



Opportunities and Challenges in the Era of Digital-Based Marketing: A Comparative Study on SMEs

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Abstract. This paper's main objective was to examine Opportunities and Challenges in the Era of Digital-Based Marketing on SMEs in Indonesia. Methodology: A comparative study of SMEs in Yogyakarta City with Kupang City in utilizing opportunities and challenges for SMEs in the digital marketing era. In-depth interviews in data collection on 30 SMEs in Yogyakarta and Kupang City. The role of the government is also very important in facilitating the digitalization of SMEs, showing that government policies and support are needed to accelerate the adaptation of digital technology. Collaboration and forming a digital community in Kupang shows the importance of sharing knowledge in facing the challenges of digitalization. This analysis emphasizes the need for an approach tailored to the local context, where Yogyakarta and Kupang require different strategies based on their digital infrastructure and accessibility.

Keywords: Digital Era, Digital Marketing, Kupang, SME, Yogyakarta.

1. INTRODUCTION

Advances in the field of ICT have encouraged the acceleration of digitalization in all areas of life, including in the economic and business fields. Digitalization has a major impact on economic growth. The digital economy sector is considered to be one of the triggers for accelerating recovery and increasing economic resilience. In Indonesia, the digital economy is experiencing rapid development, one of which is driven by the contribution of start-ups as part of the digital ecosystem. The sector plays an important role in creating jobs, improving well-being, and contributing to a sustainable economy through innovative solutions (Hanna, 2020). In 2022, the value of ASEAN's digital economy will reach USD 194 billion, of which Indonesia controls 40 percent of this value (Jatmiko et al., 2022).

Likewise in business practices, there has been a huge change, where the number of online shopping consumers in Indonesia who use e-commerce reached 32 million people in 2021. The number shot up 88 percent compared to 2020 which was only 17 million people (Wijanarka et al., 2022). Although on the other hand, the phenomenon of digitalization causes uncertainty for business people who are not prepared to adapt to the direction of change that is happening, where the management is still carried out with traditional business models. This has a big impact on the business atmosphere, such as business sluggishness marked by a significant decrease in turnover due to the transition from traditional to online transactions. The emergence of market places, such as Toko Pedia, Shopee and Lazada is an example of a shift in business practices from physical contact to virtual contact due to the digitalization in question.

In today's all-digital era, digital-based marketing is one of the important factors to understand and apply in marketing products and services (Jung & Shegai, 2023). The way businesses operate is starting to change due to the emergence of digital technology, especially in the field of marketing (Rizvanović et al., 2023). The era of digital-based marketing has brought new opportunities and challenges for Micro, Small and Medium Enterprises (SMEs). The development of this technology has encouraged the emergence of digital-based applications that are innovative solutions in marketing goods and services today. Businesses become competitive, profitable, and even sustainable if entrepreneurs are able to understand and apply the digital applications they have (Chen et al., 2022).

Almost all layers of business today encourage digital-based marketing because it has been proven to be able to improve their performance (Dwivedi et al., 2021a). This is a challenge and also an opportunity for Micro, Small and Medium Enterprises (SMEs) because they have to adapt to all digital applications when running their business operations (Vial, 2019). SMEs are currently seen as pillars or generators of the world economy (Srivastava, 2020). Indonesia as a developing country is highly dependent on the strength of SMEs. A data shows that Indonesia is one of the countries that is able to survive in facing the crisis due to Covid-19 because of the strength of its SMEs. The current challenge is that SMEs in Indonesia are still dominated by those who are elderly, where it is quite difficult to adapt to the current pace of digital development, as is the case with SMEs in East Nusa Tenggara (NTT), one of the provinces in the underdeveloped category where internet development is not evenly distributed.

Kupang City, the capital of East Nusa Tenggara Province, according to the Central Statistics Agency (BPS) 2022, has a population of 443,349 people. This city is very welcoming for SMEs to take part and contribute positively to the local economy. However, many SMEs in Kupang face challenges in reaching customers because the city is somewhat lagging behind compared to other major cities in Indonesia. One of the big challenges faced by SMEs in Kupang is the limited digital literacy. Many SMBs do not have the necessary skills to create and

manage digital marketing campaigns. According to the Syukri survey, only 25% of SMEs in Indonesia have a website, and only 14% use social media for marketing purposes (Syukri & Sunrawali, 2022). Lack of digital literacy can result in poor-quality content, mistargeting, and lost opportunities.

Yogyakarta City is located as the capital of Yogyakarta Province and is the only level II area with City status in addition to 4 other level II areas with Regency status. With an area of 3,250 hectares, it is divided into 14 sub-districts, 45 urban villages, 617 RWs, and 2,531 RTs, and is inhabited by 489,000 people (data as of December 2022) with an average density of 15,000 people/Km². Meanwhile, in terms of the development of micro, small and medium enterprises (SMEs) in Yogyakarta, it can be seen from the addition of business units and the distribution of their areas. In the period from 2020 to 2022, there was an increase in business units every year with an average growth of 3.34 percent. In 2020, there were 230,047 units of SMEs, an increase of 4.23 percent from the previous year. In terms of the type of business by sector, Yogyakarta SMEs are most engaged in trade and agricultural industries. These SMEs have their respective roles in moving the economic wheels of the people of Yogyakarta. The existence of SMEs in Yogyakarta, apart from being a business field as well as an attraction for tourists, Yogyakarta is indeed a tourist paradise.

Digital literacy itself is a person's ability to use digital technology well, which includes an understanding of how to use digital devices, the internet, and various applications and platforms correctly. Digital literacy does not only involve technical skills; It also involves an understanding of online information privacy and security, critically evaluating information, and the ability to communicate, collaborate, and make informed decisions in the digital world. Digital literacy is becoming increasingly important in the current and future era where technology has and will enter many aspects of daily life. People with good digital literacy can confidently use technology to search for information, interact in social networks, complete online tasks, and also understand the social, cultural, and economic impact of using technology.

