

## ***Ability To Use Digitalization In Increasing The Competitive Advantages Of Msmes In Indonesia: Systematic Literature Review (SLR)***

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**Abstract:** *The business world is currently experiencing disruption, the impact of technological and digital developments. the emergence of various kinds of sophisticated technological advances such as the Internet of Things (IoT), Advanced Robotics, 3D Printing, Artificial Intelligence and other technologies that enable changes from conventional work systems to automation and digital integration. With the phenomenon of technological disruption, a problem is being faced by MSMEs, the competitive advantage possessed by MSME players in Indonesia is decreasing. Recognizing that there is a gap in the use of technology in productive and not consumptive use, it is necessary to carry out further research, to find out more deeply, whether the use of technology in MSMEs will really have an impact on building and maintaining an MSMEs. The method used in this research is Systematic Literature Review (SLR) by collecting and analyzing journals related to keywords. Based on the literature study conducted, it was found that the competitive advantage of MSMEs in Indonesia, one of which is that MSMEs have the organizational ability to attract customers and build prestige for the organization or its products and increase the value felt by customers and achieve their satisfaction which is also the ability to provide various values to customer. Competitive advantage is not fixed, but needs to continuously evolve to keep in touch with various developments, economic, political, social and technological. The results of this research have implications for two things: first, the behavior of MSMEs is expected to continue to upgrade capabilities creatively, innovatively and adaptively, secondly, the government is expected to continue to improve and complement MSMEs facilities evenly and improve mentoring / training programs for MSMEs.*

**Keywords:** *MSMEs, Digital Marketing, Competitive Advantage.*

## **INTRODUCTION**

The business world is currently experiencing disruption due to technological and digital developments. According to Salvador et al., (2019); Son et al., (2020); Syariati et al., (2019) the emergence of various kinds of sophisticated technological advances such as the Internet of Things (IoT), Advanced Robotics, 3D Printing, Artificial Intelligence and other technologies that enable changes from conventional work systems to automation and digital integration. Product supply chain activities are carried out more effectively and efficiently. With the phenomenon of technological disruption, a problem is being faced by MSMEs, the competitive advantage possessed by MSME players in Indonesia is decreasing. Micro, Small and Medium Enterprises (MSMEs) have important characteristics in economic development, both in developing and developed countries. According to Cueto et al., (2022); Setyawati et al., (2022);

Wati et al., 2020) in developing countries like Indonesia, it is now widely accepted that MSMEs have a very important role.

Haseeb et al., (2019); Lestari et al., (2020) also stated that it is important for MSME actors to increase the advantages of their products or marketing strategies, because MSME is one of the most important business sectors in Indonesia. MSMEs have an important role for economic growth in Indonesia. competitive advantage for MSMEs is largely determined by the ability of these MSMEs to anticipate globalization (Hamad et al., 2018; Husti & Mahyarni, 2019; Udriyah et al., 2019). This is in line with the statement of Liu & Yang, (2020); Nuryakin, (2018); Quaye & Mensah, (2019) that empowering MSMEs in the midst of globalization and high competition requires MSMEs to be able to face global challenges, such as increasing product and service product innovation, developing human and technological resources, and expanding marketing areas. This needs to be done to increase the competitiveness of MSMEs themselves, the goal is to be able to compete competitively on domestic and foreign products which are increasingly flooding industrial and manufacturing centers in Indonesia, considering that MSMEs are an economic sector that is able to survive in an era of globalization which is full of competition. (Arsawan et al., 2022; Liguori & Winkler, 2020; Samsir, 2018; Tukamuhabwa et al., 2021).

Measurement of competitive advantage for MSMEs uses indicators of dynamic capabilities, innovation, and global orientation. Dynamic capabilities include firm management, HRD, and marketing which are resource capabilities owned by the organization (Al Badi, 2018; Liu & Yang, 2019; Puspaningrum, 2020; Songling et al., 2018). Besides that, MSMEs in Indonesia prioritize innovation and a global orientation considering that these two factors also greatly determine the success of MSMEs in competing in the global market. Even though many MSMEs have developed in Indonesia and implemented information technology for their business activities, there are still many MSMEs that have not implemented information technology, especially using social networking media and do not understand how big the benefits and roles of using social networking media are. Whereas networks and correlative relationships are important facilitators for MSME business activities. Based on Antonizzi & Smuts, (2020); Nisa & Pramesti, (2020) broadband penetration rate will increase MSMEs digital involvement and can increase Indonesia's annual economic growth by 2%.

