THE EFFECT OF DIGITAL MARKETING TO IMPROVE BUSINESS PERFORMANCE: FOODS AND BEVERAGES MSEs IN BANDAR LAMPUNG

Undergraduate Thesis

By:

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DEPARTMENT OF MANAGEMENT

FACULTY OF ECONOMICS AND BUSINESS

UNIVERSITAS LAMPUNG

2025

ABSTRACT

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By

AISYAH RIZQIANI MAULANA

In today's digital era, mastering online strategies has become a crucial factor for the survival and growth of businesses, particularly for Micro and Small Enterprises (MSEs) in the competitive Food and Beverage (F&B) sector. This study investigates the impact of digital marketing on both financial and non-financial business performance among F&B MSEs in Bandar Lampung, motivated by the increasing need for digital transformation and the lack of region-specific research. Utilizing a quantitative approach, data were collected from 188 MSE owners and analyzed through simple linear regression. The results reveal a significant and positive effect of digital marketing on business performance. Non-financial aspects, such as business planning, operational coordination, performance evaluation, supervision, and staff management, showed considerable improvement with higher digital marketing engagement. Simultaneously, financial indicators including revenue growth, cost savings, and profitability also increased substantially. These findings suggest that digital marketing not only enhances customer outreach and market presence but also strengthens internal operations, making it a strategic tool for improving overall performance. Therefore, the adoption of digital marketing plays a vital role in boosting competitiveness and ensuring the long-term sustainability of MSEs in the evolving digital business landscape.

Keywords: Digital Marketing, Business Performance, Micro and Small Enterprises, Financial Performance, Non-Financial Performance

ABSTRAK

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Oleh

AISYAH RIZQIANI MAULANA

Di era digital saat ini, penguasaan strategi daring telah menjadi faktor penting bagi keberlangsungan dan pertumbuhan bisnis, khususnya bagi Usaha Mikro dan Kecil (UMK) di sektor Makanan dan Minuman (F&B) yang sangat kompetitif. Penelitian ini bertujuan untuk mengkaji pengaruh pemasaran digital terhadap kinerja bisnis, baik dari sisi finansial maupun non-finansial, pada UMK F&B di Bandar Lampung, dengan latar belakang meningkatnya kebutuhan transformasi digital dan terbatasnya penelitian serupa di tingkat regional. Menggunakan pendekatan kuantitatif, data dikumpulkan dari 188 pemilik UMK dan dianalisis melalui regresi linear sederhana. Hasil penelitian menunjukkan bahwa pemasaran digital memiliki pengaruh yang signifikan dan positif terhadap kinerja bisnis. Aspek non-finansial seperti perencanaan bisnis, koordinasi operasional, evaluasi kinerja, pengawasan, dan manajemen staf mengalami peningkatan yang cukup besar seiring dengan meningkatnya penggunaan pemasaran digital. Di sisi lain, indikator finansial seperti pertumbuhan pendapatan, efisiensi biaya, dan peningkatan keuntungan juga menunjukkan hasil yang positif secara signifikan. Temuan ini menunjukkan bahwa pemasaran digital tidak hanya memperkuat jangkauan pasar dan hubungan dengan pelanggan, tetapi juga meningkatkan efisiensi operasional internal, sehingga menjadi alat strategis untuk mendorong kinerja secara menyeluruh. Oleh karena itu, penggunaan pemasaran digital memegang peran penting dalam meningkatkan daya saing serta menjamin keberlanjutan jangka panjang bagi UMK di tengah lanskap bisnis yang semakin digital.

Kata Kunci: *Digital Marketing, Kinerja Bisnis, Usaha Mikro dan Kecil, Kinerja Keuangan, Kinerja Non-Keuangan*

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2111011041

Undergraduate Thesis

As one of the Requirements to Earn a Bachelor of Management Degree

(Bachelor of Management)

On

Management Department

Faculty of Economics and Business

DEPARTMENT OF MANAGEMENT

FACULTY OF ECONOMIC AND BUSINESS

UNIVERSITY OF LAMPUNG

2025

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Hereby declare that this research is the own work of the author, not a duplication or work of others except in parts that have been referred to and mentioned in the bibliography. If in the future it is proven that there are deviations in this work, the full responsibility lies with the researcher.

Thus, I make this statement, so that it can be understood.

Bandar Lampung, June 10th 2025

Aisyah Rizqiani Maulana
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BIOGRAPHY

Aisyah Rizqiani Maulana was born in Bandar Lampung on August 25, 2003. She is the eldest daughter of Mr. Arief Maulana, S.S., M.M., and Mrs. Meliyani, S.Pd., and has a younger brother named Fathir Rizka Maulana. Her educational journey began at SD Global Surya Bandar Lampung (2009–2015), continued at SMP Al Kautsar Bandar Lampung (2015–2018), and then SMA Al Kautsar Bandar Lampung (2018–2021). The author is pursuing her undergraduate degree at the Faculty of Economics and Business, University of Lampung, in the International Class Program, Department of Management. Demonstrating academic excellence, the author has consistently maintained a high GPA and was recognized as the 3rd Most Outstanding Student of the faculty in 2024.

Throughout her college years, the author has actively engaged in leadership and organizational activities. She has held key roles in AIESEC, including serving as the Local Head of AIESEC Future Leaders AIESEC in Unila and contributing to the national implementation of Customer Relationship Management systems of AIESEC in Indonesia. Her leadership in marketing and customer experience initiatives led to significant growth in engagement and performance metrics.

The author has also represented her university in various national and international forums, earning accolades such as a Gold Medal at the 6th DIID in Johor Bahru, Special Prize for Innovation of POLInnoVenture International Business Plan Competition, Politehnica Bucharest, Romania, and securing several debate competition, the latest one was 1st Runner-Up in the 2023 IVED National Debate Championship. She also participated as a delegate for study programs at Ticaret University in Istanbul, Turkey, online short course held by Aoyama Gakuin University and Yokohama National University, and was selected in the PMM 3 student exchange program at SBM ITB. To strengthen her practical business understanding, the author has undertaken a professional internship as a Customer Development Intern at Unilever Indonesia, where she gained valuable experience in sales and marketing execution within a global company.

MOTTO

"Indeed, Allah will not change the condition of a people until they change what is in themselves."
(QS Ar-Ra'd 13:11)

"It surely with hardship comes ease"
(QS Al-Insyirah 94:6)

"You're doing fine. Sometimes you're doing better, sometimes you're doing worse, but in the end, it's you. So I just want you to have no regrets, to feel yourself grow, and to love yourself"
(Mark Lee)

DEDICATION

Praised to the presence of Allah SWT for his grace and guidance, the author was able to complete this thesis. May peace and blessings always be upon the noble Prophet Muhammad SAW.

I dedicated this undergraduate thesis to

Mr. Arief Maulana, S.S., M.M., Mrs. Meliyani, S.Pd., and Fathir Rizka Maulana

My dad, mom, and brother, who have become my biggest supporters that have given me strength to finally get my bachelor degree, who always support me no matter how risky and hard the path I decided to go, who always listen to all my daily hurdles during my college life, and whose love and advice are unbeatable. This thesis is concrete evidence of how big their love for me is.

ACKNOWLEDGEMENT

Praised to the presence of Allah SWT for His grace and guidance, the author was able to finish this thesis. Shalawat and greetings are always poured out to the Great Prophet Muhammad SAW so that the author can complete the thesis entitled "The Effect of Digital Marketing to Improve Business Performance: Foods and Beverages MSEs in Bandar Lampung".

This undergraduate thesis is one of the requirements to achieve an undergraduate degree at the Economics and Business Faculty, University of Lampung. In writing this undergraduate thesis, the researcher noticed that this achievement was not done alone and supported by many different people who were willing to offer the researcher some guidance, help, and motivation. Thus, the researcher would like to express her gratitude to:

1. Mr. Prof. Dr. Nairobi, S.E., M.Si. as Dean of Economics and Business Faculty University of Lampung.
2. Mr. Dr. Ribhan, S.E, M.Si. as Head of Management Department Economics and Business Faculty University of Lampung.
3. Dr. Keumala Hayati, S.E.,M.Si. as the advisor who has provided direction, knowledge, criticism, and suggestion to the author and also patiently guide the researcher in completing this undergraduate thesis.
4. Mr. Prof. Dr. Satria Bangsawan, S.E, M.Si. as the principal examiner who has provided direction, knowledge, criticism, and suggestion.
5. Mrs. Dina Safitri, M.IntnlBus. as the examiner secretary and second advisor who has provided direction, knowledge, criticism, suggestion and also patiently guide the author in completing this undergraduate thesis.
6. Mrs. Nuzul Inas Nabila, S.E., M.S.M. as Academic Supervisor who has helped the author to finally get the thesis title.
7. All lecturers who have provided their knowledge while studying at the Faculty of Economics and Business, University of Lampung.

