



## TRADITIONAL TO DIGITAL MARKETING TRANSFORMATION: AN ANALYSIS OF PRACTICES AND CHALLENGES FOR UMKM

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### ABSTRACT

*The development of information and communication technology has changed the global business landscape, pushing MSMEs to adopt digital marketing strategies to improve competitiveness. While digitalization offers various opportunities, many MSMEs still face obstacles in implementing digital marketing due to limited resources, low digital literacy, and lack of understanding of digital technology. This research seeks to fill the gap in the related literature by exploring the challenges and best practices in digital marketing transformation for MSMEs in Indonesia. A descriptive qualitative research approach was used with semi-structured interviews with MSME owners, digital marketing experts, marketplace platform representatives, consumers, and government regulators. The results show that although most MSMEs have started to adopt digital marketing, obstacles such as lack of a clear strategy, limited capital, and competition with large businesses are still the main challenges. In addition, low digital literacy means that many MSMEs have not been able to optimize the features available in marketplaces and social media. Therefore, improved digital literacy, assistance in marketing strategies, and more adaptive policy support are needed to accelerate the digital transformation of MSMEs. This research contributes to the development of literature related to digital marketing for MSMEs and provides recommendations for stakeholders in supporting the digitalization of MSMEs more inclusively and sustainably.*

**Keywords:** *digitalization; digital literacy; digital marketing; MSMEs*

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### INTRODUCTION

The development of information and communication technology has driven significant changes in various aspects of life, including in the business world. Digitalization not only creates operational efficiency, but also changes the way companies interact with customers and market their products or services. This phenomenon does not only occur in large companies, but also impacts MSMEs, which are an economic sector with a large contribution to GDP and employment in Indonesia. According to data from the Ministry of Cooperatives and SMEs, more than 64 million MSMEs in Indonesia play a role in absorbing around 97% of the national workforce. Therefore, digital transformation is an unavoidable aspect for MSMEs to remain relevant and able to compete in the modern era.

Changes in consumer behavior are also a major driving factor in the shift from traditional to digital marketing. People are increasingly accustomed to online transactions, whether through e-commerce, social media, or digital-based applications. A report by Google, Temasek, and Bain & Company (2022) revealed that the digital economy in Indonesia is growing rapidly, with the growth of e-commerce transaction value increasing every year. This consumption pattern shows that consumers tend to search for product information, make price comparisons, and complete transactions through digital platforms. MSMEs that still rely on conventional marketing strategies risk losing market share due to the shift in consumer preferences towards digital.

While digitalization brings many opportunities, there are still challenges in its implementation in the MSME sector. Limited access to technology, low digital literacy, and lack of resources to manage digital marketing are the main obstacles for most MSMEs. Many businesses do not fully understand how to optimize social media, marketplaces, or data-based marketing strategies to increase sales. In addition, uneven digital infrastructure in some regions is also an obstacle for MSMEs to adapt to the digital business ecosystem optimally. Therefore, efforts to accelerate the digitalization of MSMEs require support from various parties, including the government, private sector, and academic institutions.

The transformation from traditional to digital marketing is not just a trend, but an urgent need for the sustainability of MSMEs. The adoption of digital technology allows MSMEs to improve operational efficiency, expand market reach, and adapt to changes in consumer behavior. By utilizing various digital platforms, MSMEs can compete more effectively, both at the national and global levels. Therefore, it is important for MSMEs to understand appropriate digital marketing strategies to avoid being left behind in an increasingly competitive era. This change should be viewed as opportunities to improve competitiveness, not as threats that hinder business growth.

Although digitalization opens up great opportunities for MSMEs, many businesses still face various obstacles in its implementation. One of the main obstacles is limited resources, both in terms of finance, manpower, and digital infrastructure. MSMEs with limited capital often struggle to allocate funds for technology investments, such as website management, paid digital advertising, or social media optimization. In addition, limited manpower with expertise in digital marketing is also a hindering factor developing effective marketing strategies. As a result, many MSMEs still rely on conventional marketing methods and have not fully utilized digital technology optimally.

Lack of knowledge about digital technology is also a significant challenge for MSMEs in adapting to an increasingly digitized business ecosystem. Many businesses do not understand how to optimize marketplace features, data-driven marketing strategies, or social media algorithms to increase their product visibility. This ignorance causes many MSMEs to be unable to compete with larger companies that have mastered digital marketing. In addition, there is still resistance to change, where some businesses are still skeptical of the effectiveness of digital marketing compared to the traditional methods they have used for years. This attitude further widens the gap between the potential benefits of digitalization and the reality on the ground.