Kiyabo & Isaga, (2020); Nuryakin, (2018) emphasized that competitive advantage is an advantage over competitors obtained by offering consumers greater value, either by means of lower prices or by providing greater benefits and services that justify higher prices, Porter (2001) . Resource-Based Theory: Creating and Sustaining Competitive Advantage, states that

sources of competitive advantage include resources, original, inimitable, and no substitutes. The resources referred to include all assets, capabilities, organizational processes, company characteristics, information, knowledge and so on where these resources are within the company's control for implementing strategies to achieve effectiveness and efficiency (Al Badi, 2018; Lestari et al., 2020 ; Quaye & Mensah, 2019; Tukamuhabwa et al., 2021).

The competitive advantage that has been achieved should be maintained because with the existence of an advantage, more and more competitors are paying attention to the middle point of a business, therefore MSMEs must continue to be consistent in maintaining their excellence. Vătămănescu et al., (2019) Competitive advantage can also be seen by evaluating customers that companies can create through service facilities that can accommodate all kinds of complaints or suggestions aimed at consumers for companies for improvement towards higher quality. To realize this strategy, MSMEs must be proactive and innovative in designing business strategies such as the use of information and communication technology (ICT) (Stucki, 2019; Yun, 2022).

Setting a good strategy is the key to success for MSMEs to be superior in anticipation of market competition (Bienhaus & Haddud, 2018; Kandpal & Mehrotra, 2019). To create a competitive advantage, it is necessary to have the ability to utilize the ability to deal with certain problems as the ability grows from time to time, to utilize and create new resources, such as skills to utilize technology, or to open up new opportunities for the development of new types of products Aparicio et al. , (2019); Putro et al., (2022); Ratten & Jones, (2021). A company is said to have a competitive advantage when the company implements a value creation strategy which in the process will produce professional employees. Finally, superior performance results and superiority in production reflect competitive advantage (Kiyabo & Isaga, 2019; Lestari et al., 2020)

Kurdi et al., (2022); Nedungadi et al., (2018); Purwaningwulan & Ramdan, (2022) The development of digital technology has made it possible for MSMEs to market their products online and make transactions through the online banking system as well. The development of digital technology has changed the marketing of small and medium enterprises, which was previously carried out conventionally, to digitally by utilizing the use of social media and the use of websites to market their products. Utilization of online media is the right choice for MSMEs to develop the business they run. The ease of access to the internet today, the amount of benefits obtained, and the low costs required are the main reasons for MSMEs before they

finally choose online media as the right solution to expand their business reach (Kurniawati et al., 2021; Natakusumah et al., 2022).

Digital technology has changed the way humans speak, communicate, act, and make decisions (Ata & Yildirim, 2019; Verma, 2018; Wibisono et al., 2019). According to Ira Promasanti Rachmadewi et al., (2021); and Purnamawati & Yuniarta, (2021) Digital marketing can be defined as marketing activities including branding that use various web-based media. Digital marketing strategies should be aligned with organizational strategies (Appio et al., 2021; Patil et al., 2021). In the development of digital technology in such a way, organizations are sometimes tempted not to listen or see what the market wants. Often with existing technological advances, business organizations are tempted to show their technological sophistication without hearing what the market says. Organizations can learn about listening by providing space for customers or communities to comment on websites, blogs, and even social networks such as Facebook or Twitter that are deliberately created (Kurniawati et al., 2021; Sari, 2022).

Recognizing that there is a gap in the use of technology in productive and not consumptive use, it is necessary to carry out further research, to find out more deeply, whether the use of technology in MSMEs will really have an impact on building and maintaining an MSMEs. If it has a significant effect, how big is the influence, and if it is not significant, what is the cause. Furthermore, the novelty or update of this research is the Competitive Advantage of UMKM which is enhanced through the use of technology as a MSME business strategy. From the background and previous research as described above, the research aims to determine the use of digital strategies in MSMEs that have or have not gone online and the implications for the competitive advantage of these MSMEs.

## **THEORETICAL**

The review of the theories described in this research comes from several relevant previous studies, as the basis for the theoretical framework, determination, and research analysis. Furthermore, in this section, successive discussions of:

### **MSME Competitive Advantage in Indonesia**

Competitive advantage is the company's ability to make decisions in business to create a secure position above its competitors. Outperforming competitors is not only in terms of providing products or services, but in terms of providing more competitive prices, providing more benefits even though the products offered are the same (Husti & Mahyarni, 2019; Kiyabo & Isaga, 2020). As also mentioned by Anwar, (2018) there is increasing competition in various

industrial fields, the use of technology is one way that is associated with competitive advantage for small and medium businesses. These companies tend to have a sustainable competitive advantage and can improve operational activities more efficiently.

