

Vol. 5 • No. 1 • Desember 2024

Page (Hal.) : 301 – 308

ISSN (online) : 2746 - 4482

ISSN (print) : 2746 - 2250



Special Issue:



The 5<sup>th</sup> International Conference on Management and Science

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## Role Of Social Media Marketing In The Digital Transformation Of Small And Medium Enterprises (SMEs)

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### Abstract:

This research explores the role of social media in accelerating digital transformation among small and medium enterprises (SMEs) in Indonesia. SMEs, which are an essential part of the country's economy, face various challenges in adapting to digital technologies to enhance their competitiveness and business sustainability. Marketing through social media has proven effective in building brand awareness, increasing customer engagement, and expanding market reach. TikTok, as one of the main platforms, offers SMEs opportunities to reach a wider audience with creative and interactive content. Although the adoption of technology faces obstacles, this study reveals that digital transformation through social media provides significant benefits for SMEs in the face of global competition. This study uses a literature review approach by collecting data from various journals and related articles. The results are expected to provide a deeper understanding of the influence of social media on the sustainability and development of SMEs.

**Keywords:** Social media marketing, Social media platforms, Digital transformation Small and Medium Enterprises (SMEs)

### INTRODUCTION

Small and medium enterprises (SMEs) play a crucial role as the backbone of the national economy, with a significant portion of Indonesia's industrial sector being dominated by SMEs. Data shows that 99.99% of all business units in Indonesia, or approximately 64.19 million units, are SMEs, while large businesses account for only 0.01%, or 5,637 units. Among these, micro enterprises dominate with 64.6 million

units, representing 98.67% of the total SMEs in Indonesia. This highlights that SMEs not only drive the local economy but also act as a vital pillar in maintaining social stability. Furthermore, the SME sector has been instrumental in creating job opportunities for 123,300 workers, significantly reducing national unemployment, particularly in rural areas that rely more on informal sectors.

In the face of the fully digital era of disruption, the adoption of digital technology has become key to ensuring continued growth, resilience, and adaptation, fostering long-term business sustainability. Digitalization opens up new opportunities for businesses to reach regional and even national markets that were previously inaccessible. The potential of the digital market in Indonesia has been growing rapidly. According to data from the Ministry of Economic Affairs, Indonesia's digital economy reached USD 77 billion in 2022, growing by 22% annually. This figure is projected to nearly double to USD 130 billion by 2025. With the increasing number of internet users and the rapid growth of the e-commerce sector, SMEs have a great opportunity to tap into the increasingly competitive global digital market. This vast opportunity should be embraced by the entire business sector, especially SMEs, which represent the majority of Indonesia's economic activity.

Amid significant changes driven by advancements in information and communication technology, SMEs in Indonesia face various challenges in adapting to digital transformation. One of the key factors in this transformation is the use of social media as an effective marketing tool. Social media offers SMEs significant opportunities to reach wider markets at lower costs compared to traditional marketing methods. Furthermore, social media enables SMEs to engage directly with consumers, receive real-time feedback, and develop business strategies based on the ever-evolving preferences of the market. Platforms such as Instagram, Facebook, TikTok, and WhatsApp have become crucial tools for increasing visibility, building customer relationships, and raising brand awareness.

The use of social media not only assists SMEs with marketing but also serves as a tool to cultivate loyal customer communities. By utilizing interactive features such as comments, live chats, and live broadcasts, SMEs can create more personalized customer experiences. This strengthens customer trust and engagement, while also providing opportunities for product development based on consumer feedback. Additionally, the success of a social media strategy can trigger a chain reaction, leading to increased sales, market expansion, and a stronger brand presence amid growing global competition. Support from the government and private sector, such as digital literacy training and access to technology-based funding, is vital in accelerating the digital transformation of SMEs. With a supportive ecosystem, Indonesian SMEs have tremendous potential to become key players in both the national and global digital economy.