The COVID-19 pandemic has become a momentum that accelerates digitalization in various sectors, including MSMEs. Social restriction policies and changes in consumer behavior that rely more on online transactions have forced many businesses to switch to digital strategies. However, this transition does not always go smoothly, especially for MSMEs that are not ready to adopt technology. Many small businesses experience difficulties in making an abrupt transition to digital platforms due to limited resources and a lack of understanding of online marketing technology. This phenomenon shows that while digitalization promises

various benefits, there are still significant gaps in its implementation, especially in the MSME sector which has limitations in accessing and managing digital technology.

The diffusion of innovation theory proposed by Rogers (2003) provides a conceptual framework in understanding how MSMEs adopt digital marketing. According to this theory, the decision to adopt an innovation, including digital technology, is influenced by several main factors, namely relative advantage, compatibility, complexity, trialability, and observability. Relative advantage refers to the extent to which digital technology provides more benefits compared to traditional marketing methods. Compatibility indicates the degree to which the technology is compatible with existing MSME business models, while complexity refers to how difficult the technology is for businesses to understand and implement. Trialability and observability play a role in providing opportunities for MSMEs to test and observe the effectiveness of digital marketing before fully adopting it.

In the context of MSMEs, complexity and compatibility are often the main barriers to implementing digital marketing. Many MSME players feel that digital-based marketing strategies are too complicated and require technical skills that they have not mastered. In addition, the traditional business model that has been in place for years makes most MSMEs reluctant to switch to digital methods because it is considered incompatible with their previous way of working. The lack of understanding on how digital technology can be integrated into their business model further slows down the adoption process. Therefore, an understanding of the diffusion of innovations theory is important in explaining why not all MSMEs can easily adopt digital marketing despite its well-known benefits.

In addition to innovation diffusion theory, dynamic capability theory is also relevant in analyzing the digital marketing transformation of MSMEs. This theory emphasizes that organizations must have the capability to adapt to changes in the business environment, including in the face of digitalization. MSMEs that have dynamic capabilities will more quickly identify opportunities from digital marketing and develop appropriate strategies to optimize them. Conversely, MSMEs that do not have this capability are likely to experience difficulties in adjusting to digital trends, thus falling behind more adaptive competitors. In this case, the development of digital competencies is a very important aspect for MSMEs in order to survive and thrive in the midst of the digitalization era.

The implication of the diffusion of innovation theory and dynamic capability theory in this study is the importance of understanding the factors that influence the readiness of MSMEs in transforming to digital marketing. Both theories provide a foundation in exploring the barriers and opportunities faced by MSMEs in the digitalization process. Understanding these factors can help in designing more effective strategies to encourage the adoption of digital technology among MSMEs. In addition, these theories also highlight the need for training and mentoring for MSMEs so that they can develop dynamic capabilities in facing the challenges of digitalization. Thus, this theory-based approach is fundamental in understanding the dynamics of marketing transformation from traditional to digital for MSMEs.

This research has significance in identifying best practices and challenges faced by MSMEs in carrying out digital marketing transformation. By understanding the barriers that arise in the implementation of digital marketing, this research can provide a comprehensive picture of the factors that influence the success of MSME digitalization. The findings of this research are expected to form the basis for formulating more effective strategies for MSMEs in adopting digital technology. In addition, understanding the main challenges faced by MSMEs can also help in developing more targeted policy-based solutions. Thus, this research is not only academically relevant, but also has practical implications for businesses in improving their competitiveness in the digital era.

In addition to providing benefits for MSMEs, this research also contributes to policy makers in developing more targeted digitalization assistance and training programs. A more in-depth understanding of the digital gap in the MSME sector. The strategic recommendations generated from this research can be used as a reference in developing digital marketing training initiatives that are based on real challenges and opportunities in the field. The strategic recommendations generated from this research can be used as a reference in developing digital marketing training initiatives based on real challenges and opportunities in the field. With this contribution, it is expected that the digitalization of MSMEs can run more effectively and inclusively, so as to accelerate the growth of the digital economy in Indonesia. This research is also expected to enrich the academic literature related to digital marketing and MSME business strategies in the context of globalization and digital transformation.

This research has academic significance by filling a void in the study digital marketing transformation in MSMEs, especially in the context of challenges and best practices in Indonesia. Most previous studies have focused on digitalization on a large business scale or on the technical aspects of digital marketing without highlighting in-depth the structural barriers faced by MSMEs in adopting digital strategies. By exploring the factors that influence the success and obstacles in implementing digital marketing, this research provides an empirical contribution that can be used as a reference in future academic studies. In addition, this research highlights aspects of MSME business behavior in the face of technological disruption that are still rarely analyzed in previous studies. Thus, this research adds academic insights related to the MSME adaptation model to technological changes in the digital business landscape.