8. All the author’s cousins, Kak Percy, Kak Billa, Kak Wita, Kak Dea, Kia, Gibran, Ryu, Haifa, Cici, and Anang, whose laugh will always be a thing the author looks for during family gatherings and delivered happiness.
9. A.Dzaky Nurrahman, Adella Tiara Rossa, Raissa Apsari, Muhammad Rafi Rizanda, Muhammad Adib Zaidan Yaafi, Fadia Ramadhania, M. Zidane Pradana, who has shared one of the best memories during the author’s college life, thank you for holding each other's hands during the hardest yet funnest time, hopefully our friendship will remain the same.
10. The irreplaceable high school mates, Danu Iman Raditya, Firas Hazel Wavi, Farras Muhammad Fawwaz, Putri Intan Kirani, Dhea Aurelia, Salsabila Disa, and Bintang Fitri Fatmawati, who have given the author advice, listening to the author’s college story even though we are not in the same school anymore, spending every semester break and doing the thesis together.
11. The most amazing team, Metanoyeah, to Bella, Citra, Syafira, Belia, Ditto, Caca, Gati, Mitha, Aca, Seisil, Syfa’ul, Rayi, Vito, Josephine, Afif, and Qina, who have given the author an unforgettable experience, a chance to lead a very wide perspective team, and a life lesson along with a joyful moments we shared. Thank you for helping the author change the way she thinks, acts, and talks in the best way.
12. A team who produced the maximum impact, to the greatest team members Salvia, Irman, Putri, and Nael who always trust the author no matter how and why, the people who used to ask the author's condition and always try to be genuine and pure the whole time.
13. To my staff rangers team, Ahmad Rafki Makarim and Puteri Syalaisya, who still stick together since our first year in college until now.
14. The best prede-successors that the author never thought would be the greatest, Maheswari Pavita Dayana and Praditya Vito Pratama.
15. International Class 2021, Hanifah Syahirah Vedy, Aderia Hanifah Ananda, Dinda Tiara Putri and Fadly Rizki Wicaksono, who have become my place to come back over and over, a place to share all confusion, who shared the

16. same brain cells, and the people who the author could rely on, thank you for being the author's close friends along the ride.
17. To all the author's FH mates, Rafki, Davin, Iswan, Yaafi, Ica, Dane, who always are the ones who are tight with each other during the thesis period.
18. To all international class seniors, Kak Abin, Kak Ar'fira, Kak Ananta, Kak Ayu, Kak Jogi, Kak Nabila, Kak Rehan, and Kak Zaka who have helped the author, answering all confused questions regarding all aspects of university life.
19. All parties who have helped and contributed to the writing of this thesis can not be mentioned one by one. Thank you very much.

To conclude, the author humbly acknowledges that this thesis is not perfect. Nevertheless, it is hoped that it may offer value and benefit to all. May every form of support, guidance, and prayer given to the author be repaid with blessings from Allah SWT. Aamiin.

Bandar Lampung, June 10th 2025

Aisyah Rizqiani Maulana

TABLE OF CONTENTS

ABSTRACT..**ii**
BIOGRAPHY..**iii**
MOTTO.. **ix**
DEDICATION... **x**
ACKNOWLEDGEMENT...**xi**
TABLE OF CONTENTS...**xiv**
TABLE OF FIGURE.. **xvi**
TABLE OF TABLES... **xvii**

CHAPTER I
INTRODUCTION..**1**
1.1 Background.. 1
1.2 Problem Formulation.. 9
1.3 Research Purpose... 10
1.4 Research Benefit.. 10
1.4.1 For Micro and Small Sized Enterprise... 10

CHAPTER II
LITERATURE REVIEW.. **11**
2.1 Grand Theory Business Management: Resource-Based View (RBV).......11
2.2 Digital Marketing.. 13
2.3 Business Performance... 15
2.3.1 Non-Financial Performance.. 16
2.3.2 Financial Performance... 17
2.4 The Relationship Between Digital Marketing and Business Performance 18
2.5 Micro Small Enterprises (MSEs).. 19
2.6 Previous Research... 20
2.7 Theoretical Framework.. 24
2.8 Hypothesis Development.. 24
2.8.1 The Effect of Digital Marketing to Non Financial Business.............24
Performance.. 24
2.8.2 The Effect of Digital Marketing to Financial Business
Performance.. 25

CHAPTER III
RESEARCH METHODOLOGY.. **27**
3.1 Approach and Type of Research.. 27
3.2 Population and Sample..28
3.2.1 Population.. 28
3.2.2 Sample..28
3.3 Research Variable..29
3.4 Operational Variable..30
3.5 Data Collection Techniques...31

3.6 Data Analysis Method..32
3.7 Research Instrument Validation.. 32
3.7.1 Validity Test...32
3.7.2 Reliability Test.. 33
3.7.3 Normality Test..33
3.8 Correlation Analysis Test...34
3.9 Hypothesis Test.. 34
3.9.1 Simple Linear Regression Test...34

CHAPTER IV
RESULTS AND DISCUSSION...35
4.1 Result of Questionnaire Distribution... 35
4.2 Respondent Characteristics.. 36
4.3 MSEs Characteristic..38
4.4 Result of Research Instrument Validation..40
4.4.1 Validity Test...40
4.4.2 Reliability Test.. 42
4.4.3 Normality Test..43
4.5 Correlation Test...43
4.6 Descriptive Statistics...44
4.6.1 Respondents Descriptive Statement for Digital Marketing............. 45
4.6.2 Respondents Descriptive Statement for Non-Financial Performance.. 46
4.6.3 Respondents Descriptive Statement for Financial Performance.......47
4.7 Hypothesis Testing.. 48
4.7.1 Regression Analysis I {The Effect of Digital Marketing (X) on...... 49
Non-Financial Performance (Y1)}...49
4.7.2 Regression Analysis II {The Effect of Digital Marketing (X) on.....50
Financial Performance (Y2)}..50
4.8 Discussion... 51
4.8.1 The Effect of Digital Marketing on Non-Financial Performance..... 51
4.8.2 The Effect of Digital Marketing on Financial Performance............ 53

CHAPTER V.. 54
CONCLUSION AND RECOMMENDATION...54
5.1 Conclusion..54
5.2 Recommendation..55

REFERENCES...57
ATTACHMENT.. 68

TABLE OF FIGURE

Figure 1.1 Number of Food and Beverage MSEs by Sub District in 2023............3
Figure 2.1 The core concept of the Resource-Based View (RBV)........................11
Figure 3.1 Theoretical Framework..24

TABLE OF TABLES

Table 1.1 The Growth of MSEs in Bandar Lampung in 2020-2023....................... 2
Table 2.1 Previous Research (Arranged by author)..21
Table 3.1 Operational Variable.. 30
Table 4.1 Respondents Characteristics Distribution..37
Table 4.2 MSEs Characteristics...39
Table 4.3 Validity Test Result...41
Table 4.4 Coefficients r Value Cronbach's Alpha.. 42
Table 4.5 Reliability Test Result...42
Table 4.6 Normality Test Result... 43
Table 4.7 Variable Correlation Test.. 44
Table 4.8 Descriptive Analysis Statistics... 45
Table 4.9 Respondent Descriptive Response for Digital Marketing..................... 45
Table 4.10 Respondent Descriptive Response for Non-Financial Performance....46
Table 4.11 Respondent Descriptive Response for Financial Performance............47
Table 4.12 Simple Linear Regression for Non-Financial Performance.................49
Table 4.13 Simple Linear Regression for Financial Performance........................50

CHAPTER I

INTRODUCTION

1.1 Background

Micro and Small Enterprises (MSEs) have long been a cornerstone of economic development, especially in developing countries like Indonesia (Setyawati et al., 2023a). As vital engines of growth, MSEs contribute significantly to the country's Gross Domestic Product (GDP), accounting for over 60%, and they provide employment to a substantial portion of the population. According to data from the Indonesian Ministry of Cooperatives and Small and Medium Enterprises, there are more than 64 million MSEs in Indonesia, illustrating their essential role in the country's economic framework. By maintaining flexibility and responsiveness to market changes and consumer preferences (Jannah et al., 2020), MSEs support a dynamic economic environment that benefits a wide array of stakeholders, including producers, employees, and consumers.