MSMEs in Indonesia are one of the priorities in national economic development. This is because MSMEs are the backbone of the people's economic system which is not only aimed at alleviating poverty and employment, but also reducing the problem of disparities between business actors and income groups (Bhatti et al., 2022; Hanggraeni et al., 2019; Latifah et al., 2021). More than that, its development is able to make a significant contribution in accelerating structural change and broadening the economic base, namely increasing the regional economy and national economic resilience.

Programs and activities carried out by the government in an effort to develop the MSME sector have obtained good results. The results of activities and increasing the role of MSMEs are increasingly visible, especially since the era of the economic and financial crisis in 1997. Apart from showing increasing development, the activities and roles of MSMEs are also able to support national economic growth. Research on MSMEs is one of the supports to continuously find the best solutions so that MSMEs can continue to grow, develop and survive in the era of globalization.

### **Digital Marketing Literacy**

The use of digital in MSMEs will provide many positive benefits for business success and can provide many conveniences in carrying out entrepreneurial activities, such as ease of accessing information, expanding networks and also for communicating. Digital literacy "does not only revolve around the ability to use new technology, learn to use new devices, or even apply these devices and technologies to the learning process (Kitsios & Kamariotou, 2021; Ukko et al., 2019). On the other hand, according to (Ryan & Jones, 2009) digital literacy is a highly adaptive ability that allows people to utilize technical skills and navigate a variety of information available on the internet network. The emergence of many digital user businesses can be an effective business strategy in running digital-based businesses. Strategy will affect organizational life in the long term, for at least five years (Mandal, 2017; Mishra et al., 2017; Patrutiu-baltes, 2016; Ryan & Jones, 2009).

In order to be successful in running a business in the current pandemic era, it does not only necessarily increase internal factors such as entrepreneurial literacy and digital literacy, but also requires external factors, namely government support and community support. The

need for support from the Indonesian government can provide short-term solutions followed by long-term solutions from programs created by the government to support economic activity in the entrepreneurial sector. The Indonesian government is currently actively increasing support for business actors through the Ministry of Cooperatives and Small and Medium Enterprises and the Ministry of Industry has devised several strategies to assist business actors (Hidayat, 2020). The Ministry of Cooperatives and Small and Medium Enterprises has provided at least three stimulus measures for businesses, namely loan repayment concessions, six-month MSME tax relief, and cash transfers for micro-scale businesses. While the Ministry of Industry plans to provide loans at lower interest rates than the interest rates for micro-enterprises to small and medium enterprises (SMEs), linking business actors with online technology shops to help market and sell business products such as Tokopedia, Shopee, and Blibli, development of telecommunications infrastructure and internet programs for entering villages, involving the world of academia and big business in assisting the introduction and use of production technology and digital media, reviving the partnership program, collaborating with local industries that provide raw materials for production purposes, and cooperate with the Ministry of Foreign Affairs to continue to carry out the trade negotiation process, continue export activities of products produced by Indonesian MSMEs.

Before deciding to use a blog, business people generally see various needs as follows: (1) media that is easy for entrepreneurs to use in writing product information or articles that support and provide product guidance for consumers, (2) the media used can display images that are supporting images needed such as product photographs or illustrations, (3) the media used can also display video displays capable of visualizing products or supporting presentations, (4) the media used must be easy to attach documents containing information in pdf format, doc, xls, ppt, or others, (5) the media used is able to assist consumers in communicating online with entrepreneurs, (6) the media used can also function as a transaction tool and a variation of payment media, (7) the media must provide services to consumers, (8) the media can provide online communication support, (9) the media can display testimonials, (10) the media

## **RESEARCH METHODS**

This study uses systematic literature (Systematic Literature Review/SLR) which discusses the issue of "The Ability to Use Digitalization in Increasing the Competitive Advantage of MSMEs in Indonesia. Literature study research is a process or activity of collecting data from various literature journals to compare the results of one study with another.

The purpose of this literature study research is to obtain a theoretical basis that can support solving the problem being researched and reveal various theories that are relevant to the case, more specifically in this study researchers examine the competitive advantages of SMEs through Digital Marketing Technology. This literature study is a comprehensive summary of several research studies that are determined based on a particular theme. The data used in this research is secondary data obtained not from direct observation, but obtained from the results of research that has been conducted by previous researchers.