In addition to filling academic gaps, this research also has high relevance to contemporary issues related to digital transformation in the business world, especially in efforts to strengthen the competitiveness of MSMEs. Changes in people's consumption patterns that are increasingly dependent on digital ecosystems make technology-based marketing an urgent need for MSMEs. However, not all MSMEs have optimal readiness to adapt these changes, both in terms of resources, strategies, and policies that support digitalization. Therefore, this research also contributes to legal policy and practice, especially in designing regulations that are more adaptive to the needs of MSMEs in the digital era. The recommendations generated from this research can be used as a reference for the government and stakeholders in drafting more inclusive policies, as well as designing more effective assistance strategies for MSMEs in the face of digital transformation.

The transformation of marketing from traditional to digital methods has become an increasingly relevant phenomenon in the business world, especially for MSMEs in Indonesia. Digitalization offers various benefits, such as operational efficiency, expansion of market reach, and increased customer engagement. However, not all MSMEs can easily adapt to this change, given the various obstacles they face. Therefore, it is important to explore how MSMEs undertake the digital marketing transformation process, including the strategies they employ in adjusting to technological developments. This study aims to understand the extent to which MSMEs have adopted digital marketing, as well as the factors that influence success or failure in the digitization process.

In addition to exploring the transformation process, this research also focuses on the main challenges MSMEs face in implementing digital marketing strategies. The barriers that arise can come from various factors, such as limited technological knowledge, access to digital infrastructure, and human resource skills in managing online marketing. Lack of digital literacy and limited capital are often obstacles that hinder the effectiveness of digital marketing strategies implemented by MSMEs. Therefore, this study also seeks to identify solutions that have been implemented by MSMEs in facing these challenges, both through marketing strategy

innovation, digital platform optimization, and support from various parties, including the government and private sector. Thus, this research not only provides an understanding of the constraints of digitalization for MSMEs, but also offers strategic recommendations in an effort to improve their competitiveness in the digital era.

## RESEARCH METHODS

This research uses a **descriptive qualitative research design**, which aims to understand the phenomenon of traditional to digital marketing transformation in MSMEs. This approach was chosen because it is able to explore the experiences, challenges and strategies implemented by MSMEs in dealing with the digitalization of their business (Creswell, 2014). Data were collected through in-depth interviews with purposively selected informants, namely MSME owners, digital marketing experts, marketplace representatives, consumers, and government regulators. Semi-structured interview techniques were used to allow flexibility in exploring informants' views and experiences. Data analysis was conducted using a thematic approach to identify key patterns in the digital marketing transformation of MSMEs.

The main instrument used in this study was an interview guideline that was prepared based on the conceptual framework of digital marketing and the challenges faced by MSMEs (Miles & Huberman, 1994). The interview questions were designed to explore the driving factors of digitalization, obstacles in the implementation of digital marketing, and optimization strategies undertaken by MSMEs. Observation of digital marketing practices was also conducted as additional data to strengthen the research findings. In addition, documentation from various sources, such as industry reports and government policies related to MSME digitalization, were used as additional references. The data obtained were analyzed inductively with data reduction techniques, data presentation, and systematic conclusion drawing.

The research procedure is carried out in several stages, starting from the preparation of the research framework to the analysis of the data that has been collected. At the initial stage, a literature study was conducted to understand the concept of digital marketing and the challenges faced by MSMEs in their business transformation. Furthermore, the selection of informants was done using purposive sampling method to ensure that the respondents have relevance to the research topic (Patton, 2002). Interviews were conducted both in person and online, with the duration adjusted based on the informants' availability. The data obtained was then transcribed, coded, and analyzed to find key themes that reflect the reality of digital marketing transformation taking place in the MSME sector.

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## RESULTS AND DISCUSSION

### Research Results

The transformation of marketing from traditional to digital methods has had a significant impact on MSMEs, especially in terms of market reach and operational efficiency. Based on interviews with MSME owners, changes in marketing strategies occurred gradually, starting from the use of social media to the utilization of marketplaces. One informant, A.R., revealed that initially, marketing relied solely on conventional strategies such as word-of-mouth

marketing and physical stores. However, after the COVID-19 pandemic, MSMEs began to adapt by using digital platforms to expand their markets. "We also joined marketplaces such as Shopee and Tokopedia to expand our market. Although it was difficult at first, now almost 70% of our sales come from digital platforms," explained A.R. This shows that digitalization has become an urgent need for the sustainability of MSME businesses.