Within this landscape, the food and beverages (F&B) sector in Lampung Province, specifically in the districts of Kedaton, Rajabasa, Wayhalim, Sukarame, and Sukabumi, has experienced notable growth. Driven by increasing consumer demand for a variety of culinary experiences, the F&B sector, comprising restaurants, food vendors, and coffee shops continues to expand. These districts have become hubs of both local and national F&B enterprises, offering significant market potential. Despite this growth, the competitive nature of the F&B industry in Lampung has made it imperative for MSEs to adopt innovative strategies to maintain and improve their business performance, one such strategy is the effective utilization of digital marketing (Hidayah et al., 2021).

The Table 1 illustrates the growth of MSEs in Bandar Lampung from 2020 to 2023, highlighting a significant decline in 2022 due to the COVID-19 pandemic, which caused many businesses to shut down. However, the data shows a notable recovery in 2023, especially for micro-enterprises, as the economy stabilized. This recovery suggests that MSEs, including those in the F&B sector, have strong potential for future growth.

Table 1.1 The Growth of MSEs in Bandar Lampung in 2020-2023

Year	Micro Entreprises	Small Entreprises	Medium Entreprises	Total Each Year
2023	30.934	2	4	30.940
2022	4.460	0	0	4.460
2021	116.615	1.875	43	122.993
2020	116.590	1.900	43	237.066
Total Entreprises	268.599	3.777	90	395.459

Source: https://lampung.bps.go.id/

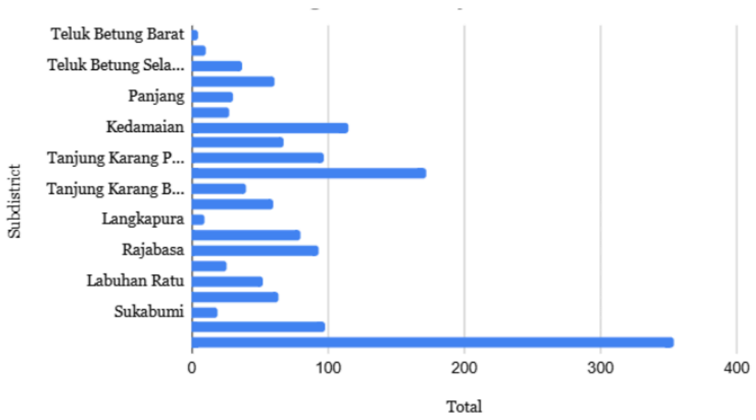
This data underscores the resilience of MSEs in Bandar Lampung region and reflects the opportunities for recovery and expansion, particularly in the F&B sector, as businesses continue to adapt to changing consumer behavior and market conditions.

The resilience of MSEs in Bandar Lampung, as shown in Table 1, demonstrates the sector's capacity for recovery and growth despite economic challenges, especially within the food and beverage (F&B) industry. In such a dynamic environment, businesses face increasing pressure to differentiate themselves and attract customers effectively (Soewarno et al., 2020). To achieve this, many MSEs are turning to digital marketing as a powerful tool to boost visibility and customer engagement, adapting their strategies to align with evolving consumer behaviors and digital trends to meet the improvement for their business performance (Atika, 2023).

The rapid evolution of digital technology over the past decade has significantly transformed how businesses operate, enhancing operation efficiency, lesser operations costs, and increased productivity and how it can be delivered to the customer (Ajina, 2019; Sharabati et al., 2024). The utilization of digital technologies for approaching customers has become a crucial phenomenon for development in the upcoming decade due to increased globalized competition (Smith, 2011). Digital marketing, once optional, is now essential for businesses that seek success in increasingly competitive markets. Digital marketing encompasses a wide array of tools and strategies, including social media platforms, search engine optimization (SEO), content marketing, and e-commerce (Saputra et al., 2023). These tools enable businesses to increase visibility, engage with broader audiences, and ultimately enhance their overall business performance, which can be measured through key indicators such as return on investment (ROI), growth rate, and profit (Hashom et al., 2022).

The graph depicts the distribution of F&B MSEs across various districts in Bandar Lampung, highlighting areas with significant market activity and potential for growth. Specifically, this research will focus on the districts of Kedaton, Rajabasa, Way Halim, Sukarame, and Sukabumi that exhibit similar demographic and behavioral segmentation leading to equivalent customer behaviors, such as purchasing habits (Tavor et al., 2023). According to the data, Kedaton has 80 F&B enterprises, Rajabasa has 93, Way Halim operates with 98 businesses, Sukarame has 64 F&B enterprises, and Sukabumi has 19, with 354 in total. These areas will serve as the focal points for analyzing how digital marketing impacts business performance, providing a detailed understanding of the market dynamics and the opportunities for growth in each district (Maftah et al., 2023).

Figure 1.1 Number of Food and Beverage MSEs by Sub District in 2023.



Source: www.bandarlampungkota.bps.go.id/

Digital marketing is a multichannel approach that includes social media, search engine optimization (SEO), email marketing, and e-commerce, among other channels (Saputra et al., 2023). Businesses are investing more and more money to build a strong online presence, so understanding how digital marketing implementation affects overall business performance is critical to long-term success (Rizvanović et al., 2023). A major factor contributing to the increasing importance of digital marketing is the significant shift in customer behaviour. Customers more often do research and make decisions about what to buy online, as a result in significant part of the widespread use of digital devices and increased internet connectivity (Meliawati et al., 2023).

According to Ko (2019) digital marketing lies at the heart of this shift, acting as a key driver of business growth and success in the digital age. For MSEs in Indonesia, particularly in the F&B sector of Lampung, digital marketing offers unparalleled opportunities to expand their market reach and improve business outcomes (Pascucci et al., 2023). Medium-sized enterprises, which have already started to integrate digital marketing into their business models, have seen improvements in customer engagement and brand visibility. However, there are many challenges an SME must overcome while it tries to implement a digital marketing strategy (Rachman et al., 2024). MSEs face challenges in adopting digital marketing due to a combination of factors, including limited technical skills, difficulty in keeping up with rapid technological changes, inadequate infrastructure, low digital literacy, and the high costs of implementation (Kaha, 2022; Sri et al., 2024). While awareness of its benefits is growing, many MSE owners either do not know how to implement digital strategies effectively or fail to recognize their importance in boosting business performance. This knowledge gap and lack of technical expertise can severely limit their ability to attract new customers and remain competitive in the market (Boom-Cárcamo et al., 2024).

The lack of resources also affects their ability to outsource the required module for marketing that involves digitalization of business operations to interact (Nuseir et al., 2020). They may implement basic strategies, such as maintaining a social media account, but often fail to leverage the full potential of digital marketing to differentiate themselves from competitors. By highlighting the unique value of their products and services, these enterprises can attract more customers, improve brand loyalty, and increase sales. Conversely, many micro and small enterprises in Lampung’s F&B sector have yet to fully embrace the digital transformation. .

Business performance refers to the ability of a company to achieve its goals, maintain profitability, and grow over time, especially in a competitive market, business performance is a mechanism for converting the efficiency and effectiveness of work done into numbers (Shaohua et al., 2024). For MSEs in the food and beverage (F&B) sector, this includes not only financial performance, such as revenue growth and profitability, but also from its managerial aspect and also customers’ point of view (Alves et al., 2022). Effective digital marketing can play a pivotal role in enhancing these aspects by increasing brand visibility, attracting new customers, and fostering customer loyalty through consistent engagement. By optimizing their digital marketing capabilities, businesses in Kedaton, Rajabasa, Wayhalim, Sukarame, and Sukabumi can better respond to consumer preferences, adapt to market trends, and improve their performance in a constantly evolving business environment. Businesses can optimize strategies in real time, make better-informed decisions, and allocate resources more effectively with this data-driven strategy (Pascucci et al., 2023).

This study is motivated by the influence of MSEs adopting digital marketing on consumer behavior, specifically through social media

(Chowdhury et al., 2024). Observations of one type of MSEs, café, especially in Bandar Lampung, that became viral through its social media presence suggest that a strong digital strategy can create a sense of urgency and Fear of Missing Out (FOMO), encouraging passive viewers to transition into active customers (Alutaybi et al., 2020). The promotional tactics utilized by MSEs led to immediate visits, emphasizing how digital marketing can effectively shape consumer decisions by triggering emotional responses like exclusivity and timeliness (Hamdani et al., 2022).