To reach customers, SMEs in Kupang have traditionally used local advertising such as billboards, pamphlets, and word-of-mouth promotions. However, the targeting and reach of this technique is limited. Using social media, email, and online advertising, digital marketing allows SMEs to reach a wider audience outside of their local area (Syukri & Sunrawali, 2022). A study conducted by Nurhalisah shows that 87% of Indonesians use the internet regularly, and 96% of them use smartphones to access the internet (Ellitan, 2020). This provides a great opportunity for Kupang SMEs to reach digital customers. Meanwhile, the Yogyakarta City Small and Medium Business Cooperative Industry Office, especially in the field of MSEs, conducted a Dissemination of Marketing Digitalization and Business Opportunities. The participants of the Desiminasi invited from SMEs in Yogyakarta City. This is done by providing promotional and marketing facilities to SMEs in Yogyakarta. SMEs were given an introduction to Facebook Ads which aims to promote their business online. With Facebook Ads, we can get to know the structure of the advertisement that SMEs want to promote and identify the goals and target markets of the advertised promotions. To promote their business, SMEs need to conduct marketing management as an analysis of program implementation planning and control designed to create, build and maintain SMEs' businesses. Marketing management also functions to know the market and its marketing environment, how big the opportunity is to seize the market and how big the threat must be faced. An empirical study found that businesses in Indonesia can save up to 50% by switching from traditional to digital marketing (Wijanarka et al., 2022). This is because digital marketing allows businesses to measure ROI more accurately than traditional methods due to the ability to track clicks, impressions, and conversions through analytics tools (Vial, 2019). This allows businesses to optimize their digital marketing strategies based on data, not just guesswork or intuition. As a result, businesses can achieve better results at a lower cost than traditional methods.

Digital marketing also offers personalization opportunities based on customer data. By using customer relationship management (CRM) software and email marketing tools, SMBs can send targeted messages to customers based on their preferences and purchase history. This increases customer satisfaction and loyalty by providing a personalized experience that meets their needs and preferences. Personalization also allows businesses to upsell and cross-sell products based on customer behavior data (Jain, 2023). This can increase sales and income for SMEs in Kupang. However, behind so many digitalization opportunities, there are also various threats that SMEs understand. From the description of the background, it is clearly illustrated that digitalization is a reality that has fundamentally changed business practices, so that it will become one of the main issues in the future business management debate. Thus, the discussion about digital marketing is not about whether or not you want to but whether or not you are ready to adapt to this direction of change. This research tries to take the topic around the introduction of business challenges and opportunities for SMEs, based on the introduction of installed capacity and development potential that allows for a professional and up-to-date transformation of SME management. In the end, it is hoped that a strategic solution will be obtained that provides a strong foothold for business people in the SME sector to catch up with the latest conditions according to existing business dynamics. Therefore, this study aims to explore the opportunities and challenges of the digital-based marketing era for SMEs in Kupang based on empirical evidence. This article will also provide recommendations for SMEs to navigate this era.

2. LITERATURE REVIEW

2.1. Marketing

Marketing is a business aspect that is revenue generating activities, because this is where companies and consumers find what they are looking for. Through marketing activities, the interests of both groups, producers and consumers, reach their culmination point. Where consumers find goods and services that can satisfy their needs and desires, while on the other hand the company earns its revenue/margin. Many thinkers are trying to express their views on marketing. (Kotler, P. and Keller, 2014), A leading marketing thinker, formulating marketing as a social process and management process. In terms of the first process, marketing is formulated as "a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others". Furthermore, the formulation from the second perspective is said to be: an organizational function and set of process for creating, communicating, and delivering value to the customers and for managing customer relationships in ways that benefit the organization and its stakeholders (Kotler, 2016). If you listen, these two points of view depart from the same fulcrum, namely the fulfillment of the interests of both parties.

According to the concept mentioned above, marketing is related to the creation of consumers. Likewise, the modern management thinker Peter Drucker, reinforces and even asserts that marketing is so fundamental that it cannot be considered a separate function. It is the whole business seen from the customer's point of view. Business success is not determined by the manufacturer but by the customer. Thus, the modern concept puts more emphasis on customers and considers them to be kings. Marketing is not just a physical process but more than that. It is a managerial philosophy centered on the wants and needs of the customer (Kotler, 2016). Thus, based on the views of these thinkers, it can be said that marketing is a business process that begins and ends with consumers, but still provides adequate incentives to the company. How to make this happen, a management process is needed that allows all company resources to be managed effectively and efficiently. At this point, companies need to recognize and integrate various marketing variables, which will be the company's strength to meet what consumers are looking for or the target market is targeting. There are at least four marketing variables that are generally managed by the company for this purpose, namely products, prices, promotions and distribution channels.

2.2. Promotion

Consumers are always geographically spread even across the boundaries of a country's jurisdiction. In order for consumers to know about the products/services they need/want, a promotional activity is needed that can reach all intended consumers. Promotion is actually a process of communicating a variable mix (marketing mix) that is very important for companies to implement. (Yuan et al., 2021) defines promotion as: "... The planning, implementation, and controlling of the communication with its customers and other target audience". Promotion itself consists of four variables known as the promotional mix, namely: advertising, personal selling, sales promotion, and publicity. The implementation of promotions is generally aimed at achieving various company goals (Akbari & Moradipour, 2021), namely: Creating or increasing product awareness about the product/service/brand. Increasing brand preferences in the target market. Increasing sales and market share. Encouraging repeat purchases. Introducing new products. Attracting new customers. Marketing communication through promotional activities is more dominated by the delivery of information that is one-way, namely from the company to the target consumers or potential consumers. However, along with the development of digital-based communication technology, there has also been a change in the orientation of the approach to consumers from mass and one-way to customization and personalization, namely by applying what we know as digital marketing. This approach is more aimed at building a more personal and intense relationship with its consumers. And the fundamental reason for the very classic effort is the economic motive, which is to maintain and even increase the number of its consumers.

(Lin et al., 2013).

2.3. Digital Base-Marketing

Internet marketing is simply defined as the achievement of marketing goals using digital technology (Bhuvanewari & Kannan, 2021). Digital marketing is the use of technology to help shopping activities increase customer knowledge by adapting to their needs. In developed countries, companies have realized the importance of digital marketing. To be successful, companies must combine online methods with traditional methods to more accurately meet customer needs (Poorani et al., 2021). The introduction of new technologies should create new business opportunities for entrepreneurs to manage their websites and achieve business goals (Farida & Setiawan, 2022).