The secondary data source obtained is in the form of articles from reputable journals with predetermined themes. The literature search in this literature study used the Sagepub, Elsevier, MDPI and Taylor & Francis databases. The search for published articles on the search engines (Search Engines) above uses the keywords: "SME Excellence, Digital Marketing". The search process or search process is used to obtain relevant sources to answer the research question (RQ) and other related references using Search Engine Dimensions. From the identification results, it was obtained more than 5530 articles. Furthermore, articles were filtered according to access criteria, year, type of content and abstract analysis. As a result, 497 articles were obtained. From the title of the article, then filtered based on the feasibility of the topic of digital transformation through abstract analysis, the results obtained were 5 articles. In detail, it looks like in the following image:

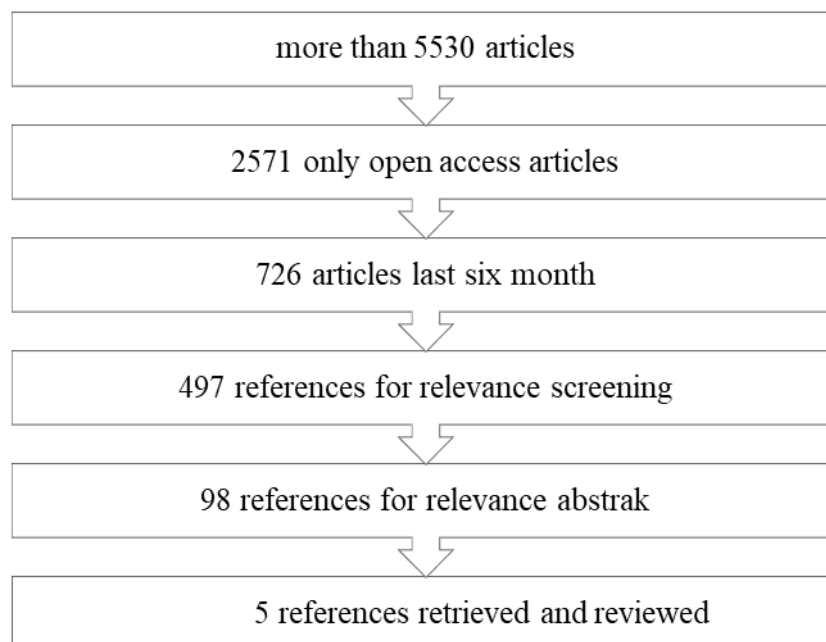


Figure 1. Article Screening Flowchart  
Source: dioalah Researcher, 2023

## RESULTS AND DISCUSSION

### Results

The results of the review of selected articles answer the formulation of the problem regarding the distribution of journals that discuss Competitive Advantage, MSMEs, Digital Marketing as follows:

Table 1. Distribution of related journals on Competitive Advantage, MSMEs, Digital Marketing

No	Journal Name	Journal Link	Indexation	Total
1	Journal of Science and Technology Policy Management	Journal of Science and Technology Policy Management   Elsevier	Elsevier	5
2	European Research on Management and Business Economics	European Research on Management and Business Economics   Elsevier	Elsevier	3
3	Economic Development Quarterly	Economic Development Quarterly  Sage Publish	Sage Publish	2
4	Sutainability	Sutainability  MDPI	MDPI	4
5	Cogent Business and Management	Cogent Business and Management   Taylor & Francis	Taylor & Francis	2

Source: processed by researchers, 2023

### Discussion

Resource-based business management is an alternative solution for MSMEs, because through this management, they are able to create specific competencies and provide strategic choices to achieve sustainable competitive advantages. These resources include physical capital resources consisting of physical, technological, plant and equipment, location, geographic, access to raw materials, human as capital resources consisting of training, appraisal, intelligence, relationships, and organizational capital resources consisting of systems and formal structures and informal relationships between groups. Technological advances can provide a competitive advantage in each of its practices. Need to consider smart city and appropriate information communication technology. Humans as resource-based professions possessing knowledge is an intangible resource, playing a large role in achieving competitive



advantage and implementing effective strategies (Haseeb et al., 2019; Lestari et al., 2020; Liu & Yang, 2020) .

