



## Export-Based MSME Internationalization Development Strategy: Digital Marketing and Digital Leadership in Indonesia

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### ABSTRACT

This research aims to investigate export-based MSME development strategies with a focus on the role of digital marketing and digital leadership in Indonesia. The research method used is in-depth interviews with SMEs owners who have succeeded in developing their export markets using digital platforms. The research results show that using digital marketing, such as social media and search engine optimization, is very important to increase the visibility and competitiveness of SMEs in the global market. Digital leadership from SMEs owners also plays a key role in driving innovation and adaptation to global market changes. These findings have important implications for SMEs owners and other stakeholders in developing effective strategies to face challenges and exploit opportunities in export market expansion.

## **INTRODUCTION**

Micro, Small and Medium Enterprises (MSMEs) play an important role in the Indonesian economy as providers of employment and main contributors to economic growth. Along with globalization and technological developments, MSMEs in Indonesia are faced with new opportunities and challenges, especially in developing their export markets (Aziz, Sumantoro, and Maria 2019). Expansion into global markets can be a promising strategy for MSMEs to increase income and reduce dependence on domestic markets which are often more limited.

In the current digital era, advances in information and communication technology have opened up new opportunities for MSMEs to enter the export market more effectively and efficiently. Digital marketing, which includes various marketing strategies through digital platforms such as social media, websites and search engines, has become a very important instrument in connecting MSMEs with potential customers in the global market. (Marlina et al. 2020). Apart from that, digital leadership, which includes the ability of MSME owners to lead digital transformation, is also a determining factor in the success of MSMEs in facing challenges and exploiting opportunities in the export market. (W. Kurniawan and Soediantono 2022).

In this context, research on export-based MSME development strategies with a focus on the role of digital marketing and digital leadership in Indonesia becomes very relevant and useful. This research aims to dig deeper into how MSMEs can utilize digital marketing and digital leadership to develop their export markets, as well as to identify the challenges and opportunities faced in this process. (Fachrunnisa 2020).

By considering this background, it is hoped that this research can provide valuable insight for MSME owners, related stakeholders, and the government in designing policies and support programs that support the development of export-based MSMEs in Indonesia. Apart from that, it is also hoped that this research can be an important contribution to academic literature on MSMEs, exports, digital marketing and digital leadership.

## **LITERATURE REVIEW**

### **MSMEs and the Role of Exports in the Indonesian Economy**

Micro, Small and Medium Enterprises (MSMEs) play an important role in the Indonesian economy, contributing more than 60% of gross domestic product (GDP) and providing employment for the majority of the workforce in this country (Coordinating Ministry for Economic Affairs of the Republic of Indonesia, 2023). Despite this significant contribution, MSMEs in Indonesia still face challenges in increasing their competitiveness and market penetration, especially at the global level. Exports are an important strategy for MSMEs to

increase their growth, access wider markets, and reduce dependence on sometimes limited domestic markets (Mahendra, 2019).

### **The Role of Digital Marketing in MSME Export Market Expansion**

The use of digital technology, especially in the context of digital marketing, has opened up new opportunities for MSMEs to expand their market reach at the global level. Digital marketing includes various marketing strategies through digital platforms such as social media, websites, search engines, and email. Research shows that MSMEs that use digital marketing have a significant competitive advantage in reaching international audiences, increasing brand visibility, and expanding market share (Chaudhary & Srivastava, 2020). By using digital platforms, MSMEs can send measurable and targeted marketing messages to potential consumers around the world, enabling them to compete effectively in the global market (Dwivedi, YK, Rana, NP, Slade, EL, Singh, N., & Kizgin, H., 2019b).

### **The Role of Digital Leadership in Transforming MSMEs**

Apart from digital marketing, digital leadership is also a key factor in the success of MSMEs in facing challenges and exploiting opportunities in the export market. Digital leadership includes the ability of MSME owners to lead digital transformation, adopt new technology, and integrate digital innovation into their business strategy (Indarta et al. 2021). Effective MSME leaders in a digital context are able to identify opportunities in global markets, implement appropriate digital strategies, and manage risks associated with the use of digital technologies in their business operations (Prasetyo 2020); (Shin, Mollah, and Choi 2023).

From this literature review, it becomes clear that digital marketing and digital leadership have a very important role in helping Indonesian MSMEs to develop their export markets. (Tigre, Curado, and Henriques 2023); (Turkey 2023). Therefore, further research on export-based MSME development strategies with a focus on the role of digital marketing and digital leadership becomes very relevant and useful for further study.