Online advertising is an effective marketing tool for building brands and increasing traffic for business success (Pawe & Marciniak, 2022). Today, monotonous advertising and marketing techniques have been replaced by digital marketing. In addition, this technology is also very effective so it can help revive the market and create a great opportunity for the government to work more efficiently (Yamin, 2017). Companies in Singapore have tested the success of digital marketing tools as practical and useful tools to achieve results (Dwivedi et al.,

2021b). More importantly, the growth of digital marketing is due to the rapid development of technology and changes in market dynamics. In order for digital marketing to deliver results for businesses, digital content such as accessibility, navigation, and speed are defined as essential marketing features (Hollebeek et al., 2018). Another tool that has proven successful in digital marketing is the use of WOM on social media and the popularity of websites (Kozinets et al., 2010). Additionally, WOM is associated with new member acquisition and increased website traffic, which increases visibility in terms of marketing. Social media, such as Facebook, has opened up opportunities for companies to communicate with millions of people about products and services and open up new marketing opportunities in the market. This is only possible if managers are fully aware of the use of communication strategies to engage customers and improve their experience. Marketing professionals must have a deep understanding of online social marketing campaigns and programs and understand how to execute them effectively using performance metrics. Along with changing market dynamics around the world regarding the access and use of social media by young people. A strategic integration approach should be applied in an organization's marketing communication plan (Frehse, 2020). For businesses, online reviews have worked well as part of their overall strategic marketing strategy. Online service tools are more effective than traditional communication methods (Fraccastoro et al., 2021). The study revealed that users experienced increased self-esteem and pleasure when they adapted to social media, which is a sign of motivation for business and marketing professionals. Online experiences affect consumers' mental processes and improve their online purchasing decisions (Dwivedi et al., 2021b).

Digital Marketing is a general term for the marketing of products or services using digital technology, especially on the Internet, such as mobile phones, display ads, and other digital media. Digital marketing has come a long way since the 1990s and 2000s and has changed the way brands and businesses utilize digital communication technologies and tools for their marketing (Outreach & Sustainability, 2022). This digital marketing is carried out by creating promotional activities and market searches through online digital media by utilizing various means such as social networks. Some of the online platforms that are often the main means of marketing are Facebook, Google, Twitter, Instagram and other social media that have effectively changed the attitudes and perceptions of targeted consumers. This digital marketing strategy is more prospective because it allows potential consumers to get all kinds of information about products and transact through the internet (Meyer et al., 2023). According (Chaffey & Smith, 2017) The development of digital marketing through websites, mobile phones, and gaming devices, offers new access to uncompromising and highly influential advertising. Digital Marketing can also create or open new markets that were previously closed due to limited time, means of communication, and distance. According to. Digital marketing itself is the main key in determining the success of a business. This is because implementing digital marketing can help SMEs track customer behavior in real-time, and new products launched through the internet can be known for their reach, engagement, and conversion, so that SMEs are able to understand customer needs accurately (Kaur et al., 2021). Digital marketing campaigns are becoming more extensive and efficient, as digital platforms are increasingly incorporated into consumers' marketing plans and daily lives, and because people prefer to use digital devices rather than going to physical stores. To implement digital marketing, SMEs must first understand the concept of digital marketing itself. So that later SMEs will be able to implement digital marketing appropriately and successfully.

2.4. Micro, Small, and Medium Enterprises (SMEs)

In Indonesia, the definition of SMEs is regulated in Law Number 20 of 2008. In Article I (general provisions) of the Law, it is stated that micro enterprises (MIE) are productive businesses that are independently owned by individuals or business entities that meet the criteria for MIE as regulated in the Law. Small business (SE) is an independent productive economic enterprise carried out by an individual or business entity that is not a subsidiary or non-branch of a company owned, controlled, or is a part, either directly or indirectly, of a medium company (ME) or a large company (LE) that meets the SE criteria as regulated in the Law. Meanwhile, ME is an independent productive economic company run by an individual or business entity that is not a subsidiary or non-branch of a company owned, controlled, or is a part of, directly or indirectly, from MIE, SE or LE that meets the ME criteria as stipulated in the Law (Riwu & Mattunruang, 2024).

One of the characteristics of the Indonesian economy is that domestic economic activities are dominated by SMEs. In this era of technology, SMEs are required to advance by digitizing all business processes that will be carried out. One of them is by using social media as a means of digital marketing. This digital marketing is useful for introducing SME products on a wider scale and for clear target customers so that the marketing carried out is regular and has more value in the eyes of consumers (Hanelt et al., 2021). Digital marketing also has an important factor in influencing aspects of consumer behavior, product awareness, information acquisition, opinions, purchasing behavior, communication, and post-purchase evaluation. All these different aspects have the goal of increasing the company's competitive position and ultimately leading to increased sales (Dethine et al., 2020).

SMEs must be able to see all the problems faced, for example the main problem is not only the lack of capital, but also due to the weak/lack of access to capital sources in the community, knowledge and skills in marketing the business (Lew et al., 2023). Abundant evidence around the world, and especially in low-income/poor

countries, suggests that SMEs play an important role in overcoming barriers to poverty, inequality, and job creation, particularly in rural areas. SMEs are an important resource or business opportunity for low-skilled communities and young people (Pawe & Marciniak, 2022). Therefore, business actors, especially in Kupang City, must begin to realize the importance of using digital marketing in the implementation of SMEs for future economic development.

3. METHOD

3.1. Research Approach

This research is a qualitative research with a type of case study research. The case study was taken because this study not only provides an overview of digital marketing and digital literacy in SMEs in Kupang and Yogyakarta cities but also provides an in-depth analysis of the opportunities and challenges faced by SMEs in the dynamics of digital marketing. Data collection in this study was carried out through interviews and document studies. Interviews were conducted with SMEs in Kupang and Yogyakarta cities, especially in seeing the opportunities and challenges faced in running a business through digital marketing.