Digitization also offers businesses the chance to strengthen their relationships with customers and gain a competitive edge (Hendriyani et al., 2023; Jannah, 2021). The internet has become the primary tool for communication, transactions, and other business activities (Wattimena, 2024; Andriani et al., 2022). According to the We Are Social report, the number of internet users in Indonesia reached 213 million in January 2023, representing 77% of the total population of 276.4 million. This marks a 5.44% increase from the previous year, creating vast opportunities for businesses to reach more consumers within domestic markets. Furthermore, platforms such as online marketplaces and technology-based logistics services facilitate more efficient product distribution for SMEs.

Despite the many benefits social media offers, the adoption process is not without challenges. SMEs often face obstacles such as a lack of understanding of digital marketing strategies, limited human resources, and resistance to technological change. These challenges are further compounded by insufficient training support, particularly in remote areas with limited access to technology. Therefore, this research aims to explore the role of social media in accelerating the digital transformation of SMEs, focusing on both the advantages and challenges.

The findings of this study are expected to provide valuable insights into how social media marketing can help support the sustainability and growth of SMEs, especially in an increasingly competitive global market. With the right approach, SMEs can use social media marketing as a primary tool to foster a more inclusive, innovative, and sustainable business ecosystem.

## LITERATURE REVIEW

Social media has become one of the most popular promotional platforms today. With social media, potential consumers can easily access various product-related information, including benefits, prices, and how to obtain or order the product. As the most commonly used communication tool, social media is utilized not only by individuals as consumers but also by companies to introduce their products and brands to audiences. In addition to serving as a means of information exchange, social media also acts as an effective marketing strategy for companies to build closer relationships with customers.

According to Paramitha and Doho (2021), social media allows consumers to better understand the product they want and provides easy access to further information about the product. The use of social media marketing by companies aims to increase brand equity. Having a positive brand image will positively impact the community, strengthening the brand position and increasing the value of the product. Marketing activities through social media are part of the promotional mix used by producers to communicate their brand values to consumers. Research by Angkie (2019) reveals that effective communication through social media significantly strengthens brand equity, which increases product appeal in the market.

Social media marketing is also proven to affect consumer interest, intention, and decision-making when choosing a product or service. Consumers tend to choose products that are familiar to them, as explained by Leviana (2019). By using social media, business owners or companies can strengthen brand awareness and increase purchasing intention for the products offered, as demonstrated in the research by Pangastuti et al. (2023). Through appropriate use, social media not only helps increase sales but also provides opportunities to build more loyal communities and obtain useful feedback for future product development.

With targeted marketing strategies and effective social media management, companies can reach a wider audience without incurring high costs, which is often an obstacle for many SMEs. This enables SMEs to compete with larger players in increasingly competitive markets.

Since the 1980s, the development of information technology has transcended national borders and brought humanity into what is known as the "global village." This era has made interaction and communication between individuals from different parts of the world easier, breaking down geographic boundaries and creating a

sense of global community (Toffler, 1980). This illustrates how information technology has connected us, changing the way we work, communicate, and interact with the surrounding environment.

Digital transformation refers to the integration of digital technologies into various aspects and operations of organizations. This process includes not only changes in technological infrastructure but also shifts in the way organizations operate to create greater value for their customers (McPath & Maiye, 2010). According to researchers like Bounce, Kraus, & Roog Tierno (2021) and Bottle (2019), digital transformation has the potential to fundamentally change various aspects of business, including operating models, products, and even creating new, more efficient and innovative business models.

In the face of these changes, companies of different sizes and sectors need to prepare to adapt or replace existing business processes with more modern and relevant approaches. However, such changes often come with challenges that make many organizations feel uncomfortable (Scheppeler & Weber, 2020). Nevertheless, for those who can adapt, digital transformation brings great opportunities to grow and innovate.

One of the real impacts of digital transformation is the emergence of digital startups, which have become an important part of the digital economy, with more flexible and creative business models than conventional businesses. Digital transformation offers wide opportunities for startups to create revolutionary business models that align with the needs of the times (Marpaung et al., 2023). This illustrates how technology has changed the way people do business and opened up new opportunities that are not limited to local but global markets.