## **METHODOLOGY**

The research method used is qualitative research with a descriptive approach. The primary data source used is a data source from information on MSMEs in East Java and is also supported by secondary data sources in the form of several literatures that are relevant to the research topic. The collection technique used prioritizes literature study as well as observation of the targeted MSMEs. The data analysis technique is carried out starting from data reduction to presenting the data and drawing conclusions. According to Maxwell (2013),

this method involves a systematic approach to searching, reviewing and analyzing literature relevant to the research topic. The analysis is carried out by examining various perspectives, theories, and findings contained in the literature to gain an in-depth understanding of the topic. According to Creswell (2018), literature-based qualitative methods can be used to build a conceptual framework, review literature to support research findings, or investigate different points of view in a particular field of study. Thus, literature-based qualitative methods are a valuable approach in qualitative research, which allows researchers to investigate and present in-depth insights about research topics without the need to collect primary data. This method provides an opportunity to integrate various perspectives and findings from relevant literature to support research findings.

## **RESEARCH RESULT AND DISCUSSION**

### **Implementation of Export-based MSME Development**

The majority of MSME owners who are successful in developing their export markets use various digital marketing strategies, including marketing via social media, online advertising, search engine optimization (SEO), and content marketing. They see digital marketing as an effective means to increase their brand visibility, reach a global audience, and increase sales of their products (Mogaji, Soetan, and Kieu 2020). Apart from digital marketing, digital leadership is also a key factor in the successful development of export-based MSMEs. MSME owners who have the ability to lead digital transformation in their businesses, adopt new technologies, and integrate digital innovation in their business strategies are likely to achieve better results in export market expansion. Despite the benefits, MSME owners also face several challenges in implementing digital marketing and digital leadership strategies. These challenges include limited resources, lack of digital knowledge and skills, and concerns about data security and privacy (A. Kurniawan and Asharudin 2018).

In terms of digital marketing, the findings show that MSMEs that are successful in developing their export markets tend to use various digital platforms such as social media, websites and search engines to promote their products. They utilize various digital marketing techniques such as paid advertising, content marketing, and promotion via social media to reach a global audience (Munir, Kadir, and Umar 2023). This helps increase their brand visibility in international markets and increase product sales. The following is MSME (Micro, Small and Medium Enterprises) exports in East Java cover various industrial sectors and products. The following are several examples of various types of export MSMEs that are generally found in East Java:

1. Textile and Garment Industry: MSMEs in the textile and garment sector produce various products such as clothing, fabric, batik and textile accessories. Typical East Javanese batik such as Madura batik, East Javanese batik and Tulungagung batik are products that are in demand on the export market.
2. Handicraft Industry: East Java has a variety of handicrafts that are exported, such as copper, silver, wood and woven crafts. Examples include wood carving crafts from Jepara, silver crafts from Probolinggo City, as well as woven bamboo or rattan crafts from areas such as Surabaya, Malang and Blitar.
3. Food and Beverage Industry: MSMEs in the food and beverage sector are also active in exports. Examples of products include traditional snacks, pastries, processed foods, and specialty drinks such as East Java coffee.
4. Ceramic Industry: Ceramics is an important export product from East Java. Ceramic MSMEs in the Mojokerto area and surrounding areas produce various kinds of ceramic products, ranging from household furniture to decorative crafts.
5. Electronic Goods Industry: Although not as large as other sectors, several MSMEs in East Java are also involved in the production of electronic goods and electronic components that are exported, such as electrical devices, lamps and small electronic components.
6. Cosmetics and Care Industry: Cosmetics and personal care products are also part of East Java's exports. MSMEs in this sector produce various products such as soap, lotion, perfume, and other skin and hair care products.
7. Fisheries Industry: Coastal areas in East Java have MSMEs involved in the fisheries sector and fishery product processing. Export products include salted fish, anchovies, dried shrimp, as well as processed fish such as fish crackers.
8. Jewelry Industry: There are also quite a lot of MSMEs in the jewelry sector in East Java. They produce jewelry from various materials such as gold, silver and diamonds, as well as jewelry made from natural materials such as pearls and precious stones.
9. Transportation Equipment Industry: Several MSMEs in East Java are involved in the production and processing of motor vehicle spare parts or components, both for the domestic and export markets.