Meanwhile, document studies are obtained from official documents from the government as well as journal articles and articles from the internet. The data obtained will then be analyzed through several stages, namely data reduction by selecting data obtained from the results of interviews and document studies. Data display is the next stage in data analysis, the results of data reduction are displayed in narrative text. The last stage is to verify and draw conclusions from the data that has been processed.

3.2. Lokasi dan Sifat Penelitian

This research is located in the cities of Kupang and Yogyakarta. SMEs in Kupang City and Yogyakarta are very diverse, ranging from the agriculture, handicrafts, culinary, tourism, to service sectors. Each of these sectors has an important role in the local economy and provides jobs for the local population. An increase in product innovation and creativity in marketing. SMEs are increasingly adopting technology, both to improve product quality and in marketing strategies, especially with the adoption of digital marketing. This research was conducted with a qualitative approach. This approach tries to photograph a reality as holistic, complex, dynamic, meaningful and its relationship is interactive/reciprocal (Sugiyono,2018).

1. Qualitative research, therefore, has several characteristics (Moleong, 2017), including: Natural background. The research was conducted on SMEs, which were not manipulated and the presence of the researcher did not affect the dynamics of the object.
2. Humans as instruments. Researchers are the main actors of all research activities. He must be a real instrument in the whole process of the research process. Researchers must go directly to the field to identify, photograph, collect, analyze data, and reconstruct the social situation to be researched to become clearer and more meaningful. Using qualitative methods.
3. The use of this method is carried out with considerations, among others, that it is easier to make adjustments in the field, there is a direct relationship between the researcher and the respondent/informant,
4. Inductive data analysis, which is always based on the phenomenon that occurs at the time of the research and starts with the opening question rather than a hypothesis statement that is tested for truth.
5. This qualitative research investigates the condition of SMEs in Kupang City in facing the digital marketing era.
6. Descriptive. The data collected is more in the form of words and pictures. As far as possible the data analyzed in its original form, so that the depth of meaning can be explored without pretensioning that something is indeed so. Qualitative research emphasizes more on the process, because the aspects studied will be more clearly revealed in the research process. There is a limit determined by focus.
7. Qualitative research requires a research limit on the basis of the focus that arises as a problem in the research. The determination of focus as the subject of research problems is important, meaning in an effort to find research boundaries.
8. The design is temporary, because it will be continuously adjusted to the reality of the field. So not using a strictly prepared design, means that there is an opportunity to change the design that has been created before.
9. The results of the research are negotiated and agreed upon together because there is a need for the understanding and interpretation results obtained to be negotiated and agreed upon by the party who is the source of the data. This is due to several things. First, the facts from the data source that will be raised by the researcher. Second, the results of the research depend on the nature and quality of the relationship between the seeker and the sought-after. Third, the verification results will be better if confirmed by the relevant parties being researched.

3.3. Types and Data Sources

In this study, there are two types of data needed, namely primary data and secondary data. Primary data is

data that is directly obtained from the first source through in-depth interviews and observations related to the aspects being researched according to the problem and research objectives. Primary data sources consist of SMEs in Yogyakarta and Kupang. This research also requires quantitative data related to SMEs seizing opportunities, facing challenges, and how to improve digital literacy through in-depth interview. Moleong (2017) said that qualitative researchers often use statistical data as an additional source of data. Furthermore, it is said that the need for statistical data is a way to usher and direct it to the event or events that want to be found and searched for in accordance with the problem and research objectives. Statistical data will be obtained more from searching various libraries and publications published by government agencies or non-governmental institutions related to research topics.

3.4. Analysis Methods

Data analysis is carried out in a qualitative descriptive manner by systematically compiling data/information obtained from field research in the form of interview results, field notes, and documentation including FGD results by organizing data into categories to facilitate the analysis process.

3.5. Analisis Data Kualitatif

The qualitative analysis model referred to in this study is the model put forward by Milles and Huberman (1992) that qualitative analysis is a series consisting of three streams of activities that occur simultaneously, namely:

a. **Data Reduction**

Data reduction is a form of analysis that sharpens, classifies, directs, discards unnecessary and organizes data in such a way that the final conclusions can be drawn and Verified.

b. **Data Presentation**

Data presentation in qualitative research is part of a series of analyses because it is related to the consideration of presentation models that will make it easier to understand the data/information presented in various forms, such as brief descriptions, matrices, charts, graphs and networks. The selection of the presentation model is analytical because it considers how to make it easier for people to understand its meaning.

c. **Drawing conclusions/verification** Drawing conclusions as the next step is related to the nature of qualitative research that the analysis process has started since data collection in the field. Researchers must have begun to explore the meaning of the results of observations/interviews/FGDs or existing presentation data. However, at this stage, the conclusion is still loose and open by remaining skeptical and continuing to be verified until a solid conclusion is obtained. The conclusions presented are in the form of credible conclusions.

3.6. SWOT Analysis

In accordance with the direction of the research objectives, a SWOT analysis was also carried out in this study to find a strategy for the development of ecotourism areas based on the creative economy. This analysis is built on the basis of the idea that a good strategy is a strategy that is built based on factual conditions and various tendencies of change. The combination of internal and external factors will be the raw materials that are concocted in the formulation of the strategy. SWOT analysis is a tool used to systematically identify strengths and weaknesses as well as opportunities and threats. This analysis is based on the logic that the best strategy is one that can maximize the use of strengths to take advantage of opportunities but at the same time can minimize weaknesses and overcome threats. From these aspects, a number of alternative strategies are then built, and the best choice is a strategy that is able to provide maximum results. The best strategy is a combination of the elements of each internal factor (strengths and weaknesses) and external factors (opportunities and threats). In an effort to find the best composition, Rangkuti (2001) suggested making an External Factors Analysis Summary (EFAS) and an Internal Factors Analysis Summary (IFAS). Both are done by creating a matrix to facilitate the analysis process of determining strategic factors. It will then be included in the SWOT quadrant to determine the right strategy for the development of ecotourism