Al Badi, (2018); Udriyah et al., (2019) stated that human resources are the center of the theory of resource-based competitive advantage. Humans work and have the competence to handle and overcome in taking advantage of the challenges and opportunities provided. Competitive advantage is considered as an advantage over competitors that is gained by offering consumers more value than competitors offer. Competitive advantage is expected to be able to achieve profits according to plan, increase market share, increase customer satisfaction, and continue the viability of a business. Arsawan et al., (2022); Lestari et al., (2020) explain that competitive advantage is at the heart of marketing performance to face competition and is the ability to formulate strategies that place in an advantageous position with respect to competitors. Competitive advantage is essential for all forms of business to ensure long-term survival and prosperity. Competitive strategy is the same as business strategy because both have a focus on increasing the company's competitive ability. The essence of this competitive strategy forms all the company's environment, both external and internal, in accordance with the company's desire to achieve company goals.

Competitive advantage is used as a company's business strategy in innovating that is different from its competitors and winning the market. Sustainable competitive advantage can only occur when a company develops a strategy that is not implemented by competitors at the same time, does something better than competitors, or does what competitors cannot (Falahat et al., 2020; Songling et al., 2018). Competitive advantage considers one of the components of the company's marketing strategy which consists of tangible and intangible things. Every company can have a competitive advantage if it uses its available resources and capabilities in the right investment opportunities in the market.

The dimensions of competitive advantage put forward by (Kitsios & Kamariotou, 2021; Li et al., 2021; Purbasari et al., 2020) are adaptability, specificity, and ability to make changes. Adaptability explains that sustainable competitive advantage is used by companies to implement new strategies in reflecting changing market conditions, combining and changing available resources in new and different ways. Specificity explains the resources obtained and used by the company with the market environment, explaining the variation in company performance from time to time. While the ability to make changes explains that the company's resources and capabilities can improve company performance. With the advantages possessed

by the company, it is considered capable of providing and creating value for customers in achieving competitive advantage and better financial performance.

The strategy carried out by the Government to support MSMEs in recovering from the pandemic crisis aims to assist MSME actors in developing the competitiveness or competitive advantage that each MSME has. One of the determining factors of competitive advantage is good marketing ability. There are three dimensions of marketing capability, namely static marketing capability, dynamic marketing capability, and adaptive marketing capability.

- 1) Static marketing capabilities Some marketing scholars have used the organizational capabilities approach to identify the necessary marketing capabilities, including advertising, product development, channel management, marketing communications, sales, marketing information management, marketing planning, and marketing implementation. Basic marketing mix elements as capabilities static marketing, as it offers an implicit static depiction of well-honed organizational capabilities and routines that are difficult to copy to carry out existing processes or focuses on the ability to exploit and use existing internal resources, while neglecting the ability to explore and adapt to change external environment.
- 2) Dynamic capabilities as a company's power and efforts to meet customer needs, respond to changing challenges by integrating and reconfiguring company resources, functions and capabilities. Dynamic marketing capability is a company's ability to adapt its own marketing process to cope with a changing market environment. The essence of dynamic marketing capabilities lies in the idea that a company can rapidly adjust and change its internal resource configuration to align its marketing management processes with market demands upon receiving clear market changing signals.
- 3) Adaptive Capability Adaptive marketing capability takes a proactive approach, which starts with market information and digs deeply into the problems and questions facing customers. Adaptive marketing capabilities are extensible capabilities to proactively sense and act on market signals, continuously learn from market experiments, and integrate and coordinate social network resources to adapt to market changes and predict industry trends. In building complexity theory. Adaptive marketing capability consists of three components: (1) alert market capability, which uses early warning systems and new technologies to gain market insight and anticipate market changes and unmet needs; (2) capable, adaptive market experiments involving continuous learning from market experiments; and (3) capability open marketing, which helps companies create and maintain relationships with partners by using new media and social networking technologies to expand their reach.

In line with the statement above, the statement of Lutfie & Marcelino, (2020); Shiyal et al., (2019) are very relevant if MSMEs are required to be able to master a technology to carry out market expansion strategies from conventional to digitalization. Apart from the advantages gained from using digital technology, 36% of MSMEs in Indonesia are still offline, 37% of MSMEs have very basic online capabilities, and 18% of SMEs have intermediate online capabilities, and 9% of SMEs are businesses. advanced online (advanced). The benefits of digital technology felt by SMEs are: 50.2% access to new customers in Indonesia, 35.5% increase in sales and revenue, 33.7% access to foreign markets, 22.7% enable easier transactions with customers and suppliers, and 11.2% cheaper advertising or lower marketing costs per sale (Marketing, 2015). Currently, SMEs can communicate their brands and products through websites that they have built themselves and or by using social media. With the encouragement of customer demand and the efficiency of promotional costs, SMEs are starting to actively use digital marketing and social media that allow customers to purchase SME products anywhere (Siswanto, 2013). The number of SMEs registered with the Indonesian Ministry of Cooperatives and SMEs is 55.2 million, but only 75,000 have gone online (Aruman, 2015). Based on data from the Association of Indonesian Internet Service Providers (2015), the number of internet users in Indonesia in 2014 was 88.1 million (34.9%) with the total population of Indonesia according to data from the Central Statistics Agency (BPS) for 2014 amounting to 252 million people.