This research aims to explore how MSEs can leverage digital marketing to strengthen their overall business performance and ensure long-term sustainability. A crucial factor in achieving this lies in the relationship between marketing capabilities and business success. There is a clear link between marketing abilities and company performance (Joensuu-Salo et al., 2018). There exists a close correlation between marketing capability and firm performance, given that a company's proficiency in promoting its offerings significantly influences its overall success by enhancing marketing capability can drive up revenue, enhance customer interaction, and expand market share, consequently enhancing overall company performance (Jung et al., 2023). Therefore, this research aims to explore the effect of digital marketing on business performance by examining the key indicators (Hashom et al., 2022). Additionally, the researcher wants to investigate the effect after MSEs adopt digital marketing and what indicators are most beneficial for MSEs. Specifically, this research will look at the effectiveness on how by utilizing digital marketing, it can influence profitability in the districts of Kedaton, Rajabasa, Wayhalim, Sukarame, and Sukabumi.

These selected subdistricts share several key similarities, making them suitable benchmarks for this study. First, they have a similar demographic market segmentation, evidenced by the presence of numerous educational institutions, especially universities, which influences local consumer behavior and buying patterns (Hemsley-Brown et al., 2016). Based on data from BPS (2023), there are 33 universities across Bandar Lampung, with 12 of them located in the chosen districts of Kedaton, Rajabasa, Wayhalim, Sukarame, and Sukabumi. This educational density creates a young, trend-sensitive customer base, often seeking social spaces and diverse culinary experiences.

Given this demographic's engagement with online platforms, businesses in these areas have a unique opportunity to enhance their competitive positioning through effective digital marketing. In an increasingly competitive market, where consumer preferences evolve rapidly, the ability to adapt and respond to trends is crucial (Felix, 2015). The widespread use of social media among MSEs in these subdistricts provides an established foundation for assessing how digital marketing influences customer behavior and business performance (Sherly et al., 2020). By harnessing these platforms, businesses can strengthen their online presence, engage more directly with their target audience, and effectively differentiate themselves from competitors (Jeswani, 2023).

In today's fast-paced business environment, maintaining a responsive and dynamic online presence is essential for long-term survival and sustained business performance (Pașcalău et al., 2024). For MSEs, particularly in the food and beverage sector, mastering digital marketing is not just an option but a strategic necessity to remain competitive and thrive in an increasingly crowded and digital marketplace.

As an enterprise, MSEs need to recognize that business performance can be measured across multiple parameters, including productivity, efficiency, profitability, and market share (Febriyantoro, 2019). In this research, use financial performance parameters that increase the sales revenue measurement by utilizing digital marketing activities. Several studies have explored the impact of marketing efforts on business performance, particularly in relation to customer reviews of products or services. It has been found that the volume of consumer reviews has a positive effect on business performance and revenue growth. This applies to various industries, such as hotels, online services, and any companies engaging with customers via digital devices and internet technologies (González et al., 2016). By using digital marketing to create personalized experiences and engage directly with customers, MSEs in the districts of Kedaton, Rajabasa, Wayhalim, Sukarame, and Sukabumi can drive up their financial performance.

Marketing expenditures are the financial commitments made by businesses to increase brand visibility and connect with their target audience via various promotional channels (Dwivedi et al., 2021). Marketing expenses refer to the financial resources of businesses earmarked for investments in promotional efforts, encompassing advertising, digital and mobile marketing, press events, experiential marketing initiatives, and sales promotions (Köylüoğlu et al., 2021). Furthermore, digital marketing not only produces immediate results but also improves brand reputation and market placement. Businesses that continuously produce quality information and engaging experiences improve their brand image, differentiate themselves, and gain customer trust, resulting in better business performance and overall company success (Prokopenko et al., 2020).

This research is important because it addresses two main gaps in existing studies. First, there’s not enough research on how by adopting digital marketing affects businesses in specific areas like Bandar Lampung. Most studies focus on general regions or countries, but local factors can make a big difference. By focusing on Bandar Lampung, this study will provide insights that are useful for businesses in similar areas. Second, most studies measure business performance only using financial indicators, such as profit or revenue. This research will also look at non-financial indicators which are just as important. By looking at both financial and non-financial results, this study will give a more complete picture of how digital marketing can help MSEs grow and succeed in the long run.

This study aims to investigate in depth the complex aspects of implementing digital marketing and its subtle effects on the increasing business performance in MSEs. By using a combination of questionnaires and careful data analysis, the research seeks to provide useful insights that might help F&B MSEs optimize their digital marketing operations. The ultimate goal is to enable businesses to successfully navigate digital environments, improving their overall efficiency and competitiveness in the modern business environment.

1.2 Problem Formulation

Based on the background above, the growing importance of digital marketing for MSEs in the F&B sector in the districts of Kedaton, Rajabasa, Wayhalim, Sukarame, and Sukabumi in Bandar Lampung is evident. As businesses increasingly adopt digital strategies to improve visibility and customer engagement, it becomes crucial to understand how these efforts impact their overall business performance. The previous research was mostly talking about the impact of utilizing digital marketing to business performance in developing countries, but there was no specific region on which country and sub-districts (Nuseir et al., 2022).

Moreover, they used to define the parameter of business performance based on the stakeholder's investment not on the market share by using digital marketing tools (Farida & Setiawan, 2022). To explore this, the following research questions have been formulated:

1. Does digital marketing affect the financial performance of F&B MSEs in Bandar Lampung?
2. Does digital marketing affect non-financial performance of F&B MSEs in Bandar Lampung?

1.3 Research Purpose

1. To investigate whether or not the use of digital marketing has a positive effect on non-financial performance of F&B MSEs in Bandar Lampung
2. To investigate whether or not the use of digital marketing has a positive effect on the financial performance of F&B MSEs in Bandar Lampung

1.4 Research Benefit

1.4.1 For Micro and Small Sized Enterprise

1. The research findings can empower businesses to make informed decisions regarding their digital marketing, leading to more effective allocation of resources and improved business performance.
2. Understanding the impact of digital marketing on business performance can provide MSEs with a competitive edge by enabling them to adopt innovative and efficient marketing practices that outperform competitors.
3. Businesses can optimize their marketing budgets by focusing on digital marketing initiatives that have the highest potential for generating business performance, thereby maximizing the efficiency of their marketing investments.
4. By enhancing business performance through adopting digital marketing, businesses can not only improve their financial performance but also contribute positively to society by increasing awareness and accessibility of their products or services.
5. It might be helpful for MSEs' owners and representatives to comprehend the importance of using digital marketing and how it affects their business performance.

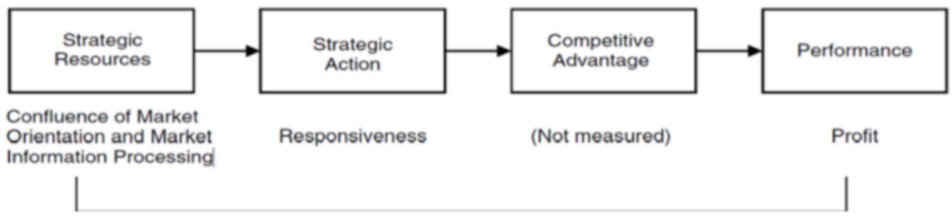
CHAPTER II

LITERATURE REVIEW

2.1 Grand Theory Business Management: Resource-Based View (RBV)

The Resource-Based View (RBV) of business management emphasizes the importance of internal resources and capabilities as critical drivers of competitive advantage and improved performance (Sugiarno & Novita, 2022). According to (J. Barney, 1991), resources that are valuable, rare, inimitable, and non-substitutable (VRIN) enable firms to sustain competitive advantage and outperform competitors. This theory aligns closely with the business management context, as it focuses on how organizations utilize their resources to achieve strategic objectives. In the context of MSEs, digital marketing can be seen as a critical resource that enhances innovation, customer engagement, and operational efficiency, driving overall business performance, as shown in Figure 2, resources direct the strategic actions of firms, thus creating a competitive advantage, and this advantage increases business performance.

Figure 2.1 The core concept of the Resource-Based View (RBV)



Source (Hult et al., 2005, p.1175)

RBV is founded on several key principles. First, it posits the heterogeneity of resources, meaning that organizations possess diverse resources that differentiate them from competitors (J. Barney, 1991). Second, it highlights the immobility of resources, The RBV has been useful in identifying the basis by which the resources and capabilities of a firm serve as sources of sustained competitive advantage (J. Barney, 1991). The VRIN framework further explains the attributes that make a resource strategically valuable: it must contribute to organizational efficiency or effectiveness (valuable), be scarce among competitors (rare), resist imitation due to complexity or cost (inimitable), and lack viable substitutes (non-substitutable).