4. RESULTS AND DISCUSSION

4.1. SME Development Strategy

4.1.1. Kupang City SMEs

The development of SMEs in Kupang City is developing well, the competition can be seen from the involvement of SMEs in social media. From the results of observations carried out by SMEs in Kupang City, they are generally engaged in the agriculture, fisheries, local handicrafts, and service sectors. Starting from a small idea and utilizing the natural resources in Kupang City, SMEs in Kupang City have various types of businesses carried out. Furthermore, the results of observations were made to 15 SMEs in Kupang City who have implemented digital marketing in their businesses. The strategies implemented by Kupang City SMEs to maintain their businesses can be described through their business conditions, including aspects of strengths,

weaknesses, opportunities, and threats faced by Kupang City SMEs, as follows:

1) Strengths

The strengths possessed here are the general strengths possessed by Kupang City SMEs in running their businesses. These forces have an impact on the development of SMEs in Kupang City in the midst of the opportunities and challenges of the digital-based marketing era. These forces are as follows:

- a. Limitations are an obstacle for entrepreneurs in developing and running their business activities, which affects the achievement of the desired profits by Kupang City SMEs. Here are some examples of these limitations: Limited internet access In some areas, internet access is still limited or even unstable. This can hinder SMEs' ability to use digital marketing strategies effectively, especially if the content or digital platform is used
- b. requires a strong internet connection. In some SMEs in Kupang City, there are still many who have poor internet because they are located in several areas that are not reached by the network Minimal Digital Knowledge Many SMEs may not have enough knowledge about digital marketing strategies, such as SEO, social media management, or digital data analysis. This lack of understanding of technology can hinder SMEs' ability to optimize their digital marketing potential. There are still several SMEs in Kupang City that have not even gone e-commerce due to the lack of digital training facilities available in Kupang City.
- c. Limited Internet Access
In addition to limited internet access, low internet speeds can also be a problem. These limitations can lead to obstacles in uploading content, replying to messages, or interacting with customers online. Many SMEs in Kupang City have obstacles in uploading content on social media due to limited internet access in Kupang City

2) Opportunities

This situation refers to conditions that support or enable the growth and development of SMEs in Kupang City. Here are some of the opportunities that are open:

- a. Large market reach
Digital marketing allows SMEs to reach a much wider market than traditional marketing. By leveraging digital platforms, such as websites, social media, or online marketplaces, SMEs can capture the attention of consumers outside of their local area and increase sales potential. The market reach for them, namely SMEs in Kupang City, is larger because many local tourists do not know where in Kupang City this is very potential for those who have a type of handicraft business.
- b. Collaborate with Local Influencers
Collaboration with local influencers who have a large and actively engaged following can help SMEs to increase their brand visibility. When influencers promote SME products or services to their audience, this can create new trust and interest among consumers. Although most influencers in Kupang City still have a few followers, the number of followers in Kupang City is already large
- c. There is a government program that supports the digitalization of SMEs
Many local or national governments have programs to support the digitalization of SMEs. These programs can be in the form of training, grants, or other incentives that help SMEs to adopt digital technologies and increase their competitiveness. One of the programs carried out by the government in Kupang City is to provide funds and education about digital marketing to help those who have become SMEs.

3) Threats

In addition to the obstacles and obstacles mentioned earlier, along with the economic, technological, social, and cultural growth in society, SMEs in Kupang City also recognize several perkembangan tersebut sebagai ancaman terhadap kelangsungan usahanya. Berikut adalah beberapa hal yang dipandang sebagai ancaman terhadap UKM di Kota Kupang.

- a. Competitive competition between SMEs
Competition between local SMEs can be fierce, especially in the realm of digital marketing which creates relatively easy access. SMEs need to compete with similar products from other local competitors to attract attention and retain their customer base. This was revealed by business owners who have the same type of business and the social media used is also the same. This will cause the division of market share owned by SMEs in Kupang City
- b. Rapid Technology Changes
Digital technology continues to evolve rapidly, and SMEs must adapt to these changes to stay relevant. Changes in social media platforms, search engine algorithms, or consumer trends can change the dynamics of digital marketing by quickly and significantly. Technological developments will change from time to time, in Kupang City, digital marketing has just begun to enter e-commerce. There are no SMEs in Kupang City that utilize AI technology to encourage their businesses
- c. Online Defamation
The threat of online defamation, such as negative reviews or bad comments on social media, can damage the

reputation and brand image of SMEs. This can affect consumer confidence and reduce interest in doing business with such SMEs. This can be seen in the marketplace and SME social media. In Kupang City, this also happens to SMEs and the consequences felt can be medium and even long-term.

Yogyakarta City SMEs The development of SMEs in Yogyakarta City has been very good, the competition can be seen from the involvement of SMEs not only from social media, but also in e-commerce. SMEs in Yogyakarta City are known as a city of culture and education, which also has a strong tourism sector. SMEs in Yogyakarta are often engaged in handicrafts, culinary, and tourism. Many SMEs use local culture and tourism as their business base. Furthermore, the results of observations were made to three SMEs in Yogyakarta City that have implemented digital marketing in their businesses. The strategy implemented by Yogyakarta City SMEs to maintain their business can be described through their business conditions, including aspects of strengths, weaknesses, opportunities, and threats faced by Yogyakarta City SMEs, as follows:

1) Strengths

The strengths referred to here are the general strengths possessed by SMEs in the city of Yogyakarta in running their businesses. These forces have an effect on the development of SMEs in Kupang City in the midst of the opportunities and challenges of the digital marketing era. Here are these forces:

a. Adoption of digital technology

Many SMEs in Yogyakarta City have adopted digital technology in their operations and marketing. This allows them to improve operational efficiency and reach more consumers through online platforms.

b. Marketing Content Creativity

SMEs in Yogyakarta City show creativity in compiling their marketing content, which is not only informative but also interesting and entertaining for consumers. This helps them to differentiate themselves in a crowded and competitive market.

c. Product Diversity

SMEs in Yogyakarta City offer a wide range of products that cover various categories, from handicrafts to culinary and tourism services. This diversity gives consumers more choice and increases the attractiveness of their business.