Thus, in terms of population, internet users experienced a growth of 16.2 million users, from 71.9 million to 88.1 million users. Judging from their domicile, 78.5% of all internet users in Indonesia live in the western part of Indonesia. As an important addition, these internet users are dominated by those who live in urban areas of Indonesia. The age of internet users in Indonesia is 18-25 years old, which is almost half of the total number of internet users in Indonesia (49%). That is, it can be said that the segment of internet users in Indonesia are those who belong to the millennial generation or digital natives category, namely the generation born after 1980. Most internet users own and use applications or social networking content by 87.4%, the second is searching 68.7%, third instant messaging 59.9%, fourth looking for the latest news 59.7%, and fifth downloading and uploading videos 27.3%. Judging from the types of sites used to sell online, 64.9% used social networks, 22.9% messengers, 14.4% online communities, 5.7% online shop blogs, 2.3% online shop websites, and 1, 5% mailing list

(Pangerapan, 2015). As many as 62 million people use social media and around 4.6 million consumers in Indonesia actively use the internet for transactions or shopping.

According to Kawira et al., (2019); Quaye & Mensah, (2019) that MSMEs must be careful in choosing social media that suits their marketing goals. Facebook is more suitable for the purpose of reaching a wider audience because the character of its users extends from all levels so that MSMEs can build relationships and awareness by utilizing the events feature, updating statuses, and responding directly to feedback from consumers. MSMEs can maximize Facebook by making descriptive updates accompanied by photos and website links for call-to-action. Meanwhile, Twitter is suitable for building more open communication and for building awareness. In using Twitter, SMEs must update with a focus on wording that is simple and easy to understand and accompanied by a website link for calls-to-action. Meanwhile, Instagram is suitable for building awareness and creating relationships with consumers. The weakness of Instagram is that it cannot put a link that directly connects to the website page, so UKM have to upload photos about the behind the scenes of product making/advertising shooting, new product teasers, endorsements from celebrities, and photo contests.

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusion**

Based on the literature review above, the researcher can conclude that the competitive advantage of MSMEs in Indonesia, one of which is MSME actors, has the organizational ability to attract customers and build prestige for the organization or its products and increase the value felt by customers and achieve their satisfaction which is also the ability to provide various value to customers. Competitive advantage is not fixed, but needs to continuously evolve to keep in touch with various developments, economic, political, social and technological.

The strategy carried out by the Government to support MSMEs in recovering from the pandemic crisis aims to assist MSME actors in developing the competitiveness or competitive advantage that each MSME has. One of the determining factors of competitive advantage is good marketing capability. Marketing resources and capabilities drive business strategy, to gain an edge over the competition and improve company performance. Companies with even basic marketing capabilities are able to create value for customers, achieving a competitive advantage. Competitive advantage is considered as an advantage over competitors that is gained by offering consumers more value than competitors offer. Competitive advantage is expected to be able to achieve profits according to plan, increase market share, increase customer satisfaction, and continue the viability of a business

## RECOMMENDATIONS

Based on the above conclusions, researchers can provide suggestions that will help develop the competitive advantage of MSMEs in Indonesia, including,

- 1) Subsequent research is carried out in more specific areas, in order to obtain concrete information and knowledge. Differences in customs and culture are expected to add to different research results and can add to the wealth of knowledge, especially about micro, small and medium enterprises (MSMEs) in the food and beverage industry sector.
- 2) For future researchers, it is hoped that they can make a useful contribution to MSMEs who want to increase the competitive advantage of MSMEs, especially through the development of digital marketing technology.
- 3) The next research is expected to be able to provide broader insights to micro, small and medium business actors that their business activities are carried out using good digital marketing literacy will affect the running of the business. Technological developments that can be followed and planned are expected to get good and maximum results for MSMEs.

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