Digital marketing includes various promotional activities conducted over the internet, such as using websites, social media, emails, and other online platforms. Social media serves not only as a tool to promote products and services but also as a place to interact directly with consumers and raise their awareness in choosing quality products. Each social media platform has a significant impact on digital marketing strategies, with some platforms showing greater influence on consumer decisions.

There are various platforms available, such as Instagram, Facebook, WhatsApp, TikTok, Twitter (now X), and others. Each platform can be used according to market segmentation and product marketing purposes. Some brands have found success using TikTok for digital marketing by leveraging creative content to engage consumers and strengthen brand awareness. Business owners should choose the most appropriate digital marketing platform based on their type of business and target audience. Moreover, it is essential for business owners to stay updated on the growing digital marketing trends to ensure their relevance in an ever-changing digital landscape.



Source: <https://wearesocial.com>

Figure 1; Tiktok Becomes Top 2023 Marketing Brand

The shift in communication habits and information-seeking behaviors within society is closely linked to the influence of social media. Today, social media significantly shapes how consumers interact with and share information about brands, providing a platform for discussions, expressing opinions, and exchanging experiences related to specific brands. TikTok, being one of the most popular social media platforms, offers tremendous opportunities for online businesses, especially e-commerce store owners, to use it as a product marketing tool. The use of influencers on TikTok, as part of a marketing strategy, has been proven effective, as influencers can capture consumer attention with engaging content that has the power to influence purchasing decisions. TikTok enables consumers to easily obtain information about products they are interested in, positioning the platform as a highly effective marketing tool to expand market share (Fitri & Bilyanti, 2021).

The effectiveness of social media marketing can be assessed by two main factors: brand awareness and customer engagement. Brand awareness indicates the extent to which consumers recognize a brand, while customer engagement reflects the level of interaction between a brand and its customers. A key advantage of social media marketing is its ability to reach a much broader audience compared to traditional advertising methods.

Furthermore, to maximize the impact of social media marketing, it is important to understand the target audience and create content that resonates with them. This involves segmenting the audience based on criteria such as age, location, interests, and more, and developing content that appeals to them. The goal of social media marketing is to grab attention, spark interest, and foster customer engagement. One of the primary outcomes of social media marketing is increased brand awareness, where brands can significantly boost their visibility by posting relevant and compelling content for their target audience.

Based on the discussion, the primary hypothesis that can be formulated is that digital transformation through social media marketing plays a significant role in enhancing brand awareness and customer engagement, which ultimately strengthens brand positioning and drives product sales. In this context, using social media platforms like TikTok has proven to be effective in expanding market share and raising brand awareness, particularly for small and medium-sized businesses. Moreover, marketing strategies that incorporate influencers on social media are seen as more impactful in influencing consumer purchasing decisions than traditional marketing approaches.

## METHODS

Increasing the effectiveness of social media marketing in building customer loyalty and influencing purchasing intentions is influenced by appropriate audience segmentation based on demographic factors such as age, location, and interests. Digital marketing, utilizing creative content on social media, has proven to be more effective in capturing consumer attention compared to traditional advertising. Therefore, this study will employ a literature review approach to analyze various previous studies discussing the role of social media in business digital transformation. The study will examine relevant articles, journals, and research

reports on the impact of social media marketing, especially platforms like TikTok, on businesses across various sectors, focusing on brand awareness, customer engagement, and its influence on purchasing decisions.

In this study, the literature review method involves gathering data from indexed articles in reputable databases such as Scopus and Sinta, along with additional literature from national and international journals published between 2013 and 2024.

This approach aims to provide a comprehensive understanding of the definitions, antecedents, and consequences of social media marketing, as well as its contribution to the digital transformation process of businesses. At this stage, the author collects data from a variety of credible sources to support the analysis. The study follows a library research method, which includes reviewing various references such as books, journals, time-sensitive media information, and other scholarly articles. The data is then accumulated and analyzed through three main activities: data reduction, data presentation, and conclusion drawing.