1) Weaknesses

Weaknesses are obstacles for entrepreneurs in the development and implementation of their business activities, which has an impact on the achievement of profits expected by SMEs in Yogyakarta City. Here are some examples of these weaknesses:

a. Budget Limitations

Many SMEs in Yogyakarta City face budget constraints, which can limit their ability to carry out broader and more effective marketing strategies. This can be an obstacle in growing their business significantly. Capital limitations occur because the profits generated by SMEs in Yogyakarta City are not too large due to the fierce competition.

b. Dependence on Local Markets

Some SMEs may be overly reliant on the local market, which can be a disadvantage if they are unable to explore the wider market. This makes them vulnerable to local market fluctuations and changing consumer trends.

c. Fierce Competition

Competition between SMEs in Yogyakarta City is quite fierce, especially in popular sectors such as handicrafts and culinary. This requires SMEs to continue to improve the quality of their products and services to stay competitive.

2) Opportunities

This refers to the circumstances that facilitate the growth and development of SMEs in the city of Yogyakarta. Here are some of the opportunities available:

a. Growth of Internet Users

The growth in the number of internet users, especially in Indonesia, opens up great opportunities for SMEs in Yogyakarta City to reach a wider market online. By leveraging digital platforms, they can expand their customer base without being limited by geography.

b. Tren Media Sosial

Social media continues to be one of the most effective marketing tools, especially among younger people. SMEs can take advantage of this trend to increase consumer engagement and expand their brand reach.

c. E-commerce Usage

E-commerce has become one of the most popular and potential sales platforms for SMEs. By opening an online store, SMEs in Yogyakarta City can reach consumers throughout Indonesia and even abroad, increasing their sales potential significantly.

3) Threats

In addition to the obstacles and obstacles that have been explained earlier, in line with the growth of the economy, technology, social and cultural aspects in the community, SMEs in Yogyakarta City also identified some of these developments as threats to their business continuity. Here are some things that are considered a threat to SMEs in Yogyakarta City.

a. Fierce Competition

Persaingan dengan UKM dari luar daerah atau bahkan luar negeri dapat menjadi ancaman bagi UKM lokal.

Mereka harus dapat membedakan and offer unique added value to stay competitive in an increasingly global market. SMEs in Yogyakarta have gone global to market their products, making the competition even tighter.

b. Algorithm Changes

Changes in search engine algorithms or social media platforms can have a direct impact on the visibility and effectiveness of digital marketing campaigns. SMEs must be able to adapt to these changes quickly to maintain their marketing performance.

c. Data Security

Threats to data security and consumer privacy can reduce trust in SMEs doing business online. This can lead to a decrease in the number of customers and damage their brand reputation if not taken seriously. Because many SMEs in Yogyakarta are already using e-commerce, data security is a threat

4.2. Implementation of SWOT Analysis

Based on the strategy that has been explained by Kupang City SMEs and Yogyakarta City SMEs above, to carry out SWOT analysis, the researcher compiled an Internal Factor Evaluation Matrix (Internal Factor Evaluation - IFE matrix) and External Factor Evaluation Matrix (External Factor Evaluation-EFE Matrix) in the form of a table. But before the researcher creates a table format to compile a representative SWOT formula, the following steps will be placed first as follows (Coman & Ronen, 2009), (Jatmiko et al., 2022):

Formulate and identify external and internal strategic factors It is made using the following scaling technique:

a. Value Weights

- 1.00 = Very Important
- 0.75 = Important
- 0.50 = Standard
- 0.25 = Not Important
- 0.10 = Very Unimportant

b. Rating Value

- 5 = Very Important
- 4 = Important
- 3 = Neutral neutral
- 2 = Not good
- 1 = Very bad Skor Nilai

To determine the score of the grade, it will be calculated using the following formula: $(SN = BN \times RN)$.

- SN = Score
- BN = Value Weights
- RN = Value Rating.

Kupang City SMEs

The following is the Implementation of SWOT Analysis for SMEs in Kupang City:

Table 1: Internal Factors Analysis Summary (IFAS) Kupang City SMEs.

External Strategic Factors	Weight	Rating	Score
Strength			
• Unique local products	0.90	5	4.50
• Cooperation between local	0.85	5	4.25
• SMEs Low Marketing Costs	0.95	5	4.75
Debilitation			
• Limited internet access	0.80	3	2.40
• Minimal Digital	0.75	3	2.25
• Knowledge Limited Internet Access	0.65	4	2.60

The total score of 20.75 shows that SMEs in Kupang City are above average in terms of their overall internal strength.

Table 2: Eksternal Factors Analysis Summary (EFAS) Kupang City SMEs.

Internal Strategic Factors	Bobot	Rating	Skor
Chance			
• Large market reach Collaboration	0.90	5	4.50
• with Local Influencers Government	0.90	5	4.50
• programs that support SME digitalization	0.95	5	4.75
Threat			
• Competitive competition between SMEs	0.65	4	2.60
• Rapid Technology Changes	0.60	4	2.40
• Online Defamation	0.70	2	1.40

The weighted average total of 20.15 indicates that SMEs in Kupang City are above average in their efforts to take advantage of external opportunities and avoid threats. Here is a table that the researcher will use to analyze and determine strategic decisions using the SWOT matrix approach.

Table 3: SWOT Matrix of SMEs in Kupang City.