For MSEs, RBV explains how leveraging digital marketing tools, such as social media platforms, analytics software, and tailored content strategies, serves as a valuable and unique asset. According to the RBV perspective, a firm's organizational resources and capabilities, such as its sales force and marketing capabilities, form the basis of its competitive advantage (J. B. Barney & Hesterly, 2015). In this context, functional capabilities such as brand management, marketing mix, market perception, and information management capabilities (Moorman & Day, 2016), as well as product development, pricing, marketing planning including digital marketing, and sales management (Vorhies & Morgan, 2005), have been widely explored in the literature for their impact on firm performance. This theoretical foundation helps to illustrate why digital marketing is not merely a tactic but a strategic resource that aligns with the broader goals of business management.

In addition to RBV, other supporting theories provide complementary insights into resource utilization. The Dynamic Capabilities Theory (Teece et al., 1997) emphasizes an organization's ability to adapt, integrate, and reconfigure resources in response to dynamic market conditions. Similarly, Contingency Theory (Fiedler, 1964) suggests that the effectiveness of resource deployment depends on contextual factors such as technological advancements or market trends. These theories enrich the understanding of how resources like digital marketing can be flexibly applied to maximize business outcomes.

Applying RBV to digital marketing highlights its relevance for MSEs in the Foods and Beverages industry. By strategically leveraging digital tools as resources, MSEs can create a competitive advantage, enhancing customer loyalty, market reach, and operational performance (Moorman & Day, 2016). This demonstrates how RBV serves as a valuable lens for exploring the intersection of digital marketing and business management.

2.2 Digital Marketing

Digital marketing refers to promoting products or services through digital technologies, primarily on the Internet, but also through mobile phones, display ads, and other digital platforms (Desai, 2019). Digital marketing has emerged as a critical aspect of business strategy, reshaping how companies engage with consumers and reach their target audiences. The integration of digital technologies into marketing practices has accelerated the transformation of traditional business models, enabling companies to develop new approaches to advertising, customer engagement, and service delivery (Tabuena et al., 2022). By leveraging the internet and online platforms, digital marketing allows businesses to advertise and promote products and services more efficiently, reaching broader and more diverse audiences (Grover et al., 2019). Digital marketing provides new opportunities to reach, inform, and engage consumers, as well as to provide and sell goods and services. It is estimated that digital marketing will remain at the forefront of technological changes in the future (Ko, 2019).

Digital marketing, also known as online marketing, web marketing, e-marketing, or i-marketing, is a dynamic intersection where the extensive global system of interconnected computer networks meets marketing principles. The internet, consisting of networks covering millions of private, public, academic, business, and government networks, operates through a combination of various technologies. It has become the widest source of information ever accessed by humans, forming the basis for a few unparalleled information channels that surpass achievements of the 20th century. In the context of marketing, which is a social process that facilitates the fulfilment of needs and desires through the creation and exchange of products and value with others, integration with the internet opens-up unlimited opportunities (Saputra et al., 2023).

With a wide range of interest above, hence, MSEs can overcome their marketing and advertising obstacles and compete with larger companies by adopting digital marketing, which enables them to meet their goals (Selase et al., 2019). It provides SMEs with the chance and capacity to take on difficulties (Mehralian & Khazaee, 2022). Furthermore, to remain competitive, businesses of all sizes are required to use digital marketing (Bruce, Shurong, & Du Ying, 2023). Digital marketing encourages consumer connection and participation in both the development of the marketing mix and the implementation of marketing communications (Peter & Vecchia, 2021). Furthermore, to remain competitive, businesses of all sizes are required to use digital marketing (Bruce, Shurong, & Du Ying, 2023).

Digital Marketing (DM) is also defined as a firm's ability to use technology-enabled processes to interact with customers and partners in a targeted, measurable, and integrated manner to create value across space and time (Homburg & Wielgos, 2022; Kannan & Li, 2017). These capabilities are critical for modern firms, especially MSEs, to remain competitive in increasingly digital environments. Homburg and Wielgos (2022) identify seven core DM indicators that are commonly adopted across industries: social media marketing, mobile marketing, content marketing, search engine marketing (SEM), web analytics, marketing automation, and email marketing. Social media marketing allows firms to engage directly with customers and build online communities. Mobile marketing leverages smartphones and mobile apps to deliver location-aware content. Content marketing focuses on producing relevant and valuable material that nurtures customer trust and engagement. SEM helps increase visibility in search engines through both organic and paid strategies, while web analytics provides insight into user behavior and campaign performance. Marketing automation streamlines repetitive tasks like lead nurturing and segmentation, and email marketing remains a cost-effective tool for maintaining customer relationships. Together, these capabilities offer firms a scalable, measurable, and adaptable toolkit for improving performance and sustaining customer relationships (McIntyre & Virzi, 2019; Sridhar & Fang, 2019).

2.3 Business Performance

Business performance is a central concept in organizational studies, reflecting a firm's ability to create and deliver value effectively to its internal and external stakeholders (Taouab et al., 2019). According to (Umrani et al., 2018), it encompasses the organizational effectiveness of providing goods and services that meet customer expectations while achieving strategic objectives.

In the management literature, business performance is widely acknowledged as a multidimensional construct that includes both financial and non-financial dimensions (Martz, 2013). similarly emphasize that business performance should be analyzed across these two dimensions to capture a holistic view of organizational success. Financial performance refers to quantitative metrics such as profit, revenue, and Return on Investment (ROI), which directly measure a firm’s monetary success (Myšková et al., 2017). Non-financial performance, on the other hand, focuses on qualitative aspects, including customer satisfaction, loyalty, and perceived quality (Omran et al., 2021). (Seo & Lee, 2019) stress the importance of integrating these two dimensions, as balancing financial and non-financial performance is critical for sustainable development.

Bonoma & Clark (1988) highlight key output measures of business performance, including profit, sales (both unit and value), market share, and cash flow. These metrics are often influenced by inputs such as marketing expenses, investments, and workforce capabilities. For micro and small enterprises (MSEs), digital marketing have emerged as critical enablers of performance by allowing businesses to respond to rapidly changing customer needs (Nuseir, 2018). However, the impact of digitalization on performance is not universally observed, as Apenteng et al., (2014) point out that some economies still struggle to adopt digital media due to limited awareness.

In addition to financial metrics, Bucklin (1978) underscores the importance of incorporating service quality into performance measurement, it is significantly enhancing customer satisfaction, a critical non-financial indicator. Similarly, (Green et al., 1995) define business performance as the degree of market success attained by a product at maturity, emphasizing a broader set of indicators, including ROI, sales volume, customer loyalty, and purchase intent. These measures illustrate how financial and non-financial outcomes are interdependent, with improvements in customer satisfaction and loyalty often preceding financial success.

Digital media has revolutionized how businesses enhance performance by providing cost-effective tools to engage customers and optimize processes (Alkitbi et al., 2021). According to (Nuseir, 2018) digital implementation allows SMEs to better address customer needs and improve both financial and non-financial outcomes. For example, targeted digital campaigns can directly boost sales and market share, while also fostering long-term customer loyalty. As businesses increasingly adopt digital strategies, it becomes essential to measure their effectiveness across multiple performance dimensions (Khanom, 2023).

2.3.1 Non-Financial Performance

Non-financial indicators help the business by evaluating business performance by focusing on customer relationships, market positioning, and service quality rather than financial outcomes (Artha et al., 2023). These metrics help businesses gauge their ability to meet customer needs and adapt to changing market conditions, offering a comprehensive perspective on long-term success.

In alignment with Alves and Lourenço (2022), this study adopts non-financial performance indicators that reflect strategic and intangible aspects of firm success, particularly relevant for SMEs. The key non-financial dimensions used in their study, such as customer satisfaction, product/service quality, employee involvement, productivity, and innovation are operationalized in this research through a set of self-reported Likert-scale items. These include statements assessing the business's performance in terms of improving service quality, customer relationships, employee productivity, innovation in products or services, and responsiveness to market changes. Such measures are grounded in prior literature that recognizes non-financial metrics as forward-looking and managerially controllable (Ittner & Larcker, 1998; Kaplan & Norton, 1996).

2.3.2 Financial Performance

Financial indicators are essential metrics for evaluating business performance, providing a quantitative assessment of a company's economic health and operational efficiency (Artha et al., 2023). These indicators help businesses measure their ability to generate revenue, manage costs, and achieve profitability, forming a critical foundation for decision-making (Gerschewski et al., 2015). Common financial indicators include profit, Return on Investment (ROI), cash flow, sales volume, and growth rate, each offering insights into different aspects of financial performance (Tudose et al., 2022). Moreover, (Palit et al., 2015) describes financial performance indicators that can be achieved through revenue growth, cost savings, and profit increase.