While digital marketing provides many opportunities, challenges in the transformation process are still a major obstacle for MSMEs. Lack of understanding in managing digital advertising and creating engaging content are the main obstacles. In addition, the ever-increasing cost of advertising is also a challenge for MSMEs with limited capital. A.R. mentioned that one of the strategies implemented to overcome these challenges is to attend digital marketing training and work with micro-influencers to increase *brand awareness*. "We started attending free digital marketing training from the government and the business community," he said. Thus, training and mentoring for MSME players is one of the crucial factors in the success of digital transformation.

From the perspective of digital marketing experts, the effectiveness of digital marketing for MSMEs is highly dependent on the strategies used, including platform selection and consistency in content marketing. Dr. S.N. emphasized that many MSMEs still run digital marketing without a clear strategy, making it less effective in reaching the target market. "They often do not have a specific target market and ignore data analytics," he said. A common mistake made by MSMEs is the reliance on paid advertising without building interactions with customers organically. Therefore, understanding consumer behavior and using sustainable marketing strategies are the keys to success in digital marketing for MSMEs.

The role of digital platforms such as marketplaces is also very significant in supporting the digitalization of MSMEs. Marketplaces not only provide a wider sales ecosystem, but also offer promotional features and more practical payment systems. M.T., a representative of Shopee Indonesia, explained that marketplaces have various educational programs that can help MSMEs improve their digital skills. "Marketplaces provide an ecosystem that supports MSMEs to sell products digitally, from promotional features, easy payment systems, to integrated delivery services," he said. However, fierce competition and lack of understanding of marketplace feature optimization are still obstacles for many MSMEs, strategies such as utilizing marketplace algorithms and product description optimization are important for MSMEs to survive in the digital ecosystem.

From a consumer perspective, the main factors in choosing MSME products online are customer reviews, the quality of product photos, and the clarity of product descriptions. F.H., an online MSME consumer, stated that although shopping online provides choices, there is a risk that the goods received will not meet expectations. "I usually consider ratings and reviews from previous customers. In addition, attractive product photos and clear descriptions are very helpful in purchasing decisions," she said. Thus, transparency in digital marketing, especially in terms of product quality and customer service, is a very important aspect in building consumer trust.

Support from the government is also a determining factor in the success of digital transformation for MSMEs. Digital training programs, business capital assistance, and collaboration with e-commerce platforms have helped many MSMEs in the process of adapting to digital marketing. R.K., an official from the Ministry of Cooperatives and SMEs, explained that the government continues to encourage digital literacy for MSMEs to improve their competitiveness in the digital market. "We have various programs, such as free digital marketing training for MSMEs, business capital assistance for digitalization, and collaboration with digital platforms," he said. However, challenges such as low digital literacy and limited

internet infrastructure in some regions are still obstacles in the implementation of digitalization evenly. Therefore, the government's long-term strategy is focused on improving access to technology and strengthening the digital capacity of MSMEs to be more competitive in the digital era.

The results of this study indicate that the transformation of traditional marketing to digital has brought significant changes in MSME business strategies. Despite the challenges, success in digitalization largely depends on MSMEs' readiness to understand digital marketing strategies, make optimal use of digital platforms, and get support from various parties, including the government and e-commerce platforms. With the right approach, digital marketing can be an effective solution for MSMEs in improving their competitiveness and expanding their market in the digital era.

Digitalization in marketing has brought significant changes to MSMEs, especially in terms of market access and marketing strategy efficiency. Based on interviews with MSME owners, the transformation from traditional to digital marketing did not happen instantly, but through various stages of adaptation. MSMEs that initially only relied on conventional marketing strategies, such as word-of-mouth marketing and physical stores, have now started using social media and marketplaces as the main means of promotion and sales. Informant A.R. mentioned that almost 70% of transactions in his business now come from digital platforms, such as Shopee and Tokopedia, after implementing digital marketing. This shows that the success of MSME digitalization is highly dependent on the extent to which businesses are able to adapt to the technology and digital platforms available.

Although digitalization opens up wider market opportunities, challenges in its implementation are still a major obstacle for MSMEs. Based on interviews with informants, the main obstacle MSMEs face in shifting to digital marketing is the lack of understanding in managing digital-based marketing strategies. MSME owners often experience difficulties in creating attractive marketing content, optimizing the use of social media, and understanding marketplace algorithms. In addition, the ever-increasing cost of digital advertising is also an obstacle for MSMEs with limited capital. To overcome these challenges, some MSMEs have started taking digital marketing training and working with micro-influencers to increase the visibility of their products in the digital market.