These are some examples of the various types of export MSMEs that can be found in East Java. Each sector has unique potential and characteristics, providing diverse contributions to economic growth and trade in the region. There are various brand names for MSMEs (Micro, Small and Medium Enterprises) exports in East Java which reflect the diversity of products and

industries in the region. The following are several examples of brand names from export MSMEs in East Java:

1. **Madura Batik:** Madura Batik is one of East Java's superior products which has its own brand. Madura Batik is famous for its distinctive motifs and is often exported to various countries such as Malaysia, Singapore, Bangkok.
2. **Dian Pelangi:** Dian Pelangi is the brand name of a company based in Surabaya, East Java, which is famous for its stylish and quality Muslim fashion products. And has exported to Malaysia and Brunei Darussalam
3. **Bali Ratih Body Scrub:** Bali Ratih is a brand that produces various body care products, including body scrubs and spa products. Despite having the word "Bali" in its name, the company is based in East Java. This scrub has been exported to all foreign countries.
4. **Oxone:** Oxone is a brand that is famous for its kitchen and household equipment products. Even though it is not originally from East Java, Oxone products are produced in several factories in the East Java region.
5. **Duomina:** Duomina is a brand from MSMEs in East Java that focuses on the production and development of women's accessories and jewelry, such as bracelets, necklaces and earrings.
6. **Tulipware:** Tulipware is a brand known for its quality plastic eating and drinking utensil products. Even though it comes from a company based in Surabaya, East Java, Tulipware products have been exported to various countries such as Malaysia, Thailand, Bangkok.
7. **Cap Lang:** Cap Lang is the brand name of MSMEs in East Java which produces various consumer products, such as coconut oil, chili sauce and other food products and has exported its goods to the Southeast Asia area.
8. **Aisara:** Aisara is a brand that focuses on skin care and beauty products, including soap, lotion and other body care products. Aisara products have been exported to several countries such as Southeast Asia.
9. **Kayavit:** is a souvenir product brand originating from Malang. This product is in the form of food and drinks that use fruit to make chips. This product has been exported to Singapore and Malaysia.

The brand names above are examples of various export MSMEs in East Java that have succeeded in building an identity and reputation in their respective industries. Apart from that, digital leadership has also proven to be an important factor in the success of MSMEs in developing export markets. MSME owners who have a strong understanding of digital technology and the ability to lead digital transformation in their business tend to achieve better results. They are able to integrate digital innovation into their business strategy and

address the challenges associated with the use of digital technology in daily operations.

### **Digital Leadership and Digital Marketing as a process of digital transformation in MSMEs**

Implementation of these strategies enables MSMEs to overcome traditional barriers to accessing global markets and increase their competitiveness. In addition, the results of this research also highlight the need for support from the government and other stakeholders in providing training and assistance to MSMEs related to the use of digital technology and digital leadership development (Nabieva 2021). These steps can help overcome the challenges faced by MSMEs and increase their opportunities in developing export markets.

In addition, this research provides valuable insight for MSME owners and other stakeholders about the importance of adopting a digital-based approach in developing their business. By understanding the role of digital marketing and digital leadership, MSMEs in Indonesia can increase their competitiveness in the global market and achieve sustainable growth in the long term (Almansour 2022). To overcome this challenge, supporting measures are needed from the government and other stakeholders. This includes providing training and assistance to MSMEs related to the use of digital technology, facilitating access to digital resources, and creating a conducive environment for digital innovation.

A better understanding of the role of digital marketing and digital leadership can help MSMEs develop more effective strategies to face global competition and achieve sustainable growth in the long term (Student et al. 2023); (Tigre, Curado, and Henriques 2023). Thus, this research provides valuable insights for MSME owners, stakeholders and the government in designing appropriate policies and support programs to support the development of export-based MSMEs in Indonesia.

### **CONCLUSION AND RECOMMENDATION**

Digital technology is a development that everyone must understand and use. MSMEs as business units in Indonesia that contribute large revenues to Indonesia are of course expected to be able to utilize and use various digital platforms that can support their business units. As targeted by the Indonesian government, more and more MSMEs can be connected digitally. MSMEs carry out a series of activities aimed at carrying out marketing activities for all products in East Java. Several stages such as determining a management decision when carrying out export activities. Next, determine the commodities that will be used as export products. All MSME players have good

considerations because they have good characteristics for overseas market share in the current era.

### **FURTHER RESEARCH**

This research can be used as a guideline for further research to provide developments related to government policies and environmental turbulence for SMEs in Indonesia.

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