IFAS EFAS	Strength:	Weakness:
	<ul style="list-style-type: none"> • Unique local products Cooperation • between local SMEs • Low marketing costs 	<ul style="list-style-type: none"> • Limited internet access • Digital Knowledge with Minimal • Internet Access Limitations
	Strategic SO <ul style="list-style-type: none"> • Leveraging Unique Local Products to Reach a Wider Market • Using Collaboration Between SMEs to Collaborate with Local Influencers • Leveraging Low Marketing Costs to Optimize Government Programs 	Strategic WO <ul style="list-style-type: none"> • Increasing Digital Knowledge through Government Programs • Using Local Influencers to Overcome Limited Internet Access • Using a Wider Market Reach to Overcome Local Market Limitations
	Strategic ST <ul style="list-style-type: none"> • Using Unique Local Products to Face Competition Between SMEs • Leveraging Cooperation Between SMEs to Overcome Rapid • Technological Change Using Low Marketing Costs to Address the Threat of Online Defamation 	Strategic WT <ul style="list-style-type: none"> • Reducing Internet Access Limitations by Optimizing Existing Resources • Increasing Digital Literacy to Overcome Global • Competition Using Government Programs to Address Data Security Threats
	Opportunities: <ul style="list-style-type: none"> • Large market reach • Collaborate with Local Influencers • There is a government program that supports the digitalization of SMEs 	
	Threats: <ul style="list-style-type: none"> • Competitive competition • Between SMEs Rapid • technological changes • Online defamation 	

1) The SWOT matrix above produces four alternative strategies that can be taken by SMEs in Kupang City to face increasingly competitive competition, which are as follows: Strategi *Streght-Opportunities*
This strategy is to develop a strategy to utilize strengths to take advantage of opportunities.

a. Leveraging Unique Local Products to Reach a Wider Market

SMEs can use the uniqueness of their local products to attract consumers' attention in a wider market through digital platforms. For example, they can display the story and culture behind their products to attract consumers from outside the region.

b. Using Collaboration Between SMEs to Collaborate with Local Influencers.

SMEs can collaborate with local influencers together to promote their products. This cooperation not only reduces costs but also expands the reach of promotion.

c. Leveraging Low Marketing Costs to Optimize Government Programs with low digital marketing costs, SMEs can participate in government programs that support digitalization without burdening their finances. This can be free training or subsidies for digital marketing.

2) Weaknesses- Opportunities Strategy

This strategy is to develop a strategy and minimize weaknesses to take advantage of opportunities.

a. Increasing Digital Knowledge through Government Programs

SMEs can take advantage of government programs that support the digitalization of SMEs to improve their digital knowledge and skills. The training and workshops provided can help overcome the limitations of digital knowledge.

b. Using Local Influencers to Overcome Limited Internet Access

Local influencers who have good internet access can help promote SME products more effectively. SMEs can provide content and products to influencers to promote.

c. Using a Wider Market Reach to Overcome Local Market Limitations

By accessing a wider market through digital platforms, SMEs can reduce their dependence on local markets. Despite limited internet access, they can focus on creating high-quality content that can be uploaded and accessed by potential consumers in regions with better internet access.

3) Strategic *Weaknesses-Threat*

Namely Minimizing weaknesses and avoiding threats

a. Reducing Internet Access Limitations by Optimizing Existing Resources

SMEs can maximize the use of available internet access for essential activities only, such as uploading marketing content and communicating with customers. They can also look for alternative solutions such as community internet services.

b. Increasing Digital Knowledge to Overcome Global Competition

SMEs need to continuously improve their digital knowledge and skills to stay competitive in the global market. This can be done through online training, taking digital marketing courses, or joining an online business community.

c. Using Government Programs to Address Data Security Threats

SMEs can take advantage of government programs that offer digital security solutions and training on data protection. By improving data security, they can reduce the risk of defamation and build customer trust.

4.3. SMEs in Yogyakarta City

The following is the Implementation of SWOT Analysis for SMEs in Yogyakarta City:

Table 4: Internal Factors Analysis Summary (IFAS) of Yogyakarta City SMEs.

External Strategic Factors	Weight	Rating	Score
Strength			
• Adoption of digital	0.95	5	4.75
• technology Content Creativity Marketing	0.90	5	4.50
• Product Diversity	0.95	5	4.75
Debilitation			
• Budget Limitations	0.70	4	2.80
• Dependence on Local	0.80	4	3.20
• Markets Fierce Competition	0.60	3	1.80

The total score of 21.80 shows that SMEs in Yogyakarta City are above average in terms of their overall internal strength.

Table 5: External Factors Analysis Summary (EFAS) of SMEs in Yogyakarta City

Factor-Factor Strategic Internal	Weight	Rating	Skor
Opportunities			
• for Internet	0.95	5	4.75
• User Growth Social Media	0.95	5	4.75
• Trends E-commerce Use	0.95	5	4.75
Threat			
• of Fierce Competition	0.70	4	2.80
• Changes in Data	0.70	3	2.10
• Security Algorithms	0.65	3	1.95

The weighted average total of 21.10 indicates that SMEs in Yogyakarta City are above average in their efforts to take advantage of external opportunities and avoid threats.

The following is a table that the researcher will use to analyze and determine strategic decisions using the SWOT matrix approach.

Table 6: SWOT Matrix of SMEs in Yogyakarta City.

	<p>Strength:</p> <ul style="list-style-type: none"> • Adoption of digital • technology Content Creativity Marketing • Product Diversity 	<p>Weakness:</p> <ul style="list-style-type: none"> • Budget Limitations • Dependence on Local Markets • Fierce Competition
<p>Opportunities:</p> <ul style="list-style-type: none"> • Market Reach Growth of Internet • Users Social Media • Trends E-commerce Usage 	<p>Strategic SO</p> <ul style="list-style-type: none"> • Optimizing the Adoption of Digital Technologies to Capitalize on the Growth of Internet • Users Using Marketing Content Creativity to Keep Up with Social Media • Trends Leveraging Product Diversity through E-commerce Platforms 	<p>Strategic WO</p> <ul style="list-style-type: none"> • Overcoming Budget Constraints through Social Media • Trends Reducing Dependence on Local Markets by Using E-commerce • Leveraging the Growth of Internet Users to Overcome Fierce Competition
<p>Threats:</p> <ul style="list-style-type: none"> • Fierce Competition • for Data Security • Algorithm Changes 	<p>Strategic ST</p> <ul style="list-style-type: none"> • Using the Adoption of Digital Technology to Face Algorithm Changes • Leveraging Content Creativity to Overcome Fierce Competition • Leveraging Product Diversity to Address Data Security Threats 	<p>Strategic WT</p> <ul style="list-style-type: none"> • Overcome Budget Constraints with Affordable Data Security Solutions • Reducing Dependence on Local Markets by Diversifying Marketing Channels • Overcoming Fierce Competition with Product and Service Innovation