According to the perspective of digital marketing experts, the effectiveness of digital marketing for MSMEs is highly dependent on the strategies implemented. Informant Dr. S.N. emphasized that many MSMEs still carry out digital marketing without having a clear plan, so the strategies implemented are less effective in reaching the right consumers. One of the main mistakes that MSMEs often make is relying too much on paid advertising without utilizing organic strategies, such as interaction with customers and creation of relevant content. In addition, the lack of utilization of analytical data in evaluating the effectiveness of marketing campaigns is also a major obstacle for MSMEs. Therefore, understanding consumer behavior and implementing sustainable marketing strategies are key factors in optimizing digital marketing.

The role of marketplaces in supporting the digitalization of MSMEs is very important, especially in providing an ecosystem that makes it easier for businesses to conduct digital transactions. Informant M.T. explained that marketplaces not only function as buying and selling platforms, but also provide promotional features and integrated payment systems to support MSMEs in increasing their sales volume. However, the main challenges faced by MSMEs in utilizing marketplaces are intense competition with big brands as well as a lack of understanding in optimizing marketplace features, such as product SEO and pricing strategies. Therefore, MSMEs need to understand how marketplace algorithms work in order to increase

their product exposure more effectively. The following table summarizes the role of marketplaces and the challenges MSMEs face in utilizing them:

Table 1. Marketplace Roles and Challenges for MSMEs

Aspects	The Role of Marketplaces	Challenges for MSMEs
Market Access	Expand market reach to national and international levels.	High competition with big brands and imported products.
Promotion Features	Provides various promotional features, such as discounts and flash sales.	Limited understanding of how to optimize promotion features.
Payment System	Providing convenience transactions with digital payment methods.	Dependence on marketplace policies that can change at any time.
Analytical Data	Provide data related to sales performance and consumer behavior.	Lack of utilization data in business decision making.

The table above shows that although marketplaces provide various conveniences for MSMEs in conducting digital marketing, there are still several challenges that must be overcome so that digital transformation can run more optimally. One solution that can be applied is to increase MSMEs' understanding of data utilization and promotional features in the marketplace platform.

From a consumer perspective, preference for MSME products sold online is strongly influenced by customer reviews, product visual appearance, and clear product descriptions. Informant F.H. stated that transparency in digital marketing, especially in terms of product quality and customer service, is a major factor influencing purchasing decisions. In addition, the online shopping experience is also greatly influenced by the speed of the seller's response to customer questions and complaints, MSMEs need to improve interactions with consumers, such as answering questions quickly and providing accurate and interesting product information. This aims to build consumer trust and increase customer loyalty in the long run.

Support from the government is also an important factor in accelerating digital transformation for MSMEs. Based on an interview with informant R.K., the government has implemented various programs to improve the digital literacy of MSMEs, including digital marketing training, business capital assistance, and cooperation with e-commerce platforms to expand market access for MSMEs. However, obstacles are still faced in implementing this policy, such as the low level of digital literacy among MSMEs and limited infrastructure in some areas. Therefore, the government's long-term strategy is focused on improving access to technology and strengthening the digital capacity of MSMEs to be more competitive in the digital era. The following table summarizes government policies to support MSME digitalization and the challenges still faced in their implementation:

Table 2: Government Policies and Challenges in MSME Digitalization

Policy	Impact on MSMEs	Implementation Challenges
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Training Digital Marketing	Improve MSMEs' understanding of digital marketing strategies.	Low participation of MSMEs due to limited time and resources.
Help Business Capital	Making it easier MSMEs in adopting digital technology.	Administrative processes are complicated for small MSMEs.
Cooperation with E-commerce	Expanding access market for MSMEs more effectively.	Lack of readiness of MSMEs in meeting standard quality standards of the marketplace.
Digital Infrastructure Improvement	Accelerate digitization in remote areas.	There are still areas with limited internet access.

The table illustrates that while government policies have had a positive impact on the digitization of MSMEs, there are still challenges in their implementation that need further attention. In this case, the synergy between the government, digital platforms, as well as the digitalization of MSMEs should be addressed. MSME players are the main factors that will determine the success of digital marketing transformation in Indonesia.

The results of this study show that the transformation of traditional marketing to digital brings significant changes to MSMEs, both in terms of market access and the marketing strategies applied. Despite various obstacles, adaptation to digital technology is the main factor that determines the success of MSMEs in facing increasingly competitive market competition. With a better understanding of digital marketing strategies, optimal marketplace utilization, and support from various parties, MSMEs can be better prepared to face challenges in the digital era and improve their competitiveness in the global market.

