing influences the SMEs Growth in North Sumatra.
H2 : E-commerce utilization influences the SMEs Growth in North Sumatra
H3 : Content marketing influences the SMEs Growth in North Sumatra

3. METHODOLOGY

This study adopts a quantitative research design with a causal approach, aiming to examine the effect of digital marketing on the growth of SMEs in North Sumatra. The research tests hypotheses by analyzing the relationship between the independent variable (digital marketing) and the dependent variable (SMEs growth).

Population: All small and medium enterprises (SMEs) in North Sumatra that have adopted or are in the process of adopting digital marketing strategies. Sample: SMEs selected using purposive sampling, with criteria including:

- 1) Registered as an SME with the local Department of Cooperatives and SMEs.
- 2) Actively engaged in digital marketing (social media, e-commerce, or online content).
- 3) Operating for at least one year.

Estimated sample size: 100–150 respondents, depending on statistical power and data availability. Primary data will be collected through structured questionnaires distributed to SME owners or marketing personnel. The questionnaire will include closed-ended questions using a Likert scale (1–5) to measure perceptions and behaviors related to digital marketing and growth indicators.

4. HASIL PENELITIAN

4.1. Respondent Profile

The total number of respondents in this study was 120 SMEs owners or managers located in North Sumatra. The demographics of the respondents are as follows:

- 1) Business Sector: 45% culinary, 25% fashion, 15% crafts, 15% services.
- 2) Duration of Operation: 32% (1–3 years), 40% (3–5 years), 28% (>5 years).
- 3) Digital Marketing Usage:
 - a) Social media (Instagram, Facebook): 95%
 - b) E-commerce platforms: 72%
 - c) Content creation (photo/video): 68%

4.2. Descriptive Analysis

- Digital Marketing received an average score of 4.1, indicating a high level of adoption among SMEs.
- SMEs Growth was rated at an average score of 3.9, reflecting steady improvement in sales, customer acquisition, and market expansion.

4.3. Validity and Reliability Testing

- Cronbach's Alpha values for all constructs > 0.7 → Reliable
- All item loadings > 0.6 → Valid
- AVE (Average Variance Extracted) > 0.5 and Composite Reliability (CR) > 0.7 for each construct.

Table 1. Model Summary

Variable	Coefficient (β)	t-value	Sig. (p-value)
Social Media Marketing	0.321	3.62	0.000
E-commerce Utilization	0.284	2.97	0.004
Content Marketing	0.259	2.65	0.009

Interpretation of Results :

- 1) Social media marketing has the highest influence on SMEs growth, particularly in customer engagement and brand awareness.
- 2) E-commerce enables wider market access and increased sales volume, especially during the post-pandemic recovery phase.

- 3) Content marketing enhances customer trust and helps differentiate products, particularly through high-quality visuals and videos.

5. DISCUSSION

The findings of this study provide strong empirical support for the assumption that digital marketing has a significant and positive influence on the growth of SMEs in North Sumatra. The multiple linear regression analysis revealed that all three dimensions of digital marketing—social media marketing, e-commerce utilization, and content marketing—positively affect SMEs growth, with social media marketing showing the strongest impact.

5.1. Social Media Marketing and SMEs Growth

The results indicate that social media marketing plays a crucial role in enhancing business visibility, strengthening brand awareness, and improving customer relationships. The high coefficient value ($\beta = 0.321$) and its significance level ($p < 0.001$) suggest that SMEs that actively use platforms such as Instagram, Facebook, and TikTok are more likely to experience growth in sales and customer base. This supports the findings of Dharta et al (2023), Sari & Irawan (2021), who argued that social media allows SMEs to directly interact with customers at minimal cost and with high responsiveness.

5.2. E-commerce Utilization and SMEs Growth

E-commerce platforms such as Shopee, Tokopedia, and Bukalapak provide SMEs with access to a broader market beyond local geographic boundaries. The analysis shows a significant contribution of e-commerce utilization to business growth ($\beta = 0.284$, $p < 0.01$), consistent with studies by Mou et al (2022); Irawan & Irawan (2022), which highlight the role of online marketplaces in democratizing market access for small businesses. For SMEs in North Sumatra—many of which operate in traditional or rural settings—joining e-commerce platforms bridges the gap between producers and digital consumers, facilitating higher transaction volumes and market expansion.

5.3. Content Marketing and SMEs Growth

Content marketing also positively influences SMEs growth ($\beta = 0.259$, $p < 0.01$), indicating that well-designed visual and written content helps attract and retain customers. High-quality content, including product images, short videos, and informative captions, builds credibility and consumer trust. These findings align with Algumzi (2022) theory that content marketing, when consistently executed, fosters long-term customer loyalty and supports brand development. However, the lower coefficient compared to other dimensions suggests that content marketing is effective when integrated with social media and e-commerce efforts, rather than used in isolation.

5.4. Theoretical and Practical Implications

From a theoretical perspective, this research reinforces the relevance of Digital Marketing Theory and Dynamic Capabilities Theory in the context of SMEs. It demonstrates that perceived usefulness and ease of use of digital platforms are critical drivers of marketing effectiveness and business adaptability. Practically, the study emphasizes the need for SMEs to not only adopt digital tools but to also integrate them strategically. For policymakers and support agencies, these results highlight the importance of providing targeted training and mentorship programs to improve SMEs' digital literacy. Government and private sectors can collaborate to facilitate digital onboarding, especially for rural or less tech-savvy entrepreneurs.

CONCLUSION

The empirical findings confirm that digital marketing has a positive and significant effect on the growth of SMEs in North Sumatra. All three dimensions—social media, e-commerce, and content marketing—contribute meaningfully, with social media marketing being the most dominant factor. Overall, the discussion confirms that digital marketing is not just a supplementary tool but a strategic enabler of SMEs growth in North Sumatra. The degree to which SMEs engage with digital marketing determines their ability to compete, expand, and survive in the modern economy.

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