The SWOT matrix above produces four alternative strategies that can be taken by SMEs in Yogyakarta City to face increasingly competitive competition, which are as follows:

1) *Streght-Opportunities Strategy*

This strategy is to develop a strategy to utilize strengths to take advantage of opportunities.

a. *Optimizing the Adoption of Digital Technologies to Leverage the Growth of Internet Users*

SMEs can take advantage of social media trends that tend to be cheaper to promote their products. Marketing strategies such as viral marketing, user-generated content, and collaboration with micro-influencers can reduce marketing costs.

b. *Using Creativity Content Marketing we are bored Following Social Media Trends*

SMEs can leverage their creativity in creating engaging and relevant content on social media. Keeping up with social media trends, such as short video creation, live streaming, and interactive content, can increase engagement with your audience.

c. *Leveraging Product Diversity through E-commerce Platforms*

By using e-commerce platforms, SMEs can leverage the diversity of their products to attract different market segments. They can offer their products on various marketplaces, expanding their sales reach and increasing visibility.

2) *Strategic Weaknesses-Opportunities*

This strategy is to develop a strategy and minimize weaknesses to take advantage of opportunities.

a. *Overcoming Budget Constraints through Social Media Trends*

This strategy is to develop a strategy and minimize weaknesses to take advantage of opportunities. Overcoming Budget Constraints through Social Media Trends

b. *Reducing Dependence on Local Markets by Using E-commerce*

SMEs can reduce their dependence on local markets by selling their products on e-commerce platforms. This allows them to reach consumers outside the Yogyakarta area, even to the international market.

c. *Leveraging the Growth of Internet Users to Overcome Fierce Competition*

By capitalizing on the growth of internet users, SMEs can expand their markets and mitigate the impact of fierce local competition.

They can focus on digital marketing to reach a wider audience.

3) *Strategic Strengths-Threat*

Namely Harnessing power to overcome threats

a. *Using the Adoption of Digital Technology to Face Algorithm*

Changes SMEs can overcome the threat of algorithm changes by staying up-to-date with technological developments and digital trends. Using analytics technology and SEO tools can help them adapt their marketing strategies to algorithm changes.

b. *Leveraging Content Creativity to Overcome Fierce Competition*

Creativity in content marketing can be a significant competitive advantage. SMEs can create unique and engaging content to differentiate themselves from competitors and attract consumers' attention.

c. *Leveraging Product Diversity to Address Data*

Security Threats Product diversification can help mitigate the risks associated with data security. By offering different types of products, SMEs can create multiple sources of income that reduce dependence on a single digital platform.

4) *Strategic Weaknesses-Threat*

Namely Minimizing weaknesses and avoiding threats

a. *Overcome Budget Constraints with Affordable Data Security Solutions*

SMEs can look for affordable yet effective data security solutions to protect their data and customer data. Taking cybersecurity training offered by governments or non-profit organizations can be an inexpensive solution.

b. *Reducing Dependence on Local Markets by Diversifying Marketing Channels*

To overcome the dependence on local markets and the threat of stiff competition, SMEs can diversify their marketing channels, including using e-commerce, social media, and mobile apps to reach a wider range of consumers.

c. *Overcoming Fierce Competition with Product and Service Innovation*

SMEs can focus on product and service innovation to stay competitive. This could include improving product quality, adding unique features, or offering better customer service to increase customer satisfaction and loyalty

5. CONCLUSIONS, SUGGESTION, FUTURE DIRECTION

Based on the results of the research and discussion, it can be concluded that SMEs in Yogyakarta City and Kupang City have different ways of facing the opportunities and challenges of the digital marketing era and in building digital literacy. The diversification of strategies in the face of digitalization shows that Yogyakarta City SMEs tend to be innovative by utilizing social media and e-commerce trends to expand the market. This reflects

how SMEs in regions with good access to technology and internet can innovate with digital content and compete in the online market. This strategy illustrates the importance of adaptation and creativity in the face of global competition, especially when engaging a wider market through digital platforms. On the other hand, Kupang City SMEs show the central role of local products and collaboration with influencers and the government to increase visibility. It emphasizes the importance of maintaining local identities while globalizing unique products through digitalization, reflecting relevant trends in various countries that want to maintain local wisdom while penetrating the global market.

The challenges faced by SMEs in Yogyakarta and Kupang demonstrate the global complexity of digital technology adoption by small businesses. Competition with large companies, which is a global issue, where SMEs often find it difficult to compete with big brands on digital platforms that have greater marketing resources. Budget constraints that limit SMEs' ability to maximize digital marketing are something that SMEs often face around the world, especially in developing countries. Cybersecurity is a universal concern in the context of global digitalization, where every business, whether large or small, is faced with increasing data security threats.

The government plays an important role in facilitating the digitalization of SMEs in both Yogyakarta and Kupang. This shows the importance of government support policies and programs in accelerating the adaptation of digital technology for SMEs, which is also relevant in the global context. Many countries around the world are developing similar programs to help SMEs adopt digital technologies and strengthen their competitiveness in the era of globalization. In terms of collaboration and digital community, SMEs in Kupang that build networks and communities to share knowledge about digitalization are an important example of how collaboration between business actors in various regions can help accelerate digital transformation. This shows the relevance of collaboration between SMEs at the global level, where SMEs from different countries can learn from each other's experiences in overcoming digitalization challenges.

The analysis also emphasizes the importance of an approach tailored to the local context. Yogyakarta with better digital infrastructure, and Kupang, which faces limited internet access and digital knowledge, show that digitalization strategies cannot be applied uniformly around the world. Each country and city has unique characteristics that require a different approach to building digital literacy and infrastructure

5.1. Suggestion

1. For local governments to develop and expand digital literacy training programs for SMEs and support collaboration between SMEs and various parties to increase the adoption of digital technology
2. SMEs are expected to actively seek digital training and education opportunities, as well as optimize the use of social media and e-commerce platforms to expand the market and increase sales
3. For the next researcher, it is expected to examine the long-term impact of digital literacy on the growth and sustainability of SMEs, as well as investigate innovative strategies that can be applied by SMEs to face technological changes and global competition.

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