Based on the analysis of data obtained from interviews and tables that have been compiled, it can be concluded that the transformation of traditional marketing to digital is not just a change in promotional media, but also involves adaptation to the overall business strategy. MSMEs that successfully digitize not only utilize social media and marketplaces as distribution channels, but also understand how to optimize digital features so that their business can grow sustainably. Factors such as choosing the right platform, utilizing data-driven marketing strategies, and improving customer service quality are key aspects that determine success in digital marketing. Therefore, a deeper understanding of the digital ecosystem is a must for MSMEs that want to remain competitive in the digital era.

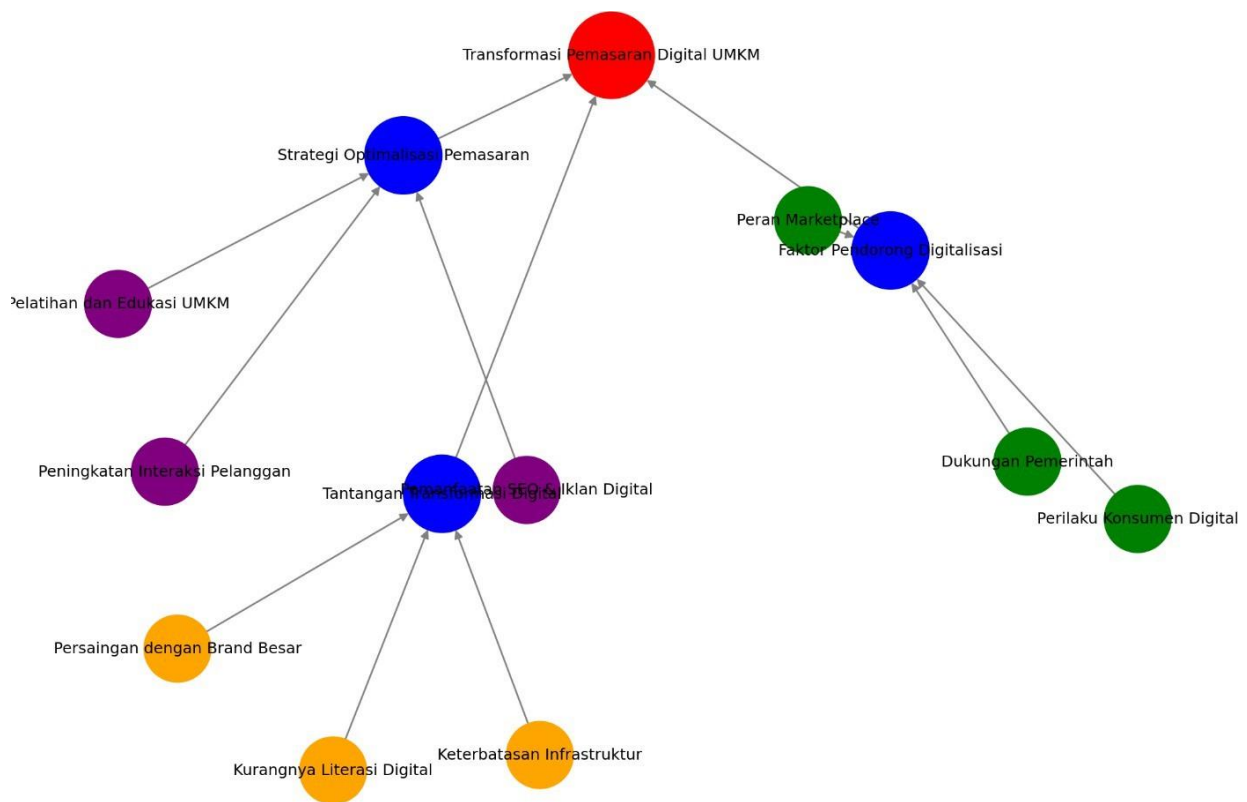
On the other hand, the challenges faced by MSMEs in the digitalization process show that not all businesses are equally prepared to adopt digital marketing. Some MSMEs still experience limitations in digital literacy, business capital, and access to adequate technology infrastructure. Therefore, the role of government and digital platforms is crucial in supporting the sustainability of this transformation. Training programs, capital assistance, and ease of market access through cooperation with e-commerce are the main policies that have been implemented to assist MSMEs in facing the challenges of digitalization. However, the effectiveness of these policies still requires evaluation and improvement in order to have a wider impact on MSMEs in various industrial sectors.