Profit, one of the most fundamental measures, reflects the revenue earned after deducting all expenses and is categorized into gross, operating, and net profit (Jayathilaka, 2020). It highlights a business’s efficiency in generating income and managing resources.Cost savings, on the other hand, are primarily achieved through operational improvements, (Palit et al., 2015) highlights that reducing service time, optimizing resource allocation, and streamlining workflows help businesses cut unnecessary expenses. By enhancing efficiency, companies can allocate resources more effectively, allowing them to reinvest in revenue-generating activities. Cash flow, which represents the inflow and outflow of money, is another critical indicator, as it ensures liquidity and the ability to meet daily operational expenses (Laghari et al., 2023). Growth rate, on the other hand, measures the percentage increase in a company's revenue or market share over time, providing insights into scalability and long-term viability (Varaiya et al., 1987). These financial indicators enable businesses to monitor progress, identify areas for improvement, and make informed strategic decisions.

For Micro and Small Enterprises (MSEs), these financial indicators are particularly critical. Limited resources and smaller market shares mean that MSEs must carefully track metrics like profit and cash flow to ensure short-term stability while focusing on growth rate and ROI for sustainable development (S.-U. Jung et al., 2023). By understanding and improving financial indicators, businesses can enhance their competitiveness, attract investment, and achieve long-term success in dynamic market environments.

2.4 The Relationship Between Digital Marketing and Business Performance

Adopting digital marketing plays a crucial role in enhancing business performance by enabling businesses to connect with customers more effectively and efficiently (Ghafari, 2024) . Social media platforms such as Facebook and Instagram allow businesses to engage with a wide audience, providing round-the-clock interaction and shopping opportunities without physical limitations (Siamagka et al., 2015; Zolkepli et al., 2015). This accessibility increases customer reach and strengthens relationships.

Key digital strategies like social media marketing, SEO, and pay-per-click advertising have proven to boost customer engagement and revenue (Yasmin et al., 2015). These tools help businesses target audiences, attract new customers, and retain existing ones, leading to improved sales and market share (Zulfikar, 2023). Customer reviews enhance credibility and influence purchasing decisions, further contributing to business growth.

The link between digital marketing and business performance is evident in its ability to increase visibility, drive targeted traffic, and improve customer satisfaction (Yendra et al., 2024b) By adopting digital marketing, businesses can adapt to changing consumer behaviors, remain competitive, and achieve both financial and non-financial success in today's dynamic market.

2.5 Micro Small Enterprises (MSEs)

Micro and Small Enterprises (MSEs) encompass business activities operated by individuals, groups, small enterprises, or households (Wahyudi et al., 2024). In Indonesia, they are the backbone of the economy, contributing significantly to GDP, employment, and poverty alleviation. Small and medium-sized businesses (SMEs) are vital for regional economic development since they significantly contribute to economic growth, job creation, and poverty reduction, yet they face numerous funding obstacles (Gherghina et al., 2020). Despite challenges like limited access to finance and infrastructure, government initiatives aim to bolster their resilience and sustainability (Carvalho et al., 2021). MSEs remain essential for Indonesia's inclusive and sustainable economic development. According to Article 1, Chapter I of Law No. 20 of 2008 on MSEs, these enterprises are classified as follows:

a. Micro Enterprise is a productive business owned by individuals or individual business entities that mee the criteria set out in the law.
b. Small Enterprise is an independent economic entity operated by individuals or business entities that are not subsidiaries or branches owned or controlled, directly or indirectly, by Medium or Large Enterprises and meet the criteria outlined in the law.

In Article 6, Chapter IV of Law No. 20 of 2008, MSEs are further categorized based on specific criteria:

1. Micro Enterprises criteria:
   a. Net assets not exceeding IDR 50.000.000, - (excluding land and buildings for business operations), or
   b. Annual sales revenue not exceeding IDR 300.000.000,00 (three hundred million rupiahs).
2. Small Business Criteria:
   a. Have a net worth of more than IDR 50,000,000.00 (fifty million rupiah) up to a maximum of IDR 500,000,000.00 (five hundred million rupiah) excluding land and buildings for business premises; or
   b. Has annual sales proceeds of more than IDR 300,000,000.00 (three hundred million rupiah) up to a maximum of IDR 2,500,000,000.00 (two billion five hundred million rupiah)

2.6 Previous Research

Previous research serves as a reference of a source of information used in this study. This previous research is derived from international studies.

Table 2.1 Previous Research (Arranged by author)

No	Authors	Research Title	Findings
1.	(Laurensia Santoso et al., 2022)	Analysis of Digital Marketing Processes to Improve Business Performance: Foods and Beverages MSEs in Indonesia	The study found that businesses that implemented more complete and effective digital marketing processes saw significant improvements in sales, customer engagement, and overall business performance. Businesses that considered customer opinions, maintained consistent branding, and carried out all stages of the digital marketing process experienced the highest increases in sales and brand awareness
2.	(Nuseir & Aljumah, 2022b)	The Role of Digital Marketing in Business Performance with the Moderating Effect of Environment Factors among SMEs of UAE The Role of Digital Marketing in Business Performance with the Moderating Effect of Environment Factors among SMEs of UAE View project	The results of the study showed that digital marketing applications, such as online advertising, affiliate marketing, email marketing, social media marketing, and search engine optimization, significantly and positively influence the business performance of SMEs in the UAE. However, the study found that environmental factors, such as competitive industry and competitive pressure, did not have a significant moderating effect on this relationship
3.	(Octavia et al., 2020)	Impact on e-commerce adoption on entrepreneurial orientation and market orientation in business performance of smes	This research answered the major research problem i.e. whether entrepreneurial orientation, market orientation and utilizing digital technology using e-commerce can improve SMEs business performance. It concluded that Entrepreneurial orientation, market orientation and e-commerce adoption have a significant influence in the improvement of SMEs business performance.
4.	(Eniola et al., 2020)	Marketing Strategies Impact On Organizational Performance	The analysis showed that marketing strategies, including promotion, packaging, product, and price, had a high positive impact on the sales and profitability performance of the selected SMEs, with effects of 64% and 73%, respectively.

Table 2.1 Continuous Previous Research (Arranged by author)

No	Authors	Research Title	Findings
5.	(Köylüoğlu et al., 2021)	The Impact of Marketing on The Business Performance of Companies: A Literature Review	The analysis of 103 studies found that marketing activities generally have a positive impact on financial performance indicators, with 70 studies showing a positive effect, 16 studies showing a negative relationship, 3 studies showing mixed results, and 14 studies indicating no impact, particularly with CSR activities and stock market returns.
6.	(Hachimi et al., 2021)	The Contribution of Digital Marketing to Business Performance: The Case of Companies in the Northern Region of Morocco	digital marketing has a positive impact on the performance of companies in the northern region of Morocco. The results of the study indicate that there is a significant positive effect of digital marketing use on business performance (coeff. = 0.225; $p > 0.01$) . Additionally, the study found that top management support has a positive impact on business performance
7.	(Bruce et al., 2023)	The Effect of Digital Marketing Adoption on SMEs Sustainable Growth: Empirical Evidence from Ghana	The results proved a direct positive link between subjective norms and actual behavioral use of digital marketing. Finally, the relationship between the actual use of digital marketing and SMEs' sustainable growth was also proven positive, affirming that digital marketing significantly improved the sustainable growth of SMEs in developing countries.
8.	(Mehralian & Khazaee, 2022)	Effect of digital marketing on the business performance of MSEs during the COVID-19 pandemic: the mediating role of customer relationship management	The results suggested that Digital Marketing has had a significant positive impact on Business Performance during the COVID-19 pandemic, which is consistent with previous findings in this regard (Siamagka et al., 2015); (Zolkepli & Kamarulzaman, 2015). In normal times, marketing capability tends to be a key driver of business performance.
9.	(S.-U. Jung & Shegai, 2023)	The Impact of Digital Marketing Innovation on Firm Performance: Mediation by Marketing Capability and Moderation by Firm Size	Digital marketing innovation has a positive impact on firm performance through the improvement and growth of marketing capability, and this mediation effect is moderated by firm size. Further, the indirect effect of digital marketing innovation on firm performance through marketing capability is greater than the direct effect.