## RESULT AND DISCUSSION

Social media marketing encompasses much more than just a promotional tool. In addition to being used to market products or services, social media serves as a platform that enables two-way communication between businesses and consumers. Through this open and direct interaction, businesses can better understand customer needs and desires, which in turn improves customer loyalty and strengthens long-term relationships. Effective communication through social media also leads to higher user engagement, where customers feel more appreciated and connected with the brands they choose. This is a key factor in creating more personal relationships and building trust, which significantly influences customer satisfaction and future purchasing decisions.

The effectiveness of social media marketing can be measured by several key indicators, such as brand awareness and customer engagement. Brand awareness reflects the extent to which consumers recognize and recall the brand being marketed, while customer engagement measures the level of interaction between consumers and the brand through likes, shares, comments, and other forms of interaction. A high level of engagement demonstrates that the audience not only views content but actively participates and interacts with the brand, which can potentially increase their loyalty and purchasing intentions.

In the context of social media platforms, TikTok has emerged as one of the most effective platforms for building brand awareness. TikTok's ability to present engaging creative content, particularly through short video formats, has made it extremely popular among consumers, especially younger generations. The platform enables brands to communicate their messages in an engaging and easily memorable way, helping to strengthen the positive associations with the brand in the audience's mind. TikTok also offers various interactive features, such as challenges and collaborations with influencers, which enhance consumer engagement and expand marketing reach.

Digital transformation, particularly through social media marketing, provides numerous benefits for small and medium enterprises (SMEs). With the right marketing strategies, SMEs can reach a broader audience without being constrained by geographical limitations. Social media allows SMEs to tailor their

marketing strategies based on target demographics, such as age, location, and interests, making campaigns more relevant and effective. Additionally, social media marketing facilitates the optimization of customer experiences by providing timely information, quick responses to inquiries or complaints, and fostering a more personal relationship between brands and consumers. This digital transformation offers SMEs the opportunity to compete with larger market players, reduce traditional marketing costs, and accelerate the adoption of technology in their business operations.

## CONCLUSIONS

Social media marketing plays a crucial role in the digital transformation of small and medium enterprises (SMEs). The use of social media not only serves as a tool for product promotion but also helps build closer relationships between SMEs and consumers. Through interactions on platforms such as Instagram, Facebook, TikTok, and WhatsApp, SMEs can gain a deeper understanding of customers' needs and preferences, which in turn strengthens customer loyalty and increases brand awareness. Marketing via social media also allows SMEs to reach a broader audience without geographical limitations, thereby expanding their markets.

However, despite the many advantages that social media offers, SMEs face several challenges in adopting digital technologies, such as a lack of understanding of digital marketing strategies, limited human resources, and resistance to technological change. To fully capitalize on the potential of social media in the digital transformation process, SMEs need to improve their digital literacy and receive adequate training, especially in areas with limited access to technology. Furthermore, selecting the right platform based on the characteristics of the target market is crucial for making marketing strategies more effective.

The recommendation for universities is to further enhance their digital competencies and leverage social media as a two-way communication channel with consumers. Interactive features, such as collaborations with influencers or organizing challenges on platforms like TikTok, can help extend market reach and boost customer engagement. Governments and the private sector are also encouraged to play a more active role by providing training and access to technologies that can accelerate the digital transformation of SMEs. With the right approach, SMEs have great potential for rapid growth and global market competitiveness, contributing significantly to Indonesia's digital economy.

## ACKNOWLEDGEMENT

The author thanked as large as all parties who have provided support in this scrutiny solution. Both directly and indirectly, special gratitude is presented to the University of the Congregation of the Magister Manajemen postgraduate program, upon the facility and academic support given during the scrutiny process. Hopefully the results of this scrutiny can provide a meaningful consideration for the development of social media marketing in digital transformation, especially for small and secondary business (SMEs), and drives the application of more effective strategies in the future.

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