Furthermore, this research shows that from a consumer perspective, trust in MSME products sold online is strongly influenced by several key factors, such as customer reviews,

product display quality, price transparency, and customer service responsiveness. This confirms that digital marketing does not only focus on promotion and distribution aspects, but also involves strategies to build closer relationships with customers. MSMEs that are able to adapt to consumer needs and preferences in a digital environment tend to have a higher success rate in maintaining customer loyalty. Therefore, optimizing customer experience is one of the key factors in the success of digital marketing for MSMEs.

The conceptual model proposed in this study integrates various key elements that contribute to the success of digital marketing transformation for MSMEs. Based on the research findings, this model includes three main components, namely **(1) Factor Drivers of MSME Digitalization**, **(2) Challenges in Digital Transformation**, and **(3) Digital Marketing Optimization Strategies**. This model is designed to provide a systematic overview of how these factors interact with each other in shaping the success of digital marketing transformation for MSMEs.

*Conceptual Framework Model of Traditional to Digital Marketing Transformation for MSMEs*



The model above illustrates the Digital Marketing Transformation for MSMEs, which consists of three main components:

1. Drivers of Digitalization

- a) Marketplace role: Facilitate market access, provide promotional features, and improve transaction efficiency.

- b) Government Support: Digital marketing training program, business capital assistance, and cooperation with digital platforms.
  - c) Digital Consumer Behavior: Increasing consumer preference for online transactions and the importance of customer reviews in purchasing decisions.
2. Challenges in Digital Transformation
- a) Lack of Digital Literacy: There are still many MSMEs that do not understand digital marketing strategies optimally.
  - b) Competition with Big Brands: MSMEs face difficulties competing with brands that have bigger marketing budgets.
  - c) Infrastructure limitations: There are still areas with limited internet access, hampering digital transformation evenly.
3. Digital Marketing Optimization Strategy
- a) SEO & Digital Advertising Utilization: Effectively utilize marketplace search features and paid marketing strategies.
  - b) Improved Customer Interaction: Build relationships with consumers through social media and responsive customer service.
  - c) MSME Training and Education: Improve digital skills for businesses to better manage digital marketing.

This model shows that the success of traditional to digital marketing transformation for MSMEs does not only depend on technological factors, but also requires support from the broader business ecosystem, including government regulations, consumer behavior, and appropriate marketing strategies. If there are aspects that need further clarification, please provide feedback.

## Discussion

Marketing transformation from traditional to digital has become an urgent need for MSMEs in Indonesia to improve competitiveness and expand market reach. However, this study identified that limited resources, such as financial capital and skilled labor, are the main barriers to the implementation of digital marketing strategies by MSMEs. This finding is in line with a study that mentioned that many MSMEs in Indonesia experience difficulties in adopting digital technology due to lack of knowledge, skills and adequate resources cite. Therefore, appropriate interventions are needed to overcome these limitations, such as training program and easier access to capital.

The lack of digital literacy among MSME players is also a significant challenge in the marketing digitization process. Many businesses do not understand how to utilize digital platforms, such as marketplaces and social media, to increase the visibility of their products. This is compounded by resistance to change, where some businesses are still skeptical of the effectiveness of digital marketing compared to traditional methods. Previous studies indicate that limited skills in digital-based business management are a major challenge in the digitalization era. To overcome this, increasing digital literacy through training and education is a crucial step.

The COVID-19 pandemic has accelerated the need for digitalization, but not all MSMEs are ready to adapt quickly. Many small businesses find it difficult to make an abrupt transition to digital platforms due to limited resources and a lack of understanding of online marketing technologies. This phenomenon shows that although. While digitalization promises various benefits, there are still significant gaps in its implementation, especially in the MSME sector

which has limitations in accessing and managing digital technology. Other studies also highlight that limited human, financial and technological resources limit the ability of MSMEs to adopt more complex digital technologies. Therefore, a comprehensive strategy is needed to support MSMEs in the digital transformation process.

The results also reveal that collaboration between the government, digital platforms, and MSME players is crucial in supporting digital marketing transformation. The government has implemented various programs to improve the digital literacy of MSMEs, including digital marketing training and business capital assistance. However, challenges such as low participation of MSMEs due to limited time and resources are still an obstacle in the implementation of these policies. Therefore, a *more* inclusive and *adaptive* approach is needed to ensure that these programs can be optimally accessed and utilized by MSMEs.

Addition, this study emphasizes the importance of utilizing the right digital marketing strategies by MSMEs to increase competitiveness in the global market. The use of social media, search engine optimization (SEO), and paid advertising can help MSMEs reach a wider audience at a more efficient cost. However, the lack of understanding and skills in managing these strategies is often an obstacle. Previous studies have shown that the implementation of digital marketing strategies, such as the use of social media and SEO, significantly significantly can increase reach of and sales MSMEs., continuous training and mentoring is very important. is needed to ensure MSMEs can utilize digital technology effectively.