2.7 Theoretical Framework

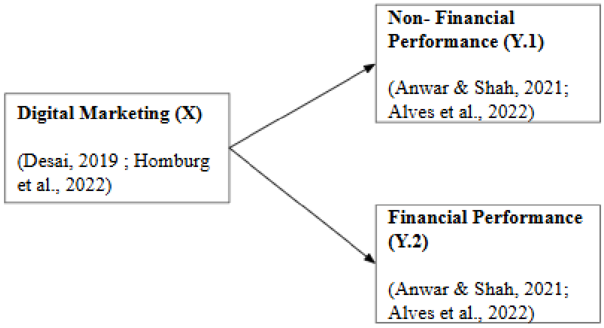


Figure 3.1 Theoretical Framework

2.8 Hypothesis Development

2.8.1 The Effect of Digital Marketing to Non Financial Business Performance

Adopting digital marketing also plays a key role in improving the non-financial performance of Food and Beverage (F&B) MSEs, particularly in areas like perceived quality, customer loyalty, and customer satisfaction (Omran et al., 2021). These factors are crucial for long-term business success and building a strong competitive edge.

Perceived quality is one of the main aspects influenced by digital marketing. By using online platforms to share engaging content, customer testimonials, and product information, F&B businesses can shape how their customers view the quality of their products (Yeboah, 2024). Positive social media interactions and high-quality online content can improve customer perceptions, boosting the brand's reputation.

Through consistent engagement with customers via social media and loyalty programs, MSE can foster stronger relationships with their audience (Mohammad, 2022). By offering personalized content and promotions, F&B MSEs can encourage repeat business and create a loyal customer base.

Customer satisfaction is directly linked to the effectiveness of digital marketing efforts. By using online channels to respond quickly to customer queries, offer personalized experiences, and provide valuable content, F&B businesses can increase customer satisfaction. Satisfied customers are more likely to return and recommend the business to others, which strengthens the brand's reputation and encourages further business growth (Dash et al., 2021).

In line with the core concepts of the Resource-Based View (RBV) by (Hult et al., 2005), digital marketing serves as a critical resource for F&B MSEs to improve their non-financial performance. Hult's RBV emphasizes that businesses gain a competitive advantage by utilizing valuable, rare, inimitable, and non-substitutable resources. In this context, digital marketing tools like social media engagement, customer feedback mechanisms, and targeted online campaigns are valuable resources that can enhance customer perceptions of quality, foster loyalty, and increase satisfaction. These digital resources are not only rare but also difficult for competitors to imitate, especially for smaller businesses with unique local connections and customer insights. By effectively leveraging these resources, F&B MSEs can build a stronger market position, improve customer relationships, and create long-term value, in alignment with Hult's view on the importance of resources for sustained competitive advantage.

H1: Digital marketing positively effect non-financial business performance

2.8.2 The Effect of Digital Marketing to Financial Business Performance

Digital marketing plays a crucial role in improving the financial performance of Food and Beverage (F&B) MSEs, impacting key financial indicators like Return on Investment (ROI), profit, and revenue (Green et al., 1995). ROI is an essential measure to assess the effectiveness of marketing efforts (Almestarihi et al., 2024). By adopting digital tools like social media, SEO, and e-commerce, F&B businesses can reach a wider audience with lower costs, leading to better returns on their marketing investments (Mahmudah et al., 2024).

Profit is another key metric that digital marketing influences. By enhancing online visibility and engaging potential customers, businesses can increase their sales and conversion rates. This leads to higher revenue, and ultimately, better profit margins as businesses retain more customers and spend less on traditional marketing (Purnomo, 2023).

The growth rate, especially customer growth rate of F&B MSEs is also affected by digital marketing. Effective digital strategies help businesses expand their customer base, enter new markets, and improve brand recognition (Sinaga et al., 2023). These factors contribute to increased growth rates, which are a sign of long-term financial success.

From an RBV perspective, digital marketing is a valuable resource that can significantly enhance the financial performance of F&B MSEs. According to (Hult et al., 2005), businesses gain a competitive advantage by leveraging resources that are valuable, rare, and inimitable. Digital marketing tools, such as SEO, targeted ads, and online customer data, are valuable because they allow businesses to reach a broader audience at a lower cost, boosting ROI. For F&B MSEs, a strong digital presence can be a rare advantage, helping them stand out from competitors who rely on traditional methods. Furthermore, personalized digital marketing efforts build customer loyalty, which is an inimitable resource that drives repeat sales and long-term growth. By utilizing digital marketing effectively, F&B MSEs can improve their profit, ROI, and growth rate, aligning with the core concepts of RBV to create a sustainable competitive advantage.

H2: Digital marketing positively effect financial business performance

CHAPTER III

RESEARCH METHODOLOGY

3.1 Approach and Type of Research

This study takes an empirical, quantitative method, collecting data using questionnaires. Quantitative research collects numerical data to test hypotheses and examine correlations using statistical approaches (Sujarweni, 2014). According to Sugiyono (2014), this type of research is useful for measuring things, comparing groups, and making predictions. It often involves large sample sizes to ensure accuracy, and the results are presented using charts and graphs. Quantitative research is commonly used in fields like marketing and social sciences to study behaviors and trends.

3.2 Population and Sample

3.2.1 Population

According to Hair et al. (2010), a population is a set of items or individuals with specific features and characteristics that are selected by researchers for the purpose of study, with the aim of drawing conclusions based on these observations. Prijana (2005) further defines a population as the complete collection of observation units whose attributes or characteristics are to be predicted or analyzed. In the context of this research, the population refers to the Food and Beverage (FnB) Micro and Small Enterprises (MSEs) located in the districts of Kedaton, Rajabasa, Wayhalim, Sukarame, and Sukabumi in Bandar Lampung. According to the data from BPS Bandar Lampung 2023, there are a total of 354 FnB MSEs in these areas, which will serve as the focus for this study. The market in these areas is similar due to the many universities, which influence local buying behavior (Hemsley-Brown et al., 2016). According to BPS data (2023), there are 33 universities in Bandar Lampung, with 12 in the selected districts of Kedaton, Rajabasa, Wayhalim, Sukarame, and Sukabumi. Most of the F&B MSEs in these areas are, but not limited to coffee shops which are popular with students and young professionals (Daiana Schinaider et al., 2016).

3.2.2 Sample

Hair et al. (2010) define a sample as a subset of the population for a study. This study cannot cover all populations due to time and resource constraints. This research allows for sampling a subset of the population based on specified criteria, as long as it is representative of the total population. This study employed non-probability sampling utilizing purposive sampling methods based on certain criteria, including:

1. The FnB MSEs' owners or managers located in Kedaton, Rajabasa, Wayhalim, Sukarame, and Sukabmi in Bandar Lampung
2. The FnB MSEs that have already adopted digital marketing activities
3. The FnB MSEs that have been operated for at least six months

The sample will be chosen using the Slovin's formula, which is a simple method for determining an appropriate sample size when the total population is known. It helps ensure that the sample size is large enough to be representative but not so large as to waste resources.

$$n = \frac{N}{1+N(e)^2} = \frac{354}{1+354(0.05)^2} = 188$$

Equation 1 Slovin Sample Formula

n = Sample

N = Population = 354

e = Margin of error = 0.05

A 5% margin of error provides an adequate level of precision while also ensuring the sample size remains manageable. If the researcher is lowering the margin of error (e.g., 3%) it will require larger sample sizes, which could become resource-intensive, especially for time-consuming data collection or analysis. In contrast, a higher margin of error (e.g.,10%) may affect the accuracy of the results.

3.3 Research Variable

A research variable is essentially anything that is defined or selected by the researcher to be studied in order to gain information about it, and subsequently, draw conclusions based on the findings. These variables can take various forms, including observable characteristics, behaviors, or abstract concepts (Sugiono, 2007). Moreover, he also explained there are four types of research variables such as independent variable, dependent variable, moderator variable, intervening variable, and control variable. In this research this research will only use the independent and dependent variable.

1. Independent Variable is the factor that will positively or negatively influence the dependent variable. It is considered the cause in a cause-and-effect relationship. In this research, digital marketing is the independent variable.
2. Dependent Variable is the outcome or the effect that is influenced by the independent variable. It is what the researcher measures to see if it changes as a result of the manipulation of the independent variable. In this research, business performance is the dependent variable.

3.4 Operational Variable

To understand the variables being researched, operational definitions must be developed for each one. The variables analyzed are operationally defined as follows in table 3.1.