An effective digital marketing strategy for MSMEs is not only limited to utilizing social media and marketplaces, but also requires a deep understanding of digital consumer behavior. As consumer preference for online transactions increases, MSMEs should be able to adopt a data-driven marketing approach to understand customer consumption patterns. Previous research highlights that skills in analyzing customer data allow businesses to tailor more personalized and relevant marketing strategies ([Hanafizadeh et al., 2023](#)). However, in the context of MSMEs in Indonesia, limited knowledge regarding the utilization of data analytics remains a significant challenge. Therefore, strengthening digital skills in marketing data analysis is an urgent need for MSMEs to improve the effectiveness of their digital strategies.

In addition to the internal challenges faced by MSMEs, external factors such as intensifying competition with large-scale digital-based businesses are also an obstacle in marketing transformation. Large companies with larger marketing budgets are able to allocate resources for more aggressive digital campaigns, thus creating a competitive gap with MSMEs. Recent research reveals that MSMEs that do not have a differentiation strategy in digital marketing are likely to experience difficulties in attracting consumer attention amid the dense flow of information ([Grewal et al., 2023](#)). In the face of these conditions, MSMEs need to adopt community-based marketing strategies as well as utilize influencer-based marketing to build closer relationships with customers. This step has been proven to increase customer loyalty and build trust in MSME brands in the long run.

The role of digital platforms in supporting MSME marketing cannot be ignored, but there are still gaps in the utilization of available features. Many MSMEs still do not understand how to optimize marketplace algorithms to increase their product visibility. Studies show that the use of search optimization strategies in marketplaces can significantly increase the number of visits to product pages as well as sales conversions ([Chaffey & Smith, 2022](#)). However, the lack of access to technical information on how marketplace algorithms work is still a barrier for MSMEs in optimizing their digital presence. Thus, digital platform providers are expected to be more proactive in providing education and supporting MSMEs in understanding optimization strategies that can increase their competitiveness.

Support from the government is also a crucial aspect in accelerating digital transformation

for MSMEs, especially in providing supportive infrastructure and regulations. Several countries have implemented tax incentive policies and subsidy programs to help MSMEs adapt to the digital ecosystem ([Wirtz et al., 2023](#)). However, in Indonesia, there are still challenges in terms of access to government programs, where not all MSMEs can take advantage of the assistance provided due to limited information and complex administrative requirements. Therefore, more inclusive policies and simplified administrative procedures are needed so that all MSMEs, including those in remote areas, can benefit from the digitalization programs that have been designed.

Lastly, the results of this study also show that the success of MSME digitalization is highly dependent on the awareness and readiness of businesses in adopting new technologies. In addition to technical factors, cultural aspects and business mindset also play an important role in determining the success of digital marketing transformation. Previous research states that adaptation to new technologies requires a systematic approach to organizational change, including training and strengthening the digital mindset among business actors ([Vial, 2022](#)). Therefore, a paradigm shift in understanding digital marketing as a long-term investment, not just a temporary trend, needs to be emphasized so that MSMEs can sustainably develop more effective digital marketing strategies.

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## CONCLUSION

The results of this study show that the transformation of traditional marketing to digital has brought significant changes to MSMEs, both in terms of business strategy and competitiveness in the digital market. Although digitalization opens up vast opportunities, limitations in terms of resources, digital literacy, and understanding of digital platform optimization are still major obstacles for MSMEs. The study found that the success of digital marketing is highly dependent on the readiness of MSMEs in adopting technology-based strategies as well as support from the government and digital platforms. Thus, improving digital literacy, access training and business capital, and data-driven marketing strategies are the main factors that need to be strengthened for MSMEs to survive and thrive in the digital business ecosystem. Therefore, digital transformation should be viewed as a strategic necessity that is not only adaptive, but also an opportunity to improve long-term competitiveness.

Theoretically, this study contributes to the literature on MSME digitalization by highlighting the key factors that influence the success of digital marketing as well as the challenges faced in its implementation. The findings enrich the understanding of innovation diffusion in the context of MSMEs and emphasize the importance of dynamic capabilities in the face of technological change. From a strategic management perspective, the results provide guidance for MSMEs to develop more effective digital marketing strategies through the use of social media, marketplace optimization, and the use of data analytics in business decision-making. However, this study has limitations in geographical coverage and the variety of MSME sectors analyzed, so the generalizability of the findings still requires further study. Therefore, future research is recommended to explore more specific digitalization models for various MSME industry sectors and examine the long-term impact of digital marketing strategies on MSME business growth.

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