Table 3.1 Operational Variable

Variables	Definition	Indicator	Scale
Digital Marketing (X) (Desai, 2019 ; Homburg et al., 2022)	Digital marketing refers to promoting products or services through digital technologies, primarily on the Internet, but also through mobile phones, display ads, and other digital platforms.	1. SMM 2. Mobile Marketing 3. Content Marketing 4. SEM 5. Web Analytics 6. Marketing Automation 7. Email Marketing	Five-point Likert scales
Non- Financial Performance (Y.1) (Anwar & Shah, 2021; Alves et al., 2022)	Non-financial performance, on the other hand, focuses on qualitative aspects focusing on business managerial activities	1. Planning 2. Investigating 3. Coordinating 4. Evaluating 5. Supervising 6. Managing staff 7. Human resource management	Five-point Likert scales
Financial Performance (Y.2) (Anwar & Shah, 2021; Alves et al., 2022)	Financial performance refers to the extent to which an organization achieves its financial goals, typically measured through accounting-based outcomes that reflect profitability, revenue generation, and financial efficiency.	1. Financial management 2. Increase of revenue 3. Cost savings due to operational improvements 4. Increase of profit	Five-point Likert scales

3.5 Data Collection Techniques

3.5.1 Primary Data

The primary data for this study was collected through a questionnaire distributed to respondents via Google Forms. This questionnaire consists of a series of questions organized in a structured format, all focused on the issue being investigated, and is provided to respondents for completion.

The questionnaire may include both closed questions and can be administered directly, by mail, or online. Respondents used a Likert scale to indicate their responses, with scores ranging from 1 to 5. The answers are assigned the following scores.

The Likert scale used in this research is based on a five-point scale, with a score range from 1 to 5. However, the explanation or description for each score is adjusted according to the specific context of the questionnaire items. A score of 1 represents the lowest level of agreement or preference, while a score of 5 represents the highest level, with intermediate values indicating progressively higher levels between the two extremes. The scale structure follows the general guidelines of Sekaran and Bougie (2016).

3.6 Data Analysis Method

This study employs simple linearr regression analysis as the primary data analysis technique, conducted using IBM SPSS software. The research aims to test a theoretical framework exploring the relationship between digital marketing and business performance. The sample size for this study is determined using the Slovin formula, resulting in 188 respondents. This ensures the data is representative of the population of MSEs in the targeted districts while maintaining statistical reliability. IBM SPSS is chosen for its robust capabilities in performing descriptive and bivariate statistics, predicting numerical outcomes, and identifying distinct groups within the data (Rahman & Muktadir, 2021).

The software's intuitive and user-friendly interface makes it highly flexible and efficient, saving time while delivering comprehensive data analysis (IBM, 2023). Its suitability for analyzing linear relationships and processing observed variables, such as digital marketing and business performance, further supports its use in this study.

3.7 Research Instrument Validation

3.7.1 Validity Test

The validity test ensures that the questionnaire, as a research instrument, accurately measures the intended constructs (Hasnida & Ghazali, 2016). A questionnaire is considered valid if its items effectively reveal the outcomes it aims to measure. This study uses construct validity testing through confirmatory factor analysis (CFA) to assess the extent to which observed variables represent their underlying constructs (Hair et al., 2020). CFA empirically validates the measurement theory by confirming relationships between variables and theoretical constructs, thereby establishing the measurement model structure (Hair et al., 2020).

Validity is determined by analyzing the factor loadings of each variable, where a value greater than 0.50 indicates validity (Hair et al., 2010). Additionally, items are validated for further analysis if their R-value exceeds the R-table value or if the significance value is below the alpha level, confirming their suitability for the study (Taherdoost, 2016). This comprehensive approach ensures the questionnaire aligns with theoretical concepts and produces reliable data.

3.7.2 Reliability Test

Reliability measures the consistency and accuracy of an instrument, ensuring it is free from bias and capable of delivering stable and consistent result time (Sekaran & Bougie, 2016). It reflects how well the instrument assesses the intended concept, thus determining the overall quality of the measurement. This study evaluates reliability using Cronbach's Alpha, calculated through SPSS, to determine the internal consistency of the questionnaire.

A Cronbach's Alpha value greater than 0.60 is considered acceptable, with values between 0.60 and 0.70 being moderately reliable and values above 0.70 indicating strong reliability (Hair et al., 2010; Ursachi et al., 2015). If the score is below 0.60, the instrument is considered unreliable and unsuitable for consistently assessing the intended construct.

3.7.3 Normality Test

The normality test evaluates whether the sample data follows a normal distribution, which is crucial for building a reliable regression model (Mishra et al., 2019). A good model requires data that is normally or near-normally distributed. In this study, the normal P-plot graph shows that points are evenly spread around the diagonal line, indicating normal distribution. For statistical testing, the Kolmogorov-Smirnov test is used. A significance value greater than 0.05 confirms that the data is normally distributed, while a value below 0.05 indicates non-normality. This ensures the data is suitable for further analysis.

3.8 Correlation Analysis Test

This study uses Pearson correlation analysis to assess the strength and direction of relationships between variables. It measures the linear association between two continuous variables, expressed by a correlation coefficient (r) ranging from -1 to +1. A value of +1 indicates a perfect positive relationship, -1 a perfect negative relationship, and 0 no relationship. This method reveals both the direction and strength of the association. Including Pearson correlation is key to understanding how strongly the independent variable (Digital Marketing) is related to the dependent variables (Non-Financial and Financial Performance). It provides empirical evidence to support or challenge research hypotheses and helps determine if further analysis, like regression, is necessary (Pallant, 2020).

3.9 Hypothesis Test

3.9.1 Simple Linear Regression Test

Simple linear regression is a statistical method used to test hypotheses about the effect of one independent variable on one dependent variable by examining the strength, direction, and significance of their relationship (Kumari et al., 2018). In hypothesis testing, this method allows the researcher to formally evaluate whether changes in the independent variable (for example, Digital Marketing) significantly predict changes in the dependent variable (such as Financial Performance or Non-Financial Performance). The regression analysis produces key outputs such as beta coefficients and p-values, which indicate both the magnitude of the effect and whether the relationship is statistically significant. If the p-value is below the chosen significance level (commonly 0.05), the null hypothesis (that there is no effect) is rejected, and the researcher concludes that the independent variable has a significant impact. Therefore, simple linear regression is not just a supporting analysis but serves as a direct and formal tool for testing research hypotheses about cause-and-effect relationships between variables.

CHAPTER V

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

The study contributes to the understanding of how different levels of digital marketing implementation influence both the operational and financial aspects of small business performance. Based on the results and respondents' behavior, the following conclusions and recommendations can be drawn:

1. Digital marketing significantly enhances non-financial performance among MSEs in the food and beverage sector. The results indicate that MSEs that utilize digital marketing, especially through platforms like Instagram, WhatsApp, and TikTok experience improvements in business planning, coordination, supervision, and overall managerial effectiveness.
2. The use of digital tools supports not only external communication but also internal efficiency. Business owners reported higher confidence in managing their operations, although certain managerial areas such as human resource management (e.g., staffing and employee retention) still scored lower. This suggests that while digital tools are helping businesses function better, some internal processes remain underdeveloped.
3. Digital marketing also has a positive and significant impact on financial performance. The regression results show that MSEs using digital marketing tend to achieve better profitability, sales performance, and productivity. Respondents reported clear financial benefits, particularly in terms of profit, although growth in market share was less evident.
4. MSEs primarily rely on accessible, low-cost digital marketing tools, with most respondents utilizing social media platforms for promotion and customer interaction. More advanced tools, such as

paid advertising, automation, and analytics are still underused, which may be due to limitations in digital literacy, budget, or perceived complexity.

5. The behavior of respondents reflects a practical and cautious adoption of digital marketing, focusing on sustaining income rather than expanding aggressively. This suggests that digital marketing is currently being used as a survival and growth-supporting tool, but not yet as a competitive scaling strategy.
6. There is still significant potential for MSEs to leverage digital marketing more strategically. With proper training, support, and access to user-friendly digital platforms, MSEs can optimize not only their financial outcomes but also their internal business processes and market competitiveness.

5.2 Recommendation

1. Many MSE owners are not yet utilizing automation technology effectively in their marketing efforts. It is recommended that business owners receive hands-on training and direct assistance in using tools such as chatbots, CRM systems, and autoresponders to help increase customer service efficiency and expand marketing reach automatically.
2. Human resource management remains a challenge for many MSEs. Business owners should be equipped with basic personnel management training, including how to design job descriptions, recruit the right staff, and apply effective retention strategies to strengthen team performance and ensure sustainable operations.
3. MSE owners believe that digital marketing helps them to increase their market share. Although MSE actors may experience profit growth, they have yet to fully capitalize on digital marketing to expand their market share. Business actors should be encouraged to adopt more targeted digital marketing strategies, such as paid

advertising, search engine optimization (SEO), and marketplace optimization to reach new customer segments and enhance their market competitiveness.

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